

JBIC Provides First ODA Loan to the Former Yugoslav Republic of Macedonia —Supporting Water Resource Development in Eastern Macedonia for Post-Conflict Peace Building—

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today in Skopje an ODA loan agreement in the amount of 9.689 billion yen with the Government of the Former Yugoslav Republic of Macedonia (Macedonia). The loan is for the Zletovica Basin Water Utilization Improvement Project to be executed by the Ministry of Agriculture, Forestry and Water Economy.
2. The proceeds of the loan will be used for the procurement of civil works, materials and equipment, and consulting services in constructing a multipurpose dam (total reservoir capacity: 23.5 million cubic meters) on the upper stream of Zletovica River, 80 kilometers east of the Macedonian capital Skopje, as well as related intake and raw water transmission facilities in the neighboring area.
3. The New ODA Charter espouses peace building as a priority issue in Japan's Official Development Assistance (ODA) and envisages seamless support from peace consolidation to nation building in response to shifting post-conflict situations. In Macedonia, ethnic Albanian guerrillas seeking to advance their status staged an armed uprising and clashed with government forces in 2001. Since a NATO-mediated cease-fire came into force, peace building efforts have been underway. It appears that moderate progress has been made toward the consolidation of peace through such measures as the Constitution's amendment in January 2002. Nonetheless, there is still an urgent need to accelerate rehabilitation work and development activities for post-conflict nation building.
4. Eastern Macedonia, the target area of this project, has very little rainfall—only 500 millimeters a year (one-fourth the average yearly rainfall in Japan and one-half the world average). This amount is extraordinarily low, even for a country with generally little rainfall. While groundwater is the present source of water supplies in this region, wells are nearly dry in some places, causing considerable hardship in securing water for both domestic and agricultural use. Since the supply of drinking water is a lifeline for the population, there is an urgent need to secure water sources and ensure a stable supply of water. In addition, with the political and economic upheaval resulting from Macedonia's independence from the former Yugoslavia and transition to a market economy, Macedonia is aiming at strengthening agricultural development and attracting new industries. Water shortage, however, is a major bottleneck to these efforts. Given that the UN Millennium Development Goals (MDGs) have set the target of halving the population without access to safe drinking water by 2015, this project is consistent with strengthening global efforts to tackle water issues.
5. The Balkan Peninsula where Macedonia is located has been called the "powder keg of the world" and has repeatedly witnessed turmoil throughout its history. Stability in the former Yugoslavia is, therefore, a major concern for the international community. There are high hopes that an ODA loan for this project will accelerate the rehabilitation of economic infrastructure and social services in Macedonia, helping to further consolidate peace and consequently contributing to overall stability in southeastern Europe.

(See Appendix for details.)

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period (Year)	Procurement
Zletovica Basin Water Utilization Improvement Project	9,689	1.5	25/7	General Untied

2. Outline of the Project

Zletovica Basin Water Utilization Improvement Project

(1) Background and Necessity

Eastern Macedonia, the target area of this project, is a relatively dry region with an annual rainfall of about 500 millimeters. This amount barely meets the marginal condition for growing wheat. Populations in the target area have had to endure the inconvenience of frequent water cut-offs (particularly during the summer). The local economy used to rely on heavy industry in the days of the former Yugoslavia. Following Macedonia's independence and transition to a market economy, however, heavy industry lost markets, thus forcing the closure of plants and drastically scaled down production. To absorb the many workers who lost jobs, local municipalities have set their sights on agriculture and new industries. Water shortage, however, poses a bottleneck to agricultural development and attracting new industries. As a result, there is an urgent need to secure a new water source and ensure a stable supply of water.

(2) Project Objective and Outline

This project will develop water resources by constructing a multipurpose dam (total reservoir capacity: 23.5 million cubic meters) on the Zletovica River, as well as intake and raw water transmission facilities. The objective of the project is to improve living conditions through a stable supply of safe drinking water by delivering clean water to the purification plant in the area where populations receiving benefits reside, and to help develop local industries through a stable supply of water for industrial use. Over the long term, the project also envisages agricultural development through a stable supply of irrigation water.

The proceeds of the loan will be applied to the procurement of civil works, materials and equipment, and consulting services necessary for the project.

The project's executing agency is the Ministry of Agriculture, Forestry and Water Economy. (Address: 2 Leninova St. 1000, Skopje, Macedonia. Tel: 389-23-111-792, Fax: 389-23-211-997).