

# Opportunities in Municipal Finance: Lessons for Peri-Urban Areas

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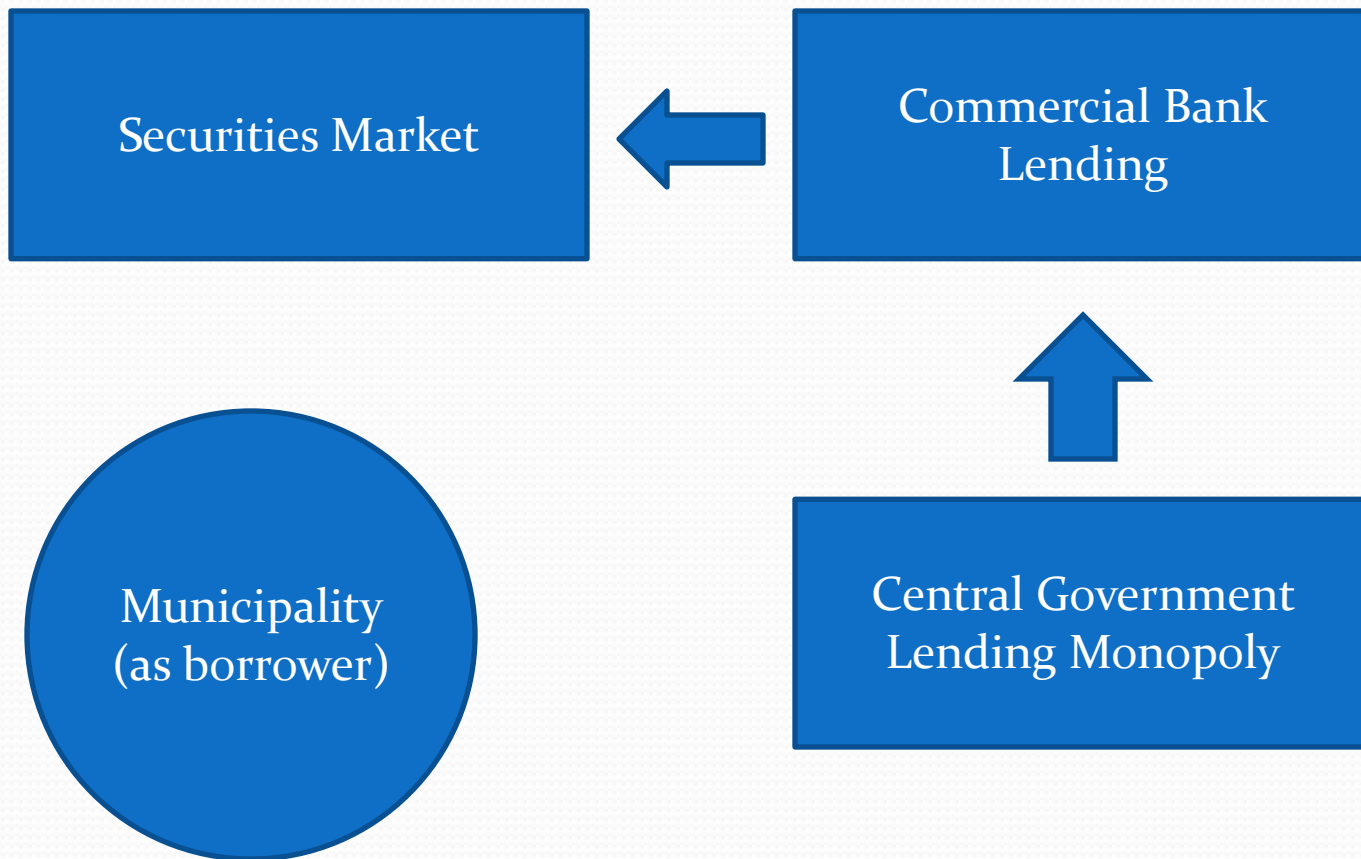
# Funding Government Expenditure

- Government Revenue
  - Taxes
    - Stamp duty
    - Excise tax
    - Sales tax
    - Road tax
    - Income tax – corporate or individual
  - Non-tax revenue
    - Intra-government transfers
    - Inter-government transfers
  - Government Borrowing
    - Loans
    - Bonds

# Defining Emerging Markets

- Increased volatility of macroeconomic performance
- Increased price elasticity of demand for some essential services
- Relatively short periods over which reliable financial information and performance data have been collected and reported
- Relatively less-well developed legal and regulatory systems governing the delivery of essential services and powers of different levels of government

# Stages of Development



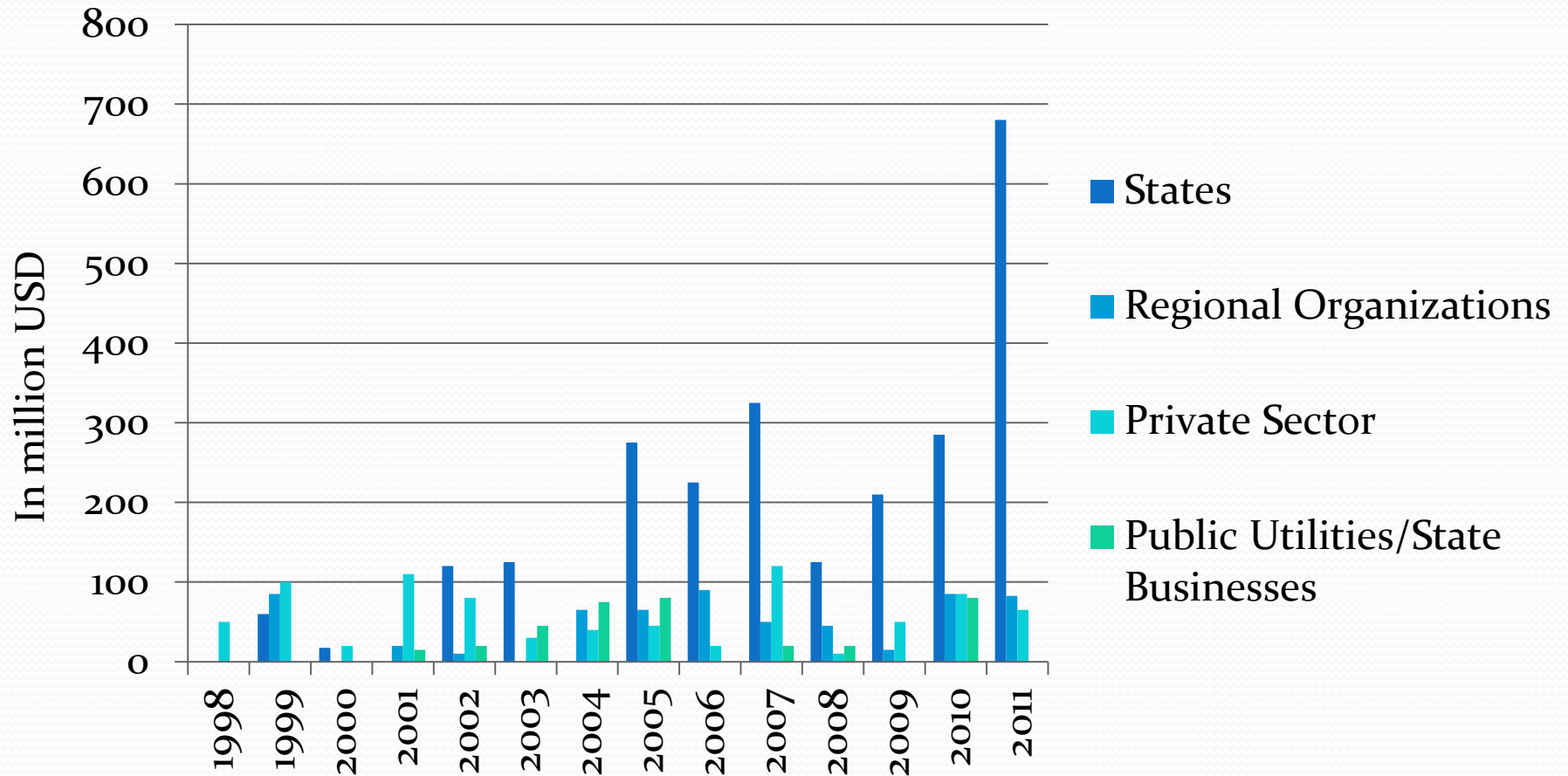
# Comparing Bonds and Loans

	Bonds	Loans
Size	Meets demand and appetite of investors	Meets demand and appetite of banks
Interest Rates	Depends on creditworthiness of issuer	Depends on commercial lending rates
Maturities	Longer maturities, can match useful life of specific projects	Shorter maturities
Collateral requirement	Do not require matching collateral	Require matching collateral

# Comparing Bonds and Loans

	Bonds	Loans
Issuance Costs	High costs, especially for first-time issuers	Set fees determined from total amount of loan based on standard documents
Impact of Credit Issues on Interest Costs	Perception of emerging markets countries can be weak	Subject to bank conditions, but not likely to be impacted by emerging markets status
Market limitations	Volatile market with very limited liquidity	Not applicable

# West African Bond Issuance



# Transferrable By-Products (1)

- Strategic Plan
  - Identification of goals and initiatives
  - Stakeholder support
  - Public participation – voice of the urban poor



# Transferrable By-Products (2)

- Capacity-building of municipal departments
  - Planning department
  - Urban management department
  - Financial department

# Transferrable By-Products (3)

- Financial capacity of political unit
  - Identification of revenue sources
  - Predictability of ongoing revenue sources

# Transferrable By-Products (4)

- Objective rating process as ongoing measurement
  - Third-party analysis
  - Implementation by World Bank task force