

Section II: Schedule of Requirements

eSourcing reference: RFP/2018/5830

INTRODUCTION

The Cities Alliance is the preeminent global partnership for the promotion of cities in poverty reduction and sustainable development. Headquartered in Brussels, it is a unique partnership with diverse members – local authorities, national governments, international non-governmental organisations, foundations and multi-lateral organisations – which have come together to strengthen both impacts and coherence in urban development. Cities Alliance is hosted by the United Nations Office for Project Services (UNOPS).

Cities Alliance has established a Joint Work Programme (JWP) focused on fostering equitable economic growth in cities. The JWP aims to better understand and address the link between public service provision and equitable economic growth trajectories in cities. To accomplish this goal it works with local governments, city stakeholders and development partners to produce global knowledge, facilitate policy dialogues and support city-level diagnostics and policy recommendations to respond to the challenges of inequitable economic growth in cities. The JWP is funded and chaired by the UK Department for International Development (DFID), actively facilitated by the Cities Alliance Secretariat. Further information on the JWP can be retrieved at: <http://www.citiesalliance.org/equitable-econ-growth>.

The JWP is building a repository of knowledge to explore and clarify the link between public services and more equitable approaches to economic growth. It is therefore looking for an entity to produce a discussion paper on the subject of “Pathways to Pricing Municipal Services in the Global South”, with focus on implications for equitable economic development and growth in cities.

BACKGROUND

As countries urbanize and cities grow, ensuring adequate and equitable access to public goods and services is not only a key responsibility of local governments, but one of their most daunting challenges. While functional responsibilities vary across countries and regions, local governments typically play an important role in providing, regulating and paying for a range of public goods and services. Such mandates often include price-setting powers. By regulating the supply of key municipal goods and services, the municipal pricing system offers local governments a tool to support local economic development and growth, via impacts both on access levels of workers and firms, and on the long-term sustainability of municipal investments. Pricing influences much needed revenue streams, enabling better services and, if effectively applied, more growth over time.

The broad principles of pricing are relatively well established. Pricing policies generally aim to achieve economic *efficiency*, social *equity* and financial *sustainability*. Efficiency principles, strictly taken, require pricing rules to be based on marginal costs. However, given lumpy investments (high construction costs relative to the recurrent income of most local authorities), administrative and transaction costs, as well the lack of general revenues to finance deficits arising from applying marginal costs, the principle is typically modified in practice.

Equity principles often explicitly drive pricing decisions, commonly expressed in lifeline tariffs, Increasing Block Tariffs (IBT) or other subsidised schemes. In some countries equity objectives are targeted by requiring that household expenses on utilities not exceed a certain norm. In Nepal and Bangladesh for example the principle of utility expenses not exceeding 5% of household budgets is used to determine loan-grant blends for water prices in secondary cities. In developed countries such as the United States, subsidized interest rates are available for 'hardship communities' for water supply and sewage investments. Similar concessional financing was available for countries that joined the common market in Europe as part of the accession conditions. While recent decades have seen a move away from the objective of full cost recovery from service users, financial sustainability remains a key principle of pricing. Given that the application of the efficiency and equity principles often results in deficits at the utility accounts, and most often in municipal deficits, the sustainability of pricing rules requires the availability of general funds financing or capital grants.

The combination of the three principles influences the affordability of services. A central challenge for local authorities lies in getting the balance right, between affordability and financial sustainability. From a demand side perspective, affordability is critical – for households, firms and entrepreneurs. However, the advantage of

service related own-source revenues such as user fees, tariffs and service charges, over which local authorities may have price-setting powers, is that they simultaneously allow the determination of the appropriate level of services, and provide a financing source for service delivery. An adequate supply of municipal goods and services requires multiple sources of finance, but service charges, if applied effectively, can provide significant contributions (and has increased globally in recent years).

The advantages of such charges, however, are not always easily combined, leading to a number of policy challenges. User fees can, for instance, be regressive and effectively exclude low-income households from accessing services. Similar negative effects might be seen on informal small-scale businesses and entrepreneurs dominating many urban economies in Sub-Saharan Africa and South Asia. Lack of affordable transport for example is a key concern to informal workers in many cities around the world. A study of home-based workers in Ahmedabad, Bangkok and Lahore found that on average 30 percent of their income were spent on transport, and that among the spenders, one-quarter operated at a loss. The objectives of efficiency and financial sustainability must, consequently, be weighed against the principle of equity and related affordability concerns. By regulating supply of and access to services key to the productivity of both workers and employers, the resulting balance will have implications for the economic development of the city

While the fundamental principles of pricing are fairly well established, their relative weight has shifted over time and along with changing policy priorities. Their application as a lever for economic development, particularly in resource strained secondary cities in rapidly urbanising countries, remains little explored. Moreover, the new realities of cities and local authorities in these contexts put the principles of pricing in new light. The trend towards (imperfect) decentralisation, in combination with high population pressures and scarce public resources, raises hard questions of how to balance key (but potentially conflicting) objectives of cost recovery and affordability to maximise economic outcomes. A number of associated trends add further question marks. It is unclear how municipal pricing systems best cope with the shift towards Public Private Partnerships (PPPs) and alternative service delivery models, the increasing pressure on environmental assets and associated concerns with resilience, and the expanded role expected of local authorities in attracting private investments.

An expanded outline of the conceptual underpinnings as well as a list of references can be found in the Product Description in the Annex of this RFP.

OBJECTIVE

The aim of the knowledge product is to examine the relationship between pricing principles and policy on the one hand, and more equitable approaches to economic development and growth on the other. It is intended to provide guidance on how local governments of secondary cities in rapidly urbanising countries can use price-setting powers to support equitable economic development at the local level.

The following key questions should guide the research:

- What are the causal links and pathways between pricing of municipal goods and services, and the promotion of equitable economic growth in cities?
- How can the municipal pricing system be used to promote equitable economic growth?
- How can local authorities balance the pricing principles and objectives (economic efficiency, social equity and financial sustainability) to maximise support to equitable economic development and growth?
- What impact does various pricing schemes and tariff structures have on formal and informal businesses?
- What impact does various pricing schemes and tariff structures have on the workforce and human capital accumulation in cities?
- What categories of locally provided public goods and services are most suitable for which type of pricing form and tariff structure to maximise economic impact?

The discussion paper should include a comprehensive review of the literature as well as analysis and cross-examination of case studies and documented approaches. It may also build on cross-examination of quantitative or qualitative data (such as price levels and structures, access levels to key public goods, survey data on service demand and accessibility) where available. The paper (of maximum 20,000 words) should include a set of recommendations on (i) research gaps and (ii) possible policy approaches directed at national governments, local governments and development partners.

The offeror shall propose up to four case studies in the proposal and confirm the availability of data, which will

be approved by Cities Alliance secretariat. The following criteria should guide the case study selection:

- Illustrative power: Illustrating a key outcome (positive or negative), issue, approach, challenge or success related to the topic and a measure undertaken by a local authority (possibly in cooperation with other stakeholders);
- Relevance: Displaying a clear link to the overarching topic of the paper;
- Sectoral spread: Covering action taken related to different goods and service areas;
- Geographic spread: A majority of case studies should cover cities in currently urbanising low or middle-income countries; at least one case should cover either an OECD country or an eastern European country;
- Scale: At least one case study should cover a small to medium sized city.

The implementing entity may, as appropriate, engage with key respondents such as experts, representatives of institutions working with the subject, city representatives or other stakeholders. All case studies need to be reviewed by an identified resource person within the cities covered in the case studies. Collection of primary data is not expected. However, any further investigation of the subject required to answer the research questions, and which would necessitate the collection and analysis of primary data, should be identified within the paper.

TARGET AUDIENCES

National and local governments: National and sub-national policy-makers and officials, and other stakeholders such as service providers, civil society actors and activists involved in shaping the understanding and enabling policy environment necessary to foster equitable economic growth in cities.

Members of the JWP: Members will use the knowledge product in support of their own development interventions to foster equitable economic growth in cities.

Strategic Partners: All partners interested in joining endeavors to get a better understanding of how inclusive and equitable economic growth in cities can be fostered, e.g. the wider media and development community as well as academia.

EXPECTED RESULT AND OUTPUT

The discussion paper should stimulate discussion on the subject, inform future research and ultimately guide project and programming efforts focused on addressing municipal service delivery, planning and financing for equitable, inclusive and sustainable economic development in cities. A suggested outline of the content of the discussion paper, which should not exceed 20,000 words, is as follows:

1. Executive summary
2. Introduction
3. Conceptual underpinnings and review of current knowledge, literature and debates
4. Analysis of experiences, case studies and policy approaches
5. Conclusion and recommendations
6. References

The paper should include the following graphical elements:

- At least three figures/infographics illustrating the suggested theory of change and associated pathways linking pricing of municipal goods and services and equitable economic growth;
- At least three royalty-free pictures illustrating public service provision in the context of urban economies.

DELIVERY SCHEDULE AND OUTPUTS

Activity	Description	Week Completed	Deliverable
1.1 Activity: Inception Report	The inception report will outline the table of contents, approach, a list of recommended cases to be covered, key materials to be used in the paper and a suggested dissemination strategy	3	Output 1: Inception Report

1.2 Activity: Preparation of a draft knowledge product	This activity will include the production of a literature review covering current theory and development on the topic; identification of case studies; data collection and analysis; and write-up. Once drafted the document will be presented to and peer-reviewed by the Cities Alliance Secretariat.	16	Output 2: First Draft Knowledge Product
1.3 Activity: Preparation of a second draft Knowledge Product	The second version of the paper will be circulated for external peer review facilitated by the CA Secretariat. The peer review process will take approximately three weeks.	26	Output 3: Second draft knowledge product
1.4 Activity: Final version of the Knowledge Product	Once comments and suggestions have been received, a final paper will be produced. The final version should be submitted in a copy-edited version ready for layout and design.	30	Output 4: Final knowledge product
1.5 Activity: Preparation of a 2 pager, presentation and online article	The implementation entity will produce a PowerPoint presentation and work with the Cities Alliance secretariat to write a 2-page summary of the knowledge product as well as an online article.	35	Output 5: 2 pager
			Output 6: PowerPoint Presentation
			Output 7: Online article
1.6 Activity: Presentation of the paper in JWP webinar	The paper will be presented in a dedicated Webinar organised by the Cities Alliance Secretariat	40	Output 8: Presentation in a JWP Webinar

REQUIRED EXPERTISE OF KEY PERSONNEL AND IMPLEMENTATION ENTITY

The following key roles with corresponding expertise is envisaged to be required to deliver the assignment:

- Senior Expert in Urban Economics, Municipal Finance, Urban Public Service Delivery or other related academic field relevant to the subject of the assignment
- Assistant(s)

The CV of the senior expert should demonstrate the execution of similar assignments over a period of at least 10 years.

As part of the RFP documentation, the implementation entity is requested to provide a list of similar assignments involving the production of knowledge products in the field of municipal service delivery, pricing policy and practise, and urban economic development over a period of at least 10 years.

OBLIGATIONS OF THE CITIES ALLIANCE SECRETARIAT

- Provide key documents;
- Quality checks on outputs;
- Final layout and graphic design.

OBLIGATIONS OF THE CONTRACTED ENTITY

- Provision of all case studies, data and pictures required for the discussion paper;
- Facilitation of a peer review process with a key (city) resource person of each case study covered in the paper;
- Inform the Secretariat in timely fashion of all contacts made with Cities Alliance constituents;
- Treat documents in a highly confidential manner;
- Not publish results or outputs without explicit permission from the Secretariat;

- Return all Cities Alliance documents used in the consultancy;
- Report on a timely basis any possible conflicts of interest.

ADDITIONAL INFORMATION

Background information on the Cities Alliance (including its Charter, annual reports, evaluations, and list of activities financed) can be obtained from its website: www.citiesalliance.org.

Product Description

Knowledge Product on
Pathways to Pricing Municipal Services in the Global South

April 2018

Introduction

As countries urbanize and cities grow a key responsibility of local authorities – and one of their most daunting challenges – is to ensure adequate and equitable access to public goods and services. Widespread access to public goods and services is essential not only to meet the basic needs of residents, but also for cities to fill their economic potential. Vibrant city economies rest on the economic opportunities offered to residents and firms. The productivity of both depend on access to a range of public goods and services, without which cities are unlikely to function as drivers of economic growth.

The role of local governments in providing, regulating and paying for public goods and services vary greatly across countries and regions, with key services such as primary and secondary education, health care and police often funded and provided by central or provisional governments. Recent decades, however, has seen a trend towards the devolution of service provision mandates (UNGA 2016). The provision of goods and services such as waste water and solid waste management, public transport, street lights, markets and public spaces, as well as infrastructure related to sanitation, local roads, waste water treatment and public parks now frequently fall within the responsibility of local governments (UCLG 2014).

Such mandates often include price-setting powers. By regulating the supply of key municipal goods and services, price-setting powers offers local governments a potentially important tool to support local economic development and growth, via impacts not only on access levels by residents and firms, but on the long-term sustainability of municipal investments. Pricing influences much needed own-source revenue streams, enabling better services and more growth over time.

The fundamental principles of pricing are fairly well established. Pricing policies generally aim to achieve economic *efficiency*, social *equity* (and affordability) and financial *sustainability* (and cost recovery). The balance of these objectives however has shifted over time and along with changing policy priorities (Chan 2012). Their application as a lever for economic development, particularly in resource strained secondary cities in rapidly urbanising countries, remains little explored. Moreover, the new realities of cities and local authorities in these contexts put the principles of pricing in new light. The trend towards decentralisation, in combination with high population pressures and scarce public resources, raises hard questions of how to balance key (but potentially conflicting) objectives of cost recovery and affordability to maximise economic outcomes. A number of associated trends add further question marks. It is unclear how municipal pricing systems best cope with the shift towards Public Private Partnerships (PPPs) and alternative service delivery models, the rising importance of environmental sustainability and resilience, and the expanded role expected of local authorities in attracting private investments. The inevitable role of small independent and informal service providers in the most capacity-strained cities and underserved settlements present another challenge for municipal service pricing and provision.

The main aim of the knowledge product described here is to explore the links and pathways between principles and policies of pricing of public goods and services, and equitable economic growth in cities. It aims to reassess the key principles of pricing in light of the changing realities and challenges facing local governments and cities, as well as to provide guidance on how to balance these principles in order to reduce inequalities, increase productivity and support vibrant local economies.

The aim of this product description is to provide an overview of the context and scope of the envisaged discussion paper, to be delivered by the Cities Alliance Joint Work Programme for Equitable Economic Growth in Cities.

Conceptual Underpinnings and Key Questions

Prices of municipal goods and services have both direct and indirect effects on equitable economic growth in the city. Direct effects, through impacting access by individuals, households and firms to economic, social and environmental public goods. For example, access to transportation infrastructure enhances mobility, enables workers to reach jobs and contributes to increased incomes; a cleaner environment reduces morbidity and improves productivity. Pricing has indirect effects on local economies by impacting on the sustainability of municipal investments. In other words, price levels have consequences for the fiscal capacity to provide and pay for such infrastructure over time: service-related own-source revenue, such as user fees, tariffs and charges, enables more and better services in the long term, which in turn supports better growth.

In addition to these direct and indirect effects, urban public goods often generate positive externalities, across space and over time. Environmental goods such as water and sanitation infrastructure, for example, improves groundwater resources, with benefits over multiple generations and beyond municipal boundaries. Such benefits have important implications for pricing decisions and suggests the need for subsidies to guarantee adequate supply.

Furthermore, investments in local public goods and services, and infrastructure in particular, are often lumpy investments (meaning they have high construction costs relative to the recurrent income of most local authorities). By improving access via price regulation, unit costs tend to fall, with an increase in scale of operations. This factor seems to support the case for subventions for instance in secondary cities and smaller communities, as has been done in the “hardship communities” in the US (see Johnson 2005).

Principles of pricing: efficiency, equity and sustainability

At an analytical level, the broad principles of pricing municipal services are relatively well established. There is little disagreement that pricing policies should target *efficiency* (cover or reflect opportunity costs), *equity* (spatial and temporal) and *sustainability* of the municipal budget (fiscal capacity to plan design, create and pay for the use of such infrastructure over time) (Nallathiga 2009; Chan 2012; Carnegie 2006; Boyle 2012). The relative weight and importance assigned to each, however, will depend on policy choices, priorities and objectives.

Efficiency principles, strictly taken, require pricing rules to be based on marginal costs (Deewes 2002). However, given the lumpiness of investments, administrative and transaction costs, as well the lack of general revenues to finance deficits that may arise from applying marginal costs, most municipalities tend to modify this rule in practice (Bahl 2005).

Efficiency principles also suggest that different prices are charged for different classes and types of consumers. For example, residential sewage treatment may be less costly than treating industrial effluents, just as residential solid waste might be cheaper compared to industrial or commercial waste. Similarly, within a consumer category, richer consumers tend to be able to connect to trunk infrastructure (in situations that require a lump sum connection charge such as with water and sewage) while poorer consumers may be kept off, leading to potential efficiency losses. In India, municipalities charge differential prices for connections (fixed charges) for consumer categories, so as to achieve overall lower unit costs (Mathur 2006).

Equity principles often explicitly drive pricing decisions. The concept of lifeline tariffs, (based on quantities that are essential for human well-being) are usually subsidized on these grounds (SALGA 2010). In some countries equity objectives are targeted by requiring that household expenses on utilities should not exceed a certain norm. In Nepal and Bangladesh, for example, the principles of utility expenses not

exceeding 5% of household budgets are used to determine loan-grant blends for water prices in secondary cities. In developed countries such as the United States, subsidized interest rates are available for 'Hardship Communities' for water supply and sewage investments. Similar concessional financing was available for countries that joined the common market in Europe as part of the accession conditions (Johnson 2005, EIB 2015). Increasing Block Tariffs (IBT) – with a very low price for the first “block” consumed – has become a common tariff structure for water in OECD countries (Chan 2012).

While recent decades have seen a move away from the objective of full cost recovery from service users, financial *sustainability* remains a key principle of pricing (UCLG 2014). Given that the application of the efficiency and equity principles often results in deficits at the utility accounts, and most often in municipal deficits, the sustainability of pricing rules requires the availability of general funds financing or capital grants. The critical policy issue is whether these grants are to be sector specific (water, transport), or untied allowing municipal decisions to be made on the basis of local priorities (see Nallathiga 2010).

The combination of these principles influences the affordability of services. A central challenge for local authorities lies in getting the balance right between affordability and financial sustainability. The challenge has been tackled in a variety of ways, including by guaranteeing a minimum level of free access to basic services (such as for water, electricity and waste collection in South Africa) or, more commonly, by applying differential pricing through cross-subsidies (as in many cities in Latin America, using social tariffs based on volume; or increasing block tariffs as in Europe) (UCLG 2014).

From a demand side perspective, affordability, naturally, is critical – for households, firms and entrepreneurs. But equating equity with affordability can have adverse effects from a policy perspective, irrespective of its impacts on financial sustainability. Blanket subsidies to lower tariffs and enhance affordability for all can be problematic and even fuel inequality. In Africa, for instance, roughly 90 percent of subsidy beneficiaries for piped water and electricity are among the richest two-thirds of the population (UCLG 2014).

Municipal goods and services: types and costs

From a regulatory perspective, municipalities produce public goods that are usually mandated in national laws as their functional responsibilities, and derive pricing power (setting of rates, affordability tariffs etc) from the rules framed under national acts. On the fiscal side, national governments also provide capital grants (tied and untied) that allow prices to meet affordability norms.

From a financing perspective, municipal investments are typically of three types. If financed either by borrowings or by equity, they generally need to be serviced by a combination of taxes and user charges.

- Small, civic infrastructure such as internal roads, parks, crematoriums etc, relying solely on general revenues for servicing;
- Large, environmental infrastructure, such as water supply, sanitation and solid waste, needing capital grants to blend with equity or debt for user charges to be affordable;
- Commercial assets such as standalone market complexes and office space, that can be financed on project recourse basis and normally not needing municipal or national subventions.

Given this broad typology, as noted above, the pricing policy affects both the supply trajectory of the municipal investments as well as the fiscal balance of the municipal budget. It is clear that adequate supply of municipal goods and services requires multiple sources of finance – coordination of own-source revenues with an effective system of fiscal transfers. Although service related own-source revenues such as user charges (and property taxes), over which local authorities may have price-setting powers, cannot cover the entire expenses of municipalities, they form an important part of a diverse revenue system (UNGA 2015). Service charges, if applied effectively, can provide significant sources of income. Revenues

from tariffs differ greatly among cities but has increased globally in recent years: In West Africa, from 2004 to 2007 revenues from service charges and municipal assets comprised 20 percent of total own-source revenues; while in South Africa, they range from 40 to 55 percent of local government income (UCLG 2014; 2010).

As noted, user fees, tariffs and service charges have advantages as they simultaneously allow the determination of the appropriate level of services and provide a financing source for service delivery (UN-Habitat 2015). However, these advantages are not always easily combined, leading to a number of policy challenges. User fees can, for instance, be regressive and effectively exclude low-income households from accessing services (Ibid; UN-Habitat 2010).

Similar negative effects might be seen on informal small-scale businesses and entrepreneurs dominating many urban economies in Sub-Saharan Africa and South Asia (WIEGO & UN-Habitat 2016; Meyer et al 2016). Lack of affordable transport for example is a key concern to informal workers in many cities around the world. A study of home-based workers in Ahmedabad, Bangkok and Lahore found that on average 30 percent of their income were spent on transport, and that among the spenders, one-quarter operated at a loss (Chen 2016). The objectives of efficiency and financial sustainability must, consequently, be weighed against the principle of equity and related affordability concerns. By regulating supply of and access to services key to the productivity of both workers and employers, the resulting balance will have implications for the economic development of the city.

New challenges for pricing of municipal goods

In principle, prices should be set to ensure affordability to all while contributing to the financial sustainability of services and providing incentives for their effective use. Those are the objectives. At a conceptual level there is also agreement that local public goods are best produced and priced (volumes and composition) on the basis of local priorities. Most decentralized countries mandate approvals of pricing (especially those that result from borrowings) from the governed – either through formal "Intended Use Plans" as in the US or through council approvals as in India.

Although existing case studies show the variations in pricing practices and powers across and within cities (eThekweni 2005, UN-Habitat 2009), a common feature is the increasing trend towards decentralization; a set of policy actions to empower cities to set rates and determine affordability tariffs, especially since the 1990's (Bagchi 2001; Bahl 2016). The question of how to manage municipal pricing policy in this changing institutional environment is key, and it complicates the set of neatly defined principles and objectives. Moreover, local government pricing policy will need to take account of a number of additional dynamics that inevitably shapes its relation to and effect on local economic growth trajectories. Four key dynamics can be discerned, the implications of which warrants specific re-examination of municipal pricing principles:

- The rising imperative of environmental sustainability and resilience as key objectives of local government action, and the potential for use of municipal pricing to achieve cleaner and more environmentally sustainable outcomes (Lehman 2010; Elie et al 2016; ADB 2017);
- The proliferation of newer forms of service delivery, such as Public Private Partnerships (PPPs), their consequences for pricing for instance through the potential disruption that renegotiation clauses entail to pricing calculations and decisions (Annez 2006; Sarmiento 2017; Gausch 2014; Cruz 2015);
- The increasing use of capital grants and the choices between tied and untied capital grant policies to mitigate unaffordable prices (See SALGA 2015);
- Potential trade-offs between subsidies for households and firms, especially in cases where local authorities are expected to play a larger role in attracting private investments (particularly

pertinent in cases where municipalities supply electricity and power as a major input to production costs (see SACN 2015).

These dynamics are tied to the broader institutional question of whether pricing decisions are to be taken at local levels, versus a more centralized approach through tied grants, especially on account of national objectives related to environmental concerns and service delivery models. While the core principles of pricing may remain the same, these fresh challenges and/or opportunities associated with the decentralized model throws up new questions of their relative weight and practical application.

Parallel and informal service provision markets also have implications for user access and affordability, as well as municipal price setting. In cities where rapid urbanisation has led to large service and infrastructure deficits, the poor often depend on small independent and informal operators to meet their basic needs. These services, notably water, are typically provided at higher cost than the municipal provision. Low-income residents who cannot afford the upfront capital costs to access formal service connections such as piped water end up paying a higher rate per unit from independent providers, in turn fuelling the unequal distribution of resources and economic opportunities.

Key questions and issues

The overarching aim of the knowledge product is to examine the relationship between pricing principles and policy on the one hand, and equitable economic growth on the other. It is intended to provide guidance on how local governments of secondary cities in rapidly urbanising countries can use price-setting powers as a lever to support economic development at the local level.

The following key questions should guide the research:

- What are the causal links and pathways between pricing of municipal goods and services, and the promotion of equitable economic growth in cities?
- How can the municipal pricing system be used to promote equitable economic growth?
- How can local authorities balance the pricing principles and objectives (economic efficiency, social equity and financial sustainability) to maximise support to equitable economic development and growth?
- What impact does various pricing schemes and tariff structures have on formal and informal entrepreneurs?
- What impact does various pricing schemes and tariff structures have on the workforce and human capital formation in cities?
- What categories of locally provided public goods and services are most suitable for which type of pricing form and tariff structure to maximise economic impact?

In addition to the guiding questions the research may take into consideration the characteristics related to the changing realities of cities, as noted above. These include the challenges emanating from:

- *The rising imperative of environmental sustainability and resilience as key objectives of local government action.* The potential of using the municipal pricing system for “pricing-in” for environmental impacts.
- *Pricing policies in the context of PPP's.* Issues relating to renegotiations, demand risks and their mitigation, viability gap funding and contingent liabilities. The consequences of newer forms of service delivery, including PPPs, for pricing mechanisms.
- *The Role of capital grant policies:* the influence and consequences of capital grant policies on municipal pricing, including tied versus untied and viability gap financing.
- *The potential trade-offs between subsidies for households and firms.* The role of subsidies and tax waivers for firms, benefits and costs.

- *The role and impact of independent and informal service providers.* The impact of private and informal service provision on user access and affordability, as well as implications for public pricing, equity and economic development.

The issue of scale should be explored as a crosscutting issue, as relevant. The circumstances, challenges and opportunities for local governments to use the municipal pricing system to promote economic development may differ between well-resourced large and metropolitan cities on the one hand, and smaller secondary cities on the other. If so, the particular circumstances of secondary cities should be discussed with a view to identify avenues of support to strengthen capacity and outlooks of such urban areas, to execute price-setting mandates, deliver public goods and services and support equitable economic growth.

Case studies and methodology

The discussion paper should include a comprehensive review of the literature as well as analysis and cross-examination of case studies and documented approaches. The paper may also build on cross-examination of quantitative or qualitative data (such as price levels and structures, access levels to key public goods, survey data on service demand and accessibility). Suggested case studies should be provided by the implementing entity and approved by Cities Alliance secretariat. The following criteria should guide the case study selection:

- Illustrative power: Illustrating a key outcome (positive or negative), issue, approach, challenge or success related to the topic and a measure undertaken by a local authority (possibly in cooperation with other stakeholders);
- Relevance: Displaying a clear link to the overarching topic of the paper;
- Sectoral spread: Covering action taken related to different goods and service areas;
- Geographic spread: A majority of case studies should cover cities in currently urbanising low or middle-income countries; at least one case should cover a OECD country and/or an eastern European country;
- Scale: At least one case study should cover a small to medium sized city.

The main source of information should be secondary data, documented experiences and publicly available cases. The implementing entity may also, as appropriate, contact key respondents such as experts, representatives of institutions working with the subject, city representatives or other stakeholders. All case studies need to be reviewed by an identified resource person within the cities covered in the case studies. Collection of primary data is not expected. However, any further investigation of the subject required to answer the research questions, and which would necessitate the collection and analysis of primary data, should be identified within the paper.

Literature

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