



**NALAS SUMMER SCHOOL**  
**ON LOCAL GOVERNANCE**  
**AND INTERGOVERNMENTAL**  
**FISCAL RELATIONS**



**NALAS**

Third Summer School:  
**Multiannual**  
**and Investment**  
**Budgeting at**  
**Local Level**  
**in SEE**

**10-15 July 2016**  
**Lake Ohrid, Macedonia**



# **Alternative Project Financing Methods for Local Governments**

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# AGENDA



- Legislative Background
- Debt Limits
- Project Financing
- Creditworthiness Assessment in Local Governments
- Alternative ways to lower costs and boost revenues for LGs: Smart Growth
- Credit Rating in Turkish & Balkan Local Governments
- Policy Recommendations
- Conclusions

# LEGISLATIVE BACKGROUND

- Functions and Liabilities of Municipalities in Turkey
- Financial Regulations and Limits
  - Law No. 2464 Law on Municipal Revenues,
  - Law No. 2886 State Procurement Law,
  - Law No. 4734 Public Procurement Law,
  - Law No. 4735 Law on Public Procurement Agreements,
  - Law No. 4749 Law on Regulating Public Finance and Debt Management,
  - Law No. 5018 Public Financial Management and Control Law,
  - Law No. 5216 Metropolitan Municipality Law,
  - Law No. 5393 Municipality Law,
  - Law No. 5779 Law Pertaining to the Provision of Appropriations to the Special Provincial Administrations and to the Municipalities from Government Budget Tax Revenues.

# DEBT LIMIT?

2016 Revaluation Ratio = **2%**  
(derived from Tax Precedure Law No.213)  
2015 Final Income Budget Amount = **TRY 100**

## **Total Internal/Local Borrowing Limit for current year**

$$= [\text{TRY}100 + (\text{TRY}100 \times 2\%)] \times 10\%$$
$$= \text{TRY } 10.2$$

## **Foreign borrowing limit**

$$= [\text{TRY}100 + (\text{TRY}100 \times 2\%)] \times 150\%$$
$$= \text{TRY } 153$$





# PROJECT FINANCING

## SOME TRADITIONAL FINANCING METHODS



Commercial Bank Loans



National and International Development Program Loans



Municipal Bonds

# QUICK RECALL

Project Owner: Istanbul Metropolitan Municipality

Name of the Project: The Supply and Commissioning of 120 Metro Vehicles to be utilized in Kadikoy-Kartal Metro Line

Project Amount: EUR 138,739,027

Contractor: Construcciones y Auxiliar de Ferrocarriles S.A. (CAF)

Lender/Creditor: BNP Paribas Corporate & Investment Banking

Export Credit Agency: Compañía Española de Seguros de Crédito a la Exportación S.A. (CESCE)

Instrument Used: Project Financing

Export/Buyer Credit: EUR 117,928,172.95 (plus EUR 9,875,733.94 Insurance Premium)

Maturity: 31 months of Grace Period + 10 years (20 equal installments)

Commercial Credit: EUR 20,810,854.05

Maturity: 6 months of Grace Period + 7 years (14 equal installments)

# QUICK RECALL



**İSTANBUL  
METROSUNA  
KAVUŞTU**





# Bucharest Municipal Bond Issuance

## Bucharest Bond Issue

Country:	Romania
Project number:	47374
Business sector:	Municipal and environmental infrastructure
Notice type:	Public
Environmental category:	B
Target board date:	25 Mar 2015
Status:	Signed
PSD disclosed:	08 May 2015

**Project Cost : RON 2.2 billion (~€500 million)**

# Bucharest Municipal Bond Issuance

The EBRD has invested in the City of Bucharest's ("City") recent RON 2.2 billion Bond Program.

- Bucharest is the capital and largest city of Romania,
- with around 1.9 million inhabitants,
- the political and economic hub of the country,
- generating over 20 per cent of the country's GDP,
- Bucharest is rated BBB-/Stable by Fitch Ratings



# Bucharest Municipal Bond Issuance

- The proceeds of the new Bond issues will be used to refinance the City of Bucharest's existing Eurobond,
- and will not be used to finance any specific investment projects, physical assets or activities, or new capital expenditure.

EBRD's assistance cost of the assignment is expected to be up to €75,000.

# PROJECT FINANCING

## ALTERNATIVE METHODS



Development Agencies



Investment Incentives



H2020 Program



# **DEVELOPMENT AGENCIES**

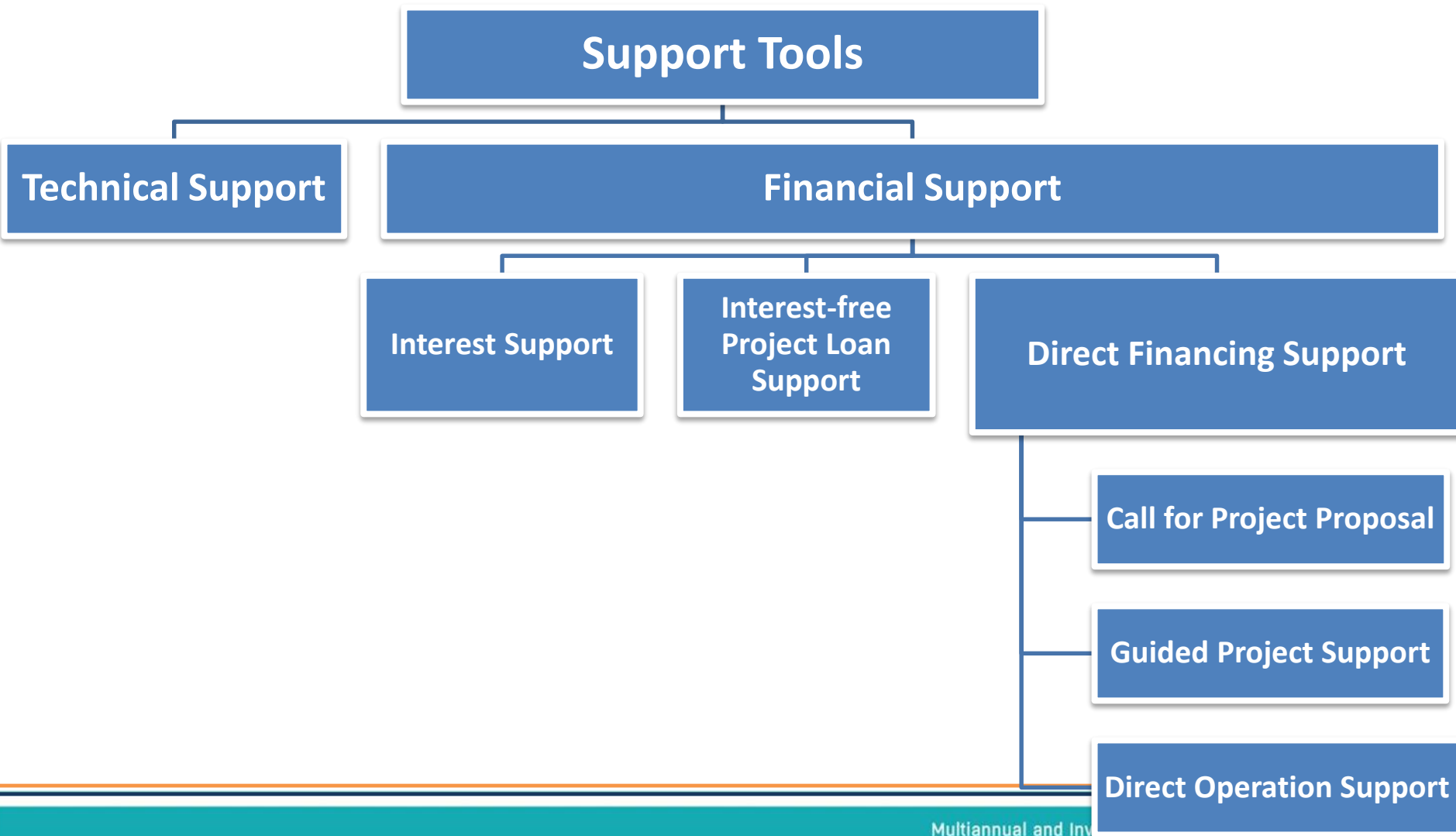
# DEVELOPMENT AGENCIES IN TURKEY



The two agencies of Izmir and Çukurova were established in 2006 as pioneering institutions.

The remaining 24 agencies, including Istanbul were established after 2008.

# SUPPORT TOOLS of ISTANBUL DEVELOPMENT AGENCY



# CO-FINANCING PERCENTAGES

ENTREPRENEURS

50%



NPOs

90%



# INNOVATIVE PROJECTS & GRANTS

**81 Projects**

completed  
in Istanbul

**41 Projects**

still in progress  
in Istanbul



# INNOVATIVE PROJECTS & GRANTS

**34 million**  
**USD**  
**allocated**



# INNOVATIVE PROJECTS & GRANTS

BİL

İştirakler Bilgi Odaklı Yönetişim Sistemi  
Kurulması Projesi (İVAS)

PROJENİN ADI:  
İştirakler Bilgi Odaklı Yönetişim  
Sistemi Kurulması Projesi (İVAS)

YARARLANICININ ADI:  
İstanbul Büyükşehir Belediyesi Kaynak  
Geliştirme ve İştirakler Daire Başkanlığı

PROJE ORTAKLARI VE İŞTİRAKÇİLER:  
Proje Ortağı İstanbul Büyükşehir Belediyesi  
Bilgi İşlem Daire Başkanlığı, Proje  
İştirakçileri ise: İBB iştirak şirketleri olan  
İSBAK A.Ş., İGDAŞ ve ULAŞIM A.Ş.

SÖZLEŞMENİN TOPLAM BÜTÇESİ:  
1.107.000,00 TL

AJANS SÖZLEŞME DESTEK  
ORANI VE TUTARI:  
%90 - 996.300,00 TL



Projemiz; İstanbul'un sektörel ve kurumsal ölçekte bilgi teknolojileri ile desteklenmesiyle daha yüksek katma değer üreten bir yapıya dönüştürülmesini sağlayarak rekabetçilik düzeyinin artırılmasına katkıda bulunmak amacıyla ortaya çıkmıştır. Projemiz ile; İstanbul Büyükşehir Belediyesi iştiraki olan şirketlerin anlık olarak denetlenebilmesi ve karar mekanizmasının daha etkinleştirilmesini sağlamak amaçlanmıştır.



**Budget: 1.1 m TRY**

**Grants received: 996 k TRY**  
**Municipality**



## İSTANBUL BÜYÜKŞEHİR BELEDİYESİ

İstanbul Büyükşehir Belediyesi; medeniyetlerin buluşma noktası İstanbul'a karşı tarihi sorumluluğunun gereğini yerine getirerek şehrin yaşam

kalitesini artırma, özgün kimliğini pekiştirme ve saygın bir dünya şehri haline gelmesine katkı sağlama adına yerel hizmetleri adaletli, kaliteli,

gelişime açık, verimli ve etkili bir yönetim anlayışı ile sunmak misyonunu taşıyan kamu kurumudur.

# INNOVATIVE PROJECTS & GRANTS

GNC

Yeteneğim Geleceğim Projesi

PROJENİN ADI:  
Yeteneğim Geleceğim Projesi

YARARLANICININ ADI:  
Bağcılar Belediyesi

PROJE ORTAKLARI ve İŞTİRAKÇILAR:  
Bağcılar İlçe Milli Eğitim Müdürlüğü - Üstün  
Zekalılar Enstitüsü

SÖZLEŞMENİN TOPLAM BÜTÇESİ:  
1.029.130,79 TL

AJANS SÖZLEŞME DESTEK  
ORANI VE TUTARI:  
%90 - 926.217,71 TL



Bağcılar Belediyesi gerek kendi imkanları gerekse AB veya Kalkınma Ajansı fonlu projeler ile eğitim içerikli projeleri yıllardır yürütmektedir. Bu bağlamda ilçede yaşayan ve yeteneği fark edilmemiş çocuklar için proje gerçekleştirmeyi planladığı bir dönemde bu çağrıyla karşılaşmış ve öngördüğü proje ile başvurmuştur.

Başta ülkemizin ve insanlığın gelişimine önemli katkı sağlayacak bilim ve sanat insanlarının yetiştirilmesi amacıyla Üstün Zekalı veya Özel Yetenekli Çocukların eğitim olanaklarına ulaşmalarının sağlanması ve bu çocuklar konusunda toplum içerisinde farkındalığın oluşmasına katkı sağlanması projenin genel amacıdır.



Proje kapsamında üstün yetenekli olarak tanımlanan öğrencilere, akademik, sosyal, sanatsal ve bilimsel alanlarda ilgi ve yetenekleri doğrultusunda eğitimler verilmiş, bu alanlarda yaşadıkları eksiklikler, zenginleştirilmiş bir eğitim müfredatıyla giderilmeye çalışılmıştır. Bu eğitimlerle öğrencilere, öğrenmeyi öğrendikleri, kendilerinin araştırarak öğrenmeye devam ettikleri bir becerinin kazandırılması amaçlanmıştır.

Aynı zamanda, öğretmenlerle ve velilerle yapılan eğitim seminerleri ve bilgilendirme toplantıları ile bu çocukların sahip oldukları yeteneklerinin gelişimine katkı sağlamak amacı güdülmüştür. Buradaki vurgu noktası, bu farkındalığın alımı çizmek değil, bunun bilincinde olarak onların sosyal uyumunu geliştirmek olmuştur.

**Budget: 1.03 m TRY**

**Grants received: 926 k TRY**



## BAĞCILAR BELEDİYESİ

Bağcılar İlçesi 1992 yılında kurulmuştur. 750.000 kişiden fazla olan nüfusu ile Türkiye'de birçok ilden daha kalabalık olan Bağcılar, sürekli olarak aldığı göçlerle büyümeye devam etmektedir. Bu yapıdaki bir ilçede temel altyapı ve üst yapı hizmetlerinin yanı sıra

sıra ihtiyaç duyulan eğitim ve kültür çalışmaları konusunda da Bağcılar Belediyesi tarafından önemli çalışmalar gerçekleştirilmektedir. Özellikle eğitim konusunda yaptığı çalışmalar ile birçok kişi desteklenmiştir. Projeler konusunda da önemli bilgi ve deneyim

sahibi olan Bağcılar Belediyesi, ürettiği projeleri %100 başarı ile bitirmiş ve birçok kuruma proje üretme ve geliştirme konularında öncülük ederek model olmuştur.



# INNOVATIVE PROJECTS & GRANTS

BİL

Biyoteknolojik Serada Biyosensörler Kullanılarak Hidroponik Sistemde Lale Üretimi

PROJENİN ADI:  
Biyoteknolojik Serada  
Biyosensörler Kullanılarak  
Hidroponik Sistemde Lale Üretimi

YARARLANICININ ADI:  
Yıldız Teknik Üniversitesi Kimya-Metalurji Fakültesi

PROJE ORTAKLARI VE İSTİRAKÇİLERİ:  
• Belbin İstanbul Belediyeleri Bilgi İşlem Enerji Sanayi  
Ve Ticaret A.Ş.  
(İştirakçi) • İstanbul Akademi, Eğitim Hizmetleri ve  
Hıyranat Bütçesi İşletmeciliği Sanayi Ve Ticaret A.Ş.  
(İştirakçi)

SÖZLEŞMENİN TOPLAM BÜTÇESİ:  
1.030.270,00 TL

AJANS SÖZLEŞME DESTEK  
ORANI VE TUTARI:  
%86,23 - 888.401,82 TL



Yıldız Teknik Üniversitesi bünyesinde yapılan hidroponik sistemli sera, lalelerin de serada yetiştirilmesi hakkında bir fikir oluşturdur. Proje ile ileri biyoteknolojik hidroponik sera kurulması, lalelerin optimum koşullarda büyümesini sağlamak üzere besin öğelerini takip eden sensörlerin üretilmesi, sensörlerle besin öğelerinin ölçümüne yönelik bir yazılım sisteminin geliştirilmesi, 2000.000 adet lale soğanı yetiştirilmesi, eğitim, seminer ve internet sitesi ile tecrübelerin paylaşılması ve farkındalığın artırılması ve okullarda etkinlikler düzenlenerek öğrencilere lalenin İstanbul kültüründeki öneminin anlatılması planlanmıştır.

Proje ile ileri teknolojik sera, sensörler, yazılım sistemi, kaliteli ve ekonomik üretilmiş lale, donanımlı eleman yetiştirilmesi beklenen sonuçlardır.

Nühai yararlanıcılardan lale soğanları İstanbul Belbin A.Ş. ile kası ölçüm yazılımı ve Silivri gibi çeyrek lalelerin kullanımı ticaret hakkında İstanbul'dan Yıldız Teknik Üniversitesi'nden yararlanılmaktadır. Son olarak etkinliklerle ve kurumsal lale konusunda bilgilendirme yapılmıştır.



**Coordinator:**

Yıldız Teknik Üniversitesi

Beneficiaries:

Municipality

**Budget: 1.03 m TRY**

**Grants received: 888 k TRY**

Greenhouse

## YILDIZ TEKNİK ÜNİVERSİTESİ

Yıldız Teknik Üniversitesi Biyoteknolojik Bölümü'nde 5 profesör, 2 doçent, 8 yardımcı doçent, 7'si doktora dereceli olmak üzere 14 araştırma görevlisi görev yapmaktadır. Bölümde biyomedikal, tıp, polimer teknolojileri, genetik, biyoinformatik, analiz sistemleri, ağız,

biyomalzeme gibi çok çeşitli konularda araştırmalar yapılmaktadır. Türkiye'de araştırma ve pilot ölçekli biyoteknolojik hidroponik esası üretimin yapıldığı başka bir bölüm bulunmamaktadır.

Biyoteknolojik bitki üretimi, biyosensörler, su tasarruflu tarım teknolojileri, biyomedikal cihaz geliştirme, damar görüntüleme spreji geliştirme konularında çalışmalar yapılmaktadır.

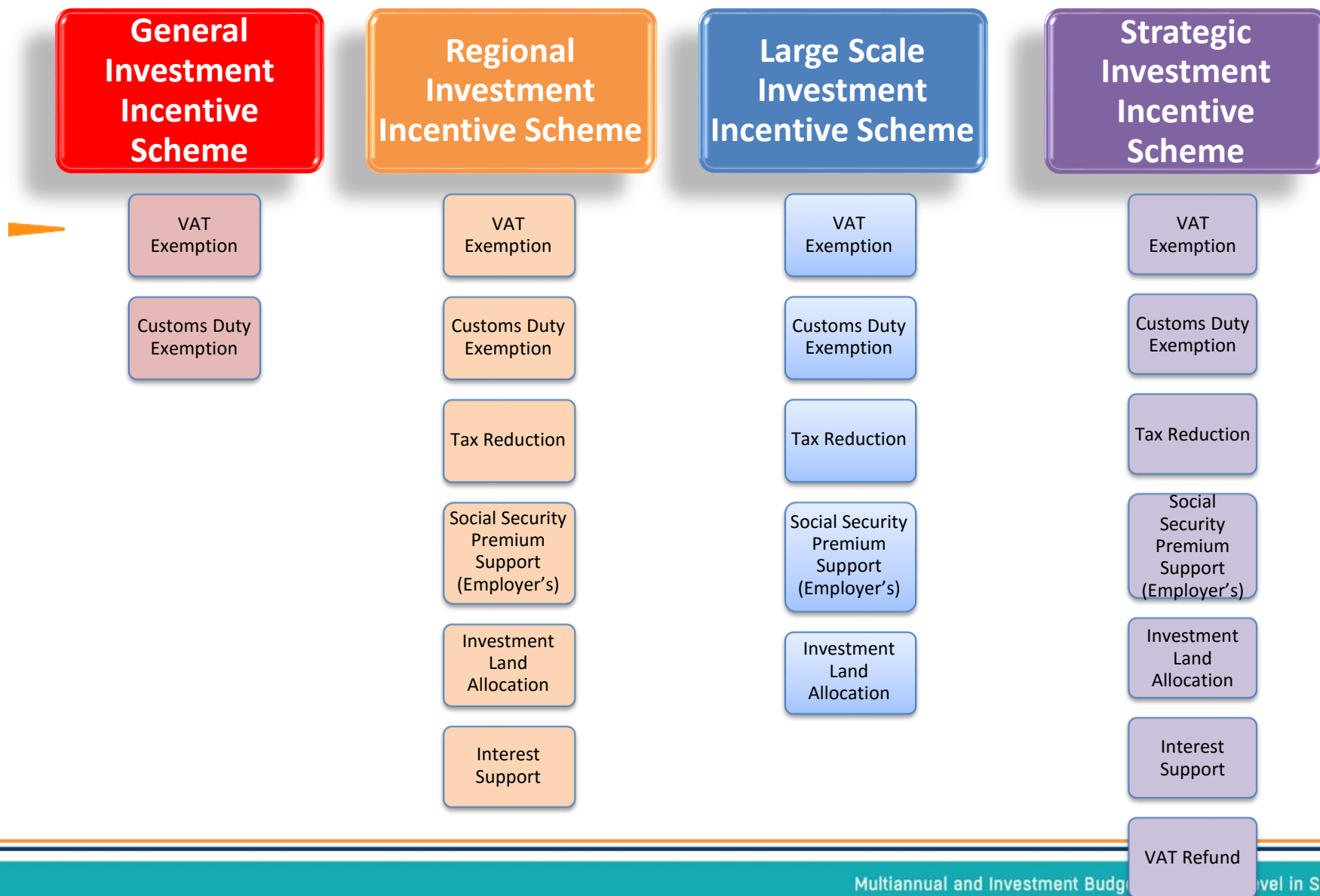






# **INVESTMENT INCENTIVES OF THE MINISTRY OF ECONOMY**

# The NEW INCENTIVE SYSTEM





# INVESTMENT INCENTIVES of THE MINISTRY OF ECONOMY

**Beneficiary:** Istanbul Metropolitan Municipality (Water and Sewerage Administration)

**Project:** Büyük Melen Brook/Stream

**Budget:** TRY 243 m (USD 85 m)

**Investment Incentive # :** 98,873

**Exemption:** Value Added Tax

**Participant #:** 127

**Date:** December 03, 2010

**Revized at:** October 30, 2013



# **H2020 PROGRAM**

# WHAT IS H2020?

Horizon 2020 is the 8th phase of the Framework Programs for Research and Technological Development.

A funding mechanism created by the [European Union](#) in order to support and encourage research in the [European Research Area](#) (ERA).

The budget of H2020 Program: approx. EUR 80 billion



# H2020 PROJECTS



HOME

## R4E PARTNERS

WHO'S BEHIND THE R4E PROJECT?

GEMEENTE EINDHOVEN (The Netherlands)

COMUNE DI FORLI (Italy)

ISTANBUL METROPOLITAN MUNICIPALITY (Turkey)

NEWCASTLE

AYUNTAMEN

TALLINNA KES

COMUNE

AJUNTAMENT

VAI

TECHNISCHE UNIVERSITEIT EINDHOVEN (The Netherlands)

UNIVERSITAT POLITECNICA DE CATALUNYA UPC (Spain)

## Beneficiaries:

1. ISTANBUL METROPOLITAN MUNICIPALITY (Turkey)
2. GEMEENTE EINDHOVEN (The Netherlands)
3. COMUNE DI FORLI (Italy)
4. NEWCASTLE CITY COUNCIL (United Kingdom)
5. AYUNTAMIENTO DE MURCIA (Spain)
6. TALLINNA KEKKONNA-AASET (Estonia)
7. DEL VALLÈS (Spain)
8. DHOVEN (The Netherlands)
9. UNIVERSITAT POLITECNICA DE CATALUNYA UPC (Spain)

<http://roadmapsforenergy.eu/>



# H2020 PROJECTS

A photograph of a multi-arched stone bridge spanning a river. The scene is captured at dusk or dawn, with a deep blue sky and some clouds. The bridge's arches are reflected in the calm water. In the background, there are dark, silhouetted mountains. The foreground shows a concrete path and some greenery. A yellow rectangular box is superimposed on the right side of the image, containing the project title.

Improvement of  
Waste Management  
in Danilovgrad  
Municipality

# H2020 PROJECTS

Project Owner	Danilovgrad Municipality (Montenegro)
Name of the Project	Improvement of Waste Management in Danilovgrad Municipality
Financial Instrument Used	EU Funds (IPA 2008)
Project Amount	EUR 1.02 m
Grants Received	EUR 683 k
Partners	N/A
Description	With this project, a functional system was established for selective waste collection and transportation in Danilovgrad municipality.

Source: Delegation of European Union to Montenegro,

[http://www.delme.ec.europa.eu/code/navigate.php?Id=2221&project\\_id=147](http://www.delme.ec.europa.eu/code/navigate.php?Id=2221&project_id=147) , access on May 06, 2016.

# Let's not miss the power of PPP and/or BOT

- This is not a project financing example from any local government, but worth to be assessed by LGs.

- The Third Airport in Istanbul: Build – Operate - Transfer







## Istanbul's New (3<sup>rd</sup>) Airport

- EUR 26 billion (including tax) worth of tender
- The private sector have been constructing and will operate the airport for 25 years after completion
- The Turkish Gov't pays nothing; moreover, will receive annual management fee from the contractor.



**Can we lower costs rather than borrowing?**



**Can we increase revenues through Smart Growth Strategies**

# Lowering costs rather than borrowing?

Expenditure Type	Expenditure (in Billions)	Percent of Total
Intergovernmental expenditure	\$13.7	1%
Direct expenditures		
Current operation	\$1,304.8	78%
Capital outlay	\$220.0	13%
Assistance and subsidies	\$10.4	1%
Interest on debt	\$74.6	4%
Insurance benefits and repayments	\$40.9	2%
Total	\$1,664.5	100%

Total expenditures of US local governments in 2011

Source: <http://www.census.gov/govs/local>.

# Lowering costs rather than borrowing?

Revenue Source	Revenue (in Billions)	Percent of Total
Intergovernmental transfers	\$554.1	33%
Property taxes	\$429.1	26%
Charges for services	\$247.8	15%
Utility revenue	\$134.7	8%
Sales taxes	\$93.1	6%
Miscellaneous general revenue	\$79.6	5%
Insurance trust revenue	\$73.9	4%
Income taxes	\$32.8	2%
Other taxes	\$23.2	1%
Liquor store revenue	\$1.2	0.1%
<b>TOTAL</b>	<b>\$1,669.4</b>	<b>100%</b>

Total revenues of US local governments in 2011

Source: Barnett and Vidal 2013.

## 2015 Fiscal Year – Turkish Local Governments - Expenditures

(Thousand TRY)

	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q	TOTAL
<b>Expenditures</b>	<b>17,096,957</b>	<b>22,956,299</b>	<b>25,718,806</b>	<b>33,887,501</b>	<b>99,659,563</b>
Staff Expenditures	3,475,408	3,652,220	3,852,046	3,682,638	14,662,312
Social Security	548,595	575,182	612,273	610,094	2,346,144
Purchases of Goods and Services	6,891,565	9,939,710	10,650,524	13,903,964	41,385,763
Interest Payments	447,749	465,547	386,065	592,554	1,891,915
Current Transfers	722,519	871,668	734,321	972,732	3,301,240
Capital Expenditures	4,374,743	6,761,642	9,013,774	12,646,908	32,797,067
Capital Transfers	235,027	278,702	211,274	239,295	964,298
Lending	401,351	411,628	258,529	1,239,316	2,310,824



## 2015 Fiscal Year – Turkish Local Governments - Revenues

(Thousand TRY)

	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q	TOTAL
<b>Revenues</b>	<b>22,113,930</b>	<b>24,390,380</b>	<b>22,618,162</b>	<b>28,583,908</b>	<b>97,706,380</b>
Tax Revenues	1,883,545	3,948,069	1,581,055	3,440,226	10,852,895
Entrepreneurial and Ownership Revenues	4,587,748	5,137,445	5,234,212	5,916,846	20,876,251
Aids and Grants	1,759,335	1,758,063	1,481,336	2,980,700	7,979,434
Interests, Shares and Penalties	12,853,512	12,469,367	13,423,924	14,029,095	52,775,898
Capital Revenues	886,723	1,054,502	878,771	2,142,750	4,962,746
Proceeds from Receivables	143,067	22,934	18,864	74,291	259,156

## 2015 Fiscal Year – Turkish Local Governments - Balance

(Thousand TRY)

	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q	TOTAL
<b>Budget Balance</b>	<b>5,016,973</b>	<b>1,434,081</b>	<b>-3,100,644</b>	<b>-5,303,593</b>	<b>-1,953,183</b>

# Lowering Costs through Smart Growth Strategies

1. Reducing Infrastructure Costs
2. Reducing Service Delivery Costs
3. Overall Cost Comparisons



# Reducing Infrastructure Costs

Avoid urban sprawl!

THE UNCONTROLLED EXPANSION OF URBAN AREAS



# Reducing Service Delivery Costs

- Maintenance costs
- Ongoing expenses



# Overall Cost Comparisons

Find alternative paths and  
compare!



# Increasing Revenues through Smart Growth Strategies

1. Boosting Property Tax Revenues
2. Boosting Sales Tax Revenue





# Boosting Property Tax Revenues

- Important component for local government revenues
- Smart growth strategies helps increase the property tax revenues for LGs





# Boosting Sales Tax Revenue

More walkable and bikable areas lead to more shopping; therefore, more tax collection.

Istiklal Street in Istanbul, only for pedestrian walk and a boutique tram line





# **Creditworthiness Assessment**

# CREDITWORTHINESS ASSESSMENT

## How a Local Government is Rated?



**International Credit Rating Agencies consider 3 main points:**

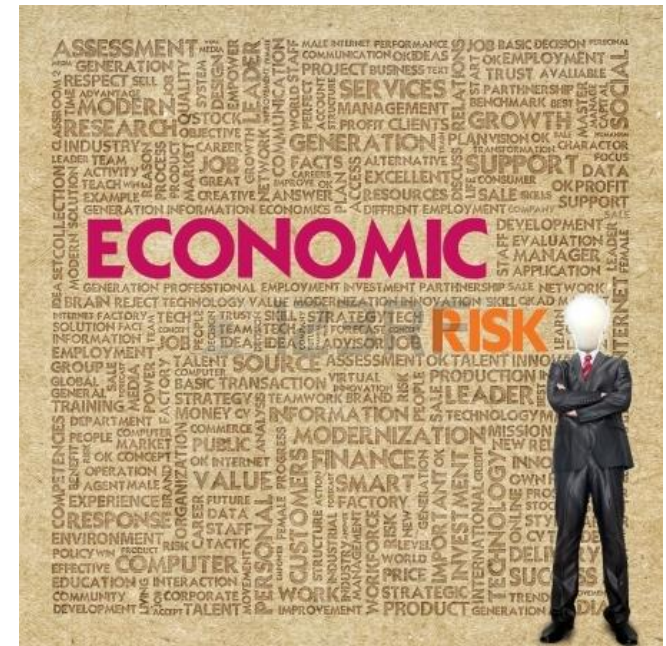
- (i) Economic Risk
- (ii) Political Risk
- (iii) Financial Risk

# CREDITWORTHINESS ASSESSMENT

## Economic Risk

## What to consider under economic risk:

- Per capita income
- Regional GDP growth in the local administration's area of responsibility
- Local GDP composition
- Natural resources
- Growth in Employment & Labor quality
- Economic policies





# CREDITWORTHINESS ASSESSMENT

## Political Risk

### What to consider under political risk:

- Political stability
- Conformity between local and central administrations
- Local/regional conditions



# CREDITWORTHINESS ASSESSMENT

## Financial Risk



### What to consider under financial risk:

- Balance between revenues and expenditures
- Capital expenditures
- The management of liquidity and cash flow
- Financial flexibility (the ratio of the income earned by the local administration's own initiative to total income)
- The level of how to control expenditures
- Debt level - total debt including domestic and external debts

# CREDIT RATING IN TURKISH LOCAL GOVERNMENTS

	Moody's		Fitch Ratings	
	Grade*	Description	Grade*	Description
<b>Turkey</b>	<b>Baa3</b> (Outlook: Negative)	Investment Grade	<b>BBB-</b> (Outlook: Stable)	Investment Grade
<b>Istanbul Metropolitan Municipality</b>	<b>Baa3</b> (Outlook: Negative)	Investment Grade	<b>BBB-</b> (Outlook: Stable)	Investment Grade
<b>Izmir Metropolitan Municipality</b>	<b>Baa3</b> (Outlook: Negative)	Investment Grade	<b>BBB-</b> (Outlook: Stable)	Investment Grade
<b>Bursa Metropolitan Municipality</b>			<b>BB+</b> (Outlook: Stable)	Speculative

Source: Moody's and Fitch Ratings, access: 21.03.2016.

# CREDIT RATING IN BALKAN LOCAL GOVERNMENTS

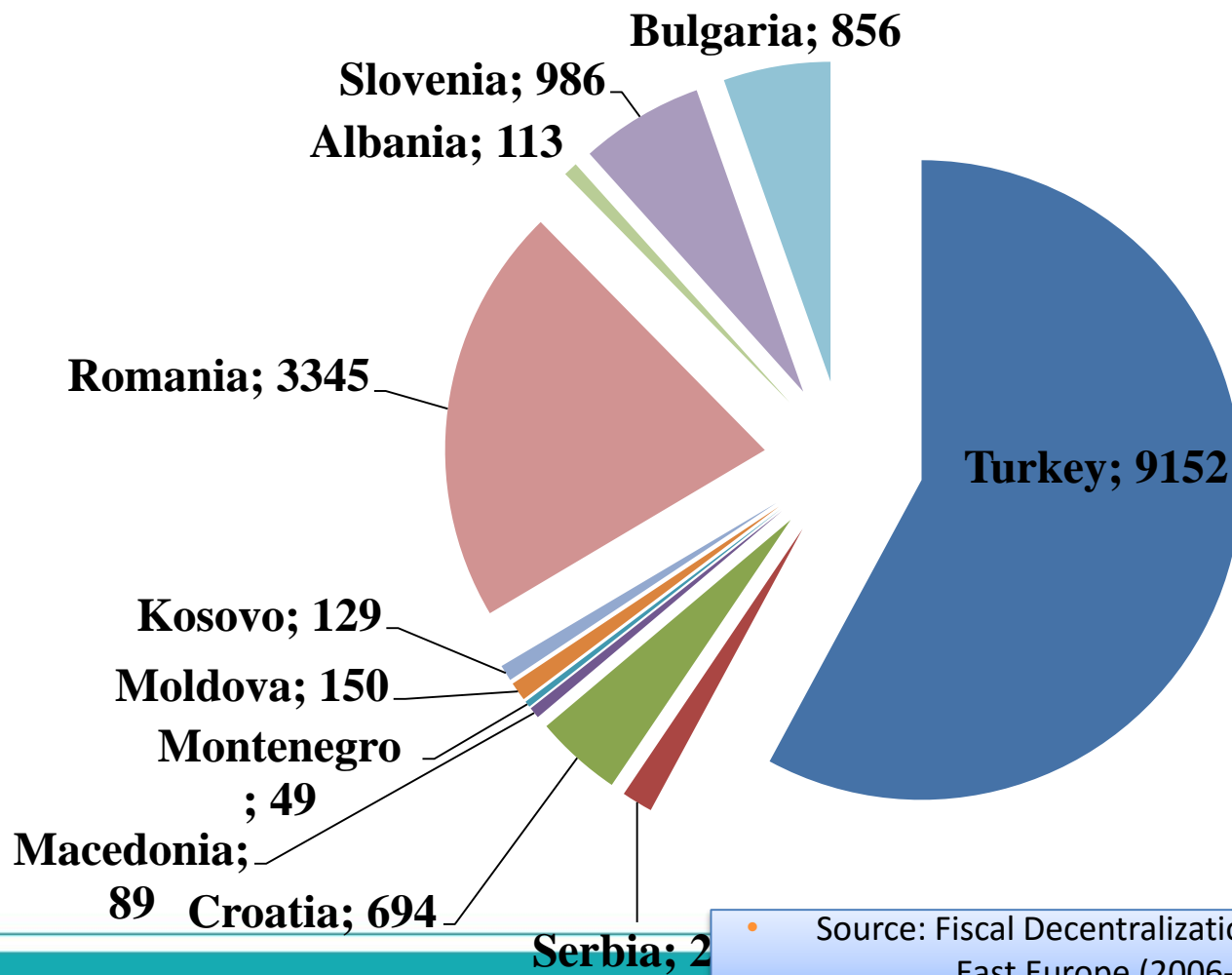
	Moody's		Fitch Ratings	
	Grade*	Description	Grade*	Description
<b>Croatia</b>	<b>Ba2</b> (Outlook: Negative)	Non-Investment Grade (Speculative)	<b>BB</b> (Outlook: Negative)	Non-Investment Grade (Speculative)
<b>City of Zagreb</b>	<b>Ba2</b> (Outlook: Negative)	Non-Investment Grade (Speculative)		
<b>Serbia</b>	<b>B1</b> (Outlook: Positive)	Non-Investment Grade (Highly Speculative)	<b>BB-</b> (Outlook: Stable)	Non-Investment Grade (Highly Speculative)
<b>City of Novi Sad</b>	<b>B1</b> (Outlook: Positive)	Non-Investment Grade (Highly Speculative)		

Source: Moody's and Fitch Ratings, access: 07.07.2016.



# Investment Expenditures of Municipalities in NALAS countries

## 2014 (million EUR)



Source: Fiscal Decentralization Indicators for South-East Europe (2006-2014), NALAS

# POLICY RECOMMENDATIONS

Size of the Project (USD)	Recommended Instrument	Requirement
>1 million	Development Agencies and Other Small International Funds	Projects must be Innovative (Social, Technological etc.).
1 - 20 million	H2020	Projects must be innovative and 3 international partners required.
20 million <	Export Credits and International Institutions' Funds (The World Bank, EIB etc.),	Large infrastructure projects with long grace and reimbursement periods. Credit rating can lower the cost of the loan.
	Municipal Bonds	Municipal Council Resolution and project affiliation are required. Credit rating is a must.

# CONCLUSIONS

- Fiscal decentralization is a must for municipalities
- Project financing through traditional methods, such as bank loans, have become old-fashioned
- There are ways to avoid external financing, which are “lowering expenditures and increasing revenues through smart solutions.
- In order to enter the global financial markets, credit rating plays a vital role
- Regarding the size of the projects, the financing methods should be diversified and grant mechanisms must be the first choice.



**Thank you for your  
patience...**





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