# Case study

# North Macedonia: tapping multilateral climate finance to kickstart an economy-wide just transition

July 2025

**The West Balkans nation of North Macedonia is working with the Climate Investment Funds and the European Bank for Reconstruction and Development to harness multilateral climate finance and underwrite an economy-wide just transition.**

## Summary


- North Macedonia's US$85 million commitment from the Climate Investment Funds (CIF) aims to catalyse a US$3.4 billion just energy transition, targeting full coal phase-out by 2030.
- The three-pronged Accelerating Coal Transition Investment Program (ACT IP) has an economy-wide scope, funding coal plant decommissioning, clean energy rollout and inclusive economic development in affected regions.
- The programme has sought broad stakeholder engagement and political continuity, involving ministries, civil society and multilateral banks to ensure strong governance and public ownership of the transition process.
- The programme has a strong private sector component and will support the country's Just Energy Transition Investment Platform (JETIP). That will help the local utility decarbonise, build out renewables capacity and develop alternative economic opportunities for coal-dominated regions.
- The North Macedonia ACT programme has helped inform CIF's wider coal transition work, including by emphasising the need to frontload just transition funding and increase flexibility offered to host countries.



Photo: Unsplash

### Just Transition Finance Lab case study series

The Just Transition Finance Lab case study series profiles emerging practice in bringing the just transition to life, examining the interplay between companies, finance institutions, workers, communities and policymakers. A major focus is on the role that finance can play in supporting meaningful action.

The case studies are based on interviews with key protagonists and observers. They seek to explore the motivations, processes, successes and challenges in addressing the social implications of the transition to a net zero and nature-positive economy. They also aim to identify lessons that can be drawn from early steps to align the interests of capital, labour and the wider community in an equitable response to the climate crisis. The aim is to show what is possible and encourage leadership.

The Just Transition Finance Lab is based at the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science.

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## Introduction

In March 2024, Climate Investment Funds (CIF) approved a US$85 million[1] investment plan to support and accelerate North Macedonia's coal phase-out. The plan, under CIF's Accelerated Coal Transition Investment Program (ACT IP), is designed to trigger almost $600 million in funding for the Balkan country from the European Bank for Reconstruction and Development (EBRD), the World Bank and other public and private investors. This, in turn, will mobilise a total of €3 billion ($3.4 billion) into the country's wider Just Energy Transition Investment Platform (JETIP) by 2030.[2]

The novelty of the ACT programme lies in its economy-wide scope. It combines funding to support North Macedonia in retiring or repurposing its coal-fired power plants and associated mines, while balancing investments in renewables and an energy efficiency and distributed clean power initiative. It also earmarks financing focused on socioeconomic regeneration that aims to diversify the country's economy and ensure a just transition for affected workers and communities.

One of CIF's five programmatic just transition initiatives, the ACT IP also represents a potential template for other country-level interventions that multilateral development banks (MDBs) could lead to support equitable energy transitions in developing countries.

This case study explores the just transition elements of the ACT IP, in the context of its wider investments in clean energy in North Macedonia.

## Climate Investment Funds' ACT investment programme

CIF's ACT IP was launched in 2021, with $2.2 billion in funding. It was set up to accelerate energy transitions in fast-growing middle-income countries that are highly dependent on power from coal (see Box 1 for other countries that have participated in the programme to date). CIF describes ACT as a "first-of-its-kind multilateral investment platform" designed to help fast-growing, coal-dependent economies pilot "all aspects of the energy transition".[3]

It involves working closely with donor governments and six MDB partners to design country-level programmes to address social, economic and political obstacles to transitioning away from coal.

CIF's ACT IP is open to countries that are eligible for Official Development Assistance (ODA) (as judged by the OECD's Development Assistance Committee) and which meet at least one of the following criteria:

1. Henceforth, '$' denotes US dollars.
2. www.ebrd.com/home/news-and-events/news/2023/north-macedonia-launches-just-energy-transition-investment-platform-at-cop28.html

3. www.cif.org/cif-programs

*An ex-coal mine at Oslomej reworked as North Macedonia's first large solar plant*

Photo: WBIF

- Produce more than 4 TWh of power from coal per year
- Rely on coal for more than 10% of total electricity generation
- Produce more than 4,000 million short tons of coal per year.

The programmes it supports are organised under three pillars:

- **Governance**, which seeks to ensure clear policy signals, supporting relevant institutions, stakeholders and decision-making structures, and a well-coordinated implementation strategy.
- **People and communities**, providing socioeconomic measures to address challenges faced by people and communities most affected by the green transition. These include reskilling and retraining, and projects to promote local economic diversification.
- **Infrastructure**, to provide funding for decommissioning and repurposing coal assets, and their replacement with renewable energy and energy storage capacity and the promotion of energy efficiency.

The intent of the ACT programme is to "promote transformational or systemic change," rather than take a project-by-project approach to the energy transition, says Andrea Iro, principal manager of donor partnerships at the EBRD in London. Key to that approach is the governance pillar, she says, to "set up the right policy and enabling environment ... to support deeper, systematic changes in the country that go beyond any one sector".

"The unique aspect of the ACT Investment Program is its comprehensive approach that integrates the three pillars of governance, people and communities, and infrastructure," says Paul Mathew, climate finance specialist at CIF in Washington. By specifically earmarking funding across these pillars, the programme "aims to ensure a socially inclusive and gender-equal phasedown from coal, focusing not only on the technical aspects of energy transition but also on the socioeconomic impacts on affected communities and helping build strong regulatory frameworks to ensure a just transition," he adds.

It also firmly embeds just transition considerations throughout its investment cycle, from country selection to monitoring, learning and evaluation (see Figure 1). For example, members of the independent expert panel that reviews countries' Expressions of Interest are required to have expertise relevant to just transition, each programme's investment criteria must address just transition considerations, and CIF provides just transition training and guidance materials for teams accessing its funding.

**Box 1. Other initiatives under CIF's Accelerating Coal Transition Investment Program**

In addition to the North Macedonia ACT IP, initiatives under the ACT programme thus far include:

- $500 million in concessional financing to enable **South Africa** to retire several coal-fired power plants, replacing their generation capacity with clean power and energy storage systems. The programme is expected to lead to the reduction of 71 million tonnes of $CO_2$ emissions (announced October 2022).
- $500 million in concessional financing to partner with **Indonesia**'s state utility Perusahaan Listrik Negara (PLN) and the private sector to accelerate retirement of up to 2 GW of coal-fired power by five to ten years (announced October 2022).
- $500 million in concessional financing to the **Philippines** to accelerate the retirement of up to 900 MW of existing coal generation capacity by 2027 and support the addition of 1,500 MW of renewable energy capacity by 2030 (announced June 2024).
- $85 million in concessional financing to an investment plan for the **Dominican Republic** to raise $1.1 billion in co-financing and enable transition credits to decommission 310 MW of coal and replace the capacity with renewables and storage (announced February 2025).

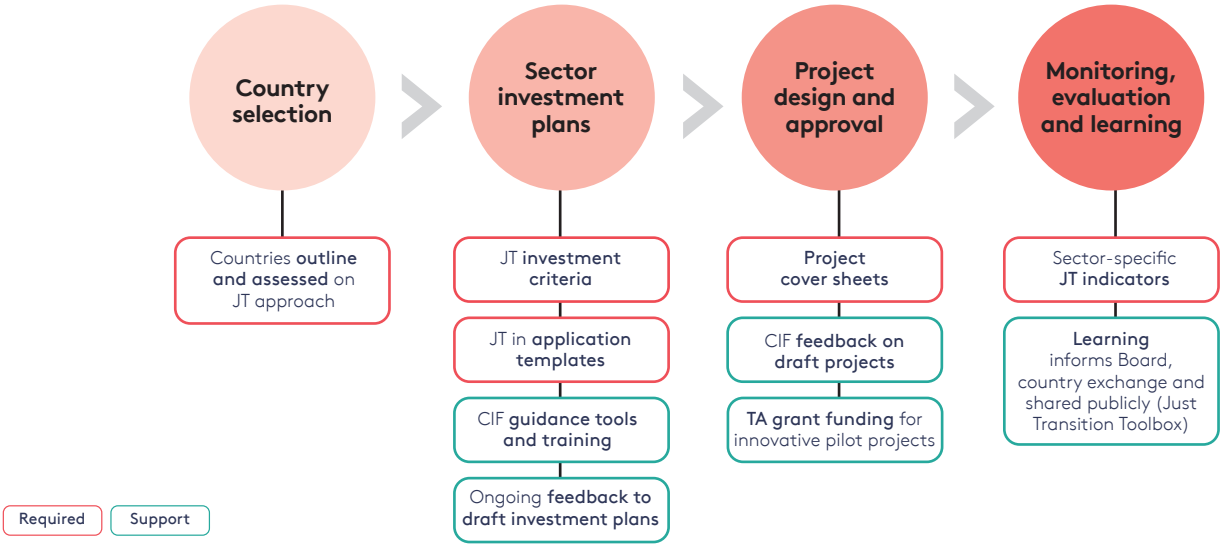
## The policy context

North Macedonia is a small country, with a population of 1.8 million and GDP of $15.8 billion in 2023. It is seeking accession to the EU, which has triggered a range of strategic reforms, not least a plan to transition its economy away from a dependence on coal-fired power. As of 2022, coal accounted for 47% of electricity generation, only 25% of which came from renewables (mostly from hydropower).[4]

North Macedonia operates two coal-fired power stations, the 125 MW Oslomej and the 639 MW Bitola plants. The plants are supplied by two coal mines. Collectively, these plants and mines directly employed around 4,250 people in 2022.[5] The coal plants and mines are scheduled to be closed by 2030, as part of the country's international climate commitments. Further details are expected to be included in an updated National Energy and Climate Plan (NECP).

4. www.iea.org/countries/north-macedonia
5. CIF (2024) North Macedonia (ACT) Investment Plan

Figure 1. Just transition in the CIF investment cycle




*Source: CIF*

Prior to publishing this case study, it was being revised to align with updated EU climate legislation. It will include plans to improve the efficiency of North Macedonia's energy use by 23% and increase its gross energy consumption from renewable energy sources to 38% by 2030, up from 19.3% in 2020. This will require around 1.7 GW of renewables capacity by 2030.

## North Macedonia's CIF ACT process

The ACT process began with a call for expressions of interest, issued by CIF in 2021. That expression of interest was prepared by the government with the EBRD and submitted in January 2024. It was considered by CIF's independent expert group and approved by the CIF's trust fund committee in March 2024.

The process had strong political buy-in from North Macedonia's government. Applying to CIF is a "country-driven" approach, Iro says, with support from the EBRD as the coordinating MDB, together with the International Finance Corporation (IFC) and the World Bank.

Once CIF had invited the country in early 2023, the EBRD, IFC, the World Bank and the CIF Secretariat undertook two missions to the country for discussions with relevant ministries, the affected municipalities, the local power company and representatives of civil society. "A key feature of the CIF programme is that it's very consultative, with a broad stakeholder engagement process," says Iro.

That process was described as "adequate" by one of the civil society participants in the process. Nevena Smilevska, the Skopje-based just transition coordinator for the Western Balkans at international NGO CEE Bankwatch Network, says that the EBRD "really tried to tick all the boxes" with this consultation. She adds that, while it did not meet all Bankwatch's requirements for best practice – such as having the project documents available in Macedonian and Albanian at the public hearing, or arranging joint meetings – she "gives some credit to the MDBs for including as many stakeholders as possible in this process".

The drafting of the ACT IP was coordinated by the EBRD, working with local consultants. This was then aligned with projects and plans in the pipelines of the EBRD, the World Bank and IFC, submitted to the North Macedonian government for approval and subjected to a public consultation.

This investment plan, which is the "overall umbrella document", was submitted to the CIF Trust Fund Committee for endorsement by the North Macedonian government in January 2024. In assessing the investment plan, Mathew explains, CIF's Trust Fund Committee considered the potential for retiring and replacing coal-fired power generation assets at scale, regional economic regeneration, investment in climate-smart industries, and energy efficiency and clean heating in coal mining regions. The document also considered the support for the Just Transition Roadmap and private sector participation in green investments.

Mathew notes that the plan was one of the most ambitious of the country proposals presented to CIF, proposing a 100% coal phase-out over a short time frame, with a relatively high multiple of co-financing. It also benefited from the JETIP framework in the country produced with support from the EBRD and a government that was keen to move quickly.

## North Macedonia's ACT Investment Plan

The CIF Trust Fund Committee endorsed the *Investment Plan for North Macedonia for the CIF Accelerating Coal*

*Transition Investment Program* on 14 March 2024.[6] The decision unlocked CIF funding of $85 million to support three projects:

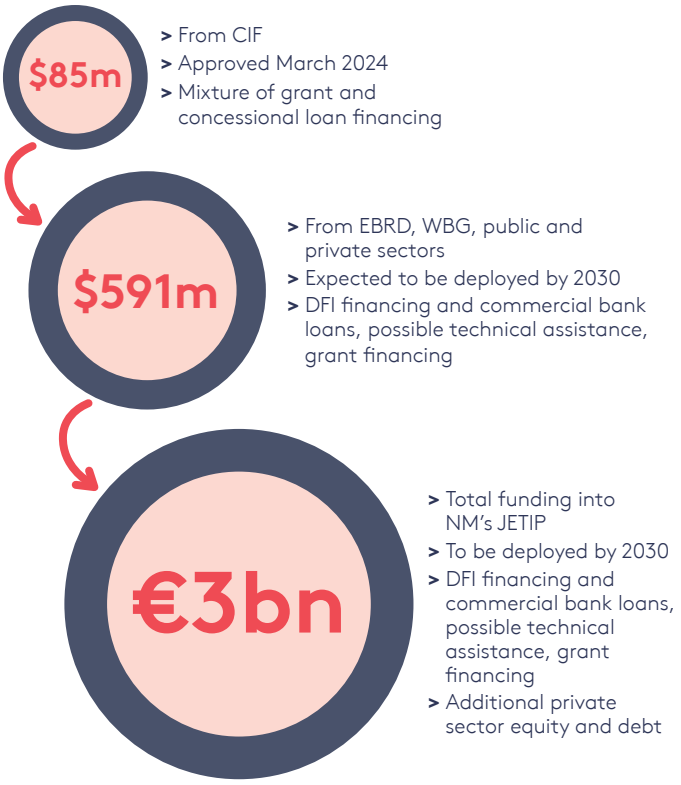
**Project 1: Retiring coal assets and repowering with renewable energy** ($56.8 million), including: power plant retirement, mine remediation and repurposing ($25.5 million); providing renewable opportunities through solar and education in coal territories ($1.8 million); and grid strengthening, batteries and related training ($29.5 million).

**Project 2: Socioeconomic regeneration of the Pelagonia and Southwest regions** ($14 million), including a 'Green & Growth' programme for small and medium-sized enterprises (SMEs), establishing industrial zones for economic regeneration and a climate-smart economic regeneration programme.

**Project 3: Energy efficiency, clean heating and distributed generation programme** ($14.2 million), including $5.6 million for ECOBOOST – Empowering Coal Communities with Efficient and Renewable Lending scheme, and $8.6 million for EcoCommune – Community-Centric Clean Energy Initiative.

CIF says that, once fully implemented, North Macedonia's ACT investment plan could leverage seven times this volume of co-financing by 2030, with over $591 million invested by the EBRD, the World Bank Group and the public and private sectors.[7]

Figure 2. Funding unlocked by the ACT IP




*Note: DFI = development finance institution*

6. www.cif.org/sites/cif_enc/files/meeting-documents/ctf_tfc.is.4_02_act_ip_north_macedonia_03142024.pdf
7. www.cif.org/news/climate-investment-funds-approves-85-million-launch-north-macedonia-coal-phase-out

The ACT IP will facilitate the installation of 400 MW of renewable energy and 100 MW of energy storage, and enable the reduction of 13 million tonnes of $CO_2$ by 2038. It will also lead to investment in human capital to promote skills development and access to alternative livelihoods to ensure a just transition, with an estimated 3,000 direct beneficiaries.

Smilevska at Bankwatch rates the ACT IP highly in terms of its ambition. "Compared with the other plans in the Western Balkans, especially relating to just transition, the ACT IP really is the frontrunner," she says. "There were drawbacks, and the process could have gone better, but if it is implemented as it is written, it will provide for a good just transition process."

## A change of government

Complicating the process were parliamentary elections held in May 2024, in which the incumbent Social Democratic Union, which had championed the transition process, lost power to a coalition led by the VMRO-DPMNE party. The latter also won the second round of the presidential elections, held the same day.

The transfer of power took around six months. However, the energy transition pathway was not changed and the new government has come to embrace the process. It has transferred oversight of energy transition issues from the Ministry of Economy to the newly created Ministry of Energy, Mining and Mineral Resources (MEMMR). Advisors involved in the process say that the energy transition objectives are unchanged and a strong focus on just transition elements remains a priority.

The establishment of a new ministry has led to increased resources and manpower to manage energy transition-related issues, says Irina Pashovska, a JETIP specialist within the MEMMR. These include the creation of a ministerial-level Just Transition Council, inter-sectorial working groups on just energy transition, including on renewable energy sources, prequalification and economic diversification, and regional forums on a just energy transition. The MEMMR is also actively collaborating with MDBs within the JETIP to further mobilise finance for a just energy transition in the country.

A priority for the MEMMR is to build awareness within government and internal capacity, says Olimpija Zaevska, a Skopje-based consultant focused on energy transition investment planning and finance mobilisation who worked with the EBRD on drafting the ACT IP. "What is clear to us is the importance of raising awareness with the public administration, how [civil servants'] work is related to the programme, and then raising awareness among the public."

## CIF's approval

Approving the ACT investment plan in March 2024 was a key milestone. What is unique about the plan, says Margherita Calderone, former principal economist, economic inclusion at the EBRD, is that it aims to take "a coherent and comprehensive" approach, not only focused on reskilling and redeploying employees directly affected by the decommissioning, but also aiming to promote economic diversification with a view to supporting workers indirectly affected by the energy transition.

"When we're talking about the transition, we're not only looking at the employees, but we're looking at the entire economies of these regions," says Stefan Kostovski, a principal banker at the EBRD in Skopje. "Energy is a big chunk of GDP, so we need to understand how these changes will affect local communities, the state sector, the private sector, and the supply chains of these coal assets."

## Stakeholder consultation

For a programme as wide-ranging as North Macedonia's, engaging with key stakeholders – workers, communities, the business community and government officials – is fundamental.

Talk of transition can trigger fear and suspicion in North Macedonia, as many people there relate this term to the privatisation that took place after the dissolution of Yugoslavia. Many people lost their jobs and were not properly taken care of, says Zaevska. "That is why it is important to guide this process as an opportunity to transition towards a more competitive, greener and cleaner economy, leveraging existing knowledge, creating regional economic diversification opportunities, upskilling labour and leaving no one behind."

"We need to present this as an opportunity," says Pashovska, "and make sure that our communications are put in the right context ... providing people with options. It's important that everybody understands that the shift to a low-carbon economy will be very inclusive, and no one will be left behind."

In particular, says Brendan Curran, principal, just transition, at the EBRD, this involves persuading workers who have spent much of their careers within the thermal power sector to sign up for retraining. "As you transition from brown to green technologies, it's not a one-to-one reallocation process. Generally, there aren't as many green energy jobs as brown energy jobs and there is a skills mismatch with legacy workers. Therefore, we require reskilling and opportunities outside of the field of energy as well as in renewable energy," he says.

"The challenge is the same with any just transition project around the globe. How do you get a 10- to 15-year career thermal power plant worker to move on to a retraining scheme? How do you get a private sector entity to consider embedding public sector workers into their workforce?" Curran adds. "Our response to this challenge is to provide various opportunities to reskill and upskill workers. However, in some ways, the skills and curricula development is the easy part. Overcoming the behavioural barriers will require a varied approach of working with impacted workers, communities and companies, building their awareness of the process and building trust in the opportunities that reskilling provides."

## Bringing in the private sector

The programme also involves engagement with private sector lenders to encourage lending to and investment in companies that can help diversify North Macedonia's economy. The EBRD offers intermediated finance products, including concessional financing to partner financial institutions to on-lend to local businesses. Such products are a standard part of the toolbox for development finance institutions, but the EBRD has, since developing its just transition strategy, added just transition requirements to these products.

"This is in line with how we structured our strategy on the just transition in 2020, when we said it should be about the green economy, supporting the workforce and also diversifying the local economy," says Calderone. "This is the first country where we've put the three elements together."

> "The just transition should be about the green economy, supporting the workforce and also diversifying the local economy. This is the first country where we've put the three elements together."
>
> **Margherita Calderone, former principal economist, economic inclusion at the EBRD**

To inform this process, North Macedonia is developing its Just Energy Transition Investment Platform (JETIP) which was unveiled at the COP28 climate conference in December 2023. As part of this platform, the EBRD is supporting local stakeholders in a decarbonisation plan for ESM, North Macedonia's utility, and the design of a renewable energy auction programme, which will see private sector investors bid to supply renewables capacity. The JETIP will provide MDBs and private sector investors with a list of just transition-related investment opportunities across the entire country, and it is anticipated that this pipeline will result in a total of €3 billion in investment.

Pashovska at the MEMMR adds that North Macedonia is planning industrial zones within North Macedonia's coal regions with incentives for both international and domestic investors to support manufacturing. There are also plans under development to specifically target "climate-smart technologies" through the establishment of energy hubs in the two regions, she adds. "Coal is a large contributor to our GDP, which it's important to replace."

In June 2025, the EBRD and CIF announced the signing of loan agreements worth €8 million with Sparkasse Bank AD Skopje, the local arm of Austrian bank Steiermärkische Sparkasse, and North Macedonian bank NLB Banka Skopje, under the EBRD's Green & Growth programme, as part of the CIF ACT and JETIP. Those agreements will enable the banks to provide targeted loans to local companies in the regions of the country most affected by the decommissioning of the country's coal plants.

## Monitoring and evaluation

CIF's investment plan for North Macedonia contains high-level targets under the three pillars (governance, people and infrastructure), and a list of co-benefits.

The *governance* pillar includes indicators for policy development, such as a renewable energy auction scheme, a just transition governance structure, municipal industrial zone investment plans, national and regional skills plans, and plans for decommissioning and repurposing North Macedonia's thermal power plants. These have target dates of 2024 to 2027.

The *people* pillar provides targets for redeployment of workers by 2030 (1,500 ESM workers), and direct beneficiaries of social plans and economic regeneration activities by 2030 (3,000).

The *infrastructure* pillar includes targets for: greenhouse gas emissions reductions (13.2 million tonnes of $CO_2$ by 2038); co-financing leveraged by 2030 ($560 million by 2030); coal power assets retired (824 MW by 2030); and renewable energy and energy storage installed (1,346 MW and 100 MW, respectively, by 2030). It also provides targets for the volume of coal abated and land reclaimed from the closure of mines and power plants.

The *co-benefits* include: pollution reduction; "social inclusion and distributional impacts", covering skills and training programmes, platforms and standards, and the number of SMEs creating high-quality jobs; energy access; and skills enhancement and jobs created among women and vulnerable groups. All of these targets are for 2030.

## Challenges and lessons learned

One technical but important element, says Zaevska, is clarity over the place the ACT IP has within the energy transition policy context. While the investment plan is essentially a funding tool for the MDBs and the government, some stakeholders considered it to carry greater legal weight, with associated requirements. She suggests that global funds such as CIF could further collaborate with MDBs and governments to detail upfront where in the legal and policy context such documents belong, and what procedures they should follow (e.g. regarding environmental impact assessments and public consultation modalities).

Mathew at CIF says that lessons learned from the North Macedonia IP process include the importance of comprehensive planning that addresses both technical and socioeconomic aspects of the transition, the need to support local government capacity, and the value of community-driven development projects. "These lessons have informed subsequent efforts by emphasising the need for inclusive and sustainable approaches to energy transition and the importance of stakeholder consultations and engagement," he says, adding, "The feedback received to date is that the people component may need to be frontloaded. The communities have to get ready before they can start executing the technical activities."

The experience with North Macedonia and other ACT IPs has also encouraged CIF to build more flexibility into how countries and MDBs can design CIF-supported programmes for the next phase of its work. In February 2025, its Trust Fund committee approved a new approach, named Transformational Investment Programmes (TIPs), that would enable it to invest in complementary activities.

"What we've been hearing from countries and MDBs that we work with is that they need more flexibility," Mathew says. This means that future IPs could include multiple focus areas, such as renewable energy integration with industrial decarbonisation efforts, for example.

## Observations from Nick Robins, Chair of the Just Transition Finance Lab

Photo: Chris Watt Photography

CIF's ACT IP for North Macedonia highlights the strategic importance of blending different forms of finance to mobilise the levels of investment required to deliver both climate and socioeconomic benefits. It represents the latest example of a growing number of country platforms where a small amount of concessional finance is being used to catalyse larger sums of development bank funding as well as private capital (which will have innovative 'just transition conditionalities').

To date, the ACT IP represents a case study of systemic just transition finance design. The implications of phasing out coal and scaling up renewables for people and communities are placed at its heart, with extensive public participation and budget allocation. In fact, the integrated nature of the programme means that it is hard to distinguish a specific 'just transition' slice of expenditures. In addition, the programme looks beyond the direct implications for workers to the economy-wide impacts.

Importantly, the Platform's design recognises the intrinsic difficulties of making the energy transition work in a country where some people have bad memories of previous episodes of economic transition. This makes the political oversight of North Macedonia's wider JETIP crucial, not least through an inter-ministerial Just Transition Council within the national government, along with regional forums.

Photo: WBIF

The test of the ACT IP will now be in its implementation, fulfilling its comprehensive set of targets, including a range that cover the people dimension (such as redeployment of coal workers, and job creation through diversification). A key metric will be the volume of finance leveraged by the initial $85 million (see Figure 2). Crucially, it will also need to demonstrate resilience over the rest of the decade as it navigates political and social risks through to 2030. Demonstrating the human gains of such a complex enterprise will be key as the Platform gets underway.

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