The Path to Creditworthiness
Strengthening Cities’ Financial Performance
The Case for City Creditworthiness

Cities are generating, receiving, and spending very small fractions of what is needed.

Enhance **creditworthiness** to enable direct access to capital markets

Of the 500 largest cities in developing countries, only a small percentage are deemed creditworthy:

- **4%** in international markets
- **<20%** in domestic markets
Key Financing Challenges Facing Cities

- Too Little Long-Term Financing
- Too Much Expenditure
- Poor Management of Resources
- Poor Planning for the Future
- Too Little Revenue
The Path to Creditworthiness...

- Investment Grade CREDITWORTHINESS
- Full Access to Domestic/Regional Capital Markets
- Pooled Bond
- Larger Market-Based Loan w/Credit Enhancements
- Land-Value Capture
- Governance
- Enabling Environment/Regulatory Framework
- Capital Investment Planning (Climate-Smart)
- Sound Debt Policies
- Innovative Revenue Generation
- Enhanced Own-Source Revenues
- Performance Monitoring
- Financial Management Improvements
- Higher Efficiency
- Pilot PPP Project
- Performance-Based Concessional Financing
- Small Commercial Financing Medium Term Maturity (1-3 yrs)
- Hybrid Financing
- Innovative Revenue Generation

... Is Paved with More Resources
Scope of Interventions

Sample Activities:

• Preliminary assessment of baseline conditions and action-planning;
• Build capacity to enhance own-source revenues;
• Train planning and financial officials to assess pipeline of projects (incl. PPPs);
• Develop capital investment plans and align procedure with budgeting cycle;
• Assess financial management performance (practices and policies);
• Strengthen project preparation (incl. climate-smart approaches);
• Assess financing options and market-sounding;
• Assist with credit ratings;
• Engagement with investors to identify bottlenecks and solutions;
• Coordination with central government to improve enabling environment;
• Assistance with transaction structuring/closing.
Preliminary Assessment and Action-Planning Toolkit

Online Resource: citycred.org
Areas Covered by the Diagnostic and Action-Planning Toolkit

1. MANDATES
   Are the public services that the Local Authority is mandated to deliver financially sustainable?

2. FINANCIAL MANAGEMENT
   Is the Local Authority effectively managing its resources, through best practice policies and/or systems that stimulate prudent financial management?

3. FINANCIAL PERFORMANCE
   How is the Local Authority performing in key areas, such as revenues, costs & liquidity management?

4. PLANNING & ENABLING ENVIRONMENT
   Does the Local Authority manage its capital & urban infrastructure investments effectively? What are the barriers to accessing appropriate sources of financing for investment at the local level?
<table>
<thead>
<tr>
<th>CHALLENGES TRIGGERED BY YOUR SELF ASSESSMENT</th>
<th>REVIEW</th>
<th>ACCEPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Problems</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Capital Investment Planning Poor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Planning Poor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enabling Environment Limited</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Creditworthiness Unknown</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oversight Weak</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgeting Problems</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Financing Experience Lacking</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Unpaid Debt</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**USER GUIDE**

**ACCEPT CHALLENGES**

This page lists 23 Challenges that many Local Authorities face on their path towards creditworthiness. Your responses to the Self-Assessment questions have triggered specific Creditworthiness Challenges that may apply to your Local Authority. Please proceed to accept only the Challenges that you feel are relevant to your Local Authority.

The Challenges triggered by your Self-Assessment responses are listed first, followed by the other Challenges that were not triggered by your responses.

Challenges are listed in the order of highest "INTENSITY" score, using your Self-Assessment responses to...
**ACTION ITEM 3**
Introduce GIS-linked systems for identifying, calculating, billing and collecting taxes, fees and service bill payments.

**User Guide**
ACTION PLANNING - LIST VIEW
You have chosen to view and select Action Items in a list format. Below are a list of Action Items that you may wish to enter into your Action plan. Enter only those Action Items that you feel are relevant for your Local Authority.

1. You can see more information on each Action Item by clicking the "DETAILS" button located to the right of each Challenge.
2. You can select the Action Item by clicking on the "ACCEPT" button.
3. If you wish to add an Action Item that is relevant to your Local Authority, but not included in this list, please click...
REPORT
CREDITWORTHINESS SELF-ASSESSMENT & PRELIMINARY ACTION PLAN

Facilitation support by:
The World Bank Group & The Rockefeller Foundation
For more information, see: www.citycred.org

MUNICIPALITY OF BOLOGNA
ITALY

TYPE OF LOCAL AUTHORITY: Municipal government
QUESTIONNAIRE RESPONDENT: Joshua Gallo
06 September, 2016
Flagship Training Event: City Creditworthiness Academy

- 5-day training event for financial and planning officers (plus stakeholders);
- Training modules on creditworthiness-drivers (enabling environment, own-source revenues, financial management, capital investment plans, financing);
- Participants complete a self-assessment of cities’ weaknesses and strengths;
- Participants complete a preliminary action-plan;
- By the end of the workshop, participants receive a customized report for follow-up engagement;
- Over 300 cities served thus far (from 30 countries).
- Follow-up technical assistance programs in over 10 countries thus far.
THANK YOU!

Contact: Joshua Gallo, jgallo@worldbank.org