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# Municipal Infrastructure Support Programme

●●● Building together for the future

## Program podrške razvoju infrastrukture lokalne samouprave

●●● Gradimo zajedno za budućnost





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# Programming & Project Preparation

## Project Funding



**Jean Claude Ah Man**



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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



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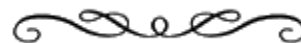
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# Programming & Project Preparation

## Project Funding: Objectives

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







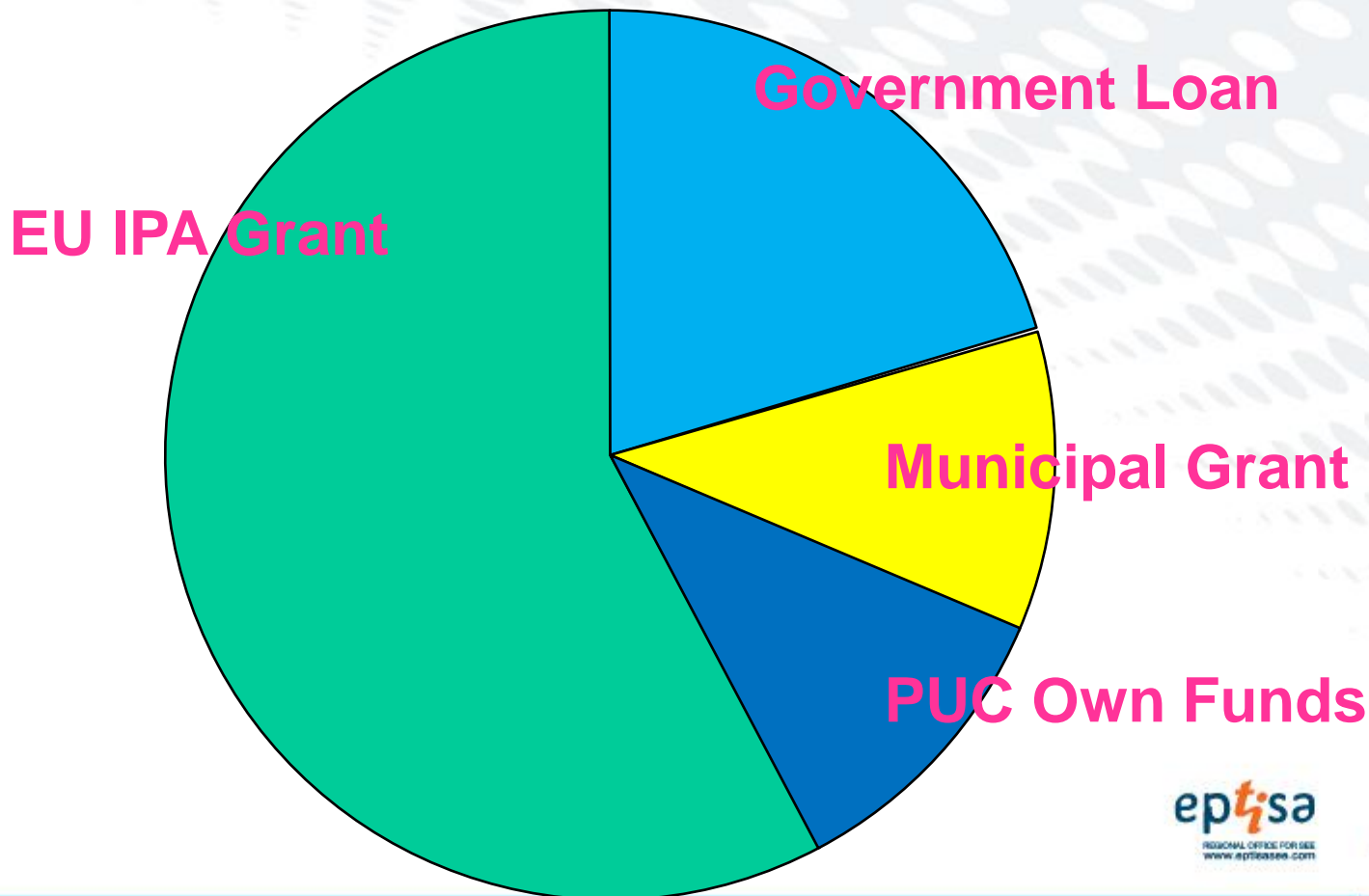
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## Project Funding: Typical Finance Construction





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## 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





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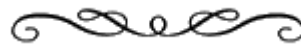
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## Project Funding: Types of Grants

- **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)**





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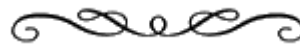
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## Project Funding: Conditions for Grants

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







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## 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





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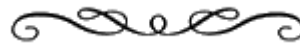
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## Project Funding: Grants from EU IPA

- 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



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## 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)**



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## 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



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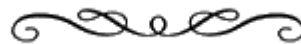
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## Project Funding : Rules on Borrowing by LG

- 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](http://www.misp-serbia.rs)

