

**Climate Investment Funds (CIF) Accelerating Coal Transition (ACT) Investment Plan
(IP) preparation for the Republic of North Macedonia
Joint Mission, September 19-22, 2023**

Based on notes and understanding from the meetings. For clarifications, please reach out to relevant stakeholders.

Hosted by State Secretary for Energy, Ministry of Economy, North Macedonia
Draft: October 19, 2023

1. Introduction

1. The Climate Investment Funds (CIF) set up the Accelerating Coal Transition (ACT) Program under the Clean Technology Fund (CTF). It is a holistic toolkit to support countries transitioning from coal, tackling challenges linked to three pillars: 1) governance, 2) people and communities, and 3) infrastructure, targeting transformational change. At the TFC Meeting on February 1, 2023, North Macedonia and the Dominican Republic were invited to participate in the program and develop an Investment Plan (IP) of up to USD 85 million each. Other countries participating in this program are India, Indonesia, the Philippines, and South Africa. The TFC also granted to North Macedonia up to USD 0.5 million as an Investment Plan Preparation Grant (IPPG) to support the preparation of the IP.
2. Given the CIF's country-driven approach, the IP is a business plan to be developed and submitted by the Government of North Macedonia in cooperation with the CIF's Multilateral Development Bank (MDB) partners, in this case the European Bank for Reconstruction and Development (EBRD – lead), World Bank (WB), and International Finance Corporation (IFC). The IP fleshes out the Government's proposals, identifies potential areas for MDBs' investments and technical assistance, and includes the potential of mobilizing complementary co-financing from bilateral, multilateral, and private sources.
3. On April 6, 2023, the MDBs held a kick-off call with the Ministry of Economy (ME) and the Ministry of Finance (MF) to (i) introduce the team, (ii) provide an overview of the program and timelines, (iii) answer questions on the expectations, process, and priorities, and (iv) discuss next steps including the scoping mission. On May 22-25, the MDBs held the first Scoping Mission in Skopje, co-organized with the Ministry of Economy (More details in [Scoping Mission 22-25 May Aide Memoire](#)).
4. During September 19-22, the State Secretary for Energy (SSE) of the Ministry of Economy (ME) of North Macedonia hosted a joint mission comprising of MDBs – EBRD, WB, and IFC to discuss the preparation and progress of the draft Investment Plan (IP), and concrete investment components. Several meetings were organized by ME between the MDBs and CIF ACT representative with key Government stakeholders, private sector representatives, development partners, civil society organization representatives (CSOs), and State-Owned Enterprises (SOEs). During the joint mission, the MDB mission team and CIF ACT representative visited the TPP in Bitola.

5. The **key objectives** of the mission were to:

- (i) Present and discuss a draft version of the IP, including early investment concepts;
- (ii) Stocktake existing activities, documents, studies, and plans for the preparation of IP (e.g., climate policy, electricity sector decarbonisation, renewable energy plans, regional development plans, human capital development support, just transition governance, etc.);
- (iii) Exchange views with key stakeholders, inform them of the program, and collect inputs;¹
- (iv) Plan upcoming public consultation for the draft IP;
- (v) Discuss the possibility of presentation of the draft IP at COP28;
- (vi) Confirm the timeline for submission of the IP and next steps.

2. Summary of key findings:

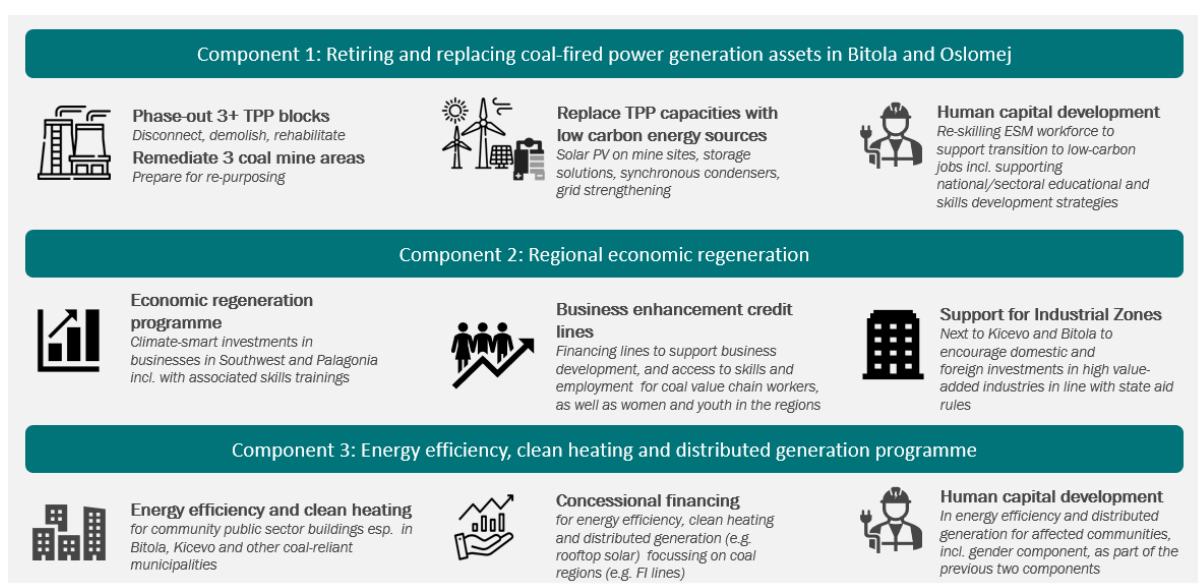
6. Political level:

- The Government remains committed to the coal-phase out before 2030, in line with the strategic documents (NDC, draft NECP, Energy Strategy) to meet the 2030 82% GHG emissions reduction target compared to the 1990 level, recently confirmed per Decision 2022/02/MC-EnC submitted to the Energy Community Secretariat;
- Ministry Kreshnik Bekteshi confirmed support for the ACT IP process and readiness to support ME staff to actively participate;
- North Macedonian Government acknowledges the opportunity and importance of being selected as an ACT IP country and receiving concessional funding for the coal phase-out;
- Given elections are coming up in the spring of 2024, the IP is to be submitted to CIF by late December (2023) or early January 2024 to meet the Trust Fund Committee's (TFC) meeting dates and avoid delays in accessing concessional resources. All stakeholders agreed to be proactive and contribute to this short deadline, confirmed by the Minister of Economy;
- ME will continue coordinating the process of drafting the ACT IP and communicating with the CIF for the North Macedonian Government, with close support from the EBRD as lead IFI, as well as IFC and World Bank.
- ME will coordinate with EBRD to present the draft ACT IP at the upcoming COP28 in Dubai end of November 2023, aiming to mobilize additional funding for the coal transition.

6. Technical level:

- Overall, stakeholders supported the presented components of the IP as a good basis for the development of the concrete IP pipeline;
- MDBs and ME will proceed with finalizing the IP draft during October 2023 and submit the draft to the Government before public consultations:

¹ This should include relevant national and local government officials, companies and industry bodies, representatives from Civil Society Organizations (CSOs), academia and the development partner community.



Governance

- It remains crucial that local communities and municipalities in the affected coal regions of Southwest and Pelagonia are informed about the process and engaged closely;
- ME will engage the capacity-building consultant as soon as possible to support IP communication among Government institutions, local governments, CSOs, and other relevant stakeholders, as well as facilitate public consultations;
- European Union Delegation continues to support the establishment of the JT structure as per the Just Transition Roadmap, adopted by the Government in June 2023;
- The government working groups on reskilling, renewable energy sources and storage, and economic transition under the JT Council will be formed soon and can support the ACT IP consultation process;

Infrastructure

- The ACT IP draft public sector projects should be included in the Single Project Pipeline (SPP) of the country per the request of the Ministry of Economy;
- While there is an increased interest in renewables investments by both public and private sector that support the ACT programme's low carbon transition objectives, further grid investments are required to enable their connections and ensure stable electricity supply;
- The ongoing LURA assessment of the three mine areas will be the first of its kind in North Macedonia, giving a comprehensive overview of how the depleted coal mines and infrastructure assets in and around the coal-fired power plants can be best repurposed;
- There is a clear interest to develop and invest in energy storage infrastructure, including batteries - ME is finalizing the legislation on battery storage, and soon ESM and MEPSO will get licenses to use storage for renewable energy sources but will need technical support;
- ESM, MEPSO, and EVN will continue to contribute to the IP process with project ideas, investment needs, data, and existing studies;

People

- **IP needs to have a strong focus on economic diversification and skills programmes.** Brain drain and skills shortages are key challenges for the two JT regions, with even energy companies facing lack of engineers. Stakeholders highlighted the need for giving new opportunities to coal value chain workers, addressing skills shortages, and creating employment for those not in the labour force. This includes active labour market policies, incl. w a focus on women.
- There are no specific early retirement, upskilling, re-skilling programs for impacted workers ,except for the EBRD’s Technical Cooperation support for Enhancing the ESM’s Role in Just Transition, as part of the EBRD’s EUR 25 million loan to JSC Elektrani na Severna Makedonija (ESM) for the construction and operation of a 30 MW solar photovoltaic project across two sites, including the "Oslomej 2" expansion on the exhausted coal mine of TPP Oslomej, and the "Bitola" plant adjacent to TPP Bitola) for the people in the affected regions;

Stakeholder engagement

- The CSOs re-emphasized the importance of implementing skills programs, engaging with local municipalities and other stakeholders, including CSOs and initiative groups, and affected communities (with a specific focus on disadvantaged groups) themselves during the IP process – Eko Svest offered to support public consultations in Bitola and Kicevo;
- Private sector representatives are willing to be engaged in the IP process, providing data and feedback on private sector needs, and are interested in accessing the funding;
- The Energy Community representatives will follow the IP from the compliance with EC commitments point of view;
- IPPG consultants will work intensively on providing data, analysis, and concept notes for the IP;
- EBRD will reach out to schedule follow-up meetings with the stakeholders specified below.

3. Background and Rationale

7. North Macedonia has set a Nationally Determined Contributions (NDC) target of a net 82% greenhouse gas (GHG) emissions reduction by 2030 compared to 1990. In 2021, 39.5% of the country’s electricity generation was from indigenous coal (lignite), supplied by two thermal power plants - 125MW TPP Oslomej and 639MW TPP Bitola. North Macedonia is a net electricity importer (circa 2 TWh p/a (about 30% of consumption). Despite the energy crisis, the country has recently reinforced its commitment to an 82% reduction compared to 1990 levels by 2030, with a complete coal phase-out as the main driver.

The MDBs are already involved in supporting projects related to the IP. The European Union Delegation (EUD) and EBRD have supported the Government in developing the Just Transition Roadmap (JTR), adopted by the Government in June 2023. It aims to ensure that the transition benefits are shared and to support vulnerable regions, communities, and workers from falling behind. This document was mentioned by stakeholders as one of the key reference points for informing IP pillars.

8. **The EBRD** has directly financed new renewable energy projects, helping reduce North Macedonia's reliance on coal. Additionally, the EBRD has facilitated financing for small renewable energy projects and engaged in policy dialogue with government authorities to advance the green energy transition.

The EBRD provided technical assistance to support the introduction of renewable energy auctions. This facilitated the launch of new solar tenders – the first in the region to be developed with exposure to wholesale power prices – with a combined installed capacity of 162MW.

Recently, EBRD provided EUR 5.9 million in long-term senior debt financing for constructing a 10MW PV plant adjacent to the existing TPP Oslomej. The PV plant is built on the exhausted coal mine of the TPP Oslomej, and the electricity produced is directly sold to the nearby grid.

Furthermore, EBRD provided a senior loan of up to EUR 25 million to the public electricity generation utility Elektrani na Severna Makedonija ("ESM") for implementing a 30 MW solar photovoltaic ("PV") project consisting of (i) a 10MW "Oslomej" expansion (currently under construction) on the exhausted coal mine of TPP Oslomej, and (ii) a 20MW "Bitola" expansion adjacent to TPP Bitola.

The EBRD also provided a senior loan of EUR 100 million to ESM to support the Company's liquidity needs amid the energy crises affecting North Macedonia. The proposed loan addresses an emergency liquidity gap by providing financial support to ESM and a comprehensive Action plan for the Energy Sector to address the decarbonisation ambition and the resilience of the local energy market.

The EBRD has played a crucial role in promoting regional connectivity by building electricity interconnectors, improving energy reliability, and facilitating the connection of new renewable energy sources, most notably, the construction of the first electricity interconnection with Albania, which will complete the east-west 400kV electricity connection between Bulgaria, North Macedonia, Albania, and Italy. The Bank is also providing technical support for a PPP tender for development of a hydrogen-ready national gas distribution system, promoting gasification in the country and exploring a hydrogen-ready gas interconnection to diversify and secure the gas supply and support the transition from coal.

Regarding energy efficiency, the EBRD has contributed to reducing household and business energy losses through its Green Economy Financing Facility (GEFF) program. Partner banks have offered financing for over 3,700 sub-projects, resulting in energy savings and high-performing technologies. The EBRD has also provided technical assistance to develop the energy-efficiency legal and regulatory framework, encouraging further investment in this area.

Additionally, a Green Finance Facility (GFF) is established in North Macedonia (the "GFF," the "Facility") of up to EUR 30m in favor of Participating Financial Institutions (the "PFIs") established in North Macedonia for on-lending to SMEs for investments in renewable energy (RE) and energy efficiency (EE) per the GFF Policy Statement. The GFF was developed in partnership with the UNDP, with contributions from the

Joint SDG Fund and the Government of North Macedonia and is expected to start in October.

In line with the EBRD's human capital development approach, the EBRD also promotes access to alternative livelihoods for those affected by the transition process through reskilling and upskilling, within the context of addressing underlying drivers of inequality. To so, the EBRD enhances the capacity of ESM to actively contribute to the preparation of regional economic development measures, as well as the formulation and delivery of a strategy for the development of nationally accredited market-relevant curricula, to define redeployment and reskilling opportunities for affected workers.

9. The World Bank is currently implementing a EUR 25 million Public Sector Energy Efficiency Project (PSEEP) supporting energy efficiency investments in public facilities. The project includes energy efficiency investments in the healthcare buildings managed by the Ministry of Health as well as buildings and street lighting owned by municipalities. Furthermore, this project supports the establishment and operationalization of an Energy Efficiency Fund (EE Fund) as a sustainable and revolving financing mechanism to scale up energy efficiency investments, together with the Macedonian Development Bank. Under PSEEP, there is a EUR 5 million component to support the first EE Fund investments in municipal projects once the Fund is established and operationalized. Thus far, the project has received applications from Kicevo municipality but no applications from Bitola.

The World Bank is also working on preparing a new investment project to support air quality improvements in targeted urban areas in North Macedonia, including municipalities of Bitola and Kicevo, with the highest concentration of PM emissions as part of a wider project that may support Green Agenda with a focus on air quality. The main components proposed under the project pertaining to AQ improvements will include: i) equipment for strengthening air quality measurement and monitoring network, analysis, modeling, and data dissemination and ii) incentive schemes for households to replace highly polluting solid-fuel stoves and boilers with more efficient and cleaner heating options, combined with targeted energy efficiency improvements of building.

10. IFC continued supporting the Directorate for Technological Industrial Development Zones (DTIDZ), aiming to attract investments to North Macedonia's advanced manufacturing sectors, with a focus on greening the industrial zones. Within the project mandate and scope, targeting the sustainable industrial zones to host climate friendly industries and help local companies to better integrate into global value chains, by greening their operations, IFC has prepared the final drafts of the Diagnostic and Scoping analysis of the Western Balkans region, Industrial Parks' specific Guidelines for the transition toward Eco-industrial parks (EIPs), Country-specific policy recommendations for resolving the identified regulatory and policy barriers, and submitted those to the EC.

In addition, following the desk-based diagnostics of the traditional industrial parks in the Western Balkans region, industrial parks' interviews and surveys and inputs from IFC country officers and stakeholders, IFC identified 12 (out of more than 300) industrial parks as potential candidates for Pilot implementation. Industrial zones from

North Macedonia in Gevgelija, TIDZ Skopje 1 and Skopje 2, are considered among the candidates for the implementation of the Pilot program. The final selection of the 4 most prospective industrial parks to enter the EIP Pilot program will depend on the final deliverables from the consultant. In this respect, IFC has already established initial contacts with the shortlisted industrial parks and received positive feedback and great interest in the project participation. Upon the final EIP Pilot selection, IFC will sign MOU with the four prospective industrial parks and commence the activities in their retrofitting to the EIP concept. Considering the green agenda, IFC is also partnering with private sector investors in the renewable energy space to finance wind and solar investments in the country.

4. Mission Findings

11. **CIF Funding Structure.** The entire IP design is a government-owned process, and the IP itself is a government-owned investment plan that should reflect the Country's priorities regarding the accelerated coal transition. At the beginning of each session of the joint mission, it was presented that North Macedonia can access up to USD 85 million in concessional funding from CIF to support accelerated and just energy transition, channeled via MDB's projects. Out of the USD 85 million, up to USD 8 million could be allocated to grants, with the rest to concessional loans. Regarding the ACT pillars, 70% are for *infrastructural investments*, 25% for *people*, and 5% for *governance* - available for the public and private sectors. CIF ACT funding and the MDBs could not support any activities related to using gas and other fossil fuels. Based on other countries' experience, the grant component is usually geared towards projects focusing on the people component and new technologies such as storage. The CIF will undoubtedly expect to see private sector-related projects in the IP. The MDBs will then match additional funds primarily through loans. Thus, the ACT IP should be seen as a catalyst for other funds that can conservatively reach 350-600 million in funding for the ACT. The IPPG, agreed with ME, has helped to already mobilise USD 0.5 million from CIF in investment plan preparation grant (IPPG) for specific studies and activities supporting the IP, delivered by MDBs. At the Investment Plan finalization stage, the MDBs must agree on which bank covers what component.
12. **Funds utilization:** Generally, once the IP is endorsed, the funds will be used through the MDBs. The intention is for the funds to mobilize additional capital. On the public sector part, a public guarantee will be needed. For the private sector, guarantees will not be required. Given that projects will be developed in detail at the IP stage, it is important to have a good idea of what MDBs can collectively do, but to not have very firm projects yet. CIF has operated for 15 years now and 1\$ investment has typically generated 7\$ from other sources. The Ministry of Economy, the MDBs, and CIF, agreed to use the upcoming COP28 in November 2023 for the North Macedonian Government to present the ACT IP draft and broader investment platform to mobilize further funding.
13. **Reconfirmed commitment to coal phase-out before 2030.** Government re-confirmed the commitment to the just transition. Many large private RES projects to move away from coal are initiated, but additional solutions need to be provided to address the intermittency of renewables. The Minister of Economy emphasized a need for investments in storage, substations, and transmission as a precondition to absorb more renewables. The projects of Elektrani na Severna Makedonija (ESM), the government-owned electricity-producing company that is investing in 20MW PV in Oslomej, and

two international companies (Turkish and Bulgarian) investing in two 50MW PV plants each, are at their final stages. The same plans are envisioned for Bitola. Currently, the Government is in breach of the National Emissions Reduction Plan (NERP) ceilings according to the Ministry of Environment and Physical Planning's (MEPP) assessment. There are some thoughts for desulphurization by 2026, but it does not align with the decommissioning plans, poses carbon lock risks, and lacks funding. As for lignite mines, ESM has operations permits, including the obligation for environmental remediation. This is regulated in the Environmental Law, the Chapter on Liability. The Ministry of Education and Science, and Ministry of Labour should be actively engaged in planning, as alignment of green agendas and skills development and labor policies are critical.

14. **Investment Planning (IP) process.** During the consultations with the institutions, stakeholders reconfirmed that the ME is leading the IP process on the side of the Government. The ME, as the lead institution of the process on the side of the Government, submitted a formal letter of acceptance to be formally engaged in the ACT IP program in June 2023, together with the project concepts/applications for the IPPG, developed in collaboration with MDBs, after which funding for the IPPGs was approved and mobilized. Following IP draft preparation, the ME will need to conduct public consultations on the IP draft (November 21) in Bitola, Kicevo, and Skopje (November 22), submit the IP to the Government, receive opinions from relevant ministries, receive Government approval, and then submit the IP to the CIF. The CIF representative stated that the Government and MDBs could consult with the CIF Trust Fund Committee Members during the drafting phase of the IP to ensure timely integration of feedback from donors and a smooth process of approval. Although the Government is committed to the IP, both Presidential and Parliamentary elections are coming up in the spring of 2024. Once elections are scheduled, at least for 100 days, the Government cannot make decisions. **Thus, the ME, other Government representatives, and the MDBs reconfirmed that the IP process should move fast and aim to submit the IP to the CIF in December 2023.**

15. **Just Transition Roadmap (JTR).** As a departing point for the ACT investment plan, it is important to emphasize that RNM is committed to the just transition (JT). The JT involved many stakeholders and was supported by the EUD and EBRD. ME informed that the Government adopted the JT Roadmap on June 13. Based on the JTR and Government conclusion from June 13th, The Ministry of Economy needs to form the following:

Just Transition Council:

- Deputy Prime Minister in Charge of Economic Affairs – Chairman
- Minister of Economy - co-chair
- Minister of Finance
- Minister of Environment and Physical Planning
- Minister of Labour and Social Policy
- Minister of Transport
- Minister of Agriculture, Forestry and Water Resources
- Minister of Local Self-Government
- Minister of Education
- Director of ESM

- Director of MEPSO
- Director of NOMAGAS

Ministry of Economy should form:

- Working group for pre-qualification and training
- Working group for economic transition
- Working group for renewable energy and storage

Minister of Economy - National Coordinator for implementation of the Just Transition Roadmap. It is recommended that the Association of the Local-Self Governments of North Macedonia (ZELS) forms regional forums for just transition in Kicevo and Bitola.

MDBs were informed that the ME is aligning the decision for forming the JT council with the Legal Secretariat of the Government, after which ME will request nominations. ME also informed that the working groups would be formed in the last week of September, where the Energy Sector will lead the renewable energy and storage groups, while relevant sectors will lead the rest in the Ministry. ME representatives pointed out that the working groups could support the organization of the public consultation for the ACT IP. EUD requested that the JT council be formed faster and asked ME to consider moving it with the ACT IP. During the meetings, it was discussed that it is better to form the regional forums under the guidance and coordination of municipalities Bitola and Kicevo rather than ZELS, given that the municipalities are much closer to the people.

- 16. Single Project Pipeline (SPP).** During the first scoping mission, ME and MF pointed out that the Single Project Pipeline (SPP) at the Secretariat for European Affairs (SEA) should be considered a departure point for public energy sector projects. The relevant ministries submit relevant projects. Then, the National Investment Committee (NIC) is endorsing the projects. So, for projects from the IP to get into the SPP, there should be more concrete components. SPP is for public sector projects. For the private sector, the Government (MF) endorsement is needed. It was discussed that the IP projects will overlap with those projects, but new public projects from the IP will also be added to the SPP list accordingly. It was also pointed out that the SPP is especially relevant for WBIF funds. For instance, storage-related projects are currently not included in the SPP, while private and smaller public sector projects (e.g., energy efficiency in buildings) are outside the SPP scope. The Ministry of Finance also underlined that the IP projects must be included in the fiscal strategy. Implementing the projects under the IP will be effective from 2024-2030, but the public projects must be reflected in the SPP long list. Therefore, there should be a discussion of what goes into the SPP.
- 17. Investment Planning Preparation Grant (IPPG) assessments.** The MDBs informed on the status of the technical assistance underway, which all assessments should support the IP drafting and concrete project pipeline. All assessments should provide input and analysis by the end of October when the IP draft should be finalized and further refined and extended.

1) LURA assessment on TPP plants and mine repurposing led by the World Bank will assess the mine sites of Bitola, Suvodol and Oslomej and provide optimal repurposing scenarios. On the LURA assessment, Minister of Economy Bekteshi expressed interest in learning about the

concrete findings and suggestions of the assignment. ESM director of TPP Bitola and his team have also been informed and supportive of the assessment, which will assume intensive data sharing geospatial, topographic, and economic analysis. It is important to consider re-skilling opportunities for mine and supply workers in green projects. Ministry of Environment and Physical Planning (MOEPP) representatives emphasized that according to the permits, ESM must remediate the ash deposit, classified as a landfill. It is, however, not treated at the technological level it should be; thus, there is an aerial dispersion of ash. According to them, the energy sector is well regulated, but there are additional issues with waste management outside of the sector. MOEPP suggested that support for remediation is also envisioned under the IP before planning to repurpose. All agreed that contamination must be removed, and legally binding, and legal analysis should also be included in LURA. Finally, MOEPP reminded ESM of the obligation to report on hotspots and contaminated areas. In parallel, the EBRD will provide internal bank capacities for the auction model, given that North Macedonia has the momentum to use auctions, given high-RES interest.

2) Climate-Smart Industrial Zones assignment will assess the economic potential of the region for attracting foreign and domestic investors, sectorial advantages, potential needs for financial packages for business and start-up support, most relevant and in-demand skillsets to accelerate climate-smart business and need for new industrial zones. TIDZ representative pointed out that it was the perfect time for TIDZ for this analysis. Not only the technological zones, but also the industrial zones are of great interest. TIDZ is now piloting an eco-zone in Gevgelija, but this model can be applied elsewhere. The eco-zone in Gevgelija will require significant investments, as pointed out by the IFC. There is a process to readjust the state aid support for investors to support green investments increasingly. The Fund for Innovation and Technological Development (FITD) is also working on a new financial scheme related to the Green Deal to provide additional funds for the private sector. TIDZ will also try attracting new foreign investors and developing modern supply chains.

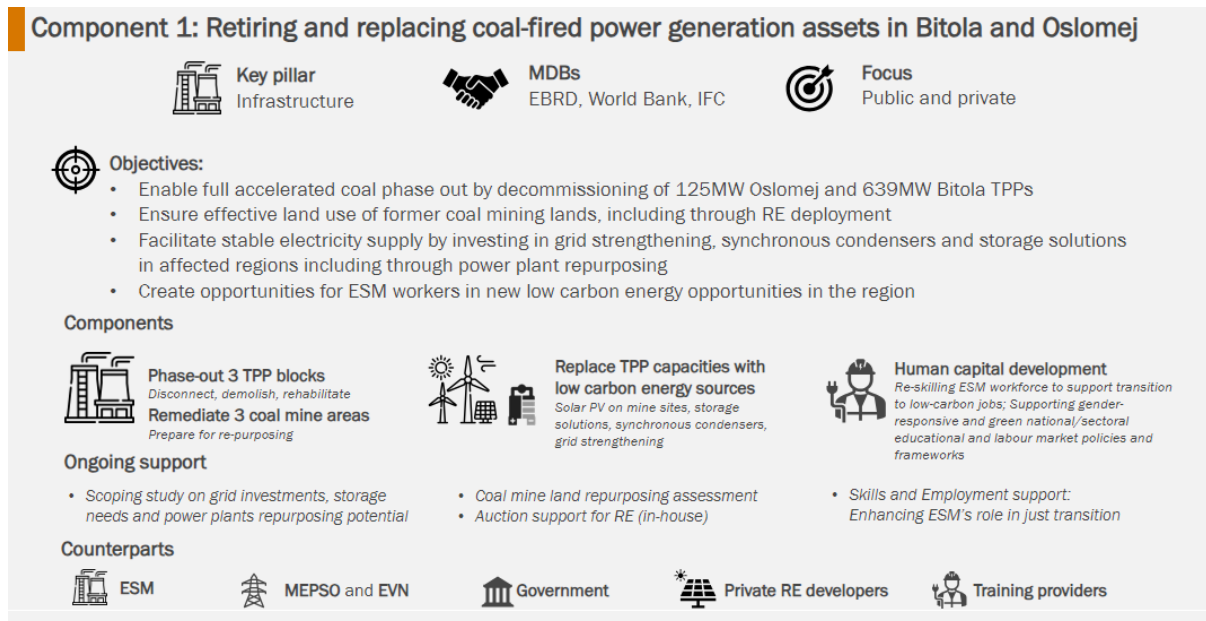
3) Energy Efficiency, Clean Heating and Distributed Energy Programme assessment led will take stock of news and opportunities for investment and support for EE in public, commercial, and residential buildings, and skills development needs. Both Bitola and Kicevo suffer from high air pollution. There is an ongoing discussion between the World Bank and the MOEPP, which shows that there are programs for air pollution in more polluted municipalities. On the other hand, the municipalities need to develop the Municipal Energy Efficiency Action Plans submit to the Energy agency. The Energy Agency noted that MEEAPs are not being done and they are not monitored. Furthermore, the Agency representatives mentioned there was support for municipalities to put together contracts for the ESCO agreement. Unfortunately, there is no progress, and municipalities do not want to use this mechanism.

4) The Grid Strengthening assessment should investigate the grid capacities, enhancement needs, storage, and power plant repurposing. For MEPSO, priority investments include a synchro-compensator for MEPSO and ESM, rehabilitation of substation Bitola 1, synchronic condensers, two power transformers, and a need for a third. MEPSO does not deal with storage but might be interested in small ones for frequency control and secondary regulation. During the previous scoping mission, it was discussed that there is a large interest in RES connections but limitations on connections capacity. When investors come to EVN to ask for connection, EVN follows technical rules and assesses based on that. EVN also tries to find spots for investment where investors can share the connection costs, but now the capacity is filled in some locations. MEPSO representatives pointed out that they lack engineers (+100) from all

levels and the level of brain drain is high. EVN has an internal training center in Makedonski Brod, completely equipped, with scholarships and training provided. An increasing number of students go to electrical high schools in EVN’s experience, but the general problem remains that the salaries in the industry are below average. EVN suggests that all companies with power engineers can be pre-qualified to work in the energy sector. EVN also needs support in further developing its Vocational Education Training (VET) programs. Finally, in MEPSO and EVN observation, private companies also lack engineers.

5) Finally, part of the IPPG is the **capacity-building support for the ME**, where candidates have submitted CVs, and the selection process is being finalized.

18. IP Components. During all meetings with stakeholders, three specific components for the IP were presented, following the JT Roadmap identified pathways, as well as discussions during the First Scoping Mission. **The three components include** 1) Retiring and replacing coal-fired power generation assets in Bitola and Oslomej; 2) Regional economic regeneration; 3) Energy efficiency, clean heating, and distributed generation program, with subcomponents (Presented in Figure 1). Stakeholders agreed with the components and pointed out that they reflect the overall needs for the just coal transition. Stakeholders emphasized that it will be very important to see further how the components will be developed and allocate funds per component. Among others, stakeholders expressed support for the people dimension and the fact human capital development and gender aspects are present under each component, which are critical part of just transition.



Component 2: Regional economic regeneration



Key pillar
People



MDBs
EBRD, IFC



Focus
Private (and very limited public)



Objectives:

- Attract climate-smart investments into Southwest and Pelagonia regions to support economic regeneration (e.g. smart agriculture, batteries etc)
- Create new sustainable job opportunities in green and climate-smart business segments
- Support development of local companies and start-ups
- Enhance workforce skills to facilitate better local employment prospects and attract employers

Components



Economic regeneration programme
Climate-smart investments in businesses in Southwest and Pelagonia incl. with associated skills trainings



Business enhancement credit lines
Financing lines to support business development, and access to skills and employment for coal value chain workers, as well as women and youth in the regions



Support for Industrial Zones
Next to Kicevo and Bitola to encourage domestic and foreign investments in high value-added industries in line with state aid rules

Ongoing support

- Assessment of climate-smart economic diversification opportunities in Pelagonia and Southwest regions

Counterparts



Companies



Local communities



TIDZ directorate



Municipalities of Bitola and Kicevo



Training providers

Component 3: Energy efficiency, clean heating and distributed generation programme



Key pillar
People



MDBs
EBRD, World Bank



Focus
Private and public



Objectives:

- Enable new job creation opportunities in energy efficiency and distributed generation in affected regions
- Reduce electricity demand through retrofits, enabling accelerated coal phase out
- Improve air quality in Bitola, Kicevo and other coal-reliant municipalities via clean heating investments
- Introduce new income generating opportunities for local communities via prosumer concept

Components



Energy efficiency and clean heating
for community public sector buildings esp. in Bitola, Kicevo and other coal-reliant municipalities



Concessional financing
for energy efficiency, clean heating and distributed generation (e.g. rooftop solar) esp. in coal regions (e.g. via FI lines)



Human capital development
in energy efficiency and distributed generation for affected communities, incl. gender component, as part of the previous two components

Ongoing support

- Market Analysis on energy efficiency and clean heating opportunities for coal-reliant communities

Counterparts



Coal-reliant municipalities



Local communities



Local companies



Local banks



Training providers

Figure 1 IP Draft Components

19. **ESM's feedback.** The IP components were presented during the discussion with the Elektrani na Severna Makedonija (ESM) - a state-owned enterprise (SOE) and leading energy producer in North Macedonia. The ESM requested additional time to provide detailed feedback, while the overall components were accepted. It was confirmed that the plan for floating PVs is ongoing with EIB and the EBRD. The projects with KfW are ongoing, with some implementation challenges. KfW should finance a 50 MW PV plant and co-finance with the EBRD an additional 100 MW in Bitola. There is also discussion about the potential of an additional 50 MW wind power plant in Miravci. ESM is also interested in mini pump storage hydro in Bitola and storage, which should provide stability. At the same time, ESM expects the electricity price during the day to drop significantly in the next 2-3 years due to high PV influx. ESM presented the idea

for a mixed hydro-gas PP that should offer stability to the system. ESM in Bitola has investment plans for 150MW, 20MW, and another 100MW PV plants. LURA will explore the possibility of small pump storage potential in the depleted mines. In terms of workforce skills gaps, ESM representatives in Bitola pointed out that they are facing labor shortages due to the outflow of engineers; thus, ESM plans to employ more people. ESM TPP Bitola director pointed out that they plan to re-skill workers to be able to work according to the green scenarios for ESM, which is supported by the EBRD's Technical Cooperation Assistance. Furthermore, the ESM Bitola director pointed out that most current employees will be reskilled to work within the company on non-coal activities. On the other hand, the overall ESM needs support in labor screening, reorganization, and strategy to attract more young people. From WBIF, ESM has commitments for grants to study batteries, hydro, and floating PVs, but these funds are not yet mobilized. ESM also needs a new SCADA system and a new SAD system.

20. **MEPSO – Transmission System Operator (TSO).** MEPSO reiterated the conclusions from the first scoping mission, adding that there is a training center for MEPSO employees in Ohrid that might be of interest to the ACT IP. This center is now being reactivated and should have regional outreach. MEPSO anticipates that all countries in the region will have significant RES capacities in the mid-term, so there is an additional need to balance reserves and strengthen national transmission systems and cross-border capabilities. MEPSO continues to seek storage and system service technologies, but only one application exists.
21. **EVN, the distribution system operator (DSO), reiterated the points discussed during the First Scoping Mission.** EVN already has 250MW from small PV connected and expects another 500MW in the next two years. The entire territory of the country is affected by this trend, particularly Stip, Probistip, and Strumica. However, over the last year, over 500 new connection requests have been rejected due to the inability to integrate them on the grids because of low capacity in the transmission substations. There is also increased interest from prosumers – households who can install up to 6 kW on houses and SMEs up to 40 kW. Some PV requests try to game the system by filing multiple small connection requests in the same area on distribution rather than the transmission system, as the process is easier. EVN also sees potential in batteries and other storage technologies to address the issue, but this is still a nascent area for the country.
22. **Upskilling, reskilling, and pre-qualification of workforce.** The ESM has limited activities on the re-qualification now. As part of its two investments, the EBRD is supporting the Company in addressing the human capital gaps. A Technical Cooperation project launched in 2023 envisions: (a) enhancing the capacity of ESM to actively contribute to the regional economic development planning process and the formulation and delivery of a strategy for the development of six nationally accredited market-relevant curricula for retraining affected local workforce; (b) supporting ESM in the development of a reskilling and redeployment initiatives; and (c) introducing gender inclusion measures and foster women's access to economic opportunities across all ESM operations. As part of the second Technical Cooperation assistance program, the EBRD will support ESM to build project management and electricity trading capacity through the development and implementation of two new certified training

programs for at least 72 employees, of which at least 25% will be female. The training initiative should target young workers to enhance their access to market-relevant skills in the sector and include cooperation with a specialised national or international college. The stakeholders voiced that the IP needs to focus intensely on economic diversification and skills development programs. Brain drain and skills shortages are critical challenges for the two JT regions, with even energy companies lacking engineers. The Stakeholders highlighted the need to give coal value chain workers new opportunities, address skills shortages, and create employment for those not in the labour force. This includes active labour market policies, including a focus on women.

- 23. Meeting with the Ministry of Education and Science (MOES).** MOES representatives highlighted the importance of cooperation between educational institutions and the private sector and the engagement of private sector more actively in the governance of TVET institutions; recognizing those successful cases where private sector participates in VET program development. The importance of aligning with labour market policies, environmental and other policies were highlighted, as well as the need of having a focal person for Just Transition at the Ministry. The Ministry also highlighted the need of organizing the donor coordination working group to better coordinate ongoing and upcoming interventions in the JT context. There are several projects supported by the EU and other organisations like USAID, GIZ, Swiss Agency for Development and Cooperation (SDC), Regional Challenge Fund (RCF), etc, that promote strengthening of the VET educational system. Finally, improving the accessibility of TVET, institutional development of TVET institutions, improving regulatory framework, inclusive VET program design - were outlined as priority areas for the Ministry.
- 24. Complementarity with other development partners.** During the joint mission, a meeting was held with EUD, EIB, and the Energy Community Secretariat (EnCS), UNDP and GiZ development partners to discuss past and ongoing activities relevant to the IP, where most of the projects by partners were presented and considered. EIB emphasized their City Climate Finance Gap Fund, which can help (a group of) Municipalities with several tasks, including project definition and pre-feasibility work. The facility is up and running, and assignments could thus be launched swiftly in response to requests from municipalities. A clustering of municipalities would be beneficial to allow for scaling-up, and prospective funding (such as the CIF Investment Plan) is considered a pre-condition for engagement to make sure that the Gap Fund can play its role as a real investment accelerator (and is not offering yet another feasibility study with no concrete follow-up). It could fit well with the geographic and coal transition focus of the Investment Plan to facilitate the implementation of investments by any financier in Municipalities. UNDP presented their support for municipalities for energy efficiency, while GiZ who conducts the Readiness preparation for the Green Climate Fund (GCF), informed that under GCF, North Macedonia will access funding for energy efficiency in public buildings led by the Agence Française de Développement (AFD) Group funds.
- 25. Civil Society Organizations (CSOs) consultations.** CSO supports the process of the ACT IP drafting and emphasizes the need for early engagement with all affected

communities: workers, miners, and local government officials. CSOs were interested in the training programs envisioned under the economic regeneration component and emphasized the need for thorough assessment before training is offered. Skills development programs should be provided according to CSOs on a regional level and encompass all municipalities in the Pelagonija and Southwest region. At the same time, targeted scholarships can be provided for the desired and needed degrees. CSOs suggested a dedicated person in the municipality of Bitola, Kicevo and other affected communities that would engage with citizens on the just transition, just as a capacity building dedicated person is planned for the Ministry of Economy. This could be supplemented by municipal transition information centers. CSOs also commented that the economic regeneration packages should be mindful of which industries are supported and that their supply chains do not track down to additional mining. CSOs emphasized that the technical assessment consultants should look into local and regional development strategies. Although CSOs are not envisioned as part of the JT Council, they asked if they can be observers.

26. **Meeting with the Mayor of Bitola and his team.** During the joint mission, the mission team met with the Mayor of Bitola, Dr. Toni Konjanovski, the general secretary, the head of urban planning, the head of economic development, the director of industrial zone Zhabeni, and the energy advisor. The team presented the ACT IP process and the draft IP components during the meeting. The mayor and the general secretary expressed support for the IP but emphasized the need for early communication with the municipality. They do not consider that Bitola was engaged in the just transition roadmap planning sufficiently, nor that the Ministry of Economy communicates with the Municipality at the desired level to achieve the just transition jointly. They plead to central Government institutions for timely engagement. On the IP, the municipal representatives expressed support that the IP will surely benefit the region, and they support the timely and dedicated communication on the IP. The components were generally supported, but the municipal representatives requested a technical-level meeting with the MDBs and ME team to discuss the components and express the needs of Bitola and the surroundings. In a follow up meeting with the municipality, three priorities were pointed out: 1) need for investment in infrastructure in the Zhabeni industrial z
27. **Public discussion on the ACT IP in Bitola with CSOs and business representatives.** During the Bitola municipality visit, the mission team engaged in a public discussion with business and CSO stakeholders from Bitola, facilitated by the Municipality of Bitola, featuring over 25 attendees. The IP process was presented together with the specific components, and the first feedback was received. Representatives from training providers mentioned the great need for businesses to prepare for the just transition by investing in a change management business model change to become part of new green supply chains. It was expressed that companies are no longer reluctant, but slow to accept the necessity of these changes and need support. There is also a need to revise the curricula at the university level available in the affected regions, given that engineering talent is mainly missing. A few ongoing projects relevant to the IP were mentioned, including a cross-border project with Greece on green jobs, where a strategy should be published by the end of September. This project aims to foster green jobs and

green practices in businesses. Another project was mentioned for land repurposing in Bitola. On vulnerable groups' engagement, it was noted that, unfortunately, there is no existing and active environmental organization in Bitola. Not much is done with vulnerable groups, and no plans are in place for engaging them with the just transition. Business representatives were interested in when the funding will be available and how the financing will get to the companies, to which it was presented that the funding will hopefully be available mid-2024. At the same time, some funding for green projects is available via existing EBRD programs.

28. **Private Sector engagement with the IP.** During the consultations with private sector representatives from the biggest chamber – The Economic Chamber of North Macedonia (ECM) and the newly established Macedonian Renewable Energy Association (MARES). Companies are generally interested in what types of RES funding will be available and how the lending will occur. ECM trust that the Investment plan will be prepared on a high level and will consider the challenges that the investors in RES are facing. Considering the decommissioning of TPP Bitola and TPP Oslomej, ECM recognizes the importance of reskilling and upskilling of workers in these regions as a top priority. Additionally, ECM considers that the installation of new RES will affect the energy system as a whole and will increase the need to install storage systems in the whole country, and not only in that particular region. Therefore, ECM argues that while some topics are more important to be initially addressed locally, the matter of storage systems should be addressed and supported throughout the whole country.
29. **Upcoming public consultation on IP.** The public consultations to follow on the IP took a central role in many stakeholder discussions. Eko Svest offered support for the public consultations on the IP, while UNDP was also pointed as a good partner for public consultations. Greater publicity is also needed via the media, interviews, videos, etc. The National Climate Coalition was also suggested as a good partner for public consultations. All engaged stakeholders asked for the document to be available in advance and for a broad outreach to affected communities. Most stakeholders expected the Ministry of Economy to communicate actively on the JT and the ACT IP so that all relevant voices are heard. Otherwise, stakeholders warned of the risk of no buy-in, which can harm the IP process. The mission team explained that the scoping and joint mission has been extensive, engaging multiple relevant stakeholders. Communication is ongoing with many of them between missions to ensure all relevant information is accounted for. However, all sides agree that the key communication should come from the Ministry of Economy and the Government, as the IP is a government-owned process and plan.
30. **Closing session.** During the closing session, the mission team and the Ministry of Economy agreed upon the IP timeline. It was discussed that the working groups to be formed under the JT process could support the public consultation, and the ME confirmed response and engagement with capacity-building consultants in the joint mission week to follow.

6. Summary of follow-up meetings to be scheduled with:

- Minister of Economy
- Office of Deputy Prime Minister in Charge of Economic Affairs

- Municipality of Bitola
- Municipality of Kicevo
- EUD

7. Indicative Timeline:

Indicative Timeline	Key Milestones
KICK-OFF (FEBRUARY-MAY)	
February 1, 2023	Trust Fund Committee Decision
February 21, 2023	CIF Letter to the Government
April 6, 2023	Kick-off call with Ministry of Economy, Ministry of Finance, and MDBs (EBRD, IFC, WB)
May 22-25, 2023	First Scoping Mission, Skopje
June 2, 2023	The mission report and IPPG draft are finalized and circulated to the ME for further circulation. ME prepares confirmation letter to participate in CIF and confirm EBRD as the lead MDB
IP PREPARATION (JUNE – OCTOBER) *	
June 7, 2023	ME submits a letter, mission report, and IPPG draft to the Commission of Economic Council (KES)
June 13, 2023	Government approval for the CIF and ACT program
June 16, 2023	IPPG submitted to CIF for Trust Fund Committee (TFC) approval
June 30, 2023	IPPG funding is confirmed and in MDB accounts
July 20, 2023	The first IP draft outline
July 31, 2023	MDB Joint Mission TOR agreed with the Government and shared with CIF to notify TFC four weeks in advance.
August 7, 2023	MDB Joint Mission TOR posted on the CIF website
September 19-22, 2023	MDB Joint Mission in Skopje and Bitola
October 3, 2023	Follow-up meeting with ME Minister on COP28 engagement
Week of 9 Oct 2023	MDB status update and informal consultation with ACT TFC member
October 20, 2023	Joint mission report (aide memoire) submitted to CIF for publication
Early November 2023	Draft IP submitted to the Government
November 6-9, 2023	CIF meetings
November 15, 2023	Draft IP published on the Ministry of Economy website
November 20, 2023	Public consultation Bitola and Kicevo
November 21, 2023	Public consultation Skopje
Mid/end Nov 2023	Draft for CIF public disclosure (at least two weeks before submission to CIF)
Nov 30-Dec12, 2023	COP28 event
Early December 2023	Government approval before CIF submission
IP SUBMISSION (DECEMBER 2023 – JANUARY 2024)	
Formal submission of IP by the government (MoE) to the CIF AU at least six weeks before the meeting	
Mid-February 2023 (TBC)	Presentation of ACT IP North Macedonia at the inter-sessional meeting for approval (TBC)

Appendix 1: Scoping Mission Agenda and participants

<i>Time</i>	<i>Meeting Subject (Planned)</i>	<i>Participants</i>	<i>Venue²</i>
Tuesday, September 19			
10:00 – 11:00	Meeting of MDBs with Ministry of Economy Representatives	Mission members Minister Kreshnik Bekteshi Ismail Luma Valentina Stardelova	Ministry of Economy, Skopje
11:30-13:30	Mission Kick-off meeting to introduce mission outline/objectives with all key stakeholders (e.g., the Ministry of Economy, Finance, Deputy Prime Minister's and Prime Minister's Office), Ministry of Environment, Energy Agency, Regulatory Commission Presentation of IP draft (10 slides PP shared in advance) plus separate concepts	Mission members Ministry of Economy Ismail Luma Jeton Kuci Florent Cice Ministry of Finance Andrija Aleksovski Dragana Filipovska Ministry of Environment and Physical Planning Lendita Dika Besa Tateshi Energy Agency Ordan Kaevski DTIRZ Tanja Ilievska	Ministry of Economy, Skopje
14:00 16:00 PM (Rescheduled for Friday 13:00)	<ul style="list-style-type: none"> Ministry of Labour and Social Policy AND Employment Service Agency (ESA) Ministry of Education AND VET Center, AND Centre for Adult Education Ministry of Local Self-Government, Secretariat of European Affairs Present IP status and concepts	Meriem Kobbala – EBRD Ministry of Education Nuran Kadriu Xhambazi Nadica Kostoska Shermin Mamut	Ministry of Economy, Skopje
Wednesday, September 20			
09:00-10:30 PM	ESM Present specific concepts	Mission members ESM Blagoj Gajdardziski Blagojche Trpovski Dusica Seizovska	Ministry of Economy, Skopje
11:00- 12:30 AM	MEPSO (TSO) Present and discuss specific concepts	Mission members MEPSO Erol Kecap	Ministry of Economy, Skopje

² Blue stands for session moderator

	EVN-EDSO (DSO)	Branka Vasikj EVN Oliver Mirchevski Viktor Dimitrievski	
13:00 – 15:00 PM	Development partners (joint/parallel meetings) <ul style="list-style-type: none"> • EUD • KfW • EIB • EnCs • USAID • UNDP • FAO • WBIF • Swedish Embassy • UK Embassy Present IP status and concepts	EUD Katerina Kus-Ivanova Dimitar Malinkovski EIB Bjorn Gabriel Energy Community Rozeta Karova GiZ Daniel Josifovski UNDP Darko Crvenkovski WBIF-IFICO Orhideja Kaljoshevska	Ministry of Economy, Skopje
Thursday, September 21			
6:30	Depart from Marriot	Mission Members	
10:00-11:30	Meeting with the Mayor of Bitola Energy Sector Urban Planning Industrial zone Zhabeni	Mission Members Municipality of Bitola Mayor Toni Konjanovski Borche Dimitrov Emilija Sarafska Venco Shishkan Ljubica Migulovska Vlado Talevski Ministry of Economy Pance Atanasovski	Municipality of Bitola
11:00-12 :30	Meeting with local CSOs and business representatives	Coordinated with Municipality of Bitola – Emilija Sarafska	Municipality of Bitola
13:00-16:00	TPP BITOLA and mines Visit	Mission Members Consultants - PointPro ESM Pece Matevski Ilija Dimovski Dragan Siljanovski Metodija Kunovski Ministry of Economy Pance Atanasovski	Municipality of Bitola
16:00	Dinner and debrief	Mission Members + ME + Bitola	Bitola
Friday, September 22			
09:00-11:00	Meeting with CSOs/Academia Present IP status and concepts	Bankwatch Nevena Smilevska Davor Pehcevski Eko-Svest Elena Nikolovska MANU Verica Tasevska Gjorgievska CEA Elena Gotovska	Ministry of Economy, Skopje
11.00-13:00 AM	<i>Roundtable with</i> <ul style="list-style-type: none"> • Economic Chamber of North Macedonia (ECM) • Macedonian Energy Association (MEA) 	Mission members Consultants – PointPro Economic Chamber of Commerce Kristina Kuzeska MARES Association	Ministry of Economy, Skopje

	<ul style="list-style-type: none"> • RES Association • Macedonian Chambers of Commerce (MCC) • Economic Chamber of North-West Macedonia (ECNWM) • incl. Women in business group • DTIRZ 	Violeta Nikolova	
13:30 -15:00 PM	<p>Closing meeting with PM Office, DPM Office, Ministry of Economy and Ministry of Finance</p> <p>Present IP draft and separate concepts Depending on presence, work in groups</p>	<p>Mission members Ministry of Economy Valentina Stardelova Ismail Luma Ministry of Finance Dragana Filipovska EU delegation Katerina Kus-Ivanova Dimitar Malinkovski</p>	Ministry of Economy, Skopje
	MDB and CIF debrief	Mission members	Skopje

Appendix 3: Abbreviations

ACT – Accelerated Coal Transition
AFD - Agence Française de Développement
CAL – Climate Action Law
CAS – Climate Action Strategy
CAP – Climate Action Plan
CIF – Climate Investment Fund
CSO – Civil Society Organization
DSO – Distribution System Operator
EBRD – European Bank for Reconstruction and Development
ECM – Economic Chamber of North Macedonia
EnCS - Energy Community Secretariat
ESM – Elektrani na Severna Makedonija
ESIA - Environmental Social Impact Assessment
EVN - Distribution System Operator
FITD – Fund for Innovation and Technological Development
GCF – Green Climate Fund
GFF- Green Finance Facility
GEFF – Green Economy Finance Facility
PSEP – Public Sector Energy Project
IFC – International Finance Corporation
IP – Investment Plan
IPPG – Investment Plan Preparation Grant
JTP – Just Transition Roadmap
JT – Just Transition
MARES – Macedonian Association for Renewable Energy Sources
MDBs – Multinational Development Banks
ME – Ministry of Economy
MF – Ministry of Finance

MT – Ministry of Transport
MED – Ministry of Education
MOEPP – Ministry of Environment and Physical Planning
MLSP – Ministry of Labor and Social Policy
MOES – Ministry of Education and Science
MEPSO - Electricity Transmission System Operator of North Macedonia
NEAP - National Energy and Climate Plan
PV – Photovoltaics
PVPP – Photovoltaic Power Plant
PP – Power Plant
PSEEP – Public Sector Energy Efficiency Project
RES – Renewable Energy Sources
RCVET – Regional Vocational Education and Training Centers
SDC - Swiss Agency for Development and Cooperation
RCF - Regional Challenge Fund
SEA – Secretariat of European Affairs
SPP – Single Project Pipeline
TIDZ - Technological Industrial Development Zone
TPP – Thermal Power Plant
TSO – Transmission Service Operator
WB – World Bank
WB6 CIF - Western Balkans 6 Chamber Investment Forum
WBIF – Western Balkans Investment Fund
SEA - Secretariat for European Affairs
NIC - National Investment Committee
UNDP – United Nations Development Programme
ZELS - Association of the Local-Self Governments of North Macedonia