

PD-AAA-886-F1

RS/PS  
T.I.D.  
Reference Center  
Room 1656 NS

5200176 27p  
④

Guatemala

Non-Capital Project Paper

Public Administration - Municipal Development

520-11-790-176.2

Revision No. 1

Date: February 15, 1972

Approved *Robert E. Culbertson*  
Robert E. Culbertson  
Director

Date February 16, 1972

Mr. Tolson	
Mr. DeLoach	
Mr. Mohr	
Mr. Bishop	
Mr. Casper	
Mr. Callahan	
Mr. Conrad	
Mr. Felt	
Mr. Gale	
Mr. Rosen	
Mr. Sullivan	
Mr. Tavel	
Mr. Trotter	
Tele. Room	
Miss Holmes	
Miss Gandy	

**I. PROJECT IDENTIFICATION**

1. PROJECT TITLE

Public Administration - MUNICIPAL DEVELOPMENT

A.I.D. Reference Center  
Room 1656 HS

APPENDIX ATTACHED  
 YES  NO

2. PROJECT NO. (M.O. 1095.2)  
520-11-790-176.2

3. RECIPIENT (specify)

COUNTRY GUATEMALA

REGIONAL  INTERREGIONAL

4. LIFE OF PROJECT

BEGINS FY 1971

ENDS FY 1976

5. SUBMISSION

ORIGINAL  
 REV. NO. 1 2/15/72  
DATE

CONTR. PASA NO.

**II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS**

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMOD- ITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US _____ (U.S. OWNED)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY	
											(A) JOINT	(B) BUDGET
1. PRIOR THRU ACTUAL FY	116	18	12			15	83	18	12			
2. OPN FY	103	19	12	10	15	3	81	19	12			
3. BUDGET FY	142	19	12	5	8		118	19	12			
4. BUDGET 11 FY	160	20	12	10	15	14	116	20	12			
5. BUDGET 12 FY	111	20	12	5	8		86	20	12			
6. BUDGET 13 FY	15	10	6	5	8			10	6			
7. ALL SUBQ. FY												
8. GRAND TOTAL	647	106	66	35	54	32	484	106	66			

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT
U.N./DAS	Technical Assistance/Scholarships	NA

**III. ORIGINATING OFFICE CLEARANCE**

1. DRAFTER J. Willett/D. Phillips	TITLE Social & Civic Development Div.	DATE Feb. 15, 1972
2. CLEARANCE OFFICER Robert F. Culbertson	TITLE Director, USAID/Guatemala	DATE Feb. 15, 1972

**IV. PROJECT AUTHORIZATION**

1. CONDITIONS OF APPROVAL

**2. CLEARANCES**

BUR/OFF.	SIGNATURE	DATE	BUR/OFF	SIGNATURE	DATE

3. APPROVAL AAs OR OFICE DIRECTORS

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

4. APPROVAL A/AID (See M.O. 1025.1 VI C)

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

TITLE \_\_\_\_\_

ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

## 1. History of Municipal Movement

In 1971 the Municipality of Guatemala City with 16% of the country's population (800,000) controlled 67% of the total revenues of Municipal Government, while the remaining 324 municipalities with 84% of the population controlled only 33%. The majority of municipalities have incomes of less than 015,000 a year, including "extraordinary" income such as government loans and subsidies. Given these financial limitations and the scarcity of skilled administrative and technical manpower in the rural areas, most municipalities today are without the two basic resources needed to promote their own development. Such resources as do exist belong almost exclusively to the Central Government, and what the municipalities are able to accomplish depends heavily on what the CGG is willing to provide them.

However, in spite of the country's general political complexity, the situation of local government on balance has gradually improved. The legal basis for municipal autonomy (limited taxing power and free elections) was established by constitutional decree in 1944, and in 1957, the extent of this autonomy and the functions of municipal government were more precisely defined in the Municipal Code. Furthermore, three supporting institutions for municipal government have emerged at the national level: INFOM (Institute for Municipal Development), ANAM (National Association of Municipalities), and INAD (National Institute for Development Administration). The functions of these three institutions are complementary:

INFOM, founded in 1957, provides credit, engineering and accounting services to rural municipalities being financed by municipal tax revenues collected by the central government. INFOM will administer a new 20-year \$2.1 million AID loan (#520-017), with matching funds from the CGG to provide a "soft loan window" to small municipalities to construct water systems, markets, slaughterhouses, electrification systems, roads and other infrastructure projects.

ANAM, founded in 1961, is the representative body of the country's municipalities vis-a-vis the CGG and its agencies. Reforms in its by-laws in 1969, plus the development of a small but competent technical staff, have helped ANAM become a more vocal and influential organization. An indication of ANAM's growing strength is the recent agreement reached with the President of Guatemala to form a joint commission between ANAM and certain national agencies to study the possibility of providing a fixed percentage of the national budget to the municipalities. This occurred in spite of the central government's view of ANAM as being controlled

by political opposition.

the

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION <u>1</u>	(Number)	DATE 2/15/72	PAGE <u>3</u> of <u>19</u> PAGES
---------------------------------	---	----------	-----------------	----------------------------------

INAD, established in 1965 with substantial AID assistance, has become a respected institution and is considered the leader of the "municipal movement" - so called by many Guatemalan professionals and local government officials who favor the strengthening of the political and economic power of municipal government. INAD provides training and administrative assistance of professional quality to both national and municipal governments and is favorably regarded in governmental circles.

## II. Nature of the Project

Given the large public sector inputs being made under the 5-year Rural Development Plan of the Government, agricultural production and related commercial activities are expected to increase significantly. And the population growth and "urbanization" of the municipalities will run apace. This simply magnifies the already pressing need to develop the municipalities' capacity to provide and maintain adequate public services such as markets, slaughterhouses, potable water systems, and roads. AID is contributing to the financing of these new services through its \$2.1 million loan to INFOM, which will handle the design, engineering and accounting work for up to 200 infrastructure projects in 3rd and 4th class municipalities. Neither the AID loan nor INFOM's current program, however, are providing the type of assistance needed to strengthen the financial resources and administrative competence of municipal government itself - to the point where municipalities can begin to manage their own affairs and promote their own development with a maximum of local support and a minimum of dependence on the Central Government.

The project described in this PROP is innovative and, at the outset, experimental. Its operational scope has been limited purposely to 120 municipalities, although the anticipated effects should be far wider. Within this target area, the project is designed to pursue two related courses of action:

1. Provide the administrative and technical training required by the municipalities to successfully plan, execute and administer a variety of municipal infrastructure projects (to be financed by INFOM).
2. Reinforce the present initiative of these municipalities to strengthen their position vis-a-vis the central government and increase their capability for self-development by forming strong regional associations with their own technical and financial resources.

The project is founded on an important assumption: that through regional organization and development, and given a favorable political atmosphere, associated municipalities can be raised within a relatively short time to a level of administrative and technical competence sufficient to meet the needs cited above. As an essentially "Title IX" type of activity, the project also assumes for its success a high degree of popular participation and support - especially since the increase in municipal revenues

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION <u>1</u> (Number)	DATE 2/15/72	PAGE <u>4</u> of <u>19</u> PAGES
---------------------------------	--	-----------------	----------------------------------

required for the project to work depends directly on the willingness of the local citizens to cooperate.

### III. Operational Strategy

Over the next five years this project will be directed at the development and strengthening of six Regional Associations of Municipalities in selected areas of the country, and to the establishment of a permanent technical office in each staffed by 2 resident professionals (Financial/Administrative Specialist and Regional Planner) who will provide the municipalities with the technical competence needed to promote their own development. These Regional Association offices will be able to offer technical assistance and training in municipal finances, tax collection, project planning, and administrative procedures for up to 120 paying municipalities included in the Associations. During its two years (minimum) of development, each Regional Association and technical office will be assisted by a 2-man training/organizational team from INAD (later INFOM) which will work to strengthen the Associations organizationally and to develop the effectiveness of the technical offices in dealing with rural municipalities and their problems. (These training teams, already formed and working, are skilled in community organization and development techniques).

For the first year of this "development" phase, a Regional Association will be expected to contribute only a minimum amount toward the operation and staff of the technical office, which will cost an estimated \$20,000 annually. For the second year the Association will contribute up to half of the budget. In the third year the technical office should be financed entirely by the Regional Association and thereafter may be expanded as the Association's income increases. The additional income needed to support the technical office during the first two years will be created by administrative improvements in the existing tax collection system, as well as savings from increased operational efficiency, in each of the associated municipalities. The studies and training for these improvements will be undertaken by the Association's technical staff and the training team during the first year (although a few can be implemented immediately) and they will be put into effect in the second year so as to provide enough additional income to finance up to half of the technical office budget. Also during this second year, work will be undertaken to reform (through national legislation) the municipal tax structure itself, which should lead to further revenue increases in the third year - when the full technical office budget is to be covered by the Regional Association. If these additional revenues are not yet sufficient, a temporary subsidy will be provided by INFOM.

The technical office staff and training/organization team employed by each Regional Association will manage an integrated program in municipal development for 2 - 2 1/2 years for each Association. Once the Association and its technical office are properly and supported completely (or largely) by functioning

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) 1	DATE 2/15/72	PAGE 5 of 19 PAGES
---------------------------------	--	---------------	-----------------	--------------------

the municipalities themselves, the training team will move on to help establish one of the three other planned offices (last 2 1/2 years of project). The project will concentrate initially on the three areas where Departmental Associations already have been formed and are developing into regional ones - Chiquimula/Zacapa/El Progreso, Santa Rosa/Jutiapa/Jalapa, and Petalhuleu/Suchitepequez/Quezaltenango. Chiquimula and Zacapa are expected to form the first Regional Association with a technical office during 1972, and this will serve as a "test case". The other two Associations should be sufficiently organized by early 1973 to open their technical offices, and by the end of 1974 all three should be in position to finance the operation of the offices on their own or, if needed, with a partial subsidy from INEOM. By early 1974, if project implementation is on schedule, three additional Associations in other areas will be functioning and will have opened technical offices; project inputs will be concentrated on these new organizations during the last two and a half years of the project. As indicated, however, Chiquimula/Zacapa will be the "pilot" Association, and its success in supporting a technical office will have to be clearly evidenced before AID will commit project funds to establishment of the other technical offices. This condition will be spelled out in the new Project Agreement with INAD.

By the end of 1976, there should be six fully-formed Regional Associations with professionally staffed technical offices providing services to some 120 municipalities in 13 Departments of the country. This is a reasonably conservative projection, based solely on direct project inputs. There is a real possibility that other Associations will be formed as the municipal movement gathers momentum and the project begins to show solid results.

#### IV. Institutional Strategy

The initial phase of the project presently is being carried out by INAD. Supported by heavy AID funding in the last few years, INAD has become a respected Guatemalan institution and is recognized as a major catalyst in promoting the growth of the municipal movement. INAD as an institution has enjoyed considerable continuity, e.g., little turnover in personnel during two Administrations and continuing influence in government circles, both national and municipal. Evidence of this influence has been INAD's leadership in the development of a national system of civil service, instrumental role in the reorganization of various ministries, and effective promotion and follow-up of the annual Municipal Assemblies. This experience and leadership in municipal affairs combined with its professional reputation made INAD the natural choice for managing the AID inputs to municipal development during the initial phase.

It is not INAD's role, however - as its Director readily admits - to continue as the managing agency for a government-supported program of long-term duration, which this municipal development project is intended to become. Rather, its role is that of innovator, planner, and advisor in the field of public administration - with its operational activities limited largely to training. In the case of the Guatemalan Civil Service, for example, INAD developed the idea, lobbied for the Government's support, prepared

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) 1	DATE 2/15/72	PAGE 6 of 19 PAGES
---------------------------------	--	---------------	-----------------	--------------------

the necessary studies, work plans and legislation, trained a Civil Service program staff, and, after Congressional approval was obtained, put the Civil Service system into operation. After only a year of INAD management, Civil Service was detached from It and became a separate government agency, which is now functioning most effectively on its own.

The same procedure is being followed in the case of the municipal development project. It is INAD's task to launch the project effectively and then turn it over to INFOM, which is where a permanent program of this nature belongs. This will also assure continued financial support over the long run, since INFOM has an autonomous budget. While INAD appears to have strong backing from the present Administration, its budget (apart from USAID support) comes directly from the President and therefore is subject to the whims of whomever may hold that office.

Therefore, the Mission has developed a project strategy which takes advantage, over the short term, of INAD's present capabilities and experience in municipal training and administration, and in the long term, of INFOM's financial strength and institutional stability. INAD will continue to manage the project into 1973, while the institutional transition is completed and INFOM prepares the necessary personnel and new operating procedures. During the coming 12 months key INFOM officials will receive technical advice and training to prepare them to manage the project.

In spite of certain weaknesses which affect it today --a "banking/engineering mentality" for one-- INFOM is the natural choice to administer a long-term municipal development program. And hopefully the program will continue long after AID has terminated its inputs. The project proposed will take 5 years to implement, assuming no major delays, and is designed to cover some 120 municipalities. Excluding Guatemala city, that leaves another 204 municipalities which will not have received direct inputs under this project. It is evident, therefore, that if the project is successful and is to be carried to all municipalities of the country, there must be some certainty of institutional continuity and financial support.

INFOM possesses these essential characteristics. Furthermore, INFOM has as its official mandate to provide not only credit, engineering assistance, and accounting services to the municipalities, but training and technical assistance as well. Unfortunately, this latter function has not been developed adequately. INFOM's staff of financial managers, engineers, and accountants is highly competent, but they have little or no experience in training and organization of people, especially in the rural areas. Recently, however, the directors of INFOM have begun to express interest in developing the staff and expertise to carry out this part of their mandate. Given INFOM's institutional stability and financial strength (including an autonomous budget), to acquire the same training and advisory capabilities which INAD now has would provide INFOM with all the necessary tools to launch an effective program of "municipal development" in the fullest sense.

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) 1	DATE 2/15/72	PAGE 7 of 19 PAGES
---------------------------------	--	---------------	-----------------	--------------------

If INFOM can develop these additional capabilities during 1972-73, there should be no problem in transferring the project to it during CY 1973, and the Mission is confident that INFOM will be able to do so. If the transfer is successful and INFOM acquires the new techniques and attitudes needed to manage the project successfully, INFOM's program should profit as a whole. In particular, its institutional image should become more attractive to the municipalities, many of which have found INFOM overly "hard-nosed" in the past.

An important element in the Mission's strategy regarding INFOM is the planned preparation in FY73 of a second loan of approximately \$2 million to further capitalize that institution. It will differ from the first in one particular: the loan is to be repaid by the Guatemalan Government and not by INFOM. In other words, INFOM would receive a \$2 million increase in its own capital portfolio. It would also receive a \$1-2 million "counterpart" grant from the GOG, which AID would require as part of the transaction. In return for this non-repayable input of capital, INFOM would agree to:

1. Assume responsibility for implementing the municipal development project in place of INAD and in accord with the objectives of this PROP, and
2. Use part of the AID loan funds to subsidize any of the Regional Associations established under this project which may not have reached a self-financing level by the operation of their technical offices by the time project inputs are withdrawn (according to the implementation schedule).

INFOM and GOG agreement to these conditions, which is expected, not only will free AID from any further commitments beyond those projected in the PROP, but will assure that the stated purpose of the project will be achieved even if additional inputs are necessary.

A word on checks and balances in terms of project management. In dealing with INFOM during the coming year and in negotiating a project agreement later on, the Mission will insist not only on a meaningful financial contribution from INFOM but also on the establishment of a special Executive Committee to supervise the project. This Committee will be composed equally of INFOM officials and representatives of the National Association of Municipalities (ANAM); it will not include the Director of INFOM, who would tend to dominate it. The AID-financed contract technician for municipal development will serve as advisor to the Committee, as well as INFOM's link with the Mission. With the municipalities thus represented by ANAM, and the Mission in close touch through the advisor, INFOM may be expected to administer the project with due regard to the sensitivities of the municipalities and to the terms of the AID project agreements.

## " Logical Framework

### Goal

"Contribute to Guatemala's 5-year Rural Development Program by strengthening the administrative, financial, and planning capacity of municipal government in selected rural areas."

### Comment:

In conjunction with the training and technical assistance provided under this grant project, the current and projected AID loans to INFOM will serve as an important contribution toward the stated goal. They will be used as a stimulus for developing the Regional Associations and technical offices, which will be able to promote, design and submit project proposals for INFOM financing on behalf of the member municipalities. A third related activity contributing toward the goal is the Peace Corps' new program for municipal development volunteers, who will provide helpful professional assistance in their capacity as technical advisors to the mayors of the larger municipalities.

### Measures of Goal Achievement

- "1. Increase in municipal revenues.
2. Increase in the number of adequate municipal development plans.
3. Increase in number and efficiency of public services provided by the municipalities. (See below)
4. Increase in regional coordination among municipalities.
5. Increase in joint planning and project implementation between municipalities and central government institutions."

### Comment:

The most tangible evidence of attaining project goals will be an increase in the number of small municipalities with adequate potable water systems, markets, slaughterhouses, and other public services. Less tangible will be the improvements in administrative, financial, and maintenance procedures of the municipalities in conjunction with such projects.

Of greater importance than these indicators, however, will be the strengthened role of local government - through the Regional Associations, increased planning and financing capability, and active community involvement - in implementing the Rural Development Program of the Government. This will be evidenced, for instance, by a growing dialogue between the Regional Associations and national government institutions, especially in terms of joint planning and project implementation. It also is anticipated that the

PROJECT NO. 620-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL	<input checked="" type="checkbox"/> REVISION <u>1</u> (Number)	DATE 2/15/72	PAGE <u>9</u> of <u>19</u> PAGES
---------------------------------	---	--	-----------------	----------------------------------

Central Government will recognize the increased administrative and governing capacity of the municipalities and will approve reforms in the municipal tax structure presented by the Regional Associations through ANAM.

#### Statement of Purpose

"Establish 6 viable Regional Municipal Associations with professionally staffed technical offices to provide administrative, financial management and project planning assistance for up to 120 member municipalities."

#### Comment:

The technical offices, with initial help from INAD (later INFOM) training teams, will provide assistance in:

1. Training of municipal officials and employees.
2. Planning and design for municipal projects.
3. Improving administrative procedures and increasing tax revenues.
4. Coordination with GOG agencies on local and regional-level projects.

By reforming their administrative system (especially tax structure and collections) through operational studies, technical planning and training, the municipalities will be better able to:

- I. Strengthen their Regional Associations to promote local interests and coordinate technical and financial assistance more effectively;
- II. Utilize the financing and technical assistance made available by INFOM;
- III. Develop the revenues necessary to finance the Associations' technical offices; and
- IV. Promote active support by their communities for municipal development projects and for the Regional Associations.

PROJECT NO. <b>520-11-790-176.2</b>	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) <b>1</b>	DATE <b>2/15/72</b>	PAGE <b>10</b> of <b>19</b> PAGES
--	--	----------------------	------------------------	-----------------------------------

End-of-Project Status

1. "Regional Associations and technical offices are fully established and self-financed (or partially subsidized by INFOM).
2. 15% Increase in additional revenues over current level.
3. Approval of new municipal tax structure by Congress and application by GOG and municipalities.
4. Administrative, planning, and budgeting procedures in effect for Regional Associations.
5. 80 3rd and 4th. class municipalities implementing AID loan-financed projects and repaying credit extended by INFOM.
6. More adequate methods established in the 120 associated municipalities in planning, budgeting, and administration.
7. Active participation by local citizens in municipal projects.
8. INFOM has successfully absorbed project begun by INAD and is providing full budgetary support, including subsidies to Regional Associations as needed."

## Comment:

The most important precondition to accomplishment of the project purpose is a sufficient increase in municipal revenues. This will best be brought about through reform of municipal tax collection systems, establishment of a better municipal tax structure, and by increases in financial support from the Central Government. To obtain the desired changes in the municipal tax laws, a bill will be presented to the Guatemalan Congress by ANAM and the Regional Associations based on studies and proposed draft legislation prepared with INAD's assistance.

It is expected that 6 Regional Municipal Associations, with their technical offices, will be in full operation and that all will have adequately defined administrative and budgetary procedures. (The first technical offices will serve as experimental models to develop and refine operating procedures and thus facilitate the establishment of subsequent offices in other Associations).

As a result of administrative improvements and training provided by INAD and INFOM, the 3rd and 4th. class municipalities will be better prepared to manage the public services financed under the current AID loan to INFOM as well as to meet loan repayments. The Associations' technical staff will provide follow-up assistance to the municipalities receiving INFOM loans.

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION <u>1</u>	(Number)	DATE 2/15/72	PAGE <u>11</u> of <u>19</u> PAGES
---------------------------------	---	----------	-----------------	-----------------------------------

The loans themselves will offer an opportunity to the municipalities to improve their budgeting and administrative practices.

Throughout the project, municipalities will be encouraged and trained in how to increase citizen participation. One of the conditions existing at the end of the project should be participation by a majority of the local citizenry in municipal projects and in municipal elections.

#### Critical Assumptions for End-of-Project Status

- "That GOR continues support of regional municipal development.
- That INFOM develops technical and training capabilities and is properly restructured to assume responsibility for managing project.
- That INFOM receives additional capital through second AID loan to continue municipal development project and subsidize Regional Associations as necessary."

#### Additional Assumptions:

The past year has witnessed a strong movement toward regional municipal associations (e.g., Chiquila, Sta. Rosa, Huehuetenango and the southwestern region, including parts of Quetzaltenango, Retalhuleu, and Tototenango). The assumption is that if these associations receive sufficient assistance in studying mutual needs, planning organizational structures, and establishing priorities and strategies, they will become effectively institutionalized. This implies that municipal officials can be brought, through training and example, to see the need for tax and administrative reform and the desirability of financing their own technical assistance to accomplish these reforms. Although it is not necessary to have total support from the Central Government in carrying out the reforms, at least its tacit approval is required.

It is also assumed that, in spite of different economic capabilities of municipalities in any given region, it will be possible to find a "modus operandi" for payment of quotas and for distribution of Association services which will be acceptable to all municipalities involved. At present, for example, IAM is financed directly through INFOM by the larger municipalities, with the smallest (4th. class) municipalities being exempt and the third class ones contributing only a minimal amount. This system has not caused any friction to date after several years of operation.

Regarding citizen participation in municipal government activities, it is assumed that the traditional identification of the citizen with his municipality will be strong enough initially to attract civic groups to work on municipal projects. It is also assumed that these relations can

be maintained and strengthened on the basis of mutual interest -i.e., that the municipality can help civic groups and cooperatives acquire resources by representing them vis-a-vis government institutions, and that civic groups can provide popular backing for municipal projects and reforms.

#### Outputs

1. Six motivational programs to establish Regional Associations by year-end.
2. Establish six Regional Associations with technical offices.
3. Fifty 3-5 day training courses, seminars and workshops for implementing work plans of Regional Associations.
4. Fifty 3-5 day training courses for municipal employees in administrative reform.
5. Fifteen studies of municipal revenue and collections and budgeting procedures.
6. Fifteen studies in regional planning for Regional Associations.
7. Development of six administrative manuals in Municipal Finance and Budgeting Procedures.
8. Twenty five workshops for coordination of Regional Associations with GOB institutions and citizen groups.
9. Six proposals for reform of municipal tax structure by region."

#### Comment:

1. Motivational programs will be carried out by 2-3 man advance training teams from INAD (INEOH) with experience in community organization. The program will consist of individual discussions with mayors in the target regions; regional meetings of municipalities; and preliminary organization of Regional Associations in terms of their structuring and development of work plans.
2. The nature of the Regional Associations and technical offices is explained in the section on Operational Strategy (see pp. 4-5).
3. The training courses will be carried out by the INAD (INEOH) teams and technical office professionals. They will be designed to prepare the municipal representatives of each Regional Association in planning and executing work plans (for explanation of work plan content see Course of Action).

4. Training courses for membership will be conducted by the trainees teams assigned to each Association. These courses will be directed at reform of administrative procedures, particularly collection systems.
5. These will be managerial courses carried out by the staff and officials of the National Association by the staff and officials of the Association. The studies will provide for providing operational courses, involving training for implementing the administrative procedures.
6. These studies will be conducted by the National Association and its member Associations. Their objectives are:
  - a) to identify the administrative procedures which are most effective and which are most needed;
  - b) to determine the administrative procedures which are most needed;
  - c) to develop operational plans for these procedures.
8. Workshops for all participants, including groups of the trainees teams and staff of the member Associations, will be conducted. The purpose of these workshops will be to discuss the projects and their design, the organization, the implementation of action for carrying them out.
9. Based on information gathered from regional studies, of revenues, TRAP and other technical staff of the member Associations will develop tentative proposals for the member Associations. If presented to the National Association, it will be presented to the National Association, through the bilateral agreements.

Inputs

(See following two tables)

It is planned that AID will contribute about \$1 million over the years, FY 1971-76, after which TRAP will be possible to be expected to finance the participation and coverage by other means. AID's role in the project will be indirect, all rights, including for the contract technicians, will be channeled through the AID. The major part of this contribution will be in the form of technical assistance to the member Associations, and technical staff to the member Associations. It will also provide for the necessary technical and operative expenses. It is indicated earlier, a special role will play an important part in assisting the effective completion of the project. The contract staff will be provided by the member Associations.

TABLE 1

TOTAL CASH INPUTS 1971-76 (LOANS EXCLUDED)

(\$000)

	1971 (6 months)	1972	1973	1974	1975	1976
AID (FY) <u>1/</u>	116	103	147	160	111	15
INAD (CY) <u>2/</u>	(in kind)	(in kind)				
INFOM (CY) <u>3/</u>	---	---	(10)	25	50	100
Req. Assocs. of Municipalities (CY) <u>4/</u>	---	6	30	66	30	120
TOTALS	116	109	177	251	251	235

Note: These inputs based on formation of 3 Regional Association technical offices (including 2-man professional staff) in 1972-73, and 3 more in 1974-75.

- 1/ Larger AID inputs in FY73 and FY74 to help establish technical offices of Req. Assocs.; additional \$12,000 in FY74 for vehicles for 3 new Req. Assocs.; FY75 amount for final 6 months contract services of Municipal Advisor, plus participant training.
- 2/ INAD provides technical backstopping, administrative support, and project direction - all "in kind".
- 3/ If project transferred to INFOM by mid-73, some contribution expected; otherwise, INFOM will make first budget input in 1974, to be doubled in following 2 years. For 1974-75, inputs will cover INFOM training teams, part of the technical office costs, and part of INFOM's operational support.
- 4/ See page 16 for explanation of Regional Association financing of technical offices.

PROJECT NO.

520-11-720-176.2

SUBMISSION

 ORIGINAL

(Number)

REVISION  1

DATE

2/15/72

PAGE 15

of

19

PAGES

TABLE II

AID GRANT INPUTS - LIFE OF PROJECT

	FY71	FY72	FY73	FY74	FY75	FY76
Personnel (Contract)	18	19	19	20	20	10
Participants	--	10	5	10	5	5
Commodities	15	3	-	14	-	-
Other Costs	83	81	118	116	86	--
	116	103	142	160	111	15

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) 1	DATE 2/15/72	PAGE 16 of 19 PAGES
---------------------------------	--	---------------	-----------------	---------------------

(though not critical) complement to the grant project. INAD's inputs (71-73), will be "in kind", representing INAD personnel, administrative support, and project direction. A GOG cash contribution for the municipal project to INAD will not be requested, since INAD already has to cover all national-level activities with its own resources beginning in 1973.

INFOM is expected to take over management of the project in 1973, and the Project Agreement with INFOM will specify an initial budget input of at least \$25,000, in addition to "in kind" support. During the full second year of participation, INFOM should contribute close to half of the project budget; and from 1976 on it is planned that INFOM, with additional funds from the second AID loan, will provide the full amount necessary to continue the project, provide subsidies for technical offices if needed, and develop Regional Associations in other areas of the country.

If all goes according to plan, the Municipalities of the established Regional Associations will contribute to the operation of their technical offices as follows:

#### First Year

A formal contract will be signed between the national host agency and the Regional Association in which the latter agrees to provide secretarial assistance, office space, furniture, and equipment (approximately \$2,000) to open the technical office, and the national agency will contribute the salaries of the professional staff and operational expenses.

#### Second Year

The member municipalities will provide their Association with 50% of the income generated in excess of the first-year level of municipal revenues (or up to \$10,000 collectively), and the national agency will cover the remaining \$10,000 of the technical office budget, or more if necessary.

#### Third Year

The technical office should be financed entirely by the Regional Association.

This is an optimal schedule, of course, but it is considered feasible if no major problems or delays occur. The second year is the critical one. If by the end of it a Regional Association has been unable to generate at least half its planned \$10,000 contribution to the technical office, then a decision will be made either to drop one of the professional staff or eliminate the office altogether. If the Association is progressing satisfactorily but is unable to generate the full amount of funds needed for the technical office in the third and subsequent years, then INFOM will subsidize the balance needed.

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION <u>1</u>	(Number)	DATE 2/15/72	PAGE <u>17</u> of <u>19</u> PAGES
---------------------------------	---	----------	-----------------	-----------------------------------

## VI. Course of Action

The course of action outlined in the following pages describes the project inputs and activities planned for the first group of three Regional Associations over the next 30 months. Basically the same implementation plan, revised as experience dictates, will be applied to the second group of Associations beginning in 1974. A PERT diagram also is included.

### 1. Motivational Program and Establishment of Regional Associations (5 months)

The motivational phase of this program was initiated September 1, 1971. At that time personnel for 3 INAD training/organization teams were selected and trained and the first three regions to be covered by the project were designated. At present three incipient departmental level Associations have been formed in Chiquimula, Cullapa, and Coatepeque. The Associations are composed of representatives from 8 to 14 municipalities, depending on the size of the area involved. In Chiquimula, where the first Association was formed, preliminary work plans have been completed and mayoral commissions assigned to carry out specific activities. These include:

1. planning and processing of by-laws for legal recognition of the Association;
2. workshops for improving coordination among the municipalities themselves and with GOG agencies;
3. design of a technical office;
4. training for mayors and auxiliary mayors to promote citizen participation;
5. study of municipal revenues;
6. publishing of an Association Bulletin;
7. promotion of small industries and other income-producing projects.

The two other Associations are not as far along as Chiquimula but are proceeding on the same basis with good results.

### 2. Institutionalization of Regional Association (5 months)

The second phase of the implementation plan will focus on intensive training, through a combination of courses and workshops, aimed at preparing the members of the Associations to effectively carry out their assigned work plans. In order to expand the Associations and make them truly "Regional,"

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION <u>1</u>	(Number)	DATE 2/11/71	PAGE <u>1</u> of <u>1</u> PAGES
---------------------------------	---	----------	-----------------	---------------------------------

training teams will begin visiting municipalities in neighboring departments and inviting the mayors and key leaders to participate in the training and planning activities of the Associations.

Studies, including some cost-benefit analysis, will be carried out by INAD's own technical staff in collaboration with the municipal treasurers.

Meetings and workshop sessions also will be organized by the Associations to bring together the training teams, local GOB agency representatives, and interested citizens from the various municipalities of the region.

### 3. Establishment of Regional Association Technical Office (8 months)

After a Regional Association has submitted to the Government its request for legal recognition, and when it is determined that the membership is committed and strong enough and represents sufficient economic potential, INAD (or INFOM) will enter into negotiations with the Association to formulate a 2-year contract to help establish a technical office (see details in Input Section). Once the contract is signed, INAD (or INFOM) will assist the Association in the selection, employment and orientation of the Regional Planner and Financial/Administrative Specialist who will form the professional staff. Once trained, the technical staff will concentrate their initial efforts on completing on-going studies of municipal revenues and tax collection procedures. Feasibility studies also will be initiated to develop inter-municipal projects (example: joint-purchase of road construction equipment).

The INAD (INFOM) training team will continue to work on expansion of the Association's membership, as well as helping to organize citizen advisory groups and local GOB inter-agency planning committees to work with the Regional Associations.

### 4. Implementation of Administrative Reforms and Initiation of New Municipal Development Program (9 months)

During this phase work will be concentrated on the revision and implementation of budgetary procedures and revenue collection systems within each municipality. This will include:

1. Training of municipal employees;
2. Citizen education program on the importance and relation of municipal revenues to good public services; and
3. Advisory assistance to mayors and municipal treasurers in the application of the new systems.

PROJECT NO. 520-11-790-176.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) 1	DATE 2/15/72	PAGE 19 of 19 PAGES
---------------------------------	--	---------------	-----------------	---------------------

Also during this phase, small inter-municipal projects designed by the technical offices will be implemented by the Associations. INAD and the technical staffs will work jointly on the study and development of draft legislation for restructuring the municipal tax base.

5. Phase-out and Move-on (3 months)

The final phase will see the continuation of on-going Association activities and refinement of newly introduced tax collection and administrative procedures based on a joint Project Review by the Associations and INAD (INFOM).

Early in this period, the proposal for revision of the municipal tax structure will be presented by ANAM and the Regional Associations to Congress.

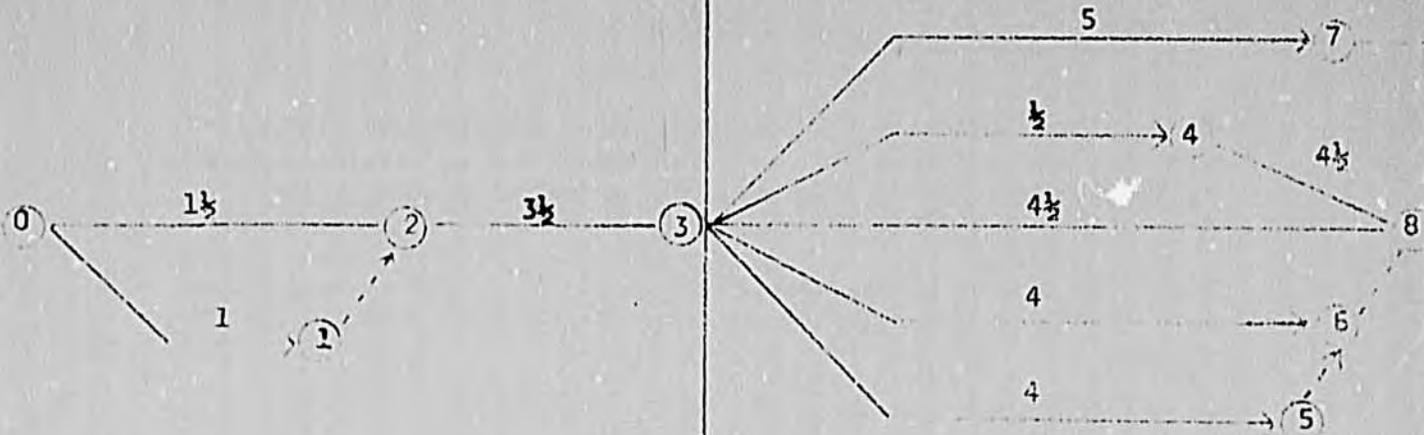
The training teams, after carrying out any final work indicated by the Project Review, will move on to three other areas to help develop the incipient Regional Associations there on the same pattern as the first three.

I. MOTIVATIONAL AND ESTABLISHMENT OF REGIONAL ASSOCIATIONS

5 months

II. INSTITUTIONALIZATION OF REGIONAL ASSOCIATION

5 months



Activities	Description
0 → 1	Analysis and Selection of work sites.
0 → 2	Selection and Training Personnel
2 → 3	Motivation to establish Regional Associations with preliminary work plans

Activities	Description
3 → 4	Develop and Submit Charter
3 → 5	Design and Study of Municipal Revenues
3 → 6	Motivation of Institutional Coordination and Citizen Participation
3 → 7	Promotion of expansion of associations and promotion of technical office
3 → 8	Training of Municipal Officials to regional work plan
4 → 8	Obtain legal recognition

PROJECT NO.  
520-11-790-176.2

SUBMISSION  
 ORIGINAL

REVISION

(Number) 1

DATE  
2/15/72

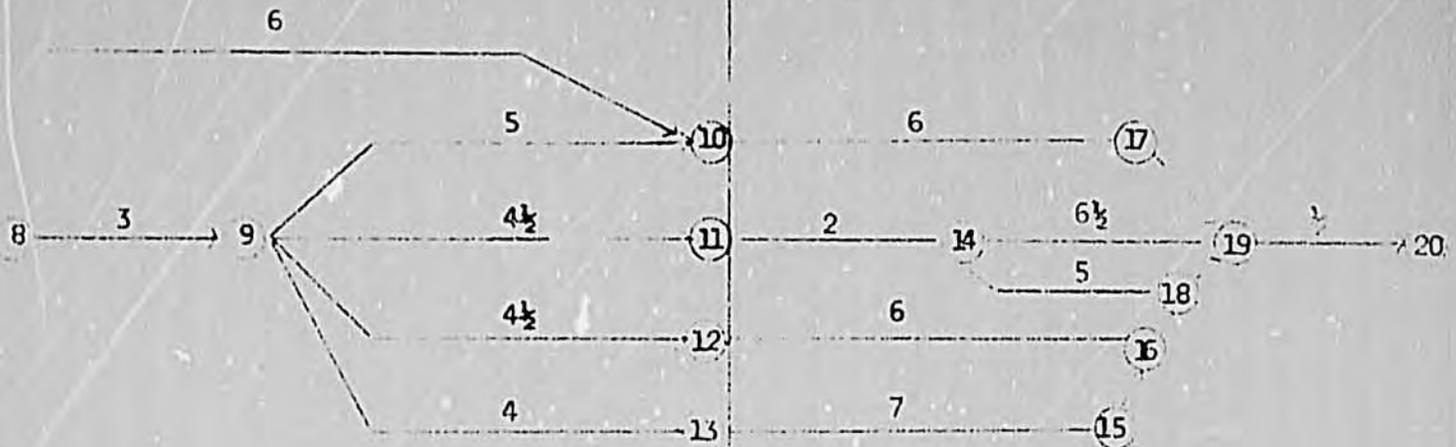
PAGE \_\_\_\_\_ of \_\_\_\_\_ PAGES

**III GEARING UP REGIONAL ASSOCIATION WITH TECHNICAL OFFICE**

8 months

**IV IMPLEMENTATION OF ADMINISTRATIVE REFORMS AND INITIATION OF NEW MUNICIPAL DEVELOPMENT PROGRAMS**

9 months



Activities	Description
7 → 10	Continue expansion of Associations, i.e., increase membership
8 → 9	Establish Technical Office
9 → 10	Develop Technical Procedures for Budget Programming
9 → 11	Study and Analysis of Municipal Tax Revenues and Collection System
9 → 12	Formalize organization of institutional and civic participation in municipal affairs
9 → 13	Feasibility studies for inter-municipal projects

Activities	Description
10 → 17	Implementation new budget procedures
11 → 14	Develop new Tax Collection System
12 → 16	Carry out Joint Projects with GOG Institutions and citizen groups.
13 → 15	Implement intermunicipal projects
14 → 18	Study and Development of Proposal for New Tax Structure.
14 → 19	Implement Tax Collection System
19 → 20	Program Review

PROJECT NO.

520-11-790-176.2

ADDITION

ORIGINAL

REVISION

(Number)

1

DATE

2/15/72

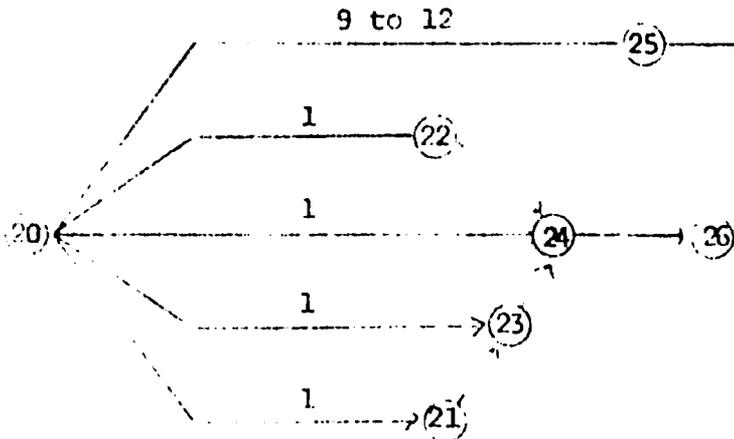
PAGE \_\_\_\_\_ of \_\_\_\_\_

PAGES



PHASE-OUT AND MOVE-ON

3 months



Activities	Description
20 -----, 21	Institutionalization of Programs of Institutional Municipal Coordination
20 -----, 22	Continue refinements in Budgeting and Tax Collection Procedures
20 -----, 23	Develop Administrative Manuals for management of Intermunicipal Projects.
20 -----, 24	Refine Administrative and Funding Systems of Regional Offices
20 -----, 25	Submit tax plan to Congress for Approval
24 -----, 26	Pull out Financial and Training Support and move on to establish work sites in new areas.

**PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK**

AID 1020-28 (7-71)  
SUPPLEMENT 1

Project Title & Number: Public Administration - MUNICIPAL DEVELOPMENT 520-11-790-176.2

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

Life of Project:  
From FY 71 to FY 76  
Total U.S. Funding 647,000  
Date Prepared: 2/15/72

PAGE 1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>"Contribute to Guatemala's 5-year Rural Development Program by strengthening the administrative, financial and planning capacity of municipal governments in selected rural areas."</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> <li>1. Increase the municipal revenues.</li> <li>2. Increase in the number of adequate municipal development plans.</li> <li>3. Increase in number and efficiency of public services provided by the municipality.</li> <li>4. Increase in regional coordination among municipalities.</li> <li>5. Increase in joint planning and project implementation between municipalities and central government institutions.</li> </ol>	<ol style="list-style-type: none"> <li>1. Review of municipal budgets and INFOM financial records.</li> <li>2. Review of plans submitted to INFOM.</li> <li>3. Field evaluation and INFOM reports.</li> <li>4. Field evaluation; interviews with local officials; review of regional municipal development plans.</li> <li>5. Field evaluation; interviews with Government officials at local and national level; review of project plans submitted to INFOM and other GOG agencies.</li> </ol>	<p>Assumptions for achieving goal targets:</p> <ul style="list-style-type: none"> <li>- That the "municipal movement" not become overly identified with the political opposition.</li> </ul>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: \_\_\_\_\_  
From FY 71 to FY 76  
Total U.S. Funding \$ 647,000  
Date Prepared: 7/15/72

Project Title & Number: Public Administration - MUNICIPAL DEVELOPMENT 520-11-790-176.2

PAGE 2

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS				
<p><b>Project Purpose:</b></p> <p>"Establish six viable Regional Municipal Associations with professionally staffed technical offices to provide administrative, financial management and project planning assistance for up to 120 member municipalities."</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>(Municipalities covered by project)</p> <ol style="list-style-type: none"> <li>1. Regional Associations and technical offices are fully established and self-financed (or partially subsidized by INFOM)</li> <li>2. 15% increase in additional revenues over current levels.</li> <li>3. Approval of new municipal tax structure by Congress and application by GOR and municipalities.</li> <li>4. Administrative, planning, and budgeting procedures in effect for Regional Associations</li> <li>5. Eighty 3rd and 4th class municipalities implementing AID loan-financed projects and repaying credit extended by INFOM.</li> <li>6. More adequate methods established in the 120 associated municipalities in planning, budgeting, and administration.</li> <li>7. Active participation by local citizens in municipal projects.</li> <li>8. INFOM has successfully absorbed project begun by INAD and is providing full budgetary support, including subsidies to Regional Associations as needed.</li> </ol>	<p>Means of Verification:</p> <ol style="list-style-type: none"> <li>1. R.A./t.o.'s self-financed</li> <li>2. <math>\frac{2}{3}</math> inc. (1st. 3 RA's/2nd 3 RA's):</li> <li>3. New municipal tax structure:</li> <li>4. RA's with established procedures:</li> <li>5. Muns. w/INFOM projects:</li> <li>6. Muns. w/improved admin. methods:</li> <li>7. Observation and interviews.</li> <li>8. Observation, interviews, and review of INFOM budget and work plans.</li> </ol>	<p>Assumptions for achieving purpose:</p>				
			CY 72	CY 73	CY 74	CY 75	CY 76
			---	---	3	3	6
			---	5%	10%	15%/7%	15%/15%
			2	3	X	X	X
			10	30	50	70	80
			20	50	80	110	120
			X	X	X	X	X
					X	X	X

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: From FY 71 to FY 76  
Total U.S. Funding \$ 647,000  
Date Prepared: 2/15/72

Project Title & Number: Public Administration - MUNICIPAL DEVELOPMENT 520-11-790-176.2

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS					MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:						Assumptions for achieving outputs:
	CY 72	73	74	75	76		
1. Six motivational programs to establish Reg. Assocs. by year-end.	3	0	3	0	0	from insti - ject.	That qualified personnel will be available to staff all of the Associations' technical offices, as well as INAD and INFOM.
2. Establish 6 Regional Assocs. with technical offices.	3	3	6	6	6	stitution's	
3. Fifty 3-5 day training courses, seminars and workshops for implementing work plans of Regional Associations.	10	10	10	10	10	ews with	
4. Fifty 3-5 day training courses for municipal employees in administrative reform	10	10	10	10	10	ning.	
5. Fifteen studies of municipal revenue and collections and budgeting procedures.	3	3	3	3	3	, studies	
6. Fifteen studies in regional planning for Regional Associations.	3	3	3	3	3	, studies	
7. Development of 6 administrative manuals in Mun. Finance and Budgeting Procedures.	0	2	2	2	0	, studies	
8. 25 workshops for coordination of Regional Assos. with GNG institutions and citizen groups.	5	5	5	5	5	technical	
9. Six proposals for reform of mun tax structure by region.	0	0	3	0	3		

AID 1020-38 (7-71)  
SUPPLEMENT 1

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: \_\_\_\_\_  
From FY 71 to FY 76  
Total U.S. Funding \$ 547,000  
Date Prepared: 2/15/72

Project Title & Number: Public Administration - MUNICIPAL DEVELOPMENT 520-11-790-176.2

PAGE 4

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs:</p> <p>(See "Inputs" Section in PROP)</p>	<p>Implementation Target (Type and Quantity)</p>		<p>Assumptions for providing inputs:</p> <p>That GOG provides direct and timely financial assistance to program in terms of operational support for INAD and then INFOM.</p>