

World Bank-Austria Urban Partnership Program

City to City Dialogue – NALAS GA

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MFSA and LSG Creditworthiness, Borrowing and Investment Capacity

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Critical Questions Mayor may Ask Officer

- Are we creditworthy?
- How much we can borrow?
- How much we can invest/develop next year or say in next 5 year?

Creditworthiness

Brrrrr...
What to tell?



Are we creditworthy?



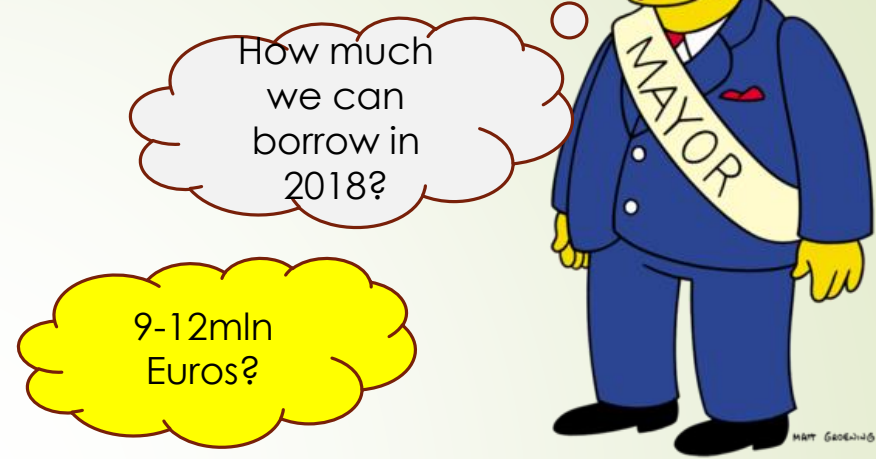
MFSA Ratios help data from LGSA Book

Indicator (definition)	Comparative index (benchmark)	Actual					Projections				
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1 Credit worthiness											
Operating savings before interests / Current revenue	> 30%	20%	8%	15%	15%	14%	15%	14%	15%	17%	15%
Net Operating Surplus (after debt service) / Current revenue	> 20%	19%	7%	14%	13%	10%	6%	5%	6%	10%	5%
Investment balance before loan/Total revenue	> -15%	-1%	-16%	-22%	-24%	-16%	-14%	-12%	-6%	-1%	-4%
Financing gap after loan proceeds/Total revenue	> -5%	5%	-7%	-5%	-4%	-6%	6%	21%	18%	23%	27%



Creditworthiness is not an absolute numeric measure, it is a qualitative measure
 Good – Medium – Low
 Creditworthiness depends on combination of factors
 Overall: two below standard but reasonable, two good, overall medium creditworthiness

Borrowing capacity



MFSA Ratios help

2 Indebtedness		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Max	Current	Net borrowing
Debt outstanding / operating surplus (capacity to clear its debt)	< 10 years	1	4	3	5	5	5	5	4	3	3	141,256	47,614	93,642
Debt service / Total current revenue	< 10 %	2%	2%	3%	4%	8%	9%	9%	9%	8%	9%	9,740	8,859	9,134
Debt outstanding / Budget total	< 60%	14%	24%	36%	51%	56%	63%	69%	59%	51%	48%	59,864	47,614	12,250
Borrowing / Current revenues	< 15%	8%	14%	23%	25%	13%	7%	16%	1%	3%	4%	14,610	3,741	10,868
Operating margin/Interest payment	> 15	27	7	11	6	4	5	5	6	9	9	14,126	24,920	-
Debt outstanding / Total current revenue	< 100%	20%	34%	51%	71%	69%	68%	73%	62%	53%	49%	97,398	47,614	49,784

- Borrowing capacity can be calculated as specific amount
- But there are various indicators that signal different amounts
- Lenders may prefer one or two of these.

Actions:

- Increase current revenues
- Increase operating margin
- Estimate new scenarios

These can be improved in medium term

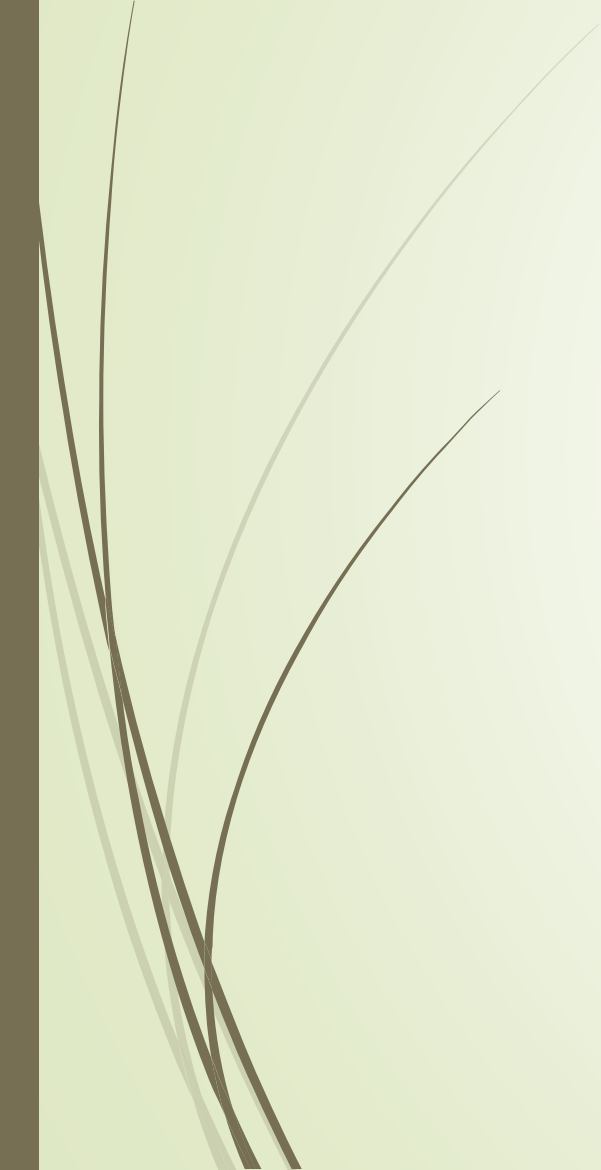
Investment capacity



- Borrowing capacity
- Improve revenues, new scenario, Action Plan
- Land-based financing
- Off-budget financing
- Capacity to get equity capital, PPP



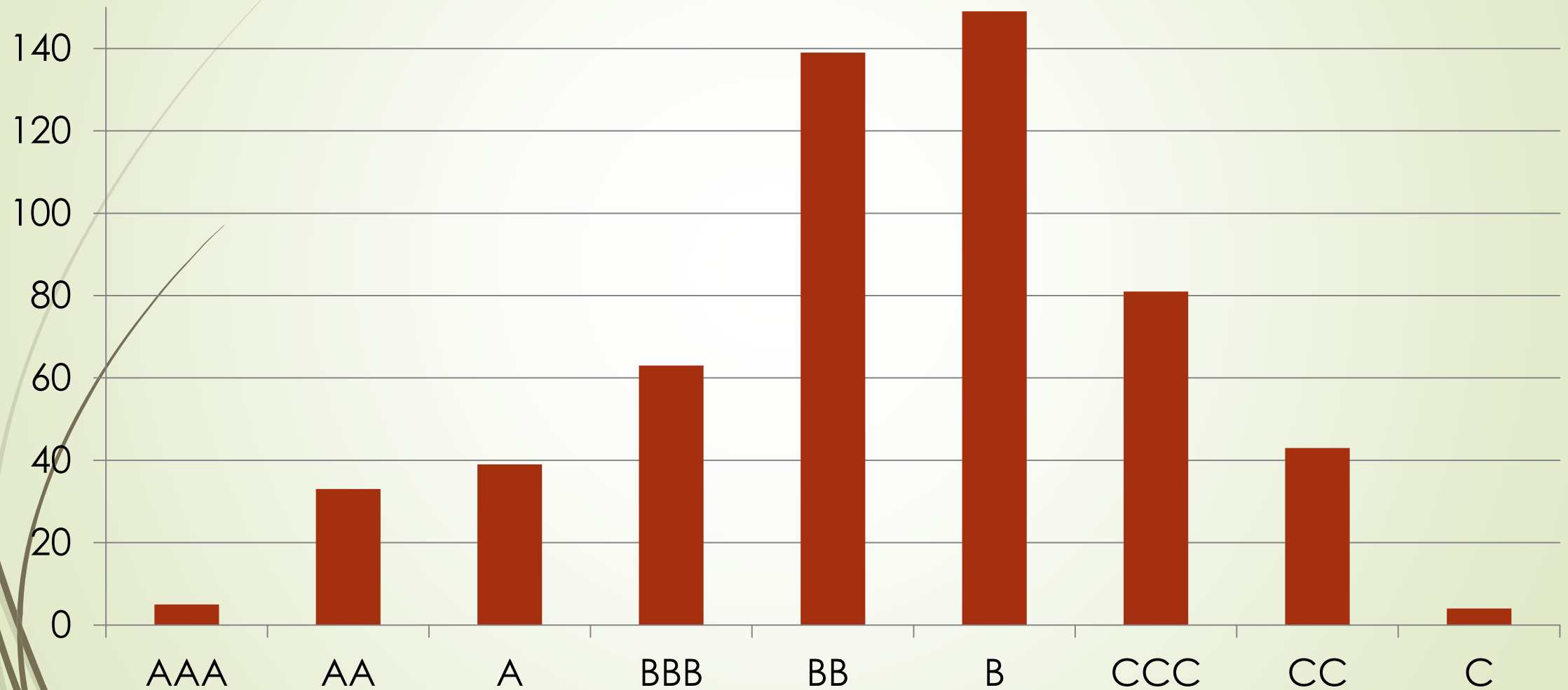
Anto Bajo



Čimbenici ocjene kreditne sposobnosti

- ▶ U procesu ocjene kreditne sposobnosti analiziraju se, primjerice, pravni i administrativni okvir, infrastruktura, ekonomska baza, lokalne financije, postojeće aktivnosti JLP(R)S, ocjenjuje se kvaliteta rada uprave JLP(R)S i analiziraju postojeći i potencijalni projekti.
- ▶ Država jamči podmirenje dospjelog iznosa kamate i glavnice ukoliko to ne učini JLP(R)S.
- ▶ *Unatoč znanstvenim dostignućima, do danas nije postignut konsenzus o najboljoj metodologiji, ni o skupu pokazatelja (ulaznih varijabli) koje valja koristiti za procjenu kreditnog rizika pojedine skupine dužnika.*
- ▶ U Hrvatskoj ne postoji instrument stečaja lokalnih jedinica, kao što je to slučaj u nekim drugim zemljama (primjerice u Mađarskoj), zbog čega standardna procjena kreditnog rizika na temelju povijesnih vrijednosti stečaja koji se ili ostvario ili nije (binarna varijabla – dihotomna) nije moguća.

Distribucija ocjena kreditnog rejtinga lokalnih jedinica (na primjeru podataka iz 2013.)



Ocjena kreditnog rizika je korisno oruđe za

- Procjena rizika zaduživanja lokalnih jedinica
- Afirmacija lokalnih jedinica koji ne uđu u proračunska ograničenja na zaduživanje / a ispunjavaju uvjete
- Privlačenje pozornosti investitora (domaćih i inozemnih)
- Predstavljanje pozitivnog rada lokalnih jedinica i dobivanje kredibiliteta kod građana, Vlade i međunarodnih institucija
- Lakše dobivanje sredstava za sufinansiranje EU projekata

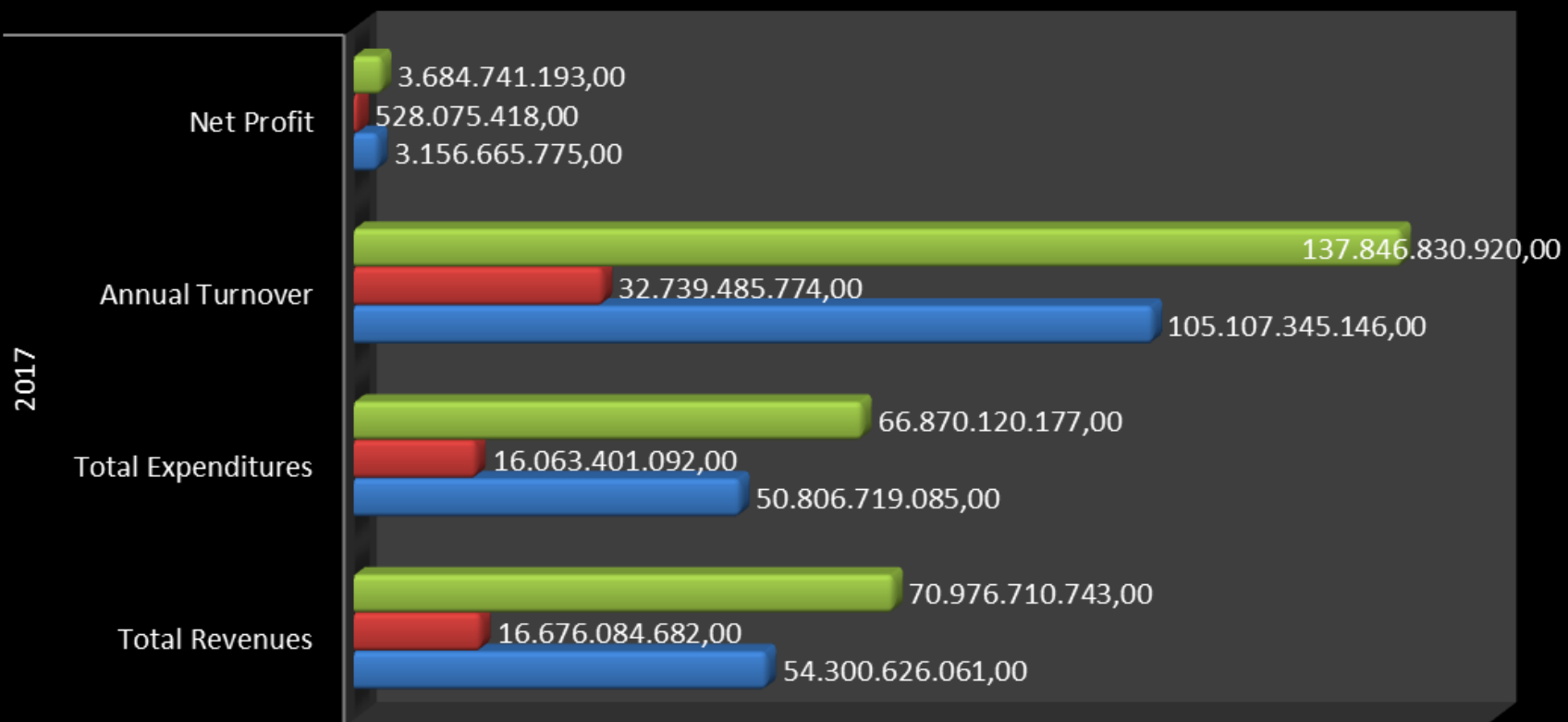


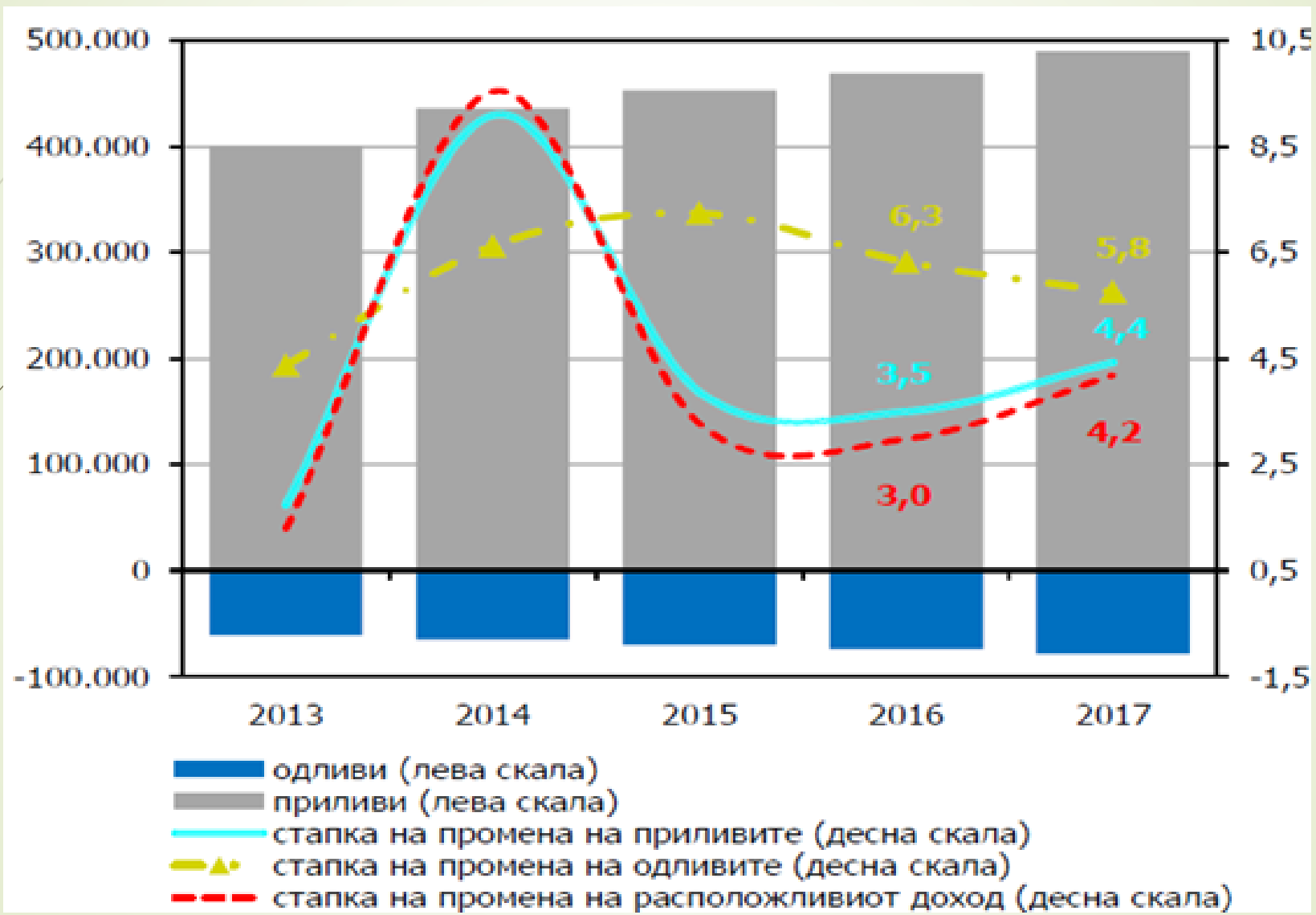
Sasho Trajkov



Financial Results of The Biggest 107 companies in MGB in mkd, 2017

■ Total ■ Middle companies ■ Large companies







2019 -
2030

CREDITWORTHINESS:

max 30% FROM
CURRENT –
OPERATIVE BUDGET
FROM PREVIOUS
YEAR

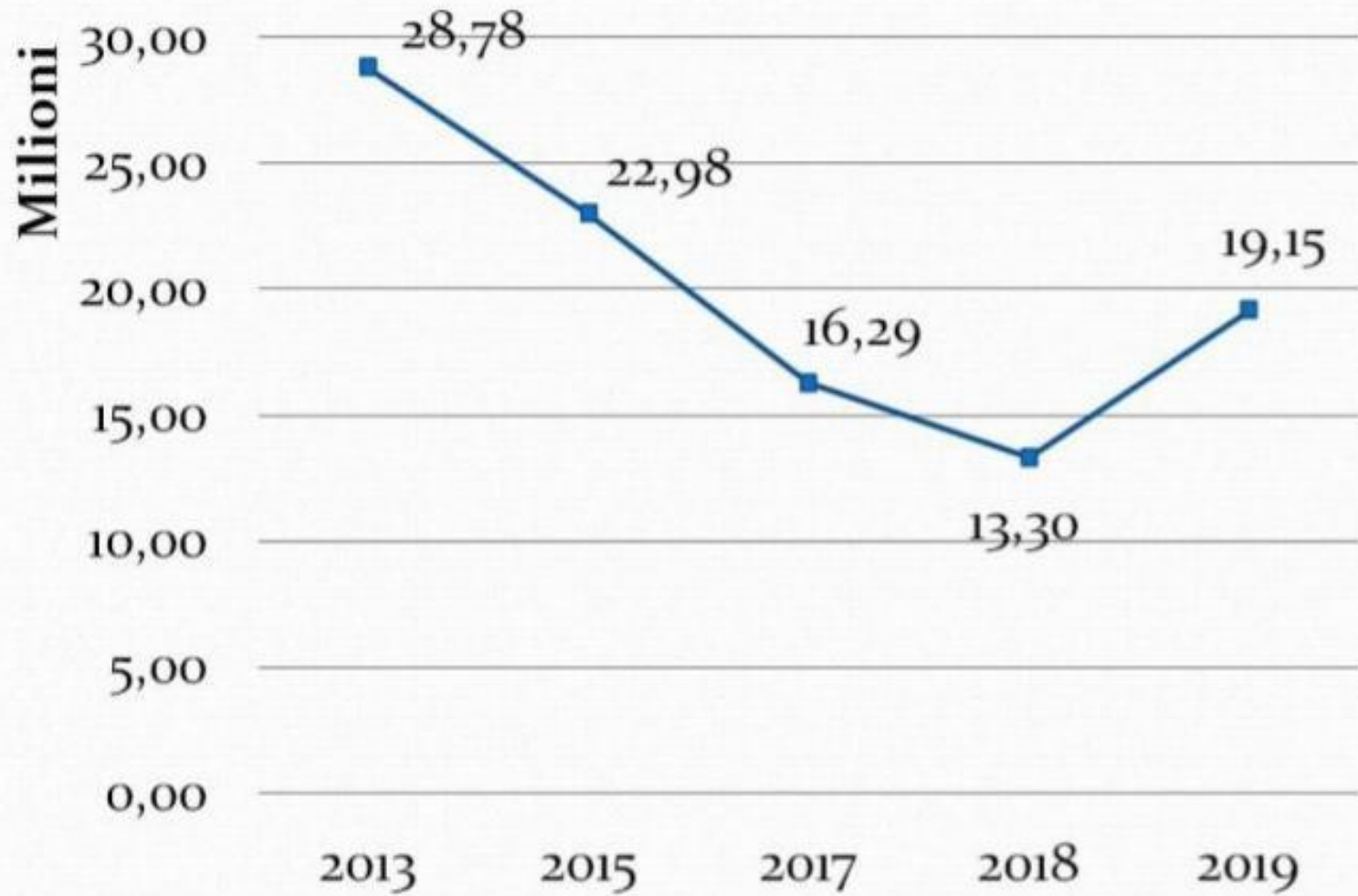
OR TRANSLATED IN
ABSOLUTE NUMBERS:

ANNUAL CREDIT
CAPACITY OF MGB:
2 million euros



Marjan Junchaj







Thank you

