

C5.2 SCORING PROCEDURES

In cases where groups are unable to reach decisions based on discussions, a process of numerical assessment can be used. This type of assessment can also be useful to provide clear and transparent reasoning for the selection procedures.

The assessment always *follows* an information-based discussion. Scoring should *never* be done without the required information. The steps described above will therefore precede these scoring steps.

Step One: Agree on procedure and scoring system. This will include agreeing:

- Who will score? (individuals, small groups or the total group)
- Will the particular scores of interests be made transparent? For example different interest groups use different colours during the scoring process.
- What rating system will be used?
 - a) Score out of ten: high score implies favourable options.
 - b) Allocate a total possible for all options i.e. 4 options are listed and the total score should add up to 20 per criteria. Each option is allocated a proportion of 20 according to the information. (see example)
 - c) Scale:
 - 2 : very favourable
 - 1 : favourable
 - 0 : neutral
 - 1 : unfavourable
 - 2 : highly unfavourable
 - d) Qualitative indication such as: Low/Medium/High
- Will a single score be allocated for each option or will a score be allocated per criteria for each option adding to a total score for the option?

Ensure that **all participants understand** the scoring system. This is as important as ensuring all participants understand the criteria.

Step Two: Allocate scores as agreed upon.

Step Three: Decision on one favourite option or on a mix of options.

- In case there is a clear vote in favour of one option, this strategy should be pursued.
- In case there is no clear scoring result in favour of one option, compromise strategies have to be designed by:
 - a) Deciding in favour of a **combined strategy package** consisting of several complementary strategy components.
 - b) Deciding on a **differentiated strategy** which supports different strategies for different places, different target groups or periods of time (phased strategies).
 - c) Deciding in favour of a **modified strategy** which takes recognition of areas of low/negative scoring and which may include aspects of other strategic options that would increase the scoring.
- Once options have been selected, it is worthwhile to check for areas in which these options scored low – the low scoring areas can be rectified or addressed within the project design.

MODIFICATIONS OF SCORING PROCEDURE:

a. Variation of assessment criteria: During the scoring and discussion process it may turn out that some criteria are irrelevant for the decision to be made, while other criteria are missing. In such a case, the criteria may be changed and the scoring process may be done again based on the new set of criteria.

b. There are two slightly different procedures:

1. Procedure a: Criteria that are considered to be more important can be allocated a weight (for example 2) and scores allocated to that criteria will be multiplied by 2.

2. Procedure b: Alternatively, all the “*should be*” criteria’s importance can be indicated by allocating a % out of the total of 100%. For example if you have 5 criteria:

Criterion A	5%
Criterion B	30%
Criterion C	10%
Criterion D	20%
Criterion E	35%
Total	100%

All scores are multiplied by the relevant percentage.

EXAMPLE OF ASSESSMENT

Scoring system: Based on the information each option will be scored on each criterion. A total of 10 points for each criterion should be allocated in proportion for each option. Compliance to LED is weighted by 3 as these criteria is a major contributor to the overall vision of the municipality

Criteria	Options	Specification of criteria	Municipality removes all waste – traditional	Waste is sorted at household level and removed by private recycling companies at central points	Waste collected at central point by municipality and sorted by unemployed for recycling
Relevance	Utilising problem solving potentials	Potentials include: labour of unemployed people	1	3	6
	Contributes to achieving the objective	Objectives as stated above	5	2	3
Fit with localised policy and strategic principles	Poverty orientation	Number of people benefiting	3	2	5
	Environmental guidelines		3	3	4
	LED guidelines	Possibilities of job creation	1 (x3) = 3	3 (x3) = 9	6 (x3) = 18
Feasibility	Technical	Technological requirements	2	3	6
	Institutional	Capacity of target group	5	1	4
Sustainability		Ability to maintain interventions via operational budget	3	5	2
Total Scores			25	28	48

C5.3 FORCE FIELD ANALYSIS

PURPOSE:

This tool can be used to assist you in decision-making, for example when having to decide between different strategies that have been identified to address key issues, or to decide between possible projects to implement a strategy.

DESCRIPTION:

The tool is a method whereby all the forces for and against a proposal are identified, to ensure that all such forces are taken into account when deciding on the best course of action to undertake. In terms of this method, the forces for and against a proposal are given numerical scores to indicate their strength. This approach presents the opportunity to calculate totals, or calculate the impact of reducing or increasing a certain force by considering it as part of the strategy.

EXAMPLE:

<i>Forces For</i>	<i>Score</i>	Strategy: Job Creation Through Eco-Tourism	<i>Forces Against</i>	<i>Score</i>
Many potential tourists pass through the area on route to Durban	3		No tourism infrastructure exists, e.g. hotels/ guest houses/ access roads	5
Coastline have unique eco-system	5		High crime rate may deter tourists	3
Tourism can also create indirect jobs	4		Tourism may harm eco-system	4
Local advertising agency has offered limited free services	1		Local people not trained in hospitality industry	3
TOTAL FOR	13		TOTAL AGAINST	15

PROCESS:

Step One: List all the forces for and against the proposal. Consider the data in the problem/potential analysis – this could identify some forces for or against.

Step Two: Assign a score to each to indicate the strength of the force. For example 1 for weak through to 5 for strong, after debating the impact, relevance, etc. of each force.

The totals of the forces for and against will give an initial indication of the viability of the proposal. In the example above, the proposed strategy may have to be reconsidered.

Step Three: Discuss whether positive forces can be increased and negative forces be decreased through actions or strategy modifications:

In the example:

- Local people can make their residences available as guest houses and to reduce the relevance of the negative force “lack of tourism infrastructure”.
- The passing of tourists through sensitive areas can be managed, reducing damage against the eco-system.

Step Four: Identify new projects to increase the positive impact of the proposal and/or to reduce the impact of negative forces.

Step Five: Identify additional information requirements related to consideration of potential risk factors during the planning and management of the proposal.

(More information on Force Fields Analysis can be found in management literature as well as on the website www.mindtools.com)

C6 PROJECT PRIORITISATION MODEL (PPM)

PURPOSE:

A modelling tool to assist municipalities/service delivery authorities with multi-year project prioritisation and monitoring.

DESCRIPTION:

- Based upon Microsoft Access database.
 - User-friendly interface requiring no knowledge of Microsoft Access.
 - Generic in nature and can be tailored to suit the particular needs of the authority.
 - Typical functions:
 - Enables the capturing of projects on a multi-year basis.
 - Facilitates a classification of projects (function, locality, programme, status, department/applicant etc.).
 - Permits a rating of each project by criteria defined in the model by policy makers/stakeholders. Criteria can be weighted.
 - Multi-year budget allocation facility and actual expenditure facility.
 - Allows for the monitoring of projects from application through to completion.
 - Built in flexible reporting system from captured data to enable project monitoring and management information reporting.
-

WHERE THIS TOOL CAN BE OBTAINED:

Name of Organisation:

Development Bank of Southern Africa, PO Box 1234, Halfway House, Midrand, 1685

Division/Department:

Specialists Unit

Contact Person(s):

R. Marwood, H. van der Merwe or M. Marler.

Contact numbers:

Tel: (011) 313-3280/3690/3250

Fax: (011) 313-3416

E-mail Address:

richardm@dbsa.org, hermanv@dbsa.org, mikem@dbsa.org

Website Address: www.dbsa.org

C7 COMBINED SERVICES MODEL (CSM)

PURPOSE:

A modelling tool to assist with the design of an infrastructure investment programme for municipal services.

DESCRIPTION:

- o Based upon an Excel spreadsheet.
 - o Is intended to be a decision-making tool rather than a detailed planning tool.
 - o Services modelled are: water, sanitation, electricity, roads/stormwater and refuse disposal.
 - o Models the financial impact to both the municipality/service provider **and** households of providing different service level options according to household affordability.
 - o Calculates resultant capital and operating costs and borrowing requirements.
 - o Can accommodate a multi year analysis up to 10 years.
 - o Model facilitates “what-if” scenarios to assist decision-makers dealing with municipal service provision.
 - o Illustrates the basic trade-offs between service levels, household bills and subsidies.
-

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R. Marwood, H. van der Merwe or M. Marler.

Contact numbers:

Tel: (011) 313-3280/3690/3250

Fax: (011) 313-3416

E-mail Address:

richardm@dbsa.org, hermanv@dbsa.org, mikem@dbsa.org

Website Address: www.dbsa.org

PURPOSE:

Think Tools is an interactive computer-based set of tools to support decision-making in complex strategic scenarios by providing quick access to available information and models for transparent strategic reasoning and consensus building.

APPLICATION IN IDP:

Think Tools can be used for municipal-level prioritisation (Planning Activity 1/7) and for analysis of/decision-making on alternative options (Planning Activities 2/8 and 2/9). It is a relevant tool for highly complex scenarios and in cases where significant volumes of information have to be considered in a decision-making process (e.g. in Metros). Competent application of Think Tools requires well trained staff and a license.

DESCRIPTION:

Think Tools includes tools for:

- capturing, storing and manipulating **data**;
 - **analysing** issues and relationships between the factors at play;
 - developing **scenarios**, thus helping to understand the challenges facing the municipality;
 - reaching **consensus** through a constructive process of capturing, discussing and testing conflicting views;
 - **evaluating strategic options** against defined criteria in three time horizons;
 - *testing chosen strategic options* for completeness, robustness, risk, alignment with objectives and probability of success; and
 - **communication** of results of the strategising process.
-

Further information can be obtained from:

Dr Helmut Orbon
Economic Development Advisory Project (EDAP)
c/o GTZ, PO Box 13732, Pretoria, 0028.

Tel: (012) 342-3626
Fax: (012) 342-3646

E-mail: orbon.gtz-suedafrika@za.gtz.de.

SECTION D

PLANNING

LIST OF CONTENTS		PAGE
D1	Creating a vision	118
	D1.1 Mind journey	119
	D1.2 Press conference	119
	D1.3 Systematic question-guided thinking	120
	D1.4 Competitions	120
	D1.5 From individual visions to joint visions	121
	D1.6 Popularising the vision	121
D2	Objectives formulation chart	122
D3	Strategy to project table	124
D4	Designing project proposals	126
	D4.1 Logical framework	127
	D4.2 Setting indicators and targets	130
D5	Linking Projects to Programmes	132
	D5.1 Projects to programme tables	132
	D5.2 Project/sector programme matrix	136
D6	Action Programme chart	138
D7	Towards Integrated Development Plans	141

INTRODUCTION

Planning in a wider sense includes all sections of this guidebook. Planning means involving others, dealing with information and, of course, it means decision-making. In this section on "Planning" we deal with planning in a more specific sense of procedures and techniques on how to translate strategy decision into precise guidelines for future action.

Useful guidelines for future action should include information on:

- the overall **direction** to be provided by a **vision** of what the future should look like (tool D1);
- the more specific **destination** at which one wants to arrive within the planning period, i.e. the **objectives** a municipal council wants to achieve (tool D2);
- the **way** or route on which one wants to approach the destination, which is described in the **strategy** (covered by tools in **section C**);
- the areas and types of **interventions or measures** required to move forward on that way, i.e. the **projects** by which we want to achieve our objectives (tool D3), which should include more specific information on; and
- type and quantity of **services** to be provided ("**outputs**"), **steps** to be taken ("**activities**") and **resources** required ("**inputs**", "**budget**") to provide these services, including specifications with regard to quantity, target groups, responsible actors, location and time (tool D4).

As projects tend to be composite packages of measures which may be implemented by different agencies, there is a necessity to **summarise all activities by agency** in order to provide proper guidance for the management of the overall **programme** of each implementing agency (see D5). Last but not least, future action has to be guided by a **summary action plan** for the whole municipality, which provides an **overview of all projects and their timing** (see D6).

REQUIREMENTS FOR DRAFTING A PLAN

PLANNING ACTIVITY		WHAT HAS TO BE PLANNED	TOOLS
2/1	Vision	The long-term direction/envisaged future situation	D1 Creating a Vision (D1 – D1.6)
2/2	Objectives	The mid-term destination, i.e. the situation at the end of a defined period (e.g. 5 years) related to specific issues	D2 Objectives formulation chart
2/9	Strategy	The way or route by which the destination will be approached	C5 – C8/decision-making
2/10	Translating District Strategy Workshop Results in Local Decisions	Projects, i.e. areas and types of intervention have to be identified	
3/3	Designing Project Proposals	<ul style="list-style-type: none"> Type and quantity of services 	D4 Designing Project proposals
3/6	Setting Indicators	<ul style="list-style-type: none"> Steps to be taken 	D4.1 Logical Framework
3/7	Project Outputs/Targets/Locations	<ul style="list-style-type: none"> Resources required 	D4.2 Setting Indicators
3/8	Major Activities/Timing/Responsible Agencies	<ul style="list-style-type: none"> Specifications by quantity, quality, target group, space, time, responsible agency 	
3/9	Costs/Budget Estimates/Source of Finance		
4/3	Integrated Sector Programmes		D5 Linking projects to programmes
4/6	5-year Action Programme		D6 Action Programme Chart

PURPOSE:

Any organisation or entity requires a driving force, not rooted in the past, but an image of the future. Once analysis regarding the current is complete and priority issues are identified, stakeholders can turn their attention to the future to create a vision that will provide the direction and influence the formulation of objectives. The formulation of a vision can become a very useless and mundane exercise if not facilitated properly. This tool draws both on people's emotions, dreams and aspirations and their rational capacity. It is an attempt to avoid the use of templates and formulation by one or a few individuals.

APPLICATION IN IDP:

Planning Activity 2/1.

CHARACTERISTICS OF A VISION:

- A vision provides a clear, easily understood image of a better future.
- The nature of a vision should foster commitment and engage both the heart and mind.
- You create visions by examining what you want, defining values and engaging in informed dreaming.
- Although the vision is an imagination of the future it needs to remain realistic to serve as an inspiration.
- It should be something which can be accomplished and that people are willing to work hard and be committed to.

EXAMPLE OF A VISION: GIRO SPORT DESIGN (1991)

The best riders in the world will be using our products in world-class competition. Winners of the Tour de France, the World Championships and the Olympic Gold medal will win while wearing Giro helmets. We will receive unsolicited phone calls and letters from customers who say: "Thank you for being in business, one of your helmets saved my life." Our employees will feel that this is the best place they've ever worked. When you ask people to name the top company in the cycling business, the vast majority will say "Giro".

(High impact tools and activities for strategic planning by Napier, Sidle and Sanaghan, 1998)

PROCESSES/TOOLS TO ARRIVE AT A VISION:

The process involves guiding a thinking process with relevant stakeholders and should include both rational (current and future realities) and fantasy (possible futures) thinking. The following options are described below:

- D1.1 Mind Journey
- D1.2 Press conference
- D1.3 Systematic question-guided thinking
- D1.4 Competitions
- D1.5 Procedure: From individual visions to one joint vision
- D1.6 Popularising the Vision

D1.1 MIND JOURNEY

B

The facilitator guides participants (who should relax and close their eyes before the start of the “journey”) on a **fantasy trip**. Participants are first asked to imagine the present day-to-day situation they are in and then guided on a fantasy trip by entering an aeroplane, taking off and looking down on the present reality from high above until it disappears and they have left their present reality with all its worries behind.

There is a silent phase and then the participants will be guided back to their home places (after a long period of absence – 5 to 10 years). They will land in the plane and be asked to imagine the place in the way they would like to see it (their homes, their working place, their families, the broader community, their town/city etc.). Participants are given time to imagine all relevant aspects of their future desired situation and are asked to open their eyes and come back to reality.

The facilitator gives participants 5 – 10 minutes to phrase their imagined future situation in 1 – 2 sentences and write these down. These are handed in and used as a basis for developing a vision statement. As a means of building consensus some time can be allocated to sharing and discussing peoples different “visions”.

D1.2 PRESS CONFERENCE

B

Participants are asked to imagine the following situation:

Indicate a date into the future – 5 to 10 years from the present. The municipality is nominated for an **award of excellence**, along with 3 other municipalities in the country.

Write a press statement (on one flipchart) explaining why your municipality has been nominated and should win the reward. Prior to writing the press statement groups have to consider the following questions:

- The current strengths, potentials and uniqueness that would remain positive and could make the municipality one of excellence.
- Current difficulties that they would like to see changed before the municipality can achieve excellence.

Groups should use the results of their deliberation on the above questions to write the press statement. This will ensure a mixture between rational thinking and fantasy.

Ask individuals or small groups to phrase this picture of the future using a limited number (1 – 3) sentences. Discuss the various contributions and consolidate and rephrase where necessary an agreed upon idea into a single statement.

D1.3 SYSTEMATIC QUESTION-GUIDED THINKING

B

This is a more rational thinking approach to the formulation of a vision. It uses questions to guide the thinking of people, for example:

- What does our past tell us about what we want and care most about?
- What do we want to stand for and accomplish?
- What achievement/s would make our (entity/organisation) existence worthwhile?
- What makes us distinctive or unique?
- What outcome will make all our efforts/resources worthwhile?

The group can first individually answer the questions before discussing the responses in plenary. Participants can be requested to write down three words per question. The facilitator can then collect the words and small groups can be requested to formulate sentences (3 – 4 lines) using the words.

D1.4 COMPETITIONS

B

If there is time available and more public participation is required by stakeholders, local competitions in for example schools or in the local media can be launched requesting members of the public to formulate a vision for the municipal area.

Although this will be time consuming it will generate the most involvement and contribution from the public.

Criteria to select the winning vision can be set using the characteristics of vision as described above.

The business community can become involved in the selection procedure of the winning vision as they have experience in vision formulation.

D1.5 PROCEDURE: FROM INDIVIDUAL VISIONS TO JOINT VISION

B

Reaching agreement in a diverse group regarding the wording of a vision can be a challenge to any facilitator. A **step-wise group consolidation procedure** is advisable to ensure broad consensus on the final vision statement. This can be achieved by a process of **gentle agreement**. The facilitator follows a step-wise process involving:

- Participants formulating individual ideas.
- Small-groups (3 – 4 participants) discuss the individual ideas and reach a consolidated statement.
- Two small groups (6 – 8 participants) join their efforts and reach consensus.
- Plenary discusses contributions from the various groups.

The size of the smaller groups will depend on the total number of participants. In bigger groups the first round of small groups can include 6 – 8 participants. This will limit the final number of contributions to discuss in plenary.

RULES OF GENTLE AGREEMENT IN SMALL GROUP:

- First seek the areas of common ground, statements that all group members have in common and record these as a starting point.
- Note down ideas that the group feels are good and which one or more participant thought of. If everyone in the group can agree that it is a good idea it can be recorded on flipchart. Do not record any idea that the whole group does not agree to.
- Differences can be noted if the group feels that it is important. Remember though that the emphasis is on areas of agreement.

This process is repeated in the bigger groups with the ultimate goal to have a limited number of statements that can be discussed in plenary.

The plenary can repeat the “gentle agreement” process or drafts can be presented and participants can vote for the most liked statement.

HINTS:

- Visualise the characteristics of a vision as a reminder to the group.
- Visualise the rules of common ground / gentle agreement.
- Monitor the small group work to prevent groups trying to convince (argue) one another about the rightness of their ideas.
- All ideas should be captured on flipcharts.

D1.6 POPULARISING THE VISION

B

Agree on strategies to popularise the vision and obtain some feedback from the public.

To illustrate the power of popularising the vision the following example: *During an interview with a cleaning staff member at NASA the interviewer asked the member what she was doing in the organisation. Her reply: “I am putting a man on the moon”.*

(High impact tools and activities for strategic planning by Napa, Sidle and Sanaghan, 1998)

It may also be important to get assistance from marketing experts in finalising a vision statement so that it can be effectively marketed to inspire, focus attention and mobilise.

See A1.5 for hints regarding public information dissemination.

D2 OBJECTIVES FORMULATION CHART

B

PURPOSE:

To ensure that objectives are formulated in a relevant and realistic manner and contribute to the overall vision and relate to the priority issues. Objectives should clarify what the municipality intends to achieve in the particular time period (5 years). The objectives need to inform or guide the strategy formulation.

APPLICATION:

Planning activity 2/2 requires the determining of working objectives. The formulation of objectives should occur in the vision workshop. The objectives can be refined/improved once technical planning is completed in Phase 3.

DESCRIPTION:

The Objectives Formulation Chart creates a structure that will ensure that objectives:

- Address priority issues
- Are in line with the vision
- Consider cross-sectoral integration aspects rather than being predetermined by sectoral orientations.

The table illustrates how a number of priorities can be addressed by single objectives and other priorities might require their own objective/s or even several objectives.

PROCESS:

1. The vision should be clearly visualized.
 2. All priority issues should be listed.
 3. The objective should be a response to: "What would the municipality like to achieve in the next 5 years?" The statements are more specific than the vision and specifications like quantity, standards and locations should be included where possible. Final indicators will only be formulated once projects/programmes have been determined.
 4. Check whether the objectives:
 - Address all priority issues
 - Are integrated and not sectoral
 - Contribute to the vision.
-

EXAMPLE OF OBJECTIVES FORMULATION CHART

Vision: (D1)

The De Ville municipality is a community where citizens take care of themselves and others so that their children are able to grow up in safe and healthy environment with opportunities to create financially sustainable futures.

DO THE OBJECTIVES CONTRIBUTE TO THE VISION?

Priorities (C1)	Linlage with priority	Objectives
1. Safety of community particularly members in rural areas and towns are threatened by violent crimes	←	All community members, women, feel safe and protected from crimes.
2. Rural communities have limited access to economic resources and opportunities	←	More households in rural areas and towns have income levels above the indicated (RDP poverty reports) poverty line of R680 per month.
3. Unemployment in rural towns are increasing by 5% per annum	←	
4. Insufficient supply of safe water in informal settlements (12) and rural communities (7) creates health problems	←	All communities (in permanent settlement areas) have access to basic household water and sanitation services according standards.
	←	Adequate Health services including in both education and clinical are available within close proximity of communities.
5. HIV/AIDS are negatively impacting on the availability of healthy labour in rural families and industries	←	Payment for services increase to 85% in all sectors of the community.
6. The municipality is unsuccessful in the collection of 48% of revenue in the past year	←	

D3 STRATEGY TO PROJECT TABLE

B

PURPOSE:

Once strategies have been decided, the first step towards implementation has to be undertaken, i.e. that of planning for implementation. This step involves “translating” strategies into a project / series of projects for implementation. This tool helps to structure the identification of projects, in terms of listing possible projects to implement each strategy. This is the starting point for more detailed project design in the next planning phase.

APPLICATION:

Summary of decisions made during planning activity 2/9 and 2/10.

DESCRIPTION:

Strategies can be defined as the **ways** (“how?”) to achieve objectives. Projects are a **temporary set of measures/interventions** that translate the strategy into practice. In order to move from strategies to projects, strategies have to be unpacked to determine the various **components** required for the realisation of strategies. Based on these components, **areas for intervention** can be identified. The areas of intervention form the basis for identifying projects. One project or a set of projects can be used to achieve a strategy. Alternatively, one project can contribute to the achievement of more than one strategy. The table below illustrates this translation process and it ensures a close link between project identification and the selected strategies.

PROCESS:

1. Draw a **table** with headings as indicated in the example.
2. To translate strategies into projects, you have to study the strategy in detail, **and list what has to exist** to fulfil the strategy. This is listed in the “**component**” column. *For example, if you want to stimulate job creation through eco-tourism, you need (1) a regular flow of people who would want to come and visit (2) infrastructure to get the people there, (3) places for the people to stay (4) places to supply food. (See table for more examples.)*

HINT: Consider the causes of the problem/priority issue that the strategy deals with. These will provide valuable clues regarding factors that should be addressed in order for the strategy to achieve objectives.

3. Once you have completed this list, **consider what components already exist** – these are indicated with a YES in the following column. Check for components that do not exist or only exist in part – indicate these with a NO in the following column. You can choose to indicate aspects that exist in part with a different symbol e.g. X.
4. Check for each component whether it is already covered by **existing projects** (considering data collected during 1/1 on existing projects). Indicate these projects in the next column to ensure we do not redesign projects that already exist in the municipal plans. These do not include completed projects, but those which are already in the implementation phase and those in the pipeline. Indicate the difference by marking already started projects with (x) and those in the planning phase (p). This will avoid duplication, but will also ensure that these efforts are reflected in the IDP.
5. In the following column indicate whether this particular project deals **sufficiently** with the requirement. If not, additional measures have to be considered.
6. The components indicate possible areas of interventions. For those components not sufficiently covered by existing projects **compile a list of projects** (interventions) to deal with such outstanding components. For example, if you have a nature park but do not have road infrastructure to get the tourists to the park, your project will be “The construction of an access road to park X from point A to point B”.

HINT:

- In defining projects (as in the case of formulating strategies), decision-makers and resource persons have to apply creativity to come up with the most innovative and appropriate solution.
- During the listing of possible projects, you could identify more than one option for a particular area of intervention. For example, projects related to effective small businesses could involve:
 1. Making credit/loans available.
 2. Establishing an advice centre.

Decision-makers then have to investigate the options and agree on the most appropriate option in the particular situation. In some cases it could require an alternative analysis (C5).

EXAMPLE: STRATEGY TO PROJECT TABLE

Strategies	Components	Existing	Projects in action or in pipeline (P)	Sufficient	New Projects
Functioning of security services is improved through community monitoring	Efficient community policing forums	No			Establishment and support to Community Policing Forums
	Sufficient number of police stations (resources)	Yes	EU Project (X)	Yes	
	Trust relationships between communities and police	Yes	Community Policing programmes (X)	Yes	
Development of medium sized industries for processing of agricultural produce	Investors	No	Subsidisation programme for potential investors (P)	Yes	Development of an industrial estate
	Serviced land close to transport infrastructure	No	-		
	Local skills	No	Establishment of a vocational training and information centre (P)	No	Subsidised training programme for food processing workers
Public procurement focused on local small scale entrepreneurs	Effective small businesses	No	LED and poverty alleviation support programme (X)	No	Establishment of a Business Advice Centre for small businesses
	Accessible tender procedures	No	Revision tender procedure (X)	Yes	
	Stand taps per 10 households in rural communities	No	Water 2001 project (X)	No	Fast tracking water installation for rural areas
Self-managed sanitation improvement programme	Maintenance by users	Yes	Installation of taps		Training of local water communities
	Accessible information and guidance to community	No	-		Establishment of local resource information centres
	Subsidies to community members for upgrading sanitation	Yes	-		
Upgrading of mobile health services	Service providers to render upgraded service	No	Mxubs Projects based in municipality (P)	Yes	
	Sufficient number of qualified nursing staff	Yes	-		
	5 Mobile vehicles	No	Upgrade of existing mobile clinics (X)	No	Procurement of 2 mobile clinics
Improve self-care capacity of communities	Community members aware and educated regarding health matters	No	Health Awareness Campaign (P)	Yes	
	Local community based health care providers	Yes	-		Home-based care programme for terminally ill patients
	Effective billing system	No	Restructuring of tariffs (X)	Yes	
Improved collection system	Accessible pay points	No	-		Erection of accessible pay points
	Simplified statements	Yes	-		

PURPOSE:

Project proposals should be designed in a way which is:

- **transparent**, i.e. gives a clear and comprehensive picture of the envisaged projects to all parties concerned (e.g. councillors, target groups, potential partners, financing agencies);
- **realistic** and implementable considering the existing resources;
- **logically consistent**, i.e. there should be a plausible link between allocated resources, planned activities, expected outputs or deliverables and the objectives to which the project is supposed to contribute; and
- sufficiently **concrete** to give everybody a clear picture of what he or she can expect, where, when and by whom.

Well designed project proposals are therefore crucial for making sure that planning will result in faster and better delivery.

APPLICATION IN THE IDP PROCESS:

Planning Activities 3/3 to 3/9

DESCRIPTION:

The most common tool for designing project proposals is the **logical framework approach**. There are different versions of logical framework formats, some more sophisticated, others more simplified. What is common for any logical framework is that it provides a **condensed** (possibly 1 page) **overview** on:

- project resources/funds, activities, outputs and objectives; and
- concrete information on quantities, quality specifications, location, time and target groups.

It therefore consists of at least **five elements** that answer the following questions:

- 1) What is the project **objective** or the objectives to which the project is expected to contribute?
- 2) What **outputs** (deliverables) need to be provided by the project to achieve the objective(s)?
- 3) Which **activities** need to be carried out to achieve the outputs?
- 4) What **resources/funds** are needed to carry out these activities?
- 5) By which **indicators** and specific **targets** can the objectives and outputs be specified in terms of quantity, quality, target group, location and time?

Besides these basic elements, **other aspects** may be included in the overview such as:

- **Responsible** implementing agencies for each activity.
- **Sources of finance** for the project budget.
- Risks and related **assumptions** on crucial external factors which may influence the execution of activities, the provision of outputs and the achievement of objectives.
- **Different levels of objectives** can be distinguished (e.g. “purpose” for the immediate impact of a project on its target groups and “goal” for the ultimate benefits to which the project shall contribute).

It depends on the type of project and the planning capacities of a municipality whether a more simple or a more sophisticated version of the Logical Framework shall be utilised.

One possible version of the Logical Framework is described in Tool D4.1 while the setting of indicators and targets as one aspect of the Logical Framework is dealt with in more detail under D4.2.

PURPOSE, APPLICATION AND GENERAL DESCRIPTION: SEE D4

DETAILED DESCRIPTION OF THE ELEMENTS OF THE LOGICAL FRAMEWORK:

1. Objective(s):

Project objectives are supposed to describe, in short, the expected positive impact of a project. It provides focus and orientation for a project. But the achievement of the objectives is usually beyond the direct control of the project management as there are other factors besides the project which may have an influence on the expected impact.

Example:

A project may provide better health services to contribute to the objective of better health conditions, but an epidemic which is beyond control of the project, may limit the achievement of that objective.

In the **context of the proposed IDP methodology** (See Guide III), the objectives are determined first (see Text D2), before strategy decisions are made and projects are identified (see Tool D3). Consequently the objective of the proposed project is already predetermined (in certain cases a project may be related to more than one objective). But such tentative **“Working Objectives”** may have to be modified or refined if the project planning process reveals that they are unrealistic or inappropriate.

2. Indicators are used to provide a more precise picture on the objective (the method of setting indicators is described in Tool D4.2).

3. Project Outputs (or Deliverables) describe what the project is supposed to contribute or provide to others in order to achieve the objective(s). In other words: The outputs are the services to be delivered by the project. In so far, outputs are a direct management responsibility of the project management or the responsible agency. Usually, a project may need several components i.e. outputs, to ensure that everything possible is done to achieve its objective(s).

Example:

Providing better health services may include provision of:

- a health centre (= output 1)
- trained staff (= output 2)
- regular supply with medicine (= output 3)
- an annual immunisation campaign (= output 4).

In the **context of** the municipal **IDP** process, outputs are services which municipalities, other government agencies, corporate service providers or other service partners provide to residents of the municipality.

4. Targets/Target Groups/ Locations, in other words **Output Indicators**, have to be specified for each output to make sure that there is clarity for everybody on:

- what precisely (quality), is supposed to be provided;
- how much of it (quantity);
- to whom (target group);
- where (location); and
- by when (time).

Proper output targets are a basis for transparency: Everybody involved should know what he or she is expected to provide and/or to receive by when.

5. Major Activities: Activities are the steps which have to be taken by the service providing agencies to make sure that an output can be provided. Thus, activities should be clearly related to each of the outputs. While the output is a kind of final “product” to be delivered, the activities resemble back-stage steps required to get the **product delivered**.

To take the example of a restaurant: While the output is the final meal served to the customer, related activities are deciding on the menu, procuring food, cooking, cleaning the kitchen and training the staff.

As each service provision process can be split into an indefinite number of small tasks, it is useful to limit oneself to a limited number of major activities in the IDP process. These major activities can be broken down later when annual business plans are designed on the basis of the IDP.

6. **Responsible agencies** have to be identified for each activity in order to make sure that there will be somebody to do the job. If there is one agency in charge of one whole output, it is useful to name the organisational sub-units in charge of each activity.
7. Since many activities just take place in a certain time sequence, it may be useful to indicate the **time dimension** of activities on a chart. In case all or most activities are of an ongoing nature during the 5-year planning period of IDP, such a specification by time is not appropriate. Rather than listing only the ongoing routine activities, however, activity planning should put emphasis on "milestones", i.e. on naming crucial steps which have to be accomplished at a certain point of time.
8. **Costs/Budget Estimates/Sources of Finance:** Major inputs required in terms of staff, materials, buildings, etc. separated by investment costs and operational/maintenance costs have to be listed, quantified and costed. Based on quantities and costs per unit budget estimates can be calculated (differentiated by capital and recurrent expenditure). Expected sources of finance have to be added to the budget items. In case there is no source of finance envisaged so far, this has to be clearly indicated.

PROCESS:

A finalised Logical Framework is a result of a *number of decision-making steps* which may require consultation processes with target groups, technical experts, financing organisations as well as studies or investigations. Different technical organisational and locational options may have to be analysed using the tools of Impact Analysis Matrix (C4) or Alternative Analysis Matrix (C5). Therefore, in the IDP process, a period of more than one month is envisaged for project planning, i.e. for going through all the steps of analysis, consultation and decision-making which are required as a basis for completing the Logical Framework. Filling in the matrix form is therefore one of the last steps of this project planning activity.

The *sequence of project planning steps* should be more or less in line with the sequence in which the elements are presented here, i.e. starting from the top of the Logical Framework and going to the bottom, line by line.

Project planning, however, is an *iterative process*. That means that it is unlikely to end up in a conclusive project proposal after one round. Instead, it may reveal that the financial or personnel resources required to provide the planned output targets are higher than the available or accessible resources. In such a situation, it will be necessary to adjust the targets or to rethink the project design aiming at less costly approaches.

CRITERIA FOR ASSESSING THE PROJECT DESIGN

The Logical Framework is a useful tool for assessing project proposals as it provides all relevant information at one glance. Crucial questions for checking the project proposal are:

1. **Contribution to objectives:** Does the envisaged project contribute significantly to the achievement of the agreed objective(s)?
 2. **Consistency with policy guidelines** (and related strategy guidelines): Is the project design in line with social, economic, environmental, institutional, spatial and financial development principles with regard to target groups, gender specification, cost-effectiveness, location, environmental quality, consideration of local business etc.?
 3. **Realism:** Is the project proposal in line with available resources? Does it reflect major risks related to its implementation and its impact?
 4. **Logical conclusiveness:** Are the outputs in total likely to be sufficient to reach the objectives? Is each output really necessary to reach them? Are the activities/resources sufficient to provide the related output? Is each activity/resource item necessary to do so? Are the target figures at input, activity, output and objective level in realistic proportion to each other?
 5. **Exactness/Clarity:** Are the objectives, outputs and activities sufficiently specified to give everybody a clear picture of what the project looks like, what can be expected by whom, by when and what it requires?
-

Example: Logical Framework

<p>Objective(s): Health conditions or rural population will be improved</p>	<p>Indicators for Achievement of Objectives</p> <ul style="list-style-type: none"> • Child mortality reduced from 10% to 5% in rural wards by 2006. • Number of TB cases per annum reduced from 1 000 to 600. 																																																																	
<p>Project Outputs:</p> <ol style="list-style-type: none"> 1. New health centres for rural wards. 2. Upgrading of old health centres. 3. Maternity with trained midwives for each health centre. 4. Mobile clinics for remote rural areas. 	<p>Targets/Target Groups:</p> <ul style="list-style-type: none"> • 3 new centres • 1 old centre per year • 5 maternities in 2002/2003 • 3 mobile clinics 																																																																	
<p>Major Activities</p> <ol style="list-style-type: none"> 1.1 Tender for construction 1.2 Sign contracts with contractors 1.3 Recruit staff 1.4 Train staff 1.5 Start health centre operations etc. 	<p>Responsible Agencies:</p> <p>Distr. Municipality Distr. Municipality Dept of Health Health Training Board District Health Inspector</p>																																																																	
<p>Costs:</p> <ul style="list-style-type: none"> 1 New health centre: R300 000 1 upgrading: R140 000 1 Maternity (incl. equipment): R50 000 1 mobile clinic: R120 000 	<p>Budget:</p>	<p>2002/03</p>	<p>2003/04</p>	<p>2004/05</p>	<p>2005/06</p>	<p>Source of Finance:</p> <p>Department of Health Department of Health Care International UNHECO</p>																																																												
<p>Total</p>	<p>810 000</p>	<p>560 000</p>	<p>360 000</p>	<p>440 000</p>	<p>440 000</p>	<p>Locations:</p> <table border="1"> <thead> <tr> <th colspan="2">2002</th> <th colspan="3">2003</th> <th colspan="3">2004</th> <th colspan="2">2005</th> </tr> <tr> <th>Wards</th> <th>New Centre</th> <th>Upgrading</th> <th>Maternity</th> <th>Mobile Clinic</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>2002</td> <td></td> <td>2003</td> <td></td> </tr> <tr> <td>B</td> <td></td> <td>2002</td> <td>2003</td> <td></td> </tr> <tr> <td>C</td> <td></td> <td>2003</td> <td>2003</td> <td></td> </tr> <tr> <td>D</td> <td>2003</td> <td></td> <td>2003</td> <td>2003</td> </tr> <tr> <td>E</td> <td>2003</td> <td></td> <td></td> <td></td> </tr> <tr> <td>F</td> <td>2005</td> <td></td> <td></td> <td></td> </tr> <tr> <td>G</td> <td></td> <td>2004</td> <td>2003</td> <td>2002</td> </tr> <tr> <td>H</td> <td></td> <td>2005</td> <td></td> <td>2004</td> </tr> </tbody> </table>						2002		2003			2004			2005		Wards	New Centre	Upgrading	Maternity	Mobile Clinic	A	2002		2003		B		2002	2003		C		2003	2003		D	2003		2003	2003	E	2003				F	2005				G		2004	2003	2002	H		2005		2004
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D4.2 SETTING INDICATORS AND TARGETS

PURPOSE:

To provide the most precise information on what a project or programme is intended to achieve. This can serve as a basis for transparency, accountability and for monitoring progress.

APPLICATION IN THE IDP PROCESS:

Planning Activity 3/6

DEFINITIONS:

Indicators are, strictly speaking, measurement units which indicate as precise as possible a certain existing or anticipated condition. Indicators therefore are useful to measure progress, e.g. the achievement of objectives or outputs.

Example:

- *Body temperature is an indicator by which the severity of diseases like flu or malaria is measured. Life expectancy is an indicator by which social development is measured. As an indicator usually covers only certain aspects of a condition or objective, it is useful to have more than one indicator in order to get a realistic picture of the situation. For example, high body temperature as such is not sufficient to conclude on malaria, one needs a blood test as a second indicator.*

Targets are objectives or outputs which are specified/quantified with the help of indicators.

Examples:

- *To reduce the fever of a patient from 39,3°C to 37,3°C within 24 hours.*
- *To increase life expectancy of men and women in Delta-Region from 50 years to 60 years (men from 48 to 58, women 52 to 62) between 2001 and 2011.*

Thus, indicators are the measurement units by which targets are defined in order to specify the level of achievement of given objectives or outputs. In common sense planners' jargon, however, the term "indicators" is often used synonymous with the term target.

DESCRIPTION OF THE TOOL:

a. Generic rule for setting indicators for project or programme objectives or outputs:

1) An indicator to be sufficiently specific should specify

- quantity: how many? how much? how often?
- quality: standard? characteristics?
- target group: for whom?
- location: where?
- time: by when? within which period?

2) Option A: Using one indicator which comprehends all five dimensions

Example:

OBJECTIVE/OUTPUT	INDICATOR WITH TARGET FIGURES
Objective: <i>Increased income for small-scale farmers</i>	<i>500 farmers (50% women) in Karo-District with less than 2 ha cultivated area increase their net cash income from crop cultivation by 50% (i.e. from R10 000 to R15 000 per annum) between 2000/01 and 2004/05 season.</i>
Output: <i>Small scale farms provided with credit</i>	<i>500 farmers (50% women) in Karo-District with less than 2 ha cultivated area get access to seasonal group loans of up to R1 000 per farmer per season.</i>

3) Option B: Using several indicators for different aspects (relevant for qualitative objectives)

Example:

OBJECTIVE	INDICATOR WITH TARGET FIGURES
<i>Quality of municipal integrated development planning improved</i>	<ol style="list-style-type: none"> At least 50% of South African Cat. B municipalities finish IDP's in time (31/3/2002). In at least 70% of municipalities women and unemployed are effectively represented in the IDP Representative Forum and their needs are explicitly reflected in the IDP document. At least 75% of project proposals of at least 60% of municipalities fulfil the criteria of major funding organisations and receive funds.

4) Option C: Tabular presentation of target figures (relevant for quantitative objectives with regular measurements)

Example:

OBJECTIVE	INDICATOR WITH TARGET FIGURES								
	Urban Noro-District				Rural Noro-District				
	2001	2002	2003	2004	2001	2002	2003	2004	
<i>Unemployment reduced</i>	<i>Total unemployment rate (%)</i>	40	38	35	32	50	47	44	40
	<i>Female unemployment rate (%)</i>	50	45	40	35	50	48	46	44
	<i>Youth unemployment rate (%)</i>	30	28	26	24	60	55	50	45
*Unemployment is defined in line with the criteria of the CSO and based on Labour Office annual averages.									

D5 PROJECTS TO SECTOR PROGRAMMES TOOL

B

<p>PURPOSE: The purpose of this tool is to assist you in extracting the relevant information from projects conceptualised in the Projects Phase to be included in the integrated sectoral programmes. This is achieved by firstly “dis-integrating” project concepts into various project elements that can be allocated to various sector departments within the municipality (Sectoral Breakdown of Projects Table). This then forms a basis, secondly for consolidating different elements of projects into specific sector programmes (Sector Programmes Table).</p>
<p>APPLICATION: Planning Activity 4/2 to 4/14</p>
<p>DESCRIPTION: This tool consists of two tables. The first outlines elements of projects and allocates them to various sector departments or functional areas within the municipality. The second summarises relevant information for the different project plans by sector and defines project outputs, time targets and spatial location for inclusion in the integrated sector programmes.</p>
<p>D 5.1. Sectoral Breakdown of Projects</p>
<p>PROCESS:</p>
<p>Step One: List projects that have been agreed to during the Projects Phase of your planning process along the top of the table and functional areas/sector departments of your municipality down the left hand column. Both of these will be specific to your municipalities but illustrative examples have been provided in the table above.</p>
<p>Step Two: “Dis-integrate” each project into its various elements and allocate each element to the functional area/sector department of your municipality that will be responsible for it. This will begin to give an indication of the capacity needs of various sectoral departments/functional areas within the municipality and may point to the need to revise project plans/proposals.</p>
<p>Step Three: This breakdown of projects into sector departments/functional areas can be used as the basis for preparing the Sector Programmes Table below.</p>

TABLE 1 EXAMPLE: SECTORAL BREAKDOWN OF PROJECTS TABLE (with some illustrative information)

Projects		Craft Market	New Water Reservoir	Urban Regeneration of Liberationville	Child safety at Moreleki Primary School	Agricultural Village	Decentralised Service Paypoints	Improve Road Signage	Safe Drinking Water
Functional areas/Sector Departments									
Town Planning	Identify Land	Land Acquisition				Access Land Acquisition Grant	Identify Appropriate Sites		
	Rezone Site					Land Disposal			
	Develop Site Plan					Site Lay-out			
Roads Department	Design New Highway On/Off Ramp			Tarring of bus routes	Designated pedestrian crossing				
	Construction			New Taxi Rank – Liberationville ext 7	School road safety patrol	Grading of New Access Road		Erect new road signs	
	New Taxi Lay-by								
Local Economic Development and Tourism	Prepare Tender for Site Developer	Identify trained and skilled local contractors	Identify and train local contractors			Identify Potential Small Farmers and create local farming co-operative	Identify and train local disabled people	Consult with product owners and interest groups	Identify and train local contractors
	Identify Potential Traders and Crafts suppliers and develop arts and crafts co-operative					Prepare business-plan for grant to buy irrigation equipment from Department of Land Affairs and Agriculture		Prioritise attraction to be signposted	Review tender specifications
	Provide training in Small business development skills								

Projects Functional areas/Sector Departments	Craft Market	New Water Reservoir Liberationville	Urban Regeneration of Primary School	Child safety at Moreleki	Agricultural Village Pay points	Decentralised Service	Improve Road Signage	Safe Drinking Water
Public Relations Office	Develop and implement marketing strategy in collaboration with Tourism Association			Develop and implement Safety awareness programme at school with assistance from local policing forum and Parent Body		Develop and implement campaign to make rate-payers aware of new pay points	Assist LED office in consulting with product owners	Provide logistic support to health department on safe drinking water awareness raising
Engineering Department Water Division	Install new water connection to craft market site	Design reservoir						Develop an improved water management system
	Install basic reticulation for basic ablution facilities	Develop and adjudicate tender for construction	Upgrade water reticulation to yard connections in Liberationville X7		Apply for water extraction permit and license			Maintenance and upgrading water main waterline network
		Manage construction tender	Upgrade ablution facilities at sports stadium		Provide technical specification as input to business-plan for grant to buy irrigation equipment from Department of Land Affairs and Agriculture			Install water meters

Projects Health areas/Sector Departments	Craft Market	New Water Reservoir	Urban Regeneration of Liberationville	Child safety at Moreleki Primary School	Agricultural Village	Decentralised Service Pay points	Improve Road Signage	Safe Drinking Water
Health	<i>Health inspectors train food stall owners on minimum health requirement</i>		<i>Upgrade clinic services through the provision of 2 additional health workers</i>					<i>Develop content of campaign on safe drinking water</i>
	<i>Issue food stall licenses</i>							<i>Acquisition and distribution of chlorine tablets</i>
	<i>Conduct regular inspections</i>							
Electricity	<i>Install street lights</i>		<i>Upgrade substation</i>	<i>Install street lights</i>	<i>New Site connection</i>			
Treasury	<i>Lease agreements with stall owners</i>					<i>Train and place new staff (4) to man pay points</i>		
Parks and recreation			<i>Upgrade tracks and fields at Sport Stadium</i>	<i>Regular bush cutting on vacant sites surrounding school</i>				<i>Bush cutting to improve visibility of existing signs</i>

D5.2 SECTOR PROGRAMMES

PROCESS	
Step Four:	From the list of all the projects that were formulated, identify the projects that are specific to the sector you are dealing with, e.g. all water projects, this includes those that are specific to the sector and the water related elements of integrated projects (both of these are outlined in Table 1). List these projects in the left hand column of the table, and the different project outputs in the next column. A similar table must be drawn up for each sector, using the headings given in the example as a generic guide.
Step Five:	Complete the rest of the table with information relevant to each project/output, e.g. start and end dates, location, targets and also resource requirements where applicable.
Step Six:	In terms of resources, refer to as much detail as possible, e.g. distinguish between capital and operational funding requirements and human resource requirements. This will provide you with a useful summary to use as input when compiling your financial and institutional plans.
Step Seven:	Once the table has been completed for the first time, you can assess the cumulative effect of all the projects. The draft integrated programme can be screened to ensure compliance with localised strategic guidelines, and the impact on resources can be assessed. <i>In the example used above, the only design engineer and project manager in the Water Department may be a bit stretched in terms of capacity and outsourcing the design/management of one of the projects may have to be considered.</i> After consideration of these issues, the projects may be referred back to the project teams for revision.
Step Eight:	After the interaction process with project teams and any revisions have been completed, this table can now be used as part of your integrated sector programme for the sector that you are dealing with.
	NOTE: No new information is required to complete this table. This information should already be contained in the project plans you have developed in the projects phase of the IDP process and has also been used in Table 1 above.

TABLE 2 EXAMPLE: SECTORAL PROGRAMMES TABLE (with some illustrative information)

Projects	Project Output		Time		Project Target	Location	Project Resources		
	Start Date	End Date					Capital Amount	Operational Amount	Human Resources
Sector Projects									
Safe drinking water to Area A	Upgrade Bulk Water Line A				Capacity of #kl @ day	Area A	R1 000 000	Rx @ month	Design Engineer A Project Manager A
	Individual connections to households				700 households	Area A	R30 000 000	Rx @ month	Design Engineer A Project Manager A
Reservoir	New Reservoir				Capacity of #kl @ day	Area B	R20 000 000	Rx @ month	Project Manager A
	Bulk Line				Capacity of #kl @ day		Rx	Rx @ month	
Integrated Projects									
Craft Market	Water connection and reticulation to site				Provide reticulation for basic ablation and connection to site	Craft Market Site	Rx	Rx@ month	Design Engineer A
Agricultural Village	Water extraction permit and licence Technical input Re/irrigation equipment				Submit water permit application and obtain licence Provide technical specification for irrigation equipment for inclusion in business Plan	Agricultural village site	Rx	Rx@ month	Project Manager A

D6: ACTION PROGRAMME CHART

PURPOSE:

To structure the process of compiling the 5-Year Action Programme and to give some hints as to the possible format of the programme.

APPLICATION:

This tool is specifically aimed at providing assistance during Phase 4 (Integration): Activity 4/6 – Drafting the 5-Year Action Programme

DESCRIPTION:

This tool firstly gives a phase-by-phase indication of where to extract information to compile the 5-Year Action Programme. In the second part of the tool some hints regarding to the format of the Action Programme is provided.

The 5-Year Action Programme is a compilation of all projects planned for the 5-year planning cycle, showing the major project milestones, with information such as budget and output targets indicated per project and where possible summarised per annum. As with other integrated programmes that form part of the Operational Strategy, the 5-Year Action Programme is not based on new information but is a compilation of existing information taken out of the IDP process.

PROCESS:

Step One:

Extract Relevant Information from Project Proposals

Locate relevant information from all the individual project proposals.

Step Two:

Compile Information into the Action Plan Format

- The information should firstly be categorised in terms of time frame, i.e. group projects or project phases together per financial year/budget cycle.
- Now indicate time frame next to each project/project milestone, showing start date and completion date.
- Also indicate budget amount next to each project/project milestone.

Project Description	Project Schedule (Time Frame)												Output	Budget
	j	a	s	o	n	d	i	f	m	a	m	i		
Financial Year 1: 2002/2003														
Housing Project A													120 housing units	R1 800 000
													120 water connections	R200 000
Housing Project B													140 housing units	R2 100 000
													140 water connections	R250 000
Upgrade Main Road													20 km tamed road	R20 000 000
Industrial Development Project													4 incubator industries	R600 000
Polio Immunisation Programme													50% of newborn babies	R400 000
Total Budget: 2002/2003 R25 350 000														
Financial Year 2: 2003/2004														
Total Budget: July 2003 – June 2004 Rxxx														
Financial Year 3: 2004/2005														
Total Budget: 2004/2005 Rxxx														
Financial Year 4: 2005/2006														
Total Budget: 2005/2006 Rxxx														
Financial Year 5: 2006/2007														
Total Budget: 2006/2007 Rxxx														

Step Three: Generate cumulative information

From the table containing the 5-Year Action Programme, compile combined sets of information per financial year, e.g. output targets and budgets.

This cumulative information can either be reflected in the same table (e.g. budget figures indicated above), or can be presented in summarised format in a second table.

Financial Year	Output Description	Cumulative Output Target	Cumulative Budget per Target
Year 1: 2002/2003	Housing Units	260	R3 900 000
	Water Connections	260	R450 000
	Road Upgrading	20 km	R20 000 000
	Immunisation	50% of newborn babies	R400 000
	Economic Development	4 incubator industries	R600 000
TOTAL BUDGET 2002/2003			R25 350 000
Year 2: 2003/2004	Repeat the above information for the next 4 financial years		
Year 3: 2004/2005			
Year 4: 2005/2006			
Year 5: 2006/2007			

Step Four: Consider consolidated impact and revise

- The compilation of the 5-year action plan and the revision of individual project proposals are an interactive processes.
- The consolidated impact of projects can be assessed when the first draft of the action plan has been completed. It may for example be noticed that all housing top structures are provided in the first year but that sewer provision will only happen in the fourth year – such a situation may require project timing to change.
- After project revision the action plan will have to be changed to accommodate the revisions.
- This process may have to be repeated more than once until all projects are aligned.

** Also refer to tools “from projects to programmes” and “align projects” in this respect.

D7 TOWARDS INTEGRATED PROGRAMMES

PURPOSE:

This tool gives process guidelines on the preparation of integrated programmes as part of the Operational Strategy in the Integration Phase of the IDP process. The intention of the tool is to guide the user to extract information that were compiled and decisions that were made during the previous phases of the IDP process, for inclusion in the various integrated plans and programmes that form part of the operational strategy.

APPLICATION:

This tool will be useful in the Integration Phase, when compiling integrated plans and programmes. These include:

- Activity 4/2, 4/9, 4/10, 4/11, 4/12, 4/13 – Drafting Integrated Programmes (including poverty reduction/gender, environmental, LED, institutional and HIV/AIDS programmes)
- Activity 4/8 – Drafting the Integrated Spatial Development Framework

DESCRIPTION:

This tool gives a phase-by-phase indication of where to extract information to compile an integrated programme. Two sets of guidelines are provided:

- Compiling an Integrated Spatial Development Framework as an example (part 1).
- From this example, deriving a more generic guideline that can be applied to other integrated programmes (part 2).

Part 1: Integrated Spatial Development Framework

The spatial dimension is one of the crosscutting development dimensions that are taken into account throughout the IDP process, meaning that the information you would need to compile the integrated spatial development framework should already exist by the time you reach the integration phase. In other words, the integrated spatial development framework (ISDF) is compiled using information and decisions that have been gathered or taken in the previous phases of the IDP process, i.e. it is not new information or a separate, parallel planning process.

PROCESS:

Step One: Set the Scene/Describe the Background

The first step in compiling the ISDF is to set the scene against which decisions are taken: provide a short summary of spatial development trends and spatial issues, using the information you have gathered as part of the Analysis Phase. The relevant information were compiled and spatially illustrated or mapped during certain activities in the Analysis Phase. These maps can be used, and short text descriptions or explanations may be necessary.

PHASE & ACTIVITY NUMBER	ACTIVITIES IN IDP PROCESS	DESCRIPTION/HINTS/EXAMPLES
Phase 1: Activity 1/5	Municipality level analysis: Spatial analysis	<ul style="list-style-type: none"> • Spatial trends, e.g. development of new informal settlements/migration towards certain areas/pressure for development. • Spatial problems and opportunities, e.g. existence of vacant "buffer zones", opportunities for residential densification. • Spatial restructuring issues, e.g. integration of different areas. • Land reform issues, e.g. areas experiencing land claims, areas where security of tenure (of e.g. farm labourers) is an issue. • Spatial dimensions of development issues identified in activities 1/1, 1/2 and 1/4, e.g. if accessibility to employment areas is an issue, indicate where the areas that need to be linked are located.
Activities 1/8 & 1/9	Spatial issues (if identified as priority issues)/spatial dimensions of issues	

Step Two: Presentation of Localised Spatial Development Principles and the Spatial Implications of Objectives and Strategies

The information presented in Step 1 is the information gathered during the analysis phase on which certain decisions will be based. The next step is now to describe the spatial decisions that were taken to address the issues that came to the fore in the previous step. These decisions are also extracted from previous activities in the planning phase. It would be important to spatially illustrate these decisions as far as possible.

PHASE & ACTIVITY NUMBER	ACTIVITIES IN IDP PROCESS	DESCRIPTION/HINTS/EXAMPLES
Phase 2: Activity 2/3a Activity 2/2 Activity 2/9	Localised spatial development principles Spatial dimension: objectives Spatial dimension: strategies	<ul style="list-style-type: none"> • Spatially illustrate the implications of development principles contained in e.g. the DFA – for example what does it mean for your area to integrate and mix land uses. • Indicate the spatial dimensions of all development objectives and strategies that have been decided upon in the Strategy Phase. For example, indicate the areas demarcated for eco-tourism if tourism was a strategy you decided on to address job creation. If a spatial trend or issue has been identified as a priority issue, there may be specific spatial objectives and strategies that also have to be indicated.

Step Three: Spatial Implications of Projects

It is necessary to consider the spatial implication of individual projects, as well as the consolidated spatial implication of all the projects combined.




PHASE & ACTIVITY NUMBER	ACTIVITIES IN IDP PROCESS	DESCRIPTION/HINTS/EXAMPLES
Phase 3: Activity 3/7 Activity 3/3	Project Locations Designing Project Proposals	<ul style="list-style-type: none"> • <i>Indicate the locations of projects on a broad scale map or spatial illustration of the municipal area.</i> • <i>Consider what the impact of these projects will be on spatial development trends in the area, whether it is in line with the localised strategic guideline, and with the spatial objectives and strategies. With all projects presented on a single map, and when comparing this map to your spatial analysis and spatial strategies, you may realise that not a single project addresses the integration of areas or that a high number of projects occur in an environmentally sensitive area.</i> • <i>Give feedback to the project teams to revise or reconsider projects where necessary.</i> • <i>Special attention should be given to the development issue of land reform, since this in most instances impact significantly on spatial trends and issues in an area.</i>

Step Four: Ensure that the final document can be applied in decision-making and that it is user-friendly

- Once all of the above has been completed, ensure that the document that will make up the ISDF are edited and reformatted to ensure easy reading and good flow. This document may throughout the year serve as an information source and guideline for internal officials, as well as stakeholders such as developers and community groups.
- Ensure that maps and strategic guidelines included in the document are at a sufficient level of detail to inform and direct land use management – for this purpose it will be important to involve the officials dealing with land use management in the compilation process. The detail that will be required in this regard will be specific for your local area, but the following can be listed as examples to illustrate the point:
 - o Defined urban edge/areas demarcated for agriculture and rural land uses.
 - o Important development nodes.
 - o Areas that may require environmental impact assessments before new development can take place.
 - o Areas where land uses have to be developed to support public transport.
- The above process can be generalised and used to compile other integrated programmes, e.g. sector programmes.

SUMMARY:

This table is a summary of the process described above:

PHASE & ACTIVITY NUMBER	IDP PROCESS	TAKE INFORMATION FROM IDP PROCESS AND SUMMARISE IT/REFORMAT IT FOR INCLUSION IN INTEGRATED SPATIAL DEVELOPMENT FRAMEWORK	INTEGRATED SPATIAL DEVELOPMENT FRAMEWORK: PRESENTED ON MAPS AS FAR AS POSSIBLE
Phase 1: 1/5 1/8 & 1/9	Municipality level analysis: Spatial analysis Spatial issues (if identified as priority issues)/spatial dimensions of issues		Summary of spatial development trends and issues.
Phase 2: 2/3a 2/2 2/9	Localised spatial development principles Spatial dimension: objectives Spatial dimension: strategies		Localised spatial development guidelines for spatial restructuring and spatial integration (e.g. from DFA). Spatial representation of development objectives and strategies with spatial dimension/spatial objectives & strategies.
Phase 3: 3/7 3/3	Project Locations Designing Project Proposals		Location of projects Land reform issues & related projects / project components.

Part 2: Apply a similar procedure for drafting other integrated programmes (compare GUIDE V).

SECTION E

FINANCIAL PLANNING TOOLS

List of Contents		Page
E1	Considerations in defining financial resource frames and strategies	147
E2	Revenue planning	149
E3	Audit and strategy for asset management	153

INTRODUCTION

Financial planning is a crucial dimension of any development planning process. It requires dealing with financial information (during the analysis phase), decisions on financial strategies (during the strategy phase), proper cost calculations and budget planning (during the projects phase) and finally compilation of a “Financial Plan” which comprises all financial aspects of a plan (during the integration phase).

There is a wide range of financial tools especially in the field of budget planning. These are to be used by financial management specialists (treasurers) and are therefore not presented in this IDP Toolbox. The three tools presented here were selected for their wider relevance for the whole IDP planning team, which should be involved in an informed decision-making process on financial strategy. This includes:

- Deciding on financial strategies based on an analysis of the financial resource frames (tool E1).
- Deciding on ways and means for increasing the revenue base of a municipality (tool E2).
- Deciding on the best possible way to make use of a municipality’s assets management based on a proper asset audit (Tool E3).

The financial managers of a municipality will have a crucial role to play in handling these tools. Financial planning, however, is too important to leave it to only one person. The tools may therefore help ensure competent financial decisions in a consultative process.

E1 CONSIDERATIONS IN DEFINING FINANCIAL RESOURCE FRAMES AND STRATEGIES

PURPOSE:

This tool provides hints on aspects that have to be taken into account when defining financial resource frames and designing financial strategies.

APPLICATION:

These hints are relevant to various activities in the IDP process dealing with either financial resources or financial strategies:

- Compilation of existing information: Define (financial) resource potentials (1/1).
- In-depth analysis of priority issues: In-depth analysis of resources (1/9).
- Defining resource frames/financial strategies (2/4).
- Preliminary budget allocations to projects (3/2).

It is advisable to involve the relevant financial sector officials in activities dealing with financial resources, strategies and reporting. Various technical and legal issues should be considered in financial planning. These tools are not comprehensive and do not cover all technical and legal requirements in detail. The content of this tool is aimed at encouraging both financial and non-financial role players in the IDP process to think strategically about financial potentials and constraints and to create awareness and stimulate debate around key financial viability and sustainability issues.

DESCRIPTION:

The tool comprises of a series of hints/pointers to highlight important aspects that have to be considered when defining available resources and also when designing financial strategies.

IMPORTANT ISSUES FOR CONSIDERATION:

Income versus expenditure: The relationship between income and expenditure in the municipal budget is a key factor that has to be kept in mind when defining resource frames. Municipalities are not allowed to budget for a deficit. As such, the level of income to the municipality directly influences the level of operational expenditure and the level of debt (and interest) that can be serviced in terms of capital loans.

Link between capital and operational budget: The municipal budget is divided into two sections. The operational budget is used for running costs (e.g. salaries and maintenance), the repayment of loans and interest, purchasing of services (e.g. electricity) and other expenditure that does not create assets for the municipality (e.g. consulting fees). The capital budget is used for expenditure that creates assets, ranging from vehicles and computer equipment to infrastructure and buildings. There are certain linkages between these two budget components that have to be kept in mind during financial strategy formulation:

- Link through direct costs – interest on loans for the capital budget; operational costs of resources (e.g. staff) to implement projects; operational costs generated by new projects once they are completed.
- Indirect links – greater operational income potential resulting from capital projects; shift in operational budgets over time, e.g. higher levels of infrastructure maintenance in previously disadvantaged areas due to many new projects in those areas.

External funding sources: Various aspects have to be considered in terms of using external funding sources:

- **Source of funding:** One of the biggest challenges is establishing contact with possible sources of funding. In addition to the institutions providing loans and grants for capital budgets (e.g. commercial banks or development banks), organisations that can be approached in this regard are other spheres of government, private sector stakeholders in the municipal area, foreign donor organisations, NGOs, etc.
- **Extent and type of funding:** It is important to assess how much funding is available from each of the potential contributors and whether the funding is a once-off contribution to capital development or a more continuous contribution to operational expenditure. The latter is of special importance, since it is often fairly easy to obtain a donation for a capital project but much more difficult to find contributors to operational expenses generated by the capital project.
- **Conditions of funding:** No external funding is granted without specific conditions. The conditions may determine what the funds may be used for, how it must be managed, what guarantees or counter-funding the municipality must provide, when it would become available, what the terms of repayment are if it is not a grant, etc.
- **Possible measures to channel funds:** Some types of funding, e.g. funding received from foreign donors may, due to conditions from the funder's side or restrictions placed on municipal budgets by the National Treasury (e.g. percentage growth allowed per year), not be incorporated in the municipal budget without using an alternative means to channel the funds. Solutions to this scenario can be contracts such as public private partnerships or the establishment of a trust or Section 21 Company to handle the funds.

E2 REVENUE PLANNING

PURPOSE:

The purpose of the tool is to enable you to identify opportunities for improving the process of raising revenue, and to assist you to make maximum use of the revenue base that is available to your municipality.

APPLICATION:

Such a systematic approach to analysing sources of revenue and formulating potential revenue raising strategies and assessing the effects of potential strategies on these municipal revenue/income, would be useful in both defining financial resource frames and developing financial strategies during the Strategy Phase (2/4). The first part of this tool will also be useful when defining existing resource frames in the analysis phase (1/1).

DESCRIPTION:

This tool consists of two parts:

- The first part consists of a table that is designed to assist you to summarise your current situation pertaining to your existing sources of revenue.
 - The second part consists of various tables designed to assist you in formulating and assessing financial strategies for increasing municipal revenue/income.
-

PROCESS:

PART 1: ASSESSMENT OF EXISTING SOURCES OF REVENUE

Step One: Identify and list the potential sources of income and summarise them as horizontal headings in the table below. *(The headings in the table provided are examples of typical sources of revenue/income of a municipality, but you are encouraged to revise/customise these to suit the circumstances in your municipality).*

Step Two: Examine the nature of the existing revenue base and assess the existing sources of income/revenue by systematically completing the table by responding to each of the prompts in the first column.

Assessment of Existing Sources of Revenue

Activities	Property taxes (rates)	Surplus on trading services	Inter-governmental grants	RSC levies	Charges for services other than trading	Other sources (interest, fines etc)	Total
State potential revenue from this source for the last financial year.	R2 000 000	R5 000 000	R1 300 000 – DOT R1 600 000 – R5 000 000 Equitable Share R1 750 000 – CMIP	Estimated R5 000 000	R32 000 – Building Plans rezoning R50 000 R155 000 – Service Contributions	R1 688 000 • Interest on investments • Traffic fines • Charges for emergency services such as ambulance and fire • Dog licenses • Vehicle licenses	R16 000 000
State the amount actually collected for the last financial year.	R1 200 000	R2 000 000	R1 300 000 – DOT R1 600 000 – Equitable Share R1 750 000 – CMIP	R3 500 000	R32 000 – Building Plans R50 000 – Rezoning R155 000 – Service Contributions	R1 500 000	R12 850 000
Calculate the Collection efficiency and express as a (%) (actual/potential) Highlight those blocks where collection proved to be unsatisfactory.	R1 200/R2 000 *100 60% collection efficiency	R2 000/ R5 000*100 40% collection efficiency	100%	R3 500 000/ R5 000 000 *100 70% collection efficiency	100%	R1 500 000/R1 688 000*100 89% collection efficiency	R12 850 000 R16 000 000 *100 80% collection efficiency

Assessment of Existing Sources of Revenue							
Activities	Property taxes (rates)	Surplus on trading services	Inter-governmental grants	RSC levies	Charges for services other than trading	Other sources (interest, fines etc)	Total
Describe the revenue base in words. Identify, using percentages, the most important and least important sources of revenue.	e.g. industry – 40% residential – 25% commercial – 10% retail – 15% recreation – 5% other – 5%	e.g. industry – 40% residential – 25% commercial – 10% retail – 15% recreation – 5% other – 5%	R1 300 000 – DOT R1 600 000 – Equitable share R1 750 000 – CMIP	Ask financial department to provide break down by levy category	R32 000 – Building Plans R50 000 – Rezoning R155 000 – Service Contributions	<ul style="list-style-type: none"> Interest on investments 15% Traffic fines 65% Charges for emergency services such as ambulance and fire 1% Dog licenses 1% Vehicle licenses 18% 	N/A
List all tariffs and exemptions that relate to the most important revenue sources.	e.g. All residential 1 properties receive 40% rebate	First 6 kl. water free to all households R50 flat rate for all informal erven.	N/A	See RSC ACT and Local statutes	N/A	N/A	N/A
Make a statement on your assessment of the potential for improving the collection efficiency (good/fair/poor).	e.g. Industry commercial and retail – poor Residential – poor	e.g. Industry commercial and retail – poor (already at 99% efficiency) Residential – moderate to high dependent on socio-economic profile of community.	N/A	Poor 95% collection efficiency with registered levy payers	N/A	Fair chance of improvement in collection of traffic fines and motor vehicle licenses will be dependent on costly law enforcement procedures	
Assess potential for extending base (good/fair/poor).	e.g. Industry, commercial and retail in short term – fair Residential in short term – fair to good	e.g. Industry, commercial and retail in short term – moderate Residential in short term – fair to good	Good Completed IDP will improve access to more CMIP funding Potential to access LED Programme	Good A large percentage of potential levy payers are not registered	Increased economic activity will result in a higher demand for such services	Increased economic activity will result in a higher demand for motor vehicle licenses	

PART 2: FORMULATE AND ASSESS STRATEGIES TO INCREASE REVENUE

PROCESS:

Step Three: Based on the assessment in Part 1, identify possible strategies for increasing revenue. Strategies should take into consideration the potential for extending the base and potential for improving the rate of collection in Part 1. List these strategies in the first column of the table below.

HINTS:

- *Revenue Improvement Strategies should represent the potential interventions that may contribute to ensuring and improving the financial health of your municipality.*
 - *It is critical to formulate revenue improvement strategies prior to the formulation of general development strategies in order to create a clear picture of resource potentials and constraints that should guide/frame the formulation of general development strategies.*
 - *The formulation and assessment of revenue improvement strategies will contribute to the formulation of development strategies that are realistic and financially viable and achievable.*
 - *It is recommended that all potential areas for revenue improvement is identified and considered. Such intervention may include: Improving collection procedures, expanding the rate base, identifying new sources of revenue, providing services in a more cost-efficient way through considering service partnership and innovative forms of service delivery, and privatising or selling municipal assets to mention only a few.*
-

Step Four: Complete the remainder of the table in order to summarise the anticipated effects of the proposed strategies. The headings will assist you in considering the different factors that have to be taken into account when formulating revenue improvement strategies. The various amounts required need not be accurate, but should rather facilitate comparison between the current and future situation. Where figures are not available make qualitative statements for comparative purposes.

E3 AUDIT AND STRATEGY FOR ASSET MANAGEMENT

Formulate Strategies for Revenue Improvement/Increasing Income						
Administrative Strategies	List the income source that will be affected by the strategy	Provide a brief description of the strategy	Estimate the likely impact on income/revenue	Estimate the likely cost of implementation	Estimate the potential net yield/profit for the next financial year	Estimate the average annual growth in revenue for this source for the next five years % p/a
<p>Strategies that will improve your collection ratio (e.g. For trading services potential strategies may include improvements in your financial records, ensuring the registration of all potential levy payers, changes in your accounting system, billing formats and methods, defaulters follow-up procedures, installing pre-paid meters, regular inspection and reading of meters, prosecution of electricity thieves.)</p> <p>Strategy 1 Improve the billing system</p>	Surplus on trading services	<ul style="list-style-type: none"> Design more user-friendly invoices in consultation with women's group Implement debit order system Install pre-paid meters in areas with large defaulting percentage 	<p>5% increase in service payment</p> <p>R100 000</p>	<p>R10 000</p> <p>R10 000</p> <p>R1 000 per household for electricity meter as opposed to R175 for conventional meter Operational expenses lower – No meter reading required</p>	R60 000	Commensurate with household increase
<p>Strategy 2 Decentralise pay-points to more accessible locations</p>	Surplus on trading services	<ul style="list-style-type: none"> Establish decentralised pay points in close proximity to taxi ranks and community facilities in remote areas 	<p>10% increase in service payment</p> <p>R200 000</p>	<p>R36 000 for rental agreements p/a</p> <p>R30 000 capital outlay for equipment</p> <p>R180 000 for additional staff p/a</p>	-R16 000	Commensurate with household increase

Formulate Strategies for Revenue Improvement/Increasing Income						
Strategies to extend the base	List the income source that will be affected by the strategy	Provide a brief description of the strategy	Estimate the likely impact on income/revenue	Estimate the likely cost of implementation	Estimate the potential net yield/profit for the next financial year	Estimate the average annual growth in revenue for this source for the next five years % p/a
<p><i>These relate to increasing the number of sources or the size of respective source of revenue or income. (e.g. For trading services, strategies may pertain to increasing the number of households or businesses from which your municipality is entitled to collect service payment. This may include special incentives for luring industry and other business to the area.)</i></p> <p>Strategy 3 Ensure registration of all liable levy paying businesses</p>	RSC Levies	Appoint tracers to track down liable levy-payers that are not registered on a commission basis	R1 500 000	None. tracers operate on commission basis. Marginal costs for increased postage and administration for each newly registered levy-payer	R1 500 000	Approximately 2,25% Commensurate with annual growth in GDP of municipal area
<p>Strategy 4 Provide rates rebates to new businesses that locate in the municipal area</p>	Property rates	Allow all newly established businesses with a high job creation potential for un-schooled workers an 18-month levy holiday	Long term expansion of levy and tax base. Increase in trading service consumer base – paying clients. Potential increase in service payment by newly employed.	Marginal administrative costs. Loss of initial levy income	Unknown, may require more detailed investigation	Approximately 1-2% higher than average annual municipal GDP growth rate.
<p>Strategy 5 Cancel residential tax rebates</p>	Property rates	Do away with 40% rebate on single residential stands with no second dwellings. Will also encourage densification of urban structure and optimise use of existing municipal infrastructure	R400 000 over 5 years.	Legal costs of changing municipal by-laws Public Consultation Process	R350 000	Commensurate with household expansion rate.

Step Five: Now that you have achieved through understanding of the anticipated effects of your proposed strategies, **assess the various strategies** listed in the previous table. Evaluate the extent to which each proposed strategy will meet the financial criteria listed in the heading of the table below by using broad, qualitative ratings to simplify this process (e.g. rate as “good, average or poor”).

Understanding the Financial Criteria:

- **Adequacy:** Will the additional amount of revenue collected make a significant contribution to the total the actual amount negligible.
- **Elasticity:** Will this source of revenue grow proportionally with the growth in the population or economic remain static.
- **Incidence:** How many people are affected (e.g. will have to pay more) and what are the likely implications.
- **Equity:** Will the increase in municipal income represent an additional burden on the community line with the objectives of the municipality?
- **Economy:** Is it economically feasible and sustainable to implement this strategy?

Strategy Assessment							
List all proposed revenue improvement strategies	Revenue source affected	Adequacy	Elasticity	Incidence	Equity	Economy	Action recommended <i>(e.g. potential actions: reject, conduct a more detailed investigation or feasibility study, implement, phase in)</i>
Strategy 1 Improve the billing system	Surplus on trading services	Average R60 000 additional income per annum	Good The new system will serve a growing client base	Good All will benefit with the cost evenly distributed	Good No additional burden on community	UNSURE Cost and return of pre-paid metering system to investigated	Good potential for implementation Commission feasibility report in implementation of pre-paid meters
Strategy 2 Decentralise pay-points to more accessible locations	Surplus on trading services	Poor Short-term capital and operational costs potentially to high	Average New pay points to be established as development expands	Good All will benefit with the cost evenly distributed	Good Additional amount of income directed at staff expenditure	Poor The costs outweigh the anticipated returns	Reject
Strategy 3 Ensure registration of all liable levy paying businesses	RSC Levies	Good Over a 5 year period the net return may amount to as much as R6 000 000 p/a	Good As businesses get established the strategy will ensure that all those liable register	Nobody that is not liable by law will be effected	Good All liable businesses will contribute proportionally to turn over and payroll	1.5% of levy income successfully collected from previously non-registered businesses paid on commission	IMPLEMENT
Strategy 4 Provide rates rebates to new businesses that locate in the municipal area	Property rates	Fair Difficult to project return Dependent on other economic conditions	Good Will apply to all new investors that meet criteria	Good No direct burden on communities	Good May potentially benefit the unemployed	Unclear – Net benefit difficult to assess	Commission feasibility report
Strategy 5 Cancel residential tax rebates	Property rates	Good	Good Will apply to all new residential development as well	Fair to Poor All existing predominantly affluent residential 1 households will be effected. Will affect expendable income	Fair Potential public discontent	May deter potential new resident to settle in area	Launch public consultation process to assess support

Step Six: Based on the assessment, **recommend an appropriate action.** The action may be to pursue the strategy, to phase different parts of a strategy, or to not further pursue a strategy that does not rate high on the assessment criteria.

E3 AUDIT AND STRATEGY FOR ASSET MANAGEMENT

PURPOSE:

The purpose of this tool is to help you to take stock of the existing assets of the municipality, to assess their effectiveness in their current use, to estimate their cost and returns, and to evaluate the governance structure in operation to generate possible strategies for improved asset use or management.

APPLICATION:

This tool can be useful in generating a strategy for more efficient asset management as part of your financial strategies during the Strategy Phase (2/4).

DESCRIPTION:

This tool comprises of two parts:

- Part 1 is a table to summarise your existing assets and their use.
 - Part 2 is a table to assist you with the assessment of the current situation in order to generate asset management strategies.
-

PROCESS:

PART 1: SUMMARY OF EXISTING ASSETS AND USE OF ASSETS

Step One: Compile a summarised **asset register** of your municipality's main/strategic assets. It is important to concentrate on main assets and summarised groups of assets of strategic importance (e.g. do not list every individual desk or chair, rather land and buildings in municipal ownership, workshops, vehicle fleet, etc). List *the various assets in the first column of the table below*.

NOTE: Remember that assets may be of a financial, physical or enterprise nature. A financial asset may take the form of an investment. A physical asset may include amongst others; municipal owned land, buildings, vehicles, equipment and machinery. Enterprise assets may include items such as a water care company, a transport authority etc.

Step Two: In the register, also **rate the asset** based on available information in terms of the use, condition, cost/revenue related to the asset. Use qualitative ratings such as appropriate/inappropriate or good/average/poor (compare Assets Register Chart).

NOTE: Where possible, add qualitative or quantitative information that will assist in assessing the desirability of each asset.

PART 2: CREATING ASSET MANAGEMENT STRATEGIES

Step Three: Assess the effectiveness of your main, strategic assets in more detail by considering certain alternatives to the current situation. The criteria listed in the table below will help you get an overview of the current effectiveness of use, as well as possible alternatives (compare Effective Assessment Chart, p 158).

Assets Register of Main/Strategic Assets				
Item	Describe the current purpose or use of the asset	Describe the current condition of the asset and condition	Estimate the annual cost of the asset to the municipality	Estimate the annual revenue generated for the municipality
Motor vehicle – Bakkie	Used to transport parks department personnel (5) from council building to new municipality nursery. 16 km per day	10 year old 1400l. Toyota Poor condition High maintenance, due to recurrent breakdowns.	Running costs @ R1,45 p/km. 16 km per day. R5 104 per annum Breakdown and repair costs Approximately R4 000 p/a for last 4 financial years. License, and insurance R2 650 p/a Total cost p/a = R11 754	None
Road Graders (2)	Used to grade roads to solids waste disposal sites, cemetery and water purification works. Grading of roads in peri-urban areas. Utilisation of 87 working days per annum	Good	Low maintenance Diesel consumption 2 full time drivers employed at a cost R38 000 per driver per annum	No direct income Grading of roads necessary to provide for decent levels of service.
Nature reserve with hall conference venue and ablution facilities	Used to host council workshops Used to host council functions. Occupation rate = 20% Available as recreation facility for general public at R2,00 per car that enters.	Good Quality infrastructure Excellent potential for conferencing and tourism related activities.	High human resource costs for maintenance as well as collecting entrance fees. Maintenance approximately R45 000 per annum Security Service of R15 000 per annum Full time gate keeper R18 000 p/a	Approximately R11 000 generated through entrance fees. Saving of about R72 000 in venue rental for council workshops and functions. Low income, not efficiently used

Effectiveness Assessment			
Criteria	Asset 1 Motor vehicle – Bakkie	Asset 2 Road Graders (2)	Asset 3 Nature reserve with hall conference venue and ablution facilities
Describe the current use of the asset	Used to transport parks department personnel from council building to municipal nursery. 10 km per day.	Used to grade roads to solids waste disposal sites, cemetery and water purification works. Grading of roads in peri-urban areas. Utilisation of 87 working days per annum.	Used to host council workshops. Used to host council functions. Occupation rate = 20% Available as recreation facility for general public at R2,00 per car that enters.
Assess and describe the strategic importance of the asset to the municipality. What will the impact of restructuring the asset be on: The vision and objectives of the municipality? The core functions and powers of the municipality? The quality of service delivery in the municipality? The efficiency of the operations of the municipality?	This asset if of no strategic importance to the municipality.		
Describe alternative uses or next best use. Could this asset be sold, rented out, used for another purpose? Select the best of all the alternatives your consider.	Sold at R13 000		
Estimate the annual cost of asset in Rand.	R11 754		
Describe potential alternative source/s of service. How would you provide the service if you did not own the asset? Outsourcing? Rental? Can the service be simply abandoned as a duty of the council?	Workers receive taxi smart cards to travel to nursery.		
Estimate the annual cost of alternative source in Rand. How much would it cost per annum, for the outsourcing or other feasible alternative source?	Transport coupons for each of the 5 workers @ cost of R88 per month = R 5 280.		
Estimate the potential saving from restructuring the asset in Rand. Annual cost of asset less annual cost of alternative source of the service. How much would you save or earn each year if you employed it in its next best use? For example, if you sold it, you would save on maintenance and earn annual interest by investing the money you receive?	R11 754 – R5 280= Saving of R6 474 per annum plus interest @ 10% per annum = R7 121,40 per annum.		
Action recommended. For example, sell the asset, contract out the service, enter into a management contract, improve the management of the asset, and take no action at all.	Self asset and provide taxi smart cards to workers.		

USEFUL CONTACTS

KEY DEPARTMENTAL CONTACT PERSONS

Name	Position	Telephone	Fax	E-mail
Mr Elroy Africa	DDG: Governance and Development	(012) 334-0799	(012) 334-0763	Elroy@dso.pwv.gov.za
Ms Esme Magwaza	Director: Development Planning and LED	(012) 334-0823	(012) 334-0612	Esme@dso.pwv.gov.za

DDP TASK TEAM (IDP PROGRAMME)

Name	Position	Telephone	Fax	E-mail
Mr Yusuf Patel	DDP Manager	(012) 334-0805	(012) 334-0808	Yusuf@dso.pwv.gov.za
Dr Theo Rauch	GTZ – DDP adviser	(012) 334-0802	(012) 334-0808	Vira@dso.pwv.gov.za
Ms Musa Majozi	Task Team member	(012) 334-0803	(012) 334-0808	Musa@dso.pwv.gov.za
Ms Vira Denton	Administrator	(012) 334-0806	(012) 334-0808	Vira@dso.pwv.gov.za
Mr Marc Feldman	Task Team member	(011) 487-1002	(011) 487-1025	Marcfeld@global.co.za
Ms Maria Coetzee	Task Team member	(012) 841-2552	(012) 841-4036	Mjcoetze@csir.co.za

IDP PROVINCIAL COORDINATORS

Name	Position	Telephone	Fax	E-mail
Ms Mosa Molapo	KZN	(0333) 95-2114	(0333) 42-8825	Molapom@lgh.kzntl.gov.za
Ms Andrea Steenkamp	North West	(018) 387-3605	(018) 387-3608	Asteenkamp@nwp.org.za
Mr Thabo Mathabathe	Northern Cape	(053) 830-9538	(053) 831-2904	Tmathabathe@pancmil.ncape.gov.za
Mr Eddie Scott	Free State	(051) 405-4415	(051) 403-3403	Dsp@majuba.ofs.gov.za
Mr Solly Maluleke	Northern Province	(015) 295-5400	(015) 295-3463	Malulekeps@locptb.norprov.gov.za
Ms Mani Molefe	Mpumalanga	(013) 755-3300	(013) 755-3363	Mmolefe@nel.mpu.gov.za
Mr Tebogo Moremi	Gauteng	(011) 355-5119	(011) 355-5262	Tebogo@gpg.gov.za
Mr Philip Grobler	Western Cape	(021) 483-4326	(021) 483-4527	Pgrobler@pawc.wcape.gov.za
Mr Kojo Gyan	Eastern Cape	(040) 609-5466	(040) 609-5525	Gyan@dhl1.ecape.gov.za

DDP STEERING COMMITTEE

As above, with the following additional members:

Name	Position	Telephone	Fax	E-mail
Mr Chris du Plessis	DLA	(012) 312-9357	(012) 312-9348	Hcduplessis@sgqh.pwv.gov.za
Ms Lize Coetzee	DoT	(012) 309-3428	(012) 323-9370	Coetzeel@ndot.pwv.gov.za
Mr H Makobe	SALGA	(012) 338-6700	(012) 338-6747	Hmakobe@salga.org.za
Ms Bev Pretorius	DWAF	(012) 338-8812	(012) 321-1193	Pretoriusb@dwaf.pwv.gov.za
Mr Diet von Broembsen	DoH	(012) 421-1453	(012) 341-8893	Diet@housepta.pwv.gov.za
Ms Emmarie Behrens	DEAT	(012) 310-3745	(012) 320-5469	

PIMSS NATIONAL TASK TEAM

Name	Position	Telephone	Fax	E-mail
Marion Mbina	Pimss Manager	(012) 334-0788	(012) 334-0790	Pimss@dso.pwv.gov.za
Rachel Kgeledi	Administrator	(012) 334 0788	(012) 334-0790	Pimss@dso.pwv.gov.za
Katharina Hübner	GTZ Adviser	(012) 334-0839	(012) 334-0790	Katharina@dso.pwv.gov.za
Kentse Sesele	Task Team member	(012) 334-0788	(012) 334-0790	Seselek@worldonline.co.za
Danso Agyemang	Task Team member	(012) 334-0788	(012) 334-0790	

OTHER DPLG PROGRAMMES

Name	Programme	Telephone	Fax	E-mail
Karen Harrison	LED	(012) 334-0801	(012) 334-0763	Karen@dso.pwv.gov.za
Sam Choshi	Social Plan	(012) 334-0755	(012) 334-0610	Sam@dso.pwv.gov.za
Richard Kruger	CMIP	(012) 334-0744	(012) 334-0610	Richard@dso.pwv.gov.za
Zama Nofemela	MSP	(012) 334-0750	(012) 334-0610	Zama@dso.pwv.gov.za

