



City Infrastructure Investment Programming & Prioritisation Toolkit

USER MANUAL

FROM WISH LIST TO SHORT LIST: PRIORITISING URBAN INFRASTRUCTURE PROJECTS FOR LOCAL DEVELOPMENT

Generic version

December 2010



CDIA

Cities Development Initiative for Asia

This toolkit has been developed by the Cities Development Initiative for Asia (CDIA) to assist cities and municipalities throughout Asia to do a better and more structured job in urban infrastructure planning, prioritisation and programming.

The toolkit consists of this manual and an excel workbook. Both can be downloaded free of charge from the CDIA website upon registration of the local government entity with CDIA.

CDIA is a multi-donor initiative assisting medium size cities in Asia to meet the urban infrastructure investment challenge. CDIA offers pre-project preparation and capacity-building to turn existing city development strategies into an urban reality.

For more information: www.cdia.asia

Moving from strategies to bankable investment projects

City Infrastructure Investment
Programming & Prioritisation
Toolkit

USER MANUAL



CDIA

Cities Development Initiative for Asia

TOOLKIT FOR CITY INFRASTRUCTURE INVESTMENT PROGRAMMING & PRIORITISATION

Published in December 2010

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Note: The excel file that accompanies this manual is a computer based model for on-screen use. With the exception of the summary sheet it is NOT designed to be printed. All workbook sheets have also been included in

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INTRODUCTION

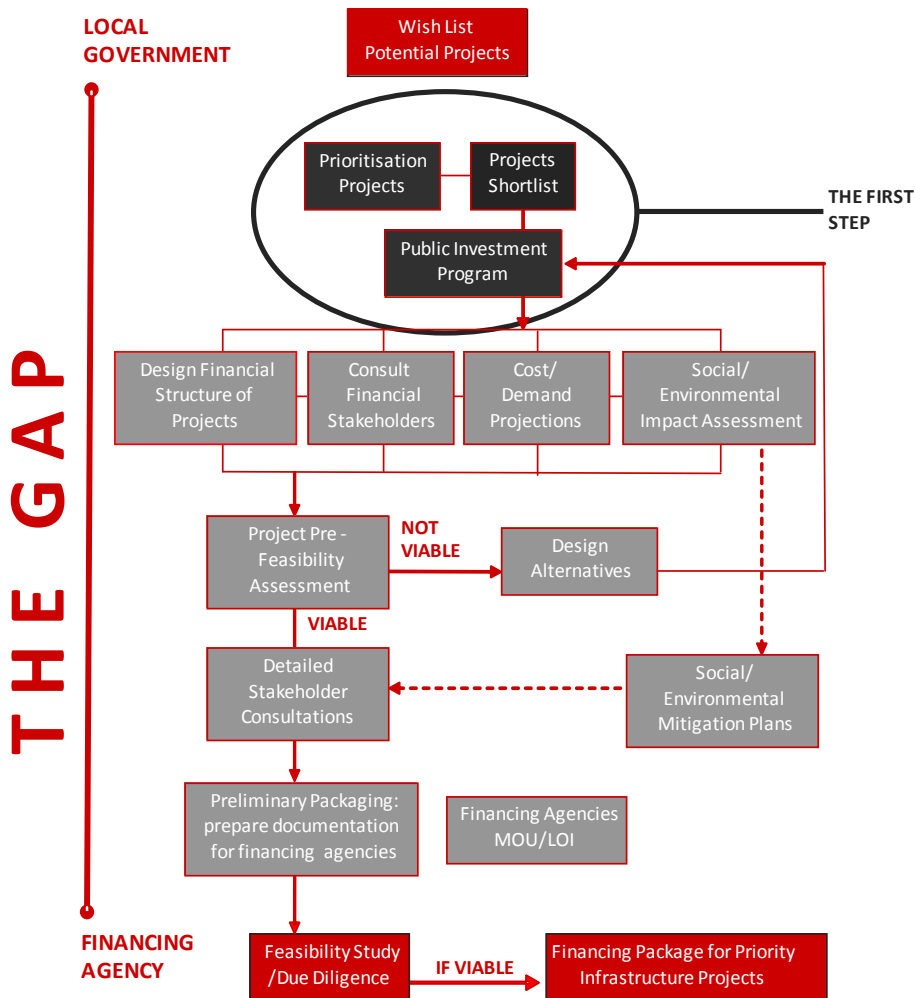
INTRODUCTION

WHY THIS TOOLKIT?

The challenge of urbanisation in Asia is unprecedented. **City governments** are hard pressed to provide clean water, sanitation, transportation, power and housing to their million of residents everyday. Under decentralisation initiatives more and more responsibility is being placed on cities to identify development requirements and provide corresponding infrastructure.

On the other side of the equation are **financing agencies** that can help cities to realise infrastructure projects. For them to commit funds under infrastructure loan agreements, they require city governments to submit well formulated and bankable investment projects and to demonstrate managerial and technical capacity to ensure project viability.

Many city governments in Asia want to access infrastructure financing but are not sufficiently equipped to undertake the task of programming and prioritising strategic urban investments. This toolkit has been developed to help **fill the gap**. This toolkit facilitates the **first step** in the process from a wish list to a shortlist of infrastructure projects ready to be presented to financiers and project developers.



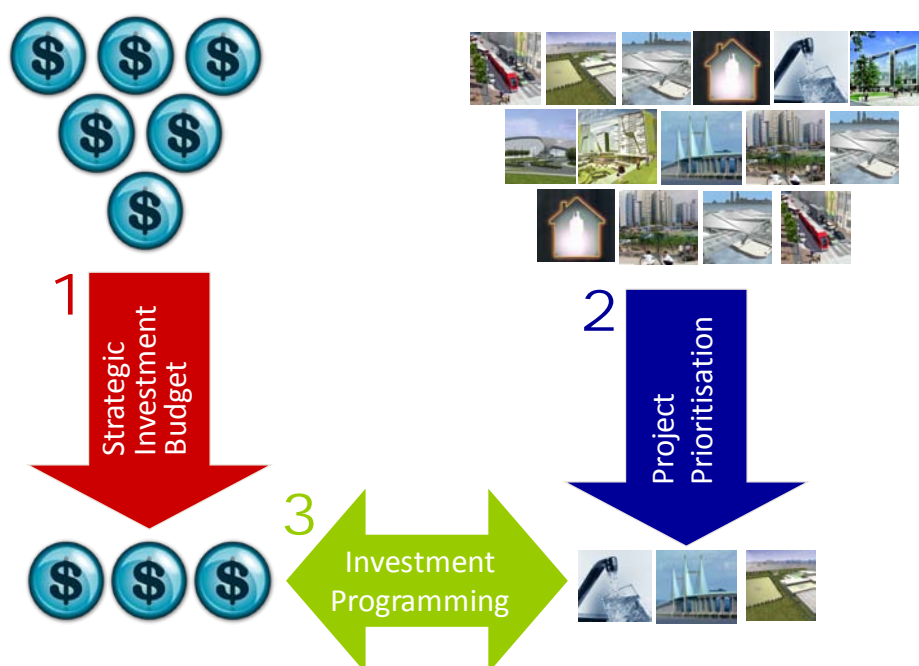
WHAT DOES THE TOOLKIT DO?

It is a kit consisting of a spreadsheet (in excel) and a manual to assist local governments in the process of getting from a wish list of potential projects to a structured list of priority projects. The toolkit has three components:

- 1. Analyse Investment Budget**
determine the financial envelope of the municipality to undertake strategic infrastructure projects
- 2. Prioritise Projects**
using a rational approach and pre-determined set of indicators
- 3. Program Projects**
in a 5-year investment plan matching the fiscal space of the municipality

The toolkit adds value to the prioritisation & programming process:

- Uses a **systematic** approach to prioritisation with a broad base of criteria to form a basis for objective decision-making and selection of projects with a positive developmental outcome.
- Analyses the **impact** of projects on the local government budget and identifies the financing gap to ensure that requirements of potential financiers are recognised in an early stage but also that available resources are used as effectively as possible.
- Guides the user through a **programming exercise** to include the projects in an investment plan that matches the fiscal space of the municipality



THE FINAL RESULT IS A PRIORITY INVESTMENT PACKAGE (PIP)

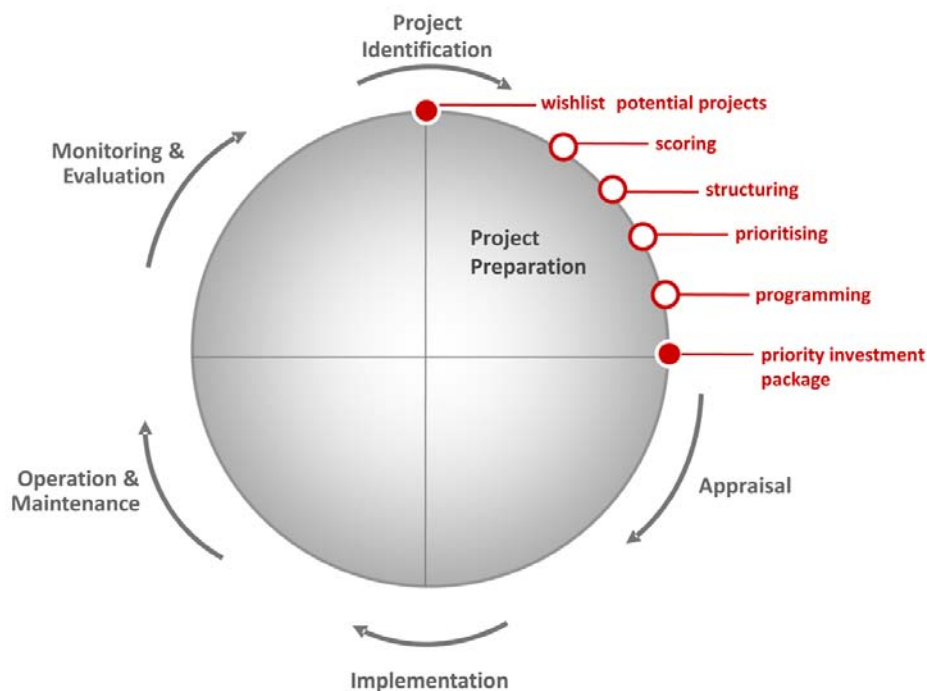
A SHORTLIST OF PRIORITY PROJECTS IN A 5-YEAR INVESTMENT PLAN THAT CAN BE USED TO ACCESS POTENTIAL EXTERNAL SOURCES OF FINANCING.

HOW DOES IT FIT IN THE LOCAL PLANNING PROCESS?

The toolkit is meant for city governments that want to do a better and more systematic job in infrastructure investment programming.

- *Matching* the first quarter of the project planning cycle: 'Project Preparation'
- *Taking* an existing Master Plan or City Development Strategy as a starting point to formulate a wish list of projects.
- *Helping* to select the best candidate projects before commencing the full appraisal exercise.
- *Involving* different people within and outside of the city administration to allow for a participatory budgeting exercise

PROJECT PLANNING CYCLE



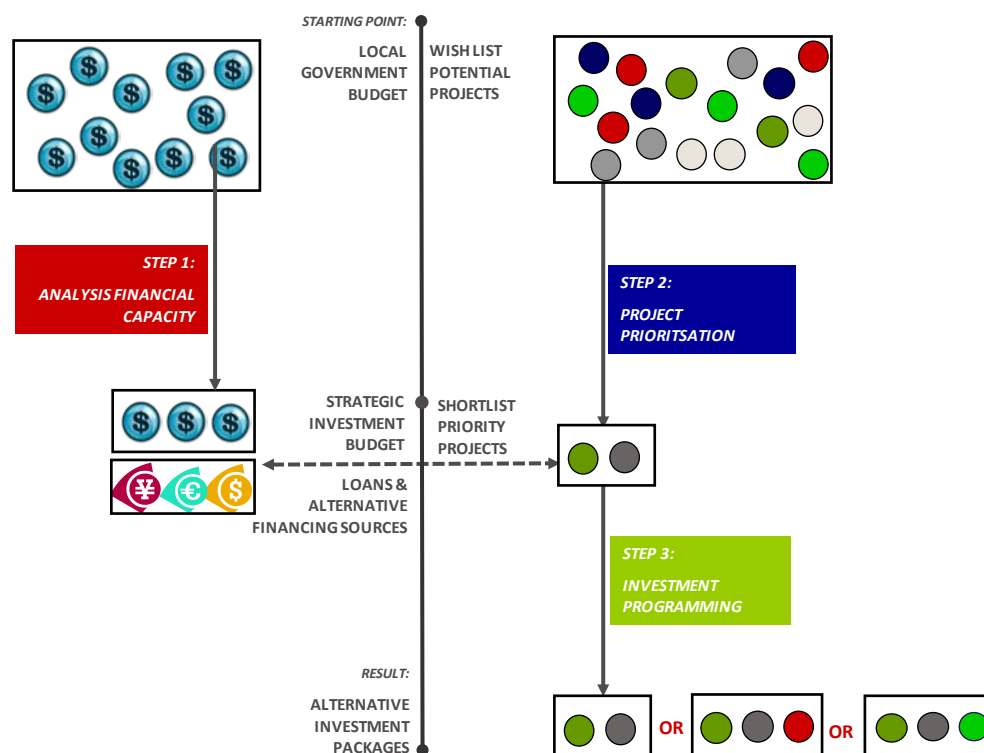
WHEN WOULD YOU TYPICALLY USE THE TOOLKIT?

The toolkit could be used as an instrument in the annual budgeting exercise. It offers an efficient way to develop a solid foundation for the city's 5-year investment plan. The toolkit has a progressive character; the priority investment package looks five years in the future; and can be updated on a yearly basis.

WHAT IS IT NOT?

- It is not a comprehensive assessment of a project's social or environmental impact
- It is not a detailed financial feasibility study
- It does not replace existing project assessment or appraisal procedures

FROM WISHLIST TO INVESTMENT PLAN: A THREE STEP APPROACH



THE PROCESS IN DETAIL

The process is designed in a step-by-step approach, a sequential process, each step with a specific deliverable that is used as input for the next step.

Step 1 – is the analysis of the local governments financial condition

... and capacity to finance future capital projects. This step is relatively straightforward and (assuming the past year budget data are available), should take not more than half a day to complete. It comprises a (quantitative) assessment of the municipality's fiscal data as well as a (qualitative) assessment of the financial management capacity. The data are used to make a projection of the local budget available for investment.

Step 2 – is the assessment of the quality of proposed projects

... using both qualitative and quantitative data. This step is more time consuming and requires input from a variety of people and agencies within the city administration, preferably in one plenary session guided by a facilitator. The prioritisation exercise results in a shortlist of projects and is estimated to take about two days.

Step 3 – is the step where it all comes together;

... based on the outcomes of step 1 and 2 to develop possible investment packages with a 5-year horizon. These scenarios can then be presented to a wider audience for discussion in a series of meetings, based on which a final investment plan can be determined. Depending on the level of participation and number of people involved this step can take anything from a day up to a month.

The final product: Priority Investment Package (PIP)

SOPHISTICATION VERSUS SIMPLICITY

The starting point for the development of this toolkit was that it:

- Must be applicable and if possible add value to the local planning process in **different size cities** and among **different countries**
- Must be **generic** enough to be applicable to different country context, while also containing sufficient **level of detail** for use at the operational level and allow for cross city and country comparison

To meet these demands we adhered to the following design principles:

KEEP IT SIMPLE *A study of prioritisation and programming initiatives in a variety of countries shows that for a model to be useful in its own right, it should be logical, transparent, largely self explanatory, not require hefty manuals or external consultants and not be too complex or time consuming.*

**USERFRIENDLY
FORMAT** *Model should be computer-based, using commonplace, widely compatible software that is easy to understand and navigate, i.e. not require advanced financial, computer or programming skills.*

**INPUT:
DO NOT
FRUSTRATE** *Model should add value to the local planning process, not frustrate the planners. Therefore it should use readily available data, and have the right level of complexity to appeal to the local municipal planners, engineers and financial experts.*

**OUTPUT:
EASY TO DIGEST** *Output should be visually attractive, easily understandable to be useful as a basis for decision-making in a wider audience, incl. politicians and community representatives*

**INCLUDE
DEFAULT
SETTINGS** *Model should include default settings tailor-made for country context, but also allow for manual adaptations to specific city context.*

**EXPLAIN WITH
EXAMPLES** *The accompanying user manual should include country-specific examples from signature urban infrastructure projects to provide a practical hands-on guide how best to use the model and interpret the results.*

LEARN HOW TO USE THE TOOLKIT

This manual refers to an excel workbook which is designed in three sections, corresponding with the three steps in the process.

RED TABS	STEP 1 – ANALYSIS FINANCIAL CAPACITY
BLUE TABS	STEP 2 – PROJECT PRIORITISATION
GREEN TABS	STEP 3 – INVESTMENT PROGRAMMING

This manual takes you through the process step-by-step and explains:

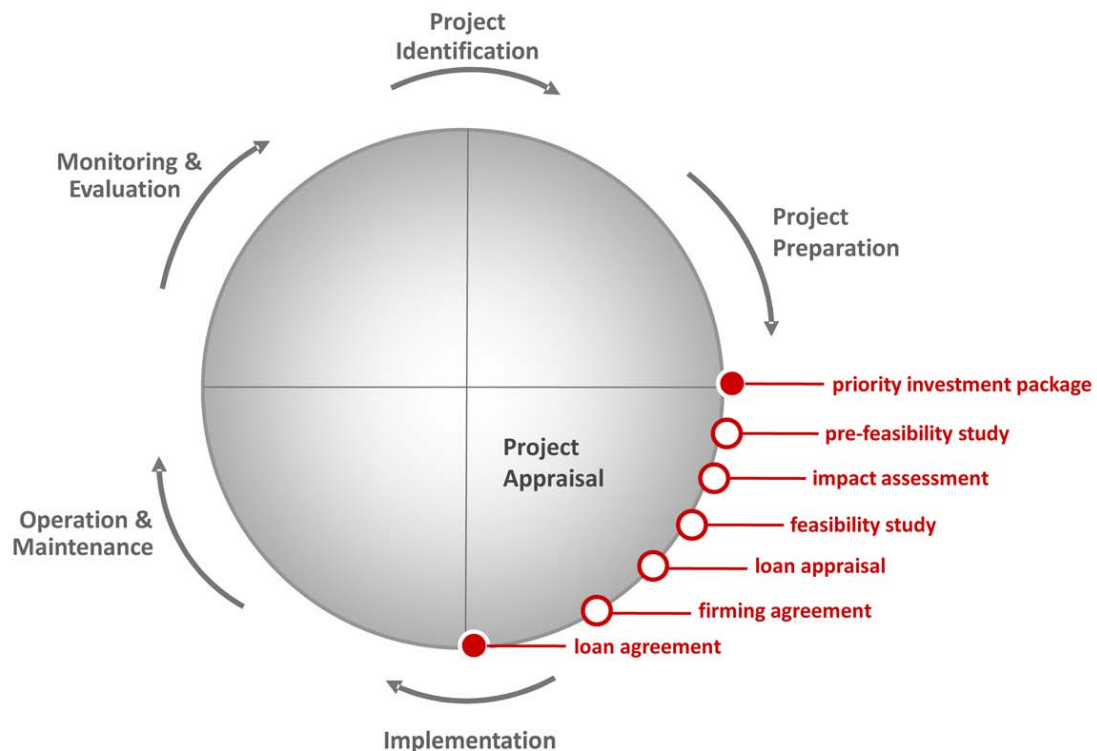
- what data are required and where to find them
- how to interpret the results
- guidance to facilitate discussions and meetings
- tips for the workbook user
- glossary of terminology

AFTER THE PIP ... WHAT IS NEXT?

The result of the project preparation phase is a Priority Investment package (PIP). The next phase is the second quarter of the planning cycle: *'project appraisal'*.

The investment plan can be used to access potential external sources of financing and will then become focus of (pre)-feasibility studies or the starting point for more detailed economic, environmental and social impact assessment. The final objective is to arrive at project packages that have an adequate level of detail to be adopted by financing agencies.

Also in this project appraisal step CDIA can provide technical assistance.



STEP 1 FINANCIAL CAPACITY ANALYSIS

*'Borrowing one's future income to increase
purchasing power of one's present'*

STEP 1 ■ FINANCIAL CAPACITY ANALYSIS

Step 1 of the toolkit looks into the budget of the city (this can be county or township level). It requires input from the Municipal Finance Department. Almost all data in this fiscal assessment should be able to be obtained from regular fiscal statistics. The assessment consists of three parts:

- **Local Government Fiscal Assessment (table 1.1 -1.4)** This part is to gain more insight in the creditworthiness of the local government. It consists of a series of **quantitative** data that gives an overview of the fiscal space of the local government and the capacity to leverage finance. In other words what is the local government's room to manoeuvre to get infrastructure projects financed, from its own budget and how much is it able to access from external sources.
- **Local Government Financial System Assessment (table 1.5)** This part is a **qualitative** assessment of the financial management structure that is in place to manage substantive capital investments within the city administration. It is evidence-based, the scores are based on history and past investment experiences of the city.
- **Investment Budget Forecast (table 1.6-1.16)** The last part is a **projection** of revenues and expenditures and the available funds for investment in the years to come. A basic appraisal model is used that projects the municipal investment budget based on data from earlier years as well as macro economic data.

NOTES FOR THE WORKBOOK USER:

- Step 1 refers to the section in the workbook with the **red tabs**: 'CITY' (tables 1.1-1.5) and 'BUDGET FORECAST' (tables 1.6-1.16). All workbook tables have been included in annex 1.
- Data input is required in the CITY sheet; data in the 'BUDGET FORECAST SHEET' is calculated automatically.
- All amounts are in the local currency (which is selected on the Home page) minus the appropriate number of zeros (as selected by the user).
- You only need to fill those boxes highlighted in **green**, and select answer choices in boxes highlighted in **blue**; the information in the other boxes will be calculated automatically.
- To discern changes on local fiscal revenue and to check for stability the program suggests a minimum of four years data, starting with the last fiscal year for which data are available.
- For the sake of simplicity, this fiscal budget is on a cash basis, revenues are recorded when the cash is received and expenditures are recorded when the disbursement is made.
- This manual refers interchangeably to different terms for local government authorities. Among such terms are 'municipality', 'local authority', and 'local government'

TABLES 1.1-1.4: FISCAL ASSESSMENT

WHY ARE THESE DATA IMPORTANT?

REVENUE

Ideally a municipality must be able to carry the fiscal burden of an infrastructure loan from its **regular stream of income**. That is why the ratio of debt service to recurring revenues, or some variant of this measure, is one of the most important financial ratios. The ratio is commonly used by credit-rating agencies in assessing municipal credit risk, by municipalities in projecting their own debt capacity, and by national governments in establishing borrowing ceilings for local governments.

The main distinction made here is between **own source revenue** (generated within the locality) and **shared revenue** (taxes that are collected by central agencies and shared with local authorities). It is important to know to what extent the local government collects their own revenues and what extent it relies on intergovernmental transfers and grants. Own sources are financial sources over which the municipality has most control. Further, in some countries local revenue sharing receipts are subject to central-government discretion and can change from year to year.

EXPENDITURES

Local governments have two main expenditure responsibilities. The first includes all operating and maintenance expenditures (i.e., recurrent expenditures) for existing municipal public goods and services, while the second refers to the capital outlays for the provision of new infrastructure (i.e., capital expenditures).

The **recurrent expenditure** budget is concerned with the regular operation of services, including salaries, and the benefits for the employees, the purchase of short-life equipment, the costs of routine repair and maintenance, and the servicing of long-term debt. **Capital expenditures** are largely concerned with the creation of long-term capital assets: economic or physical and social infrastructure.

ASSETS

This category is relatively straightforward, it is important to have a list of local government assets to see what assets the local government has acquired over the years and if they could possibly be used as contribution into potential infrastructure projects

DEBT

It is useful to know volume of outstanding loans over the past few years and the annual payments for principal and interest in the past but also in the years to come. This information is necessary to be able to make a good judgement on the potential debt service for future projects.

NOTES FOR THE WORKBOOK USER:

- *The city fiscal assessment can be found in the workbook 'CITY' sheet (red tab) tables 1.1-1.4. These tables are also included in annex 1.*
- *You only need to fill those boxes highlighted in green, the information in the other boxes will be calculated automatically.*

TABLE 1.5: FINANCIAL MANAGEMENT ASSESSMENT

This part is a qualitative assessment of the financial management structure that is in place to manage substantive capital investments within the city administration. Potential financiers, whether they are local banks, private sector companies or international agencies, want to be assured that the current administration has sufficient capacity to plan, prepare, develop and manage the project.

Each question has three-four possible answers to which a score is attached rating from 0-3. There are seven questions, a final score of the municipality's fiscal management structure will appear at the bottom as the Fiscal System Assessment Score on a normalised scale of 1-10.

NOTES FOR THE WORKBOOK USER:

- *The city financial management assessment can be found in the workbook 'CITY' sheet (red tab) table 1.5. This table is also included in annex 1.*
- *You only need to select answers in the cells in blue.*
- *All questions are multiple choice. When you click on a cell a button will appear in the right hand corner of that cell. When you click on the button, possible answers will appear. You can only select ONE ANSWER.*
- *The answers are not cut in stone you can always go back to a question and change the answer simply by clicking on the button.*

TABLE 1.6-1.16: INVESTMENT BUDGET FORECAST

The toolkit assists in making a projection of revenues and expenditures and the available funds for ongoing and future investment. The excel workbook includes a simple forecasting model that uses the fiscal data of the municipality plus a set of macro-economic country data as a starting point to project the municipal investment budget for the next five years.

This is not a detailed and precise projection, but rather a quick estimation to give an idea of the financial condition of the municipality, its investment budget and debt carrying capacity. The main purpose of the financial forecast is to have a basis for the funding allocations in the five-year investment plan that will be developed in step 3. The toolkit helps to determine optional and optimal project financing alternatives and to define the impact of financial decisions on future budgets.

PRINCIPLES FOR PROJECTION

The CITY financial data (table 1.1-1.4) form the basis for forecast of municipal revenue and expenditures, looking eight years in the future. Although the investment program has a five-year horizon, it is necessary to look further ahead in the future as the financial impact of projects is often beyond the five year scope. Eight years is deemed the maximum for which realistic assumptions can be made with the available data set.

ASSUMPTIONS

Each category of revenue and expenditure is analysed with respect to the trend in the historical period, these trends are extrapolated for the next year and then projections are made for the future years on the basis of national macro economic data and growth parameters specific to the local conditions.

There is a series of assumption that lay the foundation for the projections. For every source of revenues a separate set of assumptions has been developed, as each has its own rules of the game. For example, with economic growth in the city the income in property tax is likely to increase while income from legal fees that have to be paid for passport renewal will not be impacted.

The assumptions result in a default projection. However, all data in the assumptions section can be changed manually, and in fact we encourage the users to have a look at these data, check for accuracy, update if necessary and possibly adjusted to reflect local conditions before commencing the forecasting exercise.

NOTES FOR THE WORKBOOK USER:

- *The budget forecast can be found in the workbook 'BUDGET FORECAST' sheet (red tab) table 1.6- 1.8 show the budget forecast and table 1.9.1.16 the underlying assumptions.*
- *For the budget forecast you do not need to fill in anything all tables calculated automatically*
- *The assumptions (table 1.9-1.16) can be changed manually if more accurate or recent data/estimations are available*

TABLE 1.6-1.8: FORECASTING TABLES

Table 1.6 -1.7

These tables provide the projections for the different sources of revenue and expenditures in the past years and those to come, based on the assumptions as laid out in table 1.9-1.16.

Table 1.8

This table calculates the available investment budget and maximum debt service for the coming years. These will be the basis for step 3. The following formulas are used:

INVESTMENT BUDGET FORMULA	DATA SOURCE
RECURRENT REVENUE	<i>Table 1.1: all sources of revenue except D: earmarked special grants.</i>
-	
RECURRENT EXPENDITURES	<i>Table 1.2: B operation & maintenance + C annual debt service</i>
=	
NET OPERATING SURPLUS/DEFICIT	
X	
% OF INVESTMENT BUDGET FOR STRATEGIC INVESTMENT	<i>Table 1.14 (standard assumption is 50%)</i>
=	
INVESTMENT BUDGET	

DEBT SERVICE FORMULA	DATA SOURCE
NET OPERATING SURPLUS/DEFICIT	
X	
DEBT SERVICE RATIO	<i>Table 1.15 (standard assumption is 25%)</i>
=	
MAXIMUM DEBT SERVICE	

Example:

When the recurrent revenues are 6 million US\$ and the expenditures are 5 million US\$, the net operating surplus is 1 million US\$.

Based on the assumptions in table 1.14 about 50% of this budget can be used for strategic investments on city level: 0.5 million US\$

Based on the assumption in table 1.15 and approximately 25% of that amount – 0.25 million US\$ – would be regarded as a safe ceiling for annual debt service.

TABLE 1.9-1.16: ASSUMPTIONS FOR BUDGET FORECAST

TABLE 1.9	ASSUMPTIONS MACRO-ECONOMIC DATA A set of forecasted macro-economic data: inflation and GDP growth. These data are on a national level. They are sourced from ADB or from national statistics and updated when new datasets are available. When the municipality has a more recent or accurate estimation available, for example on regional level, then this data set can be replaced.
TABLE 1.10 AND 1.11	ASSUMPTIONS LOAN CONDITIONS These are assumptions regarding the typical loan conditions for commercial and preferential lending: interest rate and maximum loan term. They are ball park estimates made by CDIA. If local lending conditions vary from these estimations, the data should be changed.
TABLE 1.12	ASSUMPTIONS LOCAL TAX COLLECTION This is a CDIA estimate of collection efficiency of local taxes; estimate is based on past project experience in each CDIA country. If more accurate estimations are available on local level, these can be used.
TABLE 1.13	ASSUMPTION EXCHANGE RATE This table shows the current exchange rate. It is used to convert financial data in the projections from the local currency into US dollars. If more recent data is available they can be put in.
TABLE 1.14	ASSUMPTION INVESTMENT BUDGET & DEBT SERVICE Provides the maximum debt service as % of the net operating surplus or deficit and also the estimated % of operating surplus that can be used for strategic investment projects. Again, the debt service as % of the net operating surplus is a ballpark figure based on ADB project experience. If the debt ceiling is determined differently in local regional or country context, then the percentage can be changed.
TABLE 1.15 AND 1.16	ASSUMPTION REVENUE & EXPENDITURE FORECAST Provides an estimation of the extent to which we expect each revenue source to be impacted by inflation and GDP growth. These assumptions are based on experiences of investment programming exercises in other countries, but can be changed manually if local circumstances so require.

NOTES FOR THE WORKBOOK USER:

- *The assumptions can be found in the workbook 'BUDGET FORECAST' sheet (red tab) table 1.9-1.16.*
- *The assumptions (table 1.9-1.16) can be changed manually if more accurate or recent data/estimations are available*

STEP 2 PROJECT PRIORITISATION

'The reason most major goals are not achieved is that we spend our time doing second things first.'

STEP 2 ■ PROJECT PRIORITISATION

FROM WISHLIST TO SHORTLIST

Step 2 narrows down the wish list to a shortlist. The wish list comprises all proposals and ideas within the city administration; these can be anything from projects that already have the mayor's or the council's approval to project initiatives that have not yet come to fruition. Yet, before entering the wish list a project proposal needs to meet two basic criteria:

1. It should be an **investment project on strategic city level** (i.e. a not part of routine or annual spending, not a neighbourhood level project)
2. It should be a **municipal project or jointly constructed project** (i.e. not a project completely controlled by state/regional government that does not burden the municipal budget and/or over which the municipality has no control).

THE PRIORITISATION EXERCISE

It is the job of the technical experts in the municipality to score and rank the project proposals on the wish list: we refer to them as the **'technical team'**. This toolkit helps with the prioritisation exercise, a total of 40 criteria have been identified to score a potential project and compare it to other projects on a rational and systematic basis. These criteria have been developed so that they give advantage to those projects with a positive developmental outcome.

EXAMPLE TECHNICAL TEAM

- City Urban Planner
- City Engineer
- City Administrator/Executive Officer
- Head Municipal Finance Department
- Public Health & Sanitation Officer
- Solid Waste Management Officer
- Water Supply & Sewerage Officer
- Environmental Protection Officer
- Social Welfare Officer
- Community Development Officer



PRIORITISING: THE SCORING METHODOLOGY

The excel workbook guides the technical team through the scoring exercise by going through a list of questions for each project. Based on these answers for each project a score is calculated. The project scores are accumulated in a **summary sheet** (score card) that provides a one-page overview of all the project scores and allows for easy comparison between projects.

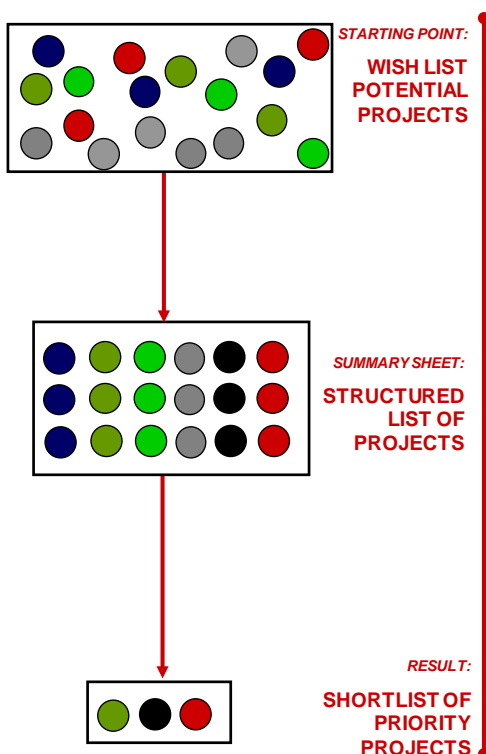
In total there are 40 questions that need to be answered for each project. To highlight different aspects of the projects, these questions have been grouped under five indices.

- Project Purpose
- Public Response
- Environmental Impact
- Socio-Economic Impact
- Feasibility of Implementation

Each question has up to five possible answers to which a score is attached on a scale of zero to three. For some questions it is also possible to have negative score with a maximum of -2.

The workbook has been programmed so that based on the answers to the individual questions a score for each index is automatically calculated. To arrive at an index score the individual scores are added up to a total which is then normalised on a scale of 0-10. The higher the score the better the developmental quality of the project. The table on the next page gives an idea of the number of questions and the points that can be earned for each index.

The five scores are add up to a total score, (maximum 10 points) which is used to rank the projects in the summary sheet. Each index carries a different weight in the final score and has been adapted for the Chinese context (as is shown in the score card on the next page); for example socio economic impact carries more weight than project purpose.



PROJECT SHEETS

The project sheets contain the following tables

TABLE 2.1	PROJECT DESCRIPTORS; The first table identifies a specific project and is mainly descriptive in nature. The descriptors are needed for reference and to categorise projects by sector or status
TABLE 2.2-2.7	FINANCIAL PARAMETERS; The second series of tables summarises the costing of the project year by year both in term of capital investment and operation and maintenance cost. It also asks for the potential sources of funding for both categories, and –if required- data on new loans.
TABLE 2.8-2.12	PRIORITISATION PARAMETERS; These tables are the heart of the prioritisation exercise. It spells out a comprehensive list of different criteria in five categories to assess the quality of a project, which will form the basis for the scoring of the proposed projects.
TABLE 2.13	OPTIONAL PROJECT DATA; This table is optional and can be used for those projects that make it to the shortlist. It adds level of detail on a couple of key issues
TABLE 2.14-2.19	IMPACT OF PROJECT ON LOCAL GOVERNMENT BUDGET; Based on the financial project data (table 2.2-2.6) these tables calculate what is the likely impact of the project on the budget of the municipality: increase in revenues -directly or indirectly- and/or an increase or decrease in expenditures.

NOTES FOR THE WORKBOOK USER:

- The project sheets can be found in the workbook 'PROJECT SHEETS' sheet (blue tabs)
- A separate sheet will be created for each project. This will be done simply by clicking on the 'CREATE NEW PROJECT' button. There is no maximum to the number of projects you can create
- You can refer to 'Example Project' as an example of what a filled in project sheet looks like
- In the sheet you only need to fill those boxes highlighted in blue and green; the information in the other boxes will be calculated automatically.
- All blue questions are multiple choice. When you click on a cell a button will appear in the right hand corner of the cell. When you click on the button, possible answers will appear. You can only select ONE ANSWER.
- The green cells require manual input (not multiple choice). All amounts are in local currency.
- The answers are not cut in stone. Individual project sheets will be saved. If you feel uncomfortable with the final outcome, you can always go back to the project sheet to change data. You can always go back to a question and change the answer simply by clicking on the button.

WHY ARE THESE DATA IMPORTANT?

TABLE 2.2-2.7: FINANCIAL DATA

This section assesses to what level of detail the proposing agency has done its financial homework. For a project to qualify for external sources of funding the financial picture needs to be firmly in place and this is the first step in drawing that picture.

Table 2.2 sums up the total **capital investment** needed to implement the project. It makes a distinction between the preparatory phase and the implementation phase.






Table 2.3 looks into the provisional commitments of **different financing sources** for the capital investment. Important issues in this section are how much of the project budget relies on conventional sources of financing (LG and state funding) and how much comes from other sources. Private sector investment is encouraged as it leverages the municipality's budget and therefore could facilitate the implementation of more projects. Also it is important to know how much of the costs will be financed by debt (borrowing money) and how much by equity (LG taking a share in the investment).

Table 2.4 looks at the costs involved in continued **operation** of the proposed project. This aspect is often overlooked in budgeting exercises, but of crucial importance as a reservation of resources sufficient for sustainable operation has to be made in the budget for years to come.

Table 2.5 looks at similar parameters as 2.4 but concentrates on the **operational budget**. In this section, the less continued reliance on LG budget the better. In other words, the higher the regular stream of income from private sector, community payment and/or user charges the better.

Table 2.6 and 2.7 are relevant in case the municipality decided to access loans for the project. It provides the total amount of the loan as well as the year in which the loan commences. This information is needed to calculate the **repayment schedule** of the loan.

THE SCORE CARD

INDEX	LOWEST SCORE	HIGHEST SCORE	WEIGHT*
 <p>TABLE 2.8: PROJECT PURPOSE; This index looks into the necessity of the project compared to other proposed projects, the point of reference being the stated city development objectives. It tries to identify those projects of strategic importance for the development of the locality, so it factors in the consequences of delaying the project and the status of the existing services. Additional points can be earned by those projects that have an impact beyond the municipal boundaries, that have a multiplier effect on other sectors or that are indispensable for other facilities and services. (6 questions)</p>	<p>0</p> <p>0</p>	<p>21</p> <p>10</p>	20%
 <p>TABLE 2.9: PUBLIC RESPONSE; This index gives an idea about the public desirability of the project from the perspective of different user groups and stakeholders in society. It looks into the political support within the administration and whether there has been articulated positive or negative response from resident groups, NGO's or the public at large. The question whether there has been a form of public consultation may seem an obvious one, but is an essential element in any planning process that is worth paying special attention to. Finally a local 'champion' or campaigner for the project can <i>make or break</i> the image of the project in the media and among the greater public and is therefore an influential factor in the equation. (8 questions)</p>	<p>-2</p> <p>0</p>	<p>22</p> <p>10</p>	20%
 <p>TABLE 2.10: ENVIRONMENTAL IMPACT; This index gives an indication of the impact of the project on the environment locally and within the urban region/regional ecosystem. Distinguishing between direct and indirect impact it identifies the potential environmental benefits and costs of the project and gives higher scores to those projects that make an improvement to living standards, public health and a green environment. (6 questions)</p>	<p>-7</p> <p>0</p>	<p>15</p> <p>10</p>	20%
 <p>TABLE 2.11 SOCIO-ECONOMIC IMPACT; This index scores the qualities of the project for the society socially and economically. It filters out those projects that improve the quality of life for citizens. Projects with an explicit pro-poor focus get more points. Also those projects that create employment locally or have a positive contribution to the local or regional economy receive a higher ranking. Further it is important that the project delivers value for money and does not burden certain groups in society with charges they cannot afford. (9 questions)</p>	<p>-3</p> <p>0</p>	<p>26</p> <p>10</p>	20%
 <p>TABLE 2.12 FEASIBILITY OF IMPLEMENTATION; This index gives an idea of the likelihood that the proposed project will actually be implemented. The reason for asking these questions is to advance the thinking about sources of funding, budget implications and implementation capacity of the administration and also to avoid so called '<i>white elephant</i>' projects. It also identifies if there are any external factors that may negatively impact the outcome of the proposed project. (10 questions)</p>	<p>-4</p> <p>0</p>	<p>29</p> <p>10</p>	20%
<p>FINAL SCORE</p>	<p>0</p>	<p>10</p>	100%

* Weight allocation of the five different indexes can be changed manually in the summary sheet if local circumstances require

BUILT-IN SCENARIOS

The scoring card simply adds up the values of the prioritisation indicators to a total. The higher the score the 'better' the project. Yet, a city government may want to give extra points to projects that support the environment or have an explicit pro-poor component. The technical prioritisation exercise allows them to do just that.

Four scenarios have been built into the workbook with a different emphasis: social, economic environmental and revenue generation. These scenarios are designed to bring to light the projects with the most extensive contributions towards these four general goals. For example, the environmental scenario allows the team to identify which project has the highest environmental contribution to the municipality

To come to a differentiation in the scores in each scenario specific indicators have been selected and allocated extra weight. Below an explanation is given of which questions carry extra weight in which scenarios. The final score for each scenario is again normalized to allow for easy comparison.

It is also possible that a city government may want to establish a unique city scenario that fits with the city development objectives. The spreadsheet also provides the possibility to do that.



ENVIRONMENTAL SCENARIO

- The goal of this scenario is to highlight the contributions of projects to a clean and healthy environment. Weight is given to projects that **directly target** environmental issues and develop infrastructure that leads to cleaner urban environments. Health is also a factor.
- Additionally, projects that increase or improve **natural spaces** and contribute to **long term environmental sustainability** (e.g. energy, recycling, etc.) are considered in this scenario. And lastly, projects that develop infrastructure to mitigate natural disasters are given some weight.
- Any project that is likely to produce negative effects on **health** or the state of the environment will be deducted points in this scenario. This is not to discredit these projects, but to make a clear distinction between these projects and infrastructure projects that specifically target environmental improvement.

	Questions	Weight
2.10 –A	Are there direct effects to the quality of the local environment , e.g. air or water pollutants, waste, etc.	■■■■■■■■□□ 3.5
2.10 –B	Does the project contribute toward long term sustainable development , e.g. renewable energy, clean water supply, recycling, etc.	■■■■■■■■□□ 3
2.10 –C	Are there any specific public health benefits , especially at local level	■■■■■■■■□□ 3
2.10 –F	Are there any benefits to the quality of public spaces in the city, e.g. parks, green infrastructure, water bodies, boulevards, public squares, open spaces, etc.	■■■■■■■■□□ 3
2.10 –E	Is this project an example for climate change adaptation (reduce impact of environmental hazards or reduce human vulnerability)	■■■■■■□□□□ 2.5
2.10 –D	Does the project contribute to mitigation of climate change (reduce occurrence of environmental hazards or curtail green house gas emissions)	■■■■■■□□□□ 2.5



ECONOMIC SCENARIO

- This scenario emphasises the contributions of projects to local economic development. Projects that **create jobs** and **expand business opportunities** locally receive a high score in this scenario. Direct and potential (indirect) long term contributions are considered.
- Projects that **create linkages** and fill gaps are also emphasised in this scenario. These improvements are usually beneficial for businesses and contribute to the growth of the local economy.
- Lastly, weight is given to projects that can be completed and managed by **local personal**. Projects that require extensive outside expertise often have limited effects on the economy.

	Questions	Weight
2.11 –A	What is the expected direct impact of the project on local economic development	■■■■■■■■□□ 4
2.11 –C	Does the project make use of locally available resources	■■■■■■■■□□ 3.5
2.11 –B	Are there indirect economic benefits in the long term , e.g. employment created, investment generated, increase in land/property prices.	■■■■■■■■□□ 3.5
2.8 –F	Does the project fill in a gap in a wider system of service delivery	■■■■■■□□□□ 2.5
2.12 –D	Will the project generate revenue indirectly	■■■■□□□□□□ 2
2.8 –E	What are the consequences of deferring the project in terms of citizens health, property, safety, prosperity, etc.	■■■□□□□□□□ 1.5
2.9-H	Will private enterprises be willing to invest in this project and/or people be ready to contribute their own resources (money or labour)	■□□□□□□□ 1



SOCIAL SCENARIO

- This scenario focuses on three dimensions of social planning. Firstly, significant weight is given to projects that specifically assist the **poor and disadvantaged** and contribute towards **equitable distribution**. These consider where infrastructure is located (e.g. is it built in disadvantaged areas) and whether fees for this infrastructure deter lower income residents from using it.
- The second consideration is the **role of community groups** and citizen support in the birth of a project. Projects that grew from the community and sought the input of local residents are deemed to be more socially responsive. Along this line of thought, projects that require extensive **resettlement** are considered likely to cause some negative social effects and are therefore deducted points.
- The last area of consideration is the **general satisfaction** level of citizens. This is achieved by weighing the **pride of residents** relating to the new infrastructure and by weighing the contribution to a **vibrant city centre**. These two issues are considered as indicators of identity and satisfaction in residents.
- Finally, **health** and **economy** are both considered as cross cutting issues that have social benefits. Projects that contribute in these sectors score high in this scenario.

	Questions	Weight
2.11-D	Does the project target lower income groups	■■■■■■■■■■ 5
2.11-E	Does the project bring improvements to low income neighbourhoods	■■■■■■■■■■ 5
2.11-G	Does the project contribute to a more harmonious society	■■■■■□□□□ 3
2.8 -B	What is a rough estimation of the population served by the new facility as % of the urban catchment area	■■■■■□□□□ 3
2.9 -F	Has there been any form of public/community consultation or information campaign to the public for this project	■■■■■□□□□ 3
2.9 -G	Does the project involve resettlement of communities households and/or business	■■■■■□□□□ 3
2.8 -E	What are the consequences of deferring the project in terms of citizens health, property, safety, prosperity, etc.	■■■■□□□□□ 2
2.10-C	Are there any specific public health benefits , especially at local level	■■■■□□□□□ 2
2.10-E	Are there any benefits to the quality of public spaces in the city, e.g. parks, green infrastructure, water bodies, boulevards, public squares, open spaces, etc.	■■■■□□□□□ 2
2.11-F	Are the proposed charges affordable for those who need to pay them	■■□□□□□□□ 1
2.9-A	Does the project have a local 'champion' or where did the project originate from	■■□□□□□□□ 1
2.9-D	What is the response to the project from NGO's, community groups or business organizations	■■□□□□□□□ 1
2.9-E	Is there support or opposition from residents in immediate vicinity of the new facility	■■□□□□□□□ 1
2.11-H	Does the project contribute to the revitalisation of an urban district	■■□□□□□□□ 1
2.11-I	Does the project make citizens feel more proud of their city	■■□□□□□□□ 1



REVENUE GENERATING SCENARIO	
	<ul style="list-style-type: none"> This scenario highlights projects that generate revenue for the local municipal budget, thereby making the financial situation of the municipality healthier. Projects that have a high percentage of revenue generation against total operating costs score high in this scenario. This scenario also considers the anticipated percentage of revenue collection and the likelihood that disadvantaged residents can pay the fees. Finally, economic development is given weight in this scenario because it is likely to lead to a direct (or indirect) increase in tax revenue.

	Questions	Weight
2.5	Revenue as % of operating costs (Less than 50% equals 1 point, 50%-100% equals 2 points, more than 100% equals 3 points)	■■■■■■■■■ 5
2.12-C	Will the project bring in direct revenue	■■■■■■■□□ 4
2.12-D	Will the project generate revenue indirectly	■■■■■■■□□ 4
2.12-E	Will the project decrease current budget costs	■■■■■■■□□□ 3.5
2.12-F	To what extent is the system in place for collecting the proposed charges so they will actually be paid	■■■■■■■□□□ 3.5
2.11 -A	What is the expected impact of the project on local economic development	■■■■□□□□□□ 2
2.11-B	Are there indirect economic benefits in the long term , e.g. employment created, investment generated, increase in land/property prices.	■■■■□□□□□□ 2
2.11-F	Are the proposed charges affordable for those who need to pay them	■■■□□□□□□□ 1.5
2.12-A	Has funding been secured within the local government budget for this project	■■■□□□□□□□ 1.5



CITY SCENARIO	
	<p>To make a city scenario, open the CITY SCENARIO sheet in the workbook. Teams should then scroll through the list of prioritisation questions and select the questions that they want to include in their city scenario. To select a question, choose the “yes” option in column F.</p> <p>Once the desired questions have been chosen, the team should decide what weight to apply to each question. Select a weight from the dropdown lists in column G. The maximum weight possible is 5. The formulas will then calculate automatically and appear on the project and summary sheets.</p>

TABLE 2.14-2.21: IMPACT OF PROJECT ON GOVERNMENT BUDGET

The last section is a set of tables that calculate the likely impact of each individual project on the future municipal budget. It looks into:

- increase in annual debt service as a result of new loans,
- increase in revenue as a result of direct income through fees charges as well as indirect income through an increase in the tax base
- increase in expenditures as a result of higher operation & maintenance costs



NOTES FOR THE WORKBOOK USER:

- Tables 2.14-2.21 can be found in the workbook 'CITY' sheet (red tab)
- All tables are calculated automatically, no need for new data input
- Graphs have been added to make it easier to interpret the data

WHY ARE THESE DATA IMPORTANT?

TABLE 2.14-2.15

NEW COMMERCIAL & PREFERENTIAL LOANS

In case it is necessary to access loans to realise the project, these tables make an estimation of what the likely annual repayment schedule will be in the years to come. The repayment schedule is based on:

- total amount of the credit/loan
- year of disbursement (commencement of the loan)
- interest rate
- maximum term of the loan

The first two data are imported from table 2.6 and 2.7, while the interest rate and the loan term are imported from the ASSUMPTIONS section in the BUDGET FORECAST sheet. The calculation is based on linear repayment of the loan, assumed a fixed interest rate and does not take into account any grace period. Annual interest payment is calculated as a percentage of the average value of the loan outstanding (half of the loan outstanding from the previous year plus loan outstanding from the year for which the interest payment is calculated).

To determine the debt service, annual principal and interest payment are summed up and automatically transferred to table 2.14 and 2.15.

TABLE 2.16

ESTIMATED ADDITIONAL REVENUE

This table provides a rough estimation of the impact of each project on the sources of revenue for the municipality on an annual basis. Two categories are distinguished:

- direct income from fees charged for the use of the new facility
- indirect income through an increase in tax base.

Direct income from fees & charges

The calculation is based on two assumptions: the anticipated income from fees & charges and the collection efficiency of those fees & charges:

FORMULA	DATA SOURCE
ANTICIPATED DIRECT INCOME FROM FEES & CHARGES	Table 2.5, row C
X	
COLLECTION EFFICIENCY OF FEES & CHARGES	Table 2.12 Q6
=	
ANTICIPATED ADDITIONAL DIRECT REVENUE	

Indirect income through increase in tax base

The calculation is based on a number of assumptions:

- only half of the locally collected taxes are impacted by the project
- there is a four year delay between the project completion and the impact on the tax base
- the collection efficiency of local taxes is about 50%

Note: If local conditions differ significantly from the above, these assumptions can be changed manually in table 1.12 (ASUMPTIONS BUDGET FORECAST SHEET).

FORMULA	DATA SOURCE
GENERAL REVENUE INCOME	Table 1.6 row A
X	
ANTICIPATED IMPACT ON GENERAL REVENUE	Table 2.12 Q4
X	
LOCAL TAX COLLECTION EFFICIENCY	Table 1.12 row A
X	
% OF LOCAL TAXES IMPACTED BY THE PROJECT	Table 1.12 row C
=	
ESTIMATED ADDITIONAL GENERAL REVENUE	

Example:

if a new transport link (to be completed in 2010) will result in the increase of the locally collected taxes of 5-10%, we assume the impact will only become noticeable from 2014 onwards.

*If the forecasted general revenue in the year 2014 was 20.000 US\$, the estimated **additional** general revenue resulting from the project in 2015 will be 20.000 US\$ X 7.5% x 50% X 50% = 375 US\$.*

TABLE 2.17

ESTIMATED ADDITIONAL EXPANDITURES

This table provides a rough estimation of the impact of each project on the sources of expenditures of the municipality on an annual basis. This largely concerns two categories:

- 1. Increase in operation & maintenance cost**
The increase in operation & maintenance cost (transferred from table 2.4).
- 2. Increase in debt service**
The debt service is dependent on whether or not the municipality decides to access loans to realise the project. If applicable, the estimated increase in annual debt service is transferred from table 2.4 and 2.15.

TABLE 2.18

ORIGINAL BUDGET FORECAST

This table is copied directly from the BUDGET FORECAST SHEET, Table 1.18

TABLE 2.19

IMPACT OF PROJECT ON BUDGET FORECAST

This table adds the additional sources of revenue and expenditures to the budget forecast and calculates a new budget forecast as well as a new projection of the available investment budget.

Graph 1 shows the impact of the project on the investment budget using data from table 2.18 and 2.19.

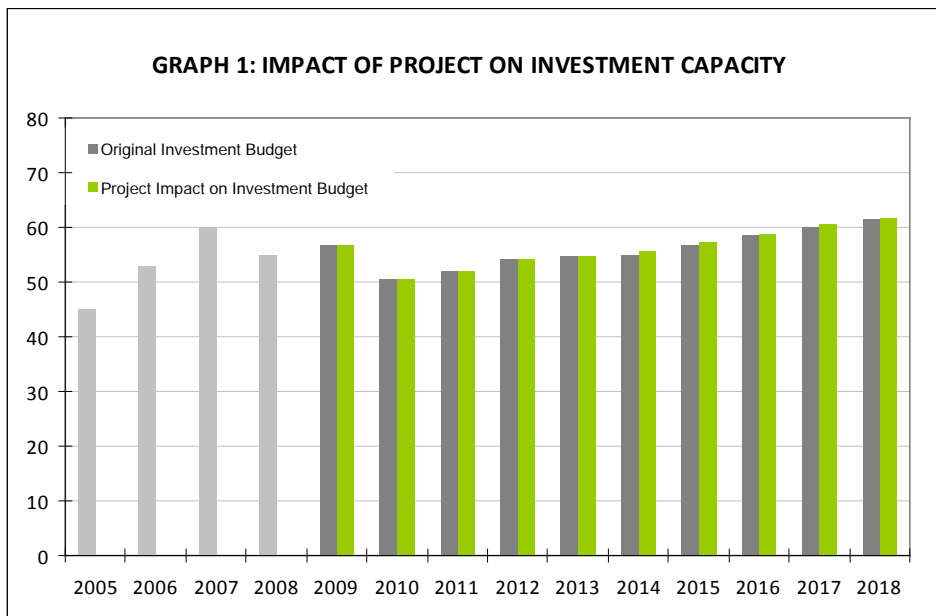


TABLE 2.20 FUNDING SOURCE CAPITAL INVESTMENT

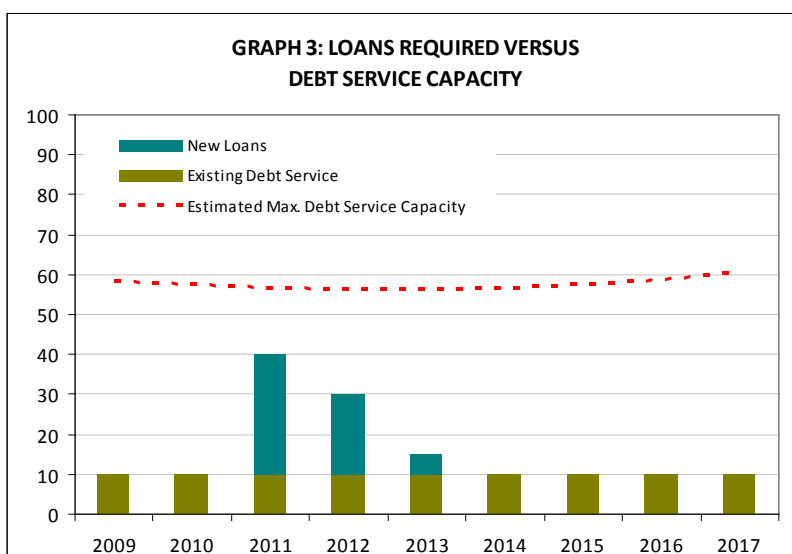
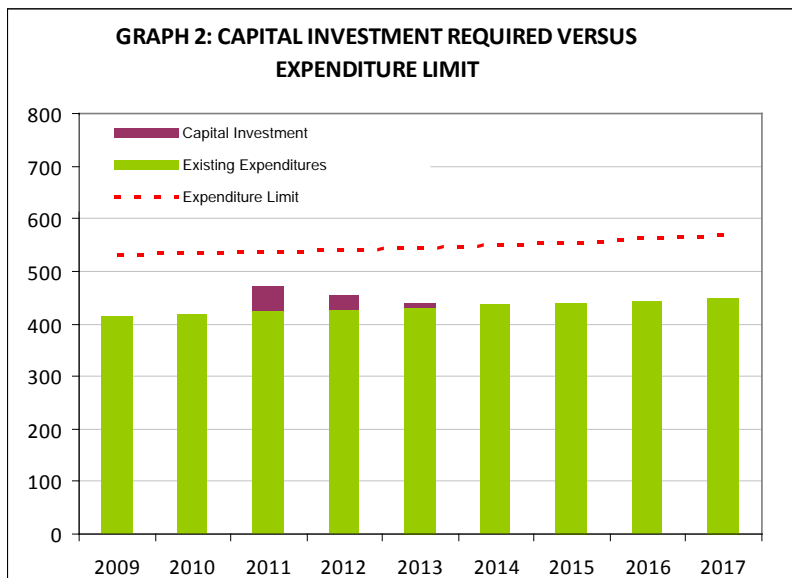
This table shows the anticipated sources of funds of the project. It is the same information as 2.3 but in a different format.

TABLE 2.21 & GRAPH 2 ESTIMATED EXPENDITURE LIMIT

This table looks into the capital cost of the project in relation to the available investment budget. The red line indicates the investment ceiling, so should the purple part of the bar (the proposed project) hit the line, this indicates there is no room available in the municipal investment budget.

TABLE 2.22 & GRAPH 3 ESTIMATED DEBT CEILING

This table looks at the volume of the anticipated loan in relation to the estimated debt ceiling. The underlying assumption is that the municipality can borrow up to 25% of the net operating surplus (see table 1.14 ASSUMPTIONS BUDGET FORECAST).



STEP 3 PROGRAMMING FOR INVESTMENT

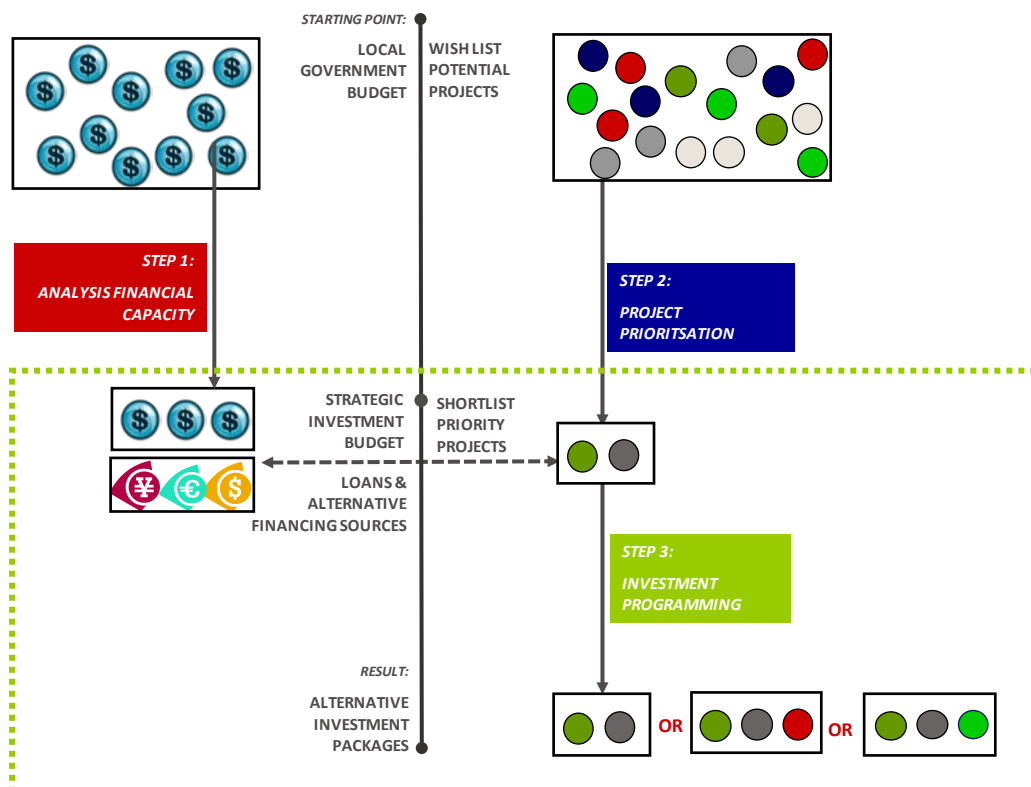
*'Don't tell me where your priorities are.
Show me where you spend your money
and I'll tell you what they are'*

STEP 3 ■ PROGRAMMING FOR INVESTMENT

WHAT IS A PRIORITY INVESTMENT PACKAGE?

A Priority Investment Package (PIP) is a medium term plan for public investment in the municipality. It sets direction for development and proposes a package of investments that are of crucial importance for the development of the city. It identifies how much fiscal space the government has to invest and to carry the debt of a potential project, and also maps out clearly the alternative financing possibilities. The goal is to eventually arrive at a package of priority project(s) that fit comfortably within the available financial envelope of the local government.

The PIP brings together the results of step 1 and 2: the financial capacity on one hand and the proposed projects on the other hand. It is very likely that total cost of the projects in the wish list is higher than the possible sources of financing. Yet, since the projects have been listed in order of priority, funding can be assigned to them accordingly. In this manner, the highest priority projects, that is, those that address the most important community needs are funded first.



PARTICIPATORY DECISIONMAKING: POLICY MEETING

The outcome of step 2 is taken as a starting point: a shortlist of priority projects. Now these priority projects have to be translated into priority investment packages. This packaging exercise ideally takes the shape of a **policy meeting** (or series of policy meetings) whereby technical people, decision-makers, council members, local entrepreneurs, NGO's and community representatives come together to jointly decide on the best possible investment package.

To prepare for this meeting a number of **alternative investment packages** have to be put together for the participants to choose from. These packages are best prepared in a small group with key representatives of the financial and technical team together with the facilitator.

In the excel workbook are three PROGRAMMING sheets that assist the teams in putting together these investment packages. Simply by clicking a yes/no button in each project sheet, data from these projects sheets are transferred into a PIP sheet, which has the format of 5-year investment plan. Projects should be selected based on the order of priority until the investment ceiling is reached. Now it is clear how many projects fit in the financial envelope of the municipality.

Two graphs are included in the PIP sheet to illustrate the project budget in relation to the financial capacity (graphs 1) and debt ceiling (graph 2). This allows the audience to clearly see the impact of the different projects.

This is the starting point for the programming exercise, a base to start a discussion to see if other/more projects can be added by:

- postponing projects or bring them forward in time
- finding alternative sources of financing

The team then can start to make changes to the individual PROJECT sheets which are automatically reflected in the PROGRAMMING sheets. As such the team can put together a range of possible packages. Annex 2 provides a set of guidelines for the facilitator to direct the team through the process.

NOTES FOR THE WORKBOOK USER:

- Step 3 'Programming for Investment' refers to the section in the workbook with the **green tabs**.
- There are four sheets: COMMITTED, PREPARED and PROPOSED and PIP. The first three are optional, the last one is the 'basket' in which all selected projects are compiled.
- All information in these sheets is calculated automatically, no need for manual input.

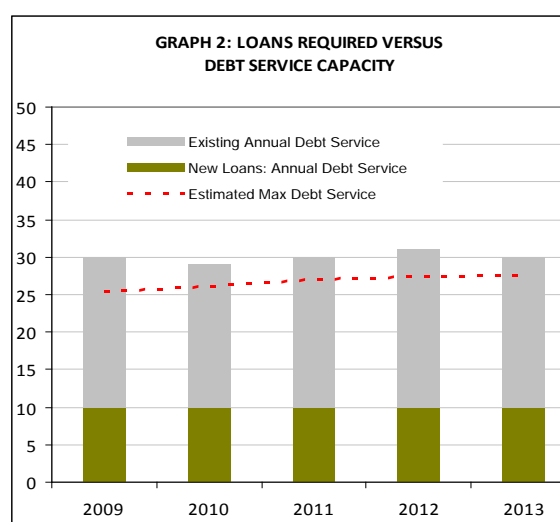
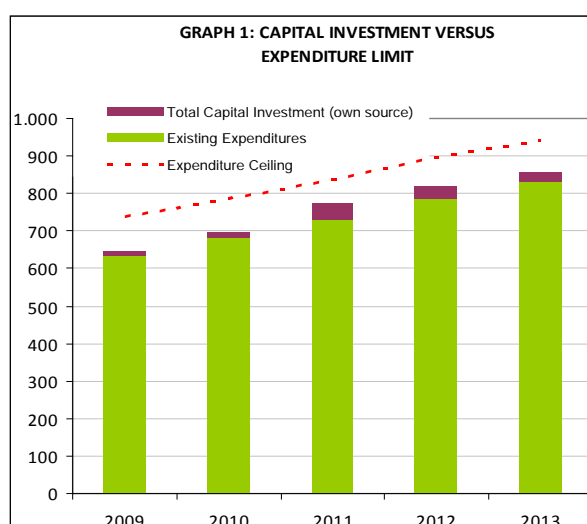
EXAMPLE PRIORITY INVESTMENT PACKAGE

5 YEAR PLAN - FINAL PROJECTS		NPR in millions					
	2009	2010	2011	2012	2013	TOTAL	TOTAL (USD)
Total Committed Capital Investment	20,0	11,6	39,6	105,0	99,6	326	4,0
Total Capital Investment (own source)	10	16	44	32	25	127	0,0
State or Regional Funds & Grants	0	20	20	30	20	90	0,0
Private Sector Investment	0	0	0	0	0	0	0,0
Commercial Borrowing	0	0	0	0	0	0	0,0
Preferential Borrowing	10	10	10	10	10	50	12,5
Financing Gap	0	-34	-34	33	45	9	0,0
Expenditure Ceiling	737	786	839	895	941		
Existing Expenditures	636	682	731	786	831		
Estimated Financing Capacity	51	52	54	55	55		
Existing Annual Debt Service	20	19	20	21	20		
New Loans: Annual Debt Service	10	10	10	10	10	50	1
Estimated Max Debt Service	25	26	27	27	28		
FUNDS AVAILABLE AFTER FINAL INVESTMENTS	41	36	10	23	30	140	1,7

Teku SW Transfer Station	0	6	6	0	0	12	0,1
Own source	0	6	6	0	0	12	0,0
State or Regional Funds & Grants	0	0	0	0	0	0	0,0
Private Sector Investment	0	0	0	0	0	0	0,0
Commercial Borrowing	0	0	0	0	0	0	0,0
Preferential Borrowing	0	0	0	0	0	0	0,0
Financing Gap	0	0	0	0	0	0	0,0
Annual Debt Service New Loans	0	0	0	0	0	0	0,0

New Balaju South Transfer Station	0	0	28	22	15	65	0,8
Own source	0	0	28	22	15	65	0,8
State or Regional Funds & Grants	0	0	0	0	0	0	0,0
Private Sector Investment	0	0	0	0	0	0	0,0
Commercial Borrowing	0	0	0	0	0	0	0,0
Preferential Borrowing	0	0	0	0	0	0	0,0
Financing Gap	0	0	0	0	0	0	0,0
Annual Debt Service New Loans	0	0	0	0	0	0	0,0

Junction Improvement Project	20	16	16	93	95	239	3,0
Own source	10	10	10	10	10	50	0,6
State or Regional Funds & Grants	0	20	20	30	20	90	1,1
Private Sector Investment	0	0	0	0	0	0	0,0
Commercial Borrowing	0	0	0	0	0	0	0,0
Preferential Borrowing	10	10	10	10	10	50	0,6
Financing Gap	0	-34	-34	33	45	9	0,1
Annual Debt Service New Loans	10	10	10	10	10	50	0,6



ANNEX 1:
WORKBOOK
SHEETS

ANNEX 1: WORKBOOK SHEETS

STEP 1: CITY SHEET - (RED TABS)

TABLE 1.1-1.4: CITY FISCAL ASSESSMENT

1.1 LOCAL GOVERNMENT REVENUES		2006	2007	2008	2009
A	Recurrent revenue (municipal tax base): <i>Locally collected taxes such as business or property tax. Rental income from property, profit and dividend from SOE's etc.</i>				
B	Recurrent revenue (user charges, fees & fines): <i>User fees & charges (water, sewerage, public transport, toll roads, etc) Other non-tax revenue sources: fines & fees for municipal services.</i>				
C	Capital revenues (shared revenue): <i>Revenues that are collected by provincial agencies and shared with local authorities, provincial-local fiscal transfers, tax rebates and grants.</i>				
D	Capital revenues (earmarked special grants): <i>Specific grants that are earmarked for a special purpose, such as schools, cultural facilities or large scale investments such as airports</i>				
E	Capital revenues (sales of land/municipal assets): <i>Proceeds from the sale of land, buildings or other capital assets owned by a municipality</i>				

1.2 LOCAL GOVERNMENT EXPENDITURES		2006	2007	2008	2009
A	Capital expenditures (investment): <i>Provision for investment in roads, bridges, water supply, sewers, water treatment plants, schools, social, etc.</i>				
B	Recurrent expenditures (operation/maintenance): <i>Salaries or wages, social welfare, supplies and materials, office equipment, utilities, rents, solid waste, fire brigades etc.</i>				
C	Recurrent expenditures (debt service): <i>Annual debt service Interest and principal on outstanding loans (will be calculated automatically based on table 1.4)</i>				

1.3 LOCAL GOVERNMENT ASSETS		2006	2007	2008	2009
A	Cash <i>Cash, currency, deposit accounts, money orders, cheques etc.</i>				
B	Securities <i>Provident Fund Contributions, equity in SOE's ,stocks, other equity</i>				
C	Long term bonds <i>Long term (>10 years) debt securities</i>				
D	Tangible assets other than above <i>Land, properties, machineries</i>				

1.4 LOCAL GOVERNMENT DEBT		04	05	06	07	08	09	10	11	12	13	14	15	16	17
A	Outstanding Loan Value														
B	Annual Interest Payment														
C	Annual principal payment														

Note: Since repayment schedules are known for the years to come, we require not only 4-year back data but also data for the coming 10-year period

TABLE 1.5: CITY FINANCIAL MANAGEMENT ASSESSMENT

1.5	PARAMETERS	QUESTIONS	POSSIBLE ANSWERS
A	Credit Rating	<ul style="list-style-type: none"> Does the local government have credit rating by international credit rating agency (Standard & Poor, Moody's, Fitch or affiliate) or internal risk assessment by banks? 	0 Local government has no credit rating or a risk rating (BB, B or C) rating 1 Local government has a moderate (BBB) rating 2 Local government has a safe (AAA, AA, A) rating
B	Capital Budgeting	<ul style="list-style-type: none"> What type of capital budgeting does the local government apply? 	0 No 1 Local government has recently started to apply multi annual capital budgeting 2 Capital Investment Plans are available on project basis
C	Capacity to collect local revenues (fees, tariffs, taxes etc.)	<ul style="list-style-type: none"> What is the collection efficiency: = revenue collection / billing? <p>If no exact figure is available:</p> <ul style="list-style-type: none"> How well developed is the collection capacity of local government? 	0 <75% 1 >75<90% 2 >90% 0 Capacity to collect local revenues needs significant improvement 1 Capacity to collect local revenues could be improved 2 Capacity to collect local revenues functions is optimal.
D	Quality of legal and administrative framework	<ul style="list-style-type: none"> To what degree do legal regulations create an efficient and effective administrative framework? 	0 Basic financial procedures and control mechanism are in place, 1 The system works with reasonable efficiency, 2 Financial procedures and control mechanism are well developed, computerised and transparent.
E	IT capacity	<ul style="list-style-type: none"> How important is the use of Information Technology in the local government 	0 IT is not used in management, IT skills of staff and availability of computers are limited 1 Access to computers is limited and staff has basic level of IT skills 2 IT is used in budgetary, financial and strategic management. Computers are widely available and computer skills of staff are well developed
F	Staff Capacity	<ul style="list-style-type: none"> What is the capacity of staff at financial and internal audit divisions 	0 Too few in number and also lack the skills to undertake multi year budgeting exercise 1 Adequate in numbers but are not sufficiently skilled to undertake multi year budgeting exercise 2 Adequate and sufficiently skilled people (incl. qualified accounting staff)

STEP 1: BUDGET FORECAST SHEET - (RED TAB)

TABLE 1.6-1.8: INVESTMENT BUDGET FORECAST

LOCAL GOVERNMENT BUDGET FORECAST		NPR in millions													
1.6 Local Government Revenues		<i>actual</i>				<i>est.</i>	<i>forecast</i>								
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
A	Recurrent revenue: General revenues	163.6	126.4	147.7	196.4	214.1	231.2	249.8	269.8	291.4	308.8	327.4	347.1	367.9	390.0
B	Recurrent revenue: User charges, fees & fines	219.6	189.5	226.1	233.0	239.8	258.9	279.7	302.0	326.2	345.8	366.5	388.5	411.8	436.5
C	Capital revenue: Shared revenues/taxes and general grants	237.6	238.1	238.1	237.6	237.6	247.1	257.0	267.2	277.9	286.3	294.9	303.7	312.8	322.2
D	Capital revenue: Earmarked special grants	19.3	158.7	318.0	226.3	180.6	180.6	180.6	180.6	180.6	180.6	180.6	180.6	180.6	180.6
E	Capital revenue: Sale of municipal assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
F	Total LG Revenues	640.1	712.7	929.9	893.3	872.0	917.8	967.0	1019.6	1076.0	1121.5	1169.3	1219.8	1273.1	1329.3
1.7 Local Government Expenditures		<i>actual</i>				<i>est.</i>	<i>forecast</i>								
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
A	Capital Expenditures: Provision for Investment	200.7	165.6	279.6	445.6	610.1	658.9	711.6	768.5	830.0	879.9	932.7	988.6	1,048.0	1,110.9
B	Recurring Expenditures: Operation/Maintenance	382.8	406.4	352.9	489.4	541.1	584.4	631.2	681.6	736.2	780.3	827.2	876.8	929.4	985.2
C	Recurring Expenditures: Annual Debt Service	10.0	0.0	10.0	10.0	36.9	51.6	51.1	49.1	49.9	50.3	47.9	45.6	43.2	40.9
D	Total LG expenditures	593.5	571.9	642.5	945.0	1,188.1	1,294.9	1,393.8	1,499.3	1,616.1	1,710.5	1,807.7	1,911.0	2,020.6	2,136.9
1.8 Summary Investment Capacity		<i>actual</i>				<i>est.</i>	<i>forecast</i>								
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
A	Operating Revenue (own + shared)	620.8	554.0	611.9	667.0	691.4	737.3	786.4	839.0	895.5	940.9	988.8	1,039.3	1,092.5	1,148.7
B	Operating Expenditure	392.8	406.4	362.9	499.4	578.0	636.0	682.2	730.8	786.0	830.6	875.1	922.4	972.6	1,026.0
C	Net operating surplus/deficit	228.0	147.6	249.0	167.6	113.4	101.2	104.2	108.3	109.5	110.3	113.7	116.9	119.9	122.7
D	Investment Budget	114.0	73.8	124.5	83.8	56.7	50.6	52.1	54.1	54.7	55.1	56.8	58.5	60.0	61.3

TABLE 1.9-1.16: ASSUMPTIONS FOR FORECAST

1.9	Assumptions Macro-Economic Data	actual					est.
		2005	2006	2007	2008	2009	2009
A	Inflation						
B	GDP growth in %						

1.10	Assumptions Loan Conditions Commercial Lending	
A	Interest rate	10%
B	Repayment Period (years)	15
1.11	Assumptions Loan Conditions Preferential Lending	
A	Interest rate	5%
B	Repayment Period (years)	20

Source: Economic Survey GON/Asian Development Bank

1.12	Local Tax Collection	
A	Local tax collection rate	30%
B	Delay in impact of project on local general revenue (year)	4
C	% of local tax base that is impacted by project	50%

Source: CDIA estimations

1.13	Assumptions Exchange Rate (to USD)	
A	CNY	

1.14	Assumptions Investment Budget & Debt Service	
A	% of operating surplus for strategic investment projects	50%
B	Debt service as % of operating surplus	25%

Source: CDIA estimations

1.15	Assumptions Revenue Forecast	Infl	GDP
A	Recurrent revenue: General revenues	100%	50%
B	Recurrent revenue: User charges, fees & fines	100%	
C	Capital revenue: Shared revenues/taxes and general grants	50%	
D	Capital revenue: Earmarked special grants		
E	Capital revenue: Sale of municipal assets		

Source: CDIA estimations

1.16	Assumptions Expenditure Forecast	Infl	GDP
A	Capital Expenditures: Provision for Investment	100%	50%
B	Recurring Expenditures: Operation/Maintenance	100%	
C	Recurring Expenditures: Annual Debt Service		

Source: CDIA estimations

STEP 2: PROJECT SHEETS - (BLUE TABS)

TABLE 2.1: PROJECT DESCRIPTORS

2.1	QUESTIONS	POSSIBLE ANSWERS
A	What is the name of the project	<ul style="list-style-type: none"> Name
B	What is the location of the project within the city	<ul style="list-style-type: none"> Location
C	To which sector does the project belong (more than one answer possible)	<ul style="list-style-type: none"> Solid waste Water and sewage Road, rail, bridge, air(port) Power supply, electricity Commercial/industrial/technology facility Health Education Urban upgrade Other
D	Which agenda does the project tackle	<ul style="list-style-type: none"> ENV = Environmental SOC = Social ECO = Economic
E	What is the current status of the project	<ul style="list-style-type: none"> COMM = Project/funds committed PREP = Project prepared PROP = Project idea is proposed
F	Expected commencement date	<ul style="list-style-type: none"> Year
G	Expected completion date	<ul style="list-style-type: none"> Year

Data in section 1 are not used for scoring the project.

TABLE 2.2-2.7: PROJECT FINANCIAL PARAMETERS

2.2 Capital Cost		Total capital investment needed to implement the project					
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
A	Planning, preparation & procurement consultancy						
B	Land Acquisition						
C	Construction						
D	Equipment & Furnishing						
E	Other cost						

2.3 Anticipated Source of Funds for Capital Investment		Level of funding anticipated by year and source					
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
A	Own source (LG Budget)						
B	State or Regional Funds/Grants/Transfers						
C	Private Sector Investment / People's Participation						
D	Commercial Borrowing						
E	Preferential Borrowing (donor agencies)						
F	Financing Gap (will be calculated automatically)						

2.4 Operation & Maintenance Cost	
A	Estimated average per annum

2.6 New Commercial Loans	
A	Loan amount (will be calculated automatically)
B	Year of disbursement

2.5 Source of Funds for Operation & Maintenance Cost	
A	Own Source
B	State/ Regional Funds/Grants/Transfers
C	Revenue from Fees/Charges
D	Other

2.7 New Preferential Loans	
A	Loan amount (will be calculated automatically)
B	Year of disbursement

TABLE 2.8: PROJECT PURPOSE

2.8	QUESTIONS	POSSIBLE ANSWERS	PURPOSE INDEX
A	What is the status of existing services dealing with the problem	<ul style="list-style-type: none"> • Current facility is overburdened. There is demand for an additional facility • Facility is available but service is not optimal (improvements or extension) • No existing facility to deal with the problem 	
B	What is a rough estimation of the population served by the new facility as a % of the population within the urban catchment area	<ul style="list-style-type: none"> • <25% • 25-50% • >50% 	
C	What is the priority of this project compared to other proposed projects according to the city development plan	<ul style="list-style-type: none"> • Low priority • Priority project • High priority • Highest priority of all 	
D	What is the contribution of the project to regional development goals	<ul style="list-style-type: none"> • No contribution • Indirect contribution • Direct contribution • Major contribution to key development goal 	
E	What are the consequences of deferring the project in terms of citizens' health, property, safety, prosperity etc.	<ul style="list-style-type: none"> • No consequences • Minor consequences • Major future consequences • Major immediate consequences 	
F	Does the project fill a gap in a wider system of service delivery	<ul style="list-style-type: none"> • No connection with other facilities • Other facilities benefit from this project in the long run • Other facilities benefit from this project immediately • Other facilities depend on this project 	

TABLE 2.9: PUBLIC RESPONSE

2.9	QUESTIONS	POSSIBLE ANSWERS	PUBLIC DESIRABILITY INDEX
A	Does the project have a local 'champion' or where did the project idea originate from	<ul style="list-style-type: none"> • Community • City Administration • Municipal Leadership • Higher leadership 	
B	Is the project likely to get support from municipal leadership	<ul style="list-style-type: none"> • Difficult • Standard • Easy • Already approved 	
C	Is the project likely to get approval from related sectors/other departments	<ul style="list-style-type: none"> • Difficult • Standard • Easy • Already approved 	
D	What is the response to the project from NGO's, community groups, network organisations, media or business organisations	<ul style="list-style-type: none"> • Few selected supporters • Minority support • Majority support • Vast majority support 	
E	Is there support or opposition from residents in the immediate vicinity of the new facility	<ul style="list-style-type: none"> • Few selected supporters • Minority support • Majority support • Vast majority support 	
F	Has there been any form of public/community consultation or information campaign to the public for this project	<ul style="list-style-type: none"> • Not yet, project idea still in development • Public has been informed through information campaign • Plan presented to community representatives for consultation & feed back • Community organizations actively involved in plan formulation 	
G	Does the project involve resettlement of communities households and/or businesses	<ul style="list-style-type: none"> • Yes, large scale (>100 households have to be relocated) • Yes, small scale (50 -100)households have to be relocated) • Resettlement of less than 10 households and/or renegotiation of property boundaries • No resettlement 	
H	Will private enterprises be willing to invest in this project and/or people be ready to contribute their own resources (money or labour)	<ul style="list-style-type: none"> • Not ready to contribute • Need extra effort to mobilise resources • Ready when purposed • Already committed to contribute 	

TABLE 2.10: ENVIRONMENTAL IMPACT

2.10	QUESTIONS	POSSIBLE ANSWERS	ENVIRONMENTAL IMPACT INDEX
A	Are there direct effects to the quality of the local environment, e.g. air or water pollutants, waste, etc.	<ul style="list-style-type: none"> • Considerable direct negative effects on quality of the local environment • Direct negative effects on quality of the local environment • Neutral • Some direct positive effects on the quality of the local environment • Significant direct positive effects on the quality of the local environment 	
B	Does the project contribute toward long term sustainable development, e.g. renewable energy, clean water supply, recycling, etc.	<ul style="list-style-type: none"> • Counteracts long term sustainable development • No impact on long term sustainable development • Some contribution towards long term sustainable development • Significant contribution towards long term sustainable development 	
C	Are there any specific public health benefits, especially at local level?	<ul style="list-style-type: none"> • Considerable negative impact on general health • Negative impact on the general health • Neutral • Some impact on general health • Significant measurable benefits to general health locally because of improved living conditions 	
D	Is this project an example for climate change adaptation (reduce impact of environmental hazards or human vulnerability)	<ul style="list-style-type: none"> • Project is in a vulnerable location, but adaptation measures are not included • Not relevant • Adaptation measures within the project • Goal of the project is to adapt to environmental hazards as a result of climate change 	
E	Does the project contribute to mitigation of climate change (reduce occurrence of environmental hazards or curtail greenhouse gas emissions)	<ul style="list-style-type: none"> • Not relevant • New facility will reduce greenhouse gas emissions somewhat • New facility will reduce greenhouse gas emissions significantly 	
F	Are there any benefits to the quality of public spaces in the city, e.g. parks, green infrastructure, water bodies, boulevards, public squares, open spaces, etc.	<ul style="list-style-type: none"> • Negative impact on the quality of public spaces • Neutral • Some benefit to the quality of public spaces • Significant benefit to the quality of public spaces 	

TABLE 2.11: SOCIO-ECONOMIC IMPACT

2.11	QUESTIONS	POSSIBLE ANSWERS	SOCIO - ECONOMIC IMPACT INDEX
A	What is the expected impact of the project on local economic development	<ul style="list-style-type: none"> • Decrease in local business/industry • Neutral or no measurable effects • Minor increase in the growth and expansion of small businesses • Major increase in the growth and expansion of small businesses • Potential to attract new large scale business/industry 	
B	Are there indirect economic benefits from this project in the long term, e.g. increase in land/property prices, reduction to citizens expenditures, etc.	<ul style="list-style-type: none"> • Negative impact on the local economy • Little or no long term economic development benefits • Downstream business generation with possible financial benefits and value transfer to citizens • Additional investment in the area and increased wealth for citizens • Significant competitive advantage to industry and boost to the local economy 	
C	Does the project make use of locally available resources	<ul style="list-style-type: none"> • Majority of material and labour will need to be imported • All labour can be sourced locally but some materials will have to be imported • All materials can be sourced locally but some labour will have to be imported • All material and labour will be sourced locally 	
D	Does the project target lower income groups	<ul style="list-style-type: none"> • No benefit for lower income groups from the new facility • No specific pro-poor focus but increased quality of life for lower income groups • No specific pro-poor focus but increased employment opportunities for lower income groups • The project specifically targets lower income groups (pro-poor project) 	
E	Does the project bring improvements to low income neighbourhoods	<ul style="list-style-type: none"> • Neutral/no measurable effect • No specific objective but has positive impact on quality of life • No specific objective but has positive impact on investment • Specifically targeted at low income neighbourhoods 	
F	Are the proposed charges affordable for those who need to pay them	<ul style="list-style-type: none"> • Middle income groups can afford the proposed charges • Lower and middle income groups can afford the proposed charges • The poor can afford the proposed charges • No charges for use of the facility 	
G	Does the project contribute to a more harmonious society	<ul style="list-style-type: none"> • No, side effects of the project will exclude certain groups • Neutral • Yes, side effects of the project will benefit minority groups 	
H	Does the project contribute to revitalisation of an urban district	<ul style="list-style-type: none"> • Neutral/no measurable effect • No specific focus but positive impact on quality of life in an urban district • No specific focus but will generate some investment in an urban district • Specifically targeted at revitalisation of urban district 	
I	Does the project make citizens feel more proud of their city	<ul style="list-style-type: none"> • Neutral • Yes • Yes, very much 	

TABLE 2.12: FEASIBILITY OF PROJECT IMPLEMENTATION

2.12	QUESTIONS	POSSIBLE ANSWERS	FEASIBILITY INDEX
A	Has funding been secured/allocated within the local government budget for this project	<ul style="list-style-type: none"> No allocation made in local government budget No need , all costs are covered by higher level fiscal budget Yes, to cover part of the costs of the project Yes, to cover the complete costs of the project 	
B	Has funding been secured from external funding sources and/or is there potential for external funding	<ul style="list-style-type: none"> No need for external sources of funding Potential for securing state/regional grant Potential for preferential borrowing Potential for private sector investment State/regional grant already secured Preferential loan already secured Private sector already committed 	
C	Will the project bring in direct revenue	<ul style="list-style-type: none"> No direct revenue Direct revenue is not sufficient to meet O&M costs Revenue meets O&M costs Revenue exceeds O&M costs 	
D	Will the project generate revenue indirectly (increase in local tax base)	<ul style="list-style-type: none"> No indirect revenue Minimal (Increase in local tax base of up to 4%) Moderate (Increase in local tax base of 5-7%) Significant (Increase in local tax base of >8%) 	
E	Will the project decrease current budget costs	<ul style="list-style-type: none"> Increase in current cost No cost savings Contribution to cost savings in long term Immediate cost savings 	
F	To what extent is the system in place for collecting the proposed charges so they will actually be paid	<ul style="list-style-type: none"> <60 % of fees will be collected 60-90% of fees will be collected >90% of fees will be collected No fees will be charged for this facility 	
G	Is there a capable system in place to implement and operate this project or is external support needed	<ul style="list-style-type: none"> Outside expertise needed for construction, O&M Outside expertise needed for construction phase only Outside expertise needed for preparation phase i.e. feasibility studies No outside expertise needed 	
H	Could financial/economic factors pose a risk to this project's completion/sustainability	<ul style="list-style-type: none"> High risk Medium risk Low risk No risk 	
I	Could political factors pose a risk to this project's completion	<ul style="list-style-type: none"> High risk Medium risk Low risk No risk 	
J	If there is risk, does the project design include a risk mitigation strategy	<ul style="list-style-type: none"> No strategy yet Strategy in development Yes, strategy exists No risk 	

TABLE 2.13: ADDITIONAL PROJECT DATA

2.13	QUESTIONS	POSSIBLE ANSWERS
A	Purpose	Short project description
		Who are the direct beneficiaries
		Who will benefit indirectly
B	Justification of Investment	Why is this investment the best use of tax payers money
C	Initiative	Who were involved in the initiation process of the project
D	Project Implementer	Who is responsible for project design
		Who is responsible for project implementation
		Who is responsible for project operation

Data in this section are only needed for shortlisted projects and will not be used for scoring the project.

TABLE 2.14-2.19: IMPACT OF PROJECT ON CITY BUDGET

2.14	NEW COMMERCIAL LOANS	est.		forecast								
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
A	Initial value of the loan											
B	Nett value of the loan											
C	Interest payment											
D	Principal payment											

2.15	NEW PREFERENTIAL LOANS	est.		forecast								
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
A	Initial value of the loan											
B	Net value of the loan											
C	Interest payment											
D	Principal payment											

2.16	EST. ADDITIONAL REVENUE	est.		forecast								
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
A	General revenue											
B	User charges & fees											

2.17	EST. ADDITIONAL EXPENDITURES	est.		forecast								
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
A	Operation & Maintenance											
B	Debt service											

2.18	ORIGINAL BUDGET FORECAST	est.		forecast								
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
A	Projected Revenues											
B	Projected Operating Expenditures											
C	Projected Operating surplus/deficit											
D	Projected Investment Budget											
E	Estimated Debt Servicing Capacity											

2.19	IMPACT ON BUDGET FORECAST	est.		forecast								
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
A	Project Impact on Revenues											
B	Project Impact on Expenditures											
C	Project Impact on operating surplus											
D	Project impact on investment budget											

2.20	FUNDING SOURCE CAPITAL INVESTMENT	forecast										
		2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL	
A	Own source											
B	State/Regional Funds & Grants											
C	Private Sector/People's Contr.											
D	Preferential Borrowing											
E	Financing Gap											

2.21	CAPITAL EXPENDITURE	forecast								
		2009	2010	2011	2012	2013	2014	2015	2016	2017
A	Capital Investment									
B	Existing Expenditures									
C	Expenditure Limit									

2.22	CAPITAL EXPENDITURE	forecast								
		2009	2010	2011	2012	2013	2014	2015	2016	2017
A	New Loans									
B	Existing Debt Service									
C	Est. Max. Debt Service Capacity									

STEP 3: PROGRAMMING SHEETS - (GREEN TABS)

5 YEAR PLAN - FINAL PROJECTS	NPR						in millions	
Refresh Data	2009	2010	2011	2012	2013	TOTAL	TOTAL (USD)	
Total Committed Capital Investment	0.0	16.6	34.6	105.0	99.6	256	3,175,298	
Total Capital Investment (own source)	0	26	54	42	35	157	1,947,883	
State or Regional Funds & Grants	0	20	20	30	20	90	1,116,621	
Private Sector Investment	0	0	0	0	0	0	0	
Commercial Borrowing	0	0	0	0	0	0	0	
Preferential Borrowing	0	0	0	0	0	0	0	
Financing Gap	0	-29	-39	33	45	9	110,794	
Expenditure Ceiling	737	786	839	895	941			
Existing Expenditures	636	682	731	786	831			
Estimated Financing Capacity	51	52	54	55	55			
Existing Annual Debt Service	52	51	49	50	50			
New Loans: Annual Debt Service	0	0	0	0	0	0	0	
Estimated Max Debt Service	51	52	54	55	55			
FUNDS AVAILABLE AFTER INVESTMENTS	51	26	0	13	20	110	1,361,093	

ANNEX 2:
NOTES FOR THE
FACILITATOR

ANNEX 2: GUIDANCE FOR THE FACILITATOR

PREPARATION

CHECK ASSUMPTIONS & BUILT-IN SCENARIOS

Before commencing the prioritisation exercise the facilitator should:

- Check the assumptions that underpin the excel workbook (table 1.9-1.16). The assumptions include data on inflation, GDP growth, interest and exchange rate, typical lending conditions, debt ceiling, tax collection efficiency, % of operating surplus for strategic investment projects etc. Each of these indicators has a default setting but this can be adjusted easily to reflect local circumstances. If no changes are made, default settings will be used.
- Study the weights allocation in the scorecard (p. 19) and built-in scenarios (p.20-24). In case these do not properly reflect the city development objectives the facilitator should encourage the team to develop CITY scenario

STEP 1

INPUT CITY FINANCIAL DATA

Step 1 is straightforward: city financial bureau should have access to the data required to fill in table 1.1-1.5. It might take a while to do access different sources and crosscheck if the data fit in the correct budget category. The data collection for step 1 must be done prior to step 2. A crucial issue for the fiscal assessment is that the city financial data should ideally cover the same jurisdiction as the area for which the project prioritisation exercise is done. In other words the jurisdiction for step 1 must match the jurisdiction for step 2.

Note: It is important to do the steps in the right order. The prioritisation exercise makes no sense without the analysis of the city's financial capacity.

STEP 2

A: INPUT PROJECT DATA FOR EACH PROJECT ON THE WISHLIST

First task is for the technical team to key in all data for each proposed project. Only tables 2.1-2.13 require manual data-input, the others are calculated automatically. In our experience it works best if a list of potential projects (the wish-list) is agreed on for each project on list a person/department is assigned to prepare the project sheet. (use hardcopy printout from annex 1).

This exercise is best done in a plenary session whereby the excel workbook is displayed on a screen and the facilitator guides the discussion and keys in the data. Depending on the availability of data and concurrence within the team on the questions the input for each project should take approximately half an hour. Remember that each proposal on the wish list must meet two basic criteria:

1. It should be an **investment project**
2. It should be a **municipal project**

Note: These two questions are so called killer questions, if you do not answer yes to both questions a project cannot be entered. This has no further effect on the scoring.

B: REVIEW SUMMARY SHEET AND REVISE SCORES

The summary sheet provides a one-page overview of the scores of each project on each index and for each scenario. Because all scores have been normalized it is easy to compare the scores of projects. The summary sheet also gives scores on a number of financial parameters. When pressing the 'SORT PROJECTS' button on any column, the projects are automatically sorted with the highest score in each category first.

The team now has the opportunity to discuss the scores of the projects. The scenarios can help but the main point of reference should always be the city development goals. If the team questions why a particular project has come out higher than another one, they can simply go back to the project sheet and check if they're comfortable with the selected answers. The answers can be adjusted. Only when the team is happy with the scores of each individual project, it is time to move to the next step: short listing.

Note: It may help if the facilitator highlights highest and second highest scores in summary sheet

C: SHORTLIST PROJECTS FOR EACH CATEGORY

The team now has to decide on a ranking. This is best done in the plenary session with the whole technical team present. This ranking session could also include a broader audience with for example community representatives. There are several ways to do this. The team could decide to follow one particular scenario and simply adopt the ranking according to that scenario. Alternatively the ranking can be decided by voting. Each individual team member can each submit their own ranking –which does not necessarily have to correspond to the summary sheet ranking) to the facilitator who will then calculate the 'winning' projects based on the highest number of votes.

The facilitator will manually key in the ranking in column B of the summary sheet. When pressing the SORT button, the projects will automatically be displayed with the highest ranking one first.

Note: The excel sheet does not provide an automatic ranking. The ranking in column B is the result of manual input

STEP 3

A: SELECT PROJECTS

The first task is to import the data from the project sheets into the programming sheets. This is done simply by clicking the button 'INCLUDE PROJECT IN INVESTMENT PLAN' on the project sheet ranking list. The team starts with the COMMITTED projects then the PREPARED projects followed by the PROPOSED projects. Projects should be added one by one in order of priority using the ranking list in the summary sheet. Alternatively, all projects can be added to the FINAL sheet irrespective of their status.

The excel workbook automatically sums up the required investment for each project and calculates the impact on investment budget available and the maximum debt service. Graph 1 & 2 help the team by visualising the impact. Graph 1 shows the capital investment required for the projects versus the expenditure limit. If the bar hits the red line it means that the investment ceiling has been reached. Graph 2 shows the debt ceiling, meaning that the bar indicating the annual debt service cannot go beyond the red line.

After adding a new project the team should check the funds remaining after budget allocation. If balance after investment is positive another project can be added, until the budget is exhausted. This package is the standard investment package and this is the time to save this file as INVESTMENT PACKAGE 1.

B: MODIFY PROJECT DATA

Now the team can start playing around with the package. The objective is to create fiscal room for additional projects by changing the data in the individual project sheets:

- What happens if the loan amount for a particular project is increased?
- What happens if private sector funding is accessed for a particular project?
- What happens if we try to source alternative sources of funding?
- What happens if the starting date of a project is brought forward or is postponed?

Again the graphs in the spreadsheet help the team to put together a balanced package. Graph 1 and 2 will send alarm bells ringing once the maximum value for investment or loans has been reached in a particular year.

C: DEVELOP ALTERNATIVE PACKAGES

Once the team has put together a new possible package, the file should be saved as INVESTMENT PACKAGE 2. In this way the team can create a number of packages each with their own advantages disadvantages and consequences. Rather than relying on the municipal budget for project funding, the team is encouraged to think creatively. As much as possible the own sources should be considered as the municipality's potential, its own contribution in order to receive external funds.

SUGGESTED PRIORITY INVESTMENT PACKAGE WORK SCHEDULE

Suggested format for a municipal PIP exercise under guidance of an external facilitator in the form of a three-day plenary workshop with city administrators concluded with a presentation of optional investment packages to decision makers.

It is necessary to have a number of preparatory meetings prior to the workshop to:

- 1) collect city financial data in the format that corresponds to table 1.1-1.5 of the workbook
- 2) arrange for different departments to fill in table 2.1-2.12 for the projects they are proposing

For convenience it is advised to distribute hard copies of the tables which can be found in annex 1 for preparation of the workshop. During the workshop all data will be inputted in the excel workbook under guidance of a facilitator.

TIME	TOPIC	WHO?
Day one	INPUT PROJECT DATA <ul style="list-style-type: none"> • Opening with introduction to the toolkit • Presentation development vision for the city • Proposers present their projects and data are being inputted in the excel workbook 	<ul style="list-style-type: none"> • Official kick-off ceremony • Facilitator with technical team
Day two	SHORTLISTING & PROGRAMMING EXERCISE <ul style="list-style-type: none"> • Final projects are being proposed • Review of results and short-listing exercise • Financial programming exercise 	<ul style="list-style-type: none"> • Facilitator with technical team
Day three	PRESENTATION POSSIBLE INVESTMENT PACKAGES <ul style="list-style-type: none"> • Preparation of alternative investment packages • Preparation of presentation • Presentation to decision-makers • Reflection & Discussion 	<ul style="list-style-type: none"> • Facilitator with technical team • Presentation to selected audience

ANNEX 3: EXAMPLE PROJECTS

ANNEX 3: EXAMPLE PROJECTS

The following pages give some background on example projects in Kathmandu. They are meant to help illustrate the use of the toolkit in project prioritisation on local level. The information is based on the summary report of the CDIA team in Kathmandu (June 2009).

PROJECT: WASTE TRANSFER STATIONS

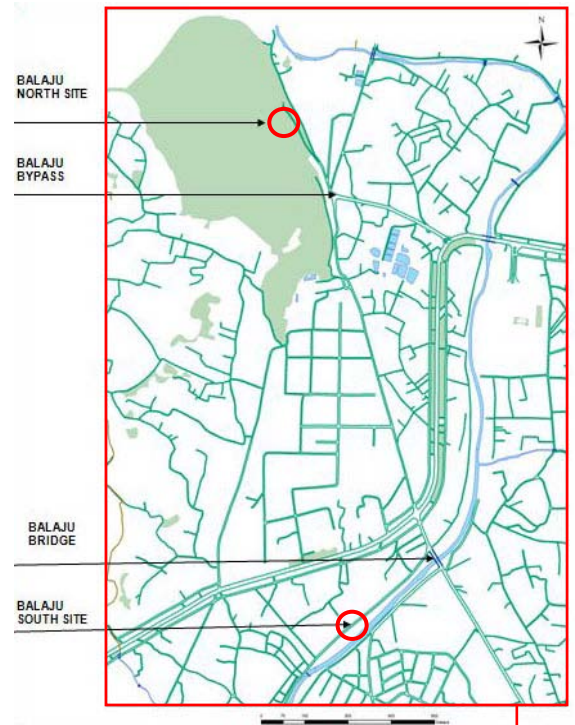
Historically waste was composted by each household, and used in their fields. Since then societal changes result in some of the city's waste being dumped along rivers. This has significantly contributed to the very poor state of the city's main transport corridor and has narrowed the width of the river channel. The existing banks are mostly waste.

Presently the city has only one waste transfer facility at Teku. Urban development now surrounds this facility and residents continually complain about the operations, citing bad smell and windblown waster as their major concerns.

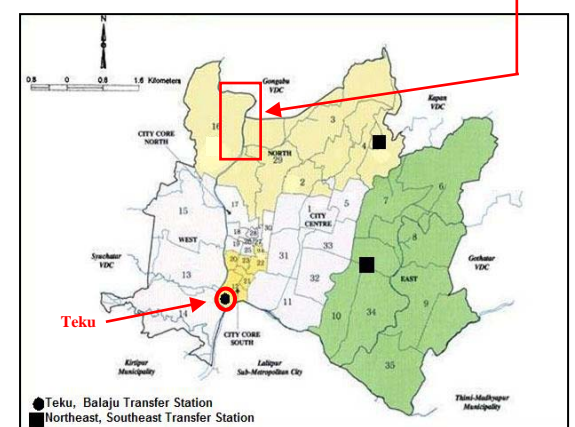
Three possible alternatives were proposed to deal with the city's increasing waste problem:

- improvement of the existing facility at Teku
- establishment of a new station at Balaju South
- establishment of a new station at Balaju North

Potential Sites for Additional Transfer Station



Waste Transfer Stations for KMC



Total Estimated Project Cost:

Teku	11.5 milj NPR (US\$ 151.000)
Balaju South	65.4 milj NPR (US\$ 964.000)
Balaju North	73.8 milj NPR (US\$ 854.000)

Total Estimated Annual O&M Cost:

Teku	1 milj NPR
Balaju North	5 milj NPR
Balaju South	5 milj NPR

Index Scores:

	Teku	Balaju S.	Balaju N.
Project Purpose	7.1	8.1	7.1
Public Response	6.8	6.4	5.1
Environmental Impact	10	10	10
Socio-Economic Impact	5.4	5.4	3.5
Feasibility	6.2	5.5	4.5

Scenario Scores

	Teku	Balaju S.	Balaju N.
Environmental	10	10	10
Economic	5.2	4.7	3.1
Revenue Generating	3.3	2.9	2.2
Social	7.5	7.5	6.1

SUGGESTED INTERVENTIONS

Teku:

The Teku transfer station has two functions:

- Transfer: daily waste is brought to the station and transferred in large vehicles to carry to the landfill site in Sisdol.
- Storage: in case of landfill or access-road closing, waste is stored until normal operations can resume

The suggested improvements focus on:

- Turning the single transfer facility into a dual one to allow for simultaneous processing of large and small volume vehicles.
- Increase efficiency by improving traffic circulation on the site by providing routing for vehicle movement and adding access gates.
- Increasing storage capacity by providing additional shielded platforms to protect from birds and winds

Balaju South & North:

Construction of a new transfer stations; site layout is similar in logic to Teku station. Both sites are on government land and hence no problems with land acquisition. Both are ideally located to improve waste collection in the Northern part of the city, immediately next to the existing route used by solid waste container and compactor trucks to reach the landfill site.

OUTCOME OF THE PRIORITISATION EXERCISE

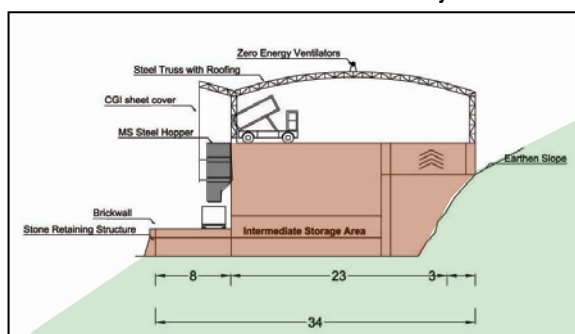
The outcome of the prioritisation exercise was that of all proposed projects the new transfer station at Balaju South got the highest score followed by a narrow margin by the upgrading of Teku Station. Both projects got full marks on environmental impact and scored almost identical in the other categories. The investment required for the new transfer station is more substantial but it has a more profound effect when you look at economic and social impact.

Balaju North received fewer points because of:

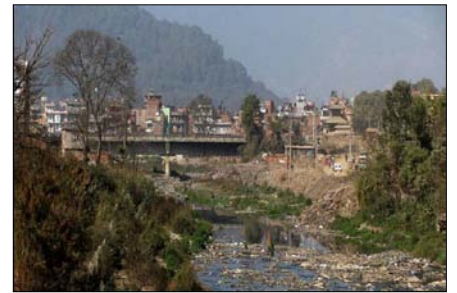
- Access to site is difficult for large vehicles
- Higher site development cost because of location on a slope
- Surrounding area is largely residential and close to recreational area, so more public objections can be expected

The recommendation of the subsequent CDIA pre-feasibility study was to both upgrade Teku Station and build a new facility at Balaju South. The Balaju North site was not recommended.

Cross Section of Possible Transfer Station at Balaju North



Waste dumped at the riverbanks



Waste Pickers at Work in Sisdol Landfill Site



GLOSSARY

Bond	The paper evidence of a legal promise by the issuer to pay the investor on the declared terms. Bonds are usually negotiable. Bonds are customarily longer-term (5-25 years). Short-term bonds are usually referred to as notes.
Capital Cost	Total capital investment needed to implement the project
Capital Expenditures	Are generally concerned with the creation of long-term capital assets: economic or physical and social infrastructure. Also referred to as Capital Outlay
Capital Revenue	Generally refers to the regular sources from the municipal taxes, local service charges or user charges, fees and licenses, revenue from penalties, as well as local government rental income from buildings and facilities.
Current Operating Surplus/ (Deficit)	Difference between the “Total Recurrent Revenue” and the “Total Recurrent Expenditure.” It should never be negative, nor be substantially positive, except to allow reserves.
Debt Service	Local currency equivalent of annual debt service on both foreign and domestic debt. Comprises principal repayments plus interest payable. Usually expressed as the annual amount per calendar or financial year.
Fiscal Space	The availability of budgetary room that allows a government to provide resources for a desired purpose without any prejudice to the sustainability of a government’s financial position
Grants	A contribution by a government or other organization to support a particular function. Grants may be classified as either operational or capital, depending upon the grantee.
Intergovernmental Transfer	Transferring money from one level of the government to the other
Municipal Own-Revenues	Funds collected by the local government itself
Property Tax	Tax on land and buildings
Recurrent Expenditures	Generally refers to all operating and maintenance expenditures for existing municipal public goods and services
Recurrent Revenue	Generally refers to the regular sources from the municipal taxes, local service charges or user charges, fees and licenses, revenue from penalties, as well as local government rental income from buildings and facilities.
Revenue-sharing	Refers to the central government transfers of a portion of its nationally collected taxes to the municipal governments for their local needs.
Operating Costs	Annual operating and maintenance costs
User Charge	The payments of a fee for direct receipt of a public service by the party who benefits from the service.

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