

Task 5.1: Demonstration Project(s): Developing rolling multi-year investment plans for municipal water and environmental infrastructure.

Objective

To strengthen investment and borrowing capacity of local governments by more rational and long term programming of capital investments in municipal and environmental infrastructure.

Background

The cities of Ekaterinburg in Russia and Lutsk in Ukraine have demonstrated how multi-year investment plans for municipal infrastructure could enhance the financial strength and creditworthiness of municipalities by more rational and long term management of local capital and operational budgets. This experience and know-how are being disseminated throughout Russia and Ukraine, using national associations of municipalities and local consulting institutes. The lessons learned from these demonstration projects have led to the development of toolkits for multi-year investment planning in municipalities (Ukrainian and Russian), which consist of guidelines, instructions, software applications, templates of documents and administrative procedures. This toolkits need to be tested in new applications.

Activities

The project would be carried out through three phases:

1. Inception phase. Dialogue with the stakeholders on the scope of activities, outputs, outcomes and selection of a city for a pilot demonstration project. Introductory workshop for national authorities and local governments.
2. Demonstration project in selected city:
 - Compiling a long list of standardised project proposals to be the candidates for the investment plan. This will be compiled by the City staff responsible for investment planning, with assistance of international consultants.
 - Development of the method (procedures, criteria) for evaluating investment projects recommended for inclusion in the investment plan. This will be done by the City Board with the support of consultants. The top priority investments will be ranked according to the criteria of importance.
 - Developing a tool (a software application) for multiyear investment planning. Investment projects data, with precisely defined costs and effects of implementation, will be entered into the tool developed through EAP Task Force demonstration projects in Russia and Ukraine and specifically tailored to local conditions.
 - Develop forecasts of the city budget over subsequent years based on the multi-year financial plan.
 - Simulations and evaluation of alternative scenarios of investments in municipal and environmental infrastructure, e.g. depending on the grants or loans received as well as other factors.
 - Preparation of the final report and the documents for the budget process
 - Workshop for municipalities and other stakeholders
3. Dissemination phase: The experience and the tool would be made widely available to municipalities in Central Asia and actively promoted through various EAP Task Force and other channels through workshop and training.

Outputs

- MYIP as a budget document in the selected city;
- Software applications for the MYIP tailored to local institutional and regulatory framework;

- Three regional workshops for municipalities.

Benefits/Outcomes

- MYIP accepted a local law in the city covered by the demonstration project
- Facilitated transition from myopic, ad hoc municipal investment planning, to predictable, realistic rolling 4-6 years investment programs based on rules and procedures and credible to investors. Strengthened the investment and borrowing capacity and of the municipality.
- Demonstration effect and toolkits available to other cities.
- Increased volume of more sustainable and more efficient municipal investments.
- Improved level and quality of municipal water and environmental infrastructure services.