City Resilience Program

Capital Budgeting: Top-down Review Exercises

Guidance: Taking your own city as an example, work through the questions below, using your best knowledge of the prevailing national and city legal framework, fiscal rules, growth and revenue projections. The objective is to outline your city's capital investment strategy and understand the financing capacity and constraints.

Financing top-down

1. What are the fiscal rules that affect your capacity to finance capital program? Eg. Debt limit; annual commitment to PPP; etc.
2. What is your current level of liabilities as percentage of GDP, and as percentage of fiscal revenues? And your debt service to revenue ratio? How far are they from the limit? In case there is no de jure debt limit, how far are they from the level that the general public/financers feel comfortable.
3. What's your projection of economic growth, tax revenues, upper-government grant revenues and other non-tax revenues such as toll collections and fees?
4. What's your projection of recurrent expenditures? To what extent, the city government can adjust these recurrent expenditures, say cutting public sector employees' salary, or cutting income subsidies etc?
5. Do you foresee any shocks to these key variables, such as natural disaster (flood, earthquake, tsunami, hurricane), and economic and financial shocks?
6. How resilient is your city in responding to these shocks? When these shocks materialize, how much damage would they cause? And how would they affect your city's debt dynamics (through the channel of economic growth and fiscal revenues)?
7. Does your city have the authority/flexibility to levy local tax, impose fees and charges, and raise users' fees (such as water tariff, tolls)?
8. Considering the fiscal space and potential shocks, please specify a realistic and affordable envelop for your city's total capital program.

Strategic Top-down

1. What is your city's development strategy? What are the main goals?
2. To achieve your city's development strategy, mitigate the risks and manage the damage of potential shocks, what should your city's capital program strategy be? And the total financing needs to execute this capital program.
3. How will you prioritize capital program to better meet the overall development strategy and live within the envelop? You will have to think about the trade-offs among the sub-programs.

Feedback

- ***How big is your financing gap?***
- ***Where do you see the major financing constraints? Lack of tax authority, borrowing space, high vulnerability etc.***

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Capital Budgeting: Bottom-up Review Exercise

Guidance: Using one of your current priority projects as an example, work through the questions below, using your best knowledge of the prevailing national and city legal framework, and organization structures and staffing.

1. How does the envisioned project align to the cities strategic planning framework?
2. What is the envisioned total cost of the project?
3. How many years would the project take to complete once procured?
4. What are the main returns the project is expected to deliver?
5. Do any of the innovative financing instruments reviewed in the rapid appraisal appear to be a good fit for this proposal? Does the rapid capital assessment suggest they can be readily applied?
6. Does the national and/or city public investment management framework specify a feasibility/appraisal process?
7. At what stage would environment and social, in addition to economic/financial assessment take place under the prevailing project preparation and capital budgeting framework?
8. Would the project be subject to an independent review?
9. What is the cities budgeting mechanisms by which the project would be included into the annual or medium term budgeting framework?
10. What are the main potential risks in terms of public sector "value capture"?
11. What risks do top-down capital budgeting development pose for the procurement and successful completion of the

Feedback

- ***Where you do you see the biggest challenges in terms of project preparation?***
- ***What are likely to be the greatest concerns for private sector financiers? How will these be addressed?***