



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



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Establishing & maintaining the process of capital investment and funding

Gjorgji Josifov

Mehmet Onur Partal

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Introduction into the capital investment planning at local level

What is capital investment planning?

- Capital investment plan is a several-year (usually 3-5 year) instrument for planning, which is used by the governments (in this case the local governments) for identification of the needs for capital projects and for coordination of the financial and time improvements, in a manner which will maximize the benefits for the citizens.
- All local public expenditures, are usually divided as capital and operational, on the basis of two basic criteria: cost value and frequency. The cost value of capital projects shall be sufficiently big to attract special attention! Many times the duration of the project is used as a criterion for distinguishing between capital or operational expenditures.

Introduction into the capital investment planning at local level

- The majority of OECD country members started to apply multi-year budgeting in the 1970s and beginning of 1980s
- In some countries, multi-year budgeting is made into separate programs, while in other it operates on general level
- In general, the multi-year budgeting is adopted every year - the first year corresponds to the annual budget while the projections are made for the following years (usually 3-5 years)
- The goals and frameworks are defined, so that the financial discipline is increased against the public expenditures, which implies increase in the efficiency of public expenditure management.

Goals of capital investment planning and capital budget

- Provide better delivery of municipal services
- Improve local government decisions on capital investments
- Provide better information to policy makers about the mid-term cost of public policies and measures for their implementation
- Exercise prudent mid-to-long term fiscal policy
- Provide objective comparison of local governments' investment needs
- Link mid-range plans with the annual budgeting process
- Determine budget implications of projects' implementation on the current and the following few years
- Stimulate local economy and create new job opportunities

Advantages of capital investment planning

Developed CIP:

- serves as an important tool for linking the physical development of the municipal infrastructure with financial planning
- timely reconciles local tax policy with other types of revenues (grants, subsidies etc.) and with alternative financing methods
- identifies the most efficient and economical approaches to finance capital investments
- creates public consensus about the projects and improves the public awareness through direct involvement of the citizens in the selection and setting the investment priorities

Capital budget

- Capital budget represents the first year of the capital planning of investments in the capital projects.
- The basic difference between the capital budget and the capital planning of the projects is that the capital budget is a legal document (act) which determines the financing of specific projects in the course of the fiscal year, while the capital planning covers the planned projects for the first and subsequent fiscal years, and it is no legally binding document. The years that follow after the first year of the capital planning, can be constantly subject to change and amendments.

Components of capital budget

Capital revenue:

- Central government subsidies
- Local taxes and fees
- Donations
- Asset sale

Capital expenditure:

- Capital expenses
- Capital transfers



Preparatory activities

Preparatory work – Municipal Strategy

- Local economic development plan
- Urban plan - spatial growth, urban development
- Investment profile of the municipality



Preparing capital investment plan and capital budget

- Analysis of the present situation (what is available, what is required/expected, what is missing and what are the possibilities)
- Projection and planning by local departments – income estimation and estimation of prices of services
- Communication, coordination, organization – adoption of programs for capital budgeting by the city council and their implementation
- Control and feedback

Participants in the capital investment planning process

Internal participants:

- Mayor and municipal executive personnel
- Employees from the various departments
- Managers of public enterprises owned by the municipalities
- Municipal council members

External participants:

- Citizens
- Companies operating within the territory of the municipality
- NGOs

Key steps in the capital investment planning process

1. Determining the organizational structure
2. Establishing policies for capital investment planning and harmonization of capital investments with regulatory framework
3. Establishing project selection criteria
4. Developing forms and instructions
5. Preparing and reviewing project proposals

Key steps in the capital investment planning process

6. Project prioritization
7. Financial capacity assessment and matching projects with available funding
8. Drafting capital investment plan and capital budget
9. Adopting capital investment plan and capital budget

Step 1 – Determining the organizational structure

Establishing a working group and appointing a coordinator for CIP

The Mayor or Municipal Council appoints a working group and the CIP coordinator

Tasks:

- To prepare an action plan for operationalization of the capital investment planning and budgeting process
- to coordinate and monitor the overall process
- to make sure all members carry out their tasks
- to ensure all decisions are taken in accordance with the plan

Step 2 – Establishing policies and harmonizing investments

- ✓ Law on local self-government
- ✓ Law on financing of units of local self-government
- ✓ Law on civil construction
- ✓ Law on spatial and urban planning
- ✓ Law on arrangement of construction land
- ✓ Law on public roads

Step 2 – Establishing policies and harmonizing investments

- ✓ Law on supply of drinking water and disposing of urban waste water
- ✓ Law on waste management
- ✓ Law on monuments and memorials
- ✓ Law on sports
- ✓ Law on the environment
- ✓ Law on air quality
- ✓ Law on firefighters and fire-brigades

Step 2 – Establishing policies and harmonizing investments

The municipal policy on capital investment planning has to be harmonized with the municipal development strategy – LED plan

- What is required for policy development and capital investment plan?
 - General policy for long-term development
 - Detailed policy regulating all specific elements of planned investments – implications to the operational budget

Step 2 – Establishing policies and harmonizing investments

Second step results:

- Harmonization of the financial policy and the capital investment policy with the regulatory framework
- Observations and recommendations for establishment of an information system for planning and budgeting of capital investments

Step 3 – Establishing project selection criteria

- Defining the selection criteria prior to the preparation of project proposals
- Involvement of the public through focus groups
- Accurate and relevant information

Step 3 – Establishing project selection criteria (2)

Step 3 results:

- Criteria are predetermined and clearly defined
- Criteria narrow the range of disagreement and make entire process more transparent

Step 4 – Developing forms and instructions

SCHEDULE OF ACTIVITIES

Activities

Participants

Time frame for each activity

FORMAT FOR SUBMISSION OF PROJECT PROPOSALS –
Application and its components

Step 4 – Developing forms and instructions

Fourth stage results:

- Creation of the format/forms and instructions for preparation of project proposals
- Schedule for implementation of activities within the process of CI planning for the next few years
- Draft format for preparing applications for investments in capital projects

Step 5 - Preparing and reviewing project proposals

- Request for project proposals sent out along with the instruction for their completion
- Timetable for contributing departments and enterprises
- Goals are realistic
- Justification and sustainability of project proposals
- Expenses and financial resources in the preparation of project proposal should be in accordance with the format and instructions received during the previous stages
- Application components

Step 5 - Preparing and reviewing project proposals

- CIP coordinator and the support staff review the forms, in terms of completeness and accuracy
- Reasonable information
- Checklist for reviewing project proposals

Step 5 - Preparing and reviewing project proposals

The full checkup includes

- 1) administrative aspect
- 2) planning aspect – incorporation in the general strategy
- 3) technical checkup of projects – their compatibility with global and detailed urban plans
- 4) financial – sustained financial construction

The control is conducted by:

- municipal employees and/or
- experts specially hired for the purpose of evaluation of technical and financial feasibility of projects

Step 5 - Preparing and reviewing project proposals

Results in this stage:

- ✓ List of all projects eligible for inclusion in the CIP
- ✓ Summary sheet created
- ✓ Avoiding overlapping of projects submitted by different departments
- ✓ Cost reasonably estimated
- ✓ Standards for certain types of services met
- ✓ Matching the project proposals with the legal regulations

Step 6 – Project prioritization

Stage 1 – review (procedural rules, schedule, desired outcomes)

Stage 2 – criteria reviewed again and used in a hypothetical review of several projects

- ✓ strategic goals
- ✓ investment policies
- ✓ available information related to project proposals
- ✓ direct and indirect benefits
- ✓ pressure for political compromise

Step 6 – Project prioritization

Products in step 6:

- ✓ Evaluation sheet for each evaluator prepared
- ✓ Final list of all eligible projects in order of priority and arranged by category

Step 7 – Financial capacity assessment and matching projects with available funding

Funding structure:

- own funds
- local taxes and fees
- donations
- central government transfers
- proceeds from loans and bonds
- public-private partnership
- asset sales
- combination of the above mentioned financial means

Step 7 – Financial capacity assessment and matching projects with available funding

Assessment of financial means:

- analysis of the legal framework
- analysis of different funding sources
- adequacy of funds
- impact on the community
- economic influence

Step 7 – Financial capacity assessment and matching projects with available funding

Key product:

Table of revenue sources available for capital financing for the year 1 and subsequent years of the CIP

Step 8 - Drafting capital investment plan and capital budget

- Capital program message or accompanying letter
- Summary of the project costs, available revenues and evaluation of each project
- Description of the project selection process
- Reports related to investment policies
- Opinion polls and public discussion results
- Financial sources
- implication on the operational budget
- Financial forecasting (for the investment and implementation stage) – project sustainability
- Detailed project information

Step 8 - Drafting capital investment plan and capital budget

Final product:

Draft capital investment plan and capital budget for the year 1
and multiyear investment budget

Step 9 - Adopting capital investment plan and capital budget

Evaluation of the proposed capital investment program capital budget

Evaluation tools:

- engaging the public through public hearings and community meetings
- site visits

Step 9 - Adopting capital investment plan and capital budget

Final product:

After the completion of the review and public opinion, the municipal council adopts the capital investment program and capital budget.

Implementation, evaluation and monitoring of the CIP

Project management

- Quality control
- Chronogram of activities
- Financial controls
 - Expense control
 - Engineering value
 - Project - construction
- Project reporting
 - Periodical reports
 - Public information
- Barriers – political, by employees and information barriers

Implementation, evaluation and monitoring of the CIP

- Monitoring of the implementation of each project according to the activity plan and possible revision of strategic goals
- Required time and expenses according to the adopted budget
- Personnel and institutions required for completion of certain tasks
- Monitoring of changes in the environment that will probably imply changes to the strategic plan and
- Evaluation of results achieved by project implementation

Monitoring and control indicators

- Increase in employment – newly opened jobs
- Number of new companies within the municipality boundaries
- Municipality revenue increase
- Municipal companies' revenue increase as a result of new investments
- Increase of the income of companies impacted by the implementation of CIP
- Clean environment – degree of pollution
- Size of population
- Annual progress towards the implementation of the strategic plan

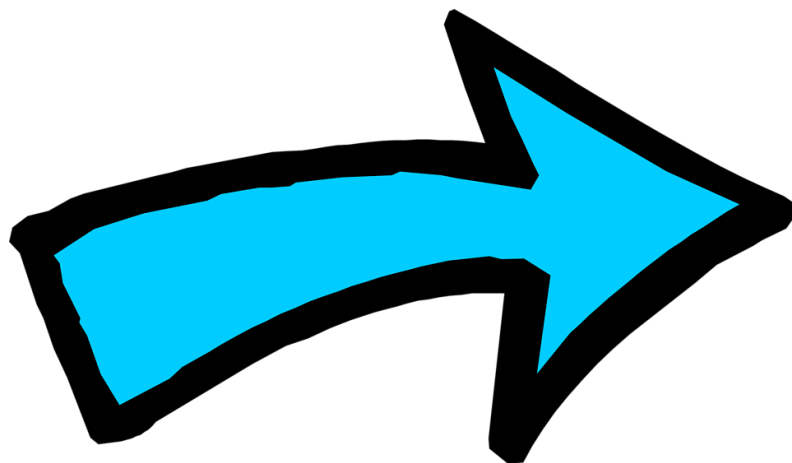
Ireland Capital Investment Planning 2016-2021

	2016	2017	2018	2019	2020	2021	Total, 2016-2021
	€ million						
Total	3,800	3,970	4,230	4,600	5,000	5,400	27,000
Agriculture, Food & the Marine	217	208	208	208	208	208	1,257
Arts, Heritage & the Gaeltacht	76	45	43	46	46	46	302
Children & Youth Affairs	22	22	23	23	23	23	136
Communications, Energy & Natural Resources	107	107	137	192	192	192	927
Defence	66	67	67	78	78	81	437
Education & Skills	545	599	623	654	700	700	3,820
Environment, Community & Local Government	539	623	709	685	700	700	3,956
Finance	25	25	25	25	25	21	146
Foreign Affairs & Trade	4	4	4	4	2	2	20
Health	414	454	473	550	570	600	3,061
Jobs, Enterprise, & Innovation	495	525	490	500	500	500	3,010
Justice	130	157	118	150	160	160	875
Public Expenditure & Reform [Less OPW]	9	9	8	2	2	2	32
Office of Public Works	102	102	127	137	147	157	772
Social Protection	11	9	8	8	8	8	52
Transport, Tourism, & Sport	1,039	1,015	1,167	1,238	1,607	2,000	8,065
Unallocated	0	0	0	100	32	0	132

Ireland Capital Investment Planning Transport: 2016-2022

Table 2: Transport - seven-year envelope, € million

	2016	2017	2018	2019	2020	2021	2022	Total
Roads	591	622	743	832	996	1,082	1,082	5,948
Public Transport	348	321	368	358	533	845	845	3,618
Total Departmental allocation including Tourism, & Sport	1,039	1,015	1,167	1,238	1,607	2,000	2,000	10,065



There will be funding for:

- New and replacement buses
- Further upgrading of Quality Bus Corridors
- Completion the Luas Cross City project
- Completion of the Dublin City Centre Resignalling programme
- The reopening of the Phoenix Park tunnel
- The construction of a new Central Traffic Control centre for commuter and intercity rail
- Ongoing maintenance to ensure the safety and efficiency of the rail network

Thank you!