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FD-AAN-470

ENTERED 7/19/76

PROJECT APPRAISAL REPORT (PAR)

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1. PROJECT NO. 522-15-110-099.10	2. PAR FOR PERIOD 9/73 TO 3/76	3. COUNTRY INDONESIA	4. PAR SERIAL NO.
5. PROJECT TITLE			

MUNICIPAL DEVELOPMENT

6. PROJECT DURATION: Began FY 73 Ends FY 76	7. U.S. FISCAL YEAR TEST PROP 11/72	8. DATE LATEST PIP 9/73	9. DATE PRIOR PAR 9/73
10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$ 236,000	b. Current FY Estimated Budget: \$ N/A	c. Estimated Budget to completion After Current FY: \$ N/A

11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME	b. CONTRACT, PASA OR VOL. AG. NO.
Giboney, Schouten, Zelman, Moran	GRANTOR CONTRACTS
Clapp & Mayo	AID 522-T-209

I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID	AID/W	HOST		
			N/A - EOPs PAR	

D. REPLANNING REQUIRES						E. DATE OF MISSION REVIEW	
REVISED OR NEW:	<input type="checkbox"/> PROP	<input type="checkbox"/> PIP	<input type="checkbox"/> PRO AG	<input type="checkbox"/> PIO/T	<input type="checkbox"/> PIO/C	<input type="checkbox"/> PIO/P	
PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE				MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE			
Kenneth S. Johnson				Frank B. Mitchell <i>FBK</i>			

II. PERFORMANCE OF KEY INPUTS AND ACTION AGENTS

A. INPUT OR ACTION AGENT CONTRACTOR, PARTICIPATING AGENCY OR VOLUNTARY AGENCY	B. PERFORMANCE AGAINST PLAN							C. IMPORTANCE FOR ACHIEVING PROJECT PURPOSE (X)					
	UNSATISFACTORY		SATISFACTORY			OUTSTANDING		LOW		MEDIUM		HIGH	
	1	2	3	4	5	6	7	1	2	3	4	5	
1. Zellman PSC Contractor							X						X
2. Giboney Firm Contractor							X						X
3. Schouten Merca							X						X

Comment on key factors determining rating

Contractors were fluent in Spanish, highly knowledgeable as to BANMA and OOH ambience, and generally well received by BANMA personnel. All have been dedicated to project success. Since both the contractors and BANMA officials shared the objective of preparing BANMA to meet the conditions for AID Loan consideration, there existed a mutual interest and communication throughout the life of the grant project exceeding that usually found between a host country organization and foreign advisors.

4. PARTICIPANT TRAINING	1	2	3	4	5	6	7	1	2	3	4	5
							X					X

Comment on key factors determining rating Participant training has been an essential element in transforming the Bank from a commercial to a developmental orientation. Officials and technicians have been able to observe the operations of similar banks in other LA countries, gain an idea of the various routes others are taking toward municipal development in Central America, and profit from Inter-American Municipal Organization seminars as well as special training arranged through the Local Credit Bank of Spain.

5. COMMODITIES	1	2	3	4	5	6	7	1	2	3	4	5

Comment on key factors determining rating

N/A

6. COOPERATING COUNTRY	a. PERSONNEL	1	2	3	4	5	6	7	1	2	3	4	5
	b. OTHER					X							X

Comment on key factors determining rating

a. BANMA personnel on the whole cooperated well in accepting requirements and taking the actions necessary to prepare the Bank for loan consideration. Cooperation was facilitated by the realization that the Loan was essential to the Bank's active participation in the municipal development effort.

b. Central Government support was forthcoming to enable the Bank to meet most project conditions and to conclude the Loan Agreement on July 10, 1974. Much of the credit for mobilizing OOH support goes to the Ministry of Finance representatives on the BANMA Board of Directors. Previously, Municipal Governments were generally hostile to BANMA; but their attitude has markedly changed during the past 12 months as BANMA gained prestige and stature through the effective management of \$650,000 hurricane relief AID grant funds.

7. OTHER DONORS	1	2	3	4	5	6	7	1	2	3	4	5
			X						X			

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11. 7. Continued: Comment on key factors determining rating of Other Donors

The Peace Corps Volunteer assigned to BANMA who resigned in 1973 was not replaced. BANMA is not interested in another PCV on its central staff but intends to investigate the possibility of obtaining PCV's to work with BANMA projects in various municipalities under the sublending program.

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					END OF PROJECT
		CUMULATIVE PRIOR FY	CURRENT FY		FY ____	FY ____	
			TO DATE	TO END			
1. Reduction of BANMA staff. No. staff remaining on board. (See #2 and B.2 below.)	PLANNED	37					37
	ACTUAL PERFORMANCE	52					
	REPLANNED						52
2. Development of BANMA technical staff (No. technicians).	PLANNED	6					6
	ACTUAL PERFORMANCE	10					
	REPLANNED						10
3. Development of BANMA senior management staff (No. short courses).	PLANNED	16					16
	ACTUAL PERFORMANCE	18					
	REPLANNED						18
	PLANNED						
	ACTUAL PERFORMANCE						
	REPLANNED						

B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS	COMMENT:
1. Disposition of commercial portfolio	In response to 6/9/75 AAG audit recommendation, Acting Controller EDCAP investigated with BANMA and certified BANMA no longer entering into commercial transactions and proceeding with disinvestment of existing portfolio as rapidly as possible.
2. BANMA relieved of admin. & financial responsibility for SPS airport.	Completed by CON Decree #110 of 3/1/74. Original staff reductions made possible by reorganizing BANMA subsequently offset by need to expand staff to meet increasing BANMA responsibilities under AID Loan 522-U-022.
3. BANMA receiving CON financial support for capitalization.	Required by Sections 3.01(d) and (e) of AID Loan 522-U-022.

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IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? YES NO

The project purpose is to prepare BANMA to operate as a Municipal Bank.

a. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.
1. BANMA charter revised.	1. Not complete. See next page, Remarks #1.
2. Five year capital assistance plan in execution by the Bank.	2. List of financeable projects-completed. Basic regulations (credit policy, bidding procedures, etc.) completed. Loan programming system complete.
3. Five year training plan implemented by BANMA.	3. First training course held in 6/73. Training course schedule through 1976 has been prepared and put into effect.
4. Coordinated GOB support for municipal development.	4. Interagency cooperation agreement completed. Under this agreement BANMA and Ministry of Public Works/Director General of Urban Development jointly prepare urban development plans for polar and sub-polar cities. Other agencies will give highest priority to accomplish ing projects specified in the plans.
5. Recapitalization program in execution - GOB \$1.0 million in place.	5. GOB/AID signed recapitalization loan for \$4.1 million 7/74. GOB counterpart funds currently included in annual GOB budget.
6. BANMA acting as municipal fiscal agent/depository.	6. A correspondent Bank plan is now being implemented which establishes BANMA as sole municipal fiscal agent.

V. PROGRAMMING GOAL

A. Statement of Programming Goal

1. The goal is to improve the effectiveness and efficiency of municipalities which act as key points in the national and regional marketing systems.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

See next page, Remarks.

V. REMARKS**Some Lessons from the Project**

- A. Projects may move ahead in the absence of strict adherence to legal change recommended by foreign advisors. None of the four earlier recommended legal revisions considered "essential" to the success of this project has been enacted by the GON; however, project to date has progressed steadily w/o such GON legislation.
- B. Viability of grant/loan funding of projects. This project demonstrated viability of approving a grant funded project in preparation for approval of a major loan. In this case, the combination worked very effectively.
- C. While grant funded TA is usually readily accepted, loan funded TA (often more vital to project success), is only reluctantly accepted as necessary. USAID staff is thus often put in the awkward position of constantly negotiating over the necessity of hiring loan funded foreign advisors who command extraordinary salaries by local standards.
- D. Channeling of AID relief funds through BANMA was a fortuitous fallout from the hurricane disaster. Not only did this experience assist BANMA in learning AID procedures, it also boosted BANMA's own self confidence as well as its prestige among GON municipalities.
- E. In the 6/9/75 AAS audit of this project, the case was made that a strong municipal association might be vital to this project. To date, we have not found this to be the case. As pointed out in A above, this project has been able to progress in the absence of "essential" legislation and legalistic organizations recommended as important by reviewers not entirely familiar with the Honduran environment.

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