



Basic financing schemes for energy efficiency investments in Serbia

The adequate financing of energy efficiency measures in public buildings is still an issue, but Serbia has taken several measures itself and additionally gets support from international institutions. For 2020 Serbia has dedicated EUR 4,25 Mio within its federal budget, mainly to support energy efficiency measures of local governments.

The Public Investment Management Office of Serbia is the organization of the Serbian Government focusing, besides other tasks, on the reconstruction of public buildings, e.g. preschools, schools, health care buildings, sport centers and social protection units.

Serbia has established a Budgetary Fund for Energy Efficiency (BFEE). Out of this fund the government has dedicated EUR 1,4 Mio annually in the last years. The fund is open for municipalities to energy efficient projects and is based on the one-municipality- one project principle.

For 2021 Serbia also has plans to launch an Energy efficiency Fund for private households for the co-financing of energy efficiency projects. The planned size of the fund is EUR 21,6 Mio and it should be financed by energy efficiency fees paid by the citizens.

For private households the City of Uzice has allocated funds for energy efficiency projects mainly focused on eco-friendly boilers and for renovation measures of thermal insulation of buildings. In 2020 200 projects with a total amount of EUR 334.000, - have been subsidized. The planned budget for 2021 is EUR 375.000, -.

On the international side there are a few mechanisms that shall support the appliance of energy efficient technologies and energy efficient renovation of buildings.

The IPA Fund – Instrument for Pre-accession assistance (IPA)

The IPA Fund has been creating support to EU enlargement countries with financial and technical help. It is the goal of the fund to help build up capacities within the accession countries throughout the whole accession process. It focuses on the support for political and economic reforms towards the EU membership. It covers different sectors, such as public structural reform, rule of law, sustainable economy, people as well as agricultural and rural development.

Serbia is benefitting widely from this program with a total amount of EUR 1,539 Billion between 2014 and 2020. A good portion thereof, namely EUR 321,8 Mio has been given for environment, climate change and energy topics.

The following shows the funding in some more details:

SERBIA	2014	2015	2016	2017	2014-2017	2018	2019	2020	Total 2018-2020	Total 2014-2020	Of which climate change relevant (%)
DEMOCRACY AND RULE OF LAW	80,4	143,3	106,7	109	439.4	96.5	78.6	78.1	253.2	692,6	
Democracy and governance	52,9	115,7	60,3	36,8	255.7	67.8	78.6	34.4	180.7	446,4	
Rule of law and fundamental rights	27,5	27,6	46,4	72,2	173.7	28,7	0,0	43.8	72.5	246,2	
COMPETITIVENESS AND GROWTH	98,6	79,8	96,1	103,2	377.8	159.4	150.8	158.8	469	846,8	
Environment, climate change and energy	74,7	0,0	0,0	78,2	152,9	65,1	103,8	0,0	168,9	321,8	60%
Transport	0,0	64,8	0,0	0,0	64,8	0,0	0,0	0,0	0,0	64,8	
Competitiveness, innovation, agriculture and rural development	5,0	15,0	68,7	25,0	113.7	70,8	47,0	105,0	222,8	336,5	
Education, employment and social policies	19,0	0,0	27,4	0,0	46.4	23,5	0,0	53,8	77,3	123,7	
TOTAL	179,0	223,1	202,8	212,2	817.2	255,9	229,4	236,9	722,2	1.539,1	

Figure 1: IPA fund¹

A coordination with other donors and international financial institutions (IFIs)

-Western Balkans Investment Framework (WBIF)

The WBIF represents a joint effort between the European Commission, International Financial Institutions (EIB, EBRD and CEB) and the European Western Balkans Joint Fund with the intention to address to regions high investment needs. It consists of 2 components: The Joint Grant Facility (JGF) pooling grants from the partner organizations and bilateral donors and secondly the Joint Lending Facility (JLF) providing loans to beneficiaries.

Projects shall target improving environmental, energy and transport infrastructure, education, healthcare and other social needs both private sector as well as public bodies and even mixed capital structures are eligible. The types of grants include technical assistance, co-financing of investment, incentives, interest rates subsidies and insurance premiums. A complementary structure out of the IPA funding national program and other donor's initiatives are possible.

-Western Balkans Sustainable Energy Financing Facility (WeBSFF)

The Western Balkans Sustainable Energy Financing Facility is part of EBRD's Sustainable Energy Financing Facility (SEFF) providing credit lines to Partner Banks in the Western Balkans to on-lend to municipalities and private sector. It has been established to provide debt financing for energy efficiency and small renewable energy projects supporting private companies, ESCO's and municipal entities. The focus is especially on sustainable energy projects that are often difficult to structure, finance and implement. It provides financing

¹ https://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/serbia_en

combined with technical assistance. It can even support such projects with incentive payments after completion of such projects related to greenhouse gas emission reductions. Eligible projects range from industrial energy efficiency to the commercial building sector, ESCO projects, municipal buildings energy efficiency projects and finally even small renewable energy projects.

For projects in the municipal sector – municipalities, public utility companies or private companies providing public services – are directly eligible to apply under the financing line. Lending is usually arranged via participating local banks. For the public sector loans can reach up to EUR2,5 Mio and can be covered up to 100% of the investment cost.

For municipalities the financing facility provides loans and grants of up to EUR 2,5 Mio to support municipalities, ESCOs and owners of public buildings to

- invest in technologies that reduce energy consumption by at least 20%
- retrofit buildings with an improved energy efficiency of at least 30%
- invest in renewable energy projects

Municipalities and municipal service providers shall become more energy efficient and by doing that save cost in providing municipal services, such as for transport, utilities, waste management, heating and cooling of public buildings.

Project incentives are provided after successful implementation of the project. The amount is determined upfront, considering energy savings and CO² emission reductions reached. Incentives help reduce the outstanding loan amount and can reach up to 15% for the municipal sector.

In order to provide technical assistance a project team arranged by EBRD is typically working with the project owners. Participating banks assess the creditworthiness of the potential borrowers. There is no cost charged for the technical assistance to the project owners.

Partner Banks in Serbia for this program are Banca Intesa and Komercijalna Banka.