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PD-AAF-991-01

CLASSIFICATION  
PROJECT EVALUATION SUMMARY (PES) -- PART I

Report Symbol U-447

1. PROJECT TITLE  Rural Municipal Development			2. PROJECT NUMBER 525-0176	3. MISSION/AID/W OFFICE Panama
			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)  <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
5. KEY PROJECT IMPLEMENTATION DATES		6. ESTIMATED PROJECT FUNDING		7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY <u>75</u>	B. Final Obligation Expected FY <u>76</u>	C. Final Input Delivery FY <u>79</u>	A. Total \$ <u>4,700,000</u> B. U.S. \$ <u>4,000,000</u>	From (month/yr.) <u>January, 1977</u> To (month/yr.) <u>September, 1978</u> Date of Evaluation Review
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

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT	
<input type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify)	A. <input type="checkbox"/> Continue Project Without Change	
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____	B. <input type="checkbox"/> Change Project Design and/or	
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify)	<input type="checkbox"/> Change Implementation Plan	
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____	C. <input type="checkbox"/> Discontinue Project	

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)		12. Mission/AID/W Office Director Approval	
Lic. Jaime Simons, FODEM, National Bank of Panama		Signature <i>Frank Almaguer</i>	
Joselyn Fearon, Project Manager, USAID/Panama		Typed Name Frank Almaguer	
		Date 3/12/80	

## PROJECT EVALUATION SUMMARY-PART II

### 13. SUMMARY

The project is designed to assist the Municipal Development Fund (FODEM) in the National Bank of Panama by providing it with resources so that it can carry out a technical assistance and lending program for the rural municipalities. The project has been effective to the extent that the concessional loans from FODEM to the municipalities have resulted in greater local investments, more employment and more productive use of local raw materials. Another encouraging sign is that FODEM's lending activities are well run, with a strong emphasis on making loans for activities which are feasible from a technical and financial standpoint, which are well administered, which distribute the benefits of the activities to the largest number of people possible, and which have a minimal adverse affect on the environment.

The project has been ineffective, though, in creating within the municipalities the capacity to provide and coordinate most of their social services. The only exceptions are those municipalities that are included in the Rural Growth and Service Centers (URBE) program. This problem is caused by the following:

- Training and technical assistance have not focused on those areas that would have the greatest impact on the needs of the municipalities.
- There has been little coordination between those GOP agencies with the capabilities and the responsibility for assisting the municipalities.
- There are administrative and managerial deficiencies in FODEM's loan programs.
- There are deficiencies in the staffing policies and practices and in the structure of FODEM.

### 14. EVALUATION METHODOLOGY

This evaluation covers 1976 through 1978, and was conducted pursuant to the Evaluation Plan in the Project Paper which called for an annual routine evaluation to measure the progress, if any, of the project. It was conducted during October and November 1978 by Thomas McKee, Project Analyst from the Poyner International consulting and research firm, under AID contract No. 525-359T.

The methodology used was to analyze the information gathered through interviews and file searches in FODEM and AID/P. The evaluator focused on the following areas:

- Continued relevance of the FODEM program as originally designed
- Progress toward planned targets
- Unplanned results
- Performance causality

15. EXTERNAL FACTORS

There have been no major external factors that would tend to modify the project in any way. The original assumptions are still valid.

16. INPUTS

The technical assistance and training components of the Project have provided courses to a large number of persons, primarily staff of the municipalities. The problem with both of these components is that (a) technical assistance has been limited to issues that do not have a significant impact on the improvement of the project; it has not focused on the more important and difficult areas of municipal finance, administration and planning, and (b) training has also focused on areas of relatively low priority, such as clerical work and human relations and has not dealt much with administration and planning.

The table below compares expenditures on the project to what was planned:

	<u>PLANNED</u>	<u>ACTUAL</u>
USAID	4,000,000	1,178,000
GOP	1,100,000	400,000 (estimated)
Municipalities	425,000	880,000 (estimated)

The major change needed in the inputs is that more and better technical assistance and training are required for the staff of FODEM. The staff still do not have sufficient capabilities to help the rural municipalities in providing and coordinating most of the public services expected of them.

17. OUTPUTS

	<u>PLANNED</u>	<u>ACTUAL</u>
A. Trained Staff on board	34	26
B. Trained Municipal officials	900	357 (Note: Info. not available on some 1978 courses)

	<u>Planned</u>	<u>Actual</u>
C. Cumulative loan portfolio in Banco Nacional de Panama (BNP) 1978	\$ 6,415,000	\$ 1,621,900
D. All operational procedures manuals are prepared and in use.		

Some of the planned outputs were not achieved because of the problems with the inputs (e.g., insufficient and inadequate technical assistance and training for the staff of FODEM) mentioned above.

#### 18. PURPOSE

"Improve the quality and quantity of rural municipio administration, productive activities and services by concentrating on:

- a. Municipal Administration
- b. Development planning
- c. Project preparation and implementation."

EOPS #1: Trained Municipal Development Fund Staff on board as follows:

By end of CY 1976 - 24  
By end of CY 1977 - 27  
By end of CY 1978 - 34

Achievements to date:

At end of CY 1976 - 29  
At end of CY 1977 - 36  
At end of CY 1978 - 26

EOPS #2: Advisory Council and Technical Coordinating Committee operational by 1st quarter of CY 1976.

Achievements to date:

Advisory Council and Technical Coordinating Committee not operational, yet.

EOPS#3: Participating agencies providing coordinated T. A. and Training by 1st quarter CY 1976. A minimum of 10 man/years annually by end of CY 1978.

Achievements to date:

Limited participation by participating agencies in 1976 and 1977, but no effective coordination currently being achieved.

**EOPS #4:** At least 10 rural municipios will, by 1978 (and at least 30 by 1981), have:

- a. Improved budgeting and accounting systems (containing elements of program budgeting.)
- b. Ability to prepare loan requests that are technically and economically acceptable to the BNP.
- c. Ability to implement loan-financed projects with minimum technical assistance.

**Achievements to date:** None for all three.

**EOPS #5:** Baseline data for evaluation of the impact of overall programs collected by mid-1976.

**Achievements to date:** Collected as planned.

**EOPS #6:** Information-evaluation system designed by end of third quarter of CY 1976.

**Achievements to date:** System was designed as planned.

**EOPS #7:** A minimum of 25% of projects evaluated by end of CY 1978 as to the effectiveness of their execution and impact on the rural population.

**Achievements to date:** No projects were evaluated.

**EOPS #8:** A minimum of 80% of loans to municipios under this project being repaid (including interest) on original schedule.

**Achievements to date:** 100% of loans being repaid.

**EOPS #9:** A minimum of 80 of sub-projects meeting projections contained in original sub-loan agreements.

**Achievements to date:** Target being met--minimum of 80% of subprojects meet projections.

**EOPS #10:** Average length of time between formal submission of request by Municipio for funds until final decision by Fund does not exceed.

- a. 60 days by 1976
- b. 45 days by 1977
- c. 30 days by 1978

**Achievements to date:**

- a. 1976 - 210
- b. 1977 - 165
- c. 1978 - 165

The reasons for these shortfalls are the inadequate T.A. and training mentioned above.

19. GOAL/SUBGOAL

Subgoal: Enhance the capabilities of rural municipios to:

- a. Stimulate and provide productive activities and social services.
- b. Develop market town systems providing access for the rural poor to social services and to the market economy.

Indicator #1: Approximately 150 sub-loans to municipios approved, as follows:

- a. 1976 - 30
- b. 1977 - 50
- c. 1978 - 70

**Achievements to date:**

- a. 1976 - 9
- b. 1977 - 4
- c. 1978 - 5

Indicator #2: Revenues of rural municipios will increase by at least 50% from CY 1975 to CY 1978 as a direct result of activities initiated under this project.

**Achievements to date:** FODEM has not maintained data on this indicator, but the concensus is that there has been little significant increase.

**Indicator #3:** At least 10 rural municipios increase percent of revenues spent annually on development projects by 50% by the end of CY 1978. A majority (at least 30 rural municipios) by CY 1981.

**Achievements to date:** FODEM has not been maintaining data on this indicator, but they are sure, based on their knowledge of municipal budgets, that no significant increase has taken place.

**Indicator #4:** At least 10 rural municipios have developed and are implementing formal administrative and revenue improvement plans by end of CY 1978. A majority (at least 30 rural municipios) by CY 1981.

**Achievements to date:** No municipios have developed and/or are implementing formal administrative and revenue improvement plans.

**Indicator #5:** At least 10 rural municipios have prepared and adopted formal medium/long-range development plans by end of CY 1978. A majority (at least 30 municipios) by end of CY 1981.

**Achievements to date:** No plans prepared or adopted.

**Indicator #6:** At least 25% of the rural population will be directly and substantially benefited by sub-projects under this program by end of CY 1978. At least 50% by end of CY 1981.

**Achievements to date:** The BNP states that some 460,000 people, roughly 30% of the population, is benefiting directly and indirectly from the subprojects in 13 municipalities. In addition, 400 new jobs have been generated with annual total salaries of \$480,000.

**GOAL:** "Strengthen the constitutional process by institutionalizing the participation of local government units to assume a larger role for identifying and meeting many of the socio-economic needs of their inhabitants in concert with national and regional development programs."

**Indicators:**

1. The 10 municipios identified by the GOP as growth and

services centers, representing 15% of the rural municipios will be providing and/or coordinating a large part of their services within their constitutional mandate by the end of CY 1978.

2. A majority of rural municipios (at least 30) will be providing and/or coordinating all of their services within their constitutional mandate by CY 1981.
3. At least 15% of the value of the development budget reviewed by the Provincial Coordination Councils will be the result of clearly identifiable locally initiated activities by CY 1978. At least 30% by CY 1981.

Achievements to date: There has been no attempt by FODEM or the BNP to monitor the progress of these three indicators. However, based on the evaluator's observations and conversations, most of the municipalities are not and will not soon be able to provide or coordinate most of their services. The exceptions are those municipalities that will be included in the URBE program.

This situation exists because of the inadequate managerial and technical capabilities of the rural municipal officials-- which, in turn, remain inadequate because of the problems mentioned in the summary section #13--insufficient funds for the municipalities and the failure of the Municipal Development Program to correct these problems. Gradual, but very slow progress is being made to ameliorate the situation.

## 20. BENEFICIARIES

The direct beneficiaries of this project are the 63 rural municipalities that historically have been unable to provide public services (potable water, sewerage, refuse disposal, power, markets, schools, health centers, slaughterhouses and feeder roads) to their inhabitants. A consequence of this condition is that many of these services are not provided at all or are provided on a limited basis by national decentralized agencies, with little or no local participation.

The reasons for this situation are: migration of their inhabitants to urban centers, inadequate technical and administrative capabilities, limited tax base, inadequate financial resources, inadequate rural services and inadequate infrastructure.

This project was designed to help the rural municipalities to  
(a) stimulate and provide productive activities and social services and

- (b) develop market town systems providing access for the rural poor to social services and to the market economy.

21. UNPLANNED EFFECTS

None.

22. LESSONS LEARNED

A logical follow-up to this project would be the creation and development of a single, independent institution with all the capabilities (technical assistance, training, lending, etc.) needed to assist the rural municipalities. This, in fact, was the original intention of the designers early in the development stage of the project. The idea was modified to conform to what the GOP considered to be politically acceptable. The result was a compromise necessitating a two-level coordinating mechanism (policy and technical). This mechanism has not functioned, thereby causing many of the problems experienced by the project.

23. SPECIAL COMMENTS

Enclosed with this PES is the evaluation report prepared by the evaluator from the Poyner International consulting and research firm. It consists of 45 pages.

The Poyner report lists a number of recommendations with which the Mission agrees, in general. The GOP, however, while indicating basic concurrence with the recommendations, has not agreed to implement them.

After the evaluation was conducted, the Mission informed the GOP that we considered certain of the recommendations to be essential and that we would consider extending the terminal dates of the Project if the GOP required additional time in order to carry out those recommendations. Alternatively, we were also willing to consider other courses of action which the GOP might want to propose.

The submission of this PES was deferred to permit the results of the above process to be incorporated. As it turned out, while the GOP was considering possible courses of action the original TCD and TDD expired. When the GOP finally decided not to implement the recommendations, the Mission extended the terminal dates for a period considered sufficient for orderly completion of the Project.