



TERMS OF REFERENCE

Clean Technology Fund (CTF) Accelerating Coal Transition (ACT)

Scoping Mission

**19-22 September 2023
The Republic of North Macedonia**

PROGRAMME CONTEXT

The Climate Investment Funds (CIF) offer with its Accelerating Coal Transition (ACT) Programme under the Clean Technology Fund (CTF) a holistic toolkit to support countries transitioning away from coal, tackling challenges linked to national strategies, people, and communities, as well as land and infrastructure, targeting transformational change.

ACT builds support at the local level to reconsider the development of new coal plants and accelerate the retirement of existing coal assets. It also fosters new economic activities fuelled by new sources of energy by working with public sector utilities and private sector operators to define paths to advance clean energy transitions.

ACT works across three pillars to support the transition away from coal:

- **Governance (up to 5% of the total funding):** To achieve support and commitment at the country level for transitioning out of coal assets, the ACT program will consult with key stakeholders, build technical and institutional capacities, as well as help governments develop transformation strategies and economic and social development plans, among other activities.
- **People and Communities (up to 25% of the total funding):** In line with the premise of ensuring that the approach to addressing coal transition challenges is holistic, the program will support socioeconomic measures to minimize the impacts of the transition on people and communities. Measures include a focus on upskilling and reskilling to help people not only retain jobs where feasible, but also prepare for new jobs as available.
- **Infrastructure (up to 70% of the total funding):** Reclaiming and repurposing the existing infrastructure, including land and power plants, will be a core area of support.

In October 2022, CTF Trust Fund Committed (TFC) selected four countries under this program to start developing Country Investment Plans: India, Indonesia, the Philippines, and South Africa. South Africa and Indonesia IPs were endorsed by the CTF TFC.

At the TFC Meeting on Feb 1, 2023, North Macedonia and Dominican Republic were invited to participate in the programme and develop IP of up to USD 85 million each. The TFC also agreed that each of the selected countries can receive up to USD 0.5 million as an Investment Plan Preparation Grant (IPPG) to support the preparation of the IPs.

The IP is a business plan, to be developed by the government of North Macedonia in cooperation with the CIF's Multilateral Development Bank (MDB) partners, in this case with 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 MDB investment and technical assistance and includes the potential of mobilizing complementary co-financing, including from bilateral, multilateral, and private sources.

COUNTRY CONTEXT AND PREPARATORY ACTIVITIES

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

The European Union Delegation (EUD) and European Bank for Reconstruction and Development (EBRD) have supported the Government in the development of the territorial just transition diagnostic and roadmap (JTR). The document, now adopted by the Government, aims to ensure that the transition benefits are shared, and to support vulnerable regions, communities, and workers from falling behind.

On April 6, 2023, the MDBs held a kick-off call with the Ministries of Economy and Finance to: (i) introduce the team, (ii) provide overview of the programme and timelines, (iii) answer questions on the expectation, process and priorities, and (iv) discuss next steps including the scoping mission.

SCOPING MISSION

The focus of the ACT IP is supporting decarbonisation of electricity sector and upstream mining operations, by phasing out coal assets, while taking care of the socio-economic consequences of transition in a just manner.

Through collaboration between the Government of North Macedonia and the MDBs, the second scoping mission will be organized in a hybrid manner during September 19-22, as a follow up on the first scoping mission that took place in a hybrid manner during May 22-25 in North Macedonia.

During the first scoping mission, the State Secretary for Energy (SSE) of the Ministry of Economy (ME) of North Macedonia hosted the mission comprising of MDBs – EBRD, WB and IFC to discuss the preparation of the draft Investment Plan (IP). 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 scoping mission, the EBRD team and CIF ACT representative visited the TPP in Oslomej, as well as current PVPPs and remaining ESM land and assets.

The key objectives of the mission were to:

- (i) Designate the national entity with a mandate to engage on relevant CIF programmatic areas and related functions;
- (ii) Stocktake existing activities, documents, studies and plans for the preparation of IP (e.g., climate policy, electricity sector decarbonization, renewable energy plans, regional development plans, worker support, just transition governance, etc.);
- (iii) Exchange views with key stakeholders, inform them of the program, collect early inputs;
- (iv) Identify priority areas for further work;
- (v) Determine the scope of support under the Investment Plan Preparation Grants (IPPG of up to USD 0.5 million);
- (vi) Agree on the timelines and next steps.

Summary of key findings of first scoping mission:

Political level:

- The Government remains committed to 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;
- Given elections are coming up in the spring of 2024, the IP should be submitted to CIF in February 2024 at the latest. The target date is November, to meet the CTF's meetings dates and avoid delays in accessing concessional resources. All stakeholders agreed to be proactive and contribute to this short deadline;
- MoE will coordinate 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.

Technical level:

- While there is an increased interest in PVPP investments which support the ACT, there is also a lack of balancing capacity in the transmission network;
- There is no comprehensive assessment on how the coal mine assets and land can be best repurposed;
- While there is clear awareness and interest to develop and invest in storage infrastructure, including batteries, there is a lack of a clear idea of what is needed in terms of legal basis, technology and needs to proceed in this direction;
- Crucial departing documents for the Investment Plan (IP) should be the Single Project Pipeline (SPP) of the country (for the public projects), the draft Just Transition Roadmap and the measures of the draft NECP;
- So far, there are limited engagements to specifically address the social aspects of the ACT in the affected coal regions of Southwest and Pelagonia;
- There are no specific early retirement, upskilling, re-skilling (except for the Technical Cooperation support as part of the EBRD's EUR 25 million loan to 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;
- MEPSO, ESM, EVN are interested to contribute to the IP process with project ideas, data and existing studies and their development plans;
- CSOs emphasize the importance of engaging with local municipalities and other stakeholders, including CSOs, and communities themselves during the IP process;
- Private sector representatives are willing to be engaged in the IP process providing data, organizing workshops and providing expertise including through the Chamber of Commerce;
- The Energy Community representatives want to be involved in the strategic planning part of the IP;
- EBRD will reach out for documents that were mentioned during the consultations;
- EBRD will reach out to schedule additional meetings with stakeholders specified in the annex as well as other partners.

The **second scoping mission** will take place primarily in the Ministry of Economy in Skopje, and Bitola to discuss status of the IP, present draft version of the IP and preliminary findings from the Investment Plan Preparation Grants technical assistance projects. Furthermore, and as necessary, the second scoping mission aims to update and confirm the timeline for the IP submission to the Climate Investment Funds (CIF), plan public consultation on the IP and discuss potential presentation of the IP during COP in November 2023. During the scoping mission, the country and the MDBs will also engage with other key development partners including other bilateral and multilateral agencies operating in the country, UN agencies, private sector, civil society organizations, youth organizations, and other key stakeholders.

The hybrid scoping mission will take place from 19-22 September, in the Ministry of Economy, and Bitola in a hybrid format, organised with the MDBs. Its **main objectives** are to:

- Present and discuss draft version of the IP including early project concepts;
- 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, worker support, just transition governance etc);
- Exchange views with key stakeholders, inform them of the programme, collect inputs;¹
- Plan the public consultation for the IP;
- Discuss presentation of IP at the COP;
- Confirm timeline for submission of the IP and next steps.

The **expected outputs** of the scoping mission are:

- Involvement of the Government and relevant key stakeholders are engaged, ensured, updated and clarified in the IP preparation process;
- Timelines for IP preparation are confirmed ;
- Draft IP and early project concepts are discussed;
- Public discussion on the IP is planned;
- Agreed on who presents IP at the CIF TFC committee
- Presentation of IP for the COP is agreed upon;
- Final comments, documents and relevant information for the IP are collected;
- Within 30 days following the completion of the mission, a report (Aide Memoire) is to be prepared and submitted to the CIF AU describing the process, information on stakeholder consultations and list of partners consulted as well as key findings of the scoping mission and next steps. The report will be posted on the CIF website.

MISSION MEMBERS

The MDB's North Macedonia's Government focal point for the CIF-ACT Program is: Ismail Luma (ismail.luma@economy.gov.mk)

- The MDB focal points for North Macedonia's ACT Program are:
 - EBRD: Anna Vasylyeva (VasylyaN@ebrd.com) and Andrea Iro (IroA@ebrd.com)
 - WB: Rhedon Begolli (rbegolli@worldbank.org)
 - IFC: Magdalena Soljakova (msoljakova@ifc.org) and Andrey Shlyakhtenko (ashlyakhtenko@ifc.org)
- The EBRD's team for the mission will include Anna Vasylyeva (Energy Transition specialist), Andrea Iro (Associate Manager, Donor Co-Financing), Stefan Kostovski (Energy Banker), Mariam Kobalia

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.

(Principal, Gender and Economic Inclusion), Olimpija Hristova Zaevska (Investment Planning Consultant) and other experts.

- The World Bank team led Rhedon Begolli (Senior Energy Specialist) and will include Ivan Krofak (Consultant).
- The IFC team, led by Magdalena Soljakova (Senior Country Officer).
- The mission will be joined by Mr. Abhishek Bhaskar, Senior Energy Specialist at the CIF Administrative Unit.

KEY MEETINGS [Note: tentative program; to be further updated]

To achieve the objectives and outputs above, the scoping mission will include meetings with:

<i>Time</i>	<i>Meeting Subject</i>	<i>Participants</i>	<i>Venue²</i>
Monday, September 18			
15 :00-16 :00 PM	MDB and CIF internal meeting	MDBs+CIF AU	Skopje
Tuesday, September 19			
10:00 – 11:00	Meeting of MDBs with Ministry of Economy Representatives	Mission members Minister Kreshnik Bekteshi State Secretary Razmena Cekikj Ismail Luma Valentina Stardelova Magdalena Daskalova	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 Razmena Cekikj Ismail Luma Valentina Stardelova Magdalena Daskalova Jasmina Majstorovska Jeton Kuci Florent Cice Goran Nikolovski Suad Sulejman Office of Prime Minister Viktor Andonov Office of DPM in charge of economic affairs Aleksandar Talimidziovski Sandra Andovska Ministry of Finance Suzana Stoimiceva Andrija Aleksovski Dragana Filipovska Ministry of Environment and Spatial Planning Teodora Grncharovska Lindita Dika	Ministry of Economy, Skopje

² Blue stands for session moderator

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		<p>Fani Zojchevska Energy Agency Dario Nikolovski Ordan Kaevski Energy and water services regulatory commission (ERC) Marko Bislimoski DTIRZ Jovan Despotovski Secretariat of European Affairs Drita Abdiu – Halili</p>	
<p>14:00 16:00 PM</p>	<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 <p>Present IP draft (10 slides) and separate concepts</p>	<p>Mission members</p> <p>Ministry of Labor and Social Care Natasha Stanojevikj</p> <p>Ministry of Self-Government Kiril Partalov</p> <p>Ministry of Education Julijana Balevska Elvan Hasanovic Laura Cana</p>	<p>Ministry of Economy, Skopje</p>
<p><i>Wednesday, September 20</i></p>			
<p>09:00-10:30 PM</p>	<p>ESM Present specific concepts</p>	<p>Mission members</p> <p>ESM Blagoj Gajdardziski Blagojche Trpovski Dusica Seizovska</p>	<p>Ministry of Economy, Skopje</p>
<p>11:00-12:30 AM</p>	<p>MEPSO (TSO) Present and discuss specific concepts EVN-EDSO (DSO)</p>	<p>Mission members</p> <p>MEPSO Erol Kecap Kliment Naumovski</p> <p>Mission members</p> <p>EVN Oliver Mirchevski Viktor Dimitrievski Sasho Saltirovski</p>	<p>Ministry of Economy, Skopje</p>
<p>13:00 – 15:00 PM</p>	<p>Development partners (joint/parallel meetings)</p> <ul style="list-style-type: none"> EUD KfW EIB EnCs USAID UNDP FAO WBIF Swedish Embassy UK Embassy <p>Present IP draft (10 slides)</p>	<p>EUD Katerina Kus-Ivanova Alexandru Albu Dimitar Malonovski</p> <p>KfW Robert Sarlamanov</p> <p>EIB Bjorn Gabriel</p> <p>Energy Community Rozeta Karova</p> <p>USAID Margarita Lipkovska Marija Gjoshevska Samir Latif</p> <p>GiZ</p>	<p>Ministry of Economy, Skopje</p>

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	Divide into groups, discuss IP and get feedback	<p>Mark Barret Daniel Josifovski UNDP Anita Kodzoman Biljana Cvetanovska Gugovska FAO Igor Slavkovski WBIF-IFICO Orhideja Kaljoshevska Swedish Embassy Ivan Petrovski UK Embassy Irena Stevcevska</p>	
Thursday, September 21			
10:00-11:30	Meeting with Mayor of Bitola Energy Sector Urban Planning	Coordinated with Municipality of Bitola – Emilija Sarafska – Energy Advisor	Municipality of Bitola
11:00-13 :00	Meeting with local CSOs and business representatives	Coordinated with Municipality of Bitola – Emilija Sarafska – Energy Advisor	Municipality of Bitola
13:30-15:30	TPP BITOLA and mines Visit	Mission members + ESM	Municipality of Bitola
16 :00	Dinner and debrief	Mission Members	Bitola
Friday, September 22			
09 :00-11 :00	Meeting with CSOs/Academia Present both IP draft (10 slides) and separate concepts	<p>Bankwatch Nevena Smilevska Davor Pehcevski Eko-Svest Elena Nikolovska Frederich Ebert Stiftung Ivana Vuckova MANU Natasha Markovska Aleksandar Dedinec</p>	Ministry of Economy, Skopje
11.00-13:00 AM	<p><i>Roundtable with</i></p> <ul style="list-style-type: none"> • Economic Chamber of North Macedonia (ECM) • Macedonian Energy Association (MEA) • RES Association • Macedonian Chambers of Commerce (MCC) • Economic Chamber of North-West Macedonia (ECNWM) • incl. Women in business group • DTIRZ 	<p>Mission members</p> <p>Economic Chamber of Commerce Kristina Kuzeska Dijana Lazaroska (regional Bitola) Nikola Damjanovski (regional Kicevo) MEA Kocho Angjushev RES Association Violeta Nikolova ECNWM Durim Zekiri Solar Macedonia Ilija Nasov Stefan Trajkov Banks DTIRZ Edin Fakic</p>	Ministry of Economy, Skopje

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13:30 - 15:00 PM	Closing meeting with PM Office, DPM Office, Ministry of Economy and Ministry of Finance Present IP draft and separate concepts Depending on presence, work in groups	Mission members + PM Office, DPM Office, Ministry of Economy and Ministry of Finance	Ministry of Economy, Skopje
	MDB and CIF debrief	Mission members	Skopje

*Subject to revision

PROPOSED NEXT STEPS

Given the level of maturity of discussions, and the financing needs, driven by ambitious phase-out timeline, the proposed indicative timeline aims at submission to the CTF Trust Fund Committee by December 2023 / January 2024 (subject to meeting dates).

Table 1: Indicative Timeline

Indicative Timeline	Key Milestones
KICK-OFF (FEBRUARY-JUNE)	
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	Scoping Mission, Skopje <u>Agreement/Confirmation on:</u> <ul style="list-style-type: none"> • Scope of IPPG • Indicative timeline and next steps • Designated national entity to engage on ACT with MDBs (Ministry of Economy)
June 2, 2023	Mission report and IPPG draft 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 – DECEMBER)*	
June 7, 2023	ME submits acceptance letter, aide memoire and IPPG draft to Commission of Economic Council (KES)
June 13, 2023	Government approval for the CIF and ACT program
June 16, 2023	Acceptance letter + Aide memoire + IPPG request submitted to CIF for Trust Fund Committee (TFC) for information and approval
July 13, 2023	Joint call with MDBs/CIF AU/ME on experiences and lessons learnt from the initial four ACT countries
July 19-30, 2023	IPPG funding approved
July 19-28, 2023	Requesting IPPG funding from Trustee and further internal processing of funding request
July 20, 2023	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 CIF website
September 1 – 31 October 2023	IPPG TCs kick off (duration approx. 6-10 weeks)
September 19-22, 2023	MDB Joint Mission
September 29, 2023	Aide memoire submitted to CIF for publication
end of October 2023	Final IP draft submitted to the Government
Mid November 2023	Public Consultation (<i>at least 2 weeks before submission to CIF</i>)
November 16-20, 2023	CIF meetings: Progress update on IP to TFC
Nov 30-Dec 12, 2023	COP event: Presentation of IP
IP SUBMISSION (DECEMBER 2023 - JANUARY 2024)	
December 2023/ January 2024 TBC	Formal submission of final IP by the government (Ministry of Economy) to the CIF AU <i>at least 6 weeks before the meeting</i>