

Water and Sewerage Programme

Project Financing

Beneficiary Contribution	Own Contribution		€ 2,692,733
KFW	Loan		€ 8,635,000
SECO	External Grant	Grant	€ 4,607,500
Germany (via KFW)	External Grant		€ 1,500,000
Germany (via KFW)	External Grant		€ 564,143
WBIF	Grant	WB10-MKD-ENV-01	€ 402,000
Total			€ 18,401,376
Total Grants			€ 402,000
Total Loans			€ 8,635,000

Project Description

North Macedonia has embarked on a programme of water and sewerage improvements in medium-sized cities. The aim is to improve the living conditions of the people in the participating municipalities and to improve public water services wider afield so ensuring a sustainable supply of drinking water at socially acceptable costs. The programme is divided into two phases, together with an additional interim phase, whereby access to the interim phase (= Phase 1 Step 2) and the second phase is conditional on the achievement of specific performance indicators in Phase 1. Construction activities of Phase 1 Step 1 have been completed and the investment programme for Phase 1 Step 2 is currently being prepared.

Eight municipalities took part in Phase 1 Step 1: Bitola, Gevgelija, Gostivar, Kavadarci, Kolani, Negotino, Radovis, and Tetovo. Phase 1 Step 1 had limited investment funds, up to EUR 6.4 million and based on up to EUR 65 per house connected, for identified priority improvements with immediate impact. Typical initiatives were improvements to water supply by the installation of measuring and regulation equipment e.g. bulk and house water meters, as well as procurement of necessary hardware and software to improve the public utilities companies' (PUC) overall performance and financial standing. The institutional strengthening measures within Phase 1 Step 1 were successfully completed in 2013.

Three well performing PUCs (Gostivar, Kavadarci and Radovis) from Phase 1 Step 1 can access additional funds in the interim phase (= Phase 1 Step 2) under very favourable conditions amounting to a total of around EUR 3.0 million. Additional grant funds of up to EUR 4.5 million from shall be provided to the PUC in Gostivar by SECO (Switzerland) for additional investments. Additional EUR 1.2 million will be provided by the Macedonian government and the municipality of Gostivar for investments and consulting services. KfW will allocate EUR 0.25 million grant funds for additional institutional support of the PUC Gostivar who will implement the largest investment package.

It is in the interim phase (Phase 1 Step 2) that WBIF's support will be applied. The grant is to be used to finance technical assistance supporting the application of funds of the interim phase. The support will include: review final designs for Gostivar, prepare project designs for Kavadarci and Radovis, assist with tendering and supervise the implementation of the works (only in Kavadarci and Radovis). Additional Consulting services will

be provided to PUC Gostivar from SECO grant funds (implementation supervision) and KfW/the municipality (institutional support).

The programme puts heavy emphasis on ensuring successful project implementation and sustainability. A two-pronged approach is used: i) applying incentives whereby successful municipalities are rewarded, and ii) support with technical advice targeted at strengthening the PIU management and administration.

Results and Benefits

- Social wellbeing – customers will receive better service and a **continuous supply of hygienic water at affordable prices**. Healthier conditions will also result in **less contamination and reduction of potential disease**
 - Economic perspective – the utilities will have improved finances from **reduced water losses** (both, technical and administrative), improving collection efficiency, adjustment of the water and wastewater tariff, developing correct water balances and last but not least reducing the non-revenue water, which in North Macedonia is varying between 50 % - 80 %
 - Environmental benefits – recent climate change reports suggest water scarcity is an issue facing the country, more effective water utilisation must help alleviate this predicament
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- **Countries:** North Macedonia
 - **Code:** PRJ-MKD-ENV-001
 - **Sector:** Environment
 - **Lead IFI:** KfW
 - **Status:** Implementation
 - **Beneficiary:** Ministry of Transport and Communications