



ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА
ENTI SHËTËROR I REVIZIONIT
STATE AUDIT OFFICE

STATE AUDIT OFFICE

- Press release-

Skopje, 20 December 2021

22.8 million Denars unpaid water right fee from small hydropower plants with status of preferential producers

The electricity produced by small hydropower plants in 2020 participates with 4% in the total domestic production. In the period 2012-2021, these hydropower plants were paid 90 million euros, i.e. 41 million euros more than the market value due to the legally provided preferential tariffs based on 20 years 'contracts at the expense of end users

The State Audit Office conducted compliance audit on the topic "**Exploitation of water resources in electricity generation**" for the period 2012 - 2021.

The audit objective was to assess whether competent institutions ensure legality in the process of planning and granting concessions, issuing water right permits, communication and exchange of information, as well as collection of concession fees and fees for water use.

The audit found that the **strategic documents** were adopted **without strategic environmental impact assessment** and **did not meet objectives for construction of large hydropower plants**. Although the strategies envisage construction of **7 large hydropower plants** for greater utilization of technical hydro potential, which would provide additional share of over 26% in the total electricity needs, the activities thus far have been mainly focused on construction of small hydropower plants. **117 hydropower plants** have been built until 2020, of which **8 large hydropower plants, 13 small hydropower plants** that are not preferential producers and **96 small hydropower plants with status of preferential producers**.

The procedures for granting concessions for construction of small hydropower plants for use of water for electricity production were carried out without environmental impact assessment based on outdated hydrological data. The auditors also found that due to weaknesses in planning and selection of locations, **no concession agreements were signed for around 65% of announced locations by the competent ministries**.

Weaknesses in issuance of permits and inefficient control by the competent institutions allowed use of water without obtained water right permit. The competent ministry does not have complete data on received requests and issued water rights permits and these are not available to the inspection services.

The audit report points out that the **approval of environmental protection reports** is done without adequate control of the possible impact on the environment, which creates a risk of **negative impact** of the construction of small hydropower plants on the river ecosystems and natural biodiversity.

Inadequate planning, complex procedure in several institutions and non-compliance with deadlines for action contributed to lack of necessary documentation for several small hydropower plants within the stipulated deadline and prolonged start of work or terminated contracts, thus creating unequal position of some concessionaires.

The Ministry of Economy and the Ministry of Environment and Physical Planning do not have sufficient capacities and mutual coordination for monitoring the concession activity, due to not regulated



register of concessions for water use. On the other hand, the State Environmental Inspectorate does not have sufficient number of water economy inspectors to conduct effective inspections of hydropower plants.

Consequently, the small hydropower plants with status of preferential producers did not pay **22.8 million denars** to the Budget of RNM, i.e. 41% of the total calculated fee.

To overcome these shortcomings, the audit made the following recommendations:

- to complete planned projects for construction of large hydropower plants;
- to consider the possibility for market adjustment of privileged tariffs;
- to adopt methodology for determining acceptable minimum water flow rate;
- to set up registers for issued permits and granted concessions; and
- complete collection of fees.

In addition, the authorized state auditor pointed out that for some assigned locations there is a delay in the procedure which cannot be attributed to the concessionaire, and some locations are in the protection zone of a National Park. Therefore, it is expected that the contracts will be terminated with possible fiscal implications for the Budget of RNM.

Press contact:

Albiona Mustafa Muhadziri +389 72 228 203

albiona.mustafa@dzt.gov.mk

Mijalce Durgutov +389 70 358 486

mijalce.durgutov@dzt.gov.mk

Martin Duvnjak +389 75 268 517

martin.duvnjak@dzt.gov.mk