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A tale of…: cities: Town buildings urban architecture

A tale of… cities

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"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us— in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only."

- Charles Dickens, A Tale of Two Cities

One cannot help but compare subnational and municipal PPPs to national level PPPs. Historically, PPP programs and frameworks have been focused on projects of national importance, which are politically riveting as well as, oftentimes, costly – involving central government agencies to assume liabilities or giving guarantees.

By comparison, PPPs at the municipal level tend to be less splashy, smaller projects that quietly improve citizens' daily lives: better street lighting, improved parking, clean markets, and bus shelters that keep commuters out of the rain. While these projects may not capture national attention, they are worthwhile infrastructure.

Recognizing this, the Public-Private Partnership Resource Center has launched a section devoted to municipal PPPs, which links to legal and regulatory frameworks crafted for such projects as well as sample precedent bidding documents and project agreements, including:

- Street lighting energy-saving agreements that give the private partner a share of savings on a municipality's energy bill for street lighting in return for improved and well maintained street lighting.
- Car parks and on-street parking schemes, where a provider is given a share of revenues in return for building and maintaining the car park on municipal lands and operating fare collection.
- Solar panels on local or state government buildings that allow the developer to generate and sell power to a government off-taker or into the grid with some benefit to the government agency. These projects need careful crafting as there are often a number of public agencies involved, including state or even national-level utilities.
- Bus stations where the developer follows municipal specifications for layout as well as developing space for other commercial revenue-generating activities.
- Health PPPs including those developing specialist wings at public hospitals for services like dialysis or cancer care; or rehabilitation and expansion of public hospitals, ranging from projects where the private partner is paid an availability fee for the infrastructure, which is the typical UK private finance initiative (PFI) hospital scheme, to full service concessions in India where the private partner agrees to make available a certain number of beds/services to patients under public insurance schemes or set tariffs, but is otherwise free to serve private patients.

All of these projects operate under the recognition that municipalities tend to be budget strapped, with limited means for generating tax revenue and relying heavily on central government funding that is not always available. At the same time, rapid urbanization means there is increasing stress on municipal infrastructure, and so municipalities have looked to innovative ways to procure such projects.
For example, where they lack the funds to finance improvements, they are often rich in land holdings that can prove attractive opportunities to private investors. Municipalities also have a captive audience of consumers, and thus opportunities abound for public infrastructure to double as advertising and commercial space. Unfortunately, transaction costs for procuring PPPs can be significant and municipalities have not always sought transaction support for project design or followed good practice in competitive bidding – there is often no clear framework for developing PPPs at a local level. The Public-Private Infrastructure Advisory Facility (PPIAF) and other development partners such as the International Finance Corporation (IFC) have realized this challenge and are focusing support increasingly at local levels to develop suitable frameworks, provide transaction support and build capacity. The Public-Private Partnership Resource Center municipal pages leverage off of some of this work and showcase their results.

The section also links to a number of initiatives to standardize bidding documents for these projects and to toolkits focused on smaller projects to ease transaction costs. The team is aware of other initiatives that will also soon be linked, so keep an eye on this space!

Related Content

- **Sub-national and Municipal PPPs**
- **Case Studies: Municipal PPP Framework**
- **Innovative Revenues for Infrastructure (IRI)**

Additional Resources

- About PPP Resource Center
- About Public-Private Partnerships

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