

BASIC SERVICES
AND
DECENTRALISATION
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Report summary

This briefing note was prepared to inform a discussion at the 2012 World Urban Forum on Basic Services and Decentralisation. The note focuses on the impact of decentralisation on service delivery – not only on greater coverage and access to services, but also as a transformative means to make services more sustainable and responsive to consumer preferences. It acknowledges the importance of greater coverage and access to services as a ‘results indicators’ but it stresses that a wider set of transformative and allocative issues are at stake. It places accountability to clients at the heart of successful service provision, and identifies challenges and intervention points for enhancing accountability in urban service delivery.



1 Introduction

This briefing note focuses on the impact of decentralisation on service delivery – not only on greater coverage and access to services, but also as a transformative means to make services more sustainable and responsive to consumer preferences.

2 The case for decentralisation

The assumptions and arguments¹ on whether and how decentralisation can improve the delivery of basic services can be summarised around the following themes:

2.1 Institutional accountability

- Responsiveness, as local service providers tend to be more responsive to citizens' preferences when allocating resources and managing service provision.
- Accessibility and accountability because decentralised systems are more accessible to citizens, enabling them to articulate their needs directly to those responsible for service delivery and holding officials to account for delivery or failure.
- Institutionalised entitlement of local governments under decentralisation, motivating them to take responsibility and supporting local-level capacity

2.2 Allocative efficiency through fiscal decentralisation

- Transfers from, or revenue sharing with higher levels can be structured such that they (a) support equalisation between better off and poorer sub-national units, and (b) provide incentives for output and outcome based performance and investment, and for local level revenue generation to make services sustainable
- Predictable fiscal flows to lower tiers² make possible for local planning and creating favourable setting for local operational decisions and priority setting
- Local revenue responsibilities and instruments enabling local governments to raise local taxes and service charges to recover all or some of the costs of services from direct beneficiaries
- Local revenues creating a direct link between citizens and their local governments and service agencies, which increases accountability.

3 Constraints and challenges to decentralisation

The benefits of decentralisation cannot be taken for granted. They are rarely immediate and entail more than expansion in access alone. It takes time to change systems, incentives and attitudes, and to overcome vested interests that oppose decentralisation. Moreover, it is not always clear what service impacts can be attributed specifically to decentralist reforms as they often occur alongside other institutional and fiscal changes.

3.1 Access to services: potential and limitations in the short term


Although the benefits of decentralisation should not be viewed solely from an access to services perspectives, a number of countries and sub-national jurisdictions have shown measureable improvements in coverage within relatively short time frames.

- In South Africa overall access to water supply infrastructure increased from 59% in 1994 to 97% in 2009/10³. National programmes at first consolidated sector efforts, but

¹ Bahl (2008); Conyers (2007); Heymans, Preston and Slater (2004); Robinson (2007); Scott (2005 and 2009).

² Predictability is enhanced by formula-based allocation that measures of equity and efficiency (Bird 2003).

³ National Treasury (South Africa) (2011), Intergovernmental Fiscal Review 2011, Pretoria.



since 2000 delegated powers to local level created local accountability and the development of systems to improve services in line with local preferences.

- In Brazil, second-tier (State) service providers have been the major agencies for water and sanitation services since the 1990s, but are held accountable and given a coordinating role under the Basic Municipal Law across municipal boundaries.
- In Bolivia, Faguet's (2011) analysis showed that aggregate public spending patterns do change when resources and power are devolved to lower levels of government, with greater emphasis on basic needs. Box 1 reflects these analyses.

However, a lack of data has led some observers to question the impacts of decentralisation on access to services. Mark Robinson (2007), for example, argues that in Africa, Asia, and Latin America the quality of public services has mostly either declined or remained unchanged... Conyers (2007) echoes this finding for Sub-Saharan Africa, observing "... that decentralisation has done little to improve the quantity, quality or equity of public services. In a DANIDA-funded World Bank review of decentralisation in Uganda, NALAD and EPRC (2000) show modest improvements in the health, water supply, sewerage, sanitation, solid waste management and roads sectors public services, but acknowledge that results have lagged behind targets and emphasise a need for considerable capacity enhancement.

3.2 What would have happened with no decentralisation?

Mostly, decentralisation is introduced in the first place because whatever existed had not been working. There is litany of cases of massive central public investments that were barely used, lacking local level participation and ownership and involvement in maintenance. Even where the numbers show services have been delivered, there have been documented examples that centralised delivery contained severe allocative inefficiencies, as Box 1 shows.

Box 1. How decentralisation improved allocative efficiency in Bolivia

In the late 1990s to mid-2000s, J-P Faguet's econometric analysis demonstrated the impacts on service delivery of centralisation and decentralisation in Bolivia.

Since decentralisation was introduced:


- Aggregate public spending patterns shifted towards basic needs sectors such as Education, Civil Works, and Water & Sanitation
- Municipal spending in these sectors was proportionally much higher than that by the centre
- Especially smaller municipalities placed a higher priority on Education and Health

Previously **under a centralised system**:

- The allocation of resources among local services did not reflect local preferences
- Only a fraction of the money due to service providers actually reached them, as it got usurped in central government systems or simply eventually not assigned
- Some regions were markedly neglected – public resources were concentrated in the capital city; afterwards, there has been a more balanced spread across areas.

3.3 Lack of capacity and empowerment at sub-national levels

The lack of capacity at sub-national levels may delay delivery in the short-term, but if this gets addressed, the qualities of local responsiveness, ownership and accountability could well put service delivery on a more sustainable footing. Ahmad, Devarajan and others (2005) found that in Uganda and Tanzania the lower tiers of government lacked the ability to manage public finances and maintain proper accounting procedures. Since these were requirements for transferring money to the lower tiers under the earlier centralised system,



the latter received fewer funds than before decentralization: in Uganda, for example, spending on primary health care fell from 33 percent to 16 percent during decentralization.

The logical option is not necessarily NOT to decentralise, but rather to invest in capacity enhancement and improved performance incentives at subnational levels. Progress inevitably varies between subnational jurisdictions. For example, in China, the per capita own-revenue of the richest province is 16 times that of the poorest region (White and Smoke 2005). In decentralist South Africa, some cities like Durban and Buffalo City have made very good progress on access and are largely sustaining it even under considerable pressure as populations grow and an emerging structural fiscal gap that is not of their making, whereas others have become more financially vulnerable and less able to maintain and manage their infrastructure assets (National Treasury 2011). A combination is needed of direct capacity support and introducing more robust accountability and performance incentives for local governments.

Decentralization is sometimes incomplete, where sub-national institutions lack the range of powers required to perform their functions. For example, in Pakistan, city councils have had responsibility for primary and secondary schools, but have lacked authority over key human resource decisions for education, such as recruiting, retrenching or assigning teachers. Annex A provides operational lessons on capacity support for decentralisation.

Box 2: Typical capacity challenges at local level

Technical and Administrative capacity constraints

- Inadequate devolution of power, particularly over finance and staff
- Vague and / or inappropriate systems and procedures
- Inadequately qualified, underpaid and unmotivated staff
- Lack of 'downward' accountability and political interference from the top

Financial capacity constraints

- Expected tax revenue does not materialise in the vulnerable local economies
- Fiscal transfers not incentivising performance or fail to address equity across local jurisdictions
- Fiscal transfers assume technical capacity exists
- Financial reporting places high transaction costs on municipalities
- Soft budget constraints lead to irresponsible borrowing and overspending

(See Conyers (2007))

3.4 Political obstacles to decentralisation

Understanding the incentives for decentralization is critical. Scott (2005) suggests that many authors are sceptical as to central governments' motives in pursuing decentralisation. Sometimes decentralisation is seen as a way to access donor funding, as several donors have been advocating it as a preferred approach. But there are also several domestic drivers for central advocacy for decentralisation which have caused it to at times be viewed with suspicion, such as central policy makers see decentralisation a way to co-opt power bases not under their control, or that they seek to off-load responsibility for basic services without properly resourcing local institutions. While decentralization was in some cases intended to strengthen the political power of lower tiers of government, it may be open to political capture within these lower tiers – Ahmad, Devarajan and others (2005) cite the case of Indonesia where village heads ended up extending patronage and even choosing the members of "village governments" instead of being accountable to village councils. Fiscal transfers too could be manipulated politically, which is why decentralisation is best achieved if formulas are as accessible and reporting on transfers as transparent as



possible.

4 Strategic Areas for Intervention

Considering the challenges identified in the previous section, there are some key areas for strategic intervention. From a service delivery perspective the results flowing from newly decentralised institutional arrangements could be expected to include wider coverage and access to services. However, the discussion above also highlighted that the challenges require a more multi-faceted response that not only judges success in terms of increased

Box 3: Countering political manipulation of fiscal transfers in South Africa

South Africa annually publishes and passes a Division of Revenue Act which details all transfers to local governments. This helps make resource distribution across sub-national governments more efficient and equitable, reducing risks of manipulation to serve particular political and other interests rather than local governments and communities.

access in the short term, but also lays the foundations for sustainable delivery in the longer term. This section discusses key intervention points to move along and strengthen institutional reforms that would underpin such sustainability.

4.1 Functional empowerment of local governments

Decentralisation works best where the role of all levels of governments are well defined, linked and organised, based on a clear delineation at different tiers of the government. The key issues are to keep the three primary governance roles in any sector – policy, regulation and service delivery – separate and strengthen accountability to citizens.

There are no rigid rules as to what tier should assume which role, but decentralized systems do offer the option of reinforcing the independence of regulation by locating it at a tier different from where policy is made or where services are delivered. Typically in most systems the overarching sector policy role vests with the central government, although some aspects of policy could be placed at other levels, while the delivery of basic infrastructure services like water and sanitation and solid waste management is often assigned to local government (See Box 4). Where this is done, it is imperative that local agencies are clearly assigned the powers of execution, and carry the risks of failing to do so. This is the only way to ensure that local agencies become fully accountable.

While the assignment of roles forms the foundation of accountability for service delivery, there is in all developing countries some need for capacity development, as was indicated in section 3. Box 5 provides examples of such capacity enhancement programmes in some of the most challenging urban environments – the highly populated and continuously changing urban settlements in India and Pakistan



Box 4: Devolving water responsibility to local government – South Africa since 1994

Shortly after South Africa's democratic election in 1994, the new government initially centralized the responsibility for water and sanitation nationally as it embarked on an ambitious programme aimed at extending basic services. Although the initiatives had strong elements of community consultation and participation, the pace of delivery was substantially increased, but at a high cost per household served.

After 2000, a free basic water policy was introduced as part of a broader commitment by government to provide free basic services. In 2003, water services assets were transferred to local government, in line with the constitutional principle of subsidiarity. Far-reaching local government restructuring took place, with the boundaries of local government reconfigured to span both urban and rural areas. In parallel to this, government's funding policies were reformed with former dedicated water and sanitation funding aggregated into a two-channel municipal grant system – a conditional capital grant that targeted poor people and an unconditional operating grant that assumed local operational accountability. The role of national government thus changed from direct involvement in project design and implementation, to that of sector leader, supporter and regulator. Its role entails capacity building in line with a policy distinction between “authority” and “provider” functions which allows local authorities to contract public or private providers to undertake actual provision of services.

See Ahmad, Savage and Shrivastava (2005)

4.2 Financial empowerment aligned to local government functions

There can be no financial empowerment without clear assignments of both expenditure authority (e.g. services such as water and sanitation and land management) and revenue-raising capacity. Clear assignments make it more feasible to hold municipal managers accountable for financial performance, enforce hard budget constraints (precluding “bail-outs” to municipalities that do not manage their finances effectively), and set expectations for improving own revenue.

Access to capital markets through borrowing could enable municipalities and other sub-national institutions to extend their financial base in a planned and systematic manner and to undertake lumpier and longer term capital investments. In Poland, decentralisation in the 1990s included developing market finance instruments for municipalities and a regulatory framework for borrowing through loans or bonds. This remains a vibrant part of the Polish local governance system to meet the infrastructure needs of cities and towns. In 2011, the Polish municipal bond market grew by nearly one third⁴. The regulatory framework developed in the 1990s encourages borrowing, but also puts incentives in place to hold municipalities accountable, rather than relying on bail outs by the central government (OECD, 2011). Johannesburg in South Africa is another example of a city in an emerging economy that has raised private capital – with three bonds since 2005 for investment in water, roads and other urban infrastructure.

⁴ Government of Poland, Ministry of Treasury website (7 May 2012)

Box 5: Capacity building for municipal service delivery: some DFID experiences

- To perform their functional assignments, municipalities require sound capacity to plan spatially, fiscally and organisationally, with due attention to the challenges of service sectors.
- **Programmes supporting regional and urban sector strategies and investment roadmaps** can help city managers address the multiple challenges they face - deficiencies in basic infrastructure, poverty and under-employment, a poor quality urban environment, climate change and disaster risks – in an integrated manner. In India, DFID’s urban programmes have addressed the politics of slum redevelopment with the development of Municipal Action Plans for Poverty Reduction (MAPP). Applied in the states of Andhra Pradesh and Madhya Pradesh, this performance-based grant funding mechanism used a ‘learning-by doing’ approach to enable municipal bodies to complete annual participatory action plans combining municipal reforms and improved services for the poor. Central to the process is the prioritisation of slums based on poverty and infrastructure deficiency using locally-owned data, participatory forums and endorsement by the locally elected municipal council.
- **At an operational level**, in a long-term partnership with the City District Government of Faisalabad, in Pakistan, DFID has developed an approach to capacity building that is tuned to the needs of city governments in developing countries. It involves organisational self-assessments to identify change programmes that involve both system and business process re-engineering. These are supported by training in new management and business tools.
- **E-governance to support effective management and administrative systems** has become increasingly important for urban sector management and service delivery. These include systems that automate manual processes, systematise *ad hoc* practices and reengineer business processes – thereby increasing efficiency and accountability. The development of such e-governance tools for an integrated online information system that encompasses all the functions of the municipal corporation in Bhopal in Madhya Pradesh, India has helped increase the transparency and efficiency of municipal operations and responsiveness of local citizen services. GIS development in Madhya Pradesh entailed digitised maps linked to a database provided by a multi-purpose household survey have helped in the updating of tax base records as well as becoming a key tool in planning for urban service delivery.

The discipline precipitated by having structured a loan and having to pay it back, often induces efficiencies in the operation of assets and services and in financial management. An offspring of this discipline is enhanced accountability. An open borrowing environment provides incentives for municipalities to ensure that their financial management and performance meet appropriate standards to strengthen their credit ratings (See Box 6).

However, there are also significant risks that need to be managed, and where this has not happened the positive impacts of decentralisation have at times been compromised severely. Borrowing exposes services to the fluidity of markets – in Argentina, for example, the macroeconomic crisis in 2001 led to severe disruptions in provincial hospital services and several provinces had to reduce school hours because they could not afford to keep schools open all the time. There are also risks associated with concessional lending from higher tiers of government or development banks as softer interest rates could reduce the diligence associated with typical market borrowing, and if concessional public sector loans get written off as transfers, it undermines the accountability for financial management. In similar vein, a practice whereby loans get repaid through automatic deductions from fiscal transfers in subsequent years has meant in India and Pakistan that the levels of deductions have not been consistent, and the unpredictability this has caused has removed the incentives for local officials to take full accountability for managing repayment of loans.



4.3 Democratic, participatory local government and accountability

Regular and credible elections are integral to accountability in a democracy, but where political systems are still maturing, local councils often lack the authority and independence to make institutions fully accountable. For our purposes here, it is particularly relevant to look into the links between democratic, participatory practice at local level and service delivery.

For many citizens, their main contact with local government is through the consumption of municipal services. This makes it important to consider how decentralised institutions could enhance the interface with citizens as consumers. The World Development Report 2004 argues that the most direct route for enabling citizens to influence delivery is to make local bodies and their contractors responsive to their needs as end-users of services.

This requires service providers to be upfront about service standards so that customers know what to expect and give full and accurate information about them, and ideally given powers of redress if a promised standard is not delivered. None of these conditions can be enforced effectively, however, if politicians, other levels of government and municipal officials interfere continuously in operational decisions. Municipal disclosure regulations or law could be useful to enhance accountability, either through national PFM laws or within specific local municipal reporting on financial and service performance.

Box 6: Enabling conditions for municipal access to capital markets

Municipalities in several emerging economies have improved their financial viability and managed to access capital market funding. Lessons from Poland and South Africa point at key enabling conditions

Clear accountability and jurisdictions make municipalities reliable parties to deal with and discourage them from engaging in unduly risky borrowing, especially when higher tiers are prevented from intervening to honour local loans. To regulate this in Poland – a good practice leader in municipal borrowing – municipalities are not allowed to pay off debt of value exceeding 15% of their revenues in a given year, and there are penalties if a municipality takes a loan to pay off another loan.

Predictable and adequate municipal revenues: The attractiveness of a potential borrower is closely related to its expected income streams. In principle, municipalities in most countries have a marked own revenue stream through local taxes, mostly on property, business (e.g. turnover) or surcharges on taxes for other levels of government, or user charges for municipal services. Collection rates of taxes and user charges provide a tangible measure of a municipality's creditworthiness.

Borrower capacity: The quality of financial and operational management becomes important when municipalities engage potential lenders. For this purpose, the ability to budget effectively and to plan for servicing debts and the maintenance of investments is critical. This is one of the areas where intergovernmental intervention could occur most productively – assisting municipalities to develop the necessary skills and systems to engage investors and to manage budgets and resources.

Sound information systems: Potential investors want to be able to distinguish between good and bad debts. Municipalities need systems to make possible dependable and regular disclosure of debts and other financial information. Where individual municipalities lack such capacity, other tiers may assist.

Clear creditor and default monitoring and remedies: Creditors and borrowers both benefit from clarity on the implications of non-payment. This requires specific statutory arrangements and the room for the different parties to negotiate the conditions for interventions and likely remedies upfront.



Box 7: Lessons from DFID experiences in South Asia in social accountability support

DFID has learnt valuable lessons on social accountability in several programmes in South Asia:

DFID and UNDP's Urban Partnerships for Poverty Reduction in Bangladesh follows a 'community-empowerment' model which provides grant-funding for basic service infrastructure based on local-level planning exercises by slum communities. The programme uses savings groups as entry-point and networks groups within and between slums to build capacity to plan and contract infrastructure development. As confidence builds, the groups are able to work in partnership with local governments for improved service delivery – mainly water, sanitation, roads and footpaths. Increasingly, political leaders are seeing the benefits of the programme and are more willing to allocate resources to previously neglected slums. The programme has completed a GIS-based slum settlement exercise across all the 30 towns in which it works. With 'ground-truthing' with communities, this is proving to be an important tool for both communities and local councils to lobby for and target funds.

In India, DFID-supported reforms to promote the establishment of urban poverty units in municipal councils; community monitoring and contracting of the implementation of urban infrastructure improvements; and rights awareness to strengthen poor communities engaging in urban governance.

In Pakistan, support was provided to assist the introduction of Citizen Community Boards which oversee the delivery of small infrastructure improvement projects at local level.

In many countries, local councils hold public hearings, briefings and other processes to ensure citizen involvement in urban governance, budgeting, planning, land use and zoning, and monitoring of service provision. Brazil's participatory budgeting reforms, for example, have sparked a global push for renewal at this level, involving citizens in priority setting, and institutionalizing a feedback loop to keep them informed. In several countries, such as India and South Africa, participatory local planning has become a requirement for fiscal schemes that endeavour to encourage local priority-setting and resource planning for service delivery. Citizen Report Cards, first developed in India in the 1990 (as discussed in Box 8), have also become a growing option to give citizens direct means to make their voices heard.

Box 8: Citizen report cards: the start of a major shift in disclosure practice at local level

In 1994, the Public Affairs Center (PAC), a Bangalore-based nongovernmental organization (NGO), introduced the concept of report cards on government performance. Drawing on extensive consultation with agencies and citizens it has since published more report cards on service delivery in the city, leading to notable improvement in the quality of services provided by city agencies. Some groups have also used CRCs to hold politicians accountable. The PAC strategically used the findings in its series of report cards to press the senior-most tier of the political establishment – particularly the state's Chief Minister – to improve service quickly and along the lines suggested by the customer satisfaction data. PAC's experience highlights the importance of regular information flows. One-off reports tend to lack credibility and when information is expected to be regular, the incentives are created to sustain performance improvement.

In Mumbai, the findings of a citizen report card on services in urban slums were used to draft a 'charter of citizens' demands. This was presented to the local municipal councillor, and the charter was painted on the walls of all community toilets in the area, together with the corresponding duties of the councillor. Citizens thus created an agenda for service and governance improvements.



5 Conclusion

This note focused primarily on the impact of decentralisation on service delivery. It acknowledged the importance of greater coverage and access to services as a 'results indicators' but it stresses that a wider set of transformative and allocative issues are at stake. It places accountability to clients at the heart of successful service provision, and identifies challenges and intervention points for enhancing accountability in urban service delivery. A few key points are:

- **Institutional** change is highly political and requires time if the aim is to ensure ultimately that basic services are provided on a sustainable basis that is responsive to consumer preferences.
- During the early phases of decentralisation the service delivery may be disappointing as there will likely be political opposition, vast inequities and variances between different locations, a lack of synchronicity between various dimensions of decentralisation reform, and significant capacity lags to mitigate.
- In this context, it may be useful to ask what would have been the consequences of not having decentralisation at all. Mostly, decentralisation is introduced because whatever existed had not been working, such as public investments that are not used, monitored or maintained.
- There have been examples of centralised delivery resulting in changing public spending patterns when resources and power are devolved to lower levels of government, with the share of basic services increasing.
- Given varying conditions within countries, it is necessary to be pragmatic in the design and implementation of decentralization. Often reforms may have to be piecemeal rather than comprehensive and rapid, but on the whole there are certain common challenges that need to be addressed – notably around political support, capacity to deliver and financial sustainability.
- Certain strategic interventions could help leverage progress away from these challenges. Thus, a selection or combination of clear role definition and separation and assignment of roles, backed by targeted fiscal transfers that incentivise reform and local revenue generation, offers prospects for improving delivery not only through local government departments or public utilities, but also involving private service agencies and attracting market finance.



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7 Annex

Programme lessons on Decentralisation Capacity Support DFID' Madhya Pradesh Urban Poverty Reduction Programme, India

The Madhya Pradesh Urban Poverty Reduction Programme (MPUSP) has been working with the Government of Madhya Pradesh (GoMP) in four cities to enhance government capacity and strengthen institutional capacity to deliver sustainable access to effective services for the urban poor since 2006. A second phase is at the procurement stage. Assisted by DFID, the program has delivered three integrated outcomes:

An enabling policy and planning environment for pro-poor governance;

More responsive, accountable and inclusive service delivery by the state and Urban Local Bodies (ULBs);

Strengthened poor communities able to engage in urban governance, with improved infrastructure and access to services.

The program has benefitted the poorest 25% in the four cities of Bhopal, Indore, Jabalpur and Gwalior that are the focus of this program, with wider impacts through better urban governance and improved access to services for the Below Poverty Line (BPL) and improvements in the finances of the ULBs are projected, with a target of 100% increase in own source revenue.

The programme delivered important lessons for capacity support to decentralisation aimed at service delivery, such as:

Being at the Right Place and Time through ensuring thorough local knowledge and a great deal of effort to stay abreast of developments

Scale: Start small where some success will be demonstrable and focus on supporting urban reforms provides a sound basis for replication

Alignment: with national/ state policies enhances sustainability (and PD compliance)

Ownership: long term, flexible arrangements enable relationships and institutionalisation

Flexibility and innovation: DFID India has been promoting innovative ways of working (improved procurement, greater consultation/ participation, more systematic planning) and working with partners on workarounds to overcome bureaucratic barriers (incremental experimentation)

The table below captures some of the observations from implementation of the MPUSP.



Challenges	Lessons from MPUSP	Responses
Need continuity of top management at different levels for reform synergy	Close dialogue with top leadership/ management at all levels	Retain dialogue with executive state leadership
Capacities of government agencies in implementing reform contracts	Some government agencies have performed poorly on service contracts	Ensure procurement adequately considers past performance
How to structure complex contracts to optimise efficient delivery	Increase coordination and coherence in delivery of outputs	Avoid the parcelling of contracts where tasks are interdependent
Delay in bureaucratic procedures	Introducing Standard Protocols and Operating Procedures can assist the timeliness of processes	Ensure SOP targets are disseminated and monitored against actual performance
Recommendations on various reports (Fin Good Practices and Taxes) not fully implemented	Need to increase understanding and ownership in specific areas of reform	Strategies to sensitize agencies to opportunities, benefits, risks
Sustaining migration to transparent systems lengthy and time consuming process	Technical aspects of migration are relatively easy to address but operator resistance more intractable	Establishment of uniform accounting software and new municipal finance cadre
Lack of effective, regulatory and legal framework for urban PPPs	Lengthy identification and approval process and limited evidence base for structuring urban PPPs	Development of urban PPP policy and strategy. Streamline approvals and evidence base
Limited capacity (technical, financial & legal) in structuring arrangements	Improper structuring leads to multiple iterations and few logical conclusions	Capacity building action plan for state and city level officers
Lack of coherent tariff reform policy for promoting PPP	Weak private sector participation in many urban infrastructure projects	Specific PPP policy prepared for key issues of private investors.
One size fits all approach in PPP project structuring	Small LGs lack capacity; low private sector appetite for unviable projects	Feasibility studies on innovative project structuring mechanisms
Lack of clear earmarking of land ownership & land use classification	Multiple iterations and improper project formulation	Standardize approval procedure and checklist mechanisms