An EU funded project
Projekat finansira Evropska unija

# Municipal Infrastructure Support Programme

Building together for the future

# Program podrške razvoju infrastrukture lokalne samouprave

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# Programming & Project Preparation

## Project Funding

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# Programming & Project Preparation

## Project Funding: Objective of this Module

- Understand the importance of funding
- Assist in identifying potential sources of funds
- Understand the different sources of funds
- Appreciate the importance of project packaging

- Increase probability for project selection
- Empowerment of local government

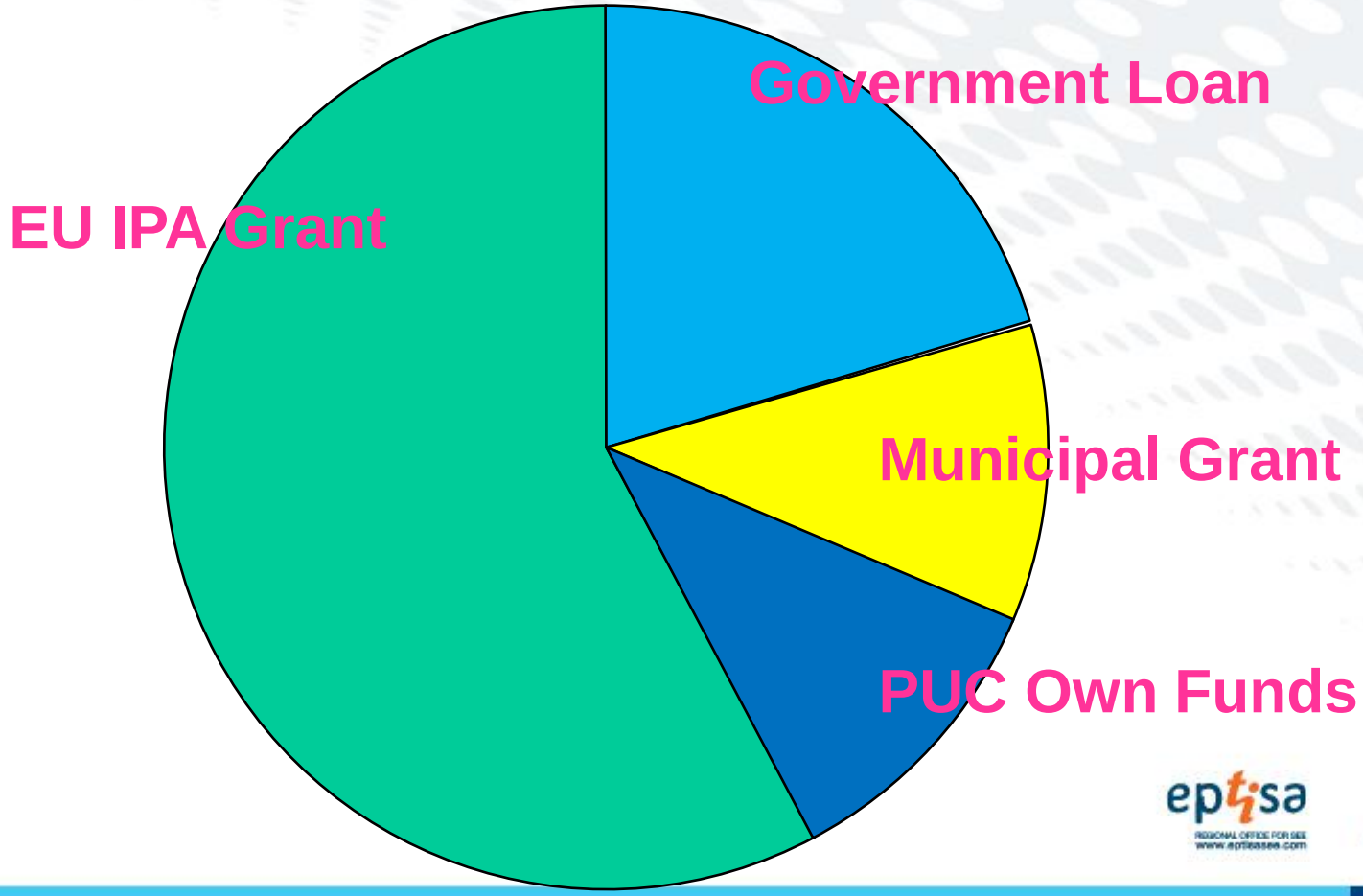
# Programming & Project Preparation

## Project Funding: Objectives

- Identify the different sources and types of funds available
- Analyse the impact of the different sources of funds
- Sustainable project

# Programming & Project Preparation

## Project Funding: Typical Finance Construction



# Programming & Project Preparation

## Project Funding: Business Generated Funds

- Affordability of tariffs
- Need for good financial discipline
- Reserves to be created for capital investment
- Amount can only be estimated with a financial model
- Cheapest cost of finance i.e. No interest

# Programming & Project Preparation

## Project Funding: Types of Grants

- NGOs & charitable organizations
- Bilateral (i.e. country to country, usually tied)
- Serbian Government (i.e. municipality, line ministries)
- Serbian Ecofund
- EU Instrument for pre-accession (IPA)

# Programming & Project Preparation

## Project Funding: Conditions for Grants

- Usually sector oriented (i.e. environment)
- Importance of Donor strategies & policies
- Co-financing from sponsors expected
- Strict donor procedures have to be followed

# Programming & Project Preparation

## Project Funding: How to obtain Grants

- Annual call (NIP, ECOFUND, Water Directorate)
- Calls for projects by various countries on the internet and other media
- Project pipeline (EU MISP, EU PROGRES)
- Inclusion on line ministries operating programme for EU funding

# Programming & Project Preparation

## Project Funding: Grants from EU IPA

- Present financial framework 2007-2013
- Annual grant to Serbia approx. 200M€
- Maximum amount for environment – 30M€
- Maximum amount for infrastructure – 30M€

- Selection of project is duty of line ministries with assistance from MISP

# Programming & Project Preparation

## Project Funding : Types of Banks

- Commercial Banks (KfW, Italian Credit Line)
- Development Banks (EIB, EBRD, World Bank)
- Special purpose banks (Microcredit, IDA)
- Investment Banks (BOT)

# Programming & Project Preparation

## Project Funding : Conditions for Term Loans

- Term varies between 1 to 30 years depending on purpose of loan
- Interest rate depends on, project risks, credit worthiness of borrower and usually variable
- Guarantees usually essential, either asset or receivables based
- Amount depend on project/ programme
- Financial covenants may include introduction & commitment fees, maintaining financial ratios

# Programming & Project Preparation

## Project Funding : Rules on Borrowing by LG

- Law on Public Debt
- Repayment (principal & interest) <15% of operating revenue
- Total borrowings <50% of operating revenue
- Exemptions for large cities (Belgrade & Novi Sad) under certain conditions
- Ministry of finance to review loan agreement
- Local government cannot guarantee loan of PUC

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## Project Selection

**Thank You for your Attention**

**For more information see:**

**www.misp-serbia.rs**

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