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CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
PD-AAF-981-81 Housing Investment Guarantee (Slum Upgrading and Home Improvement) 5258009-(2)	525-HG-009	USAID/PANAMA RHO/PSA

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 1

[X] REGULAR EVALUATION [ ] SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 78 B. Final Obligation Expected FY 80 C. Final Input Delivery FY 81	A. Total $ 19,300,000 B. U.S. $ 15,000,000	From (month/yr.) Feb./78 To (month/yr.) March/80 Date of Evaluation Review April/80

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. If the reaction of the market to the urbanized lot (lote servido) in the Roberto Durán project is not strong enough, it will be necessary to reduce the number of such solutions and approve the construction of a piso-techo or similar solutions in the already urbanized lots, thus completing the units agreed to be built in Roberto Durán.	Mario Pita, RHO/PSA	Sept., 1980
2. A final certificate of completion of the sub-programs has to be produced. The final certification date for the infrastructure work is estimated Dec. 31, 1980, and for the shelter programs, June, 1981. RHO/PSA will monitor the completion of the work and review the details of the final certificate before issuing a letter indicating the sub-programs have been completed.	Mario Pita, RHO/PSA Ing. Víctor Rivera	Dec./80 - June/81
3. An evaluation of how the beneficiaries of the shelter programs are completing their unfinished solutions (piso-techo, urbanized lot) and how the families are connecting to the water and sewage infrastructure lines to be conducted in June, 1981.	Ing. Víctor Rivera and RHO/PSA Staff	June, 1981

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- [X] Project Paper
- [ ] Financial Plan
- [X] Logical Framework
- [X] Project Agreement
- [ ] Implementation Plan e.g., CPI Network
- [ ] PIO/T
- [ ] PIO/C
- [ ] PIO/P
- [ ] Other (Specify) _____
- [ ] Other (Specify) _____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. [X] Continue Project Without Change
- B. [ ] Change Project Design and/or
- [ ] Change Implementation Plan
- C. [ ] Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Dámaso Díaz Chief, Financial Evaluation, BNP
Alberto Icaza, Director, DUISMI
William Gelman, HOusing Officer, RHO/PSA
Earl Kessler, RHO/PSA
Mario Pita, Chief, RHO/PSA

12. Mission/AID/W Office Director Approval

Signature: Frank Almaguer

Typed Name: Frank Almaguer, Acting Director

Date: July 2, 1980

AID 1330-15 (3-78)

13. Summary

1. The $15 million slum upgrading and Home Improvement Program 525-HG-009 was designed in response to a request for assistance by the GOP after public disturbances created by a number of residents of San Miguelito demanding an improvement in the quality of their lives. The program has supported the efforts of the High Level Commission (HLC) created by the GOP as an instrument to address the needs of San Miguelito families.

2. The program identified as immediate needs for San Miguelito the provision of basic infrastructure (water, sewerage, electricity, roads) and shelter. Basic infrastructure was lacking in the existing squatter settlements and older communities built in San Miguelito and would be provided as part of a community upgrading program. The shelter component was related to the general needs for additions to the housing stock, and for relocation areas for the families affected by the infrastructure work and the reduction of densities in certain areas of San Miguelito.

3. The borrower of the HG resources is the Banco Nacional de Panama (BNP) which neither has an implementation function nor deals specifically with the problems of the shelter sector, but rather acts as key administrator of GOP funds. The sub-borrowers of the program are as follows:

Instituto de Acueductos y Alcantarillados Nacionales (IDAAN) $8,373,000 for water and sewage; Instituto de Recursos Hidráulicos (IRHE) $1,070,000 for electricity; Ministry of Public Works (MOP) $2,057,000 for streets, and Ministry of Housing (MIVI) $3,500,000 for shelter sub-program.

4. The GOP's selection of the HLC to be the mechanism responsible for dealing with the urban poor in an integrated way was an interim one. The HLC has now been dissolved and the functions of representing the interests of the residents of San Miguelito and of seeking the national resources needed to improve their lives are back in the hands of the Municipality of the District of San Miguelito. The HLC has for all intends and purposes been reduced to a technical body (DUISMI) supporting the limited technical capacities of the Municipality to complete the HG 009 program.

5. A number of adjustments in the program were needed to reflect the reality encountered during its implementation. Recommendations were proposed and implemented to modify the program's design. The adjustments intervened in the project's operational methodologies - its planning, promotion and implementation; in institutional policy and practices -the means of dealing with projects for low income families, rate structures and cost recuperation; and in project design - its typologies, beneficiaries, and promotion. Other adjustments were made because of the increase in materials and construction costs. As a result, the number of families benefitted by the sewerage and shelter programs were reduced, but not substantially.

Program assumptions that proved to be ill founded were responsible for adjustments made in beneficiary policy and in the shelter typology, simplified from its original, unmanageable, overdesigned form. Recommendations

modified the assumption that established a link between the shelter program and the relocation of the families affected by the infrastrucutre work as well as those to be relocated from overcrowded areas.
It was assumed that the HLC would promote the voluntary relocation of families from overcrowded areas with the support of the local representatives. The implementation of the infrastructure sub-programs demonstrated that few families were actually affected and when enforcing relocation from overcrowded areas was required, the political will at both the national and local levels was found missing.

As a result of RHO/PSA recommendations the beneficiary group was redefined and the responsibility for the selection of the shelter sub-program's beneficiaries was placed with MIVI in mid July 1979. The shelter solutions were offered to all the residents of San Miguelito in first priority and outside San Miguelito as an alternative. As of this writing, 511 of the units in the Roberto Durán sub-project have been assigned or occupied by low income families from the metropolitan region.

Recommendations made by RHO/PSA and MIVI staff resulted in the correction of the overdesign and the reduction of ten different shelter solutions to three. The original typology proved to be an impossible task to manage by MIVI during the implementation of the program. A redesign of the number of solutions resulted in three basic alternatives plus a home improvement component. The three solutions are basic unit, piso y techo and serviced lot (sites and services) with the majority of the solutions being sites and services. The home improvement component has recently been eliminated. This is due to the limitations of MIVI administrative ability and its reluctance to enter into such a program at this time as well as to the demonstrated ability shown in other squatter areas (e.g. Santa Marta) in which some residents have been given a plot on which they have built their own units without further assistance from the local or national government.

6. Institutional adjustments/reforms, principally in MIVI, were made to accommodate new methods of addressing low income families and modify the institutional mentality to accept beneficiary specific programs and solutions. IDAAN, also, was convinced of the need to review its basic charge policy and to change what originally penalized low income families by financially overburdened them with project development costs to an equitable distribution of cost of the systems expansion on a city-wide basis.

7. A lack of a comprehensive national interest rate policy for the different housing finance institutions has also affected the shelter subprogram. MIVI has finally adopted a 10% interest rate policy for Roberto Durán based more on political considerations than on prevailing interest rates or financially sound practices necessary to the revitalization of key housing finance institutions. Without careful investigation of a currently volatile financial situation, MIVI established its interest rates to be competitive with the key middle and upper income group housing finance organization, the Caja de Ahorros. The Caja and MIVI have very little in common in terms of institutional prerogatives/mandates, cliente group, project types, etc. Had MIVI followed up on the Caja's interest rate policy it would now realize that

the Caja has reviewed its interest rate policy and increased its interest charges to at least 12%. While the MIVI rate of 10% still offers a margin to BNP (HG resources including the guarantee fee cost 9.3%), it will probably not be adequate to cover future loan rates creating a negative cash flows for the borrowing institution. MIVI is, therefore, out of step with other national housing finance institution that have increased their rates to maintain their sound financial status. Recommendations are now being implemented to rectify this situation with MIVI.

8. The program is already benefitting San Miguelito families. The number of families able to connect to the water system installed by IDAAN, is 3567, of which 2567 or 72% are benefitting from the new service. The IRHE sub-program to provide electricity and public lighting in selected areas of San Miguelito has benefitted, to date, 2823 families, or 45% of those eventually to be served. The street illumination section of the IRHE sub-program has installed, to date, 50KM of lines and almost twice the number of street lights originally programmed, or 1163 lights. The MOP has already built 20 kms of streets and drainage system. The connection to the sewage system, by families, is moving very slowly. As of this writing, 495 families have been connected (Source: IDAAN). However, this data might be misleading. There is a feeling in IDAAN that a substantial number of connections have been made without the knowledge from IDAAN.

In the shelter program, families able to qualify for the least cost shelter solution (serviced lot) in Roberto Durán are those whose incomes are as low as $140/mo., that is, families in the 14% percentile allocating 15% of their income to housing. The income range of families actually participating in the program as recipients of piso-techo and basic core units falls below the 25th percentile, allocating 20% of their income to housing.

9. Program Activities to be completed:

The following is an annotated list of programmed activities that are being carried out to complete this program:

Sub-Program I - Water and Sewerage

a. Water

Complete the installation of the water system. IDAAN has completed four of the five sub-program sectors. This last sector is 15% completed and will require seven months to complete. The last section will provide water to 20% of Samaria, one of the largest squatter settlements in the area. The sections that have been completed have been tested and are now operating. Of the 3567 families programmed to be connected, 2567 are now benefitting from the system.

b. Sewerage

The sewerage system is completed. A promotion program for the sanitary hookups is now being developed with IDAAN. An average of two

connections a day has been the rate at which families have been plugging into the system on an official basis. Close monitoring is required to guide the hookup effort, assign responsibilities between DUISMI and IDAAN and present a consistent promotion program.

Sub-Program II - Electric distribution and services

a. Complete the installation of the electrical system in its sequence. Slightly, less than half (48%) of the programmed work has been completed. An estimated seven months will be required to complete this work.

Sub-Program III - Streets, Sidewalks, and Storm Drainage

a. Complete the programmed construction as sequenced. MOP has only 25% of its sub-program to complete. It is estimated that eight months will be required to complete this work.

Sub-Program IV - Shelter

a. Monitor and review the Piso-Techo Program to determine the promotion's impact on demand. It is expected that the Piso-Techo units will soon all be sold and that a waiting list will be established to fill the Piso-Techo units to be built in the second construction phase. This effort will be carried out over the next two months.

b. Monitor the dwelling unit development process of all the units types offered in the Roberto Durán project to determine the method of dwelling consolidation and expansion and if support programs are necessary to facilitate unit development activities.

c. Continue monitoring the serviced lot promotion program. Additional marketing efforts will be carried out on a consistent basis to inform the public of the availability, advantages and costs of the serviced lot solution. This promotional effort should last at least another two months.

d. Determine, according to the response to the Piso-Techo and serviced lot promotion programs, the typology for the remaining Roberto Duran solutions to be built in Torrijos-Carter. Once this determination has been made, the construction program can be established. Once construction begins no more than 5-7 months should be required to complete the building program.

14. Evaluation Methodology

This evaluation was conducted pursuant to Section 7.02 of the Implementation Agreement and the Evaluation Plan in the Project Paper which called for a major joint evaluation after the second year. It covers the period between February 1, 1978 when the agreement was signed and March 31, 1980 for the purpose of measuring the progress in achieving the project's objectives and identifying any implementation problems that deserve attention before execution is completed. The evaluation team consisted of RHO/PSA,

supported by data and commentary provided by DUISMI (the HLC), Banco Nacional de Panama (BNP), Ministry of Planning and Economic Policy (MPPE), Ministry of Housing (MIVI), Ministry of Public Works (MOP), IDAAN, IRHE, and Municipality of San Miguelito.

The methodology used involved a review of BNP, DUISMI, MIVI and USAID/Panama files and interviews with people responsible for the various components of the program. Several staff members of RHO/PSA and a consultant to MIVI's Social Division participated in different aspects of the evaluation.

15. External Factors

Several changes in the project setting have affected certain purposes, objectives, and outputs of the project.

1. The pattern of institutional relationship involving the High Level Commission (HLC) and national government agencies has been modified. Originally, it was assumed that a local agency with a specific geographic focus such as the HLC could plan, implement and coordinate a complicated urban upgrading program involving the direct participation of powerful, national housing and infrastructure agencies.

The problem that emerged with the San Miguelito experience, despite vigorous efforts of the HLC, was that the institutions they were to coordinate ultimately exerted their influence at the expense of the HLC and reduced its role to one of monitoring project progress. While it is unlikely that the pattern of a local agency coordinating national agencies will be replicated as conceived in the San Miguelito project, the national agencies certainly developed procedures and techniques to better coordinate their respective activities. And while the HLC was to a large extent dismantled, new similar commissions have emerged in Colón and other geographic areas focusing government attention on new upgrading efforts.

2. The family relocation effort and the reduction of density of certain areas of San Miguelito have not progressed as expected because of two factors: (a) it was assumed that residents would be responsive to the relocation effort and they apparently resisted vigorously thus discouraging the community leaders from pushing the effort and (b) the density problem and need to relocate families may have been exaggerated in the initial analysis and planning stages of the program because of the tense political situation that existed at the time and the fact that program planning was made in hasty response to such a situation. Recommendations were proposed and implemented by RHO/PSA and MIVI that redefined the beneficiary selection criteria to open the program to a more general audience.

3. During the rapid and responsive planning phase of the project, certain technical assumptions and program design components were made incorrectly. The terrain in the project area was subject to unexpected sub-soil conditions (e.g. large amounts of rock) that resulted in very costly grading. These unexpected technical problems had the effect of raising costs and thereby reducing the output targets (i.e. the number of beneficiaries served by the

project). Moreover, a very complicated series of shelter solutions were designed to be implemented, but RHO/PSA and MIVI staff modified the typology to four and then to three solutions because as designed it was too difficult to administer during construction and in marketing. However, the range of solutions offered to potential beneficiaries for the first time alternatives other than the basic core unit MIVI was pushing. In addition to the small number of core units (120), the Roberto Durán shelter project includes the unfinished "piso-techo" and the urbanized lot (sites and services). The three solutions include as a key component the proven capacity of the low income groups to complete and build their own shelter.

16. Inputs

A first disbursement of $5 million was authorized under the terms of the Implementation Agreement to create a revolving fund for the initiation of all the sub-programs. The same Implementation Agreement calls for the presentation of a Final Certificate of completion of all the sub-programs six months after the last disbursement from the US Investor (1/31/80). So, the terminal date of the program has been established as of July 31, 1980.

In accordance with the arrangements of the February 1, 1980, Implementation Agreement, additional disbursements to BNP were based on construction work completed (progress payments). This included the shelter sub-programs. The manner in which disbursements were permitted for the shelter sub-program has allowed for a situation in which a substantial number of solutions were completed but not sold. The financial cost of such a situation is being absorbed by the GOP. As a result of this experience disbursements in the new programs are made on the basis of units sold not construction completed.

As of this writing, all but $1.1 million of the $15 million have been disbursed to BNP. The $1.1 million is deposited in an escrow account in the U.S. under the control of DS/H.

No technical assistance was included in the design of the HG-009. However, substantial technical assistance has been provided in overall program implementation, environmental matters and technical standards for infrastructure. This TA has been funded by DS/H with HG income resources.

The Government of Panama resources have had to be increased from $2 million to $4.3 million. The increases were provided by MIVI, $1,883,800, and by IDAAN, $396,900. As explained above, IDAAN increases are mainly due to unexpected excavation problems due to unanticipated sub-soil problems. The MIVI increases were required to cover unanticipated, costly earthmoving activities and increased building material costs.

Table 1, attached, indicates that as of March 31, 1980 about 70 percent of the total construction funds of the program were paid to contractors for work completed and accepted by DUISMI. Almost 20 percent of the construction contracts in terms of their value are about to be completed and paid by BNP. Of the remaining 10 percent, most contracts are about to be let by DUISMI.

While Table 1 reflects the flow of funds as of March 31, 1980, the status of the program is changing very rapidly, since the dry season, from January to May, is the time when construction activity is most intense. By April 15th, for example, another $200,000 in contracts were let to do the IRHE sub-program and another $250,000 in MOP contracts were let. Also work already contracted is being received and paid very rapidly by BNP during this 15 day period.

As Table 1 shows, both IRHE and MOP are somewhat behind original schedules in contracting (inputs), but this is explained by the fact those institutions had to await the completion of all water and sewer excavation activities before electrical lines could be located, roads could be paved and drainage ditches constructed. This schedule also demonstrates the integrated nature of the program in that construction is, in fact, following a coordinated and phased implementation program.

With regard to shelter solutions, Table 2 shows the types, number and cost estimates for those originally planned in the Implementation Agreement, then changed in the amended agreement and now currently programmed. The number of solutions was reduced from 2500 to 2113, or by about 15 percent due to site conditions. The inability of the aqueduct system to supply water above 80 meters above sea level, reduced the number of solutions actually built to 1,332 of which 120 are basic core units, 421 are piso-techo and 791 are urbanized lots. The remaining 781 solutions are to be built on a site located in the Torrijos-Carter project. The GOP will provide the funds needed to complete the 2,113 shelter solutions programmed under 009.

17. Outputs

The chart below indicates that outputs have changed since the Implementation Agreement was signed and subsequently amended and also shows the number of families benefitted to date:

Beneficiary Families Affected

Sub-Program	Implementation Agreement	Amended Agreement	Current Estimate	Affected to Date
Water and Sewer	11000	9100	8214	4028
Electric Lines	6045	6045	6045	2823
Roads and Drainage	4000	4000	3200	2800
Shelter Solutions	2500	2113	2113	511

The reduction in families benefitted by the program may be attributed to unforseen site problems, service limitations and excavation and earthmoving costs incurred during project construction. Earthmoving costs, to some extent, bear upon site selection decisions which were made a long time ago. However, site selection was conditioned to a large extent by factors

TABLE 1

STATUS OF CONSTRUCTION BY CATEGORY (IN US$)

Sub-Program Description	Total Construction Work Programmed	Construction Work Paid by BNP		Construction Work in Progress		Construction Wo To be Contracted	
		Amount	%	Amount	%	Amount	%
Water and Sewers	8,769,928.27	8,061,388.06	91.9	708,540.21	8.1	-	-
Electrical Lines	1,070,000	368,336.70	34.4	206,445.45	19.2	495,217.85	46.
Roads and Drainage	2,057,000	787,067.70	38.3	557,799.26	27.1	712,133.04	34.
Shelter Solutions	5,383,800	2,902,832.00	53.9	1,883,800.00	35.0	597,168.00*	11.1
TOTALS	17,280,728.27	12.119,624.46	70.2	3,356,584.92	19.4	1,804,518.89	10.4

*These funds were designated for the home improvement loan program now discontinued.

TABLE 2

SHELTER SOLUTIONS BY TYPE, NUMBER AND ESTIMATED COST

	Implementation Agreement Number	Implementation Agreement Estimated Costs($)	Amended Imp. Agreement Number	Amended Imp. Agreement Estimated Costs($)	Current Number	Units Built	Programming Estimated cos ($)
Lots w/minimum services	755	1038					
Lots w/minimum services construction materials	350	1238					
Lots w/minimum services concrete floor	350	1388					
Semi-Urbanized Lots	300	1830			1310	791	1890
Semi-Urbanized Lots w/const. materials	150	2030	782	2178			
Semi-Urbanized Lots w/concrete floor	150	2180	528	2675			
Urbanized Lots	150	2073					
Urbanized Lots w/const. materials	100	2273					
Urbanized Lots w/concrete floor	100	2423					
Urbanized Lots w/floor & roof	95	3018					
Semi-Urbanized Lots w/floor, roof, san. cor	-		703	3210	703	421	3235
Semi-Urbanized Lots w/core unit	-		100	4607	100	120	4632
Total Units	2500		2113		2113	1332	

other than soil conditions; that is, at the time, the GOP and AID were primarily concerned with providing new and replacement housing near San Miguelito, the area that program beneficiaries knew. Most of the current estimated water connections have been made but sewer connections are progressing slowly because some of the beneficiaries lack the money at this time for the connection or the families lack the sanitary core to justify the connections expense.

Another measure of outputs is the actual physical outputs or linear meters or kilometers of infrastructure constructed. The chart below illustrates physical construction programmed and achieved:

Status of Construction by Sub-Program (in Kms.)

	Originally Programmed	Actually Programmed	Completed	To be Completed
Water	47.8	49.1	32.2	16.9
Sewer	53.3	54.6	52.3	2.3
Electric Lines	65.7	65.7	50.6	15.1
Street Lights	667 Units		1163 Units	
Streets	39.6	32.6	20.0	12.6

The status of the shelter sub-program's first phase of construction is presented in the following table:

Shelter Sub-Program

Original No. Programmed Units	Modified No. Programmed Units	Units Actually Built	Units Sold "Asignado"	Units Occupied	Units Enclosed
	120	120 Basic Core	120	113	
	683	421 Piso-Techo	383	85	134
	1310	791 Urbanized Lot	8		
Total 2500	2113	1332	511	198	134

The total number of units actually built corresponds to the first phase of construction situated on the Roberto Durán site. The remaining units will be built on the recently designated Torrijos-Carter site.

The total number of units sold corresponds to the number of families having qualified and in the process of completing the paper work required. This influences the number of units occupied for only after completion of all

four stages of the selection/unit delivery process can a unit be occupied. In the case of piso-techo units while 383 piso-techo units have been sold, 157 families have completed the process of which 85 families have enclosed and occupied their unit, or over half.

The total number of units occupied corresponds to the number of families that have completed the four selection stages which provides the right to occupy their units and move into their unit.

The total number of units enclosed corresponds to the number of piso-techo units that have been completed for occupancy, that is walls, windows and doors, electrical installations and kitchen fixtures have been installed.

In summary, the project is moving along quite well and is not far behind schedule when the unforeseen problems that have been discussed are taken into consideration along with the exceedingly complicated administrative procedures and coordination problems that are inherent in urban upgrading project The project completion from the stand point of infrastructure is expected to be by December 1980. The shelter sub-program completion date is still unknown and decisions have yet to be made as to when and where the 781 solutions still to be built will be completed. It seems that the Final Certification date that the Program has been completed (six months after the last disbursement or July 31, 1980) will need to be extended for about six months for the infrastructure program and one year for the shelter program.

18. Purpose

As stated in the Narrative Summary of the Logical Framework, there were several purposes for the San Miguelito Program. They will be discussed in sequence:

1. Create as quickly as possible the basic infrastructure for the integrated development of the San Miguelito District

The program seems to have achieved the purpose of quickly responding to the planning and implementation for the integrated development of the District. The verifiable indicator to measure this purpose is that basic infrastructure was completed in phases and the provision of different types of infrastructure were integrally coordinated. Procedures were established among the various institutions involved including the principal financial institution BNP to achieve the purpose. Coordination of on-site inspections among different agencies went well. The exception to date has been the delivery of shelter solutions which was delayed because of the very complicated nature of the beneficiary selection process, the related inter-institutional problems already described, and site problems. Recommendations for the solution of these problems have been made and implemented.

2. Rearrange the actual occupation of the area in a rational manner

Rearrangement of land uses was partially achieved in the sense that the municipality of San Miguelito moved efficiently to survey and convey

land titles to residents of the area. Roughly 3300 lots were surveyed and conveyed in about 18 months. Relocation of excess population in what were presumed to be very dense area did not occur as anticipated because of reasons already mentioned. However, some land use rearrangement was achieve in the Finca Ameglio area where a relotification activity was initiated involving some family relocation. About 120 families were affected.

3. Strengthen administrative support of both local and national levels

There is no question that the administrative capability of both the HLC and national level institutions has been strengthened by the experience of San Miguelito. What does remain in question is the establishment of a pattern of institutional relationships for latter phases of development and future upgrading efforts, pilot efforts of which will be tested in the new HG-011 program. The HLC has had its roles and functions reduced with the infrastructure (i.e. IDAAN, IRHE and MOP) and shelter institutions (i.e. MIVI) filling the vacuum created in San Miguelito. But the pattern that was originally conceived has evolved into another form which is still subject to further modification as roles of the participating agencies continue to evolve in future projects. That is, it was hoped that the original institutional structure of the project would be carried forward in the future, but this is unlikely. Nevertheless, the GOP is moving toward a structure that may enable similar upgrading efforts but according to a different format. This will be further discussed in Section 19.

4. Raise the residents' sense of social and civic responsibility

The purpose having to do with resident's sense of social and civic responsibility, is difficult to verify in that it is difficult to pin down what constitutes a sense of social and civic responsibility. Previous to the San Miguelito project there was a system of community councils, five in the area, which existed to promote community improvements. In a meeting with some of those representatives, there seemed to be the opinion that the San Miguelito projects that were initiated in a number of cases created a need for other projects such as bridges, sidewalks, etc., not contemplated in the program and in a number of instances community based organizations did, in fact, carry out those improvements through self help efforts. This was supported by a municipality of San Miguelito engineer who told of an extensive sidewalk project carried out by area residents with materials provided by the municipality.

5. Broaden the focus of the High Level Commission to deal with the entire range of housing and social service needs

The purpose of broadening the focus of the HLC to address and program the entire range of social service and housing needs has not occurred. However, the program brought to bear on the area considerable attention by various government agencies resulting in the following improvement activities since 1977.

	New	Improved	Funding
Schools	6	3	Ministry of Housing
Play Fields	3	1	Municipality
Health Facilities	2	1	Ministry of Health
Community Houses	5	1	Municipality

19. For the purposes of this evaluation, the goals of the program will be drawn from the Logical Framework included in the Project Paper and will be discussed in sequence.

Goal: Assist the Government of Panama in the implementation of its marginal urban area development policy through the establishment of a pattern of institutional cooperation with local coordinating commissions.

The San Miguelito project is among the first of a series of redevelopment efforts and probably the largest and most complex to be implemented by the GOP. The project did assist in establishing a pattern of cooperation among local and national level organizations. However, the pattern of institutional relationships that emerged from San Miguelito has been subjected to a continual series of modifications and the actual instituionalized pattern for redevelopment has yet to be fully established according to a specific model. The modifications that have occurred until now are the following:

a. The HLC has changed its role from a coordinating and implementing agency to one that monitors action and it has also lost its previous initiating and planning function.

b. The initiating and planning function of redevelopment activities has now been vested in MIVI which was the institution that had previously built housing but not acted formally as a catalyst for redevelopment and upgrading activities.

c. The coordinating and implementation of infrastructure has returned to the national agencies which traditionally had been responsible for such activities.

d. A new pattern of institutional relationships is emerging with MIVI assuming much greater responsibility to initiate shelter improvement and upgrading but borrowing from patterns of coordination that have grown out of the San Miguelito program.

Goal: Demonstrate that the housing and public service needs of marginal area redevelopment can be met and satisfied through loans financed at commercial rates of interest with a maximum of local participation and a minimum of national subsidy.

The Implementation Agreement, based on the agreed upon design for the project reflected in the PP, calls for all the sub-programs to be recuperated through the different mechanisms available to each of the participating institutions directly from the families benefitted. The actual implementation of the program has served to establish certain basic criterias in dealing with user charges and interest rates.

Water and Sewerage Sub-Program: The setting of the water and sewerage assessment was originally established by dividing the total financial and interest cost among the estimated families to be benefitted. This resulted in a cost of around $14 for each family plus their regular water consumption. This approach was revised jointly between IDAAN and RHO/PSA. The conclusion was reached to evaluate the overall financial cost of IDAAN (including the cost of HG-009 loan) and the estimated cash flow of IDAAN taking into account all the income and expenses of the institution. In brief, IDAAN, for the first time took a look at the manner in which overall user rates are established

As a result of the evaluation described above, IDAAN has now developed a formula which allows for the recuperation of the loan received from the US Investor through BNP applying to such the overall financial cost of IDAAN (4%). This formula results in water/sewerage assessment of around $5 per family. A decree has been drafted setting the $5 for the first five years. This amount will be adjusted, if needed, in accordance with the overall income and expenses of the institution (in other words in accordance with a policy affecting not only San Miguelito, but all the users of IDAAN) after the first five years.

Electrification Program: IRHE has set the recuperation of the interest based on the overall capital and financial cost of the institution. In other words, IRHE has applied the rates taking into account all the source of funds and their income, not only for San Miguelito, but for all Panama. This is a formula similar [illegible] the one used by IDAAN.

Streets, Drainage an[illegible] A direct recuperation from the families was not established i[illegible]gn of the program. The nature of this sub-program demands that rec[illegible]ion will be made from the general revenues received by the GOP from real estate taxes and special property assessment.

Shelter Sub-Program: An increase in the cost of the unsold units and the ones not yet built has just taken place, based upon the detailed cost analysis prepared by MIVI. With respect to the financial cost MIVI has been erratic in the application of a standard rate of interest. MIVI increased the rates from 9% which was the standard rate applied for all the projects. A number of units in Roberto Durán now have an interest rate at 11%, but the majority will be at 10%. This rate still allows for the repayment of the US investor and the administration cost for BNP. The implications of a 10% rate in future programs in the area is now being discussed with the National Mortgage Bank (incidentally, BHN has not assumed responsibility for the repayment of Roberto Durán, but rather BNP) and MIVI to establish as recommended a variable interest rate plan.

In conclusion, the HG-009 has made an impact in the manner in which capital investment is recuperated. It has also set the stage for the development of an interest rate policy needed in the shelter sector.

20. Beneficiaries

The direct beneficiaries of the San Miguelito project are those who are obtaining new shelter solutions and access to public service hook ups. The indirect beneficiaries are residents in the general area such as those in Los Andes who are benefiting by the extension of trunk lines to the general urban area as well as those being affected by the generation of new public and private activities and rising property values.

The outputs section shows the number of families directly affected by water and sewerage connections, electrical hook ups, roads and drainage improvements and shelter solutions to date and the current estimates of the ultimate direct benefits to be obtained.

Sub-Program	Implementation Agreement	Amended Agreement	Current Estimates	Benefitted to Date
Water and Sewerage	11000	9100	8214	4028
Electrical Lines	4000	6045	6045	2823
Roads and Drainage	6045	4000	3200	2800
Shelter Solutions	2500	2113	2113	511

The project and its outputs have not been in existence long enough to have an effect on such key impact criteria as the reduction of infant mortality, reduction in public health problems caused by inadequate environmental conditions and the like and therefore, must be looked into in the next few years. But some information is available to describe the characteristics of the beneficiaries and how they have benefitted.

For the shelter sub-program of the 1332 units that have been constructed, recent survey information shows that about 83 percent of these solutions sold were provided to families whose monthly income ranged between $140 and $289 placing them in the 14th to 25th percentile of urban family income distribution in Panama City. Therefore, a vast majority of the families benefitted can be considered the poorest of the urban poor. Another important result is that, while the original target population who lived in the high density area chose to remain there, a large number of San Miguelito residents in other sections of the community chose to improve their shelter conditions by soliciting and obtaining a new unit. Of all families who received a solution, 73% formerly resided in San Miguelito. Another important fact is that prior to the opening of the units to people outside San Miguelito, only 100 applications were received, but once the units were opened and the community could see the units completed, applications almost cuadrupled with about 75 percent coming from San Miguelito residents who apparently see the units as an improvement in their current living conditions.

The project, in a very real sense, has had a significant economic impact on beneficiaries. About 3300 lots were surveyed and legally transferred. Prior to the project the residents possessed the asset of the physical improvements on the land, but the land itself was not an asset since it did not belong to the residents. At the time the project was initiated, the Municipality required residents to pay $1.74 per square meter in Pan de Azucar and $1.00 per square meter in the areas of San Antonio and Gelabert. Those values now, almost three years later, are $8 and $3 respectively, with the values in San Antonio and Gelabert soon to rise to about $10 a square meter when infrastructure improvements are completed. Assuming an average lot size of 180 square meters, the project has meant a substantial transfer of assets, roughly $1200 to $1600, to a large number of very poor families. The San Miguelito program has meant as much as anything an immediate transfer of resources to a large number of poor people.

21. Unplanned Effects

Virtually all of the unplanned effects have been positive. They are as follows:

1. The large scale construction activities related to the project led to a number of environmental problems associated with earthmoving, grading, phasing of construction, site planning and the like. This has caused the Ministry of Housing and infrastructure agencies to adopt a series of design and maintenance measures to be incorporated in future projects that will reduce such impacts. Moreover, infrastructure agencies are developing new approaches to maintenance and are recognizing the need to develop programs for maintaining septic tanks, a common form of sewerage control.

2. While it was planned that the project should lead to a number of new institutional relationships and coordination procedures, the project has been so complex, because of its nature, that a wide variety of new supervision, inspection and payment procedures has been developed. Moreover, the Housing Ministry has developed a much greater capacity to plan, implement and assign units as well as greatly improve its intra-institutional coordination resulting in a much improved dialogue among its various departments and divisions.

3. The Municipality of San Miguelito in many regards played a more vital role than originally contemplated vis-a-vis the relationship between residents and institutions. The focal point of the project design was more on the HLC and national institutions. But the Municipality demonstrated a strong capacity to carry out the complicated task of surveying and title registry rapidly and coordinate small scale community development projects. The project illustrates the potential of municipal level governments to perform community development activities and are not to be underestimated in their capacity to participate in urban development projects.

22. Lessons Learned

1. Urban upgrading is a very complicated form of development intervention and it involves a great deal of coordination at the highest level of

interinstitutional programming and coordination as well as the elementary level of fitting individual families into shelter solutions options. There is a need to keep such upgrading programs as adminstratively simple as possible. Whether the creation of new organizations such as the High Level Commission facilitated program implementation and was the most appropriate solution to a difficult planning and implementation problem is debatable.

2. Moreover, there is a need for a strong central agency to control project development rather than fragmenting responsibilities, because if certain unanticipated responsibilities need to be defined as the project unfolds, such as in the case of beneficiary selection for new shelter solutions, the void can be filled without too much confusion and interinstitutional conflict and vacillation.

3. The ability to promote shelter solution programs should not be taken lightly nor should follow-up activities related to monitoring the beneficiary families adaption to their new living conditions. The social, economic, and cultural adaptations such families experience needs to be considered as an integral component to upgrading and shelter program design.

The need for project specific information campaigns became apparent as the program developed to inform the public as potential beneficiaries of what was being made available. Especially for innovative programs, promotion is required to present and explain the solutions being offered and why. In the instance of the shelter sub-program, the fact that MIVI was offering a variety of shelter options marked a change in MIVI's image since it had been offering only a basic core unit. Only through the promotional campaigns did these changes become known.

4. Slum upgrading and improvement programs are vital and important programs that need to be complemented by other programs particularly those geared to employment generation. Vigorous efforts by AID should be made to stress new techniques for reinforcing economic change in slum areas as well as newly emerging large-scale low income urbanizations such as San Miguelito. These areas have economic and employment generation potentials that need to be reinforced. For example, all sorts of construction related activities can become catalysts of economic change.