

Medium-sized Towns Water Supply and Sewerage Systems in Serbia

Project Financing

WBIF	Grant	MW-SER-ENV-CEB;KFW-01	€ 3,000,000
KFW	Loan		€ 25,000,000
Germany (via KFW)	External Grant	Grant	€ 19,250,000
Germany (via KFW)	External Grant	Grant	€ 1,250,000
Total			€ 48,500,000
Total Grants			€ 3,000,000
Total Loans			€ 25,000,000

Project Description

As part of a widespread effort to upgrade water supply and wastewater disposal across Serbia attention is being focused on second-tier medium-sized cities and towns. This process is being assisted with finance and support from IFIs and the WBIF. The support is helping the second stage of an existing programme: water supply and sewage disposal in medium-sized Serbian towns. This programme focuses on achieving long-term reductions in water losses, investments in water production and processing, as well as investments in the expansion of existing networks. Funds in excess of EUR 39 million will be used for investments in seven Serbian medium-sized cities and towns' water supply and sanitation systems; these are Kraljevo, Loznica, Pancevo, Sabac, Smederevo, Sombor, and Vrsac.

The programme's selected cities, towns, and municipalities, through their respective water utilities, act as project implementation units (PIU). These PIUs are responsible for the planning and implementation of the investments. They are supported by an implementation consultant who help with planning, tendering and construction supervision. They are also supported by a consultant for technical assistance to strengthen their internal administration and commercial performance. Both consultants assist the utilities in installing management information systems (MIS), updating tariff adjustment plans, developing human resources training needs analysis in billing and collection as well as leak detection, improving public relations with customers, detecting leaks through training leakage teams and following up leak detection surveys as well as developing preventive operation and maintenance plans.

The programme is ongoing. Currently, construction is underway in six of the seven cities (Kraljevo, Loznica, Pancevo, Sabac, Smederevo, Sombor). In the remaining town Vrsac, the water supply treatment plant, which is the only investment measure, is currently being tendered. Out of the total EUR 39.15 million investment, EUR 11.9 million of works are completed, EUR 12.1 million are ongoing, EUR 10.5 million are tendered, and EUR 4.7 million are in tender preparation.

The WBIF funds were used to co-finance the ongoing investments in Kraljevo, Loznica, Pancevo, Sabac, Smederevo, and Sombor. Use of WBIF funds freed German Government grant-funds to set up a performance incentive scheme. The scheme provides investment grants of up to EUR 120.000 for additional investment

measures in each of those water utilities and/or municipalities that achieved agreed-upon performance criteria. These criteria are essential because they target the commercial and technical performance to operate the systems in the long-term. Furthermore, the investment grants enhance the competition between municipalities getting the additional funds for investments thereby inciting the improvement of their commercial performance further. Five cities qualified for the investment grants: Kraljevo, Loznica, Sabac, Sombor, and Vrsac.

- **Countries:** Serbia
- **Code:** PRJ-SRB-ENV-002
- **Sector:** Environment
- **Lead IFI:** KFW
- **Status:** Completed
- **Beneficiary:**