



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme

●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave

●●● Gradimo zajedno za budućnost





An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme

●●● Building together for the future

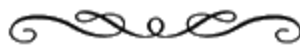
Program podrške razvoju infrastrukture lokalne samouprave

●●● Gradimo zajedno za budućnost

Project Programming and Preparation

10-11 March 2001

Ecka



PROJECT FEASIBILITY STUDIES



An EU funded project
Projekat finansira Evropska unija

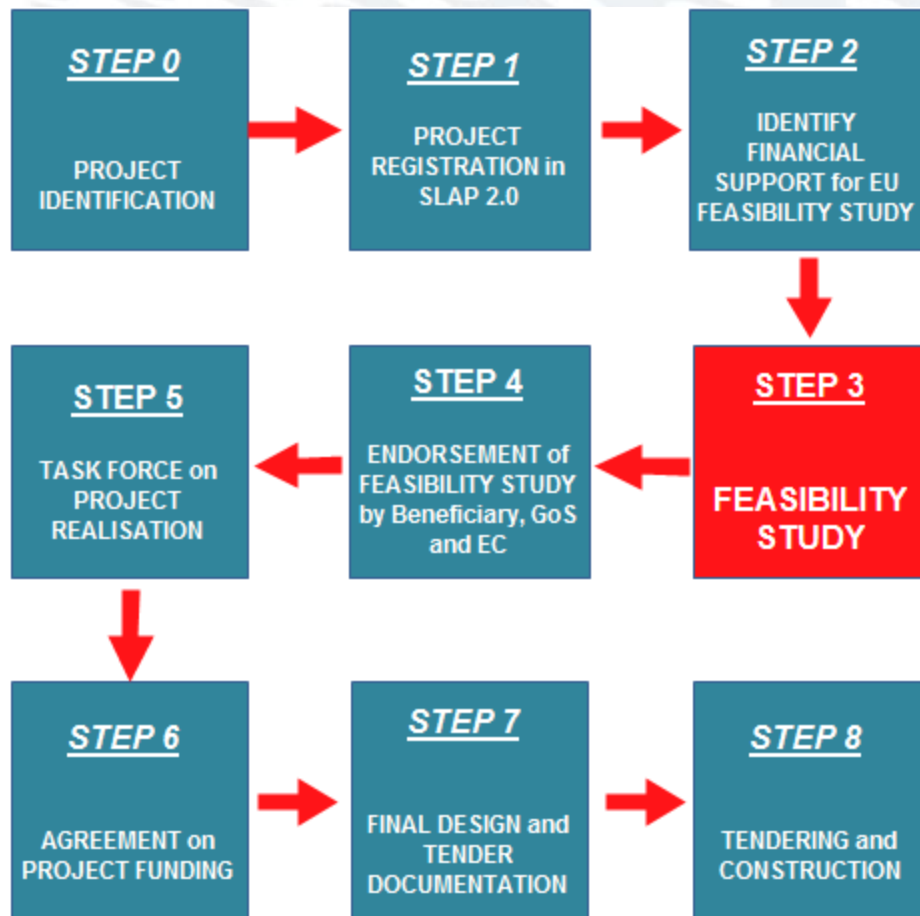
Municipal Infrastructure Support Programme

●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave

●●● Gradimo zajedno za budućnost

ROLE OF FEASIBILITY STUDIES IN PROJECT DEVELOPMENT





An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

FEASIBILITY STUDY..... **WHY ?**

- To improve the quality of EC development assistance by establishing:
 - Project ideas are consistent with partner and EC development priorities;
 - Relevance
 - Feasibility
 - Efficiency
 - Effectiveness
 - Anticipated impact
 - Objectives



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

FEASIBILITY STUDIES – **LEGAL CONTEXT**

Art.114, Serbian Law on planning & construction.

“The feasibility study particularly determines the spatial, ecological, social, financial, market and economic justification of the investment into the chosen solution, elaborated by the preliminary design, based on which it is decided about the feasibility of the investment.

The feasibility study should contain the preliminary design referred to in Article 118 of this Law.”

Regulation No 2630 on the contents, scope and manner of the previous studies and feasibility study for construction of facilities, OGRS No 80 of 20th September 2005



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

FEASIBILITY STUDY..... **SCOPE**

STAGE 1 – NEEDS ASSESSMENT

STAGE 2 – IDENTIFICATION OF TECHNICAL OPTIONS

STAGE 3 – IDENTIFICATION OF TECHNICAL OPTIONS

STAGE 4 – INSTITUTIONAL ISSUES

STAGE 5 – FUNDING OPTIONS



An EU funded project
Projektat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

STAGE 1 – NEEDS ASSESSMENT

- ☐ Project **coherence** with Strategic Documents
- ☐ Key **stakeholders** and target groups
- ☐ Clear and structured **problem analysis**
- ☐ clear and coherent **project objectives** (output)

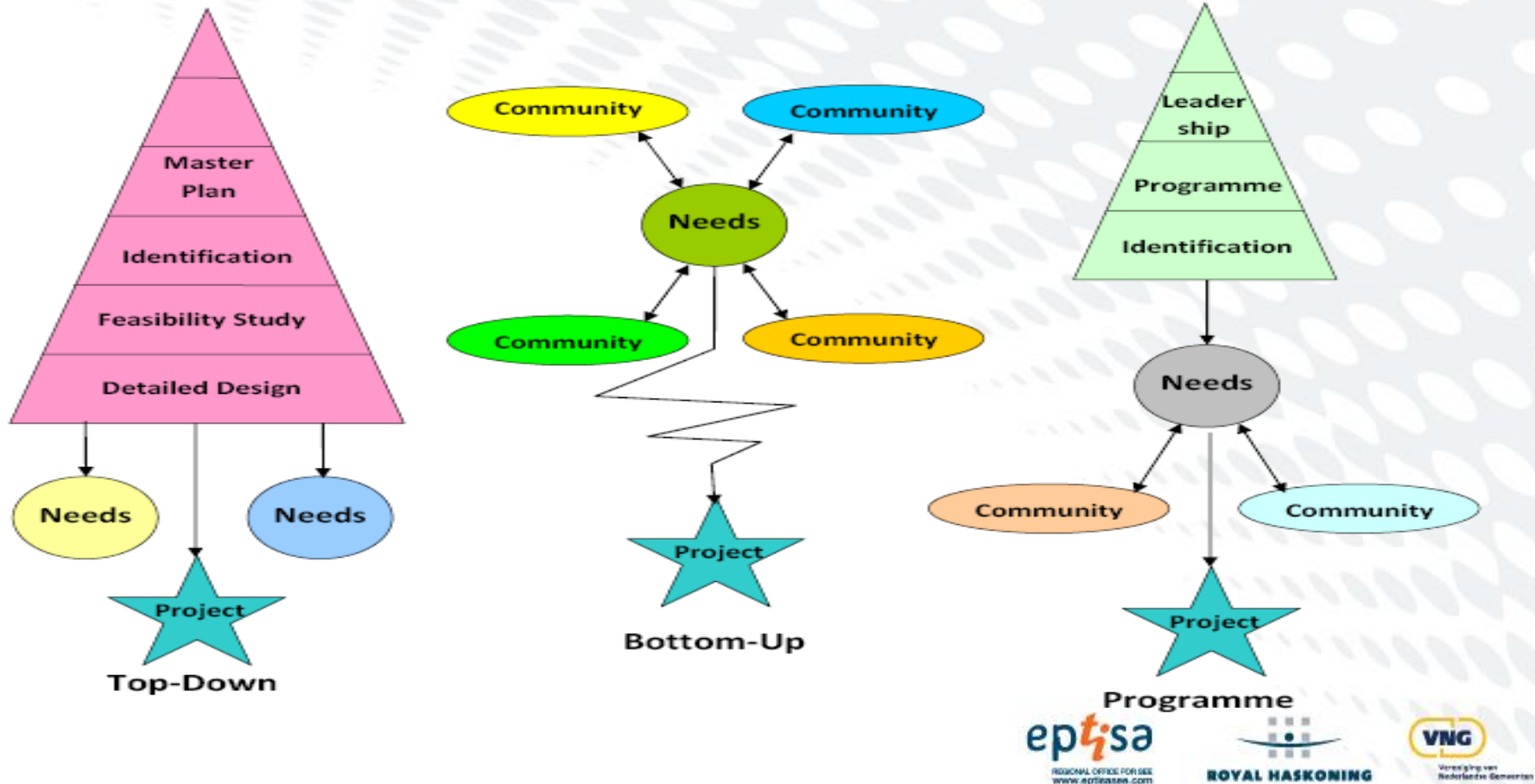


An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

Approach to Needs Assessment





An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

Top Down Approach

Traditional approach

Advantages:	Disadvantages:
Arrives at rational or optimal solutions	Assumes simplistic social functions
Rapid completion and straight forward	Ignores complexity of human nature
Technical issues rapidly resolved	Condescending and lack of sensitivity
Highly focused to project	Will reflect views and ability of assessor
Cost more easily controlled	May not be priority of the community



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

Bottom Up Approach

Impractical approach with long implementation period

Advantages:	Disadvantages:
Uses actual human end user views	Can be a long process
Opportunity for externalities to influence	Technical issues may not be easily understood by communities
Human dimension introduced	Results may not fit the project intention
Commitment to project more forthcoming	Project direction may be diverted
Provide communication channel with stakeholders	Expectations can be raised but not fulfilled



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

Needs Assessment Programme Based Approach

- ☐ People as the top priority for the project
- ☐ Necessity for strong leadership and direction
- ☐ Necessity to obtain national level support
- ☐ Requires improved capacity for programme managers
- ☐ Good governance essential
- ☐ Some disadvantage of bottom up approach
- ☐ Adopted by most IFI (EU, EBRD, EIB, WB, KfW)
- ☐ MISP is a programme based assistance



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

STAGE 2 – IDENTIFICATION OF TECHNICAL OPTIONS

- ☐ Identify **alternative technical solutions**
- ☐ Assess degree of **compliance with project needs**
- ☐ Establish **costs** (both capital and operational)
- ☐ Initial comparison of **environmental impact**



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

STAGE 3 – IMPLEMENTATION PLAN

- ☐ **Institutional capacity** issues and degree of local ownership
- ☐ **Lessons learned** from past experience
- ☐ **Strategy options** and preferred implementation strategy
- ☐ indicative **activities** for delivering each project output
- ☐ Performance **monitoring and accountability** system
- ☐ Proposed **management/coordination** arrangements
- ☐ Support to **institutional strengthening** and local ownership
- ☐ Identify risks and develop a **risk management plan**



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

(I think this slide should be deleted)

Good Governance = Success





An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

STEP 2

TECHNICAL ANALYSIS

- ☐ Degree of **maturity**
- ☐ Identify **alternative technical solutions**
- ☐ **Flexibility** of identified options (phasing etc.)
- ☐ Assess degree of **compliance with project needs**
- ☐ Establish **costs** (both capital and operational)
- ☐ Initial comparison of **environmental impact**



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

STEP 3

PREPARATION OF IMPLEMENTATION PLAN

- ☐ **technical Institutional capacity** issues and degree of local ownership
- ☐ **Lessons learned** from past experience
- ☐ **Strategy options** and preferred implementation strategy
- ☐ indicative **activities** for delivering each project output
- ☐ Performance **monitoring and accountability** system
- ☐ Proposed **management/coordination** arrangements
- ☐ Support to **institutional strengthening** and local ownership
- ☐ Identify risks and develop a **risk management plan**



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

STEP 4 SUSTAINABILITY

- ☐ **Institutional Sustainability** – capacity of beneficiary organisation
- ☐ Need for complimentary technical assistance ?
- ☐ **Financial Sustainability**
- ☐ Affordability & willingness to pay



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

Institutional Sustainability

- ☐ Efficiency and effectiveness of beneficiary
 - ☐ Inclusion of beneficiary in infrastructure decision
 - ☐ Medium term agreements on funding
 - ☐ Independence of beneficiary
 - ☐ Good Municipal governance
- ~~~~~
- ☐ Institutional changes will be necessary
 - ☐ Clearly defined responsibilities for all parties
 - ☐ Consider technical assistance as a Project component



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

Financial Sustainability

- ❑ **Tariff** analysis
- ❑ **Collection rates**
- ❑ **Affordability** and willingness to pay
 - Tariff increases must be affordable and gradual
 - Subsidies will be necessary for some people
 - Quality of service must improve
 - Only services provided even if not used have to be paid for
 - Necessity for population to be kept informed
- ❑ **Cash flow** analysis
- ❑ **Internal Rate of Return (IRR)**



An EU funded project
Projekat finansira Evropska unija

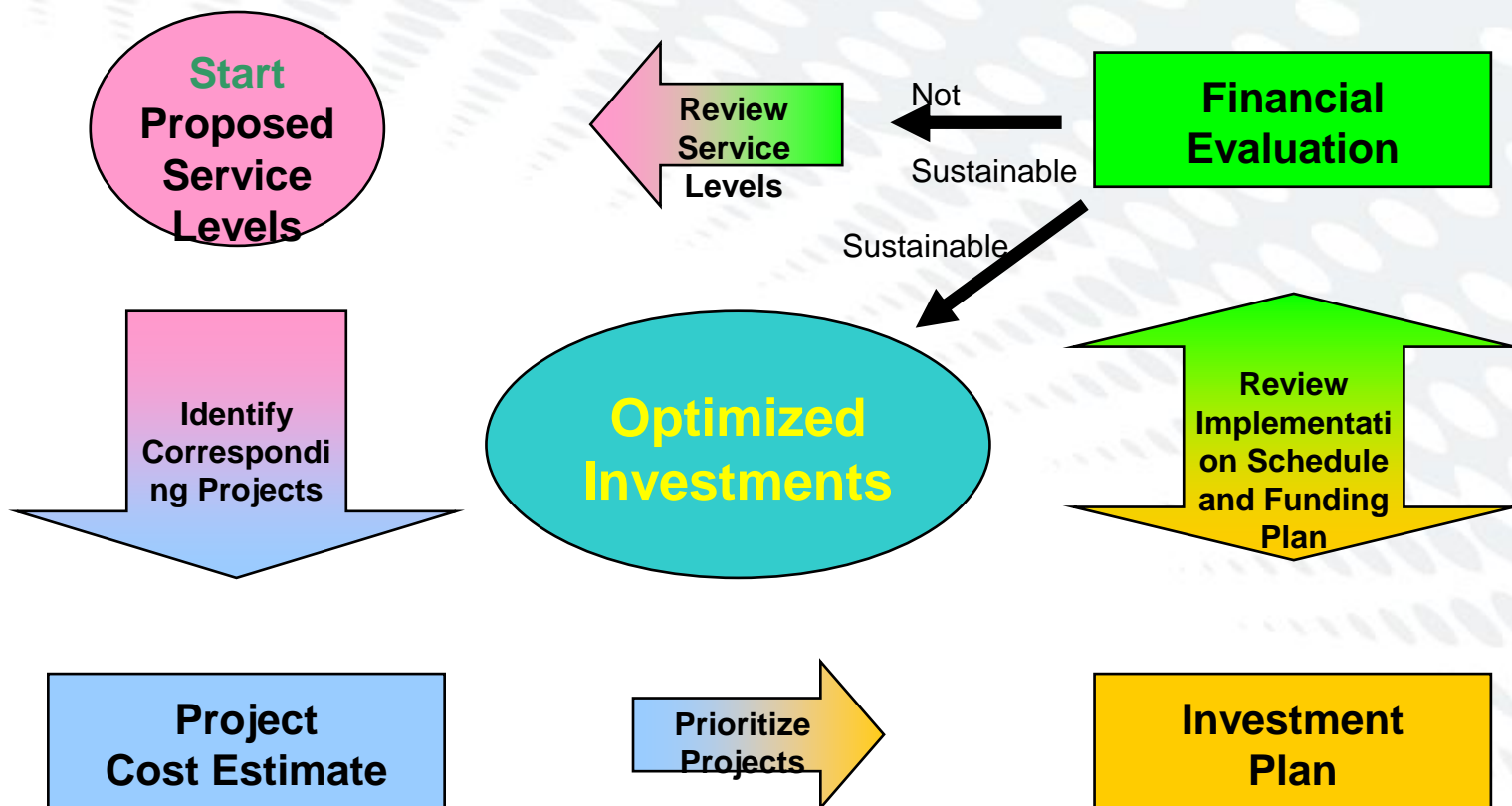
Municipal Infrastructure Support Programme

●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave

●●● Gradimo zajedno za budućnost

Financial Sustainability





An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme









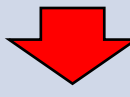

●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave

●●● Gradimo zajedno za budućnost

STEP 5

FUNDING OPTIONS

Source	Short Term	Long Term
Grants (EU, KfW, others)		
Loans (WB, EIB, EBRD)		
Republic/ Municipality		
Communal utilities		
Community		



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

STEP 5

FUNDING OPTIONS

Key Issues:

Grants (foreign & government) funding are less available, borrowings have to increase

Repayment of loans & interest

Previous success / failure of project

More funds will need to come from beneficiary

Tariffs set by beneficiary will have to increase but gradually



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme
●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave
●●● Gradimo zajedno za budućnost

Bankable Project

- ☐ Realistic project (no highly optimistic projection)
- ☐ Supported by a feasibility study (least cost solutions)
- ☐ Project is operational on completion (generates income)
- ☐ Financially sustainable (positive IRR)
- ☐ Economically sustainable (substantial economic benefits)
- ☐ Environmentally sustainable



An EU funded project
Projekat finansira Evropska unija

Municipal Infrastructure Support Programme

●●● Building together for the future

Program podrške razvoju infrastrukture lokalne samouprave

●●● Gradimo zajedno za budućnost

QUESTIONS AND ASSISTANCE

Dragana Vasic
Engineer, MISP
+381 11 3690987
dvasic@misp-serbia.rs
www.misp-serbia.rs

Thank you for your attention!