PD-AAH-310 522-0022

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) – PART I

5220022001501

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
MUNICIPAL DEVELOPMENT PROGRAM	522-W-022	USAID/H

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)

☒ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES

A. First PRO-AG or Equivalent FY 75

B. Final Obligation Expected FY 75

C. Final Input Delivery FY 79

6. ESTIMATED PROJECT FUNDING

A. Total $ 6,100,000

B. U.S. $ 4,100,000

7. PERIOD COVERED BY EVALUATION

From (month/yr.) 6/75

To (month/yr.) 1/80

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
Since this is a final evaluation after the TDD, no action decisions have been made. However, a number of recommendations arising from the Project evaluation have been incorporated into a follow-on Project.		

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

☐ Project Paper ☐ Implementation Plan e.g., CPI Network ☐ Other (Specify)

☐ Financial Plan ☐ PIO/T

☐ Logical Framework ☐ PIO/C ☐ Other (Specify)

☐ Project Agreement ☐ PIO/P

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. ☐ 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)

JCKelley, HRD/UDSA

POrr, PCR

JMStone, HRD

L.Ruelas, PMD

12. Mission/AID/W Office Director Approval

Signature

Typed Name

John R. Oleson, Mission Dir.

Date

AID 1330-15 (3-78)

13. SUMMARY

This evaluation summarizes the findings of the outside evaluation of the Project conducted in September, 1975 and a joint GOH/USAID evaluation conducted in November, 1979.

a. Progress in Relation to Design

1. GOAL:

The goal of the Project was to improve the quality of life for the rural man. The conclusion of the outside evaluation was that this could not be determined until two or three years after completion of the subprojects. The impact on quality of life of persons living in the urban areas, on the other hand, has been inmediate and positively beneficial. A total of 53 subprojects for potable water supply, more higgienic markets, sanitory wasted disposal, improved transport facilities, and improved municipal administration have benefitted approximately 125,000 persons in the 27 municipalities affected by the Project.

2. PURPOSE:

The purposes of the Project were achieved. The reform of BANMA was completed, enabling it to provide financing and technical assistance on a systematic, continuing basis for municipal projects of benefit to the rural man. The governments of 27 polar and sub-polar counties have been improved and these countries are functioning more effectively as a result of the program of administrative reform.

The Project mobilized resources for local development, providing twice as much credit to municipalities other then Tegucigalpa and San Pedro Sula during the Project period of 5 years as had been provided in the previous 12 years.

b. Major Problems Encountered

The major problems encountered during the Project were administrative. Delays in establishing administrative procedures brought about a slow commitment of resources during the first two years of the Project. External audits revealed a number of administrative deficiencies, most of which had been corrected by the end of the Project.

14. EVALUATION METHODOLOGY

The major evaluation of the Project was conducted by an outside evaluator. The method and results of this evaluation are contained in the Final Evaluation Report, dated December, 1978. The evaluation is Attachment No. 1 to this PES.

In addition, a joint GOH/USAID term evaluated certain key aspects of project progress in November, 1979. The findings of the evaluation are reported in the background section of the Project Paper for the second Municipal Development Program, which is attached to this document.

15. EXTERNAL FACTORS

A major external factor has had an impact on achieving the purpose of strengthening ability of municipalities to finance their own development. This was the transfer of the wood tax from municipalities to a Central Government Agency. The change resulted from a shift in host country priorities toward viewing the forest resource as a national rather than a local resource. However, its loss was more than offset in the polar and sub-polar municipalities by the beneficial impact of administrative reform programs, which increased municipal revenues by 30 to 100% despite the narrowing of the tax base.

16. INPUTS

(Not applicable)

17. OUTPUTS

(Not applicable, as Project design does not include them).

18. PURPOSE

The specific purposes of the project are (a) complete the BANMA reform program and enable BANMA to provide financing and technical assistance on a systematic, continuing basis for municipal projects of benefit to the rural man; and (b) improve the capacity of the governments of the 27 rural polar and sub-polar counties to function effectively as agricultural service centers.

a. BANMA EOPS

	INTENDED	ACTUAL
i.	Financing of at least 100 projects in 35-40 municipalities with a total subloan amount of $8.5 million.	BANMA financed approximately 110 projects with a total subloan amount of approximately $19 million between 1975 and 1979.
ii.	Be operating in the black.	BANMA operated in the black for the first time in 1979, with a net profit of $ 203,921.
iii.	Reduced its delinquency rate to no more than 2% of the amount due and payable.	BANMA's delinquency rate is 2.5%, compared to 9% in 1975.

iv.	Increased its capital from $1.4 million as of 12/31/73 to 8.0 million of 12/31/77.	BANMA has capital assets of $15,166,226 as of 11/31/79.
v.	Reduced its long term debt by $600,000.	This indicator is not appropriate
vi.	Have assets of $10 million with a municipal loan portfolio of $8.0 million.	BANMA has assets of $27,695,766 with a loan portfolio of $23,179,200.
vii.	Have increased its municipal deposits from $285,000 of 12/31/73 to $735,000 by 12/31/77.	Municipal deposits total $500,000.
viii.	Have the deposits of 120 municipalities among its assets through the correspondent bank plans.	40 municipalities have deposits through the correspondent book plans.
ix.	Have provided or coordinated provision of direct technical assistance to 60 municipalities.	Technical assistance was provided to 64 municipalites in the Project period.
x.	Established formal channels of communication with the various agencies of the GOH that influence municipal operations in order to assist in the development of programs and policies beneficial to the municipalities.	Channels of communications have been established with the government offices in the MOG responsible for municipal development programs and policies.
xi.	Created an on-going T.A. program for municipal officials as evidenced by a plan of operations, a budget, and past performance.	A permanent TA program for municipal officials has been established.
xii.	The BANMA staff will have developed sufficient expertise in planning, administration and accounting to permit the institution to operate without external T.A.	BANMA staff is capable of operating without external TA, except in the area of assistance to smaller municipalities.
xiii.	Developed operational procedural manuals based on the	Seven procedural manuals with policies, regulation and di-

	policies, regulations, and directives developed during its reform period, and established a procedure for amending the manuals as required.	rectives have been adopted, and are being implemented. These manuals cover all the areas of interest from the reform period.
xiv.	Developed policies and procedures (including project analysis) which accounts for and gives priority to social equity considerations in approving projects.	BANMA did not develop explicit policies to increase the social equity of its program. However, this will be a principal purpose of the follow-on project.
xv.	Managing its operations in compliance with the instructions found in the manuals and procedures mentioned in xiii and xiv above.	BANMA made substantive progress in managing its operations in compliance with manuals and procedures developed.

b. POLAR AND SUBPOLAR MUNICIPALITIES EOPS

i.	Emphasized the development of services required by the low income rural population living outside of the county seat.	Markets, slaughterhouses, and transport terminals, which service the low-income rural population outside the county seat, accounted for 55% of subproject financing.
ii.	Raised the percentage of their revenues spent on investment to 35% per year.	Achieved in 14 of the 26 target municipalities. (See footnote on page No. 6)
iii.	Raised the percentage of their revenues spent on investment in class A and B (high priority) projects to 25% per year.	Percentage of income increased as follows· 12% for administrative projects, 47.2% for markets, and 14.6 % for potable water.
iv.	Made accessible to 50% of rural residents a hygienic market or slaughterhouse within 2 hours travel of their farms.	Markets and slaughterhouses were built in 18 of the 27 municipalities.
v.	Have created 600 temporary and 300 permanent jobs through loan funded projects and 2,500 temporary jobs through subcontracts with construction companies.	This employment objective was exceeded by September, 1978 (see DA evaluation).

vi.	Have installed tax billing and accounting systems and be collecting in 1977 80% more taxes than in 1973.	30 municipalities including all polar and sub-polar municipalities, installed tax billing and accounting systems, with an average increase of 100% more taxes.
vii.	Have installed double entry accounting systems and be maintaining them up to date.	11 municipalities installed double entry accounting systems.
viii.	Formed 8 intermunicipal cooperatives which will be providing efficient road maintenance and improvement services on over 800 Km. of roads in key agricultural areas.	This indicator was not achieved, because municipal governments and the Ministry of Public Water did not agree on means to achieve it.
ix.	Developed a planning and budgeting capacity.	Not much was achieved, due to high turnover rate of personnel.

19. GOAL

The goal of the Project was to improve the quality of life of the rural man. The conclusions of the outside evaluation was that this impact could not be measured until two or three years after the conclusion of subproject construction, i.e. 1982 or 1983.

20. BENEFICIARIES

a. Health

Potable water and sewage systems have benefited approximately 25,000 families. Because of the complex nature of factors influencing infant mortality, the benefits cannot be stated in terms of a percentage reduction in infant mortality rates. Nevertheless, since 60% of infant mortality results from gastrointestinal aliments, and since most gastrointestinal disease is transmitted by unsafe water, it can be asserted that these systems have had a significant positive impact.

b. Small-farm Productivity

Approximately 10,000 small farmers market this agricultural produce in the 17 markets constructed in this Project. Again, the complexity of the causal situation in small farm productivity makes it difficult to calculate the effect of improved marketing facilities on small farm productivity. One

of the conclusions of the 1978 Agriculture Sector Assessment for Honduras was that deficient marketing systems posed a serious external constraint to increasing small farm productivity. A significant component of these deficient market system is the lack of adequate market facilities with sufficient capacity to handle production in the hinderland of market towns. Therefore, an improvement in facilities does contribute to eliminating the constraint, albeit in a manner which is not quantifiable.

c. Reduce Rates of Development and Underdevelopment

The Project had a significant short-term impact on unemployment, as it generated approximately 977,760 man/days of unskilled labor. Its long-term impact on unemployment is mediated by two intervening mechanisms: (1) increased municipal revenue, leading to improved municipal investment and this generating employment; (2) increased agricultural production, which reduces rural underemployment. However, again because of the complexity of the mediating mechanisms, the size of this impact cannot be reliably estimated.

21. UNPLANNED EFFECTS

There is no evidence of unplanned effects.

22. LESSONS LEARNED

One lesson learned in the Project is that municipal development banks can fulfill an important role in financing development efforts that fall in the gaps between sector programs. With the exception of water and sanitation systems, the subprojects financed under the Project do not clearly fit into the definition of a particular sector. Another leason learned is that a number of development projects which are difficult to finance in the private sector, can be financed on a self-financing basis, rather than through large-scale subsidies. For example, water systems in the municipalities would not qualify for commercial credit, yet they were built on a self-sustaining basis in intermediate municipalities.

A follow-on Project will be financed based on experience in this Project. The follow-on will concentrate on lending resources for similar subprojects to smaller municipalities.

23. ATTACHMENT:

1. Development Associates. Final Report Evaluation of the Autonomous Municipal Bank of Honduras, December, 1978.

2. Background Section. Municipal Development Bank II Project Paper.

FOOTNOTE: The 35% goal is an unrealistic target, given the erosion of the tax base in the 1974-1979 period; the reduction in municipal revenues was offset by administrative reform projects, which in a number of cases allowed the municipalities to operate at pre-1974 levels.