Several lessons learned from best practice can increase effectiveness and efficiency (Westerman 2004):

- Centralize responsibility for overall program oversight in the financial department.
- Treat project management as a professional function. The project manager should focus on the management of resources, time, product, and risk, not on individual technical tasks such as design. Having project management duties performed by a central agency, as opposed to an operational department, can help prevent parochialism and promote a relatively objective orientation toward the basic goals of project delivery. In addition to project management skills, project managers need ready access to project information, such as budget, expenditure, and contract information; and sufficient authority to effectively manage design consultants and contractors.
- Engage professionals from the private sector to support government project managers or replace them entirely, especially in the execution of extensive, complex, or ambitious capital programs. For larger, more sophisticated LGs, it would be beneficial to shift away from the traditional fragmented public sector model, in which various elements (such as feasibility studies, design, and construction) are procured and delivered separately (if they are outsourced to the private sector at all), or are delivered by separate governmental agencies. Instead, elements of the process can be integrated under a single private sector provider within a PPP scheme (in this case, “design-build”).

Government strategies to improve project management may include:

- Seeking methods to streamline interdepartmental project elements such as procurement, contract and payment processing, and zoning and building approvals.
- Reviewing intradepartmental processes, organizational structures, and workloads to identify opportunities for eliminating roadblocks and enhancing accountability.
- Leveraging economies of scale by consolidating schedules (such as solicitation of proposals), standardizing processes and products (such as correspondence and “boilerplate” sections of project specifications), and increasing automation and accuracy through electronic tools.

It is useful if the CIP Coordinator maintains up-to-date information on each project. Quarterly CIP meetings with department representatives should be held to report progress and discuss problems in implementation.

Preparing Projects for External Financing

Typical project requests prepared during the CIP process do not contain all of the data and information demanded by lenders and specialized grantors. Therefore, an important task on the way to implementation of projects that were planned to be financed in part through borrowing or special grants is to present (“package”) the projects according to the requirements of a particular grantor or lender.

It is useful for the LG to start by identifying all potential grantors and lenders; establishing a database with their contact information; and studying the conditions, requirements, and limitations that each sponsor imposes. These steps can be carried out jointly by the CIP Coordinator and Head of Finance Department. This procedure enables a LG to zero in on the sources that fit best with a specific project in need of external grants or finance and focus on preparing a proposal as required by a particular sponsor.

Techniques for “packaging” projects for external funding and finance go beyond the scope of this document.
Guidebook on Capital Investment Planning for Local Governments

(Some specialized guidelines are listed in a special section in the References.) However, as an illustration of what can be expected, appendix 10 provides an outline of a proposal for a loan or grant (based on requirements typical for Eastern and Central Europe). This outline shows that a proposal requires a large amount of information and preparation, which may require hiring outside consultants. However, the level of sophistication expected from such proposals varies by region and by lender or grantor. In addition, the focus of each lender and grantor may differ. Commercial lenders may care most about the financial standing of the borrower and its ability to repay the loan (creditworthiness) and the project’s viability. Donors, for example, the European Union for its pre-accession funds, typically also care about the net economic impact of the project. They want to see a cost-benefit analysis that reflects not only the financial but also the economic and social benefits of the project. For a LG, this required cost-benefit analysis indicates that obtaining grants may require additional analyses (for example, presenting an investigation of a project’s net impact on economic welfare measured by several different indicators) beyond those required by commercial lenders.

In any event, donors often indicate that the existence of an approved CIP improves the chances of a LG to receive funds. Moreover, a CIP can be an effective tool for a LG to use to lobby for its capital funding priorities with central government agencies and programs sponsored by international donors.

Finally, making a case for a PPP with the financial participation of a private partner requires advanced expertise on the LG’s side (chapter 2). Guidance documents are suggested in the References.

Monitoring Projects in the Capital Budget and Their Implementation

The CIP Coordinator must develop a system that will monitor the managerial and fiscal aspects of projects. A CIP database is essential for monitoring project implementation. The following are the basic categories of information that should be maintained and updated by the CIP Coordinator quarterly during the construction implementation period:

- Project title
- Responsible department
- Key contact name
- Total project cost
- Project phases (schedule)
- Estimated expenditures/phase
- Actual expenditures/phase schedule by phase
- Fiscal year/quarter.

Close communication between the CIP Coordinator and the finance staff is necessary to monitor timely drawdowns of funds and to be aware whether payments are exceeding the level of completed work.

Local governments lacking a tradition of budget discipline and capital planning face at least two big challenges in implementing a CIP. The first challenge is that the priorities included in the CIP, even if they were approved by the representative body, may be revised during a fiscal year; and other projects not included in the CIP may be funded instead. For example, instead of capital repairs of two schools, funds may be used to repair street lighting and refurbish the Mayor’s office. The second challenge occurs when cost estimates included in the CIP turn out to be insufficient and need to be increased, thus consuming funds planned for other investments. For example, street repair may cost twice what was budgeted, so that a kindergarten roof cannot be replaced. Overcoming such shortcomings requires better government accountability and planning and effective public participation.

Project Reporting

Status reports are a crucial aspect of project monitoring and oversight. The format and frequency of the reports should reflect the information needs of the CIP Coordinator, Mayor (or executive in charge), and representative body. The CIP Coordinator should make quarterly reports.
to the representative body. Basic information includes department, project name, start date, estimated completion date, percentage of completion, funding source, and costs (budgeted and actual). Costs can be broken down by cost category such as planning, land acquisition, design, engineering, construction, and contingency. Narrative explanations of delays, cost overruns, funding and construction problems, and proposed corrective action are critical. Figures and tables simplify the presentation for the Mayor and representative body.

**Transparency and Public Information**

To maintain the public’s support, the LG needs to make special efforts to keep the public informed about the status of projects. Inviting the public to meetings of the representative body when CIP status reports are being presented can be one important method. Even for cases in which LGs are just beginning the CIP process, transparency can be achieved through simple, inexpensive means if the political and administrative will is there. For example, if a LG does not have yet an established system of monitoring and reporting on its capital investments, it can simply publish annually a list of capital projects paid for during the past year that includes costs, and a list of projects planned for the past and upcoming year. These lists would be very informative for residents and would show whether the LG had been disciplined in following its plan. “Publishing” can be as simple as posting a table with the list of planned and executed projects and related costs on a billboard at city hall or on a city website. If the capital planning process is already established, transparency can include reporting on achieving the “targets” of a multiyear plan. For example, in São Paolo, the press closely follows the implementation of the 4-year development plan, *Agenda 2012*, against the established targets (case study 2, chapter 7).