

Institutional Profile of the **Ministry of Transport and Communications (environment related financing)**, Republic of Macedonia,

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1. Basic information

Country:	Republic of Macedonia
Official name or designation of the institution:	Ministry of Transport and Communications
Website and mailing address of the institution:	www.mtc.gov.mk
Project application documentation is available from:	www.mtc.gov.mk
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2. Background and Objectives of the Institution

The Ministry of Transport and Communications (MTC) is responsible for policy formulation in the following areas:

- Road transport and road infrastructure
- Rail transport and rail infrastructure
- Air transport and air infrastructure
- Electronic communications and information technology
- Broadcasting and broadcasting infrastructure
- Postal traffic and postal infrastructure
- Housing-communal works and infrastructure
- Urban planning and documentation and construction land management

Main objectives of MTC according to the Strategic Plan 2008-2010 include:

- Alignment with the EU acquis
- Ensuring efficiency and quality of the communications services
- Improving transport services and infrastructure
- Improving communal infrastructure
- Enhancing the conditions of spatial planning

3. Management and Administration

The institutional framework of the Ministry is set out in the Regulation on the Systematization of the Jobs. The current organizational structure of MTC is provided in annex 1.

The activities of MTC are financed through the State budget. The projects that are implemented by the Ministry and are within its scope of work are financed through the State budget, external loans or donations.

MTC has shared responsibility with the Ministry of Environment and Physical Planning (MOEPP) as regards the development of communal infrastructure. The cooperation with local environmental authorities is necessary in order to follow the environmental conditions and requirements as regards the development of transport and communal infrastructure.

4. Spending Strategies

The annual budget of MTC represents the spending strategy of the institution. However, the priorities of the Ministry are established within the Ministry's Annual Work Program derived from governmental priorities and National Strategic Documents (including: National Programme for Adoption of the EU *Acquis*, Public Investment Programme, etc.) and Sectoral Strategies (for example, the National Transport Strategy, the Housing Strategy, etc).

The procedure for preparation, adoption and execution of the state budget of the Republic of Macedonia is regulated by the Law on Budgets (Official Gazette of the Republic of Macedonia no. 79/93; 3/94; 71/96; 46/2000; 11/2001, 93/2001; 46/2002; 24/2003; 85/2003 and 96/2004 and Decision of the Constitutional Court no. 180/98 (Official Gazette of the Republic of Macedonia no. 15/99).

The preparation of the budget is carried out on the basis of macroeconomic policy and the projection of the macroeconomic aggregates for the year for which the budgets are being adopted. The Minister of Finance is responsible for the preparation of the proposal of the State budget and for its submission to the Government of the Republic of Macedonia. (For detailed information regarding state budget preparation and execution, see the Law on Budgets, [available here](#)).

The priorities of the Ministry for 2008 regarding water supply and waste water treatment are discussed in section 9 below. The complete set of MTC priorities are available in the Annual Work Plan of the Ministry, which can be accessed on the Ministry's webpage www.mtc.gov.mk.

5. Expenditures

Environment related budget and expenditures are detailed in section 10 (statistical data). Reported data include projects of the Ministry of Transport and Communications that refer to water supply or sewerage and are co-financed through grants, loans or national budget. Some of the projects that are supported through grants or loans include a national co-financing contribution. Most of the projects are supported by solely one donor or International Financing Institution (IFI). The Municipality and Environmental Action Programme was co-financed jointly by EBRD (loan) and grants from Switzerland, KfW and the national budget. The grace and repayment periods depend on the specific agreements of co-financing foreign institutions. Often the projects include institutional capacity building measures (e.g. for Public Communal Enterprises).

MTC approaches the donor community active in the Republic of Macedonia through the Secretariat for European Affairs within the Government of Republic of Macedonia. The Secretariat for European Affairs represents the institution responsible for aid coordination.

6. Funding Cycle

Since 1995, the government of the Republic of Macedonia through the Ministry of Finance established a pipeline of public infrastructure investment projects called the *Public Investment Program (PIP)*. The PIP includes projects/programs for which the government has made an assessment confirming that they can substantially contribute to the development of the country. In order to enter into the PIP, a project/program must meet certain criteria. First of all, the line ministry has to explicitly confirm that the project will have a major contribution towards achieving the sector's development. Second, the preparation of the project

documentation should be either completed or at least at very advanced stage of preparation. When drafting an updated version of the PIP, only those projects/programs are included for which realistic funding sources, such as central budget, own resources, credits, and grants, are envisaged. These funding sources are in accordance with the macro-economic and fiscal projections of the authorities. As an annex, the PIP also includes a list of projects/programs that are considered important by the line ministries but for which the documentation is not ready and the funding structure is not closed. The actual implementation of these projects/programs is expected to be conducted through non public sources, especially through concessions, and FDIs.

In the adopted Budget of the Republic of Macedonia, the Sub-Programme “Construction of water supply and sewerage systems in the Republic of Macedonia”, capital subsidies to the Local Government Units (LGU), funds are fixed and intended for construction of water-supply and sewerage systems in the Local Government Units in the Republic of Macedonia. The Ministry on an annual level is publishing call for proposals for construction of waste water facilities. The local self-government units are also informed through an official letter about the conditions and necessary documents that should be submitted to the Ministry. In order to apply for grant, the local self-government units are obliged to submit the following documentation which is considered as criteria for selection of the projects:

1. Request to use the financial sources for construction of water supply or sewerage facility
2. Detailed design of the project
3. Approval for construction
4. Detailed project documents (location of the facility, construction phase, total investment value, ensured financial sources, necessary financial sources for completion of the project, ensured financial sources from the budget of the local self-government unit or other sources, amount of financial sources requested from the Ministry)

The priority is given to projects that upon the grant approval from the Ministry will achieve complete budget, necessary to commence the implementation of the project. The Ministry, after the evaluation of the submitted applications and taking into consideration the established criteria, prepares a Proposal-Decision for allocation of funds for construction of water-supply and sewerage systems in the Republic of Macedonia and submits it to the Government of the Republic of Macedonia, for approval. After approval by the Government, its implementation will start, that is, the Decision will be put into effect, that is, the realization of the Decision and implementation of the Projects that have received funds in accordance with the Decision, are going to be carried out.

Until the year 2007, total number of projects supported from the State Budget under the above described procedure is 44 (21 projects for construction of water supply facilities and 23 projects for construction of sewerage facilities).

7. Evaluation, Reporting and Public Information

The Ministry of Transport and Communications prepares an Annual Report regarding implementation of activities that are foreseen within the Annual Work Programme of the Ministry. The Annual Report as well the Annual Work Programme of the Ministry is available on the web site of the Ministry.

In relation to external, public information, the Ministry web site is active and effective tool for disseminating information.

The audit is carried out by the Internal Audit Unit within the Ministry as well as by the State Audit Office of Republic of Macedonia according to their rules and procedures for auditing the institutions as beneficiaries of the State Budget.

8. Major Achievements

According to the Report on the work of the Ministry of Transport and Communications in 2007, major achievements of MTC in 2007 include (below achievements refer only to activities regarding water supply, sanitation and waste water treatment):

- The Municipal and Environmental Action Programme which aimed at improvement of communal infrastructure for water supply and sanitation in six municipalities of the country was successfully completed in December 2007. The total value of the project is 38,06 million EUR, financed through an EBRD loan, grants from KfW and the Swiss government, and national contribution.
- The project for Water Supply and Support for the Public Communal Enterprise in the municipality of Vrapciste was successfully completed in October 2007. Total value of the project is 0,850 million EUR financed through a grant from Austria.
- Successful continuation of the activities regarding improvement of the communal infrastructure in the Municipality of Cucer Sandevo. Total value of the project is 1.65 million EUR, financed through a grant from Austria.
- 45 Municipalities in Republic of Macedonia received financial support through the Ministry of Transport and Communications for construction of 21 water supply systems and 24 sewerage systems.
- Financial support from the compensatory funds – Switzerland - was granted for water supply in the municipality of Karpos and water supply in the municipality of Jegunovce
- Successful continuation of the water supply activities in the municipality Sveti Nikole
- Successful completion of the construction works for dam Losana that will provide water supply to the municipality Delcevo
- Successful continuation of construction activities for the water supply in Tetovo. The projects should end in 2008.
- Successful continuation of construction activities of the project for Water supply in Prilep. The project should end in 2009. Total value of the project is 9.18 million EUR, financed through KfW and the state budget.
- The Social Infrastructure Program that also included projects regarding water supply and sewerage was successfully completed. Total value of the project is 5.1 million EUR, financed through KfW.

9. Challenges and Future Prospects

According to the Programme of the Ministry of Transport and Communications for 2008, main challenges and future prospects include (*list presented below refers to activities regarding water supply, sanitation and waste water treatment only*):

1. *Realization of the Budget of the Republic of Macedonia for 2008 for the purpose of “Construction of water-supply and sewerage systems in the Republic of Macedonia”*. Deadline: December 2008. In the adopted Budget of the Republic of Macedonia for 2008, the Sub-Programme “Construction of water-supply and sewerage systems in the Republic of Macedonia”, capital subsidies to the Local Government Units (LGU), funds are fixed and intended for construction of water-supply and sewerage systems in the Local Government Units in the Republic of Macedonia for 2008. The Ministry of Transport and Communications, after the evaluation of the submitted applications made by the municipalities concerning the use of funds from the Budget, has prepared a Proposal-Decision for allocation of funds for construction of water-supply and sewerage systems in the Republic of Macedonia for 2008 and has submitted it to the Government of the Republic of Macedonia, for approval. After its approval by the Government, its implementation will start, that is, the Decision will be put into effect, that is, the realization of the Decision and implementation of the Projects that have got funds in accordance with the Decision, are going to be carried out.

2. *Budget funds for budget support (Government participation, that is, contribution by the state) concerning a project funded by foreign donation: “Water supply of Prilep”*. Deadline: 2008. For the purpose of

realization of this project, budget support by the Government of the Republic of Macedonia has been foreseen, that is, contribution by the state amounting to 10% from the total value of the donation scheduled for 2 years, according to the requirements of the Donor – the Government of Germany. The realization of this project started in 2007, and it will also continue in 2008.

3. *Water-supply of Tetovo by capturing of the surface waters of Studena Reka and Reka Pena, in the Municipality of Tetovo.* Deadline: 2008. In the course of 2007, activities have started for carrying out construction works of part of the project at the place of the capture of Studena Reka towards the filter station for water treatment. As a result of the terrain and weather conditions at the location where the works are to be carried out, the realization of the construction works of part of the project have not been completed and its realization will continue in the course of 2008.

4. *“Upgrading the water supply for the inhabited places in the outskirts of Skopje” – budget support of the State for a project funded by foreign donation.* Deadline: 2008. For the purpose of realization of the project “Improvement of the Water Supply in Skopje Outskirts” funded by Japan Grant Aid, in the course of 2008, it is planned to realize the following: Water supply of the inhabited place Radisani, municipality of Butel, construction of a pressure-reverse pipeline and completion of a reservoir intended for a low level zone.

5. *Alternative water supply for the town Sveti Nikole until the construction of HS “Zletovica”.* Deadline: 2008. By the completion of the construction of the water supply hydro system “Zletovica” intended for seven municipalities, including the town of Sveti Nikole, construction of an alternative water supply system is foreseen and it will cover the shortage of water in Sveti Nikole, which has been present for a long time. The realization of this project has been carried out with financial support of the Government of the Republic of Macedonia, and its realization started in 2007. In the course of 2007, the investigation works have been finalized and project documentation has been prepared to the level of basic design and working drawings and also the construction works have started for the realization of a part of the project (first phase). In 2008 the realization of the first phase of the project will continue, and also the realization of the second phase of the project will start and the project will be realized completely.

6. *Preparation of a Feasibility study for waste water treatment for the town of Skopje (WWTP), funded as technical assistance with the Japan Grant Aid to the Republic of Macedonia.* Deadline: 2008. The Japan Government, through the Japan International Cooperation Agency (JICA), as technical assistance to the Republic of Macedonia, has provided funds for preparation of a Study for waste water treatment for the Town of Skopje. The Study is going to be prepared within 24 months by the Japan Company in cooperation with the Ministry of Transport and Communications, the Ministry of Environment and Physical Planning and the Town of Skopje. The preparation of the Study started in September 2007 and it will continue in 2008.

7. *Realization of water supply projects in 8 municipalities in Macedonia with funds provided from KfW Bank from the Germany.* Deadline: 2008. Provision of so called „soft loans,, from KfW will help the realization of water supply projects in 8 municipalities in the Republic of Macedonia, including: Tetovo, Gostivar, Kocani, Probistip, Kavadarci, Bitola, Gevgelija and Negotino. The projects consist of two phases: institutional strengthening of the public enterprises which are going to manage the projects and rehabilitation, upgrading and construction of the water supply systems in the above mentioned towns.

8. *Construction of water supply systems for the settlements Centar Zupa (Municipality Centar Zupa), Skudrinje (municipality Mavrovo-Rostushe), Nerashte (Opstina Tearce) and Orizare (Municipality Lipkovo).* Deadline: 2008. The Budget of the Republic of Macedonia for 2008, apart from the funds foreseen for construction of water supply and sewage systems in the units of the local self government, with special amendments adopted in the Assembly of the Republic of Macedonia, within the Budget of the Ministry of Transport and Communications certain funds are allocated for construction of water supply systems in the settlements Centar Zupa and Broshtica (Municipality Centar Zupa), Skudrinje (Municipality Mavrovo-Rostushe), Nerashte (Municipality Tearce) and Orizare (Municipality Lipkovo). The Projects shall be realized in the course of 2008.

9. *Building of sewage systems in the settlements Lozane-Veleshta (municipality Struga), Slupcane (municipality Lipkovo), Tromegja (Municipality Kumanovo), Konopnica (municipality Kriva Palanka), Cegrane (municipality Gostivar) and Ivankovci (Municipality Veles).* Deadline: 2008 The Budget of the Republic of Macedonia for 2008, apart from the funds foreseen for construction of water supply and sewage systems in the units of the local self government, with special amendments adopted in the Assembly of the Republic of Macedonia, within the Budget of the Ministry of Transport and Communications certain funds are allocated for construction of water supply systems in the settlements Lozane-Veleshta (municipality Struga), Slupcane (municipality Lipkovo), Tromegja (Municipality Kumanovo), Konopnica (municipality Kriva Palanka), Cegrane (municipality Gostivar) and Ivankovci (Municipality Veles). The Projects shall be realized in the course of 2008.

10. *Law on Public Cleanliness.* Deadline: April 2008. With regard to the expiration of the existing Law which is not enforceable anymore, the Ministry of Transport and Communications is going to start preparations of a new Law on public cleanliness. Adoption of a new law is necessary in order to be harmonized with the existing Law on Waste, the Law on Infringements and because of the modifications of the penalty provisions, for the purpose of introducing more strict penalties.

10. Statistical data

Table 1: Total grant and soft loan allocations for environment-related projects extended by foreign/international institutions to MTC, by type of disbursement mechanism (all data in MKD) *

	2003	2004	2005	2006	2007
Grants	693'408'000		455'444'000	5'730'000	
Soft loans ¹	300'000'000		352'000'000	218'876'000	
TOTAL environmental expenditures	993'408'000		807'444'000	224'606'000	

Notes: 1) "Soft loans" refers to loans with interest rates or other conditions which are more attractive than those typically offered by commercial banks. * Above data are according to the MTC Budget for the years 2003, 2005, and 2006

Table 2: Number of grant and soft loan projects for environment-related investments extended by foreign/international institutions to MTC - by type of disbursement mechanism

	2003	2004	2005	2006	2007
Grants	3	4	5	3	3
"Soft" loans				1	
Number of projects receiving support through 2 or more disbursement mechanisms		1		1	
TOTAL number of projects	3	4	5	4	3

Note: The number of projects per year financed through grants or loans refer only to water supply or sewerage projects. Some of the projects were co-financed with national contribution - these are indicated under column which refers to 2 or more disbursement mechanisms.

Table 3: Total actual annual environmental expenditures of MTC from own budgetary sources, all data in MKD					
	2003	2004	2005	2006	2007
Investment projects ¹ (total)	140'000'000	203'046'811	223'492'031	194'742'031	236'185'670
Non-investment ¹ projects					
TOTAL environmental expenditures	140'000'000	203'046'811	223'492'031	194'742'031	236'185'670
<i>Notes: 1) The term "investment projects" here means capital expenditures associated with environmental protection technology/equipment and the construction of facilities (including operation and maintenance of such installations). The term "non-investment" projects here includes activities such as training/education and public awareness raising, environmental monitoring and research etc.</i>					
<i>The data refers only to the construction of water supply or waste water related projects. Only the financial sources from the MTC budget are shown. Allocations from foreign and international sources are presented in tables 2 and 3 above. Note that for projects financed from own resources, MTC during 2003-2007 has extended grant finance exclusively (i.e., not loan finance).</i>					

Annex 1: Current organizational structure of MTC

MINISTER											
DEPUTY MINISTER											
STATE SECRETARY											
STATE COUNSELORS											
DEPARTMENTS											
ROAD TRANSPORT AND INFRA-STRUCTURE	RAILWAYS	COMMUNICATIONS	LOGISTICAL SUPPORT FOR THE MINISTER AND PUBLIC RELATIONS	GENERAL AFFAIRS	SPATIAL MANAGEMENT	DOCUMENTATION AND CONSTRUCTION, LAND MANAGEMENT	NORMATIVE - LEGAL AND ADMINISTRATIVE AFFAIRS	HOUSING COMMUNAL WORKS AND INFRA-STRUCTURE	EUROPEAN UNION	AIR TRANSPORT	
UNITS											
ROAD TRANSPORT	RAILWAY TRANSPORT	ELECTRONIC COMMUNICATIONS AND INFORMATION TECHNOLOGY	ORGANISATION OF THE MINISTER'S ACTIVITIES	MANAGEMENT WITH HUMAN RESOURCES	STANDARDS AND NORMS FOR URBAN ENVIRONMENT PLANNING	DOCUMENTATION OF INFRASTRUCTURE BUILDINGS CONSTRUCTION	NORMATIVE LEGAL AFFAIRS	HOUSING AFFAIRS	NEGOTIATIONS AND INTEGRATION	AIR TRANSPORT	INTERNAL AUDIT UNIT
FREIGHT TRANSPORT	RAILWAY INFRA-STRUCTURE	POSTAL TRAFFIC	SUPPORT TO THE MINISTER AND PUBLIC RELATIONS	ECONOMIC-FINANCIAL OPERATIONS	STANDARDS AND NORMS FOR RURAL ENVIRONMENT PLANNING	DOCUMENTATION OF BUILDING CONSTRUCTION	LEGAL AFFAIRS	COMMUNAL WORKS AND INFRA-STRUCTURE	IPA IMPLEMENTATION	AIR TRANSPORT SAFETY	
TRANSPORT OF DANGEROUS GOODS			INTERNATIONAL COOPERATION	GENERAL AFFAIRS AND ARCHIVE OPERATIONS		CONSTRUCTION LAND MANAGEMENT	SECOND INSTANCE PROCEDURE		COORDINATION, MONITORING AND EVALUATION		
ROAD INFRA-STRUCTURE						LEGAL SUPERVISION OVER THE MUNICIPAL BODIES OPERATIONS			EC PROGRAMMES		
CABLE RAILWAY AND SKI LIFTS											

Annex 2: Exchange rates

Table 10: End-year exchange rates MKD/USD and MKD/EUR					
	2003	2004	2005	2006	2007
MKD / USD	49.9	49.4	52.0	48.7	43.0
MKD / EUR	n.a.	n.a.	61.5	64.3	63.4

Sources: data for 2003-2004: [EBRD](#); data for 2005-2007: www.oanda.com

Annex 3: Abbreviations used in this profile

EBRD	European bank for Reconstruction and Development
EU	European Union
EUR	Euro (currency)
IFI	International Financing Institution
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (Germany)
LGU	Local Government Unit
MOEPP	Ministry of Environment and Physical Planning
MKD	Macedonian Denar (currency)
MTC	Ministry of Transport and Communications
na / n.a.	not available
NGO	non governmental organization
PIP	Public Investment Program
USD	United States Dollar (currency)
WWTP	wastewater treatment plant