



NALAS

Third Summer School: **Multiannual and Investment Budgeting at Local Level in SEE**

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The need for stability and predictability of the national and local public policies; Long-term capital investment planning at local government level

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Let's introduce ourselves first

Name
Country
Institution



What is good governance?

- Good governance is about the processes for making and implementing decisions. It's not about making 'correct' decisions, but about the best possible process for making those decisions.



EU Enlargement Policy: Promoting Good Governance by Default

- The EU enlargement policy increasingly focused on improving the output legitimacy dimension of good governance by encouraging administrative reforms through (mostly positive) conditionality and assistance. In order to qualify for accession, South East European countries have to comply with the political dimension of good governance.



Main characteristics of good governance



Good Governance is Accountable

- Local government has an obligation to report, explain and be answerable for the consequences of decisions it has made on behalf of the community it represents.



**KEEP
CALM
AND
BE**

Accountable

Good Governance is Transparent

- People should be able to follow and understand the decision-making process.



Good Governance follows the rule of law

- Decisions are consistent with relevant legislation or common law and are within the powers of council.



Good Governance is responsive

- Local government should always try to serve the needs of the entire community while balancing competing interests in a timely, appropriate and responsive manner.



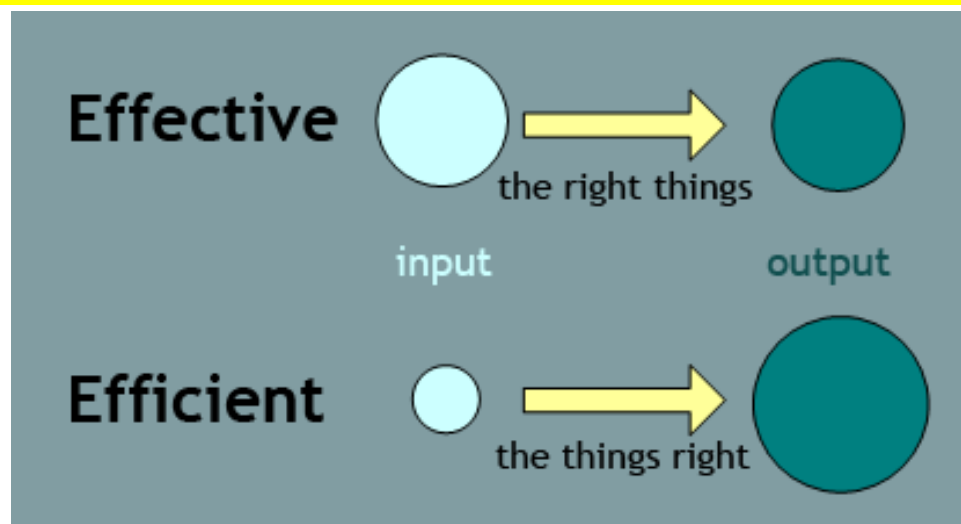
Good Governance is equitable and inclusive



- All groups, particularly the most vulnerable, should have opportunities to participate in the process.

Good Governance is effective and efficient

- Local government should implement decisions and follow processes that make the best use of the available people, resources and time to ensure the best possible results for their community.



Good Governance is participatory

- Anyone affected by or interested in a decision should have the opportunity to participate in the process for making that decision.



Good Governance in the Philippines

- **Problem:**

Poor households in provinces and municipalities across the Philippines struggle with daily expenses for basic needs such as food, health, and education.

- **Good Governance Solution:**

The Filipino Government's Conditional Cash Transfer Program had improved the lives of approx. 3 million families.

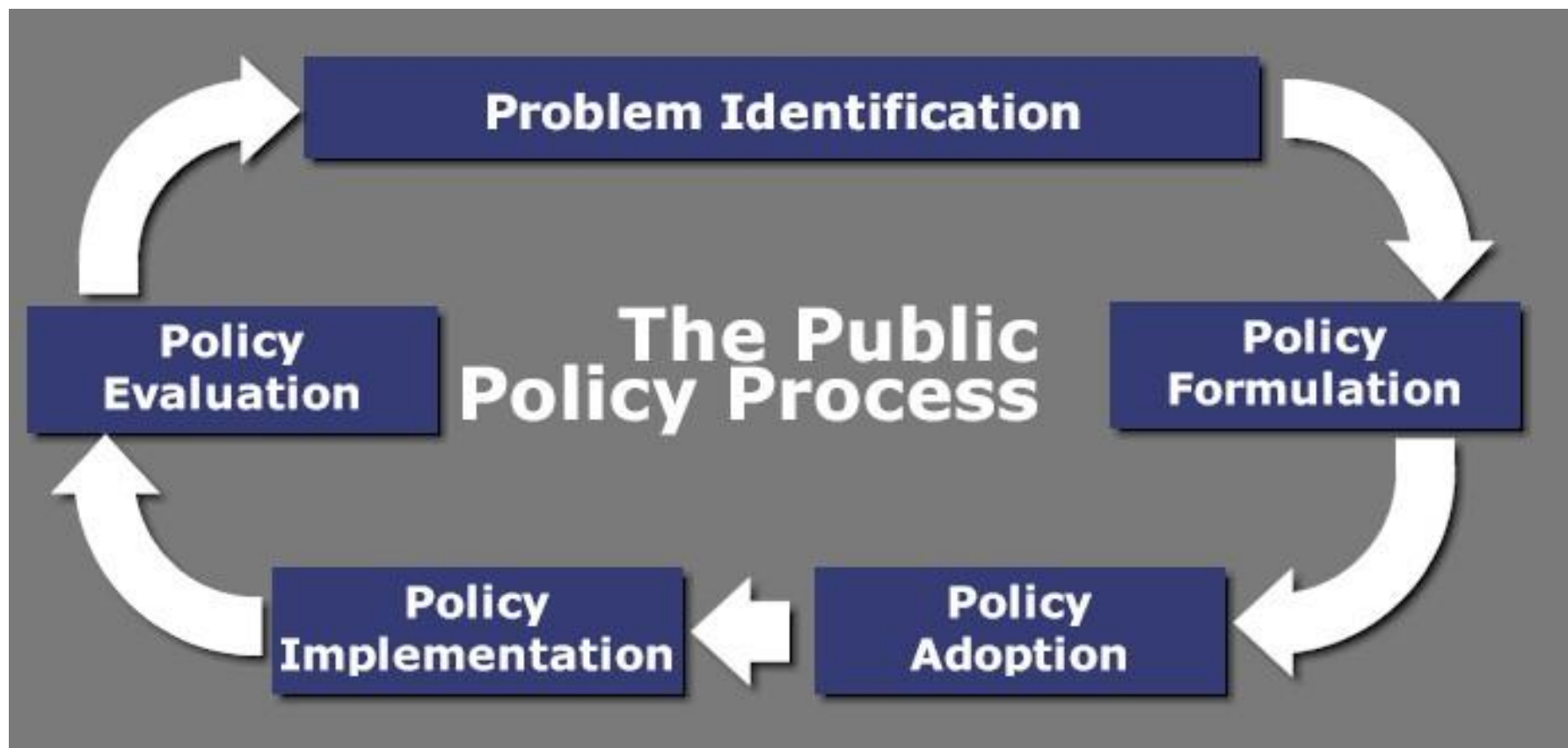


Public Policy

- The foundation of **public policy** is composed of national constitutional laws and regulations.



The Public Policy Process



Examples of Public Policy



**KEEP
CALM
AND
STUDY
PUBLIC POLICY**

- minimum wage laws,
- public assistance programs
- public health care

Unexpected Results?



A house with unfinished roof



A house with roof and 2nd floor deliberately left unfinished



GREECE

Debate: A Public Policy Issue

- Let's assume that the local government intends to charge the households for the trash they produce. How should it be implemented?
 - Collect trash/environment tax as an absolute/fixed amount?
 - Collect the tax according to the weight of their trash?
 - Put a limit, if households surpass that limit, start charging?
 - Any other idea/policy?



What is a local government?

- **A local government** is the administration of a particular county or district, with representatives elected by those who live there.
- It is a type of government that controls and makes decisions for a local area (such as a town, city, or county)

What is a national/central government?

- **A national government** is any political organization that is put in place to maintain control of a nation.
- Role of any national government is to protect:
 - Safety of citizens
 - Well-being of citizens
 - Sovereignty of the country's borders

Coherent Cooperation between local and central government

Central government projects in the local government's responsibility area:
Complications?

1. No consultation or coordination with LGs
2. Schedules of CG project and LG project can conflict
3. Thank you for investing in my region, but what about the maintenance costs?



Coherent Cooperation between local and central government

Same political party?



Macedonia: Emil Dimitriev (Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity)

Skopje: Koce Trajanovski (Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity)



Turkey: Binali Yildirim (Justice and Development Party)

Istanbul: Kadir Topbas (Justice and Development Party)

Coherent Cooperation between local and central government

Different political parties?



Bosnia & Herzegovina: Denis Zvizdić (Party of Democratic Action)
Sarajevo: Ivo Komšić (Social Democratic Union)



Kosovo: Isa Mustafa (Democratic League of Kosovo Party)
Prishtina: Shpend Ahmeti (Self-Determination Party- Vetëvendosje)

Coherent Cooperation between local and central government

Urbanization is growing rapidly:
3.3 billion people reside in urban areas

By 2030, this number is expected to grow to almost 5 billion

Local and central governments have to cooperate regardless of their political origin.



The New Public Management Approach

The new public management approach is built on 6 assumptions:

1. LG takes care of assets only if they are needed
2. Available funds are limited! So, define which investment comes first
3. Strategic guideline is needed for local financial policy
4. Multiyear vs Annual
5. Cost of a project vs Other alternative projects
6. Be inclusive and transparent

What is Capital Investment Planning?



- Capital Investment Planning (CIP) effort is a multiyear (usually 3–6 year) program of capital investment projects prioritized by year with:
 - anticipated beginning and completion dates,
 - annual estimated costs,
 - and proposed financing methods.

Capital Investment Planning (CIP) in Local Governments



- The unavailability of capital, in turn, puts a premium on the need for LGs to build capacity to appraise and prioritize their investment decisions.

Capital investment planning (CIP)

- Capital investment planning (CIP) by LGs includes (or should include) capital investment by the government itself and by its entities, including enterprises established and owned by the government for the provision of municipal services (utility companies).

Investment Planning



Challenges on capital investment planning by LGs

1. Desire for capital investment are always higher than available funding
2. Time challenge
3. Technical capacity challenge
4. CIP is an evolving area of public management



How do LGs' capital investment plans have direct effect on the city?

- Quality of life
- Long-lasting spatial effects
- Fiscal legacy



How did Metro Projects affect the residents of Istanbul?

- No Subway before 1989!
- The system currently consists of five lines named M1a, M1b, M2, M3, M4, M6 and Marmaray (Intercontinental Tube Tunnel Pass).



M2 - Levent Station



M4 – Yeni Sahra Station

How did Metro Projects affect the residents of Istanbul?

More lines are under construction or planned:

Asian
Side

- M5 (Üsküdar-Çekmeköy/Sancaktepe),
- M8 (Bostancı-Dudullu)

European
Side

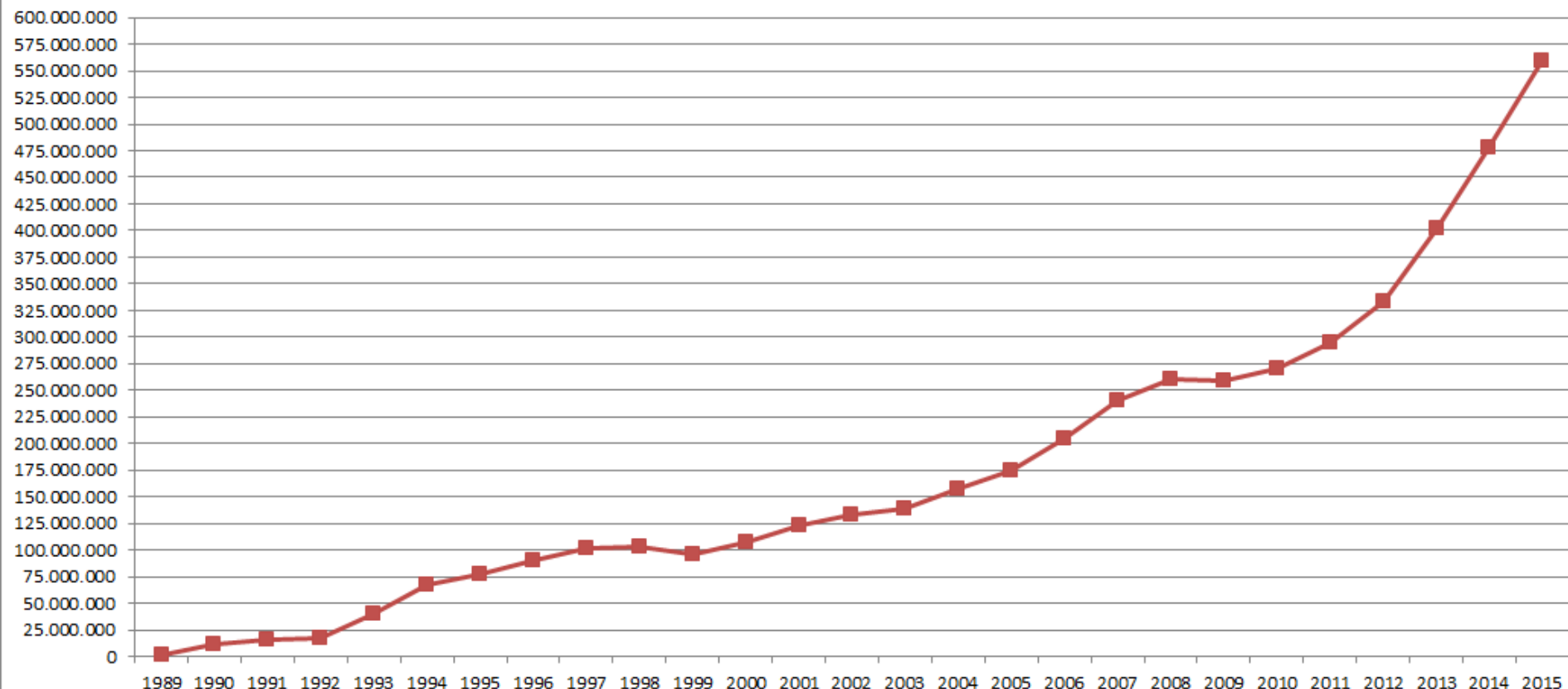
- M7 (Kabataş-Mahmutbey),
- M9 (Ataköy-İkitelli)



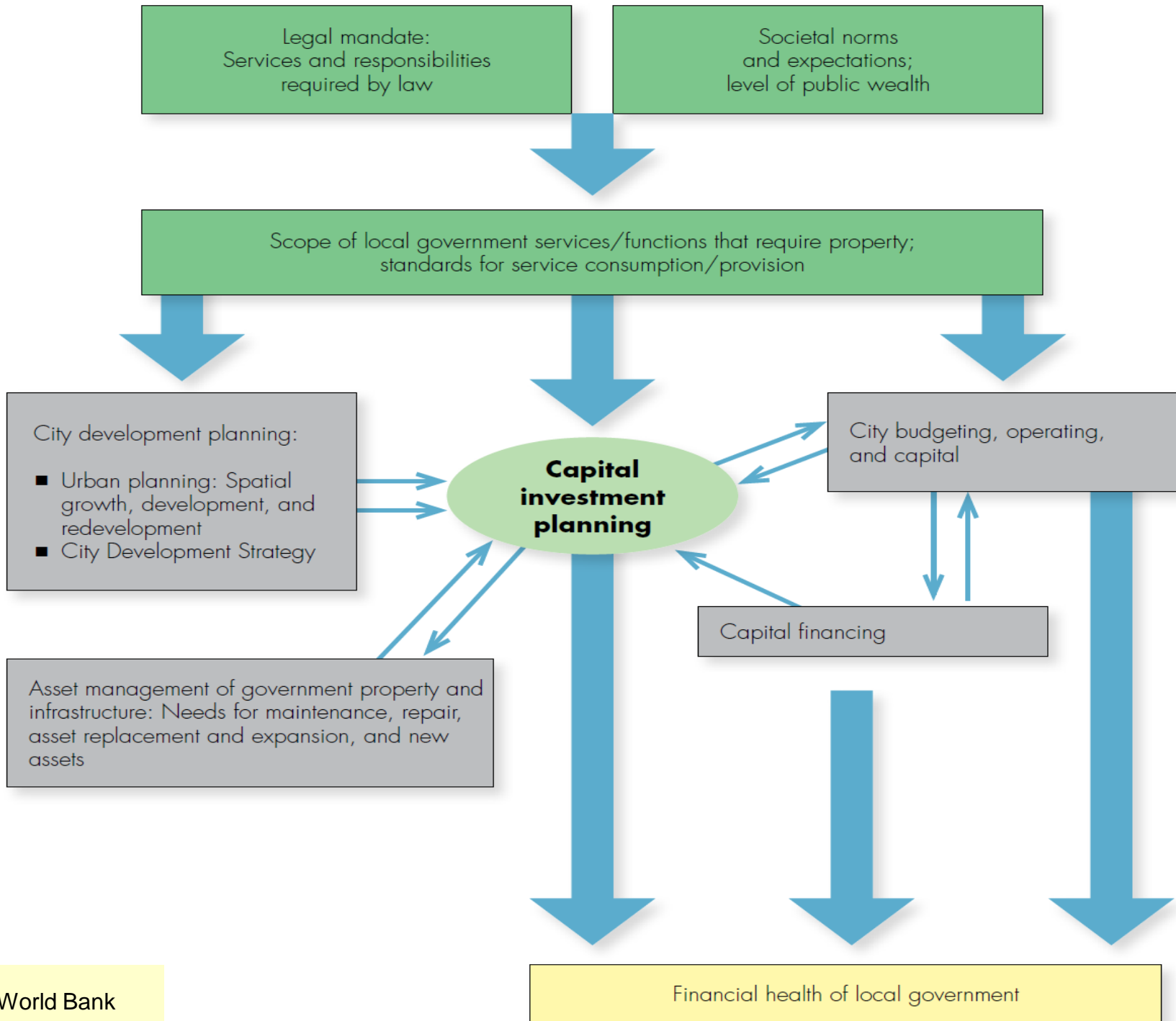
Current Rail System in Istanbul



Istanbul's Metro Passengers from 1989 to 2015



From **0** passenger in **1989** to
600 million passengers in **2015**



Example

Benefit of Long-Term Capital Investment
Planning and Public Participation:
Contra Costa Water District, California (US)

of customers: 450 thousand

Term: 10 year plan

CIP includes: operating and capital budget
development and rate setting

1st year plan includes: Funding of capital projects

Example

Benefit of Long-Term Capital Investment
Planning and Public Participation:
Contra Costa Water District, California (USA)

Long term CIP includes estimated operations and maintenance (O&M), debt service costs, projected reserve balances, and projected revenue requirements.

Consensus on increasing rates in small annual increments, resulting in low inflation

Financial Capacity of Local Governments

- Knowing and planning its own capacity to fund and finance capital projects and maintaining fiscal discipline on this front are critical for a LG's financial sustainability.

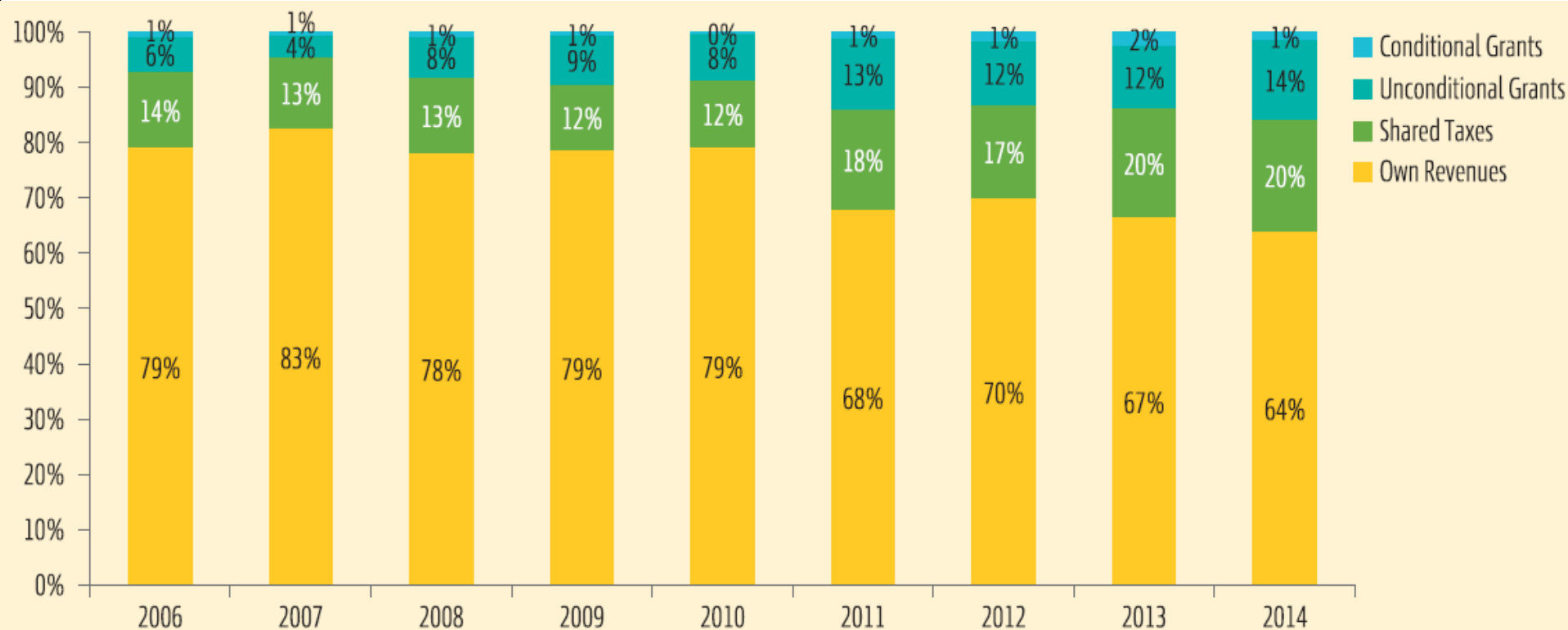


Primary factors in determining LG financial capacity

- (1) the extent to which a LG can generate revenue or has a stable stream of grants and subsidies from upper levels of government, and
- (2) the extent to which a LG can control expenditures.

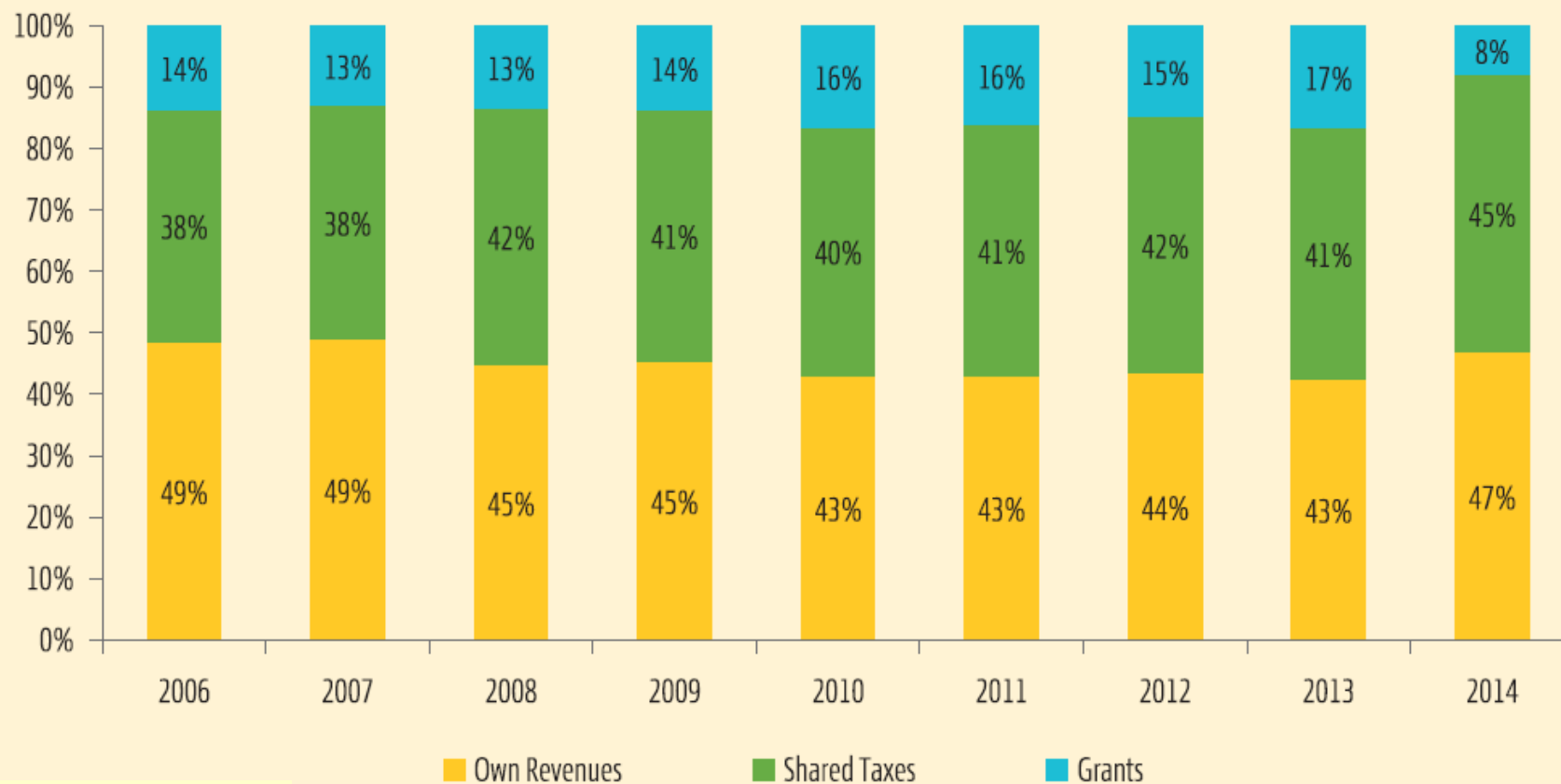
Composition of revenues

Montenegro



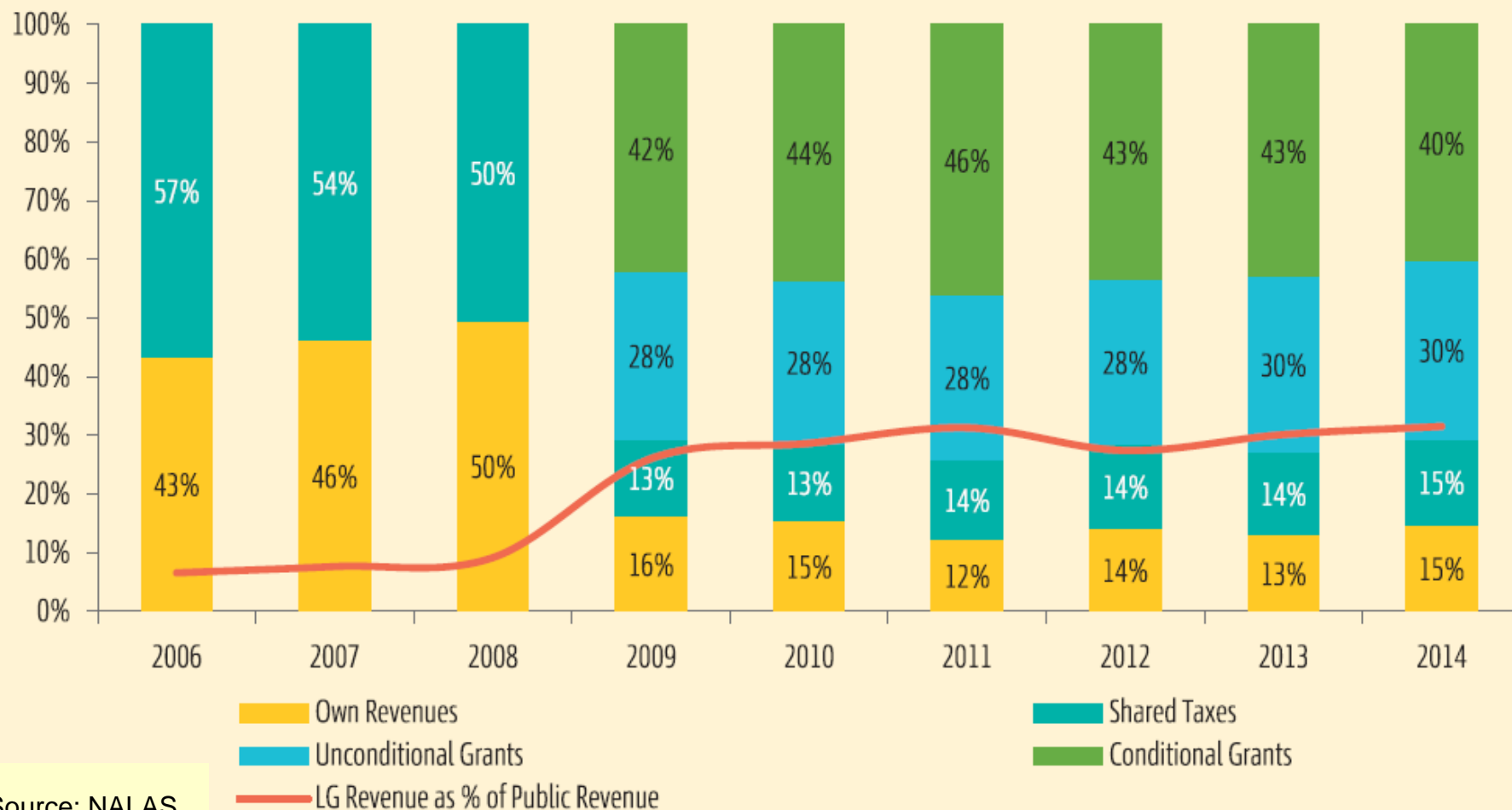
Composition of revenues

Turkey



Composition of revenues

Kosovo



Right before the CIP process...

1. CIP is not a “wish list”
2. Reference to life cycle costs and management
3. Don't incur high debts! Avoid swimming in deep waters.
4. PPPs are not always good. Plan neatly.
5. Project funding helps you accomplish the implementation of projects.
6. Does that project serve for the whole community?
7. Promote public participation

CIP Committee

- A ***CIP Committee*** is responsible for drafting policies for
 - CIP development,
 - determining the process and the timeframe,
 - overseeing each step and providing additional guidelines,
 - reviewing project requests,
 - organizing public participation,
 - assigning priorities,
 - and recommending the Capital Investment Plan to the Mayor.
- The committee's composition is either defined by the elected body (local Council) or the Mayor.

CIP Committee in Nis, Serbia

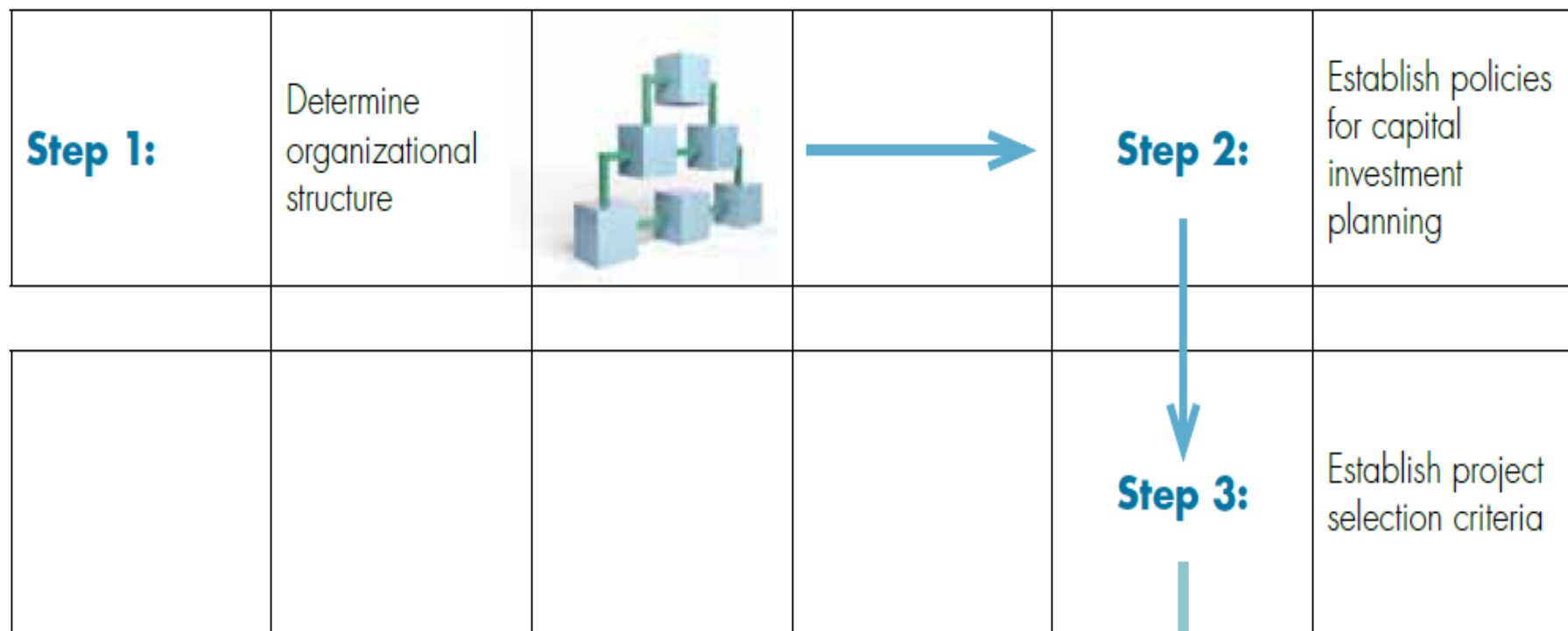
Things to See in Nis, Serbia



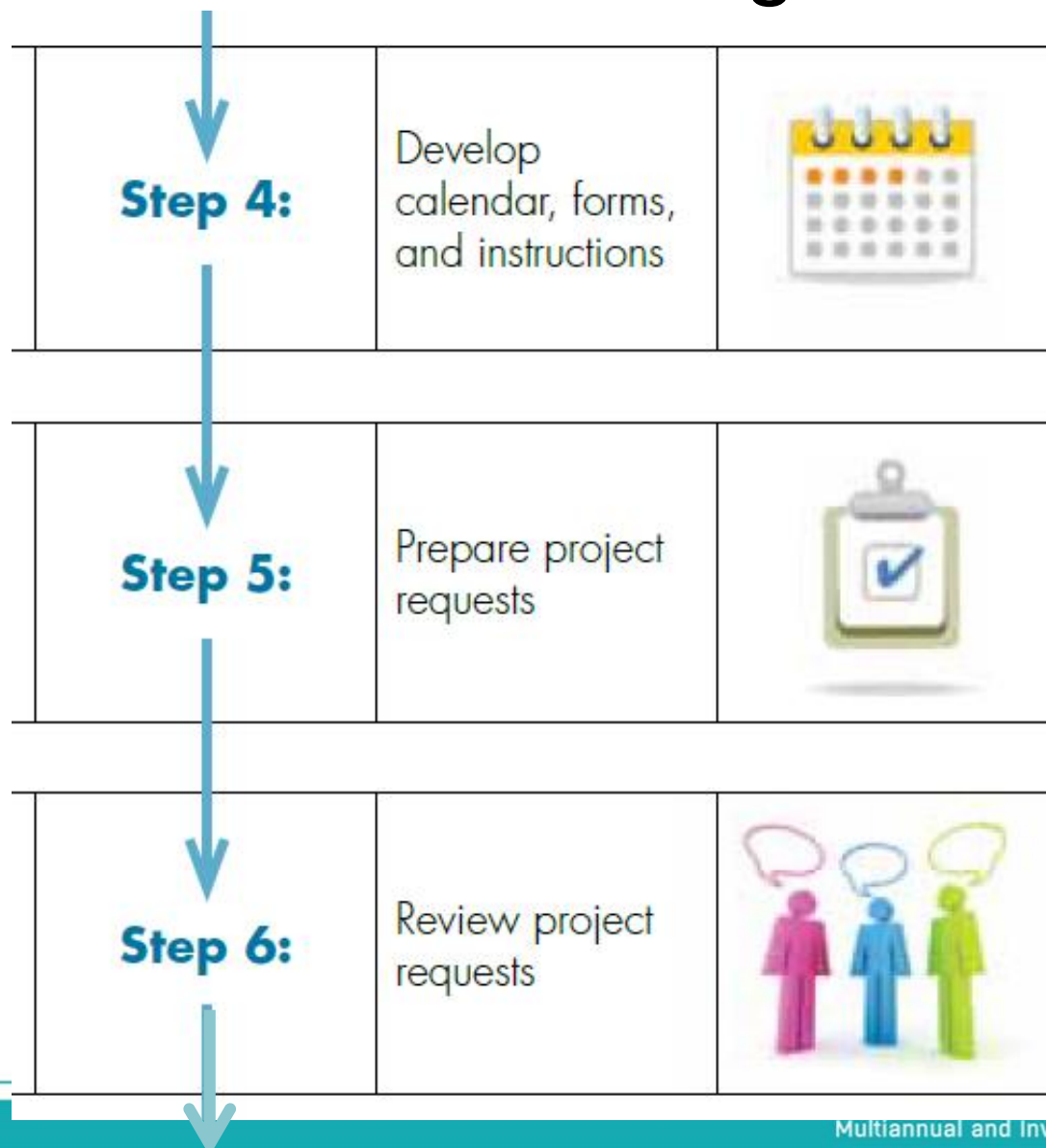
- ***The CIP Committee has 13 members, including Mayor and Deputy Mayor, but no representatives of citizens or businesses.***

- Only five members of the CIP Committee were involved in project evaluation, further limiting representation.

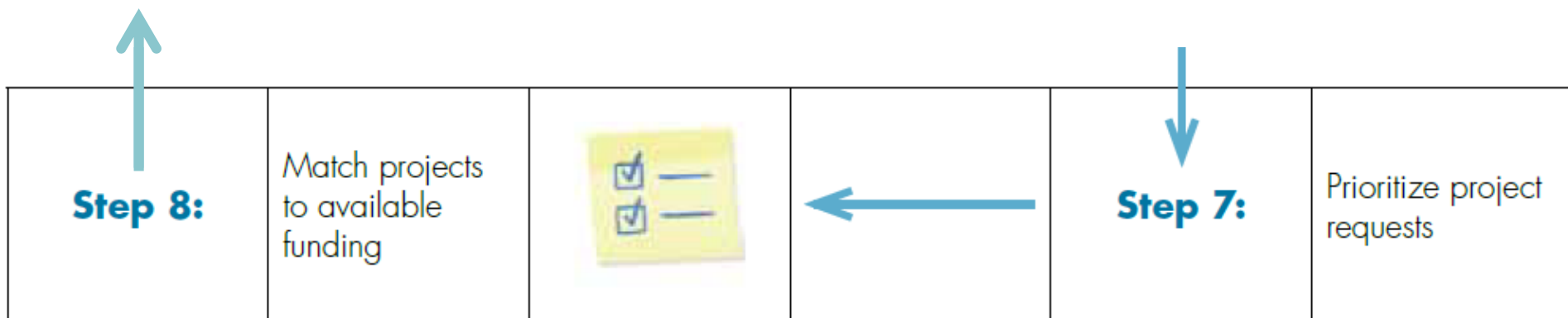
Capital Investment Planning Process by LGs



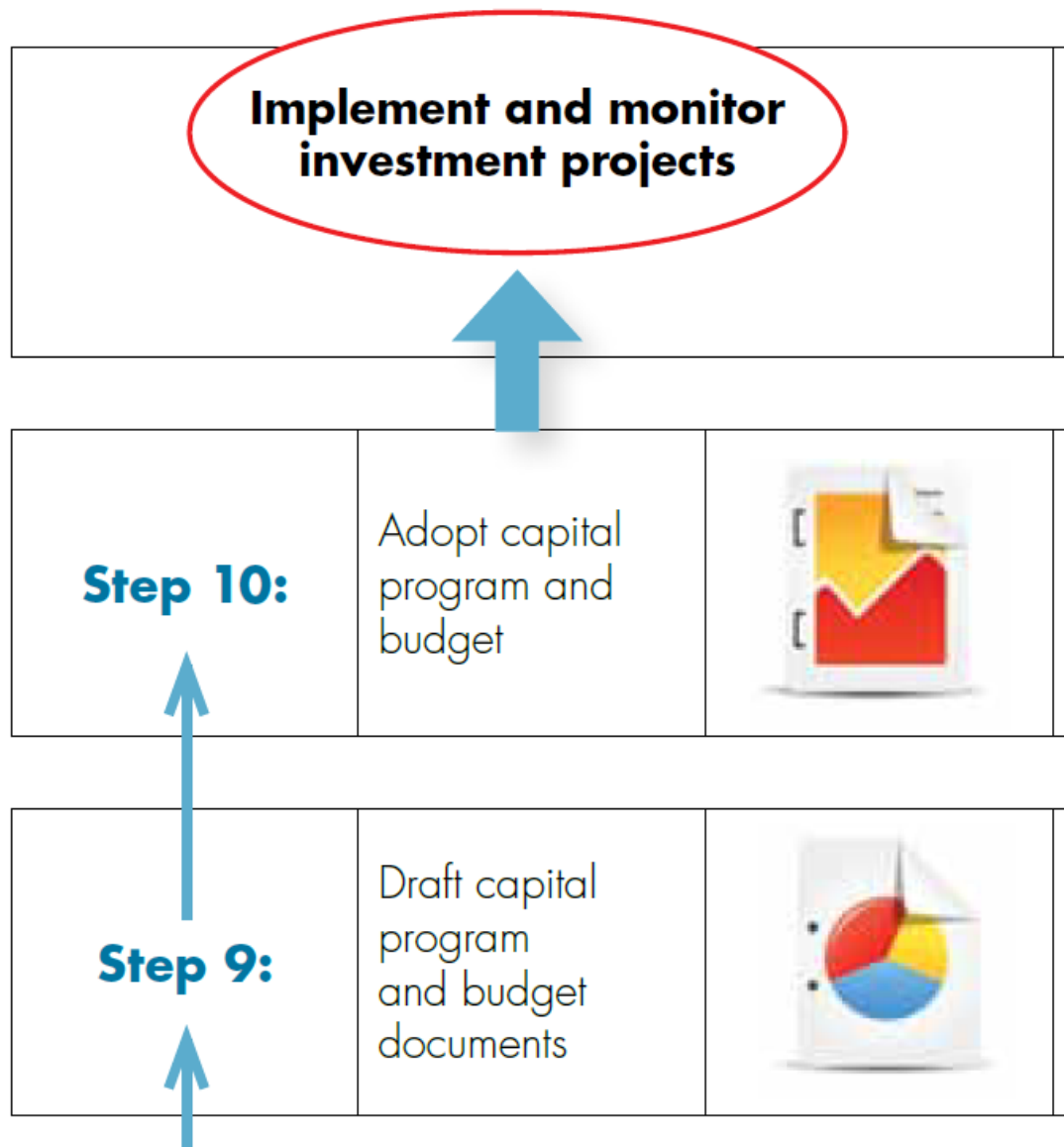
Capital Investment Planning Process by LGs



Capital Investment Planning Process by LGs



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