

Zletovica Project: Electricity Production and Irrigation Components

Project Financing

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|--------------------------|------------------|-------------------|----------------------|
| WBIF | Grant | WB4BIS-MKD-ENE-03 | € 1,000,000 |
| EIB | Loan | | € 57,000,000 |
| Beneficiary Contribution | Own Contribution | | € 3,000,000 |
| Japan Development Bank | External Loan | | € 70,000,000 |
| Total | | | € 131,000,000 |
| Total Grants | | | € 1,000,000 |
| Total Loans | | | € 57,000,000 |

Project Description

The northeast region of North Macedonia suffers from seasonal shortages of water. To respond to this problem the government established in 2001 an agency charged with improving water supply with a sustainable long term source while at the same time maximising the efficient use of the Zletovica river.

This project concerns the sustainable provision of water to municipalities and farmers and renewable energy in the catchment of Zletovica river. The project, valued at EUR 131 million, is made up of three phases covering:

- construction of Knezevo dam;
- irrigation in Probistip and Kratovo municipalities;
- construction of small hydroelectric power plants.

The Japan Bank for International Cooperation is financing the first phase: the construction of the dam and water supply infrastructure for drinking water. This work is substantially completed and the project is now mature for further stages of development: the hydropower and irrigation components. Full economic and financial benefits are expected once all three components have been implemented.

A EUR 1 million grant, co-funded by the EIB and EWBIF, is provided through the WBIF for technical assistance for appraising phases II and III. This includes an update of the feasibility study related to the irrigation component, a feasibility study related to the hydropower component, an integrated economic analysis for all three project components and an environmental and social assessment study for the hydropower component. Based on the outcome of these studies, the EIB will consider providing a loan for the construction of phases II and III.

The Zletovica project will contribute to the social and economic development in the region by providing new employment and reducing poverty. Irrigation will encourage agricultural development through increased product quantity and quality. The production of hydroelectricity will increase renewable energy supply, so reducing CO₂ emission of the country, and contributing to actions mitigating climate change. Additionally, the integrated nature of the project will contribute to a better adaptation to climate change by reducing flood damage and ensuring the production of agricultural products and energy during dry seasons.

The project promoter is the public enterprise HS Zletovica, established in 2001 and based in Probistip. They have developed the integrated project and overseen the completion of phase I. The development complies with EU standards and sits in the draft national strategy on the use of renewable energy sources. The technical assistance will assist in supporting the agencies competences.

- **Countries:** North Macedonia
- **Code:** PRJ-MKD-ENE-003
- **Sector:** Energy
- **Lead IFI:** EIB
- **Status:** Preparation
- **Beneficiary:** Public Enterprise HS Zletovica