



Financing a Just Transition to the Green Economy in Serbia: Strategies and Modalities¹

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¹ This paper has been prepared jointly by ILO, UNEP, UNECE and DCO, with contributions from members of the Issue-Based Coalition on Environment and Climate Change and the UN Resident Coordinator’s Office in Serbia. It represents an independent analytical analysis prepared by the Issue-Based Coalition and does not necessarily reflect the official positions of the contributing entities or of the Government of Serbia.

POLICY “TAKE-AWAYS”

To accelerate a just transition to a green economy, Serbia should prioritise the following actions:

- 1. Further develop and operationalise the Just Transition Framework** to institutionalise funding and worker protections.
- 2. Leverage EU funds early** by applying for IPA III and Western Balkans Investment Framework (WBIF) grants before full EU accession.
- 3. Establish a Just Transition Platform** with a multi-stakeholder body to coordinate funding and ensure inclusive planning and monitoring.
- 4. Assess different options to finance the transition from coal, including possibility of establishing a National Just Transition Fund, and piloting it at the regional/local level,** funded by carbon tax revenues and redirected subsidies.
- 5. Combine financial instruments and strategic policies as a roadmap to achieve a just energy transition,** including public finance reforms, capital markets and private sector, employment-rich economic diversification, and strong social and labour protections.
- 6. Institutionalise workers’ safeguards across all instruments,** including a tripartite Just Transition platform in law, mandatory social dialogue for project design and implementation, collective bargaining-linked conditionalities, etc.

These policy takeaways are further developed and analysed in detail in the sections that follow.

1. BACKGROUND

The concept of a just transition has gained global recognition as a framework for shifting to environmentally sustainable economies while ensuring decent work, social inclusion, and poverty reduction². Securing adequate financing plays a key role to advance a just and green transition and ensure its benefits are widely shared. This brief, prepared by the UN Europe and Central Asia Issue-based Coalition on Environment and Climate Change³, discusses financing modalities and strategies for Serbia’s just transition, incorporating public finance reforms, international climate funds, private sector engagement, and robust social protections. The paper concludes with an annex outlining the capacities of relevant UN entities at the country level.

² ILO (2015). Guidelines for a just transition towards environmentally sustainable economies and societies for all. Available at: <https://www.ilo.org/publications/guidelines-just-transition-towards-environmentally-sustainable-economies>.

³ Issue Based Coalition on Environment and Climate Change (IBC). Available at: <https://uneuropecentralasia.org/en/ibc-environmental-coalition#:~:text=The%20Issue based%20Coalition%20on,environmental%20and%20climate%20change%20issues>.

The analysis is based on the ILO's Guidelines for a just transition towards environmentally sustainable economies and societies for all⁴, the EU Just Transition Mechanism (EU JTM)⁵, case studies from other coal-dependent economies, and the Guiding Principles and Good Practices on just transition developed by the UNECE Group of Experts on Coal Mine Methane and Just Transition⁶. The financing dimension of the analysis draws on UNECE's approach to just transition financing, which emphasizes integrated, SDG-aligned investment strategies, leveraging PPPs, blended finance, and tools such as the UNECE Public-Private Partnerships and Infrastructure Evaluation and Rating System (PIERS)⁷ to evaluate and guide sustainable infrastructure investments.

Serbia's energy sector relies on coal for approximately 70% of electricity generation with major mining and power plant operations in regions like Kolubara and Kostolac⁸, creating significant financing pressures for both energy system transformation and regional adjustment. The energy crisis of 2021–2022 exposed the urgency of Serbia's transition away from coal. A combination of the global rise in energy costs, a critical breakdown at the Nikola Tesla thermal power plant, and a prolonged drought affecting hydroelectric production forced the country into expensive electricity and coal imports. These pressures ultimately translated into higher electricity and gas prices for consumers. The European Union's Carbon Border Adjustment Mechanism (CBAM) and decarbonization policies may also increase pressure on Serbia to reduce coal dependency, risking economic disruption in coal-dependent communities. A just transition lens can help in addressing these risks while generating long-term opportunities. For Serbia, a country where coal employs thousands, the net zero [low-carbon] transition presents both challenges and opportunities for workers, communities, and economies, highlighting the importance of a just transition approach. The UNECE Guiding Principles for Just Transition underline that transition strategies must be place-based and participatory, combining social dialogue, inclusive governance, and clear financing frameworks. These principles are directly relevant for Serbia, where coal-dependent municipalities will require tailored solutions that address local labour markets, community needs, and investment opportunities.

While transitioning the coal sector remains central, just transition efforts must also extend beyond the energy sector. The green transition entails structural changes across interconnected value chains, increasingly affecting sectors such as i) extractives activities (where Serbia plays a growing role in supplying critical raw materials such as aluminium, copper, lithium, and zinc), ii) the agrifood system (producing, processing, and transporting food requires significant energy), iii) manufacturing, and iv) the automotive industry. In particular, the rapid expansion of electric vehicles and energy storage technologies is driving a surge in demand for different minerals, positioning the Serbian mining sector as both a beneficiary and a key site of transition. If appropriately governed and sustainably managed, the

⁴ ILO (2015). Guidelines for a just transition towards environmentally sustainable economies and societies for all.

⁵ European Commission. The Just Transition Mechanism: making sure no one is left behind. Available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en.

⁶ UNECE (2025). Guiding Principles for Just Transition An integrated approach to facilitating a just energy transition to low-carbon, resource-efficient, and resilient economy. Available at: https://unece.org/sites/default/files/2025-08/CSE_34%202025%20INF3%20UNECE%20Guiding%20Principles%20for%20Just%20Transition%20.pdf.

⁷ UNECE. PIERS Methodology. Available at: <https://unece.org/ppp/em>.

⁸World Energy Council (2024) Serbia Commentary. Available at: https://www.worldenergy.org/assets/downloads/Issues_Monitor_2024_Serbia_commentary.pdf

resulting proceeds could support a just transition of the sector. These sectors are key to Serbia's economy and labour market and must be included in a broader just transition strategy that addresses evolving skills needs, value chain shifts, and social equity concerns.

At the local development level, Serbia has taken steps towards enabling collective energy initiatives, influenced by EU policies and the global energy transition. Energy communities are promoting renewable energy, energy efficiency, and local participation in energy production and distribution. For example, Serbia's Energy Law (2021) introduced provisions for "citizen energy communities" and "renewable energy communities", aligning with the EU's Clean Energy Package (RED II). While the law allows households, businesses, and local governments to jointly produce, consume, store, and sell renewable energy, secondary legislation and implementation rules are still under development. There are limited pilot projects and initiatives such as the Solar Energy Cooperatives where some municipalities (e.g., Pirot, Kikinda) are exploring solar projects where citizens and businesses jointly invest in photovoltaic (PV) systems. EU-funded projects like "Prosumers for the Energy Transition" (supported by GIZ and EU) promote renewable energy communities. At the city level there are local energy plans for cities like Belgrade and Novi Sad with developing strategies to integrate community energy projects⁹.

As emphasised in Serbia's recently adopted "**Just Energy Transition Plan of the Republic of Serbia until 2030**" (hereafter called the "**Just Energy Transition Plan**" or "**JETP**") (August 2025)¹⁰, Serbia's just transition should be grounded in social dialogue mechanisms ensuring voices of all stakeholders are taken into account. This inclusive approach is in line with the ILO Guidelines for a Just Transition (2015) and core Conventions (C.87, C.98, C.154). Financing choices should be assessed for their contribution to decent work, gender equality, social protection, and regional cohesion, and governed through tripartite mechanisms ensuring meaningful participation of workers' organizations. In this context, just transition financing should be linked to procedural safeguards - such as consultation requirements, transition planning, and grievance mechanisms - to ensure alignment with just transition principles.

2. THE NEED FOR A JUST TRANSITION TO THE GREEN ECONOMY IN SERBIA: COAL DEPENDENCY AND SOCIO-ECONOMIC RISKS

Serbia operates two major coal basins (Kolubara and Kostolac), supplying lignite for power plants generating about 70% of electricity. The total number of employees in thermal power plants (TPPs) and coal mines in Serbia stands at 25,288 with thousands more in dependent industries such as mining equipment and transport¹¹.

⁹Serbia is losing more than 12% of its electrical energy on the grid (twice as high as the CEE average of 5.5%) due to the depleted energy grid and non-transparent operations of the state-owned "Electro-systems of Serbia" (EPS), so the production of electrical energy (and consequently the financing of its transition) comes second in importance to the need to introduce proper political and economic governance of the state-run energy production and distribution system.

¹⁰ Ministry of Energy and Mining (2025). Just Energy Transition Plan of the Republic of Serbia Until 2030. Available at: <https://www.mre.gov.rs/extfile/en/966/PLAN%20FOR%20JUST%20ENERGY%20TRANSITION%20FOR%20SERBIA%20UP%20TO%202030%20ADOPTED%20JULY%202025.pdf>.

¹¹ *Ibid.*

As an EU accession candidate, Serbia should align with the European Climate Law, requiring a coal phase-out by 2050, and likely earlier to meet interim targets. This creates two key challenges. First, current regulations such as the Carbon Border Adjustment Mechanism (CBAM) imposes costs on carbon-intensive exports, negatively affecting the competitiveness of Serbia's energy and industrial sectors. According to the National Alliance for Local Economic Development (NALED), about 70% of CBAM product exports from Serbia are placed on the EU market (2025)¹², which makes this industry particularly vulnerable. In this context, Serbia has recently taken a step in the direction of CBAM-related alignment by adopting the Law on Greenhouse Gas Emissions Tax and the Law on Carbon-Intensive Product Imports Tax, both set at EUR 4 per ton of CO₂ equivalent and entered into force on 1 January 2026. The new measures are presented as the country's response to CBAM and a corresponding domestic mechanism, although several implementing bylaws are still required for effective enforcement¹³. Second, alignment with EU law requires major interventions from the point of view of due diligence and responsible business conduct in supply chains.

A well-managed just transition to green economy offers Serbia a powerful opportunity: according to JETP of Serbia, the shift to a green economy can create new job opportunities, stimulate economic growth, and drive entrepreneurial innovation through investments in renewable energy, energy efficiency, and sustainable technologies. It can also generate broad public benefits by improving air quality, strengthening energy security, reducing energy costs, conserving natural resources, preserving biodiversity, and mitigating the impacts of climate change, including potential CBAM risks.

However, realising these gains requires addressing the significant labour impacts ahead. Serbia will likely face substantial job losses, including both direct losses in the coal sector, and indirect losses across the coal value chain. For instance, local economies such as Lazarevac where 40% of employees depend on mining and energy, and Lajkovac, where the figure exceeds 40%, are especially vulnerable¹⁴. Without effective transition planning - covering skills profiling, benefit design, employer commitments, and locally anchored investment pipelines - these areas will face depopulation, economic shrinkage, reduced public services, and increased poverty. For coal dependent regions, fossil fuel subsidy reforms could play a crucial role in facilitating a just transition by reallocating public funds towards sustainable economic alternatives, supporting affected workers, and reducing the country's carbon footprint.

The above-mentioned JETP - analysed in more detail below - requires a financing strategy to support its implementation. Key financing priorities include:

- ✓ fossil fuel subsidy reforms, which could unlock up to €300 million/year for renewables and other large-scale green investments (IMF & ILO, 2023);

¹² NALED (2025). CBAM threatens the energy-intensive industry, urgent response of the state is needed. Available at: <https://naled.rs/en/vest-cbam-preti-energetski-intenzivnoj-industriji-potrebna-hitna-reakcija-drzave-10950#:~:text=About%2070%25%20of%20CBAM%20product,times%20lower%20than%20in%20Serbia.>

¹³ Balkan Green Energy News (2025). Serbia rolls out taxes on greenhouse gas emissions, imported carbon-intensive products. Available at: [https://balkangreenenergynews.com/serbia-rolls-out-taxes-on-greenhouse-gas-emissions-imported-carbon-intensive-products/.](https://balkangreenenergynews.com/serbia-rolls-out-taxes-on-greenhouse-gas-emissions-imported-carbon-intensive-products/)

¹⁴Ministry of Energy and Mining (2025)., p.11.

- ✓ a skills development plan with a close involvement of the private sector to harness opportunities in RE, EE and CE;
- ✓ a stronger framework for private sector engagement and the provision of incentives, support services and affordable access to finance, to facilitate greater private sector investment in solar/wind energy projects;
- ✓ investment plans for economic diversification; and
- ✓ strategic labour market policies and ensuring a just transition.

To avoid jobless decarbonization, the transition should be explicitly employment-centred in line with ILO Convention No. 122 on Employment Policy and accompanied by income security and active labour-market measures, consistent with ILO Conventions on No.102 on Social Security and No. 168 on Employment Promotion and Protection against Unemployment. These measures should include wage-replacement benefits, retraining with stipends, job-matching, and relocation assistance, with gender-responsive design to enable women's participation.

3. THE JUST ENERGY TRANSITION PLAN

Selecting the right instruments to finance the Just Transition in Serbia requires a clear understanding of both the timing and the modalities of the planned exit from coal, which is being shaped by ongoing legislative and policy developments. Central to this framework is the Just Energy Transition Plan (JETP), which builds on earlier regulations such as:

- The Integrated National Energy and Climate Plan until 2030 (adopted in June 2024). This plan translates Serbia's international commitments, as outlined in its second NDC, into national energy policy. It sets out a 40.3% reduction in GHG emissions compared to 1990 levels, to be achieved through energy efficiency measures that would limit total consumption to 9.7 Mtoe, alongside an increase in the share of renewables to 33.6% of gross final energy consumption and 45% of electricity production. The objective is the full decarbonization of the energy sector by 2050.
- The Energy Sector Development Strategy for 2021–2026 (adopted in November 2024). This strategy defines the priorities of Serbia's energy policy, namely energy security, decarbonization, and improved competitiveness. Competitiveness in this context refers to the functioning of the energy market, the affordability of supply, and the potential of the Just Transition to drive job creation.

The adoption of the JETP is an important step forward, as it reaffirms Serbia's support to coal communities and vulnerable consumers throughout its transition to a green economy. The JETP also validates the numerous co-benefits of a just transition, notably, along with GHG emission reduction, for the competitiveness of the Serbian economy, the preservation of its environment and the health of its population.

The JETP does not, however, present a fully-fledged roadmap for the exit from coal, which remains to be further articulated, with both energy security and potential social impact cited as reasons for postponing the transition. This lack of a clear exit schedule undermines the ability of financial institutions to price transition risks, constrains planning by municipalities and coal-dependent regions, and perpetuates uncertainty for workers regarding their future.

In the short term, the GHG reductions outlined in the Integrated National Energy and Climate Plan (NECP) will not result from the decommissioning of coal mines, but from a reduction in coal-fired power generation. In practice, coal-fired power plants will continue to operate, but their output will be progressively displaced by electricity generated from renewable sources as Serbia expands its renewable energy capacity. The JETP considers the potential decommissioning of two smaller thermal power plants, Kolubara and Morava, with a current combined capacity of under 400 MW. However, the timing of this step depends on the scale and pace of reducing, or abandoning, coal-based electricity production at these sites. This process should be read in light of Elektroprivreda Srbije (EPS)'s new Decarbonization Action Plan (adopted in 2025), which involves the gradual reduction of electricity production from coal, the construction of pumped storage hydropower plants, and over 20 GW of new capacity from renewable energy sources¹⁵. Nevertheless, plant-specific timelines for Kolubara and Morava remain to be clarified.

The JETP is developed in line with the European Commission's "Just Transition" concept and with the Action Plan for the implementation of the Sofia declaration on the Green Agenda for the Western Balkans 2021-2030. It is structured around four pillars: the Green Economy Transition; Human Capital Development; Regional Economic Diversification and Strengthening Governance structures, as detailed in Figure 1 below.



Figure 1: The Four Pillars of the Just Transition

DH: District Heating; RES: Renewable Energy Sources (summarized and reformulated by the Authors for conciseness and presentation. Please refer to the JETP for details)

¹⁵ Balkan Energy News (2025). Serbia's power utility EPS adopts Decarbonization Action Plan. Available at: <https://balkangreenenergynews.com/serbias-power-utility-eps-adopts-decarbonization-action-plan/>.

The implementation of these four pillars is foreseen through the realization of 14 actions both at national and local level, which are detailed in Tables 10-13, with their respective timeline and allocated budgets. In broad strokes, the JETP emphasizes protecting vulnerable communities and workers by advancing retraining and reskilling opportunities, fostering entrepreneurship, and supporting small and medium-sized enterprises to create alternative employment opportunities. A significant feature of the budget allocation is that the largest portion - around EUR 60 million - is designated for improving economic infrastructure in existing industrial parks, aiming to attract new investments and diversify local economies in affected coal regions. This focus on industrial parks highlights efforts to stimulate economic growth beyond the energy sector, although the balance of funding across other social and community priorities might have been more carefully balanced.

Additional elements in the JETP include encouraging social dialogue, and creating frameworks for health and social services improvements. Elements that could be improved as part of the implementation of the JETP include enhancing its operational clarity in several key areas, such as the practical arrangements needed for the deployment of health and social service measures, and the modalities of the involvement of key stakeholders such as the Ministry of Health and Ministry of Labour, Employment, Veterans and Social Affairs (MoLEVSA).

It would also be beneficial to have a more granular schedule of major upcoming reforms, including the streamlining of the just transition across national legislation. Targeted actions to address gender disparities would be an important addition in making the plan more inclusive and responsive to the needs of women in affected communities. Finally, tangible demonstration (proof of concept) projects strengthened monitoring and evaluation frameworks, and enhanced capacity building in municipalities would also be important to ensure the timely implementation of foreseen reforms.

4. FINANCING MODALITIES FOR SERBIA'S JUST TRANSITION TO A GREEN ECONOMY

While the Just Energy Transition Plan establishes an important strategic framework for Serbia's transition away from coal, its successful implementation will require a diversified and well-structured financing strategy. Building on the policy framework outlined above, the following section therefore explores the main financing modalities that could mobilize the scale of resources needed to support Serbia's just transition while ensuring social inclusion and economic resilience (see Figure 2 for an overview).

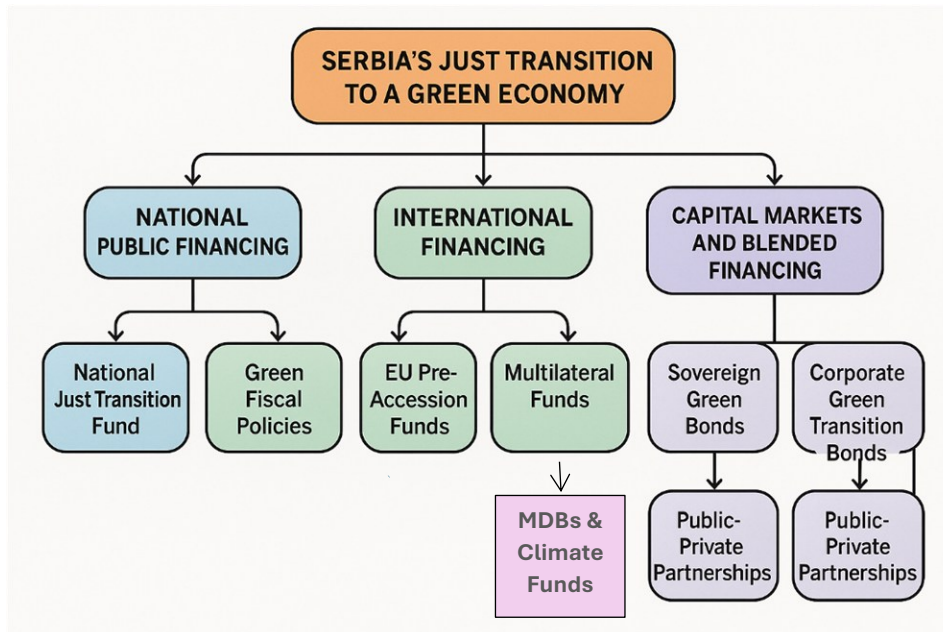


Figure 2: Diagram of Financing Modalities

I. National Public Financing & Fiscal Reforms

Two modalities could be implemented - a National Just Transition Fund and Green Fiscal Policies

- **A National Just Transition Fund**, which could be state-owned and could be modelled on the EU Just Transition Fund (a pillar of the Just Transition Mechanism). The Fund could be implemented under different modalities. Among others, it could be a state-owned fund managed by the Government - as for example of the [Ireland Just Transition Fund](#) - or state owned but managed by a private asset manager - modelled after the [National Investment Fund of Uzbekistan](#) - which would significantly scale up the amount of finance that could be mobilized on international capital markets, provided that robust safeguards are in place, including transparency rules, public oversight, and audited reporting to ensure alignment with just transition objectives.
- **Under a national ownership model**, a portion of carbon tax revenues together with diverted coal subsidies could be used to establish the Fund's initial capital base. Priority spending should focus on worker retraining programmes, SME support in green sectors, women's green entrepreneurship, provision of business development services and on-the-job training as well as infrastructure modernization in coal regions. The Fund should be linked to NDC and long-term low-emission strategy; anchored in inclusive governance frameworks with representation of labour unions, employers, civil society, women's groups, and local governments through a just transition platform; and used to catalyse co-financing from international and bilateral donors. In line with the UNECE Guiding Principles for Just Transition, the platform should serve not only as a financing mechanism but also as a forum for participatory decision-making, capacity-building,

and monitoring progress on social, economic, and environmental outcomes. A pilot initiative of the fund could be established in one of the coal regions. The National Just Transition Fund should have statutory tripartite governance, consistent with the principles of the International Labour Organization and relevant international labour standards, including Convention No. 144 on Tripartite Consultation, Convention No. 87 on Freedom of Association, and Convention No. 98 on the Right to Organise and Collective Bargaining. Disbursements should be conditional on effective social dialogue, collective bargaining commitments, job-quality safeguards, and gender-responsive outcomes. Project-level social scorecards should be published, tracking indicators such as jobs created, collective bargaining coverage, occupational safety and health (aligned with Convention No. 155), and training outcomes.

- **A Regional Just Transition Fund** could be established and hosted by an international organization (similar to the SPECA Trust Fund¹⁶ or the Africa Climate Change Fund¹⁷) for Western Balkans to support the region transition efforts.

Green Fiscal Policies could include:

- Carbon Pricing which could introduce a €25/ton CO₂ tax, potentially generating €150 million/year (ILO, 2021), with the revenues to be used for social protection, skilling and green job creation that also addresses the needs of women. Serbia's recently adopted greenhouse gas emissions tax and carbon-intensive product imports tax represent an initial step toward domestic carbon pricing and aim to mitigate the effects of the European Union's CBAM aligning the country with international climate policies and protecting its trade interests, as recognized in the JETP¹⁸. In implementing this approach, it would be important to also mitigate potential adverse consequences to ensure the success of the policy and its acceptance by the economy and the public, for example, through a phased approach, support for affected industries, and worker retraining programs (see JETP, p. 7);
- Subsidy Reforms could focus on the gradual phase-out of coal-related producer support, regulated electricity tariffs, and state aid by 2030, with the resulting fiscal

¹⁶ United Nations Special Programme for Economies of Central Asia - SPECA MPTF. Available at: <https://mptf.undp.org/fund/spe00>.

¹⁷ The Africa Climate Change Fund (ACCF) is a multi-donor trust fund that supports the African Development Bank's climate finance commitments and advances efforts to strengthen Africa's climate resilience. Established in 2014, ACCF was converted to a multi-donor trust fund in 2017 to provide small grants to African governments, non-governmental organizations (NGOs), and regional institutions to support African countries in transitioning towards climate-resilient, low-carbon development, while promoting gender equality, empowering women and youth, and ensuring the inclusion of vulnerable communities.

¹⁸ The Serbian Law on Greenhouse Gas Emissions Tax and Law on Carbon-Intensive Product Imports Tax, both at EUR 4 per ton of CO₂ equivalent, are put into effect on January 1, 2026. Importers of electricity, cement, iron and steel, aluminum, hydrogen and fertilizers to the European Union will start paying the CBAM carbon dioxide tax. If the country of origin also has a CO₂ pricing system and the EU recognizes it, the sum will be deducted from CBAM. The domestic greenhouse gas emissions tax is Serbia's answer to the cross-border levy, while with the new import tax it is establishing a corresponding mechanism. Both are EUR 4 per ton of CO₂ equivalent, covering also nitrous oxide (N₂O) and perfluorocarbons (PFCs).

savings being explicitly captured and reallocated to support solar and wind deployment, energy efficiency measures; and

- Incentives for renewable energy installations could include targeted tax incentives, interest rate buy-downs, concessional lines of credit, credit guarantees, and deferred or structured repayment mechanisms.

II. Leveraging International Finance

Under this modality EU pre-accession funds and multilateral funds provided by multilateral development banks could be utilised.

- ✓ EU Pre-Accession Funds include the Instrument for Pre-Accession (IPA III) through which Serbia can access €14 billion (2021-2027) for green transition projects.
- ✓ Multilateral Funds such as the Green Climate Fund (GCF) can provide different amounts, e.g. \$50-100M for renewable energy projects with social safeguards, an example is the Kostolac Solar Plant + Worker Retraining Program. However, accessing GCF funds comes with a long timeline. Another instrument is the Western Balkans Investment Framework (WBIF), with grants and concessional loans for energy transition infrastructure.
- ✓ Access to the Just Transition Fund (JTF) is conditional on EU accession, but Serbia can prepare early¹⁹. This would require the development of Territorial Just Transition Plans (TJTps) for coal regions. TJTps require formal social dialogue and worker-led needs assessments - principles which are already outlined in Serbia's JETP (see above 3.). Financing proposals should include collective agreements codifying redeployment, training with stipends, and minimum service levels in coal regions.
- ✓ Additionally, potential financing avenues have been identified in the JETP, including from the European Bank for Reconstruction and Development (EBRD), the Western Balkans Green Economy Financing Framework, the World Bank, the Open Society Foundation, the Swiss Agency for Development and Cooperation as well as UNDP and UNICEF.

III. Capital Markets and Blended Finance Mechanisms

Under this modality sovereign green bonds, corporate green transition bonds, and public-private partnerships, as well as de-risking mechanisms, could be used. ILO's Just Transition Guidelines and UNECE's Guiding Principles should be embedded in these options (ILO, 2022; UNECE 2025). The UNECE approach to sustainable Public-Private Partnerships (PPPs) and blended finance provides useful guidance for Serbia, emphasizing projects that deliver measurable social, economic, and environmental co-benefits, supported by tools such as the

¹⁹ For example, North Macedonia secured €80 million pre-accession.

UNECE Public-Private Partnerships and Infrastructure Evaluation and Rating System (PIERS)²⁰ for comprehensive SDG evaluation.

- **Green bonds and sustainable finance instruments** are critical for mobilizing capital toward Serbia's low-carbon transition while ensuring social equity, particularly in coal-dependent regions. By aligning financing with Just Transition principles, financial resources - public, private, or blended - can be directed toward initiatives that support a fair and inclusive shift to a low-carbon economy. In practice, this will include:
 1. prioritizing equity to ensure workers, communities, women and vulnerable groups are not left behind, with investments in retraining, social protections, and decent green jobs that address women's needs in the labour market.
 2. supporting sustainable sectors by funding renewable energy, energy efficiency, and other environmental/biodiversity projects while phasing out fossil fuels responsibly.
 3. engaging stakeholders in affected communities, trade unions, and businesses in decision making to ensure fair outcomes.

- Serbia has made effective use of **several types of blended finance mechanisms**. For example, several on-lending programmes support SMEs' green investments by providing credit lines through local financial institutions, backed by international partners like the EBRD, EU, and the European Investment Bank (EIB). The [SME Go Green programme](#), with €120 million initial funding, focuses on energy efficiency, renewable energy, and sustainable resource management, offering grants and technical assistance especially to women-led businesses and agribusinesses. EIB supported UNDP Green Agenda in Serbia programme also supports policy reforms, capacity-building, and pilot initiatives that accelerate the transition to a circular and low-carbon economy, including support for sustainable waste management, industrial decarbonization, and green innovation. Other initiatives include the EBRD's SME Competitiveness Support Programme and the Western Balkans Green Outcomes-Linked Debt Financing Framework (WB GOLD), which use innovative incentive mechanisms to stimulate green lending and competitiveness. Collectively, these programmes enhance SME access to affordable green finance, boost sustainable business growth, and align investments with EU environmental standards, and could be used further in the context of the just transition.

- Serbia can support employers, workers and communities affected by the shift away from fossil fuels while scaling up renewable energy and energy efficiency. In 2021 the Government of Serbia issued its first **sovereign green bond**, raising EUR 1 billion. Transport and sustainable water and wastewater management were the sectors receiving the highest allocations of the funds. In 2022, renewable energy had a mere

²⁰ UNECE. PIERS Methodology.

0.1% share in the investments²¹. In 2024, the second green bond report highlights a growing focus on renewable energy, in addition to low-carbon transport and water and waste management.

- **Corporate Green Bonds** could be issued by ‘Elektroprivreda Srbije’ (EPS) and private firms. As Serbia’s state-owned coal-based utility, EPS could issue a “transition bond” to finance its shift towards renewables while managing the coal phase-out. Funds could support repurposing coal plants for biomass or geothermal energy, retraining programmes for miners transitioning to clean energy jobs, and environmental remediation of coal sites. Beyond environmental remediation, coal sites offer opportunities for renewable energy deployment, energy transition infrastructure, industrial reuse, and nature-based economic activities. Serbian corporations - including NIS, mining firms, and construction companies - could issue green bonds to finance renewable energy projects that are directly linked to their core activities, such as solar or wind installations on or near industrial and mining sites, electrification of mining operations, industrial energy efficiency upgrades, and supporting infrastructure for sustainable transport, including electric vehicle charging. These corporate instruments would build on Serbia’s growing sovereign sustainable-finance track record, including the €1 billion green bond issued in 2021 and the USD 1.5 billion sustainable bond issued in 2024 to support green and social investments. The National Bank of Serbia could provide green bond guidelines and tax incentives to stimulate issuance.
- **Public-Private Partnerships (PPPs)** could also be pursued for renewable energy projects including for construction of solar/wind farms with Local Hiring Clauses (e.g., 30% jobs for former coal workers) and for energy efficiency improvements in public buildings, where private investors can fund retrofits, repaid via energy savings. To ensure that PPP and blended finance projects truly contribute to sustainable development, Serbia could adopt the UNECE Public-Private Partnerships and Infrastructure Evaluation and Rating System (PIERS). PIERS supports a comprehensive, SDG-based assessment of infrastructure and PPP projects, helping governments and investors evaluate projects’ expected economic, social, environmental, and governance impacts. Integrating PIERS would strengthen transparency, build investor confidence, and align Serbia’s green transition investments with the SDGs. Serbia could also respond to the annual public calls for projects in its 17 Programme Countries, where successful projects are presented at the annual Hamburg Sustainability Conference and showcased at Climate Change COPs. This would enhance the international visibility of Serbia’s just transition potential and contribute to building investor confidence.

²¹ Ministry of Finance and Public Debt of Serbia (2025). Greenbond Report. Available at: <https://javnidug.gov.rs/en/arhivavesti/903>.

- In 2023, Serbia launched its first **renewable-energy auction**, awarding support for a portfolio of nine green power plants totalling over 700 MW, backed by more than €1 billion in investment. In November 2024 the government completed the regulatory framework for a second auction round, establishing quotas of 300 MW for wind and 124.8 MW for solar power — and capping bid prices at €79/MWh for wind and €72/MWh for solar. The second auction, launched late 2024 and concluded in early 2025, attracted strong investor interest: the full 424.8 MW quota was allocated (resulting in up to 645 MW of new capacity under contract) across 10 winning projects with planned investments around €782 million²².
- **De-risking mechanisms** are another avenue to mobilize private investment for a just energy transition. These include public guarantees, that enhance project creditworthiness by covering potential defaults, and first-loss capital, which absorbs initial losses to protect senior investors and crowd in commercial finance. Loans or equity provided at below-market terms can also bridge viability gaps by lowering the cost of capital. Overall, these instruments could be used further in Serbia to lower financing costs, reduce investor risk perceptions, and ensure the transition is both inclusive and economically viable.

5. STRENGTHENING THE SUSTAINABLE FINANCE ECOSYSTEM

Serbia could attract international climate finance while ensuring an equitable shift for employers, workers and coal communities. Sovereign and corporate issuances must embed ILO Just Transition Guidelines and UNECE Guiding Principles, ensuring that decarbonization delivers social inclusion, gender equality, job creation, and regional revitalization. To ensure fairness, Serbia’s green bond framework should integrate the core principles of just transition found in the ILO Guidelines including:

- *Stakeholder Engagement*: Involving employers, workers and local governments with equal representation of women in project design that addresses their needs.
- *Social Safeguards*: Reskilling programs for displaced coal workers and support for affected municipalities.
- *Transparency*: Regular reporting on job creation, community benefits, and environmental impact.

Developing a Sustainable Finance Taxonomy defining eligible just transition projects and preventing greenwashing would help strengthen Serbia’s sustainable finance ecosystem. Other impactful measures could include the establishment of a National Just Transition Fund (see above 4.1.) for worker retraining and regional economic diversification as well as enhancing investor confidence by obtaining second-party opinions to verify bond alignment with just transition goals. Adopting the EU Green Taxonomy - complemented by Serbia-specific criteria to reflect national transition priorities - can be useful in this context, especially given

²² SeeNews (2025). Serbia allocates entire 424.8 MW quota in 2nd CfD auction. Available at: <https://seenews.com/news/serbia-allocates-entire-424-8-mw-quota-in-2nd-cfd-auction-1271248>

that the development of a national taxonomy is a lengthy and complex process. The EU Green Taxonomy, which is well-established and based on extensive technical expertise, may therefore provide a useful benchmark and source of good practice.

In addition, the financial sector - particularly banks and insurers - can play an essential role in enabling a just transition by aligning lending, investment, and underwriting practices with social and environmental goals.

In Serbia the financial sector already plays an important role in the transition to a Green Economy. For example, in the banking sector 9 banks (with 45% of the credit volume) have specific credit lines dedicated to green transition (energy efficiency, green credit etc). The types of green transition related credits that are offered include: sustainability linked loans, green consumer credit, green mortgage credit, retail credits for energy efficiency, circular economy and green credits, green credits for agriculture, credits for energy efficiency, credits for solar panels, among others. These loans have different durations and interest rates: depending on the purpose and duration of the loan - for the goods that support energy efficiency (consumption green loans) fixed annual 8.9% (nominal 9.4%), or for mortgage loans around 5.0%. Additionally, several of the largest Serbian banks, which are part of EU-based groups, are also members of the UN Net-Zero Banking Alliance. Banks are committing to bring their credit and investment portfolio to net zero emissions by 2050 at the latest.

Drawing on emerging guidance from the UNEP FI report “Just Transition Finance: Pathways for Banking and Insurance”²³, financial institutions could further embed just transition in core strategy, assess social risks and opportunities across their portfolios, and develop inclusive financial products that target vulnerable groups, local economic revitalization, and climate resilience. Emphasis should be placed on stakeholder engagement, financial inclusion, the provision of financial literacy, affordable access to finance with the provision of incentives and tailored solutions that support place-based transition priorities and bridge existing protection gaps.

Sovereign/green bonds should earmark proceeds for worker transition (income support, retraining, regional diversification) with key performance indicators (KPI) on jobs, collective bargaining coverage, gender. Public-Private Partnerships (PPPs) must include binding labour clauses, freedom of association, prevailing wages, occupational safety and health standards, grievance mechanisms, and budgeted labour-inspection plans. Financing assistance for workers' transitions is critical and needs to be formulated and implemented through National Employment Policies (NEPs) for re-skilling, job placement services, and safety net (e.g. unemployment insurance) (ILO 2019, 2022). To ensure relevance and impact NEPs should be developed in consultation with employers' and workers' organizations. Active measures should be negotiated through collective bargaining agreements specifying redeployment ladders, paid training time, wage-maintenance, mobility assistance, and occupational safety and health protections. Labour inspection should monitor compliance in emerging green value chains.

²³ UNEP Finance (2023). Just Transition Finance Pathways for Banking and Insurance. Available at: https://www.unepfi.org/wordpress/wp-content/uploads/2023/11/Just-transition-finance_Pathway-for-Banking-and-Insurance.pdf.

Case Study: EU Just Transition Mechanism (JTM) – Serbia’s pre-accession just transition planning

The EU JTM has €55 billion allocated for 2021-2027 to support coal regions in EU countries. The EU JTM has three pillars:

1. The Just Transition Fund (JTF) with grants for economic diversification;
2. The InvestEU Just Transition scheme with private sector guarantees; and
3. The Public Sector Loan Facility (PSLF) with low-cost loans.

All EU Member States are required to develop Territorial Just Transition Plans (TJTPs) in order to access funding from the JTF. These local-level strategies must be developed in public consultation with all relevant stakeholders, including civil society and local community representatives as set out by the European Code of Conduct on Partnership. Even prior to EU accession, Serbia could draw on this framework to develop TJTPs, establish social dialogue protocols and funding conditionalities, and build a project pipeline, thereby strengthening institutional readiness and investment preparedness.

The development of Territorial Just Transition Plans (TJTPs) in Serbia for regions such as Kolubara and Kostolac would help to identify key investment needs, including in green industries (e.g. solar manufacturing, agroecology), sustainable infrastructure (broadband, transport), skills development, economic diversification, and sustainable enterprise development. The TJTPs would be developed through stakeholder engagement and tripartite social dialogue (government, trade unions, employers’ organisations) to ensure inclusive policy design and the inclusion of funding conditionalities that support workers, enterprises and quality employment creation (e.g., 1,000 new green jobs per region).

There are success stories to emulate such as Poland’s Śląsk Region that received €2 billion from the JTM for retraining 20,000 miners in renewables and building Europe’s largest battery factory, as well as Spain’s Just Transition Agreements targeting €250 million/year for coal regions, with job guarantees for workers. TJTPs form the basis for identifying eligible projects not only under the JTF but also under the other two pillars of the JTM, which are designed to operate together. This means that corporate or private-sector investments can be supported under the JTM’s second pillar if they align with the priorities set out in the relevant TJTP.

Access to Just Transition funds is most effective when tied to evidence of structured social dialogue and collective agreements that protect workers during closures and repurposing, with time-bound re-employment guarantees and income bridges.

6. RECOMMENDATIONS FOR ACCELERATED ACTIONS ON A JUST TRANSITION TO A GREEN ECONOMY IN SERBIA

1. **Complete the Just Transition Legislative Framework** including as regards funding and worker protections, provisions on eligible regions, governance arrangements, consultation requirements, reporting and monitoring, and worker protection protocols
2. **Leverage EU Funds early** applying for IPA III and the Western Balkans Investment Framework (WBIF) grants before full EU accession.
3. **Establish a Just Transition Platform** with a multi-stakeholder body (government, National Tripartite Council, UN, EU) to coordinate funding and ensure inclusive planning and monitoring.
4. **Establish a National Just Transition Fund and pilot it at the regional/local level**, for example in Lazarevac, funded by carbon tax and redirected subsidies.
5. **Combine financial instruments and strategic policies as a roadmap to achieve a just energy transition:** public finance reforms (carbon pricing, subsidy reform), international climate funds (EU JTF, GCF), capital markets and private sector investments (green bonds, PPPs), employment-rich economic diversification, and strong social and labour protections (reskilling and upskilling, income replacement).
6. **Institutionalize workers' safeguards across all instruments:** establish a tripartite JT platform in law; ensure mandatory social dialogue for project design and implementation projects; collective bargaining linked conditionalities; gender targets; occupational safety and health & inspection plans; public reporting on job quality.

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Contact persons for this document are: Alper Almaz (DCO), Cristina Martinez and Rania Bikhazi (ILO), Chiara Giamberardini and Dario Liguti (UNECE), Marika Palosaari (UNEP) and Lorenza Jachia (RCO Serbia). This joint knowledge product was developed with contributions from Aaron Cantrell, Rakesh Shejwal, Minhyuk Hong, and Lena Herrmann (UNEP), as well as members of the UNECE Group of Experts on Coal Mine Methane and Just Transition, including Mr. Raymond Pilcher (Chair of the Group of Experts) and Ms. Jodi-Ann Wang. The collective expertise, inputs, and engagement of all contributors were instrumental in shaping this paper.

Annex 1: Brief Mapping of UN System’s contributions to Just Transition in Serbia²⁴

1. UN-Habitat

a. Housing Policy and Energy-Efficient Renovation

- Advising on a **revised national housing policy** and a costed action plan for multi-apartment and social housing.
- Supporting **large-scale energy-efficient retrofits** in coal-affected municipalities, reducing energy poverty while improving living conditions.
- Promoting **climate-resilient housing** solutions for vulnerable groups in transition regions.

b. Integrated Urban and Spatial Planning

- Inputs to the **Review of the Urbanization Strategy** and city-region planning.
- **Brownfield regeneration** and repurposing of coal-related sites for mixed-use, affordable housing, community facilities, and green enterprises.
- Supporting **transit-oriented development** and mechanisms for land-value capture to finance sustainable infrastructure.

c. Sustainable Mobility and Air Quality Improvements

- Preparing **Sustainable Urban Mobility Plans (SUMPs)** aligned with land-use reforms.
- Supporting public transport priority, **active mobility**, zero-emission zones, and air quality improvements in coal regions.

d. Municipal Finance and Bankable Project Pipelines

- Establishing a **municipal bankable project-preparation window** for people-centered, climate-aligned urban investments.
- Structuring investment pipelines for EU/IFI financing, **green or transition bonds**, and PPPs—supported by UNECE PIERS to evidence SDG co-benefits and just-transition safeguards.

e. Data, Monitoring, and Localisation of SDGs

- Strengthening **Urban Observatories**, city baselines, and **Voluntary Local Reviews (VLRs)** to track jobs, housing, emissions, and air quality.
- Supporting **participatory planning** and capacity development for city stakeholders.

²⁴ The contributions outlined here have been shaped through engagement with the UN Serbia Results Groups, facilitated by RCO Serbia and represent a first articulation of how UN capacities can be leveraged to support Serbia’s just energy transition agenda. It should be noted that this list should be viewed as a strategic starting point rather than an exhaustive capacities of UNCTs.

2. UNDP Serbia

a. Policy Development and National Planning

- Facilitated the preparation of Serbia's **first Just Transition Roadmap** and the **Initial Action Plan for Just Green Transition**.
- Provided technical assistance for integrating just transition principles into **energy, climate, and NDC implementation frameworks** through CBIT (GEF), EU for Green Agenda, and Japan-funded programmes.
- Established **local Just Transition Working Groups** and strengthened social dialogue with municipalities, unions, and private sector stakeholders.

b. Financing the Just Transition

- Developed the national platform "**Just Green Transition in Serbia**", fostering transparent green finance and inclusive governance.
- Supported the design of **Serbia's Sustainable Finance Taxonomy**, ensuring alignment with JETP and SDGs.
- Mobilized donor and vertical climate funds (EU, Switzerland, Sweden, Slovakia, GEF), catalysing **over USD 40 million** in renewable energy, energy efficiency, and green entrepreneurship investments since 2022.
- Assisted government and private sector in preparing **project pipelines for green bonds, blended finance structures**, and sustainable infrastructure investments.

c. Addressing Energy Poverty and Vulnerability

- Implemented **energy audits**, retrofits, fuel switching, and community-based energy-poverty solutions.
- Designed targeted measures, including **social tariffs and subsidies**, to support low-income households.
- Conducted **socio-economic impact assessments** identifying vulnerable groups, informing JETP's targeted measures.

d. Skills, Workforce Transition, and Economic Diversification

- Piloted **retraining and skills-mapping programmes** for workers in Kolubara, Kostolac, and Resavica (Despotovac municipality), including persons with disabilities and households dependent on coal.
- Supported diversification projects with municipalities and private partners, resulting in **new green jobs** and improved access to reskilling opportunities.
- Contributed to the **National Employment Strategy** by mainstreaming green jobs and just transition principles.

e. Evidence, Innovation, and Local Action

- Conducted analytical studies on **energy poverty**, labour transitions, and socio-economic risks in coal regions.
- Implemented awareness campaigns on **air quality, circular economy, and decarbonization**.
- Piloted scalable models for **renewable energy, energy efficiency, sustainable agriculture, and waste management** with just transition elements.