



City Resilience Program

Private Capital Mobilization in City-Level Engagements, Phase 1

Indicative Assessment of City Readiness for Deploying Various Tools of Private Sector Participation in Financing Capital Investment Programs

Across a range of emerging economies, cities serve as pillars of prosperity, and hold the promise of better and greener living environments for millions of businesses and households. However, the institutional implementation challenges and financing needs to realize this vision are significant. Successful cities must find ways to better manage their existing infrastructure, financial and non-financial, and human resource assets, while prioritizing and financing a pipeline of new programs and projects to secure successful and resilient futures. Yet, city development strategies have often fallen short owing to both revenue and implementation gaps. This includes investments in city resilience, which requires an approach that goes beyond the scope of single sector engagements. As cities grow, so does their exposure to shocks and stresses, and resilience building investments aim to protect and cultivate long-term development gains.

The World Bank Group's (WBG) City Resilience Program (CRP) aims to catalyze larger scale, more ambitious investment in urban resilience in emerging markets. CRP aims to achieve this through the deployment of an integrated platform for delivering resilience-enhancing measures in cities, including infrastructure upgrades, strengthening governance and policies, and broadening of financing options for capital investment. CRP is currently being implemented globally, across more than 20 cities, and presents an immediate and unique opportunity for private investors to leverage WBG technical assistance and resources to unlock opportunities in urban infrastructure investment.

CRP's focus on private capital mobilization stems from the WBG's institutional prioritization of increasing capital flows towards addressing the significant and increasing urban infrastructure-financing gap. Projections show that investments of U\$4.1 to U\$4.3 trillion per year in urban infrastructure will be needed merely to keep pace with expected growth in a business-as-usual scenario, and an incremental 9 to 27 percent (U\$0.4 trillion to U\$1.1 trillion) will be needed to make this urban infrastructure climate resilient. The existing infrastructure-financing gap highlights the inability to connect the necessary private capital to governments. To unlock the full potential of investment possibilities and realize the necessary investments in public infrastructure, creative financing tools need to be considered and if necessary support is provided to help cities overcome certain key regulatory and capital constraints.

To better address the sizable investment needs in the urban resilience agenda, CRP puts emphasis on attracting outside capital for infrastructure projects. A key feature of the CRP is leveraging the WBG's balance sheet to deliver greater resources to cities and boost bankability of cities' capital investment programs in cities. This includes securing co-financing from other multilateral development banks and bilateral agencies and maximizing opportunities for crowding in private capital around each investment program.

For the purpose of this assignment, private sector participation in urban infrastructure investments is grouped into three primary modalities as follows:

- (i) *Direct lending* to a government entity responsible for administering, provision and maintenance of public infrastructure (e.g., general obligation lending, such as through purchase of general obligations bond, as well as structured obligation lending and sub-sovereign commercial debt financing);
- (ii) Public-private partnerships (PPP)/concession that encompass various mechanisms of joint delivery of infrastructure projects with use of public and private funds. The exact delivery methods are rather diverse but they still can be grouped into the following sub-categories of PPP arrangements:



- a. *Service delivery* arrangements in which private entity is granted the right to provide services by operating (at times, building/refurbishing) corresponding infrastructure within the government's jurisdiction (e.g. a solid waste removal enterprise working within and regulated by a city);
 - b. Contractual *investment and financing* arrangements between a public entity and private sector partner for providing a public asset or service (e.g., energy efficient street lighting, municipal parking), in which public entity offloads to the private partner a significant share of construction, financing and management risks and responsibilities;
- (iii) *Land value capture*, which is a broad set of transaction mechanisms that help public entities to capture land value increases associated with infrastructure upgrades. Such transactions can be grouped into the following main sub-categories:
- a. *Cost recovery*, in which a private developer pays fees (development charges) to help reimburse the public sector for costs of infrastructure and/or additional services required to provide municipal services to a new development, such as roads, transit, water and sewer infrastructure, and fire and police services. Such cost recovery becomes possible (i.e. feasible to private partners) due to the enabling nature of public upgrades, which foster private development.
 - b. *Monetization of land value increases*: in which a public entity, through policy and regulatory mechanisms, participates in the appreciation of real estate values resulting mostly from public investment in infrastructure and changes in land use regulations.

Objective

The first step toward understanding opportunities and roadblocks for private capital investment in urban infrastructure requires analysis of baseline conditions for infrastructure financing. This indicative assessment represents an initial step for task teams in analyzing local conditions for unlocking private capital for urban infrastructure investment.

This assessment provides a high-level overview of the city on the basis of how respective national and subnational regulatory frameworks empower the city to access domestic and international capital markets, as well as understanding how national and local market fundamentals support leveraging private capital. Opportunities for attracting private capital financing are grouped into three main sources: direct lending from commercial sources, PPP/concessions structuring, and mobilizing equity through land-value capture.

Outputs

Completion of Rapid Private Capital Assessment (hereinafter – the Assessment) for each city participating in CRP, following the guideline outlined in Annex 1 to this document.

This documents presents stop-lights charts for each city participating in the Assessment as well as cross-city summary, indicating prevalent color-coding and related scoring in each of the private sector mobilization modalities: bonds, bank loans, PPP/Concessions, and land-value capture.



I. Cross-city summary table for Rapid Private Capital Assessment

WB Region	Country	City	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture	Page number
Africa	Ghana	Accra	1,29	1,38	1,40	1,67	1,61	..... 4
Africa	South Africa	Nelson Mandela Bay	2,29	2,50	2,80	2,33	2,50	..... 5
EAP	Cambodia	Phnom Penh	1,95	1,50	1,20	1,67	1,61	..... 6
EAP	China	Deyang	2,43	2,25	1,80	2,33	2,22	..... 7
EAP	Indonesia	Balikpapan	1,90	2,00	2,40	2,00	2,11	..... 8
EAP	Indonesia	Jakarta	2,00	2,13	2,40	2,33	2,67	..... 9
EAP	Laos	Vientiane	1,62	1,25	1,40	1,67	1,72	..... 10
EAP	Myanmar	Yangon	1,29	1,13	1,00	1,00	1,67	..... 11
EAP	Thailand	Bangkok	2,43	2,38	2,20	2,67	2,78	..... 12
EAP	Vietnam	Haiphong	1,81	2,00	1,20	2,00	2,78	..... 13
EAP	Vietnam	Ho Chi Min	1,90	2,25	1,40	2,67	2,89	..... 14
ECA	Turkey	Istanbul	1,76	2,25	1,80	1,67	2,67	..... 15
LAC	Argentina	Jujuy	1,57	1,88	1,80	2,67	2,06	..... 16
LAC	Argentina	Santa Fe	1,67	2,00	1,60	2,67	2,22	..... 17
LAC	Bolivia	Cochabamba	1,71	1,63	1,40	1,00	1,67	..... 18
LAC	Bolivia	La Paz	1,71	1,63	1,40	1,00	1,56	..... 19
LAC	Brazil	Manaus	1,67	2,13	2,00	2,67	2,28	..... 20
LAC	Brazil	Porto Allegre	1,67	2,13	2,00	2,33	2,78	..... 21
LAC	Colombia	Barranquilla	1,86	2,75	2,60	2,67	2,78	..... 22
LAC	Colombia	Medellin	1,95	2,75	2,60	2,67	2,94	..... 23
LAC	Panama	Panama City	2,43	2,00	2,20	2,33	2,50	..... 24
LAC	Peru	Lima	1,95	2,50	2,60	3,00	2,50	..... 25
South Asia	Bangladesh	Chittagong	1,71	1,63	1,80	2,33	1,72	..... 26
South Asia	Nepal	Kathmandu	1,38	1,50	1,80	2,00	1,83	..... 27
South Asia	Nepal	Lalitpur	1,29	1,38	1,60	2,00	1,67	..... 28

Notes:

- Cities are listed in alphabetic order, first by region, then by country and then by city name.
- Color codes in each cell represent prevalent color-coding of parameters pertaining to each specific private capital tool. Numbers in cells reflect weighted average scoring of indicators relevant for each tool, where each RED code scores 1, ORANGE code scores 2, and GREEN scores 3.



II. Individual stop-light charts for each city

Rapid Private Capital Assessment for the city of Accra

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Nelson Mandela Bay

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Phnom Penh

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Deyang

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Balikpapan

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Jakarta

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Vientiane

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Yangon

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Bangkok

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Haiphong

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Ho Chi Minh City

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Istanbul

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Jujuy

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Santa Fe

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Cochabamba

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of La Paz

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Manaus

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Porto Alegre

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Barranquilla

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Medellin

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Panama City

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Lima

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Chittagong

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Kathmandu

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Rapid Private Capital Assessment for the city of Lalitpur

Factors	International Bonds	Domestic Bonds	Loans from Commercial Banks	PPP / Concessions	Land Value Capture
National currency volatility	●				
Key rate		●			
Prime bank lending rate - in domestic currency			●		
National economic outlook	●				
National fiscal and monetary sustainability	●	●			
Legislative context / national frameworks for respective mechanism	●	●	●	●	
City's track record / institutional capacity in respective mechanism	●	●	●	●	●
Bond market Infrastructure	●	●			
Availability of bond Investors on domestic market		●			
Perceived city creditworthiness	●	●			
Local fiscal flexibility / fiscal autonomy	●	●	●		●
Availability of government co-financing vehicles			●	●	
Market demand for development sites					●
Land market transparency					●
Secure land and property rights					●
Land use controls					●
Marketability of underutilized public properties					●
Price discovery for publicly owned real estate					●
Legislation for special tax assessments					●
Practice and framework for community participation in land banking					●



Annex 1: Rapid Private Capital Assessment – methodological guidelines

This Assessment provides a “first-cut” indication of underlying macroeconomic and microeconomic conditions and the identified city’s legal authority, institutional capacity, and past experience in mobilizing private capital for local infrastructure needs.

Specific infrastructure financing tools involving private sector participation, which will be considered in this Assessment, are split in three primary modalities (lending, PPP/concessions, and land value capture) and include the following:

Direct Lending	Concessions / PPP	Land Value Capture
<ul style="list-style-type: none">• International bonds• Domestic bonds• Direct bank lending (commercial)	Concessions and more broadly PPP tools are considered together for the purposes of the Phase 1 assessment	<ul style="list-style-type: none">• Disposition of public real assets (land and buildings)• Sale of development rights• Development charges/impact fees/exactions (including monetary and in-kind contribution)• Land pooling/readjustment• Special tax assessments/betterment Levies• Tax increment financing

Each private sector financing tool will be assessed by assigning color-codes to qualitative and quantitative parameters according to the assessment guidelines presented below:

- **Red** – high risk conditions
- **Orange** – moderate risk conditions
- **Green** – favorable conditions

Color-coded responses to questions in this Assessment must be accompanied by written notes reflecting the team’s reasoning for choosing a specific code for a given parameter and any relevant information, disclosures and supplement materials for the attention of CRP team.

NOTE: A team responsible for completion of this Assessment should generally adhere to the suggested guidelines and sources of data, as outlined below. However, in each section of the Assessment, Team may use own discretion to develop alternative metrics and provide expert opinion on local conditions for private capital mobilization. Such changes to the original guidelines and data sources are only encouraged if they increase efficiency in data collection effort and do not undermine credibility of ultimate conclusion on a respective financing tool. Deviations from the suggested guidelines must be discussed with CRP core team and diligently substantiated in the Explanatory Note.



1. Direct Lending

This section covers various forms of commercial borrowing (borrowing from private depository institutions) available to city as a borrower. This does not include concessional loans or loans from higher levels of governments (like provinces or sovereign entities). For the purpose of this assessment, commercial borrowing instruments are grouped into three main categories – international (external) bonds, domestic (internal) bonds, and bank loans.

1.1. International Bonds

International bond (otherwise labeled as external bond, or Eurobond, etc.) is a lending instrument, which – in the CRP context – would imply that a city issues bonds in the capital market of a foreign jurisdiction, most likely in hard currency (in which the respective capital market operates). As long as bonds are issued in hard foreign currency, they generally bear lesser coupon rates (i.e. cheaper financing cost) than domestic bonds, however they expose borrowers to increased exchange rate and refinancing risks. Additionally, international bonds bear regulatory risks because the processes of bond origination and servicing are regulated under the foreign jurisdiction’s law. As such, it is one of the most sophisticated and intrinsically risky lending instruments, which requires economic and political stability on the national level and extensive knowledge capacity on the city level.

	Local currency volatility	Legislative Context	Transaction track record	Perceived creditworthiness *	Economic outlook	Institutional capacity *	Fiscal and monetary sustainability *	Local fiscal flexibility
International Bonds								

** Indicators labeled with asterisk provide greater flexibility for discretion by Team to develop alternative metrics and omit/change criteria if so increases efficiency in data collection and does not undermine credibility of ultimate conclusion on municipalities’ access to International Bonds*

Local currency volatility

Importance: Reflect exchange rate risk and subsequently the risk of sudden increase in refinancing burden in case of domestic currency’s sharp devaluation

Source Data: Official national treasury/central bank data as a primary source; IMF International Financial Statistics database

Measure: Difference between peak and low floating exchange rate of local currency/USD observed during the recent 5 years)

- **Red** – More than 25%, projected to remain unstable
- **Orange** –10 to 25%, recently plateaued, OR country adopted fixed exchange rate regime
- **Green** – Market-determined exchange rate hasn’t depreciated more than 10% during the recent 5 years, stable outlooks



Legislative context for international borrowing

Importance: Assessment of national and sub-national legislative frameworks for external (international) borrowing by subnational entities.

Source Data: field research and interviews with relevant government units

Measure: qualitative assessment of legislative environment pertaining to external bond issuance. Substantial attention in responding to this question should be given to review of national regulatory framework for sub-national (i.e. cities and associated jurisdictions) borrowing in foreign hard currency

- **Red** – cities (and associated sub-national jurisdiction and or quasi-government entities) are not eligible for international borrowing
- **Orange** – cities are technically eligible for international borrowing; however, pertaining regulations and procedures specifically designed for international borrowing (such as approval of upper level of government) are either rather vague, too closed-door (e.g., clearance for such borrowing implies direct negotiation with central authorities), OR hard to overcome / close to prohibitive;
- **Green** – cities are eligible for international borrowing; specific rules and regulations pertaining to external borrowing by cities are clearly set in national statutes and do not create substantial obstacles for issuing bonds in hard currencies other than customary fiscal and currency controls.

Transaction track record

Importance: Show knowledge capacity and past experience of city administration (or similar other cities in the respective county) in handling external bond issuance

Source Data:

- Country level data from World Bank's International Debt Statistics database (country tables; refer to 'private creditors' section)
- Deal level data from Dealogic or similar databases
- Interview with national authorities,
- Interview with subnational/municipal officials – using questions 3.1.14 -3.1.15 and 4.2.7 from the Financial Management Block of the World Bank's City Creditworthiness Self-Assessment survey (www.citycred.org)

Measure: Qualitative, based on size and frequency of transactions

- **Red** – None or very limited external bond transactions, sovereign national level issuance only, no history of using external bonds by assessed city for local infrastructure financing needs.
- **Orange** – Individual transactions rarely > \$300 mln, rare to none sub-national issuances, external bond stock to GDP is < 4%
- **Green** – History of large transactions (>\$300 mln), both national and sub-national issuance; external bond stock to GDP is > 4%, history of using external bonds for local infrastructure financing.

Perceived creditworthiness



Importance: Give a snapshot of city's ability to repay debt as measured by internationally recognized credit rating agencies and evidenced from city's financial management practices and history of defaults

Source Data:

- Reference the highest credit ratings received by respective sovereign and sub-sovereign issuers from the Big Three agencies: S&P, Moody's and Fitch
- Interviews with relevant city-level officials using questions from the Financial Management Block (Block #3) of The World Bank's City Creditworthiness Self-Assessment survey (www.citycred.org).

Measure:

- **Red** – sub-investment grade sovereign and municipal rating (if available) – especially, in default or substantial-risk tiers, history of defaults on large-volume lending transactions, low international reserves, signs of high or growing indebtedness of a respective municipality (annual debt service is >50% of operating margin), evident signs of deficiencies in the financial management. Clear cut definition of RED designation is a combination of sub-investment credit rating (sovereign or municipal if available) and consistently negative operating margin of the city's operating budget (3-5 years back)
- **Orange** – sub-investment grade sovereign AND/OR municipal rating, either no record of defaults on large-volume lending, or, if there is a default record, the respective country has accumulated international reserves of at least 10% of GDP. Clear cut definition of ORANGE designation is a combination of sub-investment credit rating (sovereign or municipal if available) and improving/turned from negative to positive operating margin of the city's operating budget (in the 3-5 years retrospective)
- **Green** – investment grade sovereign (stable or positive outlook) AND investment grade municipal ratings (where available; if municipal ratings have never been received or are in sub-investment grade despite sovereign rating is in prime/high grades – the city is given ORANGE code), no recent history of defaults on large-volume lending programs

Economic outlook

Importance: reflect ability of the national economy to grow, controlled for the baseline income level (i.e. fast-growing countries with very low productivity level in base year would not qualify for GREEN code)

Source Data: IMF, Oxford Economics, TR DataStream, and Economist Intelligence Unit

Measure: Annual GDP growth projection – 3-5 years ahead

- **Red** – More than 300 bp below average for emerging and developing economies
- **Orange** – Within 300 bp below average for emerging and developing economies, OR >300bp above average, but GDP per capita is less than 50% of GDP per capita of emerging market economies (\$4,920)
- **Green** – In excess of average for emerging and developing economies AND GDP per capita is at least 50% of GDP per capita of emerging market economies (\$4,920)



Institutional capacity:

Importance: Give a snapshot assessment of government's ability to enact policies consistently and efficiently and, among other things, facilitate complex public financing transactions

Source Data:

- World Bank's Worldwide Governance Indicators (<http://info.worldbank.org/governance/wgi/> ; go to Interactive Data tab and then follow to Country Data View tab); specific indices included in this assessment are Regulatory Quality and Government Effectiveness indices as developed in accordance with the International Country Risk Guide (respective source data can be seen in the notes to WGI interactive data tables)

Measure: select subcomponents of the International Country Risk Guide developed by PRS Group and published in the World Bank's WGI database

- **Red** – less than 25 percentile on the International Country Risk Guide's Regulatory Quality index AND less than 25 percentile on the International Country Risk Guide's Government Effectiveness Index
- **Orange** – 25-75 percentile on International Country Risk Guide's Regulatory Quality Index OR at least 25-75 percentile on the International Country Risk Guide's Government Effectiveness Index
- **Green** - at least 70 percentile on the International Country Risk Guide's Regulatory Quality index AND at least 70 percentile on the International Country Risk Guide's Government Effectiveness Index

National fiscal and monetary sustainability

Importance: Measure macroeconomic risks on the country level that may influence cost and availability of such long-term financing instrument as bonds

Source Data:

- Primary source – IMF International Financial Statistics data.imf.org
- Proxy source for fiscal balances (for double-checking) – CIA Factbook <https://www.cia.gov/library/publications/the-world-factbook/fields/2222.html>

Measure:

- Inflation rates, 2-3 years retroactively
 - Amount of most recent national fiscal balance (total government revenue less total government expenditure) as percentage to GDP
- **Red** – Inflation over 10%
 - **Orange** – inflation 5-10% AND/OR fiscal deficit 2-5% of GDP, OR diminishing double-digit inflation and fiscal deficit <2% GDP
 - **Green** – Inflation below 5% AND fiscal deficit < 2% of GDP



Local fiscal flexibility

Measure: enabling regulatory environment for assessing additional tax, or changing level of spending at discretion of the city administration

- **Red** – Very limited/no legal authority to enact or administer local taxes, city government has no authority to independently change items of operating revenue and expenditure without statutory changes adopted/endorsed by a higher jurisdiction.
- **Orange** - Authority to enact or administer certain local taxes and/or service fees; no authority to set property tax rates; limited authority to change level of spending (including adding/removing services and changing standards of service)
- **Green** – Significant authority to enact and administer local taxes and service fees, particularly to set property tax rates; authority to change level of spending (including adding/removing services and changing standards of service)

1.2. Domestic Bonds

Bonds issued and traded within the internal market of a country and usually denominated in the currency of that country, and where the entire process (from issuance to redemption) is regulated under that country's laws. Unlike international bonds, domestic bonds are not subject to currency risks (given its denominated in domestic currency), and regulatory and legislative risks can be managed domestically.

	Policy Rate	Legislative context*	Domestic institutional investors *	Market infrastructure	Fiscal and monetary sustainability *	Local fiscal flexibility	Perceived creditworthiness *
Domestic Bonds							

** Indicators labeled with asterisk provide greater flexibility for discretion by Team to develop alternative metrics and omit/change criteria if so increases efficiency in data collection and does not undermine credibility of ultimate conclusion on municipalities' access to Domestic Bonds*

Policy Rate

Importance: Policy (Key) Rate is a proxy assessment of the minimum achievable price of borrowing in local currency. Actual bond coupon rates are higher than key rates. Coupon rates could then be compared to hurdle rates projected by the private sector in infrastructure investment and such "hurdle rates" are typically between 10-15% (or soaring much higher in riskier economic/political environment) and differ by markets. Bond coupon rates, which near or exceed hurdle rates, make issuing domestic bonds prohibitively expensive

Source Data: National Central Bank, IMF International Finance Statistics.

Measure: National Central Bank Policy Rate;



- **Red** – >10%
- **Orange** – 5-10%
- **Green** – less than 5%

Legislative context for domestic bond market

Importance: Assessment of development of national and subnational legislation pertaining to issuing subnational/municipal bonds for city borrowing on the domestic capital markets. This is vital to understand, as bond issuance is normally a highly regulated sector.

Source Data: field research and interviews with relevant national government units

Measure: qualitative assessment of legislative and, more generally, regulatory environment pertaining to domestic bond issuance; no need to focus on legislative arrangements for municipal bonds specifically, basic understanding of national-level legislation for corporate bond issuance is enough for the purpose of this indicative assessment. However, salient detail on municipal bond issuance in national regulations (if any surfaced during high-level review) should be referenced in this assessment

- **Red** – none or very limited legislation dedicated to domestic bond issuance either in national and subnational level, no primary dealer system, no policies regulating work of credit rating agencies
- **Orange** – some framework regulation on domestic bond issuance; OR evident steps to improve regulations (e.g. introduction of primary dealer system); complex or disparate procedures and standards, limited development of reference rates; unclear regulatory status of municipal /sub-national bond issuance is a clear flag for **ORANGE** designation.
- **Green** – robust national and subnational regulations on domestic bonds; broad range of bond issuers/transactions permitted (including municipal bonds); clear and unified procedures; robust policies regulating work of credit rating agencies (on national and sub-national levels), availability of reference rate benchmarks, adoption of primary dealer system helps get **GREEN** in borderline case

Domestic institutional investors

Importance: Understanding availability of buyers of domestic bonds

Source Data: Dealogic, field research

Measure: Expert opinion on investment activity of pension funds, insurance companies, and mutual funds on the domestic market

- **Red** – very narrow base of domestic institutional investors, very limited activity of such investors
- **Orange** – inconsistent or low-volume track record of institutional investment on bond market
- **Green** – consistent large-volume track record of domestic institutional investors buying domestic bonds



Market infrastructure

Importance: Understanding how advanced are the systemwide arrangements for market offering of municipal bonds (or any types of bonds). It includes trading platforms, clearing houses, special agents (bond counsels, providers of financial and legal advisory services associated with bond issuance and acting domestically).

Source Data: country-level desktop research, field research and interviews with relevant national government units

Measure: desktop and field research, consultations with local public finance experts on applicability of national regulations and bond infrastructure for municipal issuances

- **Red** – no organized trading platform for bonds, no or limited availability of domestic bond clearing and settlement providers
- **Orange** – basic trading platform in place, some clearing houses and special agents available, limited or undependable domestic systems for bond clearing and settlement
- **Green** – well-established trading platforms or dealer networks for bonds, special agents with significant experience, dependable and secure domestic systems/providers for clearing and settlement, availability of domestic bond information system is an advantage in borderline cases

National fiscal and monetary sustainability

Importance: Measure macroeconomic risks on the country level that may influence cost and availability of such long-term financing instrument as bonds

Source Data:

- Primary source – IMF International Financial Statistics data.imf.org
- Proxy source for fiscal balances (for double-checking) – CIA Factbook <https://www.cia.gov/library/publications/the-world-factbook/fields/2222.html>

Measure:

- Inflation rates, 2-3 years retroactively
 - Amount of most recent national fiscal balance (total government revenue less total government expenditure) as percentage to GDP
- **Red** – Inflation over 10%
 - **Orange** – inflation 5-10% AND/OR fiscal deficit 2-5% of GDP, OR diminishing double-digit inflation and fiscal deficit <2% GDP
 - **Green** – Inflation below 5% AND fiscal deficit < 2% of GDP

Local fiscal flexibility

Measure: enabling regulatory environment for assessing additional tax, or changing level of spending at discretion of the city administration

- **Red** – Very limited/no legal authority to enact or administer local taxes, city government has no authority to independently change items of operating revenue and expenditure without statutory changes adopted/endorsed by a higher jurisdiction.



- **Orange** - Authority to enact or administer certain local taxes and/or service fees; no authority to set property tax rates; limited authority to change level of spending (including adding/removing services and changing standards of service)
- **Green** – Significant authority to enact and administer local taxes and service fees, particularly to set property tax rates; authority to change level of spending (including adding/removing services and changing standards of service)

Perceived creditworthiness

Importance: Give a snapshot of city's ability to repay debt as measured by internationally recognized credit rating agencies and evidenced from city's financial management practices and history of defaults

Source Data:

- Reference the highest credit ratings received by respective sovereign and sub-sovereign issuers from the Big Three agencies: S&P, Moody's and Fitch as well by a nationally accredited credit rating agency
- Interviews with relevant city-level officials using questions from the Financial Management Block (Block #3) of The World Bank's City Creditworthiness Self-Assessment survey (www.citycred.org).

Measure:

- **Red** – no municipal rating or sub-investment grade sovereign and municipal rating (if available) – especially, in default or substantial-risk tiers, history of defaults on large-volume lending transactions, signs of high or growing indebtedness of a respective municipality (annual debt service is >50% of operating margin). Clear cut definition of RED designation is a combination of sub-investment municipal credit rating coupled with consistently negative operating margin of the city's operating budget (3-5 years back)
- **Orange** – no municipal rating or sub-investment grade municipal rating (in higher tiers of sub-investment grades) WITH evident signs of good or improving city's financial management. Clear cut definition of ORANGE designation is a combination of sub-investment municipal credit rating (if available) and improving/turned from negative to positive operating margin of the city's operating budget (in the 3-5 years retrospective)
- **Green** – investment grade municipal ratings (where available; if municipal ratings have never been received or are in sub-investment grade despite sovereign rating is in prime/high grades – the city is given ORANGE code), no recent history of defaults on large-volume lending programs



1.3. Direct Bank Loans (Commercial**)

Direct bank loans can be used by cities (and quasi-government borrowers) to replace more traditional municipal borrowing instruments such as bonds (and this trend has seen growing traction in the low interest rate environment of recent years on some markets across the world). Bank loans can present much fewer regulatory hurdles and lower transaction costs compared to bonds and, if they can match maturity periods to bonds, they may represent a viable alternative to bonds.

	Lending rate	Fiscal and monetary sustainability *	Statutes and practices	Commercial lending resources *	Government co-financing *	Local fiscal flexibility
Direct Bank Loans (commercial)						

* Indicators labeled with asterisk provide greater flexibility for discretion by Team to develop alternative metrics and omit/change criteria if so increases efficiency in data collection and does not undermine credibility of ultimate conclusion on municipalities' access to Bank Loans

** Commercial loans for the purpose of this Assessment, should NOT include loans from Special Municipal Funds or other Government-owned Development Banks if they offer below market lending terms (interest and/or duration/length of loans).

Lending rate

Importance: Measure cost of market borrowing with bank loans. The IMF-sourced Lending rate is a proxy of market interest rates used by banks to price direct lending transactions. IMF defines Lending Rate as a prevailing rate used nationally by commercial banks, credit unions, savings institutions and money market mutual funds to service short- and medium-term financing needs of the private sector; it is a lending rate on local currency loans

Source Data: IMF International Finance Statistics data.imf.org

Measure: Lending Rate for loans issued in domestic currency, as reported in the IMF International Finance Statistics

- **Red** – >15%
- **Orange** – 7-15%
- **Green** – less than 7%

National fiscal and monetary sustainability

Importance: Measure macroeconomic risks on the country level, which may influence cost and availability of long-term market debt



Source Data:

- Primary source – IMF International Financial Statistics data.imf.org
- Proxy source for fiscal balances (for double-checking) – CIA Factbook <https://www.cia.gov/library/publications/the-world-factbook/fields/2222.html>

Measure:

- Inflation rates, 2-3 years retroactively
 - Amount of most recent national fiscal balance (total government revenue less total government expenditure) as percentage to GDP
- **Red** – Inflation over 10%
 - **Orange** – inflation 5-10% AND/OR fiscal deficit 2-5% of GDP, OR diminishing double-digit inflation and fiscal deficit <2% GDP
 - **Green** – Inflation below 5% AND fiscal deficit < 2% of GDP

Statutes and practices (legislative/regulatory framework and track record of city borrowing from commercial banks)

Importance: Show experience and knowledge capacity of city government in attracting debt in the form of commercial loans.

Source Data: Interview city-level officials using questions 3.1.1, 3.1.4, 3.1.14 -3.1.15, 4.2.7, and 4.4.2-4.4.3 from the Financial Management Block of the World Bank's City Creditworthiness Self-Assessment survey (www.citycred.org) focusing specifically on commercial loans

Measure: Expert opinion of public finance experts with proven expertise in relevant national/municipal context; substantial attention in responding to this question should be given to surfacing national and sub-national regulatory conditions for originating bank loans by cities (and associated jurisdictions or quasi-public entities).

- **Red** – City government has no authority and/or instruments to issue commercial debt
- **Orange** – City government has authority/instruments (e.g. either directly or through SPV) to issue commercial debt but EITHER has reached or neared statutory debt capacity, AND/OR statutory debt capacity is insufficient for financing large capital programs, AND/OR local borrowing track record is limited, OR respective knowledge capacity of local administration is rather slim despite nominal permissibility of borrowing at municipal level.
- **Green** – City government has authority to issue debt and the city has a proven and recent track record of borrowing from banks (either directly or through SPV) to finance local capital improvement needs.

Commercial lending resources

Importance: Understand a range of market players (i.e. commercial banks and other depository corporations), which can lend to the city for financing infrastructure needs specifically. Practices can be searched nationwide.



Source Data: Field research, interview city-level officials using questions 3.1.4, 3.1.5a, 3.1.5b, and 4.4.1 from the Financial Management Block of the World Bank's City Creditworthiness Self-Assessment survey (www.citycred.org)

Measure: Expert opinion on the access of the city as a borrower to commercial lending in line with the guidelines below

- **Red** – Commercial lenders have never issued loans to the surveyed city, elsewhere in the country commercial borrowing by cities is minimal to non-existent
- **Orange** – City borrows primarily from other levels of government or from state-controlled financial institutions, private lending to the city is minimal (examples of such borrowing by other cities in a respective country may also allow to assign the ORANGE code)
- **Green** – Wide range of lenders which can issue loans to municipalities, proven track record of private lending for municipal needs

Government co-financing:

Importance: Government co-financing may serve as additional leverage and a credit enhancement mechanism in lending transactions and can open additional opportunities for attracting commercial bank loans for infrastructure financing.

Source Data: Interviews with relevant national and municipal government officials, desktop research on activity of sovereign wealth funds, infrastructure funds, etc.

Measure: Educated opinion on availability of government financing facilities that provide financial assistance to infrastructure projects (i.e. financial infrastructure funds that give equity or long-term financing alongside private lenders and investors).

- **Red** – No evidence of government financing facilities that are set to co-finance infrastructure alongside the private sector (infrastructure can still be extensively funded exclusively from state funds, user fees and/or concessional loans)
- **Orange** – Some forms of government co-financing have been identified as a supportive tool for infrastructure investments; access to such government-led co-financing is limited due to either limited size of such co-financing (e.g. historic government co-financing transactions are <5% of an average capital project planned by the surveyed city) and/or lack of transparency in funds allocation (e.g. unclear criteria for application and approval of such funds).
- **Green** - Dedicated infrastructure co-financing facility/facilities are established by national or sub-national government; clear criteria for application for such co-financing; proven track record of long or short-term co-financing provided by such facilities for country's infrastructure projects (not necessarily in the surveyed city).

Local fiscal flexibility

Measure: enabling regulatory environment for assessing additional tax, or changing level of spending at discretion of the city administration

- **Red** – Very limited/no legal authority to enact or administer local taxes, city government has no authority to independently change items of operating revenue and expenditure without statutory changes adopted/endorsed by a higher jurisdiction.
- **Orange** - Authority to enact or administer certain local taxes and/or service fees; no authority to set property tax rates; limited authority to change level of spending (including adding/removing services and changing standards of service)
- **Green** – Significant authority to enact and administer local taxes and service fees, particularly to set property tax rates; authority to change level of spending (including adding/removing services and changing standards of service)



2. PPP / Concessions

It is form of project financing, wherein a private entity obtains long-term right to an infrastructure facility during specified period of time. As part of this arrangement a private partner is obligated to deliver certain facility or service by financing, constructing, and/or operating an infrastructure facility. A well designed and implemented PPP transaction shifts financial, construction and operational risks to the private sector and secures value for the public sector.

	Track record	Policies for private finance	Institutional capacity	Government co-financing
PPP / Concessions				

Track record

Importance: Give an indication of city's ad hoc experience in nurturing and managing PPP transactions in the infrastructure sector. Ultimately, lack or absence of proven track is not a prohibitive condition for PPPs but rather an opportunity to engage and support the city in establishing relevant PPP policies and systems and streamline subsequent PPP transactions in due course.

Source Data: face-to-face interviews with relevant government officials and businesses operating in the infrastructure sector

Measure: Track record of privately financed infrastructure assets operating now or under construction

- **Red** – no track record of privately funded infrastructure assets in the assessed city, very limited transaction experience nationwide
- **Orange** – some track record of private financing in infrastructure, but government funds heavily dominate the capital structure in the PPP transactions implemented locally; generally, PPP transactions are smaller in size (i.e. individual transaction rarely exceed \$50 mln)
- **Green** – proven track record of numerous privately financed infrastructure assets in the assessed city, various types of PPP structures implemented, various scale of projects.

Policies for private finance:

Importance: Give a snapshot assessment of government's policies facilitating participation of private capital in infrastructure investment

Source Data: face-to-face interviews with relevant government officials and businesses operating in the infrastructure sector

Measure: qualitative review of policy instruments pertaining to infrastructure capital planning and attracting private financing in infrastructure projects:

- Declared national/subnational policy for attracting private financing in infrastructure



- *Structured gateway process (administer by government) for due diligence and review of infrastructure projects entitled for PPP structuring (i.e. structured process to assess / prioritize projects based on delivery, bankability, affordability for users and the public funds, extent of government support, value for money, etc.)*
- *Nationally or sub-nationally maintained list of priority infrastructure projects, available for PPP structuring*
- **Red** – no declared policy for activating private capital for infrastructure financing, no priority projects shortlisted, no structured gateway for project selection
- **Orange** – declared public policy for attracting private financing in infrastructure (in some form), priority projects are not well formulated, structured gateway for project selection is not well established
- **Green** - declared policy for private finance in infrastructure, established list of priority projects, structured gateway process applied for project selection

Institutional capacity:

Importance: assess city government's administrative capacity and existing regulatory framework for implementing PPP / concessions

Source Data: face-to-face interviews with relevant government officials and businesses operating in the infrastructure sector

Measure: qualitative review of regulatory framework, institutions and governing practices pertaining to PPPs (availability of dedicated PPP units within the government offices, availability and efficiency of regulations and laws on PPPs, etc.)

- **Red** – very weak or virtually absent institutional framework for supporting and administering private finance solutions in infrastructure - i.e. neither at city level, nor at national level with application to the city (e.g. PPP units are not established within government systems or are evidently irrelevant to real PPP transactions)
- **Orange** – regulatory and supportive framework for PPPs is established within various levels of government (e.g. PPP units within government); however, at city level local PPP staff evidently lacks managerial and knowledge capacity/experience to be able to efficiently support and to be a reliable liaison in PPP structuring
- **Green** - dedicated PPP units within government at city level, staffed and empowered to providing comprehensive support to private finance structuring for local infrastructure projects

Government co-financing:

Importance: Financial infrastructure funds that give equity alongside private domestic and global investors for country's infrastructure projects can be instrumental in facilitating PPP-transactions.

Source Data: Interviews with relevant national and municipal government officials, desktop research on activity of sovereign wealth funds, infrastructure funds, etc.

Measure: Availability of government-driven long-term financing facilities that provide financial assistance to infrastructure projects



- **Red** – No evidence of government financing facilities that are set to co-finance infrastructure alongside the private sector (infrastructure can still be extensively funded exclusively from state funds, user fees and/or concessional loans)
- **Orange** – Some forms of government co-financing and/or guaranteeing have been identified as a supportive tool for private sector infrastructure investments; but the size of such funds is either limited (e.g. less than 5% of total value of infrastructure project currently in progress), or use of such funds has been inconsistent.
- **Green** - Dedicated infrastructure co-financing facility established by national or sub-national government. Such facility maintains funds, which are large enough to support several concession transactions going in parallel (i.e. at least \$1 bln); proven track record in mobilization of such funds for infrastructure projects delivered through concessions with private sector co-financing



3. Land Value Capture

Land value capture (LVC), often labeled more broadly as land-based financing, includes policy and regulatory tools that allow the public sector to engage in cost-recovery for additional spending on infrastructure and service delivery associated with new development as well as to participate in the appreciation of real estate values resulting mostly from public investment in infrastructure and changes in land use regulations. Such public actions may make land parcels more accessible (in the case of transit investments), or may prepare land for private sector development through the provision of network infrastructure (e.g., water connectivity and sewerage access) and additional public amenities (such as public open spaces, hospitals and schools), or increase land values through approval of land use changes (i.e., from agriculture to urban use) and higher development density.

Even though LVC tools can take different forms, they all have some key features in common in that they depend on efficient management of public assets, robust land and property markets, and an enabling regulatory framework. To that end, the indicators of enabling environment for LVC tools have been standardized as presented below. Please refer to color-coding criteria in the full set of standardized LVC indicators presented in the guideline following the summary scoring sheet. The list of LVC tools indicated in the scoring sheet is just a sample. Color-coded scores for each of the generic factor would apply to the entire set of tools, while specific factors would only be relevant to some of the tools.

Sampled list of anticipated LVC tools	Generic factors for LVC tools					Specific factors for disposition of public real assets		Specific factors for tax-based LVC tools		Specific factor for land pooling/re-adjustment
	Market Demand	Market Transparency	Local Institutional Capacity	Secure land and property rights	Land use controls	Marketability of underutilized public properties	Price Discovery	Fiscal autonomy	Specialized legislation for “ring-fencing” incremental tax revenue	Community participation
Disposition of public real assets (land and buildings) ^I Sale of development rights ^{II} Development charges/impact fees/exactions (including monetary and in-kind contribution) ^{III}										



Land pooling/readjustment ^{IV}										
Special tax assessments/betterment levies ^V										
Tax incremental financing ^{VI}										

Table notes (definitions of LVC tools):

^I Disposition (sale or lease) of excess or underutilized public assets (land, building) for cash that is re-invested in local infrastructure

^{II} Development rights or certificates of additional density are sold for cash to finance infrastructure improvements

^{III} Developer receives development rights (or tenure rights in land) in exchange for obligation to compensate in cash (or provide in-kind) the cost of certain items of public infrastructure benefitting larger area. Normally structured as planning approval surcharges, or infrastructure add-on tariffs charged to developers or landowners who benefit from planned or recently completed public infrastructure upgrades or other public measures (resettlement, land use changes). Can be charged as one-time fee either before, or after completion of upgrades or on recurring basis

^{IV} In a land pooling or land readjustment project, the original land owners or occupants voluntarily contribute a certain percentage of their land for infrastructure development and for sale to cover part of project cost. In return, each land owner receives a serviced plot of smaller area, but often at much higher value within the same neighborhood. This is a win-win situation in which the government can upgrade the neighborhood without having to use expropriation, and the landowners can enjoy better living conditions and an increase value of their real asset.

^V Tax-based tool. Locally administered tax increments (property taxes, sales taxes, etc.) charged within a designated geographic area (with well-defined tax boundaries) where taxpayers are deemed to benefit directly from infrastructure upgrades. Special assessment tax proceed are re-invested in local infrastructure (or recover incurred upfront infrastructure costs).

^{VI} Tax-based tool. Infrastructure loans/bonds secured by property tax increment generated by associated infrastructure upgrades



Market demand for developable land

- **Red** – stagnant or declining market with limited development activity and land transactions; or, market immaturity doesn't allow predicting next growing cycle and respective demand for land.
- **Orange** – growing or recovering real estate market; no critical mass of market interest to confidently predict that infrastructure-deficient land would be claimed by private developers; AND/OR market is immature and lacks modern development track record
- **Green** – growing market with critical mass of market demand (e.g. numerous unsolicited development offers from private developers to the city for parcels located in certain areas). Such demand creates conditions for assessing land value premiums to prime locations

Market transparency

- **Red** – not enough transactional activity to confidently assess market land values; local market data is fragmentary and undependable
- **Orange** – land market data is available, however with limited depth and geographic coverage (up to 50% of city's land area cannot be confidently valued based on existing listings and market transaction data)
- **Green** – established practices and platforms for collecting transactional market data; local data systems contain sizeable and verifiable sets of land/property values (listings, transaction databases etc.) that support elaboration of more or less accurate opinion of value for any piece of land in the city
 - Availability of government-administered land cadaster is an advantage but cannot be the sole criteria for **GREEN** designation. State land cadaster data has to be verified as to how cadaster land values conform to market land values.

Local institutional capacity

- **Red** – Local authorities are not legally permitted to dispose real property assets or negotiate public-private agreements (e.g. joint development agreements and/or form development SPVs) with the private sector
 - If respective higher-level subnational jurisdictions are still in possession of such powers – comment and, depending on how such agencies are usually responsive to the bottom-up development solicitations – assign **RED** or **ORANGE** coloring for the city
- **Orange** – Existing national and local legal framework permits City to negotiate transactions involving disposition of public assets to private real estate developers (including, in exchange for provision of in-kind infrastructure) but there is evident lack of track record and knowledge capacity in negotiating with private developers; AND/OR there is virtually no dedicated agency/government unit that is recognized as a liaison with private developers.
- **Green** – City has existing technical capacity and enabling regulatory framework to negotiate public-private development arrangements (e.g. there is a dedicated agency staffed with qualified personnel to negotiate development transactions).

Secure land and property rights

- **Red** – nonexistent, incomplete or compromised title registers; title search infrastructure is highly undependable.
- **Orange** – despite nominal presence of land/property registers, there are numerous incidents of unrecorded or overlapping land/property rights; numerous cases of non-delineated lands (e.g. clusters of urban “nobody's land” with potential conflicting interests); evidence of outdated or inaccurate title registers data.



- **Green** – robust land and property title registers covering entire area of the city; registers are regularly updated.

Land use controls

- **Red** – Non-transparent land use regulations and opaque land use decision-making in general, development certifications are highly unpredictable and highly contingent to the level of contact with the authorities.
- **Orange** – Master plan is adopted and enforced setting baseline land use vision in the city; however, evident omissions or ambiguities in land use and building limitations often create potential for conflict of interest or dispute.
- **Green** – Well-defined land use controls cover most part of the city (can take various forms, e.g. functional zoning, land ordinances or a highly elaborated master-plan with respective bylaws, etc.). The range of baseline parameters of land-use and construction help efficiently mitigate development disputes in any given part of the city.

Marketability of underutilized public properties (land / buildings)

- **Red** – underutilized public real property assets are not inventoried/identified
- **Orange** – underutilized public land and buildings are available and inventoried (at least partially), but locations are not desirable in current market; OR there are issues with delineation/titling of public real properties (e.g. borders and titles for public properties need to be developed from scratch);
- **Green** – underutilized public lands and buildings are inventoried and entitled (i.e. property rights are clean and registered) and there are assets located in prime/desirable locations with evident market prospects

Price discovery for public assets (land/buildings)

Color-code local conditions depending on the city's progress in establishing competitive pricing/bidding procedures for disposition of public lands, building and/or associated land rights

- **Red** – No regulations for competitive bidding on disposition of publicly owned real estate, public lands (buildings) are disposed off and priced through non-competitive closed bidding or at discretion of local/state administration
- **Orange** – Some formal regulations are in place (not necessarily through auctions); and / or public land tendering is strongly controlled by higher-level jurisdictions; or there is evidence (e.g. from media sources, or from face-to-face interviews with market players, etc.) of collusive practices in land auctioning.
- **Green** – City has authority to initiate a land auction, establish and /or amend land-tendering procedures; the city boasts a track record of running auctions/tenders for publicly owned land and buildings.

Fiscal autonomy

Measure: enabling regulatory environment for assessing additional tax, special tax, user surcharge, etc. at discretion of the city administration

- **Red** – Very limited/no legal authority to enact or administer local taxes and service fees;
- **Orange** - Authority to enact or administer certain local taxes and/or service fees; no authority to set property tax rates;



- **Green** – Significant authority to enact and administer local taxes and service fees, particularly to set property tax rates.

Specialized legislation for “ring-fencing” incremental tax revenue

Availability of specialized national and sub-national legislation that regulates municipal accounting treatment of TIF

- **Red** – Regulatory framework explicitly disallows separation of a portion of tax proceeds (“ring-fencing”) for servicing a specific loan facility
- **Orange** - National legislation *may* permit ring-fencing some tax revenue for servicing bonds (i.e. take out specific revenue streams for servicing a bond).
- **Green** – Specialized TIF legislation has been adopted

Community participation (for land pooling/readjustment)

Land pooling or readjustment generally requires the consent of the supermajority of the landowners (or land users in cases of informal settlements), well organized community participation is key to ensure ownership of the community and build trust with the local authority.

- **Red** – Community has little trust among their members or with the City authority; City has little knowledge or experience with participatory planning.
- **Orange** - City has some experiences of working with non-government organizations or community based organizations to organize consultations with local community. However, consultations are limited and there are no clear procedures of public participation.
- **Green** – City has clear procedure of public participation and has engaged local community in key decisions throughout the planning process of previous development projects. There are non-government organizations or community based organizations actively involved in facilitating community participation.