

PROJECT EVALUATION SUMMARY (PES) - PART I

| | | | |
|---|--|---|--|
| 1. PROJECT TITLE MUNICIPAL EARTHQUAKE RECOVERY | | 2. PROJECT NUMBER 520-0236 / 1 | 3. MISSION/AID/W OFFICE USAID/Guatemala |
| | | 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) 82-04 | |
| | | <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>77</u> | B. Final Obligation Expected FY <u>78</u> | C. Final Input Delivery FY <u>81</u> | A. Total | \$ <u>11,500,000</u> | From (month/yr.) | <u>09/76</u> |
| | | | B. U.S. | \$ <u>8,000,000</u> | To (month/yr.) | <u>07/82</u> |
| | | | | | Date of Evaluation Review | <u>10/13/82</u> |

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., telegram, SPAR, PIO, which will present detailed request.) | B. NAME OF OFFICER RESPONSIBLE FOR ACTION | C. DATE ACTION TO BE COMPLETED |
|---|---|--------------------------------|
| AID/W authorization of one year extension to complete municipal works to increase impact of INFOM and municipal institutional activities as well as promote productive enterprises to contribute income source to selected poorer municipalities. | L. Odle, PDO | 08/82 |
| Review and approval of INFOM's requested reprogramming. | L. Odle, PDO D. Enos, HRD | 10/82 |
| One USAID Project Manager should be assigned to take more active role in monitoring project implementation and identify areas needing attention by management. | D. Enos, HRD | 09/82 |
| Review method of authorizing disbursements against commitments. | R. Eduardo D. Enos, HRD | 09/82 |
| Review of the contract system to see if such a system is more efficient than the force account system used in earlier construction. | L. Odle, PDO | 01/83 |
| USAID should analyze whether INFOM should be reimbursed for 2 municipal enterprises funded by INFOM. | R. Eduardo L. Odle, PDO | 11/82 |

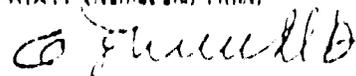
9. INVENTORY OF DOCUMENTS TO BE REVIEWED PER ABOVE DECISIONS

| | | |
|---|---|--|
| <input type="checkbox"/> Project Paper | <input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network | <input type="checkbox"/> Other (Specify) |
| <input type="checkbox"/> Financial Plan | <input type="checkbox"/> PIO/T | _____ |
| <input checked="" type="checkbox"/> Logical Framework | <input type="checkbox"/> PIO/C | <input type="checkbox"/> Other (Specify) |
| <input type="checkbox"/> Project Agreement | <input type="checkbox"/> PIO/D | _____ |

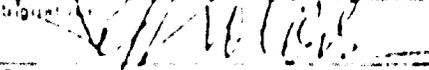
10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

| | |
|----|--|
| A. | <input type="checkbox"/> Continue Project Without Change |
| B. | <input type="checkbox"/> Change Project Design and/or |
| | <input type="checkbox"/> Change Implementation Plan |
| C. | <input checked="" type="checkbox"/> Discontinue Project |

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


Gilberto Méndez, HRD

12. MISSION OFFICE USE FOR APPROVAL

Signature: 

Typed Name: Peter Kolar

Date: 10-13-82

13. SUMMARY

The project to restore and upgrade the quality of life of inhabitants living in the earthquake zone consists of four discrete components for which the Instituto de Fomento Municipal (INFOM) was responsible for project implementation, including the contracting of all services, procurement of all equipment and materials, training activities and evaluation of the program. This was a program designed to urgently address a national catastrophe in 1976 but six years later only 43% of the loan funds had been disbursed. Completion of Municipal Reconstruction Component is of most concern to Mission given the large amount of uncommitted and undisbursed funds and complexities of implementation. The other three components reflect lesser amounts of funds and in view of recently demonstrated progress, Mission foresees less difficulty in fully committing and disbursing these funds. (See Table Below)

14. EVALUATION METHODOLOGY

This is a scheduled progress evaluation as specified in the evaluation plan of the Project Paper. The purpose of the evaluation is to determine whether reasonable progress is being made toward reaching program objectives, to identify obstacles in the implementation process and to recommend appropriate corrective actions. The data for this evaluation were obtained from the personal experiences of the Project Committee, interviews of INFOM personnel and from reports submitted by INFOM and private contracting firms involved with project implementation. The focus of the evaluation is on the overall rate of progress of INFOM in meeting overall project objectives and specific subproject goals.

15. EXTERNAL FACTORS

During the course of this project, there have been no major changes in the project setting that have had an adverse impact on the project.

16. INPUTS

Table below (in thousands) provides details on commitment and disbursement status of loan's four components as of June 30, 1982. With only minor variations, the data reflects reprogramming of the loan completed in July 1980 prior to the first USAID extension of TCD and TDD. Reprogramming entailed reduction of components B and C below by \$200,000 from the original budget and an increase of components A and D by like amount.

| <u>COMPONENT</u> | <u>BUDGET</u> | <u>COMMITTED</u> | <u>DISBURSED</u> |
|--|---------------|------------------|------------------|
| A. Municipal Reconstruction Fund | 7,217 | 5,427 | 4,546 |
| B. Municipal Enterprises Fund | 113 | 51 | 39 |
| C. INFOM Institutional Development | 224 | 198 | 180 |
| D. Municipal Institutional Development | <u>446</u> | <u>182</u> | <u>351</u> |
| TOTAL | 8,000 | 5,858 | 5,116 |

A. Municipal Reconstruction Fund

As of June 30, 1982, AID had committed 100 percent of the AID loan financing for 86 subprojects completed or under way. All are scheduled for completion by September 1982. All of 10 remaining subprojects will be contracted out in lieu of using force account construction. Remaining uncommitted balance of \$398,000 under this component for INFOM administrative costs and consulting engineering services will fund such activities through the extension period, especially extension of local A&E firm's contract through March 31, 1983. Any surplus in these line items will be allocated to covering inflationary increases in the costs of the 10 subprojects to be constructed.

B. Municipal Enterprise Fund

The project will fund physical plant, equipment and working capital and will account for commitment of the residual available funds for the subprojects under this component. As of June 30, 1982, only \$51,000 had been committed under this component for technical assistance, although the two enterprises underway (farm equipment rental and cement floor tile factory) are suffering from inadequate administration and are in urgent need for management assistance. The uncommitted balance of \$24,000 under this component for INFOM administrative costs and short-term technical assistance will support INFOM's monitoring of the fund as new municipal enterprises come on stream in 1982.

C. INFOM Institutional Development

INFOM has received AID financing for technical assistance, and for equipment and materials (e.g., data processing) to bolster its personnel training programs both in house and overseas. INFOM's current plans are to train two additional groups of 22 technicians in such courses as public works administration, programming, and systems analysis at the Universidad Nacional Autónoma de México (UNAM) through 1982. INFOM has also budgeted \$22,000 in its own funds for additional work study and academic training to supplement the AID financing.

D. Municipal Institutional Development

As of June 30, 1982, AID had committed \$182,000 in technical assistance, direct training costs, and equipment and materials (e.g., audio-visual aids) in support of this component. However, almost twice that amount had been disbursed.

For the last quarter of 1981 and all of 1982, INFOM had prepared a training program for two training groups which will cover 26 municipalities and provide training to 130 additional municipal officers at a total cost of \$330,000 for which AID has committed AID financing of \$120,000. This programming leaves an uncommitted balance of \$264,000 which will be programmed for extension of repetitions of currently planned courses to other municipalities. This balance will also be drawn upon for training of municipal employees in specialized tasks such as slaughterhouse management as slaughterhouses move to completion under the project.

17. OUTPUTS

A. Municipal Reconstruction Fund

The Project Paper originally contemplated 193 public works such as markets, slaughterhouses, municipal buildings, and water and sewage systems. The municipal services inventory conducted immediately after the earthquake contained serious errors in project needs, project cost, and priority which created the need to reprogram in July 1980. The number of projects was reduced to 98 due to increased construction costs. Other GOG funding was made available for a number of subprojects eliminated from AID financing. The status of these projects as of June 30, 1982 is as follows: 64 works were completed; 23 subprojects are currently under construction; and 10 works are pending initiation of construction. INFOM's contract with the engineering firm lapsed in November 1981.

Construction delays were due primarily to problems encountered by INFOM in carrying out work under force account. The inefficiencies of this method due to INFOM's unwieldy purchasing procedures, slow internal approval processes for technical design and financing, and local A&E consultant's initial unfamiliarity with AID procedures, contributed to construction delays of up to two and three times that of original construction timetables. Other factors such as municipalities' delays in concurring with subprojects also delayed subproject approval and construction.

B. Municipal Enterprise Fund

Current targets under this loan component contemplate the inauguration of one new municipal enterprise in 1981 and one enterprise in 1982. The demand for financing within this component has not been as great as originally anticipated and INFOM has planned to reprogram activities to permit the construction of more municipal works.

A previous OPG laid considerable groundwork for achievement of the loan component objectives. On May 31, 1981, a \$232,000 grant project (OPG) was contemplated with Acción Internacional/AITEC to support INFOM's Municipal Enterprises Development effort. Under this grant AITEC and INFOM completed 37 prefeasibility and 9 feasibility studies of potential municipal enterprises. Two of these projects were funded by INFOM from non-AID sources and were inaugurated, i.e., an agricultural machinery rental enterprise and a tile factory. Other results of this grant have been production of administrative manuals to assist municipalities with operation of such enterprises, and the establishment of a rural enterprises unit within INFOM.

C. INFOM Institutional Development

As of June 30, 1982 INFOM had trained 29 of its key personnel under this component in areas such as municipal administration, fiscal policy and potable water management. In addition an English language institute was contracted to allow INFOM technicians to learn English in order to take advantage of external training opportunities.

D. Municipal Institutional Development

INFOM has provided training courses to municipal officers in the following areas: municipal administration, municipal legislation, municipal tax administration, municipal budgeting, accounting principles, administration and maintenance of public services, municipal planning and development. As of

December 31, 1981, the following municipal officials had been trained: 325 mayors, 99 secretaries, 107 treasurers, 142 officials in charge of public services and 167 municipal workers of different activities. From January and June 1982 an additional 149 municipal employees participated in the following training activities: municipal treasury seminar, municipal public services, potable water and a financial seminar. Two programs in municipal institutional strengthening trained 220 municipal officials.

18. PURPOSE

The purpose is to restore and upgrade the capacity of the 101 municipal governments in the earthquake zone to provide the local infrastructure and services required by their inhabitants. The purpose is to be accomplished through a program of four components:

1. Municipal Reconstruction Fund for financing the replacement, repair and expansion of municipal facilities.

2. Municipal Enterprise Fund to finance revenue generating municipal enterprises.

3. INFOM Institutional Development to strengthen the capacity of INFOM to carry out the municipal recovery and development program.

4. Municipal Institutional Development to strengthen the administration of participating municipal governments, including the operation and management of municipal infrastructure.

The Municipal Reconstruction Fund is behind schedule with only 57 of 98 subprojects having been completed. As a result of a poor municipal services inventory, the EOPS was changed from 200 facilities built and operating to 98, in July 1980.

In the case of the Municipal Enterprise Fund, one major problem was the constant turnover of counterpart personnel. As a result, only two of the planned subprojects had been completed.

In 1981 INFOM estimated that the country's municipalities needed more than \$250 million in investments to build public infrastructure such as water systems, waste disposal, and markets, or to replace existing inadequate or substandard facilities. A major portion of these requirements occur in the area of the country affected by the 1976 earthquake. Although extension of the construction component under the subject loan will meet only a small portion of these needs, they represent

important solutions to such problems as sanitation, marketing, and food distribution for 40 municipalities for which public works are planned or still under construction under the subject loan. Moreover, given the length of time to date involved in the design and construction of such subprojects, these municipalities have high expectations that such projects will be completed.

By extending Loan TCDs and TDDs up to 16 months, AID and the GOG will avoid risk of leaving incomplete projects thereby exacerbating relations between INFOM and municipalities. Completion of other subprojects under the project such as solid waste treatment will provide the GOG with public works models it can replicate with its own resources in their communities. The USAID feels that completion of the remaining eight major works by contract will enforce compliance with the construction timetable and will avoid the type of implementation delays experienced in the past.

The Institutional Development of INFOM showed that the training phase, to meet the planning and management demands of the project, had not gone well. Extension of this component for 16 months would increase the impact of INFOM and municipal institutional activities which have shown positive results to date and give INFOM the institutional capability to complete the project.

The Municipal Institutional Development component has exceeded the expected EOPS. INFOM provided technical assistance to 111 municipalities and trained 840 municipal officials as of June 30, 1981. Following training of municipal officials several communities have increased tax revenues which will be used to improve public services in the municipalities.

The project alone has not been the cause of the significant recovery in the 101 municipalities of the earthquake-affected zone. The recovery was also impacted by the massive input of foreign capital, government assistance and individual initiatives immediately after the earthquake.

19. GOAL/SUBGOAL

The goal of this project is to "restore and upgrade the quality of life of the inhabitants living in the 101 municipalities of the earthquake zone."

Jobs resulting from construction projects carried out under both this project and other activities have provided temporary employment for both skilled and unskilled workers residing in the municipalities in the affected area. The salaries

received have directly affected the disposable income of the individuals concerned.

Increased sanitation through the construction of slaughterhouses, sewerage systems and water supplies systems has provided the inhabitants receiving the service with an improved quality of life.

Training and technical assistance to local officials focusing on municipal management improvement has caused better and more efficient local government procedures to be put into effect.

20. BENEFICIARIES

Summarized below are the nature of benefits and the identity of those being benefitted. For this interim evaluation no further analysis was undertaken.

PROJECT BENEFITS - ECONOMIC

| <u>Type of Subproject</u> | <u>Nature of Benefit</u> | <u>Beneficiary</u> |
|---------------------------|--|---|
| Public Market | Low overhead costs Low transport costs Centralized location Low prices | Retailer Vendor, Farmer Vendor, Farmer Consumer |
| Slaughterhouse | Low transport costs Low cost service through subsidized plant Low prices | Farmer Farmer Consumer |
| Electrification | Low cost power to alternate sources Necessary input to various enterprises Necessary input to various appliances Necessary input to telecommunication | Vendor Entrepreneur Appliance Vendors and Purchasers Community |
| Potable Water | Necessary input to business and serv. Primary amenity to attract new business | Entrepreneurs Entrepreneurs and Community |

PROJECT BENEFITS - ECONOMIC

| <u>Type of Subproject</u> | <u>Nature of Benefit</u> | <u>Beneficiary</u> |
|---------------------------------|--|--|
| Public Market | Centralized Meeting Place | Shopper |
| Slaughterhouse | Better health conditions | Consumer |
| Electrification | Lighting Refrigeration Other Appliances Public Lighting | Community Community Community Community |
| Potable Water | Improved Public Health Convenience | Community Housewives |
| Sewer and Drains | Improved Public Health Prevent Land Erosion | Community Community |
| Municipal Building | Civic Pride Political Particip. | Community Community |
| Garbage Collection | Improved Public Health | Community |
| Training of Municipal Personnel | Improved Local Government | Community |

21. UNPLANNED EFFECTS

University students were hired at lower salary levels and, through on-site research and work, had become competent municipal administration advisors. Due to the inadequate salary structure of INFOM and the lack of incentives, many students are graduating and are seeking better employment with the private sector, leaving gaps in the municipal management staff. Since the municipal institutional development component exceeded project design expectations, such turnover will not seriously affect project operations. However the permanent expansion of INFOM's capacity to provide technical assistance and training to municipal governments may not be realized.

22. LESSONS LEARNED

A. Construction subprojects have lagged far behind schedule chiefly due to INFOM's implementation by force account. Intensive USAID discussions with INFOM administration and Ministry of Finance have yielded INFOM commitment to complete remaining 8 key subprojects by contract. A review of the contract system will be required to determine if the implementation alternative is more efficient.

B. Various international donors supporting the same limited administrative structure create a need within that organization to select priorities. Under this project INFOM delayed initiation of project activities because it wanted to complete several other donor projects before starting a new one. The GOG and INFOM did not meet conditions precedent for initial disbursement until 8 months after the loan agreement was signed. The design and management of subproject construction was delayed because the on-going other donor projects were given a higher priority. A.I.D. should work closely with host country institutions during project design to assure that all parties are in agreement on project goals and the general implementation schedule.

23. SPECIAL COMMENTS OR REMARKS

Emphasis on pipeline status detracts from overall implementation. Disbursements are only one phase of project/loan activities. Total preoccupation with this phase obscures implementation problems in host institution administration, less costly project components, provision of technical assistance, and achievement of the project purpose.