

KfW Credit Line and Technical Assistance

for

***Infrastructure Investment
in Serbian Municipalities***

Presentation to Donor Round Table, Sep 30, 2010

KfW Engagement in Serbia

- **Towns and Municipalities** are the focus area for German Financial and Technical Cooperation
 - 240+ m € committed by KfW for Cities / Municipalities
 - KfW Activities:
 - **Water Supply** and **District Heating** (grants and loans)
 - **Municipal Infrastructure** (credit line)
- covering 51 locations throughout Serbia

KfW Credit Line for Municipal Infrastructure

- **Total Volume:** 60 m €, with option for 20+ m € more
- **Target Group:** **168 Serbian Municipalities (LGs)** and their **Public Utility Companies (PUCs)**
- **Sectors:** All Local–Level Infrastructure
- **Project types:** Investment in physical assets
- **Project size:** max. 2.5 m €
- **Loan size:** 1.2 m € per project

Eligible Infrastructure Sectors

“Physical Investment Benefitting Citizens”

**Water supply,
Sewerage**

**Waste Water,
Solid Waste**

**Energy Supply,
Energy
Efficiency**

**Transport and
Communication**

Social Services
(Housing, Health,
Education,)

**Economic
Infrastructure**
(Industrial areas,
markets, ...)

Eligibility of Borrowers

**Municipality or
Public Utility Co.
as borrower and
owner**

**Sufficient
borrowing
capacity**

**Sufficient
financial
resources**

**Priority / LG
approved project**

**PDU in place,
sufficient
planning
capacity**

**For TA:
Intention to
borrow for
implementation**

Eligibility of Projects:

➤ Automatic for positive list:

- Water / sewerage supply expansion / rehabilitation
- Solid waste handling and transport
- Road reconstruction / maintenance, equipment
- Energy distribution and efficiency
- Rehabilitation of buildings

➤ Other projects assessed for:

- Positive effects (social, economic, environment)
- Cost effectiveness
- Affordability
- Positive cost / benefit ratio
- Return on investment
- Environmental impact

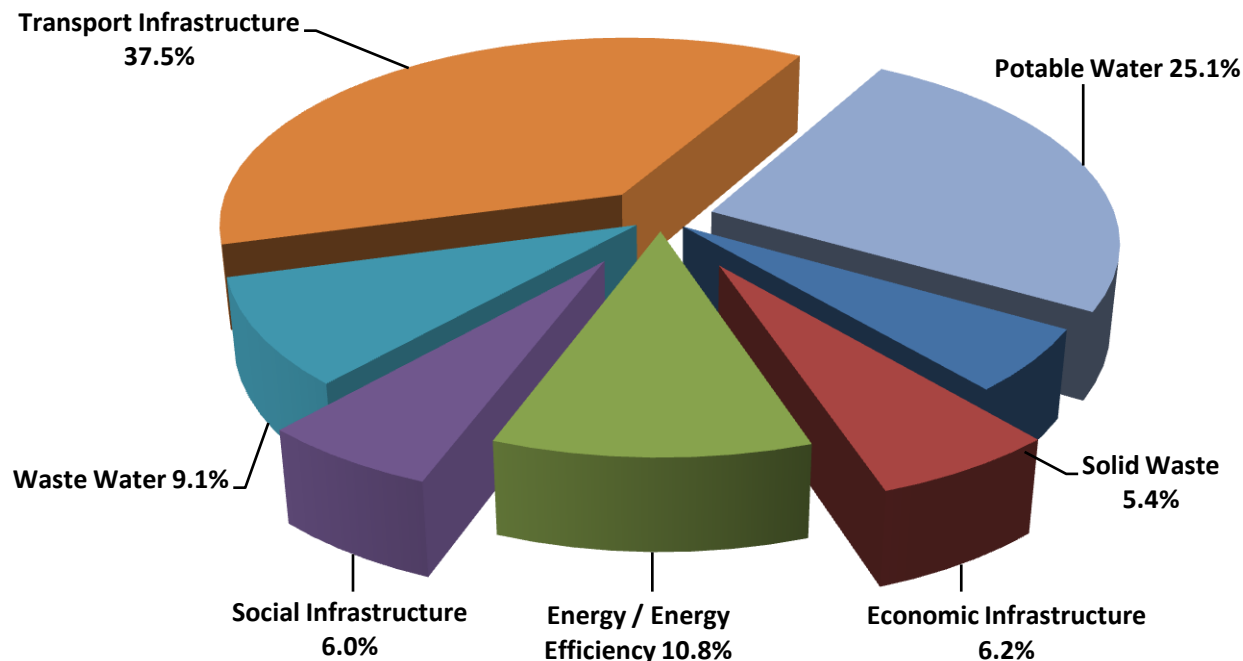
Accessing KfW Loans / MICLP TA

- ☐ **General Criteria:**
 - **Eligibility** of borrower + Positive Project **Assessment**
 - **“First Come – First Served”** – no “Beauty Contest”
 - Multiple loans, combination with other financing allowed
- ☐ **Access to MICLP TA:**
 - Assistance Need, MICLP Capacity
 - Development Priorities (if capacity limitations)
- ☐ **Access to KfW Loan through KfW Partner Banks:**
 - **Endorsement** by MICLP
 - LG / PUC: **Public Procurement Process**
 - Bank(s): Risk **Assessment**, Setting **Conditions**

Loan Portfolio (Sept 2010)

41 m €

- 48 tenders
- 100+ projects in 39 locations
- Loans from 35 k € to 3.5 m €



Technical Assistance Project

- **Purpose:** Promotion of the Credit Line Assistance in Project Development
- **Timeframe:** Oct. 2008 to Oct. 2011
- **Budget:** 1.6 m €
- **Resources:** 3 consultants, 36 m Short-term Experts
- **Counterpart:** Standing Conference of Towns and Municipalities (SKGO)
- **Consultant:** GFA Consulting Group (FRG), with two local partners (DCG and FIDECO)

Assistance in Project Development

Informal Assistance: (Staff Consultants)

☐ Counselling:

- ✓ Road map for implementation
- ✓ ID of bottlenecks, obstacles

☐ Coaching:

- ✓ Contacts, Progress monitoring
- ✓ Advice on next steps

On-site Consultancy: (Specialist assignments)

- | | |
|---|-------------------|
| ➤ Water Treatment Plant Rehabilitation | 5 ... 15 days |
| ➤ Street Lighting Reconstruction | 3 ... 5 days |
| ➤ Assessment of water / sewerage system | 5 ... 10 days |
| ➤ Energy saving for public buildings | 5 days / building |
| ➤ Expansion of district heating system | 10 ... 15 days |
| ➤ Digitization of water supply network data | 5 + 10 days |
| ➤ Implementation planning for industrial area | 15 days |

Assistance in Project Development

Promotion of Replication Projects

- Projects that address common problems in LGs / PUCs
 - Water supply system assessment
 - District heating system assessment
 - EE for street lighting
 - EE for buildings
- On the basis of a completed TA assignment / investment project
- Development of promotion material
 - Brochure, poster, flyer
- Development of replication concept (TA approach)
- Information to LGs (newsletter, presentations, events)
- Workshops with multiplier organisations (RDAs)

Issues / Lessons Learnt: TA Project

- **Balancing Activity Areas:**
 - ❖ Promotion
 - ❖ Project Development
 - ❖ Informal Advice
 - ❖ Specialist Input
- **Assistance Mix:**
 - ❖ Counselling / Coaching
 - ❖ Specialist TA
- **Reactive vs. Pro-active Portfolio Management**
- **Replication projects vs. Individual Assistance**

Issues / Lessons Learnt: Loan Portfolio

- ☐ Inclusion of social and economic infrastructure well received
- ☐ Demand for smaller development loans
- ☐ Demand-driven portfolio generally positive, but
 - Few innovative, future-oriented investment projects
 - Few projects/loans in waste water, solid waste, EE
 - Crisis effect: Financing of ongoing routine projects
- ☐ Interference from Grant Expectations / Donor Competition

Issues / Lessons Learnt: Project Development

- ☐ **Assessing the options for directional lending:**
 - Small vs. large municipalities
 - “Classic” vs. social / economic infrastructure
 - Investive vs. “consumptive” projects
- ☐ **Combining grants with TA and loans**
 - Cooperation with other donor projects, IPA, NIP,
- ☐ **Promoting innovative investment models**
 - PPP, BOT,