Municipal PPP Framework

Introduction to the Municipal Readiness Tool

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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)

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

1. Assessment of internal systems
2. Borrowing experience / history
3. Oversight on municipal borrowing / PPP
4. Contracting experience / history

Creditworthiness impacts:
- Private sector interest; and
- Cost of financing
Even if the municipality has no regular payment obligations under the PPP
Delivering a PPP is not cheap / easy, but investments pay off (e.g. VFM, limiting risks)

Municipal PPP Capacity

- Internal Staffing
  - PPP Unit
  - Project Manager / Team
- Funding
  - Contract Manager / Team
- Extra-budgetary Support
  - Outside Consultants

Other Gov’t Entities (regional, nat’l)

Many municipalities won’t have enough internal capacity, especially at first –
- Seniority and PPP experience (staff continuity, knowledge sharing)
- Expertise in: technical, financial, legal, accounting, complex projects

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Many municipalities won’t have enough internal capacity, especially at first –
- Develop HR over time (hiring, training, etc)
- Expertise can be acquired by attempting PPP (“learn-by-doing”)
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

Spatial – zoning, land use, trends and targets, credible real property ownership registry

Infra development plan/strategy – clearly identified needs and priorities

Accounting and contingent liability management

Multi-year capital investment planning / budgeting

How public / transparent and well synchronized are the different plans / processes?
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.?
Municipal PPP can be subject to an array of laws covering a broad spectrum of topics.

- **PPP**
- **Infrastructure**
- **Procurement**
- **Sector-specific**
  - **Construction**
  - **Taxation**
  - **Environmental**
  - **Foreign investment**
  - **Municipal borrowing**
- **Land acquisition**

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