

A well-designed national energy efficiency fund in North Macedonia will enable long-term energy savings in the residential and public sectors



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Under the Energy Community Treaty,¹ the Western Balkan countries,² including North Macedonia, have committed to align their energy markets with EU rules, including by transposing legislation from the Clean Energy Package.³ This includes adapted versions of the 2012 Energy Efficiency Directive (EED) and its 2018 amendments⁴ and the 2018 version of the Governance Regulation.⁵

¹ Energy Community, [Treaty establishing the Energy Community](#), *Energy Community*, accessed 6 December 2024.

² Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

³ Ministerial Council of the Energy Community, [Decision of the Ministerial Council of the Energy Community no. 2021/13/MC-EnC](#), 30 November 2021 and [Decision of the Ministerial Council of the Energy Community no. 2022/03/MC-EnC](#), 15 January 2022. The implementation deadline was 31 December 2023.

⁴ [Directive 2012/27/EU of 25 October 2012 on energy efficiency, as amended by Directive \(EU\) 2018/2002](#), adapted by Ministerial Council Decision 2015/08/MC-EnC, Ministerial Council Decision 2021/14/MC-EnC and Ministerial Council Decision 2022/02/MC-EnC.

⁵ [Regulation \(EU\) 2018/1999 of 11 December 2018 on the Governance of the Energy Union and Climate Action](#), adapted by Ministerial Council Decision 2021/14/MC-EnC and Ministerial Council Decision 2022/02/MC-EnC.

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As a result, when developing their National Energy and Climate Plans (NECPs), the countries are obliged to apply the ‘energy efficiency first principle’ – which considers energy efficiency as a priority in decision-making on investments, policies, or strategies.

By implementing the EED, the countries are expected to limit their total final energy consumption to 20.81 million tonnes of oil equivalent by 2030, of which 2 million tonnes in North Macedonia.⁶

Demand side energy efficiency – particularly in the building sector – is key to achieving these targets and provides the most benefits for people in terms of energy savings and comfort.

The residential sector is the largest end consumer of energy in the Western Balkans,⁷ representing 27 per cent of the total final energy consumption in North Macedonia in 2022.⁸ However, multi-apartment residential buildings are hardly tackled through existing support schemes in North Macedonia, such as state level funds, municipal subsidies, bank loans etc., even though they have high potential for achieving energy savings, lowering people's bills and reducing CO₂ emissions.

Establishing national energy efficiency funds is a key precondition to increase investments in energy efficiency measures and is supported by the adapted EED

Such funds can be also combined with one stop shops or similar mechanisms enabling technical, administrative and financial advice on energy efficiency investments to potential fund recipients. These can be part of the funds themselves, or separate bodies coordinating with them.

National funds can be supported by technical assistance programmes and different financial sources. Energy Efficiency Obligation Schemes (Article 7a, adapted EED) can also require energy and fuel distribution and retail companies to contribute financially to such funds, and revenues from carbon pricing can be also used, once introduced.

These funds must support investments in energy efficiency by all kinds of households, with well-adjusted measures and different levels of support for various groups.

Financing schemes with a loan component, for those who can afford part of the investment, must be designed in a way that matches the owners’ ability to invest. But **energy efficiency funds must also offer targeted support for vulnerable consumers and energy poor households** in the form of a 90-100 per cent grant component, as loan-based support is out of reach for these groups.

The adapted EED (Article 7.11) emphasises that *‘In designing policy measures to fulfil their obligations to achieve energy savings, Contracting Parties shall take into account the need to alleviate energy poverty in accordance with criteria established by them, taking into consideration their available practices in the field, by requiring, to the extent appropriate, a share of energy efficiency measures under their national energy efficiency obligation schemes, alternative policy measures, or programmes or measures financed under an Energy Efficiency National Fund, to be implemented as a priority among vulnerable households, including those affected by energy poverty and, where appropriate, in social housing’*.

⁶ Energy Community, [The Clean Energy Package targets](#), Energy Community, accessed 12 December 2024.

⁷ Energy Community, [Discussion paper on Riding the Renovation wave in the Western Balkans. Proposal for boosting energy efficiency in the residential building sector](#), Energy Community, 25 February 2021.

⁸ The International Energy Agency, [North Macedonia](#), The International Energy Agency, accessed 17 December 2024.

North Macedonia's energy efficiency fund years in the making

The creation of an energy efficiency fund was approved at the end of 2023,⁹ to be managed by the Development Bank of North Macedonia.¹⁰ In addition, EUR 40.4 million for its establishment has already been secured, and the fund has been included in North Macedonia's latest Single Project Pipeline list¹¹ and the indicative list of WBIF investments in its Reform Agenda¹² under the Reform and Growth Facility for the Western Balkans.¹³

The initial idea when the fund was initiated more than five years ago,¹⁴ was to focus exclusively on public buildings and base its operations on collaboration with municipal authorities. The residential sector was not part of the picture, even though around 80 per cent of the housing stock in North Macedonia was built before 1991 and is highly energy inefficient, representing a very large number of buildings awaiting renovation.¹⁵ This percentage demonstrates the utmost urgency of establishing a fund that will include well-designed financial schemes targeting the residential sector as well.

In December 2024, World Bank representatives presented the financial framework of the planned Energy Efficiency Fund to the Minister of Energy, Mining and Mineral Resources,¹⁶ as part of an ongoing Bank project on this issue.¹⁷ However, this project is targeting public buildings only, hence different funds must be secured to tackle the residential sector as well.

Kosovo's Energy Efficiency Fund can serve as an example for targeting households

The Kosovo Energy Efficiency Fund (KEEF)¹⁸ was established in January 2019¹⁹ as a legal entity supervised by the Government and its main donors. Currently, it supports investments in the public and residential sector.

It started operating in 2020 with a guarantee of EUR 20 million from the European Union, World Bank and Government of Kosovo²⁰ for energy efficiency projects in municipal public buildings. The scheme requires

⁹ Official Gazette of North Macedonia, [Law on amending the Law on the Development Bank of North Macedonia](#), *Official Gazette of North Macedonia*, 5 October 2023.

¹⁰ Development Bank of North Macedonia, [About the Development Bank of North Macedonia](#), *Development Bank of North Macedonia*, accessed 13 December 2024.

¹¹ Ministry of European affairs of North Macedonia, [North Macedonia's revised SPP](#), *Ministry of European affairs of North Macedonia*, accessed 20 December 2024 (the link provided at the bottom of the Ministry's website leading to the Single Project Pipeline list of investment projects of North Macedonia revised in May 2024, is currently non-functional).

¹² Ministry of European affairs of North Macedonia, [Reform and Growth Facility indicative list of investment projects](#), *Ministry of European affairs of North Macedonia*, accessed 17 December 2024.

¹³ [Regulation \(EU\) 2024/1449 of the European Parliament and of the Council of 14 May 2024 on establishing the Reform and Growth Facility for the Western Balkans](#), *OJ L, 2024/1449*, 24 May 2024.

¹⁴ Meta, [The energy efficiency fund has yet to be established, although it has been promised years ago](#), *Meta*, 4 July 2023.

¹⁵ Financial Times, [Too cold to live in: how families in Macedonia are rebuilding their homes](#), *Financial Times*, 11 December 2018.

¹⁶ Netpress, [Macedonia closer to energy efficiency fund supported through the World Bank](#), *Netpress*, 16 December 2024.

¹⁷ The World Bank, [North Macedonia Public Sector Energy Efficiency Project](#), *The World Bank*, accessed 18 December 2024.

¹⁸ KEEF, [Kosovo Energy Efficiency Fund](#), *KEEF*, accessed 11 December 2024.

¹⁹ Based on the law on energy efficiency: Government of the Republic of Kosovo, [Law on Energy efficiency](#), *Government of the Republic of Kosovo*, 5 December 2018.

²⁰ Europe House Kosovo, [For Better Energy Efficiency: Kosovo Energy Efficiency Fund](#), *Europe House Kosovo*, 18 November 2024.

repayment based on energy savings for insulation of walls and roofs, replacement of windows and doors, upgrade of heating and ventilation systems, installation of rooftop solar PVs, as well as indoor lighting. However, the repayment period should not exceed 15 years.

In 2023, Kosovo, like other Western Balkan countries, received EU funds under the Energy Support Package²¹ to mitigate the immediate effects of the energy crisis. EUR 75 million were allocated to Kosovo, out of which EUR 20 million went to KEEF for residential sector energy efficiency measures, with EUR 10 million for social housing owned by municipal authorities, and EUR 10 million for individual residential houses.²²

This enabled KEEF to introduce new financial schemes:

- one for owners of individual houses offering a 45 per cent grant or up to EUR 5 500 of the energy efficiency investment cost, going up to 50 per cent in cases where the house is owned or co-owned by a woman,²³
- another targeting social housing under municipal management receiving 90 per cent financial support from KEEF and 10 from the municipal authorities.²⁴

Under the two public calls published in 2023 and 2024,²⁵ 3,048 applications were approved with an overall value of EUR 10.8 million. In the social housing sector, 28 buildings were chosen across 13 municipalities in Kosovo under the public call in April 2023. They are expected to finish their projects by mid-2025, with around 800 families to benefit, including 75 from ethnic minorities.

As for multi-apartment blocks, only ones managed by homeowners' associations are eligible to apply for funds, since KEEF needs to sign financing agreements with legal entities managing the buildings. The uptake of social housing energy efficiency projects is higher than for privately-owned ones, since they are owned by local authorities, making the whole procedure more straightforward.

JASPERS support can assist in developing energy efficiency instruments for households

JASPERS²⁶ is a partnership between the European Commission and European Investment Bank which provides technical support for projects funded by various EU financing instruments. Investments under the Instrument for Pre-Accession assistance (IPA),²⁷ as well as the Western Balkans Investment Framework (WBIF)²⁸ and the Reform and Growth Facility are eligible.

Since 2013, JASPERS experts have been offering support to Western Balkan countries in six different sectors: circular economy and solid waste, energy, innovation, transport, urban development, and water and

²¹ European Commission, [Energy Support Package for Western Balkans](#), *European Commission*, 9 June 2023.

²² Europe House Kosovo, [For Better Energy Efficiency: Kosovo Energy Efficiency Fund](#), *Europe House Kosovo*, 18 November 2024.

²³ KEEF, [KEEF starts subsidising the implementation of efficient measures in individual homes](#), *KEEF*, 12 November 2023.

²⁴ Kosovo Energy Efficiency Fund, [The Public Call for Applications is open for the benefit of energy efficiency measures in multi-residential social buildings owned by municipalities in Kosovo](#), *Kosovo Energy Efficiency Fund*, 12 November 2023.

²⁵ Ibidem.

²⁶ European Investment Bank, [JASPERS](#), *European Investment Bank*, accessed 11 December 2024.

²⁷ European Commission, [Overview - Instrument for Pre-accession Assistance](#), *European Commission*, accessed 12 December 2024.

²⁸ WBIF, [About the Western Balkans Investment Framework](#), *WBIF*, accessed 12 December 2024.

wastewater. In the energy sector, they support energy efficiency and renewable energy projects, energy communities, decarbonisation of district heating systems, smart grid technologies and deployment of storage systems.

JASPERS is currently in the final stages of assisting KEEF and the National IPA Coordination Office in Kosovo to identify and prepare new financing instruments for energy efficiency in the residential and small and medium enterprise (SME) sectors.²⁹ Its experts have identified and proposed several models to KEEF for individual houses, multi-apartment residential buildings and SMEs. Most importantly, these include **a model that corresponds to vulnerable consumers' needs.**

If established, these new schemes have the potential to ensure energy savings among more different social groups, including those hardest to reach, such as owners of multi-apartment buildings and vulnerable consumers.

Habitat for Humanity Macedonia's long-term experience in residential energy efficiency can contribute to the establishment of appropriate financial schemes

Habitat for Humanity Macedonia (Habitat)³⁰ has for more than 15 years been trying to bridge the knowledge and investment gap to increase energy efficiency improvements in the residential sector, particularly in multi-apartment residential buildings, while also focusing on supporting marginalised groups and vulnerable consumers. By establishing its own residential energy efficiency revolving fund,³¹ since 2011-2012, it has so far helped 70 multi-apartment residential buildings with around 4,000 apartments in North Macedonia to improve their energy efficiency.³² The model assumes working in partnership with municipal authorities who most often cover up to 30 per cent of the investment cost, while the rest is secured by a soft loan from Habitat's fund.

Habitat has found that the optimal model is when energy savings that are automatically converted to monetary savings are enough to repay the investment costs. Their experience shows that with this model, households need 5 to 8 years to repay the loans with the current prices of energy.

The public can afford only part of the renovation cost, but based on Habitat's experience, when the loans are designed according to homeowners' financial capacity, they manage to repay them.

Habitat also monitors the results by conducting energy audits before and after the renovations. They indicate that between 20 and 40 per cent of energy, and consequently money, can be achieved with average retrofit interventions.

In 2015, Habitat also established its own building management company Habidom,³³ currently managing around 260 multi-apartment residential buildings, enriching its experience in building consensus among owners to undertake retrofits, and providing the technical assistance needed to move from idea to implementation.

²⁹ JASPERS, [JASPERS support for IPA III](#), JASPERS, 14 March 2024.

³⁰ Habitat, [What we do](#), Habitat, accessed 17 December 2024.

³¹ Habitat, [Energy efficient homes for low-income households in Macedonia REE Revolving Fund](#), Habitat, 2023.

³² Zoran Kostov, Executive director of Habitat for Humanity Macedonia, personal communication, 13 December 2024.

³³ Habidom, [What we do](#), Habidom, accessed 13 December 2024.

In 2017 Habitat estimated³⁴ that retrofitting 10,000 to 12,000 multi-apartment buildings built in the 1960-1970s, costing around EUR 300 million and taking five to eight years, would ensure energy savings for heating and cooling of 30-50 per cent, with this sector making up 60-70 percent of total energy consumption in households. However, with the increased cost of materials in recent years, retrofit costs have been rising, hence the total needed for the investments will have significantly increased since then.

Unfortunately, according to the latest census, from 2021, 65 per cent of all buildings (not including individual houses) in North Macedonia,³⁵ or 344,152,³⁶ still had inefficient façades. Although the census did not break this down by type, it also shows that 98.6 per cent of all such buildings are blocks of flats, and that these are occupied by 99.7 per cent of the total population of 1.8 million citizens.³⁷ Tackling multi-apartment buildings thus has great potential to achieve energy savings, and the energy efficiency fund must speed up investments that respond to their needs.

Recommendations to North Macedonia's authorities:

- **The Government of North Macedonia** must move swiftly with the establishment of a national energy efficiency fund and make plans to incorporate support for households, not only public buildings.
- **The Development Bank of North Macedonia** should consider using JASPERS advisory support to set up energy efficiency incentive schemes responding to the needs of different categories of end consumers, with repayment based on energy savings.
- Dedicated **energy efficiency support schemes for vulnerable consumers** need to be established through the Fund with a grant component of 90-100 per cent.
- **Residential building management companies** can be an important bridge between financing instruments and homeowners, to facilitate consensus and technical support.
- The **non-governmental sector's** experience and knowledge should be used to identify and prepare new financing instruments for energy efficiency in the residential sector.



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³⁴ Habitat, [Expert consultation on market development in the housing sector with a focus on energy efficiency](#), Habitat, 11 December 2017.

³⁵ MakStat, [Number of buildings and occupants per type of building, per municipality, 2021 census](#), State Statistical Office of the Republic of North Macedonia, accessed 18 December 2024.

³⁶ MakStat, [Number of buildings with energy-efficient façades, elevators and enabled access for people with disabilities, by municipality, census 2021](#), State Statistical Office of the Republic of North Macedonia, accessed 18 December 2024.

³⁷ Ibid.