REVIEW OF THE CREDIT-ANALYSIS PRACTICES OF THE CZECH STATE FUND FOR THE ENVIRONMENT, WITH RECOMMENDATIONS

ENVIRONMENTAL ACTION PROGRAM SUPPORT PROJECT
Contract No. DHR-0039-C-00-5034-0

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EXECUTIVE SUMMARY

A. Background

The Czech National Council established the Czech State Fund for the Environment (SFZP) on January 1, 1992, to provide financial support for environmental cleanup and protection projects within the Czech Republic. Between January 1, 1992, and December 31, 1994, the Czech State Fund received 2,850 applications for financial support amounting to $1,510,000,000. Of those requests, 1,087 were approved for a total of $531,120,000. The total project costs are estimated to be $800,810,000, with the Fund providing 66 percent of the total project expenditures. Financing support from the Fund takes the form of a grant, loan, or loan/guarantee. From 1992-1994, the loan portion has grown steadily from 6 to 41 percent. Loans will ultimately comprise between 46 and 50 percent of the total funding provided by the Fund, showing the need for accurate credit analysis as part of the process of credit administration. The objective of sound analysis is to avoid, or at least reduce, the potential for future loan losses.

The Credit Policy Department created the credit analysis function of the Fund in May 1994. The purpose of the Fund is to improve the Czech environment, not solely to make sound loans as a commercial bank would. We have designed the recommendations in this report to reduce the potential for ongoing borrower defaults to the Fund.

B. Summary of Findings and Recommendations

The Fund, at this time, faces many challenges as it attempts to assess the credit quality of its applications, including inadequate information from the borrower, the strict environmental objectives of the Fund, inadequate review time for applications, and limited face-to-face contact with borrowers. We recommend that the Fund:

- Assign a credit rating before approval is granted.
- Ensure that the credit analysis staff receive sufficient training.
- Use the Urban Institute's information guidelines for municipal borrowers.
- Partner with commercial banks for training.
- Publicize the Fund's information requirements.
- Maintain and track information on loan applications more accurately and efficiently.
- Stay in close contact with borrowers by creating a "relationship manager" position and increasing field visits.
- Enhance evaluation of the purpose of the loan and sources of repayment.
- Provide borrowers with a manual on preparing business plans.
- Sponsor group discussions with legal and accounting professionals involved in credit analysis to share information and experience.
- Acquire computerized systems for financial statement analysis.
- Develop and implement pilot programs for commercial bank participation in the Fund's lending activities.
- Involve the Fund's field offices in collateral evaluation.
- Develop policies for non-performing loans.

This report is presented in five sections. An overview of credit administration and credit analysis follows this summary. The third section examines the analytical philosophies and procedures at the Fund today in the context of the economic and political setting of the Czech Republic. The fourth section provides details on the recommendations and the fifth section contains summary comments.

SECTION I

CREDIT ADMINISTRATION AND CREDIT ANALYSIS

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SECTION I
CREDIT ADMINISTRATION AND CREDIT ANALYSIS

This section discusses the importance of credit administration in reducing loan risks and introduces the principles of credit analysis.

A. Credit Risk Management

While the focus of this report is credit analysis at the Fund, it is important to understand the foundations of the credit process. Credit analysis is not independent from but integrated within the credit administration process.

Credit analysis is not simply a quantitative exercise in "numbers crunching." Borrowers operate in a dynamic environment, and their ability to repay is rarely the result of static conditions reflected in periodic financial statements. The recent era of volatile social, political, and economic change in the former Communist world is only one example of the unpredictable global forces at work in the analytical equation. Therefore, a sound credit rating system requires an analysis of broader credit risk management issues as well. Exhibit I-1, the flow chart on the next page, provides an overview of the process of managing credit risk.

Common weaknesses in loan portfolios throughout the world seriously hinder effective credit analysis. The most common of these deficiencies are:

- Absence of written loan policies
- Excessive centralization or decentralization of loan authorities
- Poor industry analysis
- Cursory analysis of borrowers' financial position
- Excessive reliance on collateral
- Infrequent contacts with borrowers
- Incomplete and badly organized credit files

Four of the seven problems identified above (the first two and last two) are not part of the credit analysis function, yet contribute to difficulties lenders face in repayment, underscoring the importance of analyzing the entire credit administration process to avoid loan losses.

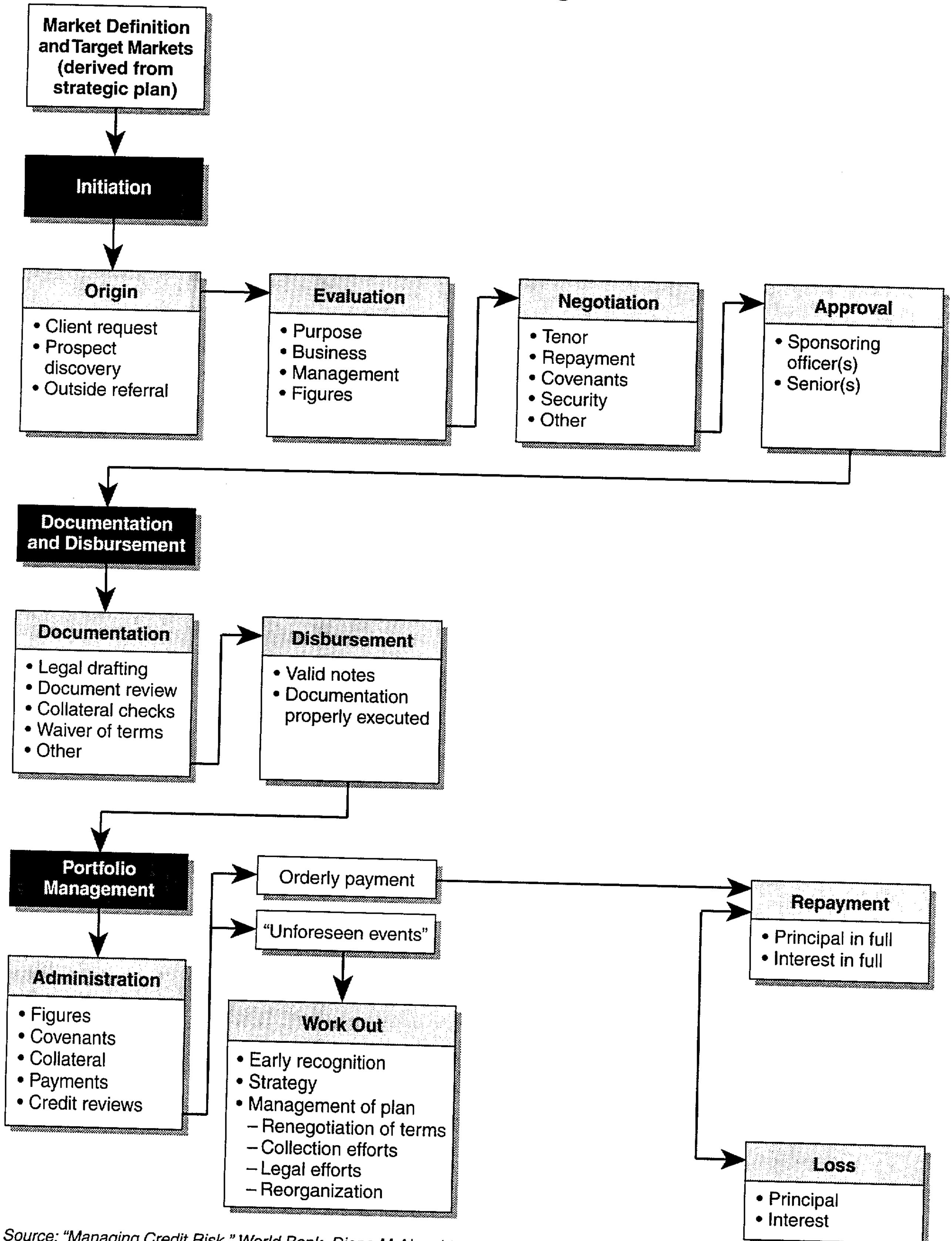
B. Credit Analysis Defined

Given the risks inherent in lending, all lenders should conduct their credit analyses with these principles in mind:

- The purpose of the loan must make sense, given the lenders' financial and social responsibilities.

- The lender must acquire in-depth knowledge of a borrower's capabilities, including the business and market environment in which the borrower operates.

Exhibit I-1
Credit Risk Management



Source: "Managing Credit Risk," World Bank, Diana McNaughton and Clayton Dietz

- The lender must have a reasonable expectation that the loan can be repaid within a specified time.

- The lender must have a back-up position or secondary source of repayment, other than collateral liquidation, if the borrower encounters cash-flow problems.

- The borrower must exhibit character and integrity above reproach.

As a result, the lender must be able to do the following:

- Identify the purpose of the loan
- Identify the primary and secondary sources of repayment
- Assess the business and industry risks that could inhibit repayment
- Analyze applicant financial statements

C. The Six C's of Credit

In the United States, the credit process is analyzed using the Five C's of Credit. This report includes an additional property—"cash flow." The six attributes lenders must examine when analyzing an applicant's credit are:

Character. The analyst should be familiar with the reputation of the borrower. Does the applicant deal forthrightly and communicate honestly? Or is there a history of dishonest or even criminal behavior?

Capacity. Lenders usually consider capacity of physical assets, plants, and equipment. However, labor and management skills are of even greater consequence.

Capital. The amount of the applicant's capital in relation to debt is relatively easy to compute. However, the valuation of the underlying assets in which capital is invested is a complex but vital exercise.

Conditions. Economic, political, social, competitive, technological, and other factors influence the borrower's ability to repay the debt.

Collateral. If normal operating revenues are inadequate to repay the debt, collateral liquidation may be necessary. The valuation of collateral during liquidation is difficult to predict at the beginning of the loan and requires expertise in property appraisal.

Cash flow. This is one of the most complex elements to analyze.

This section has introduced the importance and basics of credit administration. Section III will examine these practices at the Fund.

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SECTION II

CREDIT ANALYSIS AT SFZP

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Section I provided a framework for credit administration and credit analysis. Before providing recommendations to improve the Fund's analysis of credit, this section will examine the analytical conditions at the Fund and provide brief recommendations. Detailed recommendations follow in Section III.

Eight aspects of the Fund's credit analysis process would benefit from improvement. They are:

- Duties of the Credit Policy Department
- Credit application process flow
- Credit information deficiencies
- SFZP analytical methodology
- Evaluation of the purpose of the loan
- Source of repayment
- Limited field visits
- Resources and capabilities

A. Duties of the Credit Policy Department

Foreseeing the need for credit analysis, the Fund established the Credit Policy Department in May 1994. Credit analysis was not performed on the loans made between January 1992 and May 1994. Today, Mr. Borecky, assisted by five analysts, manages the department. The department is also responsible for reviewing applications for collateral adjustments after the borrowers have petitioned the Fund to amend their repayment schedules.

More important are functions related to credit analysis, for which the Credit Policy Department is not accountable.

- Loan and collateral agreements are prepared by the Legal Department. The Credit Policy Department recommends collateral conditions via a written protocol to the Legal Department. This separation of duties is effective as long as the Credit Policy Department dictates the terms of the agreements.

- Loan proceeds are disbursed by the Financial and Accounting Department. This is standard operating procedure in other institutions as well.

- Loan payments are received by the same Financial and Accounting Department. The department also maintains an ongoing database for all borrowing activity, including follow-up of delinquent payments. However, collection of delinquent accounts is normally the responsibility of a credit manager, not the Financial and Accounting Department.

- The Audit Department maintains ongoing contact with the borrower after the loan is disbursed. In other lending organizations, this function would most likely be the responsibility of those working in the credit area.

In summary, the Credit Policy Department has little, if any, "ownership" or ongoing control over the applications it evaluates. In fact, no single department in the Fund has been identified as a "relationship manager" for a borrower.

B. Credit Application Process Flow

An application for financial support, either a loan or grant or a combination of both, is ideally received first by the Fund's External Affairs Department. The application would move through the Technical Support Department to the Credit Policy Department for evaluation. Qualified applicants would then go to the Minister of the Environment for approval or rejection. On the next page, Exhibit II-1, prepared by Jane Wesley, illustrates this standard operating procedure.

In reality, the request is usually forwarded to the Credit Policy Department for analysis and recommendation after approval by the Minister of the Environment. Some of the applications that have been approved are of notably poor credit standing. The Credit Policy Department is then left with the hopeless task of prescribing the requisite collateral coverage and must compensate for other deficiencies in the application.

The analysts rated 377 applications submitted to 6 Fund Council meetings between November 1994 and May 1995. Of that total, 256 were rated positive (68 percent) and 121 negative (32 percent). Nearly all of these applications were approved for funding subject to collateral evaluation. The analysts do not know the amount of collateral required until the Fund Council has reviewed the applications. After the Fund Council meeting, the Credit Policy Department again examines the applications for the proper collateral coverage, which is a function of the credit rating and Fund Council recommendations.

Also important is the schedule for reviewing applications. The Fund guarantees applicants a decision on their request within six months from the date of submission of the application. At present, Credit Policy Department analysts are reviewing nearly 80 applications monthly. This department has only 3 to 4 weeks to accomplish their credit evaluations. Fortunately, the Fund Council and Mr. Neviyel have recently offered directives to assure that applications are given a credit rating before the application is submitted to the Minister's office for approval. This is a major improvement but will require that the Minister of the Environment defer any decision on an application until it has been rated by the Credit Policy Department.

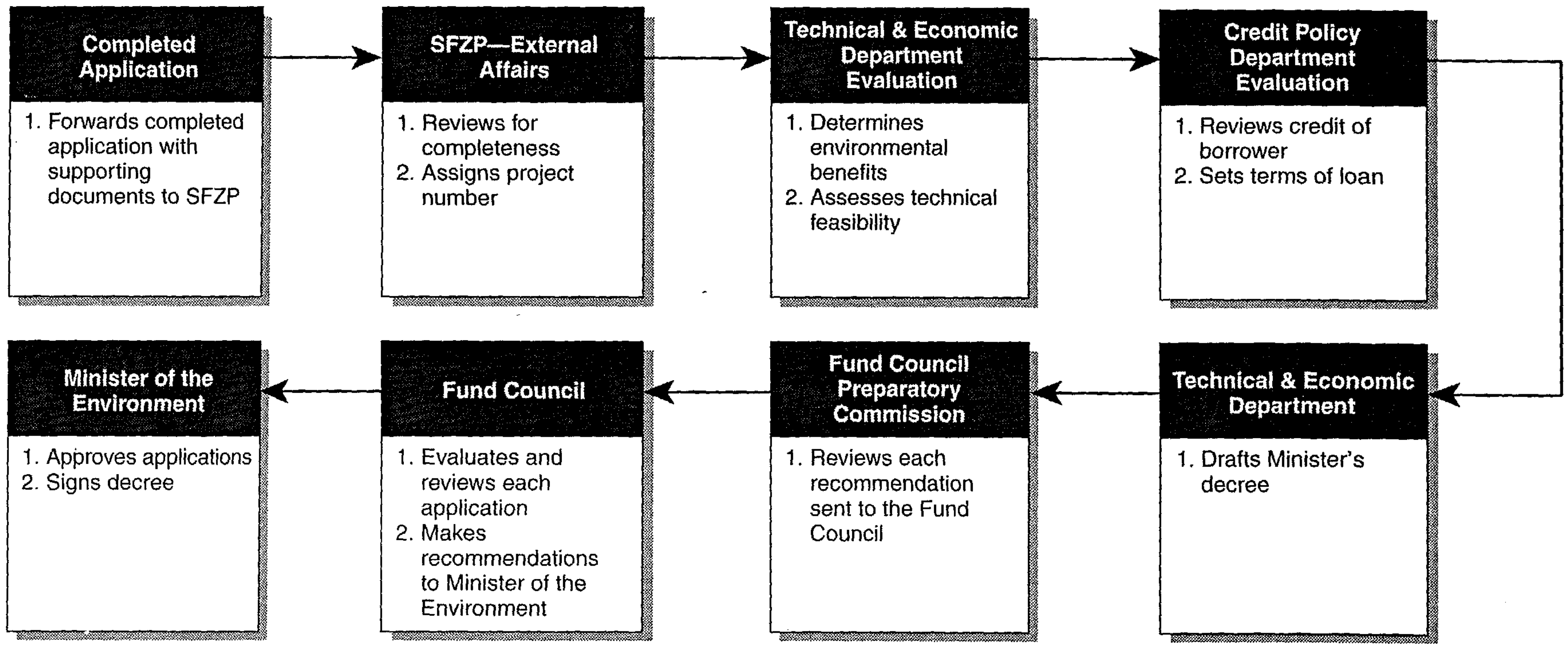
The analysts' difficulty in obtaining complete and understandable information also exacerbates the time it takes to review these applications. A review of information issues follows.

C. Credit Information Deficiencies

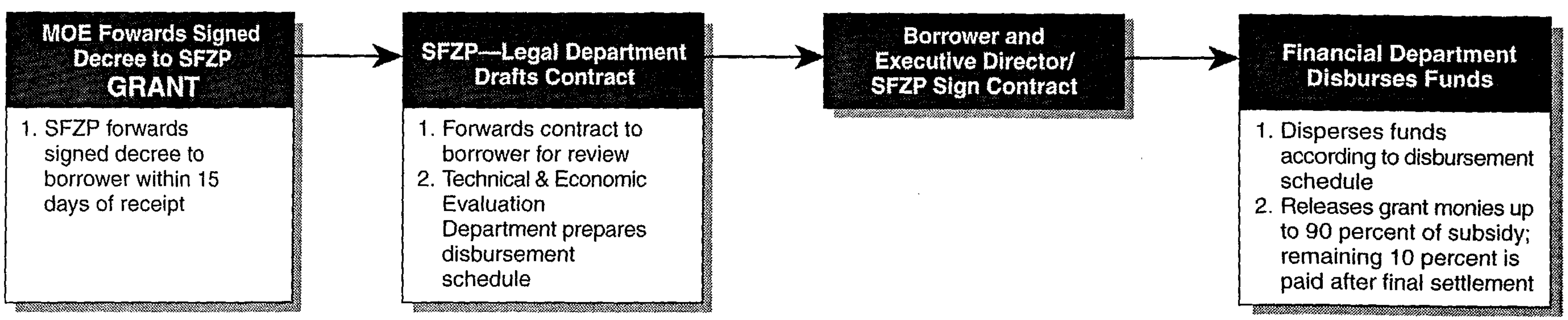
The quality of information analyzed is vital to the credit rating process. Although the Fund, in most cases, requested the correct minimum of information, the financial reports were often weak and the information obsolete. Applications reviewed in July 1995 had, as the most current information, financial statements dated December 1993. As a result, the analysts wasted time requesting current data or trying to reconcile inaccurate information. Municipal borrowers are the primary offenders because of their limited understanding of financial matters. Before 1991, municipalities were not recognized legal entities and had no need to borrow. Now, 90 percent of all applications come from municipalities, with the balance from commercial enterprises.

Exhibit II-1

Application Processing



Disbursement of Funds



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The Fund should therefore require expanded information from municipal applicants. The current application form asks for detailed information on the technical aspects of the environmental problem and its solution, if the project is funded. The application requires less information about the financial and economic aspects of the project.

In addition to the application, the Fund requires the following financial documents:

- Business plan, with comments on its economic aspects.
- Balance sheet and P&L statement for 199X.
- Statement of the financial resources of the applicant for its share of the project.
- Budget for 199X for municipal applicants.
- Proposed collateral and a copy of the collateral registration in the District Real Estate Register.
- Expert appraisal of collateral, including map and photo of the property to be used as collateral.
- Copy of the applicant's tax discipline as registered with the local tax authorities.

At present, even this limited information is not always available or easily obtained from municipal applicants. Nevertheless, the Fund should seek additional information about municipal borrowers according to *The Guidelines for Project Proposals* prepared by The Urban Institute for USAID (see Appendix III). The Fund will encounter resistance from smaller municipalities to comply with requests for more information. The Fund will have to decide how diligent it wishes to be in its evaluation of the applicant's ability to repay.

D. Analytical Methodology

After the Credit Policy Department has the above information, the analyst reviews the data for the following four factors:

Capital resources. The borrower is expected to contribute 20 percent of its own capital to the project. The Fund provides the remaining 80 percent, half of which may be a grant and the balance, 40 percent, in the form of a zero percent interest loan payable over a term not to exceed 7 years. The analyst examines the data to ensure that the borrower possesses the 20 percent required for its contribution.

Repayment ability. The analyst evaluates historical financial statements and a modest presentation of the borrower's future cash flow to calculate debt service capability in relation to the projected debt.

Debt service ratio. The debt service ratio proposed by Mr. Borecky is earnings coverage of five times the annual debt service. The analyst gives any applicant with this level of debt service a favorable rating.

Equity to debt ratio. The Fund expects the highest rated borrowers to meet Mr. Borecky's proposed equity to debt ratio of 3:1. However, analysts often do not adjust equity for the possible artificial inflation of asset values, which most commonly occurs in the valuation of real estate.

Analysts use three credit ratings that incorporate the above financial indicators:

Favorable

- Cash flow is adequate to service the proposed debt.
- There is reliable proof of borrower's capital contribution to the project.
- Tax discipline is current.
- All financial indicators are within the prescribed standards.

Risky (Expect loan terms to be rescheduled)

- Cash flow is uneven and subject to non-recurring events.
- There is reliable proof of borrower's capital contribution.
- Tax discipline is current.
- Financial indicators are at the least acceptable level.

Unacceptable (Loss anticipated)

- Cash flow is inadequate to service the proposed debt.
- There is no proof of capital resources.
- Tax discipline is not verified.
- Financial indicator standards are all violated.

Although many municipal applicants rated as "unacceptable" risks are still given financing, the Fund should press for additional data as suggested in the Urban Institute report. Because of the Fund's social responsibilities, it may still lend to applicants deemed risky. This risky practice may be mitigated by giving such applicants grants instead of loans. A copy of the Fund applicant credit rating form is included in Appendix II.

Analysts should next require an in-depth examination of the purpose of the monies requested.

E. Evaluation of the Purpose of the Loan

Financing support is dedicated to environmental capital investments as permitted by ministerial decree. The term "financing support" represents either a grant, a loan, or a combination of both.

The analyst's primary obligation is to verify that the purpose of the loan complies with Fund directives. The analyst does not investigate the possibility that the borrower might use the funds for another purpose. Although borrowers do not necessarily divert loan proceeds to other uses, they may have reason to. Several examples of why proceeds might be used for other purposes follow:

- Given the low cost of the Fund loans (0 percent interest), the borrower might be tempted to use part of the Fund's loan to refinance higher-cost debt.

- The borrower might want to invest in assets to generate higher and quicker returns on the investment than the environmental project.

- More commonly, the loan might be used to replace reduced capital as a result of operating losses.

Because the Financial and Accounting Department is responsible for the disbursement of loan proceeds, the Credit Policy Department has no control over how they will be used. Funds are distributed according to a disbursement schedule even though the project is not physically inspected to ensure proper use of the proceeds. However, the Financial Department does require written documents, such as invoices, from contractors before disbursement.

The following example of loan disbursement, though properly done, indicates some of the problems with payout controls. A mayor in the region of Southern Moravia revealed that the amount of funding for a fuel conversion project was based on the number of residents in the town. A more accurate determination would have based the funding on the actual costs of the physical assets to be installed. In this case, it was possible to over fund the true cost of the project and then divert excess funds to other municipal needs. The financing could also be well below actual costs, in which case the municipality would have to request supplemental funding from the district in which the town was located.

The task order relating to collateral options discusses this issue further.

F. Source of Repayment

The three classical methods of repayment are cash flow, debt refinancing, and (as a last resort) collateral liquidation. Unfortunately, Fund analyses are too severely hampered by inadequate financial information to consider the true cash flow of a borrower. The result has been to rely on collateral liquidation as a repayment source. However, Mr. Borecky and his analysts understand the principles of cash-flow analysis. Fund personnel recognize this problem and are prepared to reschedule the borrower's loans in lieu of collateral liquidation, if necessary.

G. Limited Field Visits

Direct observation is the best method to use to examine character, capacity, conditions, and collateral—four of the "Six C's of Credit." At the moment, the analysts have no field contact with the applicants due to time and budgetary constraints. Their only face-to-face communication with the applicant is during the applicant's rare visits to the Fund office in Prague. While it may be impractical at this time for the analyst to visit sites, this technique is the most valuable method to "get behind the numbers" to perform solid analysis.

Limited communication with the applicants can result in a number of dangers:

- The borrower's financial condition may be worse than represented in writing.
- The Fund's ability to take prompt action in response to the borrower's deteriorating financial condition is severely compromised.
- Hostility or insensitivity can develop between the Fund and its borrowers.

As mentioned above, limited field visits are the result of time and budgetary constraints. The next step is to review the general resources and capabilities available to the Credit Policy Department to conduct risk assessments.

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H. Resources and Capabilities

A limited evaluation of the Fund's current resources and capabilities suggests the need for significant improvement of the credit analysis process. Points to consider include:

- Staff size
- Staff experience
- Training programs
- Availability of support professionals in accounting, law, and property appraisal
- Independent sources of credit information
- Use of credit policy and procedure manuals
- Management Information Systems

H1. Staff Size

The size of the staff is relatively small given the heavy flow of new applications reviewed. Currently, the Credit Policy Department receives nearly 80 applications monthly. This number does not include loan commitments that must be reexamined due to rescheduling of the repayment program. If additional duties, such as loan monitoring, field visits, etc., were added, staff size would be woefully inadequate. This report does not the recommend an increase in staff size but alliances with other lenders. This suggestion will be developed further in this report.

H2. Staff Experience

The staff is relatively inexperienced; the longest tenured employee has been at the Fund for 16 months. The five analysts were hired within the last year. Only one of those had bank experience, with some training in municipal credit analysis. The skill level of the staff is difficult to assess in the short period of observation. Mr. Borecky appears to understand the elements of credit analysis. While he does not have a strong financial background, he has taken the initiative within the last year to read relevant publications and attend several seminars, including those dealing with cash flow. Before joining the Fund, he was municipal manager of a landfill, incinerator plant, and wastewater treatment facility.

H3. Training Programs

The Fund does not currently offer formal in-house training programs for the analysts. On-the-job training takes place on a case-by-case basis between Mr. Borecky and the analysts. Suggestions on skill development are presented later.

H4. Availability of Support Professionals

Support professionals—CPAs, attorneys, and certified real estate appraisers—are in short supply because the Czech transitional economy is in the early stages of its development. Appraisers, who are granted licenses by the local courts, evaluate properties well given the limited information available to them. Several of the appraisal reports examined were more than 30 pages.

H5. Independent Sources of Credit Information

Independent sources of credit information or professional credit exchange groups have not yet been formed in the Czech Republic. This deficiency limits the analyst's ability to validate the applicant's overall debt payment habits.

H6. Use of Credit Policy and Procedure Manuals

The only credit policy manual used is the body of directives issued by the Minister of the Environment. These give modest guidance to evaluating the criteria for loans placed in the Fund's portfolio. The present SOW calls for the delivery of a credit analysis procedure manual to fill this void at the Fund.

H7. Management Information Systems

Because of the "compartmentalization" of staff departments at the Fund, it has been difficult to find data about the loan portfolios quickly or in one location. Only the External Affairs Department maintains information on the number of applications received and those that are subsequently approved. Only the Financial and Accounting Department has data on loans outstanding and those that are delinquent. The Credit Policy Department alone is aware of the credit ratings of the applications reviewed.

Fortunately, the External Affairs Department does has the capability, through custom software, to track an application from the time it is received until funds are disbursed. Regrettably, the system has yet to be used because it sill contains "bugs." Overall, the management reports available to the Credit Policy Department are limited and often difficult to retrieve.

SECTION III

RECOMMENDATIONS

SECTION III
RECOMMENDATIONS

A. Immediate Term (Within One Year)

1. For the Fund's credit analysis to have any value at all, the Credit Policy Department must provide a credit rating before the Minister of the Environment approves or rejects the request. The application processing flow chart prepared by Ms. Wesley should be adhered to as much as possible. This recommendation takes into account that political pressures often interfere with this process. Nevertheless, discipline at the Ministerial level must be maintained to keep the integrity of the credit rating system intact.

2. Use the Urban Institute information guidelines for municipal borrowers (Appendix III) whenever possible.

3. Schedule off-site training in Prague for Mr. Borecky and his staff in all aspects of credit analysis. (The credit manual presented within this scope of work is designed for training purposes.) The training should be conducted by someone who has had in-depth line experience. The trainer should use the case study method with the cases drawn from the active files of Fund borrowers and from those that were rejected. The minimum amount of time required for training in the fundamentals of credit analysis is three to five days.

4. Explore the possibility of joint training with selected commercial banks that have developed advanced programs to analyze municipal borrowers.

5. Develop a forum for potential applicants to learn about the Credit Policy Department's information requirements and the benefits derived in satisfying those requirements.

6. Create a desktop computer tracking program for each application to list the following:

   - Date the application was received by the department.
   - Name of analyst assigned to the application.
   - Name of applicant and file number assigned by External Affairs Department.
   - Amount of financing requested.
   - Previous/existing financial support from the Fund and payment history.
   - Media code (air, water, etc.).
   - Geographic code.
   - Applicant's contact personnel, i.e., senior executive and financial officers, accountant, attorney, and project contractor.
   - Size of applicant (total assets for a commercial entity and population for cities).
   - Quality standards (points of weakness in the application).
     - Incomplete information
     - Inadequate cash flow
     - Heavy debt to capital
     - Inadequate collateral
   - Final credit rating of the borrower.

7. Create a standard form to inventory the documents contained in the credit file.

8. Establish a relationship manager position to maintain contact with borrowers to track their performance and anticipate problems.

9. Develop methods for evaluating the purpose of the loan and sources of repayment. Develop and document techniques to interview, research, and analyze these issues.

10. Continue to request information, as recommended in the Urban Institute Study, to develop more detailed analysis of the municipalities.

B. Medium Term (One to Three Years)

1. After receiving the preliminary training suggested above, analysts should visit the field monthly.

2. Join or initiate an organization of major creditors who have made high-quality credit analysis skills their goal.

3. Prepare a borrower's guide to the preparation of a business plan, with outside assistance, if necessary.

4. Form a partnership with a bank to overcome the constraints of small staff size and fulfill additional responsibilities, such as loan monitoring and field visits. Commercial banks in the Czech Republic have a significantly higher capability than the Fund to use resources in all locations in need of financing. The Ceska Sporitelna Bank is probably among the most qualified banks to consider for this type of relationship. This bank has locations in over 80 percent of the municipal markets and has a reputation for highly trained credit analysts.

   For example, in the United States, municipal agencies have relationships with local banks to extend their scope and improve the quality of their analysis. In this type of relationship, the banks could perform the credit analysis for a fee or fund the loan while the agency subsidizes the rate (known as a "pass-through").

5. Sponsor monthly group discussions with members of the legal and accounting professions on credit-related issues.

6. Ensure that every credit analyst is given at least 40 hours of formal training each year.

7. Purchase and install computer software designed for financial statement analysis.

8. Design a pilot program for bank participation in the Fund's lending activities:

   - Bank as a participating lender with the Fund taking a subordinate lien on collateral.
   - Bank as a participating lender at a buy-in interest rate from the Fund.
   - Bank as a servicing agent on collections and collateral liquidation, if required.

9. Design a program in collateral evaluation for Fund field offices.

10. Begin senior policy discussions about alternatives to the Fund's policy on non-performing loans, such as rescheduling payments, converting loans to grants, or liquidating collateral.

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SECTION IV
CONCLUSION

The Fund faces many challenges as it attempts to improve its credit analysis process, including:

- Limited and old information from the borrowers.
- Environmental goals of the Fund superseding credit objectives.
- Inadequate time to review applications due to the small staff size.
- Limited face-to-face contact with borrowers and nominal field visits to project sites.

Most of these changes will take time. It is strongly recommended that the Fund initiate a dialogue with the commercial banking community in the Czech Republic on ways in which the loan analysis, supervision of outstanding loans, and collection activity might be shared with the larger and more experienced staff resources of the commercial banks. In the interim, the Fund should improve the skills of its own credit personnel.

As the Fund improves its credit analysis skills, it should base loan approval decisions on the borrower's cash flow rather than relying on collateral coverage.

In closing, the Fund should recognize that funding projects primarily on environmental terms will often conflict with the desire to maintain high credit standards. Satisfying both conditions simultaneously is extremely difficult.

APPENDIX I

LIST OF ORGANIZATIONS AND PERSONS MET

Appendix I

List of Organizations and Persons Met

Government Organizations

Czech State Environmental Fund
- Ing. Jan Benes, Director
- Ing. Jaroslav Nevyjel, Financial Director
- Ing. Jiri Borecky, Chief of Credit Analysis
- Ing. Milos Rybicka, Chief of Financial and Analysis Department
- Ing. Mgr. Vaclav Kvapil, Chief of Legal Department
- Ing. Zdenek Labsky, Chief of External Affairs Department
- Ing. Jirina Kropacova, Credit Analyst
- Ing. Eva Parashova, Credit Analyst
- Ing. Jana Regentova, Credit Analyst
- Ing. Ivana Safarova, Chief Analyst
- Ing. Micka, Chief of Environment Department - Znojmo Region

United States Agency for International Development, Prague
- Robert Posner, Chief - General Development Office
- Frederick Van Antwerp, Manager - Municipal Finance Program
- Ing. Jan Pisko, Project Specialist
- Ing. Leos Jirasek, Msc; Project Manager

Ministry of the Environment of the Czech Republic
- Gabrielle Larew, Adviser to the Deputy Minister

Municipal Officials
- Mr. Sneider, Mayor of Hosteradice
- Mr. Kuritko, Mayor of Prosimerice
- Ing. Nezevda, Mayor of Zerotice
- Ing. Dolejsky, Mayor of Vranov
- Ing. Novak, Mayor of Nymburk

Commercial Banks

Ceska Sporitelna
- Ing. Ludmila Nalevkova, Chief of Municipal Credit Department

Komercni Banka
- Ing. Helena Effenbergerova, Chief of Credit Analysis Department
- Ing. Vlasta Loblova, Credit Analyst
- Ing. Blazena Kirsnerova, Credit Analyst

Zivnostenska Banka a.s.
Petr Merezko, Manager Corporate Finance

Public Accountants

Ernst & Young, Prague office
Robert Pastuszek, Manager - Corporate Financial Services

Attorneys

Hogan & Hartson
Judr. Pavel Bradac, LL.M., European Counsel
Colin W. Craik, Solicitor
Ales Blazek, Law Clerk

Private Enterprises, Citizens

Foundation Project North
Lubomir Paroha, Director
Hana Smolkova, Associate

Union of Towns and Communities of the Czech Republic
Jaromir Jech, Secretary of the Chairman

SAPS, spol. s.r.o.
Stanislav Sekanina
Developer and Construction Manager, Hosteradice

Eurostav, a.s.
(Construction firm for Nymburk water & sewage treatment plants)
Dr.,Ing. Jaroslav Chvoka, General Manager
Ing. Jiri Raim, Manager of Chradim Division
Dipl. Bedrich Basta, Manager of Praha Division

APPENDIX II

CREDIT RATING OF APPLICANT FOR SUPPORT

APPENDIX II

Credit Rating of Applicant for Support

Project No.

Applicant (Owner)

Project

Duration of Implementation (month, year) from to

Loan *in CZK '000s*	Total, of which in	1994	1995	1996	1997	1998
		"	"	"	"	"

Percentage of the base * from which support is calculated:

Interest rate %

Loan maturity

period of grace from to
loan matures on:
quarterly installments in CZK '000

Conclusion: The applicant IS IS NOT creditworthy

credit risk rate: 1 or 2 3

[B] Applicant's legal status

Legal form of entity [K.M.—e.g., a plc., an ltd., etc.]
Documented by Certificate of Incorporation
Authorized officer(s)
Applicant's ownership structure (see annex to Assets)
Tax discipline (documented by the latest Income Tax Return and [proof of] actual payment of taxes)

[C] Full assessment of financial standing

1. Outline of the Business Plan, links of revenues/costs to the Business Plan

---

2. Are profit assumptions realistic?

Yes ____________________

3. Entity has procured some funds on its own to finance the project:
Existence of such funds has been demonstrated.

[D] Applicant's ability to honor obligations
(Please use the Overview of Financial Sources and Uses table)

	1994	1995	____________
Retained profit			
Depreciation			
Debt level			
Other			
Balance			

[E] Assessment of Cash Flows and Financial Ratios
(Please use the Cash Flow table)

Cash Flow

in CZK '000s	1994	1995	________	1998
Total revenues, line B				
Total expenditures, line C				
Cash in current years B-C				
Cash at the end of the year				
Installments required by the Fund				
Calculated surplus				

Documents to be submitted by the Applicant

- Business Plan, Comments on its Economic Aspects
- Balance Sheet for 199?.
- P&L Account for 199?.
- Statement on the drawdown on the municipality's budget in the year
- Municipality's budget for 199.
- Proposed collateral, copy of collateral registration in the Real Estate Register
- Appraisal of collateral, map and photo of the property proposed for collateral
- Copy of registration in [Companies] Register *, tax discipline

[* K.M. - this line only says "a register," probably implying the Companies Register]

Proposal for loan collateral

____

Tentative appraisal ______________, i.e., % of loan value

Date, signature etc.

E.2 Cash Flow (CZK '000s) (To be filled by all applicants except for governmental organizations and municipalities • these fill Tables on page 5)

Year

Time series [same as in E.1]

A. Operating balance +
1. Profit/loss for the accounting period under review +
2. Tax-driven depreciation of tangible and intangible fixed assets
3. New short-term loans
4. New medium- and long-term loans +
5. Net book value of the tangible and intangible fixed assets sold +
6. Initial costs of the securities sold +
7. Other revenues +
8. Changes in inventory levels + -
9. Changes in receivables + -
10. Changes in payables + -
11. Changes in cost levels + -
12. Changes in Registered Capital
13. Changes in VAT balance + -
14. Changes in accruals and deferrals

B. Revenues, total (lines 1 to 14)

15 Initial cost of tangible and intangible fixed assets bought -
16. Initial cost of securities bought -
17. Capitalization of assets (included in revenues) -
18. Installments on short-term loans -
19. Installments on medium- and long-term loans
20. Paid out dividends and owners' shares [not clear whether shares of profit or shares of equity - K.M.] -
21. Other payments and expenditures -

C. Payments and expenditures, total -
D. Cash in the current year (B-C)
E. Cash at the end of the year (A + D)

F. The documents to be submitted as attachments to the Application for Support are specified in:

a. Part D, Article II, Item 3 of the Environment Ministry's Guideline on the provision of funds from the State Environmental Fund under the Air Quality Improvement Program in the event of applying for support under the said Program;

b. Exhibit 5, Part C, Article II of the Environment Ministry's Guideline on the provision of funds from the State Environmental Fund in the event of applying for support under the Landscape Care and Development joint program of the Agriculture Ministry and the Environment Ministry;

c. Exhibit 3a of the Environment Ministry's Guideline on the provision of funds from the State Environmental Fund in other cases.

Table
Authorized Officer of the Organization
Surname, name, academic degree, position
Name of the author of the application Rubber stamp
Date
Signature of authorized representative of the organization

To be filled by governmental organizations and municipalities

E.1 Overview of financial sources and their uses

Time series [same as above]
1. Total revenues +
2. Total expenditures -
3. Revenues minus expenditures (1 - 2)
4. Levies paid/allocations received; accounting for funds allocated for special purposes
5. Mandatory allocations to [various] funds -
6. Financial surplus generated (lines 3 + - 4 - 5)
7. Financial sources, total (line 6)
8. Installments on loans (-)
9. Balance of financial sources (lines 7 - 8)

E.2 Cash Flow

Time series [same as above]

A. Opening balance

1. Profit/loss for the accounting period under review
2. New up to one-year loans +
3. New over one-year loans +
4. Initial cost of the securities sold +
5. Other revenues (financial assistance accepted, not book value of assets sold - specify in note) +
6. Changes in receivables + -
7. Changes in payables + -
8. Other changes (in inventories, capital, accruals and deferrals)

B. Revenues, total (lines 1 to 8)

9. Initial cost of fixed assets bought -
10 Securities bought -
11. Capitalization of assets
12. Installments on short-term (up to one-year) loans -
13. Installments on long-term (over one-year) loans -
14. Other payments and expenditures, repayment of temporary assistance

C. Payments and expenditures, total (lines 9 to 14)
D. Cash in the current year (B-C)
E. Cash at the end of the year (A + D)

APPENDIX III

GUIDELINES FOR PROJECT PROPOSALS

APPENDIX III

Guidelines For Project Proposals

USAID Municipal Infrastructure Finance Program

Czech Republic

Prague, December 1994

The Guidelines Were Prepared For United States Agency For International Development

by

The Urban Institute in Washington D.C.

with support from Urban Research in Prague, CR.

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GUIDELINES
FOR PROJECT PROPOSALS BY CZECH MUNICIPALITIES

I. INTRODUCTION

These Guidelines have been prepared to assist Czech municipalities interested in borrowing funds to finance infrastructure improvements. They suggest an approach to presenting information about your project proposals and financial circumstances that prospective lenders will need to review as a basis for deciding whether to give municipalities a loan and, if so, about the terms and conditions they are willing to offer.

International experience shows that for many types of local investments, credit finance mechanisms (which can attract private capital investment) are a more efficient means of financing than grant funding from central government budgets. The Government has helped to establish a new municipal finance corporation (Municipální Finanční Společnost, or MUFIS, registered as a joint-stock company on April 15, 1994). While it will obtain funding from a variety of sources in the future, MUFIS is being initially capitalized by a loan arranged through the U.S. Agency for International Development (USAID). When the first USAID loan resources are received, MUFIS will establish lines of credit with a number of Czech commercial banks which will, in turn, lend directly to municipalities.

These Guidelines should help you prepare project proposals that will be attractive to these participating banks. More important, they should help municipalities assess the feasibility of alternative capital project ideas in relation to their own needs so that they can define a capital improvement program that will be efficient and responsive to the true priorities of the local electorate.

Nonetheless, the suggestions presented here are only preliminary. Each of the participating banks is likely to develop its own specific requirements over the coming months. These Guidelines emphasize only the most important types of information which experience in Western credit systems suggests lenders will typically want to know before they approve a loan. While municipalities can use these Guidelines to get started, municipal officials are urged to talk with bank officials soon to learn more about their specific requirements.

II. FRAMEWORK

Suggested exhibits for your project proposals are organized into six sections:

1. *Project Identification and Description*--identifies your municipality (and any other organizations responsible for operating the project) and tells the lender the nature of the proposed project (what will be built, level of service to be provided, location) and why you consider the project to be a priority. For example, if the project is part of an approved master plan or has been approved by the local parliament or city council.

2. *Demand Analysis*--shows the lender how you determined the size of your project (capacity or level of service to be provided) and, where appropriate, how you determined the price you will charge for that service--in other words, evidence to show that the project is not too large in relation to real demand or need and that service prices you expect to charge are reasonable in relation to what consumers are willing and able to pay.

3. *Project Cost and Financial Analysis*--shows the lender your estimates of how much the project will cost, how much new revenue it is expected to provide, how you propose to finance its development (how much from the loan you are requesting and how much from other sources), and the rate of return this investment will offer your municipality.

4. *Municipal Debt Carrying Capacity*--shows the lender the current status of your municipal budget (revenues, expenditures, surplus) and how you expect that status to change over the next few years. This section also identifies any other debt obligations you have already assumed, shows how you estimate your remaining debt carrying capacity, and identifies what collateral you will offer as security for the loan.

5. *Financial Status of Other Organizations that will Assist in Paying Off the Loan*--shows the lender the projected financial circumstances of any other organizations whose income may be in part pledged to you to help pay off the loan.

6. *Project Approvals and Institutional Arrangements*--documents for the lender that the project complies with all applicable laws (including those related to Environmental Impact Assessments, where applicable) and shows that clear agreements have been reached with any other institutions involved in financing the project and in operating and maintaining it.

III. INFORMATION SOURCES

These guidelines outline the steps and processes involved in project financing preparation. To assist the municipality in completing these guidelines, a partial list of information sources that prospective municipal borrowers may wish to consult while completing the municipal guidelines is as follows:

- Municipal budgets including a forecast for the current year.
- Current and prospective investment (capital) projects.
- Information regarding current loan obligations. Is the municipality applying for any new loans?
- Information regarding at least one year's municipal cash flow illustrating a municipality monthly revenue and expenditures.
- Statement regarding sources and allocation of funds being financed.

IV. WORKSHEETS

Section 1: PROJECT IDENTIFICATION AND DESCRIPTION

This section identifies your municipality (and any other organizations responsible for operating the project) and tells the lender the nature of the proposed project (what will be built, level of service to be provided, location) and why you consider the project to be a priority.

For each capital project the following information should be submitted (See Table 1):

i. Project title

ii. Project description

iii. Objective of the project

iv. Cost estimate of project by year.

Once the project has been identified, the next stage is the detailed formulation and preparation of project plans. In addition, it is important that each municipality formulate its listing of the social, political and economic goals of the project. Some elements of why the project may be of particular importance to the community include enhancing a communities well being by providing sewage treatment capabilities to a community that heretofore had little sewage capacity.

An important part of the project description is the project cost estimate. Project costs should be segmented by year (and/or by Phase) and by cost category. This will allow for a more detailed understanding of the project's cost components.

Table: 1 A Project Description

A. Name of Municipality (Borrower):	
B. Name of District:	
C. Name if Contact Person:	
D. Address/Phone Number of Contact Person:	
E. Project Title:	
F. Total Cost of Project:	
G. Institution that Will Operate the Facility:	
H. Name of Contact Person:	
I. Address/Phone Number of the Contact Person:	
	I. Project Summary
I.1 a. Project Description:	Provide a brief description of the project, its purpose, scope, institutional responsibilities for construction and operation, and if it will be operated (or partially financed by another institution).
Physical Description (Water Pipes etc Use separate page if necessary)	Quantitative Summary (Meters of pipeline, number of households)

Table: 1 B Project Priority

I. a.	Why is the project important to the municipality?
I. b.	Has the project been assigned priority in a council approved development plan or other priority-setting process? Summarize.
I. c.	Has the project been discussed with the community or with special groups like business users adjacent property owners etc. Summarize.

Qh

Table 1 C Location of the Project

Please provide some description of where the project is located and some background. It would be useful to attach a site map.

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Section 2

DEMAND ANALYSIS

This section shows the lender how the municipality determined the size of the project (capacity or level of service to be provided) and, where appropriate, how the price the municipality will charge for that service is determined. This section provides the lender with the evidence to show that the project is not too large in relation to real demand or need and that service prices you expect to charge are reasonable in relation to what consumers are willing and able to pay.

For capacity expansion projects, use Table 2A. For other types of projects use Table 2B.

Table 2A. Demand Analysis

Capacity Expansion Project				
Service Provided (eg. water supply, wastewater treatment, heat)				
	Total	**Resident Household**	**Business**	**Other**
Current Condition: No. of Customers				
Level of Service (e.g. liters/day)				
Price/Unit (kc)				
Future Condition of Project:				
No. of Customers				
Level of Service (e.g. liters/day)				
Price/Unit (kc)				

If a price increase is expected,explain how you estimated the new price schedule, how you estimated the effect of the price increase on consumption (per household and business), and explain the procedures needed (if any) to get the price approved (who must approve a price increase, what actions must be taken to obtain this approval):

____

____

____

LH

Table 2B. Demand Analysis Other Projects

New Projects				
Why is the new project needed?				
Explain how you determined how big (size/scope) the project should be?				
Service Provided (eg. water supply, wastewater treatment, heat)				
	Total	**Resident Household**	**Business**	**Other**
Current Condition: No. of Customers				
Level of Service (e.g. liters/day)				
Price/Unit (kc)				
Future Condition of Project:				
No. of Customers				
Level of Service (e.g. liters/day)				
Price/Unit (kc)				

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Section 3
PROJECT COST AND FINANCIAL ANALYSIS

This section shows the lender your estimates of how much the project will cost, how much new revenue it is expected to provide, and how you propose to finance its development (how much from the loan you are requesting and how much from other sources).

Table 3 A. Project Cost

Total Project Cost	
Date of Cost Estimate	
Will Cost Estimate be Revised? (Yes/No)	
If Yes, When will Estimate be Revised?	

Table 3. B Capital Cost

By Year, Constant Kcs, Base Year	Year 1	Year 2	Year 3	Year 4	Total
I. Acquisition Land/Building					
II. Professional Services (Architects, Engineer, Legal)					
III. Construction Costs (Labor & Materials)					
IV. Other (Fees, Construction Financing, Other)					
TOTAL					

Table 3. C Please provide some information with respect to the total cost of the project and how it is to be financed.

1. Total Project Capital Cost (From Table 3b) ____________________

2. Financing

   Loan Being Applied For ____________________

   Other (Please Specify)* ____________________

   ____________ ____________________

   ____________ ____________________

   TOTAL (Same as Total Cost) ____________________

3. Expected Terms and Conditions of Loan ____________________

   Interest Rate ____________
   Term (Years) ____________

   Any Special Terms

   Debt Service Per Year ____________
   (Specify Schedule Separately, if not fixed amortization)

* If loan please specify the amount and term(s) of the loan. Also, if municipal capital please specify the contribution from cash on hand.

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Table 3 D - Project Financial Analysis (In Constant Kcs)

Year	Project Cost							
	Development Costs							
		Debt Service						
	Cash	This Loan	Other	Total	Operation and Maintenance	Total Outlay	Project Revenue	
1994								
1995								
1996								
1997								
1998								
1999								
2000								
2001								
2002								
2003								
2004								
2005								
2006								
2007								
2008								
2009								
2010								
2011								
2012								
2013								
2014								
TOTAL								

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Table 3 E Plan For Covering Debt Service

Total Debt Service Per Year (From Table 3c.)	______
a. For Loan being applied for.	______
b. For all other loans used to finance the project.	______
To be paid from:	
Municipal Budget	______
Project Revenues*	______
Other ________*	______
________	______
Total (Same as top Line Above)	______

*Names of Organizations Other than the Municipality that are Pledging these amounts (For Each Organization Complete Table 5)

______	______
______	______
______	______
______	______
______	______

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Section 4

MUNICIPAL DEBT CARRYING CAPACITY

This section shows the lender the current status of your municipal budget (revenues, expenditures, surplus) and how you expect that status to change over the next few years. This section also identifies any other debt obligations you have already assumed, shows how you estimate your remaining debt carrying capacity, and identifies what collateral you will offer as security for the loan.

A capital investment project is only as good as the project's financial plan. The number of projects that a municipality can finance depends on: the revenue level of the city; the level of recurring city government operating expenditures; the current municipal debt level; and, potential sources of additional revenue available for project financing. If the municipality intends to finance the project through its general revenues and/or other municipal revenue streams, analyzing the municipal budget is essential. This following section should be reviewed by municipalities that will finance capital projects through their own resources.

Financial planning for capital projects involves the following steps:

- data collection on key financial variables;
- projection or forecasts of key financial variables;
- determination of the capital financing potential; and,
- setting up an appropriate financial plan.

The financial planning process must be undertaken in a transparent manner with all assumptions clearly defined.

Step 1: Municipalities Should Collect Appropriate Revenue Data and Assess Historical Trends

Revenue is defined as any inflow of funds to the municipality. Because of changes in Czech laws, it is useful to go back to 1993, only. Normally, one would have a longer historical base. A partial list of revenue sources for Czech Municipalities includes:

- Business fees and licenses
- Property Taxes
- Income taxes

o Local fees
o Subsidies
o Services and operations income
o All other revenues (including asset sales).

Revenue data should be collected and placed into Table 4a. Future recurring levels should be projected based on a careful assessment of all the probable factors that can affect each revenue source. Please give a general description of collection and/or cost recuperation of costs in the municipality for this project. If delinquent accounts are more than 5%, indicate what measures will be taken to obtain financial resources in arrears on a separate piece of paper.

Table 4A. Municipal Revenues

	1993 Actual	1994 Actual	1995 Est.	1996 Est.	1997 Est.	Total
Income Tax of Legal						
Transfers From P.O.						
Incomes of R.O.						
Income Tax from Individual						
Property Tax						
Administrative Fees						
Cancelled Taxes and Fees						
Total Own Budget Revenues						
Loans and Other IOU						
Local Fees						
Property Rent/Sales						
Other						
Transfer of Non-Budgetary Means						
State Subsidies						
Total Revenues						

Est. = Estimate, RO = Budgetary Organization, PO = Contributory Organization

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The analysis of current revenues must distinguish between recurring revenue sources (i.e. property taxes, business fees and licenses) and non recurring revenue sources (grants, or special transfer payments). Recurring and non-recurring revenue sources must be separated because capital project financing requires a stable source of financing and should not depend on revenue sources which are not assured of being in the municipalities budget every year.

Step 2: Project Future Municipal Expenditure Levels

Future normal recurring expenses should be projected. In forecasting expenditures, judgement as to the effects of political and organizational developments within the city government on the future growth of various departments should be factored into the projections.In case of need, what expenditures or programs could be reduced in order to pay debt service. Identify 5% of the operating budget that could be reduced if required. Use additional paper if required.

εΥ

Table 4B. Municipal Expenditures

	1993 Actual	1994 Actual	1995 Est.	1996 Est.	1997 Est.	Total
Capital Expenditures						
Subsidies to Profit Companies						
Subtotal (1)						
702 - Water Management						
709 - Agriculture and Nutrition						
710 - Transportation						
711- Trade						
714 - Education						
715 - Health Care						
716 - Culture						
719 - Internal Administration						
728 - Labor and Welfare						
739 - Local Management						
740 - Construction						
741 - General Treasury Administration						
Subtotal (2)						
Debt Service:						
i.						
ii.						
Subtotal Debt Servicing (3)						
TOTAL EXPENDITURES (1+2+3)						

Table 4 C Municipal Debt Obligations

Holder of Debt	Original Amount of Kc	Debt Obligation Start Date	Debt Obligation End Date	Interest Rate (%)/ year	Term Years	Outstanding Balance (Kc)	Annual Debt Service (Kc)

Step 3: Compute the Municipal Debt Service Capacity

After the future revenue inflows and expenditure outflows have been calculated, the capital financing capacity of a city must be assessed. Prospective lenders will use different procedures to do this based on an overall assessment of your revenues, expenditures and assets (as shown in (Tables 4a through 4c). The method presented in table 4d uses as a rule that total debt service should not exceed 10% of projected total expenditures. However, this is just a rough (approximate) check. Municipalities with good economic and financial prospects (and good financial management) may be able to allocate somewhat larger amounts to debt service.

Projected Revenues

(Minus)	:	Sales of Municipal Properties
(Minus)	:	Projected Operating Expenses
(Minus)	:	Existing Debt Service Requirements
(Equals)	:	Amount Available for New Capital Financing

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Table 4D Budget Forecast

	1994 Est.	1995 Est.	1996 Est.	1997 Est.	1998 Est.
1. Revenue					
2. Property Sales					
3. Revenue Minus Property Sales (1-2)					
4. Total Expenditures (including Debt Service)					
5. Surplus/ Deficit In Current Year (3-4)					
6. Accumulated Surplus					
Debt Carrying Capacity					
7. Take 10 % of 4.					
8. Debt Service Payments on Current Debt(s)					
9. Remaining Debt Carrying Capacity (7-8)					
10. Debt Service This Loan (From Table 3d)					
11. Residual *					

* This must be positive.

Table 4 E. Please describe the type of collateral or security that the municipality would be available for the loan. Briefly describe, on an additional sheet of paper, how the property values were estimated. Is the property necessary to the fundamental service functions of the municipality (if so, do not use as collateral). With respect to municipal revenues as collateral, how will these revenues be set aside for loan repayment.

Proposed Collateral	
Municipal Properties	**Value of Municipal Properties**
1.	
2.	
3.	
4.	
5.	
6.	
7.	
Total Value	
Municipal Revenues To Be Used As Collateral	**Value**
1.	
2.	
3.	
4.	
5.	
6.	
7.	
Total Value	

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Section 5:

FINANCIAL STATUS OF OTHER ORGANIZATIONS THAT WILL ASSIST IN PAYING OFF THE LOAN

This section shows the lender the projected financial circumstances of any other organizations whose income may be in part pledged to you to help pay off the loan.

Please write in the future expected revenues for the organization or enterprise that will assist the municipality in repaying the loan (as identified in Table 3e).

Name of Organization: ______________________________

Table 5A Revenues From Enterprise or Organization

	1993 Actual	1994 Actual	1995 Estimate	1996 Estimate	1997 Estimate	Total
Total						

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Please write in future expected expenditures for the organization assisting the municipality in repaying the loan.

Table 5B. Expenditures From Enterprises Or Organizations

Table 5 b Expenditures	1993 Actual	1994 Actual	1995 Estimate	1996 Estimate	1997 Estimate	Total
Subtotal Expenditure (1)						
Debt Service Includes (Please List):						
i.						
ii.						
iii.						
iv.						
Subtotal Debt Servicing (2)						
TOTAL EXPENDITURES (1+2)						

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Table 5 C Contributing Organization's Debt Obligations

Holder of Debt	Original Amount of Kc	Debt Obligation Start Date	Debt Obligation End Date	Interest (%)per year	Term Years	Outstanding Balance (Kc)	Annual Debt Service (Kc)

Section 6:
PROJECT APPROVALS AND INSTITUTIONAL ARRANGEMENTS

This section documents for the lender that the project complies with all applicable laws (including those related to Environmental Impact Assessments, where applicable) and shows that clear agreements have been reached with any other institutions involved in financing the project and in operating and maintaining it. The investigation of institutional issues is used so that the municipality can determine the most appropriate organizational, management and monitoring system for implementing the project.

Table 6 Approvals Process

	Yes or No	Date	Document Number
a. Project Approved By Municipal Council?	________	________	________
b. Was an Environmental Impact Analysis (EIA) Required?	________	________	________
c. If an EIA was required, has it been completed?	________	________	________
d. Has Uzemni Rozhodnuti been given?	________	________	________
e. Has Stavebni Povoleni been given?	________	________	________

f. Are there any other legal requirements to be met for this project? Please describe.

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2. **Involvement of Other Institutions - Financing**

a. Has any other institution pledged resources to help pay for this project?
Yes or No

b. Name of Institution: ______________________________

c. Describe planned arrangement:

____

____

____

____

____

d. Is there a legal agreement between municipality and institution covering this arrangement?
Yes or No

Date (actual or planned) agreement signed: ______________________________

e. Name of Municipal Official Responsible of monitoring:

____

3. **Involvement of Other Institutions - Operation and Maintenance**

a. Is another institution going to be responsible for operating and maintaining this project?
Yes or No

b. Name of Institution: ______________________________

c. Describe the planned arrangement:

____

____

____

d. Is there a legal agreement between the municipality and institution covering this arrangement?
Yes or No

Date (actual or planned) agreement signed: ______________________________

62 e. Name of the municipal official responsible for monitoring: