



Appendix D. Financial Resources

D1. LOCAL GOVERNMENT FINANCIAL RESOURCES AND INSTITUTIONAL STRUCTURES

D1.1 Local Government Budgets

Over time, how have the size and composition of the local government's budget changed? This would include tables of revenues and expenditures over the last five years (or if more appropriate, the last full economic cycle) and forecasts of expected revenues and expenditures based on various assumptions (scenarios). This analysis would distinguish between new borrowings and debt repayment, as well as between capital and current expenditure and revenue. A statement of accounting standards would be attached.

To what extent (projects, programmes, monetary value) has the local government leveraged its resources through innovative financing mechanisms such as build-own transfer (BOT), build-own-operate, public-private ventures, and so forth?

D1.2 Local Government Revenues and Expenditures

Over time, how have revenues and expenditures changed? Has the source of revenues changed? This analysis would include description of each tax and of rate-setting powers; a description of user fees collected and of tax and other revenue arrears; and a description of non-recurring revenue sources, such as asset sales and privatisations.

D1.3 Capital Planning

What are the capital improvement plans of the local government, and what are its investment policies? To what extent have past capital improvement plans been executed?

D1.4 Off-budget Revenue and Expenditures

How large are off-budget revenue (for example, revenue from concessions, sales of land, and so forth not included in the formal budget) and expenditure compared with the those of the formal budget? How is this money spent? Are off-budget revenue and expenditure transparent?

D1.5 Transfers

Over time, what has been the amount of transfers from national or other senior-level governments to the local government? What has been the relative importance of these transfers? On a per capita basis, how does the amount of transfers compare with that of other cities in the country? Is the city entrepreneurial in lobbying for transfers? Or does it prefer self-sufficiency (for example, wanting to avoid conditions attached to specific grants)?

D1.6 Extent and Impacts of Decentralisation

Is the national government implementing decentralisation (fiscal, administrative, political)? If fiscal decentralisation is ongoing, is it based on changes to both expenditure and revenue mandates or mainly on changes to expenditure mandates (as is normally the case)? How is decentralisation affecting local public sector revenues? Is it resulting in more or less local revenue generation? Many decentralisation frameworks facing developing cities offer little or no incentive to raise local revenues, and some may actually discourage local revenue generation. How is the city faring fiscally relative to other cities in the nation as decentralisation proceeds?

D1.7 Debt

What are the city's debt load and service? What is the city's repayment performance? What conditions constrain (further) borrowing by the local government?

D1.8 Access to Credit

Does the local government issue bonds? Does the local government have access to on-lended or pooled funds (through mechanisms such as municipal development funds)? Has the local government borrowed from these facilities? If so, how much? Over what time period?

D1.9 Credit Rating

Is there a credit rating service for local governments operating in the country? If so, what is the credit rating of the city and how has it changed over time?

D1.10 Autonomous Bodies

Within the city are there fiscally autonomous or semi-autonomous enclaves (for example, special economic zones, industrial parks, science parks)?

D2. MOBILISING NONGOVERNMENT CAPITAL

D2.1 Impact of Land Readjustment

How much capital could be attracted if land readjustment involving high-quality development were undertaken in key well-located neighbourhoods, especially slum areas? What policy measures, trust and awareness building, and other measures would be needed to unleash this capital through land readjustment processes?

D2.2 Impact of Land Tenure

How much additional credit would flow to informal housing areas if land tenure were ensured? What policy measures are needed to unleash this flow of capital?

D2.3 Housing Credit

Is credit readily available to low-income households to buy housing? Is this credit available through the commercial banking system? To what extent is government involved (for example, through special institutions such as housing banks or provision guarantees)? What is the monthly household income threshold that enables a household to purchase a basic house in the metropolitan area?

D2.4 Financing Local Infrastructure

Do consumers of housing and other buildings pay for the cost of local infrastructure through special tax assessments (repayable through mortgages)? Or do buyers get a "free ride" or suffer from lack of local infrastructure (see Figure 5)?

D2.5 Microfinance

What is the amount of microcredit dispersed annually in the city (most recent year for which data are available, plus time-series data)? What is the total amount of microcredit in circulation? In microfinance allocations, which groups are eligible or given preference? For example, are women given preference? For what can microcredit be used? Is microfinance organised on a community basis or through different institutional mechanisms (for example,

worker cooperatives or trade organisations)? How do levels of disbursement, repayment rates, and developmental impacts of microcredit compare with those of best-case cities? What changes in policy or public leadership would substantially enhance the flow of microcredit? (For detailed information on microfinance, see Ledgerwood 1999.)

D2.6 Credit for Small and Medium-size Enterprises

Do commercial banks readily lend to small and medium-size enterprises that are creditworthy in terms of potential but possibly not in terms of collateral? Or is the commercial banking system biased towards large businesses?

D2.7 Voluntary Organisation Finance

How successful are third-sector organisations (voluntary organisations, nongovernmental and nonprofit organisations, and so forth) in attracting funds? Are these funds used effectively? Are such organisations financially transparent?

D3. PRIVATE SECTOR FINANCIAL FLOWS

D3.1 Foreign Direct Investment

How have the size and the composition of FDI flows to firms operating in the city changed over time?

D3.2 Domestic Investment

How has the amount of domestic investment in productive enterprises changed over time, both in aggregate and by sector or cluster? Do companies operating in the city reinvest profits? Or do the profits leak out? What policy actions would increase the flow of capital into productive activity in the city, including incentives to reinvest profits earned through economic activity in the city?

D3.3 Commercial Banking Flows

According to central bank data, does the city experience net inflows or outflows of capital through the commercial banking system? What can be done to improve this performance?