

Cities Alliance, PPIAF, and GPOBA Support to Sub-National Entities in Developing Countries to Deliver Urban Infrastructure Services

Cities Alliance, the Public-Private Infrastructure Advisory Facility (PPIAF), and the Global Partnership on Output-Based Aid (GPOBA) are multi-donor trust funds housed at the World Bank. All three can provide assistance to cities and municipalities in developing countries to help address the demands of rapid urbanization to deliver essential infrastructure and related services (roads, urban transport, water supply, drains, sewers, etc.) to rapidly growing populations. In particular, they can help sub-national governments access financing throughout the various stages of infrastructure development.

Cities Alliance

The Cities Alliance is a global partnership for urban poverty reduction and the promotion of the role of cities in sustainable development. **The Alliance supports cities, local and national governments, and their partners to plan and prepare for future urban growth and help develop sustainable financing strategies for local urban infrastructure services.** Support provided by the Cities Alliance generally falls within three categories: citywide and nationwide slum upgrading programs, city development strategies, and national policies on urban development and local government. Within these broad categories, Cities Alliance members and partners are able to respond to a range of developmental challenges identified as priorities by the city or national government, slum dwellers, the private sector, and other partners. www.citiesalliance.org



In South Africa Cities Alliance support to the National Upgrading Support Programme played a significant role in the inclusion of informal settlement upgrades as a core component of the groundbreaking Delivery Agreement between the Presidency and the Minister of Human Settlements. The initial investment of \$600,000 from Cities Alliance and its partners helped leverage public investment of ZAR 4.9 billion for human settlement upgrading and municipal services.

Public-Private Infrastructure Advisory Facility (PPIAF)

PPIAF is uniquely qualified to help sub-nationals respond to some of the key challenges associated with urbanization and decentralization. **PPIAF can help build the capacity of government officials to prepare and enter into public-private partnership (PPP) arrangements with private partners.** PPIAF provides technical assistance grant funds to help prepare projects and establish an environment conducive to PPP transactions. This work can include reforms to institutions, policies, and legal/regulatory frameworks necessary for sustainable PPPs. Most of these reforms are needed to facilitate PPPs for urban services. **Through its Sub-National Technical Assistance (SNTA) program, PPIAF carries out similar work in support of direct sub-national entities (including utilities)'s access to private financing.** Municipal bonds, for example, represent a powerful capital allocation tool that is used by cities in many developed countries to build and maintain urban infrastructure, but has so far been untapped in many developing countries. SNTA's ultimate target is financial transactions involving bonds or bank loans to help utilities or municipalities access market-based finance without sovereign guarantees. www.ppiaf.org



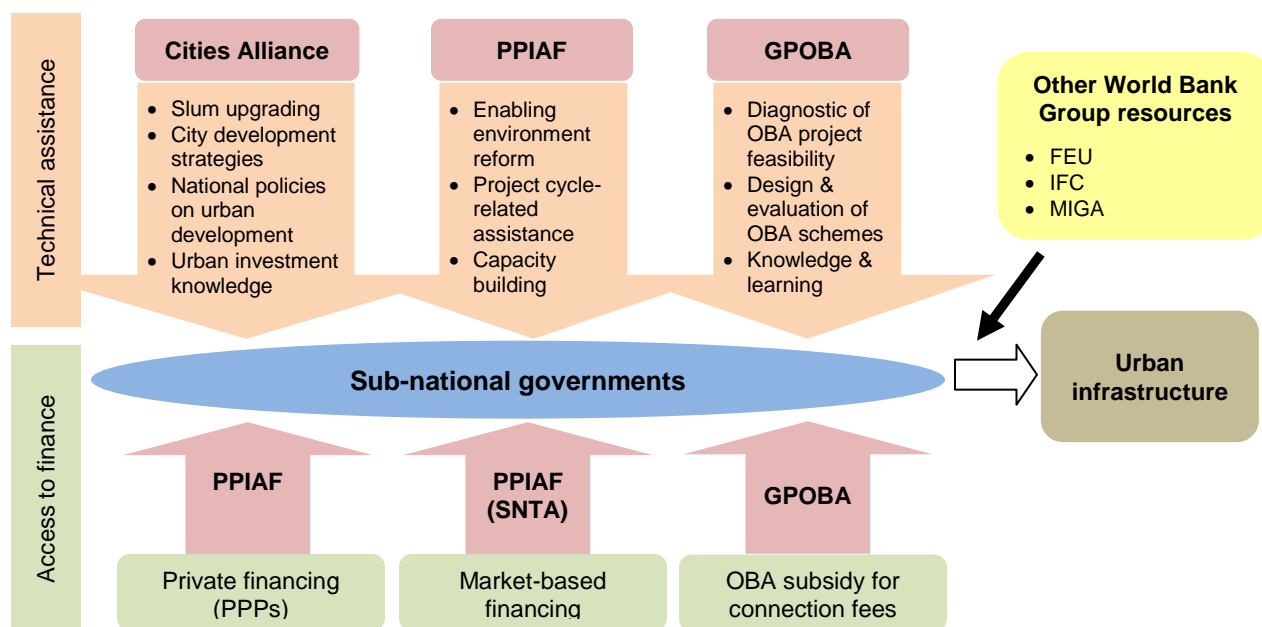
In 2010 the government of Rwanda requested PPIAF, through its SNTA program, to support a debt pre-feasibility study to assess the potential of the Kigali municipality to attract market-based domestic finance for the rehabilitation of the existing or eventual construction of a new bus terminal in Kigali, and prepare the corresponding action plan.

Global Partnership on Output-Based Aid (GPOBA)

GPOBA has a mandate to improve the delivery of basic infrastructure and social services to the poor in developing countries, using output-based aid (OBA). Typically OBA involves payment of a subsidy to facilitate access to infrastructure (water, energy, sanitation, transport) or social (health, education) services for the poor. **GPOBA's portfolio offers significant lessons and best practices from its experience with OBA approaches** and can make a positive contribution to the effort to address the unique challenges of the urban poor. By using explicit targeting, tying payments to the achievement of specified service performance or outputs, and offering an incentive for private sector participation in development, the OBA approach provides a strong platform from which to help improve the quality of life, social and economic outcomes of low-income city dwellers. **Water and sanitation schemes make up 41% of GPOBA's subsidy portfolio, with projects in urban settings valued at about US\$33 million and expected to help over one million people**—mostly in Sub-Saharan Africa—through outputs such as yard taps, public water points, and individual household water and sewage connections. www.gpoba.org



In Mozambique, GPOBA's Water Private Sector Contracts project aims to provide subsidized water connections for over 400,000 members of low- to middle-income households in Maputo. The OBA scheme is part of the World Bank-financed National Water Development Project II to improve the production capacity of Mozambique's water systems.



Additional Support from the World Bank Group:

Cities Alliance, GPOBA, and PPIAF can leverage other World Bank Group resources to help governments identify and develop viable PPP transactions, as well as secure financial support such as guarantees to make PPP projects more attractive to prospective private sector partners. These resources include the **Finance, Economics, and Urban Development Department (FEU)** that anchors the urban development and municipal finance agenda (www.worldbank.org/urban); **International Finance Corporation (IFC)** that can help governments develop viable PPP projects and conduct competitive bidding processes to transparently select developers (www.ifc.org/ppp); and **Multilateral Investment Guarantee Agency (MIGA)** that promotes foreign direct investment by providing political risk insurance to investors and lenders against losses caused by noncommercial risks (www.miga.org).