

Municipal PPP Framework

Introduction to the Municipal Readiness Tool

17 September 2019



Global
Platform for
Sustainable
Cities



gef

GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET



THE WORLD BANK

IBRD • IDA | WORLD BANK GROUP

Introduction

This tool:

- ✓ Walks practitioners through a series of basic issues bearing on overall readiness for PPP –
 - Creditworthiness
 - Internal capacity
 - Access to external assistance
 - Planning and budgeting processes
 - Institutional mandate
 - Governing law
- ✓ Can help a municipality identify
 - Key strengths and weaknesses
 - Priority areas for reform

This tool does not:

- ⊘ Definitively indicate that a municipality is not ready to attempt PPP
 - It is not essential or expected that a municipality embody all aspects described before undertaking PPP
- ⊘ Give a numeric score or other hard ranking metric
- ⊘ Assign weight to different questions or indicate how responses to different questions might affect one another
 - E.g., a shortfall in creditworthiness compensated by the provision of credit enhancements

Statement 1 - Creditworthiness

Understand fiscal systems (accounting, auditing, etc.) and standing. Key issues:

- Transparency,
- Accountability, and
- Overall exposure (incl. PPP)

1. Assessment of internal systems

2. Borrowing experience / history

Past borrowing / timely repayment

- Broadly – each transaction demonstrates commercial know-how and financial discipline

PPP is a contractual commitment

- PSP must trust the municipality to respect contractual obligations
- Best evidence is past practice

4. Contracting experience / history

3. Oversight on municipal borrowing / PPP

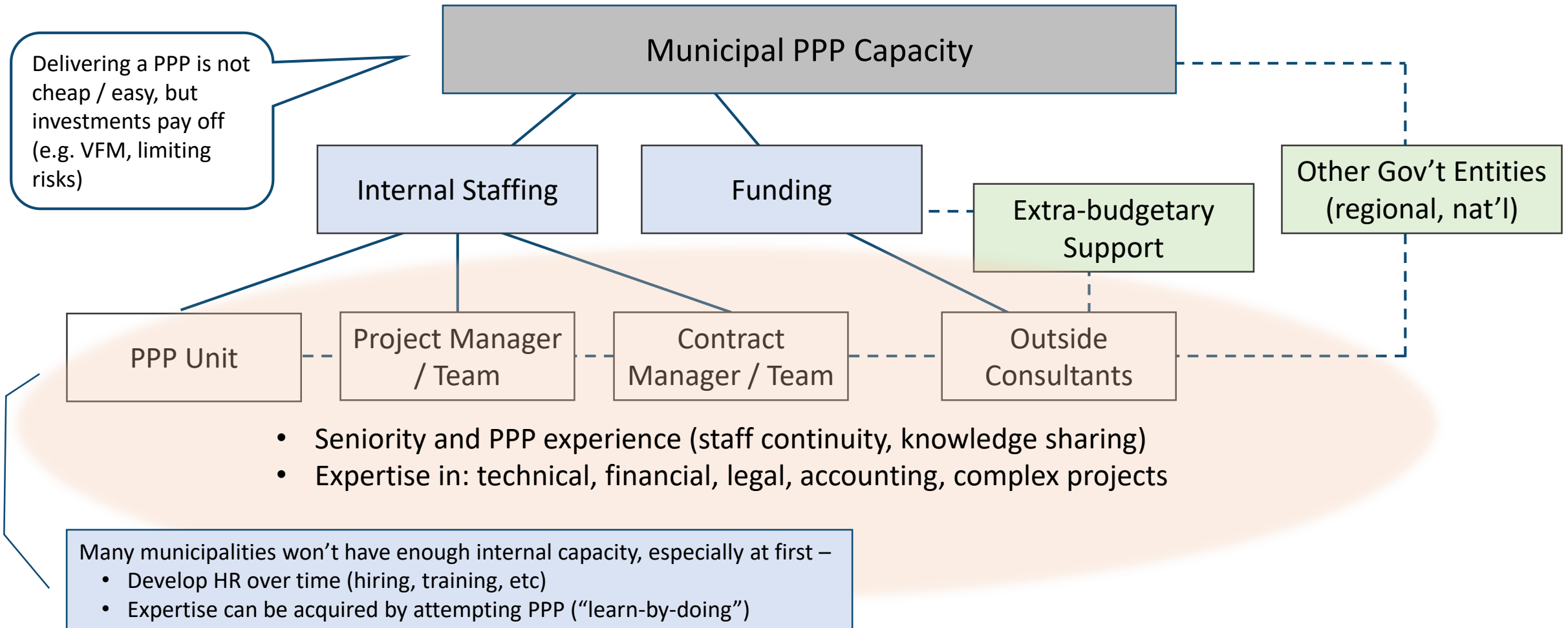
- Can give comfort to PSPs and financiers
- But may also represent added delay, cost, complexity

Creditworthiness impacts:

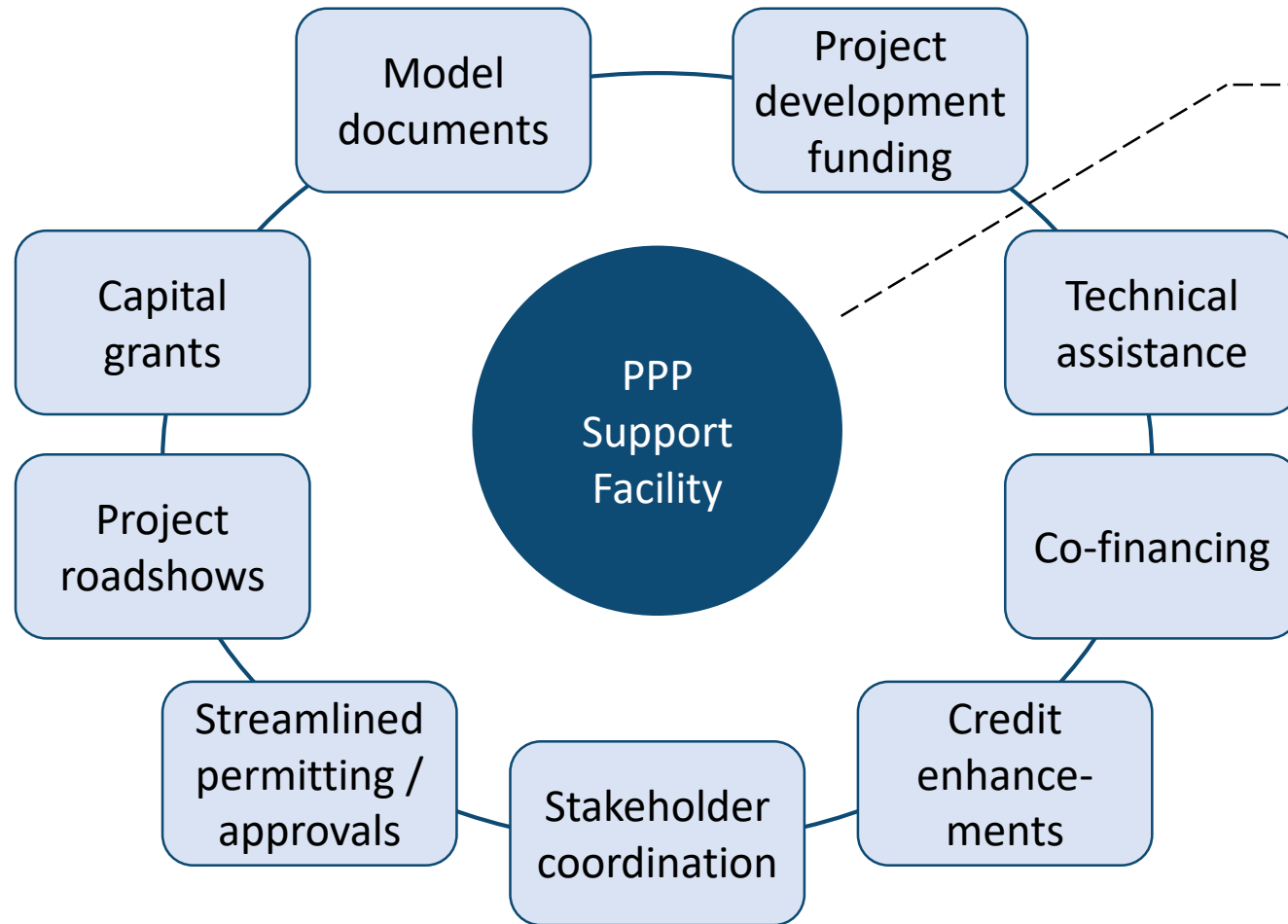
- Private sector interest; and
- Cost of financing

Even if the municipality has no regular payment obligations under the PPP

Statement 2 – Internal Capacity



Statement 3 – External Assistance

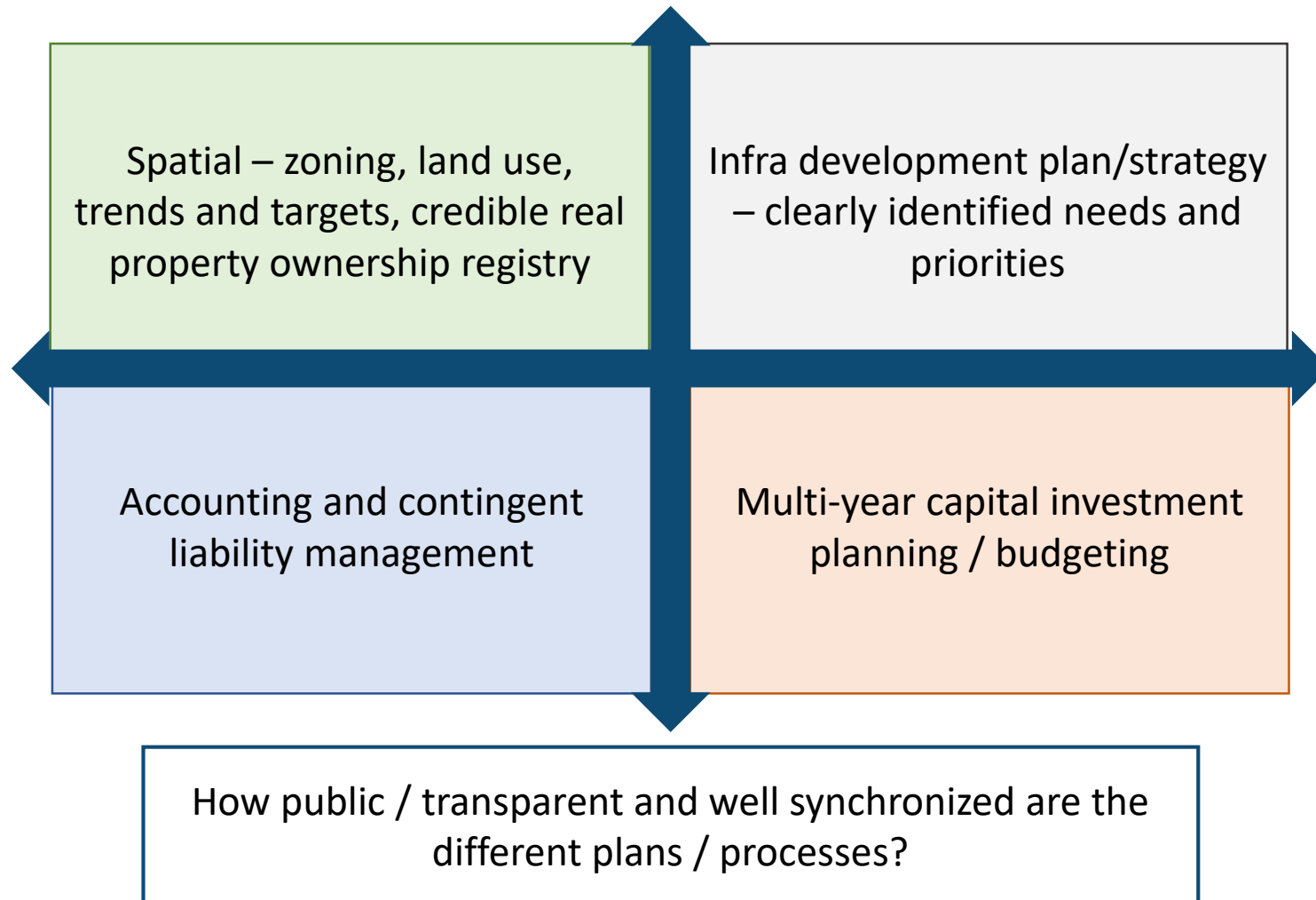


- Domestic PPP units / entities (regional, national)
- Domestic development banks / infrastructure funds
- Regional / global MDBs and IFIs (e.g. WB, IFC)
- Bilateral / multilateral donor partners

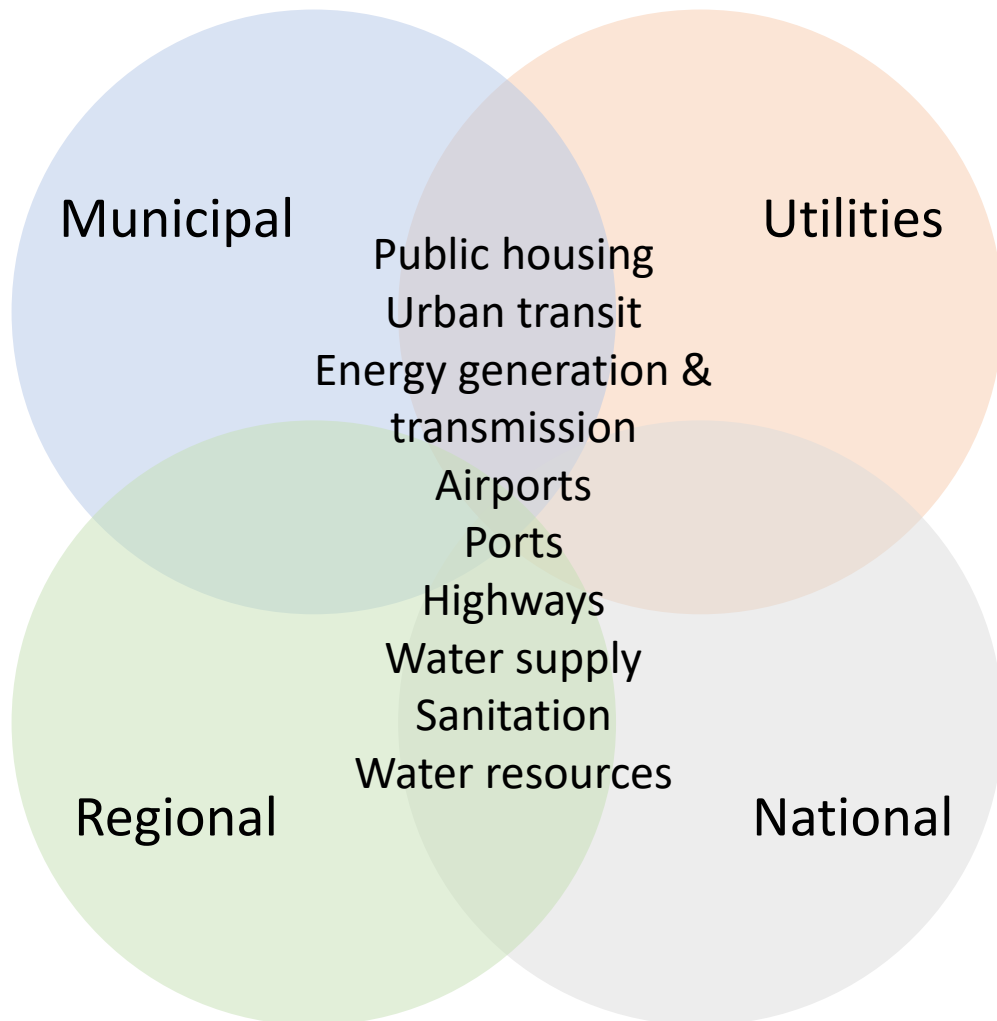


Note that central PPP units may also have a role in reviewing / approving PPPs

Statement 4 – Planning & Budgeting



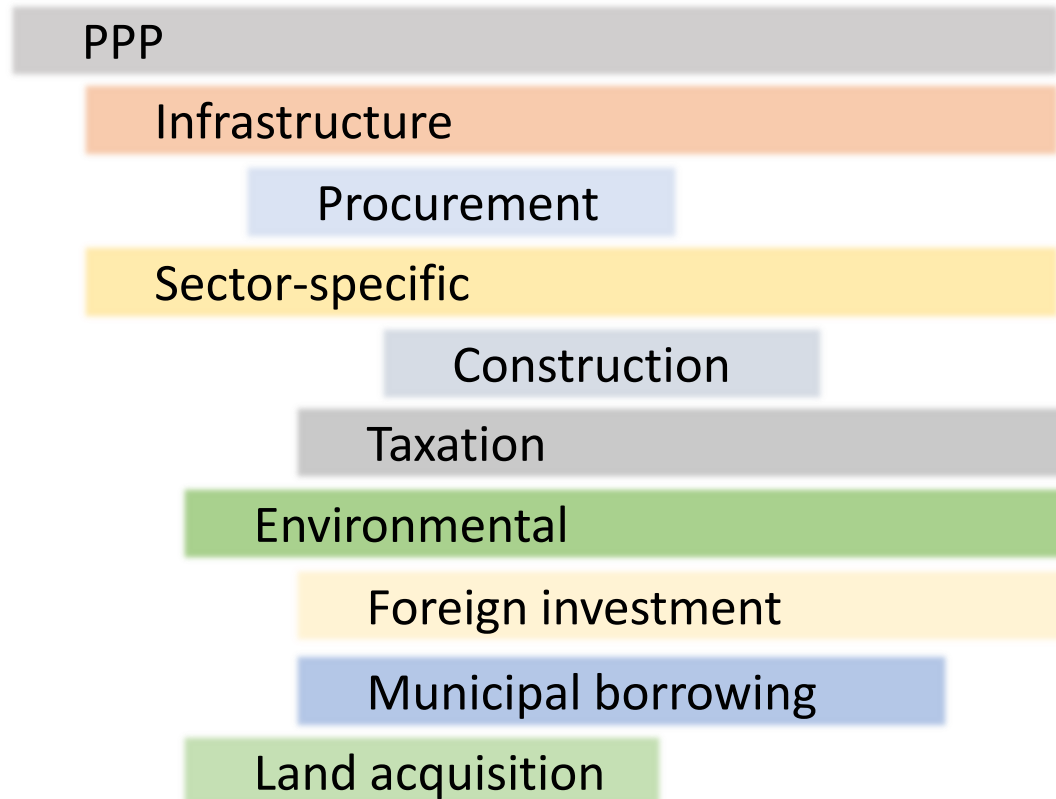
Statement 5 – Institutional Mandate



- What types of infra assets and services is the municipality responsible for?
 - Is responsibility exclusive or shared?
- Can the municipality delegate all or parts of that mandate to a PSP?
 - E.g. investment, construction, operation, maintenance, tariff pricing/collection/retention
- Can the municipality enter into long-term, binding contracts (e.g. past the term of chief exec)?
 - Any prerequisites, approvals, etc.?

Statement 6 – Governing Law

Muni PPP can be subject to an array of laws covering a broad spectrum of topics



- Consider if and how the legal framework governs:
 - Contracting (e.g. enforceability, modification, dispute resolution)
 - Institutional roles and mandates in infra & PPP delivery, incl. review / approval of PPP
 - Sectors in which PPP is/is not allowed
 - Support for PPPs
 - PPP project structures (e.g. BOT)
 - PPP contracts (e.g. standard terms)
 - Procurement and unsolicited proposals
 - Permitting and licensing
 - Corporations (e.g. formation, share transfers)
 - Foreign investment and expropriation
 - Taxation...

Responses to Municipal Readiness Tool

Strongly agree

Somewhat agree

Somewhat disagree

Strongly disagree

