
Planning Manual

for

Local Authorities

Sri Lanka

Urban Development Authority
Ministry of Policy Planning and Implementation

with assistance from

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PREFACE

The Manual for Local Authorities was prepared by the Urban Development Authority (UDA) to assist local communities to more effectively execute their planning responsibilities. Financial assistance was provided by the Sri Lanka Mission of the United States Agency for International Development. Dianne Tsitsos, Mission Housing and Urban Development Officer, provided valuable assistance and guidance to the project. Technical assistance was provided by Robert Olsen and Robert Merrill of PADCO, Inc., 1012 N Street, N.W., Washington, DC 20001.

The staff of the Urban Development Authority gave their enthusiastic support to the preparation of the manual, providing valuable inputs and direction. Special thanks is also given to the local officials from around the island for their contributions to the manual at the UDA-sponsored seminars.

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CHAPTER 1

INTRODUCTION

OBJECTIVES OF THE MANUAL

1.1 This manual was prepared by the Urban Development Authority (UDA) with assistance from the United States Agency for International Development. While the manual is written specifically for Sri Lanka, resources from international organizations and other countries have been researched to take advantage of the most recent thinking. Materials prepared by the UNDP/World Bank Urban Management Programme were a primary source for the manual. The senior staff of UDA has reviewed the manual to make it as relevant as possible. Also, seminars have been held with Planning Officers and local authority officials to get their insights.

1.2 There are two main objectives of the manual: the first is to provide guidelines to improve the level of planning in local authorities. Rather than a set formula for local planning, options at different levels of detail that can be implemented incrementally are proposed. Thus, each council can tailor its planning activities to its own resources and increase the complexity of planning activities as capacity increases.

1.3 The second main objective is to provide guidelines for better coordination of physical and economic planning. At present, development plans are often done without an understanding of the cost implications of proposed activities or a realistic programme for financing capital improvements. If physical and economic planning and budgeting are coordinated, officials will need to evaluate projects and set priorities to accomplish the most vital activities. Also, a more rigorous planning process can provide local authorities with a strong base for working with other agencies and levels of government to achieve their plan objectives.

More Effective Physical Planning

1.4 Traditional master plans, with their heavy reliance on data collection and analysis, have proven ineffective in guiding urban development in many countries, including Sri Lanka. In most cases plans have not progressed further than the draft stage and are out-of-date before approval. This manual outlines planning procedures that are action-oriented and can be adapted to the demands of the local situation. Some of the advantages of the proposed planning structure are:

- **Timely collection of relevant data.** Traditionally, data that were collected and analyzed did not have a strong correlation to the final conclusions and recommendations of the development plan. Often data have not been current, thus drawing into question conclusions based on the data. The procedures suggest

types of data most relevant to the process and methodologies of obtaining current data.

- **More efficient planning process.** With streamlined procedures at various levels of planning activity, more efficient planning will result in less time to carry out the process and a greater number of completed plans. The emphasis will be on establishing a document to guide actions that can be accomplished realistically by the local authority in the near future.
- **Greater flexibility.** The proposed procedures will give greater flexibility to professionals and officials in responding to constantly changing conditions in urban areas. Since plans will not specify one solution--but options--for development, councils will not be locked into uncompromising positions and will still have guidelines for making planning decisions.
- **Regular updating of plans.** Once planning capacity has been established in a local authority, it will be possible to update the plans on a regular basis to reflect urban growth as well as changing needs and priorities.

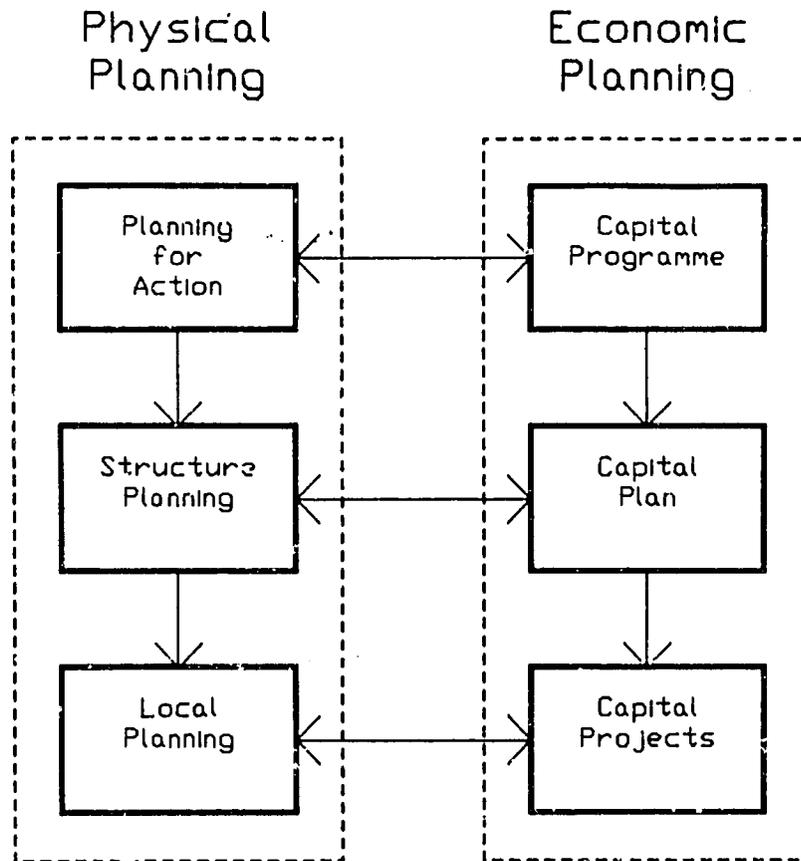
1.5 To date, few development plans have been completed by local authorities. Planning is a complicated activity involving many people, groups and disciplines if it is to be done well. Officials in local authorities with limited previous experience are not likely to have the capacity to carry out sophisticated planning activities. Capacity must be developed over time through experience and training.

Coordination of Physical Planning with Economic Planning

1.6 It is important to avoid the development of a "wish list" of capital projects, few of which are funded or implemented, as a result of the physical planning process. To this end, procedures for the integration of physical and economic planning have been included in the manual. Figure 1.1 shows the levels of planning activity for both physical and economic planning proposed in this manual. Some of the objectives of this coordination include:

- **A clear understanding of the financial implications of development options.** Cost estimates must be made for desirable capital investments. This will establish the general magnitude of funding required to accomplish planning objectives.
- **Identification of potential funding sources.** This should include not only funds directly under the control of the local authority but also funds available from other agencies and ministries. The local authority should also increase revenue sources over time, thus making funding available for increased capital expenditures.
- **Prioritization of projects.** Since in most cases the cost of desired projects will be greater than available financial resources, it will be necessary to establish project selection criteria. Procedures to identify projects providing benefits to the majority of residents and/or revenue to the local authority are set out in Chapter 4.

Figure 1.1
Integration of Physical and Economic Planning



- **Implementation of priority projects.** With a source of funding, high priority projects can be implemented by the appropriate agency. Since projects may be implemented over a number of years, a sustained source of finance will be required.

USERS OF THE MANUAL

1.7 Local authorities are intended to be the main users of the manual. While the manual may be useful to other agencies and professionals, it is written specifically for use by local officials, with guidelines and procedures tailored to their needs and requirements.

Local Authorities

1.8 As part of the programme of decentralization and devolution of governmental powers, planning activities previously undertaken by the UDA at its headquarters in Colombo have been delegated to Heads of Urban Local Authorities. The Board of Directors of UDA is firmly committed to providing the resources and sup-

port for local authorities to undertake effective planning for their own jurisdictions. Planning Officers have been assigned to most local authorities declared under the UDA Act, and an administrative structure to support local activities is being established as discussed in Chapter 2.

1.9 While the Head of the local authority is responsible for planning within the boundaries of the jurisdiction, he will need assistance and input from others to carry out these responsibilities. Chapter 2 gives steps for establishing an organization for planning, describes the composition of committees and details responsibilities of principal staff positions. While the regulations apply to municipal councils, urban councils and Pradeshiya Sabhas that have been declared by UDA, they can also be applied with some modifications in non-declared Pradeshiya Sabhas.

Urban Development Authority

1.10 Since UDA Planning Officers are the technical staff most directly involved in local planning activities, the manual outlines activities and responsibilities for Planning Officers and relationships to other local officials and agencies. While local councils have many responsibilities, Planning Officers can concentrate on coordinating planning activities and providing technical backup to the planning committee and Head of the local authority.

1.11 The administrative planning staff at the UDA will also find the manual useful in their planning and supervision activities. While planning will be carried out at the local level, Planning Officers and local authorities will need support and direction from senior professionals at UDA.

Provincial Councils

1.12 Planning activities that relate to the local authorities are also carried out in the Provincial Councils. While this manual is not meant for the Provincial Councils, it can help professionals at this level to understand activities at the local level and more effective ways to coordinate with these activities. A proposed structure for planning at the provincial and local levels and channels of communication between local and Provincial officials are outlined in Chapter 2.

Ministry of Policy Planning and Implementation (MPPI)

1.13 Although the Ministry of Policy Planning and Implementation is not directly involved in local planning (particularly physical planning), it is involved in economic planning on a national scale that will directly impact the local levels. Therefore, a better understanding of procedures and planning activities at the local level can be useful to the MPPI. Through staff assigned to the Provincial Councils, MPPI can also give assistance in the coordination of physical and economic planning endeavors.

HOW TO USE THE MANUAL

1.14 In order to permit easy revision and additions the manual is bound in loose leaf. With further field testing, it should be possible to revise sections to make them more relevant and practical for users. Also, new sections can be introduced as new technologies are available and local planning capacity is expanded. Such sections might include uses of computers for mapping and data management or use of satellite images. The organization of the manual and specific features to assist the user are as follows:

Layout of the Manual

1.15 The manual is divided into three technical chapters with annexes containing more detailed information on specific topics:

- **Chapter 2** covers the administrative organization for planning at the local authority level. It identifies the various units and people with planning responsibilities along with their relationships to each other.
- **Chapter 3** presents the procedures for physical planning. Three levels of planning--Planning for Action, Structure Planning and Local Planning--are discussed, as well as a methodology of incrementally building the planning capacity of local authorities.
- **Chapter 4** deals with economic planning and budgeting as it relates to the physical planning procedures set out in Chapter 3. Procedures for prioritization of capital projects with respect to available resources are given.
- Several annexes cover subjects such as data collection, development control procedures and discounted cash flows.

Theory and Concept

1.16 At the start of each chapter, a short explanation of the basic theory and concepts behind the procedures is given. This will help the user understand the objectives, goals and expected outputs.

Procedures and Checklists

1.17 In Chapters 2, 3, and 4, procedures and checklists are given to assist the user in the preparation and coordination of plans. These instructions have been separated from other text by lines and indentations to make them easier to identify.

Examples

1.18 At appropriate points in the text, examples of procedure applications are given to illustrate how they have been applied, what has been accomplished and what problems have been encountered. Examples have been placed in boxes to separate them from the technical text.

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CHAPTER 2

ADMINISTRATIVE ORGANIZATION

THEORY AND OBJECTIVES

2.1 This chapter outlines an administrative framework for accomplishing the requisite planning activities. With decentralization of planning activities by the Urban Development Authority, heads of urban local authorities are assuming responsibilities they have not recently exercised. They are also taking on some new responsibilities, such as the coordination of physical and economic planning. The Head of the local council has the legal authority and primary responsibility for directing planning activities. As an elected official representing the local citizens, he has the responsibility to direct urban growth so as to provide an acceptable living environment for all residents. Determining what is in the "public interest" is not a simple task, but some of the proposed activities can assist in making rational, informed decisions. In carrying out their planning responsibilities, local authorities should consider the elements described below.

Citizen Participation

2.2 One of the objectives of decentralization is to move planning and development closer to beneficiaries in order to make these activities more responsive to beneficiaries' needs. If planning is carried out in a vacuum without adequate input from local residents, opportunities to improve the quality of the urban environment will be lost. Local council members, as representatives of the public, can by definition interpret the desires and needs of people. But it will be important to provide opportunities for feedback concerning proposed development plans and capital improvements. Public participation can be encouraged in various ways:

- Public meetings at the start of the planning process, as well as for review of development proposals, will give citizens opportunities to express their ideas and concerns. It is often helpful to structure meetings around specific issues or proposals to keep inputs constructive.
- Appointment of representatives of community organizations and particular groups, such as youth and the elderly, to planning committees or sub-committees can provide direct inputs to the planning process.
- Surveys can also be useful to gather more detailed information on the priorities and concerns of residents. Surveys are often too complicated for many situations but can be considered in specific instances, such as for special projects involving a particular locality.

Involvement of the Private Sector

2.3 In most situations, it will be impossible for government to meet all the needs of local residents. Thus, it is important to integrate the resources of the private sector, both formal and informal, into the planning process. Councils should be cognizant of the activities that can be accomplished best by government and should concentrate on those activities while creating a supportive environment for private citizens to meet other needs. Private sector activities can be supported through:

- Efficient and fair processing of development applications by the local authority. Regulations, particularly those relating to environmental issues, should not be circumvented to attract private development but should be fairly and uniformly enforced.
- Efficient provision of municipal services and infrastructure to support private sector initiatives that provide employment or service benefits to residents.
- Use of private sector contractors for construction, maintenance and provision of municipal services where appropriate.

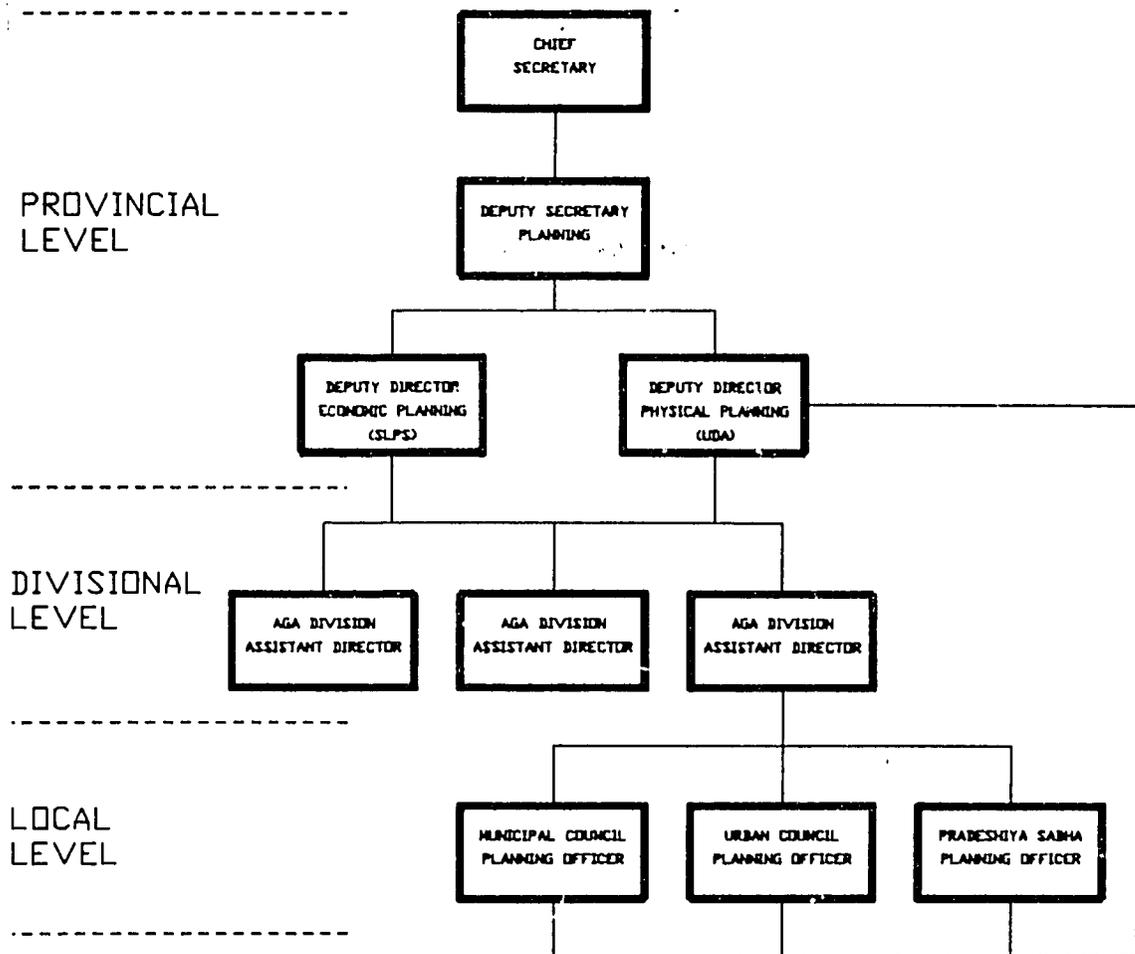
Coordination of Development Activities

2.4 The council can contribute to improved planning at the local level by making a complete inventory of all development activities within the local area and by coordinating these activities regardless of the agency that has responsibility for implementation. Lack of project coordination has been one of the persistent problems facing local councils. Only concentrated effort and involvement of the local council with other development and service agencies can resolve this problem.

2.5 While some Provincial Councils have started planning activities, a system for coordination of planning between the newly established Provincial Councils and their respective local authorities has not been formalized. Figure 2.1 illustrates a proposed organizational structure for the coordination of planning at various levels of government. The structure is organized as follows:

- Two Deputy Directors, one for Economic Planning and one for Physical Planning, would work with the Deputy Secretary for Planning to prepare structure plans and to assure coordination of planning activities at the Provincial level.
- An Assistant Director for Planning at each Assistant Government Agent (AGA) Division would be responsible for preparing structure plans and coordinating planning activities within the Division under the direction of the Deputy Directors. The Director would coordinate with the Urban Local Councils and Pradeshiya Sabhas in the AGA Division, particularly concerning economic and development planning endeavors.

**Figure 2.1
Proposed Planning Organization**



- Municipal Councils, Urban Councils and Pradeshiya Sabhas will carry out planning activities, both physical and economic, at the local level. As indicated above, they will relate to the AGA Division. However, because of the planning functions delegated to the Heads of declared urban areas, urban local authorities will work with and be supported by the Deputy Director for Physical Planning at the Provincial level.

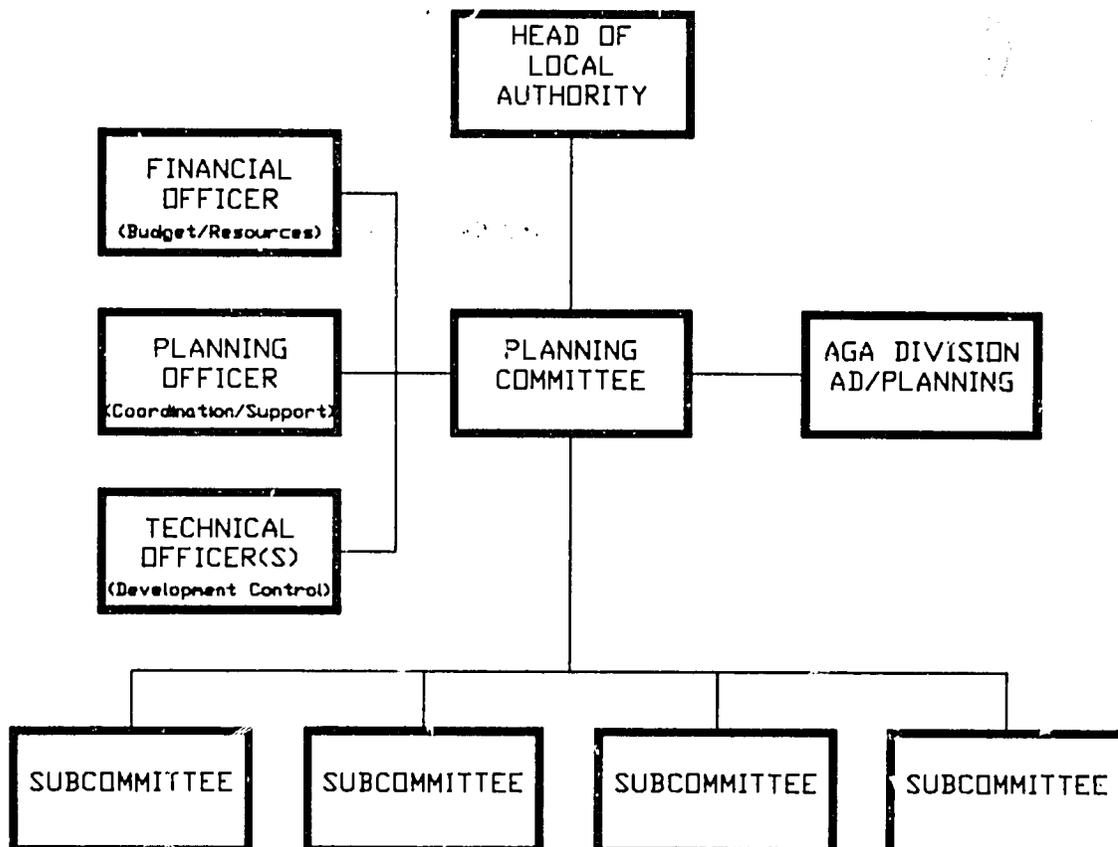
2.6 Until the above structure is formalized, Heads of local authorities and Planning Officers will have to establish informal channels of communication between the various levels of government and other agencies. Coordination is a two-way activity. Local authorities need to understand and relate to the broader plans and policies of the Province as they impact the local area. Local objectives and projects should be complementary and supportive. Likewise, planners at the Divisional and Provincial levels must be aware of conditions, needs and programmes at local levels and reflect this in their plans. The Heads of urban local authorities and local Planning Officers

can facilitate coordination of planning through regular consultation with officials of the Division and Province.

PLANNING ORGANIZATION AT THE LOCAL LEVEL

2.7 The UDA has delegated planning powers to the Heads of urban local authorities. For them to carry out this responsibility, it will be necessary to establish an administrative structure at the local level. A suggested structure for local authorities is shown in Figure 2.2. While the Head of the local authority has the final decision powers most planning actions should be coordinated through the Planning Committee, which the Head chairs. Following is a listing of those involved in the administration of planning and their main responsibilities.

Figure 2.2
Planning Organization at the Local Level



Head of the Urban Local Authority

2.8 The Head of the urban local authority is responsible for planning within the boundaries of the jurisdiction. While he may delegate tasks to committees or professionals, the responsibility and decision-making power rests with the Head of the authority. His responsibilities include but are not limited to:

2.9 **Development Planning.** Along with other duties, the local council is responsible for the implementation of all development planning activities. This is an ongoing effort requiring attention and direction on a continuing basis. Some of the principal tasks include:

- **Formulation and approval of development plans.** As discussed in Chapter 3, this could be a Plan for Action, Structure Plan or Local Plan depending on the needs and capacity of the local authority. Work should not stop with approval of a plan but continue with revisions, updates and detailed planning as required to keep the plan a useful document.
- **Budgeting and identification of resources for physical development projects.** One very important function of the council will be to prioritize projects and decide which activities will be funded.
- **Implementation of the Development Plan.** The council is in charge of tendering and awarding contracts for those projects funded from council resources. Supervision of construction and coordination of various project components will require follow-up on a continuing basis.
- **Designation and coordination of staff for planning functions.** As discussed below, the Planning Committee of the council handles tasks requiring attention on a regular basis. These include approval of development applications, evaluation of projects, preparation of draft plans for consideration by the Head of the authority, etc. While Planning Officers are employees of the UDA, their planning activities come under the direction of the local authority.

2.10 **Coordination with Others Involved in Development Activities.** One of the most important contributions to improved planning and implementation can be the coordination of all agencies and groups involved in development activities within the council area. These include the Provincial Council; infrastructure agencies, such as the Ceylon Electricity Board (CEB) and the National Water, Sewer and Drainage Board (NWSDB); ministries with national programmes; and private developers. While the local authority does not have jurisdiction over the activities of many of these agencies, at minimum, an inventory of all activities should be assembled. If the council can establish and maintain good communication with other agencies, it can influence decisions impacting the local area.

Planning Committee

2.11 As indicated above, the Head of the local authority will appoint or reconstitute a Planning Committee to carry out many administrative functions and provide policy advice on planning issues. The Head of the local authority chairs the Planning Committee.

2.12 The membership of the Committee should be kept small to facilitate meetings and transaction of business. At the same time, it should include representatives of the main participants in the development process. Recommended membership for the Planning Committee includes:

Head of the local authority
Elected representatives
Representatives of administrative structures
Representatives of age groups
Representatives of disadvantaged groups

2.13 Relevant officials of the Local Authority, i.e., Planning Officers, Financial Officers and Technical Officers, must act in an advisory capacity to the Planning Committee.

Sub-Committees

2.14 Sub-committees of the Planning Committee can be established for specific issues, sectors, activities or geographic areas. The number and size of sub-committees should be limited so that staff of the local council can manage the administrative responsibilities. Sub-committees will be chaired by a member of the Planning Committee and given support by the Planning Officer. The membership and meeting schedule should be determined by the subject and the need for input to the planning process. Advisory sub-committees may meet only semi-annually or annually, while other committees involved with ongoing activities may meet weekly or monthly. Following is a list of possible sub-committees:

Citizen Advisory
Development Regulations
Roads and Infrastructure Development
Housing Development
Recreation and Environment Development
Social Infrastructure Development
Economic Infrastructure Development

Planning Officer

2.15 The Planning Officer assigned from the Urban Development Authority is the main professional officer for planning at the local authority and serves an important role as advisor to the Planning Committee and as coordinator of planning activities. Some of the responsibilities in this critical position are:

- **Technical Support for the Planning Committee.** The Planning Officer will give support and direction for the preparation of development plans and their implementation. He will assist the committee in its recommendations to the Head of the authority by making information and evaluation of projects available. The Planning Officer will also provide support to all sub-committees set up by the Head of the local authority and will coordinate activities.
- **Coordination of Development Review.** Traditionally, administration of development review has occupied most of the time of Planning Officers assigned to local authorities and has limited their effectiveness in other areas. Therefore, additional staff resources must be provided to help administer planning control and free the Planning Officer to carry out priority planning functions such as preparation of development plans. Suggested procedures to streamline this important activity of the local council are given in Annex 1.
- **Coordination with the Financial and Technical Officers.** Since one of the priorities of these guidelines is improved coordination of physical and economic planning, it is essential that the Planning Officer and Financial Officer work closely together. The Planning Officer will be responsible for seeing that cost estimates are provided for desirable capital projects identified through the physical planning process. This is a necessary input for prioritization and budgeting of projects.
- **Liaison with the Provincial Council.** The Planning Officer at the local authority should serve as the main link with the planning professionals at the Provincial Council for the exchange of technical information. The Deputy Director for Physical Planning at the Provincial Council (see Figure 2.1) will also be assigned from the UDA and will have supervisory and support responsibilities for local Planning Officers.

Financial Officer

2.16 The Financial Officer will play a critical role in the planning process; not only in preparing budgets and helping to set priorities for funding of projects, but also in helping to increase revenues from existing sources and identifying new funding sources. More information and details on economic planning and capital budgeting are given in Chapter 4. Planning related activities of the Financial Officer include:

- **Budget Preparation.** Not only should a budget for the local authority be prepared as presently required by law, but the financial officer should assist with identification of all funds being invested in development projects to give a more comprehensive picture of what is actually happening in the local authority area.
- **Prioritization of Expenditures.** The Financial Officer will assist the Planning Committee and local council in setting priorities and selecting projects to be

implemented as part of each year's budget. It will also be important to assure a consistent flow of funds for multi-year projects.

- **Facilitation of Economic and Physical Planning Integration.** In this effort the Financial Officer will be assisted by the Assistant Director/Planning, AGA Division, to take a broader economic perspective with a view to integrating economic and physical planning.

Technical Officers

2.17 The technical staff of the local authority, Municipal Engineer, Clerk of Works and Technical Officers, have an important role in planning administration. As shown in Figure 2.2, Technical Officers provide support to the Planning Committee. Their responsibilities for planning administration include:

- **Technical Review of Development Applications.** Technical Officers will be responsible for site visits and review of applications for development. Technical Officers prepare evaluations and recommendations for action for each application and then give them to the Planning Officer. Procedures for review of development applications are outlined in Annex 1.
- **Cost Estimates for Proposed Projects.** Technical Officers will provide cost estimates for proposed projects identified by the planning process. This is critical information for evaluation and prioritization of projects. Lack of good cost information has been one of the major deficiencies of past planning activities of local authorities.
- **Management of Tendering and Construction of Projects.** Once priority projects and funding have been identified, the technical staff will be responsible for tendering, selection of contractors and supervision of construction activities.

PLANNING ADMINISTRATION PROCEDURES

2.18 While some local authorities have established functioning Planning Committees, many have not yet done so. Outlined below are basic steps to follow in establishing an administrative structure for planning. Local authorities with active planning programmes can review the steps to improve their performance.

Step 1 ■ Administration

Organize or Reconstitute Planning Committee

2.19 The Head of the local authority should organize or restructure the Planning Committee according to paragraph 2.12 and UDA Circular No. 11, dated 7 May 1990. It is important to consult with other elected officials, administrative staff, community leaders and representatives of special groups for recommendations on the composition of the Committee.

Step 2 ■ Administration

Organize Sub-Committees

2.20 After the Planning Committee is organized, decisions can be taken concerning the number and types of sub-committees that the local authority will need. UDA Circular No. 11 and paragraph 2.14 give more details on the organization of sub-committees.

Step 3 ■ Administration

Develop Programme and Schedule of Planning Activities

2.21 Defining the goals of the Planning Committee should be one of the first tasks. Goals should be defined as specific tasks with schedules that can be monitored and evaluated. Types of planning activities and steps to accomplish them are outlined in Chapters 3 and 4 and can serve as a guide in establishing a programme. The Planning Committee should be as realistic as possible in assessing the capacity of the local authority such that goals will be challenging but can be reached.

Step 4 ■ Administration

Establish Administrative Responsibilities of Planning Staff

2.22 The various tasks of the planning programme can be assigned to committee members, local authority staff or sub-committees. A suggested organization chart and proposed responsibilities for staff are outlined above. Responsibilities and lines of authority should be clearly set to avoid confusion during implementation.

Step 5 ■ Administration

Implementation of the Planning Programme

2.23 Implementing the planning programme requires commitment and well-directed efforts from the Planning Committee and staff. Some activities to assure the success of the local authority endeavors include:

- **Effective communications with other agencies.** One of the first tasks should be to meet with representatives of the Provincial Council and other development agencies to explain the planning programme, solicit their cooperation and support and establish a regular schedule of meetings.
- **Training of planning staff.** Once responsibilities have been assigned, staff members may require training to be able to execute their responsibilities efficiently. The UDA and the Urban Programme Unit (UPU) are two organizations that can assist with training.
- **Monitor progress.** At the meetings of the Planning Committee, progress on implementation of the Planning Programme should be reviewed. Corrective actions should be taken where necessary to assure satisfactory progress.

EXAMPLE - ADMINISTRATIVE ORGANIZATION

The urban local authority of Ambalangoda has undertaken an ambitious planning programme for the town. At present, the members of the active Planning Committee are all officials or staff of the urban council.

The approach set forth in this manual envisages the appointment of some community leaders to the Committee to give it broader representation. Because of the size of the town, the Chairman feels that sub-committees will not be needed. The Committee meets every Thursday to transact planning business. A stenographer/typist attends to take minutes and prepare any correspondence resulting from decisions taken during the meeting.

Development control requires considerable attention from the Committee, but it has been able to complete two action projects, a final draft of a development plan and preliminary plans for an ambitious urban expansion project. These activities will be reviewed in other sections of the manual.

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CHAPTER 3

INTEGRATED ACTION PLANNING

THEORY AND OBJECTIVES OF INTEGRATED ACTION PLANNING

3.1 This chapter looks at various methodologies and options for integrated action planning in local authorities. Since each urban area will have its own set of existing needs and resources, planning activities should be adapted to each situation. These guidelines will provide a framework and examples to guide local councils and planning committees to the level of planning most appropriate for their own situation.

Problems of Traditional Planning

3.2 The traditional master planning approach has been unsuccessful in most developing countries. Some of the common problems with this highly analytical process are:

- Master plans are too static in nature, take too long to prepare and are infrequently updated.
- Master plans seldom offer guidance on the phasing or techniques of implementation.
- Master plans seldom evaluate the costs of the development they propose or the method of financing it.
- Master plans are seldom based on realistic appraisals of the urban area's economic potential.
- Master plans seldom provide a compelling rationale for detailed land use controls.
- Community leaders and implementation agency executives are seldom meaningfully involved in the master planning process.

3.3 Many of the above problems have exhibited themselves in the preparation of Development Plans for Urban Local Authorities. Data sources are limited and often out of date for the secondary cities. Plans are in various draft stages for most localities and in many cases have been so for a number of years. Draft plans include a list of action projects but without estimated costs, prioritization or implementation strategies in most cases. These shortcomings have been exacerbated by the decision to decentralize all planning functions to the local level.

3.4 In spite of the problems, there are many positive results from UDA planning activities in the declared urban areas. Development control procedures have

been successfully established in most local councils. However, the administration of this activity has limited the time that Planning Officers could devote to other planning functions. Local authorities, with assistance from the UDA, have identified and implemented specific development projects. A significant amount of valuable work has been done on draft Development Plans. It remains now for the local authorities to refine these efforts into finalized, workable action plans.

What is Integrated Action Planning?

3.5 If the problems of traditional master planning are to be avoided, a revised format for planning is needed that is less dependent on the collection and analysis of data and is more flexible and action oriented. Since local authorities have different planning needs, they require options as to the complexity and detail of planning. With different levels of planning activity, it is possible for a municipality with limited resources to start with basic planning for action and to build to more detailed levels as capacity increases and resources permit. It is more productive to start and complete limited activities than to start a more ambitious planning programme that may never be completed.

3.6 To achieve this objective, three levels of planning activity, Planning for Action, Structure Planning and Local Planning, are outlined below in more detail. The outputs of Planning for Action include identification of high priority projects and funding sources that can be implemented in the near future. Structure Planning outputs include a generalized land use plan showing preferred uses and indicating patterns of growth for the full designated area of the local authority. A phasing and financing plan for priority projects is part of the Structure Plan. For selected priority areas identified in the Structure Plan, more comprehensive physical plans can be designed to give detailed guidance for development applications and detailed plans for action projects.

3.7 Inputs to each type of planning process vary from an assessment of perceived problems for Action Planning to a detailed site analysis and development programme for Local Plans. Guidance is provided concerning the types of data that will be most useful for each level of planning as well as suggestions for methodologies of efficient and rapid data collection. Priority projects determined through Action Planning can be an important input for Structure and Local Planning. The Deputy Director for Physical Planning assigned to the Provincial Council can provide guidance and assistance to local planning committees on inputs.

PLANNING FOR ACTION

3.8 Planning for Action is an implementation-oriented process that can be effectively used to solve problems at the local level. It has a short-term perspective, resolving issues in the most direct manner with a minimum of data collection, report preparation and traditional planning techniques. As such it can be adapted for use in local authorities with limited staff and experience as a basis to begin the planning process. The steps of a Planning for Action process are shown in Figure 3.1 and explained below. Planning committees and Planning Officers can use these steps as guidelines for planning activities.

Step 1 ■ Planning for Action

Problem Identification

3.9 The process of identifying problems should not be elaborate. Rather, it should be simply a list of accepted views of the local authority's problems, infrastructure deficiencies and constraints to growth. The Planning Committee will likely find a long list of problems, some well defined and articulated and others more vague or generalized. The main objective is to identify individual problems, or clusters of problems, which are widely held and strongly believed to be solvable within the foreseeable future using resources at hand. These problems will serve as a base for starting legitimate Planning for Action. Following is a list of possible individuals, agencies and organizations to be consulted for problem identification:

Public Officials and Agencies

Chairman or Secretary of the Local Council
Council Members
Council Financial Officer
Chief Technical Officer and staff
Public Health Officer
School Principals

Community Organizations

Neighborhood Associations
Heads of religious organizations
Youth Groups

Private Sector Organizations

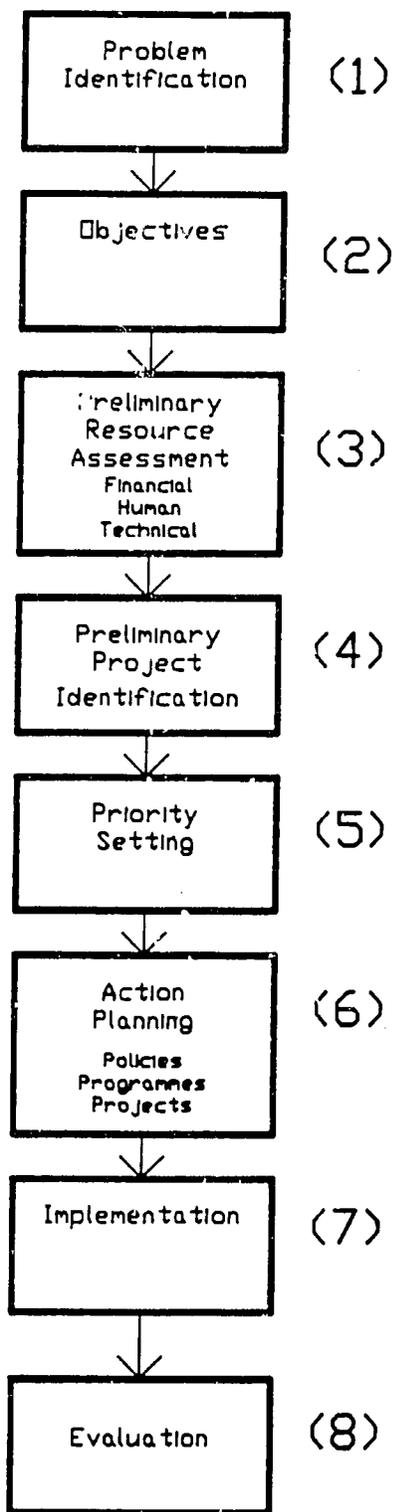
Business Associations
Labor Unions
Trade Associations

Step 2 ■ Planning for Action

Objectives

3.10 The Planning Committee should prepare a short list of development objectives in consultation with the planning staff of the Provincial Council and based on

Figure 3.1
Planning for Action



the discussions and observations with the above groups. Emphasis will be given to those objectives that have the full backing of the majority of public and private sector organizations, since these are most likely to get support for implementation. The example at the end of this section illustrates possible types of goals to be considered.

Step 3 ■ Planning for Action **Preliminary Resource Assessment**

3.11 Once problems have been identified and basic development objectives set, the next step is to make a preliminary assessment of resources that can be mobilized to implement solutions. The Planning Committee should review existing financial, institutional and technical resources. Resources that will require new legislation or approvals should not be considered. Assessments should be a broad review of present and recent past performance of local staff involved in project implementation, rather than detailed evaluations of staffing. Questions to be answered include:

What funds are available in the short term to invest in and maintain projects?

- Local Authority revenues, including rates, fees, rents
- Revenue grants from the Provincial Council
- Externally-funded infrastructure projects - water, roads, electricity, etc.

What human resources are available to implement projects?

How do existing institutions in the public and private sectors relate to the problems and short-term objectives identified and are they committed to solving these problems?

What technical resources (base maps, construction equipment, material supplies, etc.) are available in the short term to help design, manage, build and maintain projects?

Step 4 ■ Planning for Action **Preliminary Project Identification**

3.12 Previous tasks of problem identification, short term objectives and resource assessment provide the framework for the identification and formulation of a preliminary list of projects. The types of projects will reflect the nature and needs of the local authority but could include items such as extension of the water supply system, improvements to roads, installation of a new drainage system, upgrading of a squatter neighborhood, etc. Projects that are not of a physical nature could also be included, such as job training, health education and administrative skill upgrading for local authority staff. Projects may be formulated at the level of the local authority, community groups, the provincial council and national infrastructure agencies (CEB,

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NWSDB) but should be assembled into a master list by the local authority. Projects in a planning for action context emphasize "performance improvements" that can be achieved within existing resources, rather than projects requiring new resources or institutional capacity for their implementation.

Step 5 ■ Planning for Action Priority Setting

3.13 The next step of setting priorities is the most difficult to carry out because of the degree of coordination required and the pressures from many different constituencies. This is also the juncture where physical and economic planning can be brought together in the most beneficial way. When evaluating the preliminary list of projects, the Planning Committee should consider a number of variables, including:

Feasibility: Projects will need to be evaluated in terms of their likely acceptability to agencies and community groups involved and likelihood of agreement on the actions for implementation. Feasibility analysis should be done for high priority projects. (See Chapter 4 for more information.)

Equity Implications: Projects need to be evaluated to show their impact on different income groups, with emphasis on those giving greatest benefits to lower-income groups.

Resource Mobilization: Users' capacity to pay for the proposed services, either through user charges, taxes or charges to ensure the sustainability of the operation, needs to be considered.

Environmental Impact: The impact on the environment of proposed projects is an important consideration when establishing priorities.

Interdependence of Projects: Since the success of a priority objective may require the coordinated implementation of more than one project, it may be desirable to group several projects together for consideration.

3.14 Even if the above steps have been carefully followed to formulate a list of feasible projects, it is likely that proposals will exceed the resource and management capacities for implementation. Prioritization and criteria for project selection will be needed. (See Chapter 4 for suggested selection criteria.) Following the first attempt at prioritization, some unresolved questions will likely need answering, e.g. the degree of interdependence of priority projects, questionable cost recovery, lack of data on the contribution to economic development, etc. The process of project formulation, evaluation and priority setting may need to be repeated several times.

**Step 6 ■ Planning for Action
Action Plans**

3.15 Once the iterative process of prioritization is complete, action plans can be finalized. These will be the operational documents for project implementation. They should specify the following for selected projects:

Technical and costing details
Implementation structure
Time schedules and critical path analysis
Resource inputs
Monitoring and review procedures

**Step 7 ■ Planning for Action
Implementation**

3.16 The implementation of action plans will usually take place in an intensive manner over a two- to three-year period. Although this step may form the last stage of a separate action planning process, it can also serve as the first stage for the more detailed Structure Planning process.

**Step 8 ■ Planning for Action
Evaluation**

3.17 The Planning Committee should evaluate the effectiveness of implemented projects in meeting objectives as an input to further planning activities.

EXAMPLE - PLANNING FOR ACTION

The Urban Council of Ambalangoda recently completed an action project. The Planning Committee had identified two problems: a lack of small shops in the center of town and an under-utilized parcel of land owned by the Urban Council. The land had been made available to hawkers about fifteen years ago. They provided no income to the Council and their shacks were not considered appropriate for the center of town.

The Council got an agreement from the hawkers that they would give up the site if they had first choice for the new shops. Plans for the project were prepared by the UDA and construction was financed with a loan and Council funds. The new shops are fully rented, providing a regular income to the Council. In addition, key money collected from tenants was almost twice as much as the cost of construction. These funds have been invested by the Council and give additional income. Two of the original 12 hawkers did rent shops in the completed project. The Council hopes to develop another site with stalls for the other hawkers.

STRUCTURE PLANNING

3.18 A Structure Plan is intended to serve as a guide for the physical development of an urban area. It sets forth policies and actions dealing with land use, location of investment projects and other issues related to physical development. A Structure Plan should answer the following basic questions:

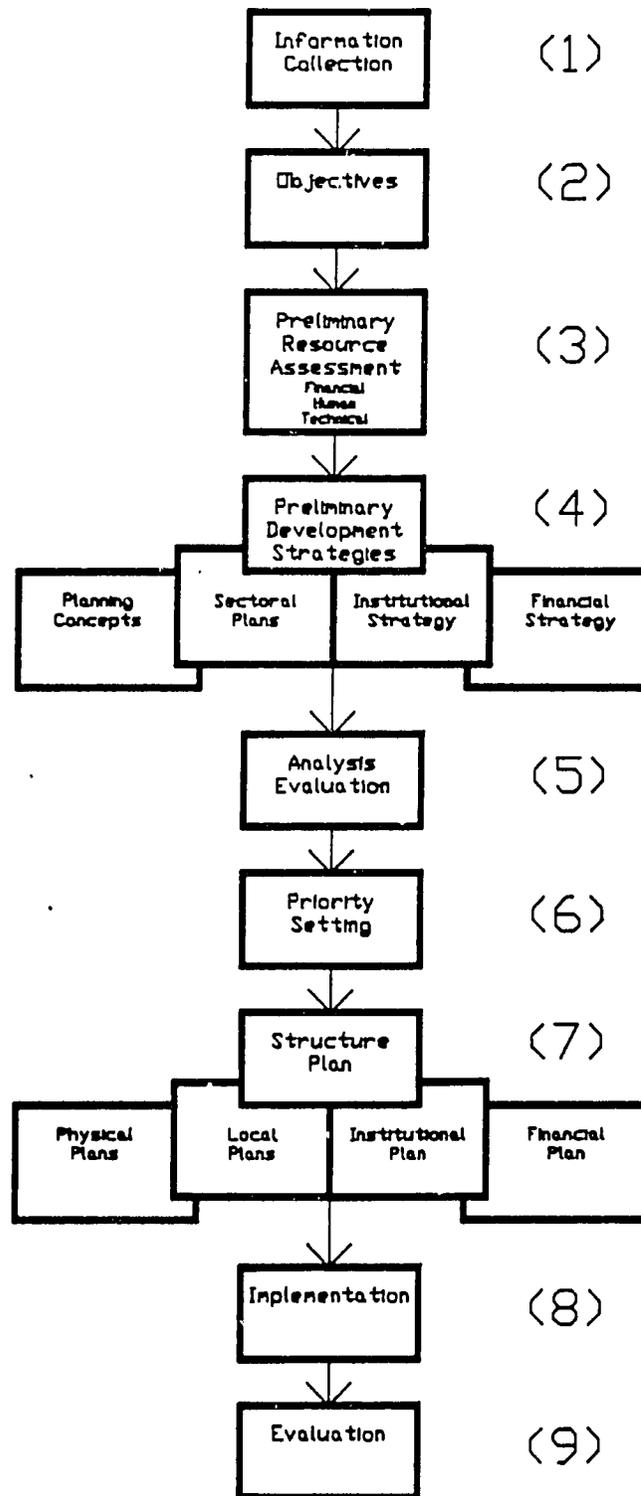
- What are the main physical development issues facing the town?
- What are the principal opportunities and constraints to future physical expansion?
- How fast has the urban area been growing and how much is it likely to grow in the next five to ten years, based on its economic base and trends in its economic functions?
- How much land will be needed for future physical expansion and which are the most suitable areas for such expansion?
- What policies and actions can be adopted to guide future growth in desirable directions?
- What main investment priorities will contribute to efficient future expansion, strengthen the economic base and meet important basic needs?
- What organizational changes should be introduced to improve the delivery of services, the maintenance and operation of facilities, and general physical planning and implementation?

3.19 As indicated above, Planning for Action activities can serve as a base for the formulation of Structure Plans but are not a necessary component, since local authorities may choose to begin the planning process directly with the preparation of a Structure Plan. The basic steps in the sequence of Structure Planning are very similar to those outlined above for Action Planning except that they need to be carried out in a more comprehensive fashion since the objective is not a prioritized list of individual projects but general guidelines for the development of an entire urban area. Steps for Structure Planning are shown in Figure 3.2 and discussed below.

Step 1 ■ Structure Planning Information Collection

3.20 The procedures outlined in paragraph 3.9 will be useful to establish the perceived problems of the local authority, but for the formulation of a Structure Plan more specific data will be required. The type and amount of data collected should be limited to data having a direct impact on the Structure Plan and the types of decisions to be made. It is also important that data be as current as possible to provide meaningful results. This may often require original data collection or estimates based on earlier data. Methodologies for data collection are provided in Annex 2. Basic data needed for Structure Planning include:

**Figure 3.2
Structure Planning**



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Population Data

Present population estimate
Population growth rates
Population projections for 5 and 10 years
Household size

Economic and Administrative Functions

Main economic functions and activities
Administrative functions
Natural resources
Sources of employment
Employment and unemployment

Land Use

General categories and areas
Vacant land available for development

Infrastructure Assessment

Types of services
Areas served and percentage of population served
Problems from lack of services or with present systems
Projections of infrastructure needs

Community Facilities

Existing facilities
Deficiencies
Projected needs

Environmental Data

Topography and general drainage patterns
Environmentally sensitive areas
Zones subject to flooding or other disasters

3.21 While accuracy of data is important, it is also important to have current data. Since the level of detail in a Structure Plan is generalized, it is better to use estimates or projections than to use data that is five to ten years old. Socioeconomic surveys are another source of current information.

Step 2 ■ Structure Planning Objectives

3.22 The Planning Committee should establish objectives for development of the urban area on a sectoral and inter-sectoral basis. Whenever possible, objectives should be in a form that lends itself to quantitative monitoring and evaluation. The basic objectives of the Structure Plan should be to:

Interpret national and provincial policies for the local authority

Establish inter-sectoral goals, policies and general proposals for urban development

Maximize economic development, employment and environmental benefits

Identify development options that offer the greatest benefit to low-income groups

Propose urban standards that minimize costs of public infrastructure

Provide the framework for local plans and action plans

Justify policies and proposals

Indicate the basis for coordination decisions

Ensure that main planning issues and decisions are brought before the public

Step 3 ■ Structure Planning

Preliminary Resource Assessment

3.23 Structure Planning needs a more in-depth review of resources for planning and implementation than Planning for Action. Decentralization of planning activities has placed development planning responsibility with local authorities, who often have limited capacities and experience in this area. Therefore, it is important to make a resource assessment as realistic as possible by identifying capacity as well as strengths and weaknesses in urban administration. Resources to be considered include:

Financial Resources: Not only present funding but a projection of long-term resources available to the local authority for capital investment and development should be made. Distinction should be made between financial resources under the control of the local council and those controlled by others. One component of Structure Planning should be a programme to increase future revenues of the council. This is discussed in more detail in Chapter 4.

Administrative Resources: There will usually be only one full- or part-time Planning Officer assigned to assist the Planning Committee with the discharge of its obligations. Therefore it will be helpful (or necessary) to identify other staff resources to assist the Planning Officer in the longer-term responsibilities. The capacity of technical staff to supervise the various stages of tendering as well as increased

maintenance responsibilities resulting from urban growth must also be considered.

Technical Resources: Longer-term planning and implementation activities will require adequate technical resources at the local authority level. Computerization of many of the local planning and monitoring functions could improve the efficiency of limited staff and could be an objective of the local authority. Another area of concern is equipment for services and maintenance of systems.

Step 4 ■ Structure Planning Preliminary Development Strategies

3.24 The outputs of Information Collection, Objectives and Preliminary Resource Assessment activities provide the framework for the coordination of spatial, sectoral, financial and institutional plans for integrated development strategies. Simplified structure plans and a series of policy-oriented action plans can provide the framework for planning the local capital investment programme and budget in parallel with an improved institutional framework:

Structure Plans

Alternative physical plans for the urban area clearly differentiating forms of urban growth over the medium term (5 to 10 years) including infrastructure networks and placement of major facilities

Sectoral Plans

Outline plans for key sectors (water, drainage, transport, etc.) including performance goals that can be monitored

Identification of target groups and levels of service appropriate to each group

Forecasts of demand

Capital Plan

Plans for financing urban expansion including cost recovery and revenue enhancing strategies

Preliminary capital and recurrent cost estimates

Institutional Strategy

Definition of institutional roles and inter-relationship of agencies

Potential roles of the private sector

Step 5 ■ Structure Planning Analysis and Evaluation

3.25 The local authority needs to evaluate alternative structures and sector plans to determine which best meet overall development goals and therefore provide

the best framework for budget and capital investment planning. This evaluation stage needs to take account of intra-sectoral choices (appropriate levels of service for target groups, areas which should have priority for new investment) and inter-sectoral choices (the relative priorities of introducing water supply, access roads or solid waste collection). The Planning Officer will need to work closely with the Provincial Council and sectoral planners to take into account their priorities and constraints. In addition to the variables listed in paragraph 3.13, evaluation can include:

Analysis of income and expenditure patterns within target groups

Analysis of affordability and alternative cost recovery techniques

Internal economic and financial rates of return for plan components lending themselves to quantification of costs and benefits

Estimates of short- and long-term environmental impacts

Identification of social, financial and economic risks involved with regard to policy changes, political implications, unreliable data, implementation delays, etc.

Step 6 ■ Structure Planning

Priority Setting

3.26 Multi-sectoral investment planning can be used to help prioritize and schedule projects that meet overall development goals. Even after investment priorities have been simplified, there will remain the task of deciding which major projects should be funded with existing resources. The list of projects will be pared down by applying an iterative ranking process, allowing for joint consideration of projects which closely complement one another or are mutually necessary for the success of an integrated plan.

3.27 The realities of project financing dictate that many lower-rated capital projects are implemented while at the same time higher-priority projects are suspended. This happens because earmarked revenues are available to finance the former, while general revenues to finance the latter have been exhausted. Over longer planning periods, local authorities may be able to influence the allocation of funds from Provincial Councils and infrastructure agencies based on the priorities established by a sound Structure Plan.

Step 7 ■ Structure Planning

Structure Plan/Development Strategies

3.28 When priorities have been established, coordinated package of a structure plan, sector investment and financial plans can be finalized. This package will serve as the guiding framework for both public and private sector actions over the next five

to ten years. The plans can be phased in three- to five-year programmes incorporating action plans as the first phase. A package can consist of:

Physical Plan

- Structure Plan showing broad spatial proposals and land use (Scale 1:5,000 - 1:10,000)
- Written statement describing spatial proposals and land use and outlining social, economic and environmental policies
- Sector-specific plans, diagrams and explanations
- Development standards and system for development control

Institutional Plan

- Policies for institutional responsibilities among government agencies and private sector organizations
- Procedures for coordination of activities and chains of command
- Staff development programmes and training requirements

Financial Plan

- Projections of resources from local, national and sectoral sources
 - Procedures for financial planning and revenue enhancement
-

3.29 Each of the components of the Structure Plan should be developed as independent documents. It would be desirable to formulate all elements of the package simultaneously and to the same level of detail, but in actual practice this will not always be the case. If only a basic budget is available for prioritizing first phase activities, the Planning Committee could still finalize physical plans with outlines of latter activities to be formalized when more detail is available. The Planning Committee should look for a level of detail and coordination appropriate for the specific situation.

**Step 8 ■ Structure Planning
Implementation**

3.30 The highest priority projects will be implemented in the first phase of the Plan. Implementation schedules and budgets should be prepared for the priority projects to be executed in the first phase. Administrative responsibilities should be clearly defined to assure efficient management of the complex implementation process.

**Step 9 ■ Structure Planning
Evaluation**

3.31 The Planning Committee should evaluate progress on implementation to give feedback for later phases and for updating of the Structure Plan.

EXAMPLE - STRUCTURE PLANNING

Work on a development plan for Ambalangoda started in 1983, but the plan was not completed until December 1989. Before finalizing the development plan, discussions were held with sectoral agencies and the political leadership at local, provincial and national levels. Many improvements were made on both the written report and the plans to update information and provide more realistic projections.

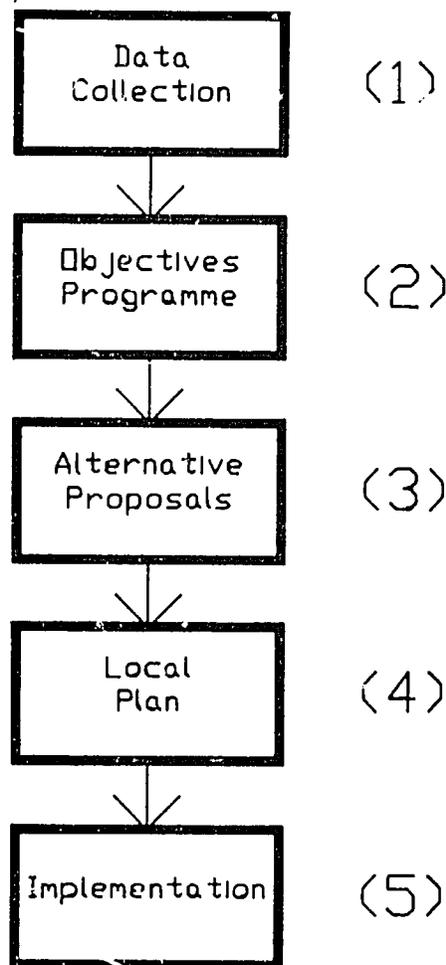
The report includes a written section; maps of proposed zoning, building lines and F.A.R.; and zoning and building regulations. The written section gives brief descriptions of the physical features, land use in 1983, population in 1981 with projections to 2006, housing needs in 2006, infrastructure deficiencies, and social facilities. The potentials and constraints for development in Ambalangoda as well as the objectives of the plan are given. Most of the development plan is devoted to the zoning and building regulations.

One of the development plan's deficiencies is the lack of location-specific information. Additional maps showing wards and planning units, infrastructure networks, community facilities, etc. would be helpful. Another problem is the lack of an implementation strategy and programme that identifies activities, their costs and a schedule for implementation.

LOCAL PLANNING

3.32 Local plans can be prepared for specific sections of the urban area identified in the Structure Plan for rapid development or for special projects and improvements. A Local Plan should give detailed information on the preferred development pattern, showing location of roads, infrastructure, community facilities and acceptable land use zones. These plans can therefore serve as an effective tool for development control. Local Planning has fewer steps, since it is an interpretation of already-established guidelines and policies. See Figure 3.3.

Figure 3.3
Local Planning



Step 1 ■ Local Planning Data Collection

3.33 While data collected for the preparation of the Structure Plan will be useful for preparation of Local Plans, it is likely that additional information will be required. Data should be limited to that needed to plan the area properly. Depending on the detail and reliability of data for the Structure Plan, the following information will be required for Local Planning:

Topographic plans with contours and natural drainage patterns

Land information, including cadastral map showing land ownership and land costs

Location and capacity of main infrastructure services in or adjacent to the site

Existing roads and circulation patterns

Socioeconomic surveys

Step 2 ■ Local Planning Objectives and Programme

3.34 Objectives for a Local Plan should be based on those prepared for the Structure Plan but directly related to the local area. Also, a programme of prospective facilities and uses should be detailed, indicating target populations, service levels, finance sources and implementation schedules.

Step 3 ■ Local Planning Preparation of Alternative Proposals

3.35 Once objectives have been set by the Planning Committee, the technical staff, with assistance from the UDA or consultants, should prepare preliminary proposals of alternatives for meeting the area's objectives. The Planning Committee should then evaluate the alternatives according to the criteria given in Chapter 4 for prioritizing projects. The technical staff of the local authority or consultants can then prepare final plans based on the selected alternative.

Step 4 ■ Local Planning Preparation of the Local Plan

3.36 Based on the analysis of the physical site and the policies and guidelines of the Structure Plan, a Local Plan can be prepared. The components of the Plan and required information are outlined below:

Local Plan: This should show the layout and land use for the special area (Scale 1:5000 - 1:10000). The width and location of streets and pedestrian ways as well as size and location of public facilities should be indicated. Layouts for proposed infrastructure and services should also be given.

Implementation Plan: This document will estimate the cost of the project with a schedule for construction and financing. Administrative responsibilities should be clearly defined.

Step 5 ■ Local Planning Implementation

3.37 Implementation of the Local Plan should be part of the local authority's capital programme. Proposed projects would still compete with other projects for available funds but could be given a higher priority since they are part of a comprehensive development package. Complementary projects within the area should be grouped together for prioritization.

EXAMPLE - LOCAL PLANNING

The Halwathura Ela integrated development project in Ambalangoda is a good example of a Local Plan. The UDA prepared preliminary plans and a project brief for the Planning Committee. The project brief gives the goals and objectives, site description, design concepts, planning policies and an implementation programme.

The project site is approximately 247 acres of low-lying land to the east of the existing limits of Ambalangoda. Proposed uses include housing, industry, commerce, community facilities and open space. It is proposed to implement the project in three five-year stages at a cost of Rs. 128,112 million for main road drainage and filling.

This is an ambitious programme that has only limited funding sources at present. The Urban Council has a commitment of funding from the Provincial Council to start development of a first phase of three acres for housing and small industries.

CHAPTER 4

ECONOMIC PLANNING

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CHAPTER 4

ECONOMIC PLANNING

OBJECTIVES

4.1 Chapter 3 presented procedures for more effective physical planning and development. While the concentration was primarily on spatial aspects, the economic and financial aspects must also be considered in order to arrive at a realistic selection of investment projects. Economic planning, or investment planning, combines traditional physical planning (with its spatial orientation) and economic development planning (with its emphasis on project expenditures and sources of financing).

4.2 An essential element of economic planning is the comparison of investment possibilities with their sources of funds. At the local authority, investments can come from many different sources, i.e., the Provincial Council, national infrastructure agencies, and the private sector. Each source has its own procedures, budgets and sources of revenue. Coordination is thus difficult, since decisions affecting the local level are made according to different priorities, procedures and objectives.

4.3 In the past there has been little if any coordination of capital investment at the local level. With increased responsibilities brought about by decentralization, local authorities must assume the coordinating role for all investments taking place within their declared areas. Since this is not a legally mandated power at present, the success of this exercise will depend on how aggressively local officials work for the cooperation of other agencies and how well they can manage their own affairs.

4.4 To help urban local authorities (ULAs) accomplish these objectives, the Urban Programme Unit (UPU) in the Ministry of State for Provincial Councils has been assisting urban local authorities to improve their performance in operational and financial management and resource mobilization. Among other accomplishments, the UPU is publishing several manuals for the use of the ULAs. These include a general management manual, a financial management manual and a resource mobilization manual. Since the draft manuals are already being used in the ULAs, the remainder of this chapter draws upon their contents. In this manner, the financial and economic planning procedures as contained in the manuals can be integrated with the planning steps set out in the previous chapter.

CAPITAL BUDGETING

4.5 The Performance Improvement Programme (PIP) of the ULAs presently gives low priority to major capital expenditures compared with recurrent expenditure on operations and maintenance of services which need to be substantially improved. Since capital expenditure has considerable influence over the pattern and cost of future operations, the effects on operating costs are long-term and often irreversible once decisions about capital investments have been taken. The self-perpetuating nature of major capital investment decisions is all the more reason why local authorities should coordinate, if not approve, all major investments in their areas. For example, the interest alone on a major water supply scheme in one municipal council area is greater than the total budget of the Municipal Council.

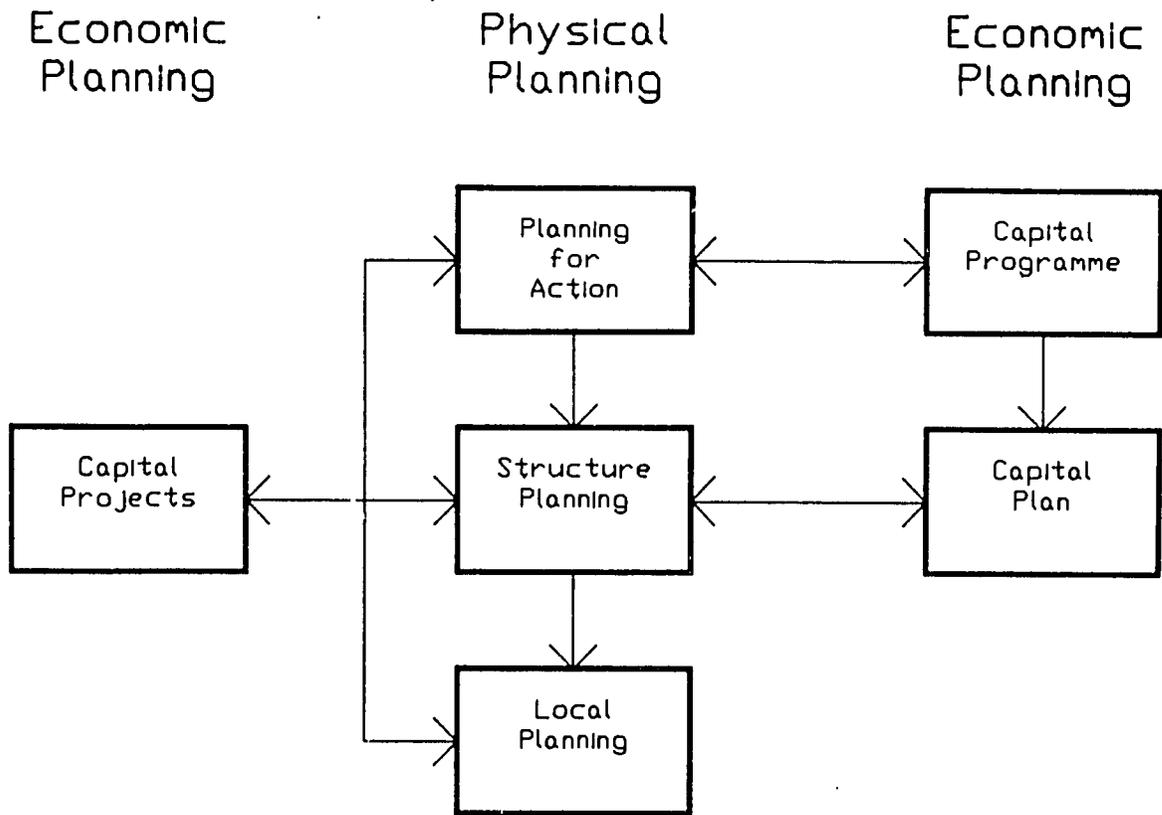
4.6 Given the scarcity of resources for capital investment, it becomes imperative to improve and sustain the capital investment decision-making process. This process should take place in essentially three phases:

- **Capital Plan** - The Capital Plan broadly describes the longer-term intentions of the local authority in regard to the likely availability of resources. This is comparable to the Mid-Term (Five Year) Plan of the Performance Improvement Programme (described in the General Management Manual of the UPU) and would be integrated with the Structure Plan set out in Chapter 3.
- **Capital Programmes** - Capital Programmes express the overall plan of short- and medium-term capital projects and show the distribution of priorities between different projects of the local authority. The Capital Programme is comparable to the Short Term (One Year) Action Plan of the PIP, which defines planned actions of the local authority as a guide to budget policy. The formulation of this Plan would be part of the formulation of the Plan for Action described in Chapter 3.
- **Capital Projects** - Capital Projects make up the Capital Programme and are planned and designed in detail. These of course are to be integrated into the three types of plans described in Chapter 3. Figure 4.1 shows the relationship of physical and economic planning activities.

CAPITAL PLAN

4.7 Although in many local authorities there is no formal written Capital Plan, Mayors/Chairmen are informally aware of long-term intentions and local needs. These may be derived from the requests of the local Member of Parliament, the personal aspirations of the Councillors, and/or the knowledge of the Commissioners/Secretaries and the Department Heads. However, in order for the ULAs to achieve better control over the management of their resources and the selection of projects, the first task is to draw up a Capital Plan. The Plan will serve as a formal, written statement of long-term capital investment intentions. The Capital Plan formulation process should include the following items:

**Figure 4.1
Coordination of Planning Activities**



A meeting of the Mayor/Chairman, the Council and Department Heads to review the present condition of the local authority and determine the expected condition in three to five years.

A review of the present services provided by the local authority to decide which need to be increased/improved, which can be decreased, and which might be ceased altogether.

An assessment of the existing infrastructure whose requirements for maintenance, major repairs/rehabilitation and/or total replacement are the responsibility of the local authority.

A determination of budget deficits with respect to their frequency, their major causes and proposed corrections, including a timetable for such action.

A realistic projection of future revenue vs. expenditures, which should include an analysis of the affordability to the respective payers with a view to increasing revenues and/or generating new sources.

A list of the most important capital projects to be considered over the next three to five years, along with: possible sources of financing for the projects, budget impacts of construction costs (if necessary) and loan servicing, operating and maintenance costs, and priorities to be assigned. (See paragraph 4.19 for prioritization procedures.)

4.8 In order to be realistic the Capital Plan should be revised annually based on actual annual expenditure and revenue as well as the new year's budget. With the first year dropping out and a new end year being added, the Capital Plan becomes in effect a five-year rolling development plan. The UPU's Financial Management Manual contains a simplified format for constructing a five-year Capital Plan.

CAPITAL PROGRAMMES

4.9 Capital Programmes are the closest in concept to an annual capital budget. However, since most capital projects take longer than one year to complete, it is a common practice to prepare capital budgets for two to three years and refer to them as Capital Programmes. The existence of a realistic Capital Plan greatly facilitates the formulation of an effective Capital Programme. Capital Programmes involve not only a shorter time scale than the Capital Plan but also more detail in that the Programmes specify the location of the various projects as well as phasing of expenditures and their impact on the budget.

4.10 Selecting projects for the Capital Programme raises the key question of assigning priorities. When financial constraints are taken seriously, the Programme provides the framework for priority setting in the capital budget. Choices about which capital projects to implement, or how to reduce costs by cutting back on the scale or standards of individual projects, must continue until planned capital spending matches identifiable financing resources.

4.11 This is an iterative process. The total cost of planned capital projects will almost always exceed the funds available. Once the list of desirable projects has been prepared, project costs need to be compared with revenue projections to estimate the magnitude of the financing gap. The project list should then be prioritized by applying the ranking criteria recommended in paragraph 4.19. Projects that closely complement one another or are mutually necessary for the success of integrated development plan should be combined and approved or postponed as a group.

4.12 The iterative adjustment of capital spending plans and capital revenues takes place on both sides of the budget. Once it becomes apparent which projects will have to be postponed or canceled because of financing limitations, the Council may consider improving the financing constraint, either by increasing local revenues or by requesting funds from other sources such as the Provincial Council, line agencies or lending sources.

4.13 Local authorities can take steps to improve their revenues. With the assistance of the UPU, many ULAs have improved the efficiency of collecting present rates and fees. An additional revenue strategy would be a greater use of fees and beneficiary charges on consumers and landowners in serviced areas. Charges for services should be set as close as possible to market levels to relieve excess demand on capital facilities and at the same time generate increased revenue. The UPU's Resource Mobilization Manual describes detailed proposals for increasing revenues of ULAs.

4.14 The overall effect on the local authorities' finances in the later years of the Capital Programme cannot be ascertained until the Capital Programme Summary is finally prepared. Only then will the total capital costs, capital charges (loan servicing plus depreciation) and operating costs be known. The Financial Management Manual, Vol. I, of the UPU contains a format for the formulation of a three-year capital budget and capital budget summary.

4.15 The minimum information to be included in a local authority's Capital Programme is the following:

Description of individual capital schemes by each service
Estimated payments to the end of the preceding budget year
Estimated payments in the budget year
Estimated payments in the remaining years
Total recurrent cost implications
Target completion dates for each of the projects

4.16 The foregoing information should be shown for each project and in total for each service or programme. For subsequent control of actual expenditure against the budget, expenditures should be broken down by land, site development, construction, furnishings, design and supervision fees, etc. The final approved Capital Programme should be shown separately from the recurrent budget in the budget book.

CAPITAL PROJECTS

4.17 Proposed projects from different sectors should be prioritized according to at least two different dimensions. First, all investments compete with one another for limited capital resources. Therefore, they should be ranked in terms of priority within the capital budget constraint. Second, many projects complement one another in function, and so should be planned and implemented as a package. One example

where coordination is necessary concerns the integrated development of new land within the urban area. Another example occurs in economic development planning where local planners may have a sectorally-linked strategy that provides land for industrial development, establishes transportation connections between the work zone and residential zones, and upgrades infrastructure services.

4.18 Many steps can be taken to simplify the prioritization process at the local authority level. In most cases the level of local discretionary funding for capital projects will be limited as compared to the provincial or national level, thus limiting the number of projects likely to be considered for funding. But this will also increase competition among projects for the limited resources. Any active projects with multi-year funding should be given the highest priority to assure necessary funds to continue implementation. Schedules may require adjustment to fit within financial constraints but projects should be stopped only for very compelling reasons. The prioritization process can then be carried out for the remaining projects and funding.

4.19 Through the Action or Structure Planning procedures outlined in Chapter 3, a desirable list of feasible projects should have been identified. The rating system outlined below can be used to select projects for funding. Criteria to be considered for each project are:

It is important to the aims of the Capital Plan.

It provides the best alternative in terms of capital and operating costs and the maximum response to expressed needs.

It is compatible with earmarked and ongoing projects.

It provides a measurable contribution to economic development and employment generation in the area.

It has a high level of cost recovery and future revenue generation.

It is affordable for the Local Authority and/or the beneficiaries to operate and maintain.

It provides a level of benefits to low-income target groups.

It has either a negligible or a positive environmental impact.

4.20 As discussed earlier, prioritization is not a single operation but may need to be repeated several times with increasingly more detailed analysis of high-ranking projects to reach a final decision. A Financial Appraisal Report, prepared by the UPU in close consultation with local authority accountants and bookkeepers, has been

circulated among all ULAs for their use. A copy is contained in Volume I of the UPU Financial Management Manual.

4.21 If possible, a basic feasibility analysis should be carried out on all proposed projects, especially if several are of high priority. Although there are many different types of projects, they all have some elements in common, i.e.:

- They have a purpose
- They have a size
- They have a site
- They have construction (capital) costs
- They have operating costs
- They have benefits, e.g. income, social benefits, etc.

4.22 A brief analysis of each of these project components should be undertaken to ensure that the project doesn't incur a loss or that the social benefits are substantial. In the case of choices between high priority projects or different ways to develop a project (e.g., phased vs. total construction or a high cost/low maintenance vs. low cost/high maintenance project) discounted cash flow analysis is an invaluable tool. Annex 3 contains examples of this technique, which is not complicated. It is only necessary to work out the costs (capital and operating) and a conservative estimate of the income of the alternatives on an annual basis and compare them. For each alternative it is best to project annually each of the costs, as presented in the feasibility study, and all the income, for the length of the loan or the estimated economic life of the project. The results are often quite different from what is intuitively expected. Such an analysis--Internal Rate of Return (IRR) or Net Present Value (NPV)--can also be done on simple hand calculators with financial programmes.

ANNEX 1

DEVELOPMENT CONTROL ADMINISTRATION

ANNEX 1

DEVELOPMENT CONTROL ADMINISTRATION

DEVELOPMENT CONTROL AT LOCAL AUTHORITIES

A1.1 The Urban Development Authority has delegated powers and functions of development regulation and planning to the Heads of local authorities. A review of the planning activities at the local level shows that most local authorities have satisfactorily executed their responsibilities for development control. In most cases local authorities are to be commended for their efficient processing of development applications.

A1.2 This high level of performance has in part been accomplished through the involvement and commitment of Planning Officers working at local authorities. In fact, most Planning Officers have in the past devoted the majority of their time to development control activities, leaving little time for other development planning work. While this commitment has helped establish an efficient development review process, it is one of the reasons why so few development plans have been finalized and approved. The procedures outlined below should be implemented by local authorities to assure continued efficient operation of development control while giving more time for the Planning Officer to help the Head of the local authority meet development planning obligations.

DEVELOPMENT CONTROL PROCEDURES

A1.3 The authority for approval of development applications is vested with the Head of the local authority, but requires support from other staff for efficient execution. The steps of the review process are shown in Figure A1.1 and described below:

Step 1 ■ Development Control Submission of Applications

A1.4 A clerk (or clerks) should be trained to receive applications for development. The clerks do not require technical knowledge but should understand the required components of a development application. This will enable the clerk to review the application at the time it is submitted. If all needed information is not included, the application can be returned to the applicant at that time. If all elements are included, the clerk will accept the application and give a dated receipt to the

applicant. The clerk will maintain a register of applications and give a list of all applications received each week to the Planning Officer.

**Step 2 ■ Development Control
Technical Review**

A1.5 The Chief Engineer or Director of Works is responsible for the technical review of development applications. They, along with their Technical Officers, should be trained concerning the technical requirements for development. Each application will be reviewed for conformance with building and planning regulations. The Technical Officer will also make a site visit to check the accuracy of the application, any adverse site conditions and compatibility of the proposed development with surrounding uses. A recommendation for approval, approval with conditions or rejection of the application will be made by the Technical Officer before forwarding the application to the Planning Officer.

**Step 3 ■ Development Control
Coordination of Applications**

A1.6 The Planning Officer will review applications and recommendations for compliance with regulations. Site visits will be made on a random basis to verify information. When the Planning Officer is satisfied with the recommendation, he will assemble a package of applications with a short report giving recommendations for action for review of the Planning Committee. The Planning Officer will also monitor the flow of applications. If an application is with the Technical Officer for more than four weeks, the Planning Officer should identify the cause of delays and institute corrective actions to assure the completion of the technical review.

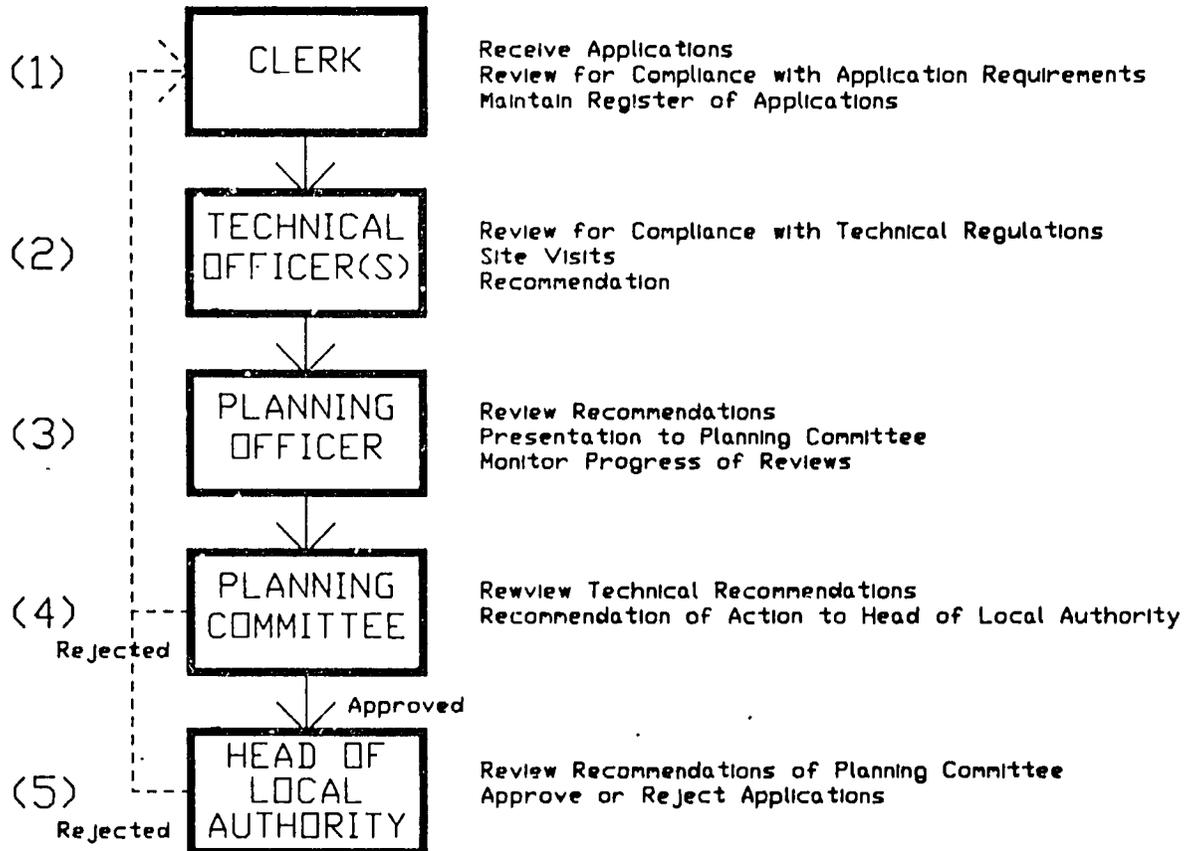
**Step 4 ■ Development Control
Planning Committee Review**

A1.7 The Planning Officer will present the applications to the Planning Committee, explaining recommendations and any special problems or unusual conditions. Applications recommended for approval or approval with conditions will be forwarded to the Head of the local authority. Applications not approved, with an explanation of the reasons for rejection, will be given to the clerk for return to the applicant.

**Step 5 ■ Development Control
Approval by the Head of the Local Authority**

A1.8 If the Head of the local authority is in agreement with the recommendations of the Planning Committee, he will sign the application approving the implementation of the development. Should he decide not to approve an application, he will give the reasons and give it back to the clerk for return to the applicant.

Figure A1.1
Steps for Review of Development Applications



ANNEX 2

COLLECTING INFORMATION

ANNEX 2

COLLECTING INFORMATION

OBJECTIVES

A2.1 The objective of data collection should be to provide useful information that will contribute to an effective planning exercise. At the start of a planning exercise, available sources should be thoroughly searched to accumulate as much existing data as possible. Sources include:

- Local authority files and archives
- UDA library
- UDA Planning Officers who have worked in the local authority
- UDA Remote Sensing Division
- Census Bureau
- Survey Department

MAPS

A2.2 Unfortunately, there are no sources for current maps of local authorities. So for the present it will be necessary to update maps from older sources. The UDA Remote Sensing Division can work with Planning Officers to produce the best map possible with available resources. A good base map showing the limits of the town, main physical features, and primary streets can be very useful in recording and presenting information. Keep the following in mind when preparing maps:

Try to have a map of a size that can easily be copied, either the size of this page or twice the size.

Make sure that any lettering is very clear.

Do not include too much information on one map. It is better to have two maps that are easy to read than one which is confusing.

If the urban area is large, consider preparing two or more base maps of different areas.

POPULATION CALCULATIONS

A2.3 Population figures are very important. They help planners calculate whether existing facilities and services are sufficient and, more importantly, what the demand for them will be in the future. It will usually be necessary to start with the most recent census figures, which unfortunately are from 1981. Based on the rate of growth between 1971 and 1981, projections can be made for the present and future population. Rates of growth can be modified to reflect detectable changes in the recent growth of the town. Population data can be presented in the following format:

Census Date	Pop. at Census	Rate of Growth since Census (%)	Present Population	Rate of Growth in next 5 years	Increase (Number) in next 5 years	Total Population in 5 years' time

HOUSING NEEDS

A2.4 To calculate the future demand for housing can be quite complicated, but it is not necessary to go into great detail to arrive at a sufficiently accurate figure for planning purposes. The following steps can be used to calculate housing needs:

Find out how many new families will need housing in the plan period. Do this by dividing the estimated population growth by the household size. (Use 5.5 persons per household if you do not have figures from the census.)

Divide the required units by income group. (For example, 70 percent for low income, 25 percent for medium income and 5 percent for high income.)

Since not every low-income family will be able to afford a plot or house, the number of plots should be reduced when calculating total plots required to meet housing needs. (The number of plots for low-income could be reduced by as much as 50 percent, depending on conditions in the local authority.)

Example of housing needs calculation:

Population Increase in 5 years (1)	Number of Families (2) (Col 1 div. by 5)	Low Income Families (3) (70% of Col 2)	Low Income Plots (4) (Half of Col 3)	Medium Income Plots (5) (25% of Col 2)	High Income Plots (6) (5% of Col 2)
6,000	1,200	840	420	300	60

ANNEX 3

DISCOUNTED CASH FLOWS

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ANNEX 3

DISCOUNTED CASH FLOWS

A3.1 This section presents a very simplified approach to comparing present and future expenditure. This is useful when trying to assess the merit of building a cheaper or smaller facility today, and upgrading it later, with the alternative of developing it to the ultimate standard today. Alternatively, the approach can be used to compare a low cost/high maintenance solution with a high cost/low maintenance solution.

A3.2 The technique is not complicated. It is only necessary to work out the costs of the alternatives on an annual basis and compare them. The easiest approach is to start with two alternatives to find out which is yielding the best results.

A3.3 For each alternative it is best to project each of the costs and all the income, year by year, either for the length of the loan or the economic life of the project. Two examples based on projects in Kenya are given in order to illustrate the approach.

EXAMPLE 1 - DISCOUNTED CASH FLOWS

This example looks at whether it is more economic to develop a sewerage scheme for the expected population in ten years' time or to design the scheme for the population in five years' time, and extend it at that time. Thus, a single contract is compared with a phased contract.

In doing so, there are three basic elements to be compared: the net income, which is based on the number of consumers and therefore remains the same for both models; the loan repayments, which are a product of the contract cost; and the maintenance, which is set at ten percent of the contract cost. The sum of these elements gives an annual surplus, which is then cumulated to the end of a ten-year period.

It will be seen from Table A3.1 that given the assumptions, there is a net difference of shs. 1,529,000 between the two cases, with the phased example being more economic.

Table A3.1

EXAMPLE 1 A Sewerage Scheme - Cost of Alternate Solution

Base Data	
Population	17000
Rate of Growth/year (%)	7
Persons/Plot	8
Loan Period (years)	25
Interest Rate (%)	12
Annuity Rate/1000	127
Payment/Plot/Month	55

Alternative "A"	Alternative "B"	Alternative "C"
Planning Period Yrs 1-10	Planning Period Yrs 1-5	Planning Period Yrs 6-10
Number of Plots 4460	Number of Plots 3200	Number of Plots 1260
Gross Cost 14495000	Gross Cost 11200000	Gross Cost 4410000

Alternative "A": costs in shs '000

Year	1	2	3	4	5	6	7	8	9	10
Income	1403	1501	1606	1718	1838	1967	2105	2252	2410	2578
Loan Repayment	1848	1848	1848	1848	1848	1848	1848	1848	1848	1848
Maintenance	185	185	185	185	185	185	185	185	185	185
Sub-Total	2033	2033	2033	2033	2033	2033	2033	2033	2033	2033
Annual Surplus	-630	-532	-427	-315	-195	-66	72	219	377	546
Cumulative Surplus		-1163	-1590	-1905	-2099	-2165	-2093	-1874	-1497	-952

Alternative "B" and "C": costs in shs '000

Year	1	2	3	4	5	6	7	8	9	10
Income	1403	1501	1606	1718	1838	1967	2105	2252	2410	2578
Loan Repayment "B"	1428	1428	1428	1428	1428	1428	1428	1428	1428	1428
Maintenance	143	143	143	143	143	143	143	143	143	143
Sub-Total	1571	1571	1571	1571	1571	1571	1571	1571	1571	1571
Loan Repayment "C"						562	562	562	562	562
Maintenance						56	56	56	56	56
Sub-Total						619	619	619	619	619
Annual Surplus	-168	-70	35	147	268	-222	-85	63	220	389
Cumulative Surplus		-238	-204	-56	211	-11	-95	-33	188	577

EXAMPLE 2 - DISCOUNTED CASH FLOWS

The second example compares the cost of laying a "low cost/high maintenance" surface and upgrading it at a later stage with laying a "high cost/low maintenance" surface from the start. The alternatives used in this example are murrum, which is upgraded after five years by adding interlocking concrete paving blocks, and concrete blocks. The cost of laying the blocks after five years is over and above the cost of the murrum surface, whereas if they are laid during the initial construction period, the murrum is not necessary.

In this example no income data are considered--the exercise is to determine the lower-cost solution in a ten-year period. It will be seen from Table A3.2 that by deferring the investment for five years there is a saving of shs.120,000.

Table A3.2

EXAMPLE 2 Alternative Finishes

Bus Park Data	
Size (sq.m)	2000
Cost of Murrum/sq.m	80
Gross cost, murrum	160000
Cost of Conc. Paving/sq.m	300
Gross Cost, conc paving	600000
Annual Maintenance, murrum	16000
Annual Maintenance, conc.	4000
Loan Period in years	25
Interest Rate (%)	12

Alternative "A", costs in shs '000

Year	1	2	3	4	5	6	7	8	9	10
Murrum										
Loan Repayment	20	20	20	20	20	20	20	20	20	20
Maintenance	16	16	16	16	16					
Sub Total	36	36	36	36	36	20	20	20	20	20
Conc. Paving										
Loan Repayment						76	76	76	76	76
Maintenance						4	4	4	4	4
Sub Total						80	80	80	80	80
Total	36	36	36	36	36	100	100	100	100	100
Cumulative		72	108	144	180	280	380	480	580	680

Alternative "B", costs in shs '000

Year	1	2	3	4	5	6	7	8	9	10
Conc Paving										
Loan Repayment	76	76	76	76	76	76	76	76	76	76
Maintenance	4	4	4	4	4	4	4	4	4	4
Total	80	80	80	80	80	80	80	80	80	80
Cumulative		160	240	320	400	480	560	640	720	800