

Foreword

Municipal Infrastructure Financing is the second title in the Commonwealth Secretariat's Local Government Reform Series. Books in the series offer guidance on various aspects of local government reform to public sector policy-makers, senior managers at central and sub-national levels, as well as students and researchers in public administration with an interest in local government issues. Each volume distils contemporary thinking and good practices from around the Commonwealth, in a readable and accessible form.

This title on municipal infrastructure financing appears at a time when a global economic crisis presents unprecedented challenges to governments. Many countries, despite fiscal constraints, are considering some form of stimulus package in response to the crisis. These packages are meant to stimulate economies via significant increases in public spending. Investment in infrastructure is recognised as an effective measure to deal with the economic downturn and this, in turn, will have important bearing on the quality of services provided by government.

This book is based upon a study commissioned by the Commonwealth Secretariat in 2007. The study acknowledged and analysed the key constraints in financing municipal infrastructure and services in Commonwealth developing countries, and presented infrastructure-funding options based upon illustrative success stories globally. The growing trend to mobilise private sector financing and participation in order to develop infrastructure projects, particularly at the sub-national level, is evident in the approaches adopted in a number of countries.

In many Commonwealth countries, decentralisation has resulted in greater local government responsibility for provision of municipal infrastructure and public services. In parallel, increasing urbanisation and fiscal constraints have prompted governments to seek innovative infrastructure financing from the private sector. These developments present new challenges for governments, challenges that include developing appropriate legal and regulatory frameworks, preparing bankable infrastructure projects, developing capital and credit markets to access long-term infrastructure finance, and attracting private sector financing and participation.

As is known, infrastructure projects typically have a long gestation period and require huge capital investment that, initially at least, do not yield substantial revenues. The current adverse economic environment and fiscal constraints demand, even more than before, stringent minimum levels of performance and reinforce the

importance of appropriate policy and legal frameworks in infrastructure spending. Municipal governments traditionally lack technical and financial capacity to finance infrastructure projects. Public-private partnerships in provision of municipal infrastructure that will improve efficiency are all the more relevant in the current environment.

This book focuses on the trends and gaps in municipal infrastructure financing and assesses credit and capital markets in selected Commonwealth countries. I sincerely hope that policy-makers and managers entrusted with local government service delivery will be encouraged to explore the issues and alternatives to conventional municipal infrastructure financing through the case studies. Our aim is to strengthen local government reform strategies and processes, so that Commonwealth governments can make more informed policy choices about decentralisation. The Secretariat will continue to support Commonwealth member governments by advancing knowledge of these and other public sector reforms.

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