PD-AAN-809

ISN: 33307

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) – PART I

1. PROJECT TITLE

Integrated Regional Development Project

2. PROJECT NUMBER: 527-0178

3. MISSION/A.I.D.W. OFFICE: USAID/Peru

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) FY 83-1

☒ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES

A. First PRO-AG or Equivalent	B. Final Obligation Expected	C. Final Input Delivery
FY 79	FY 82	FY 84

6. ESTIMATED PROJECT FUNDING

A. Total $ 20,000

B. U.S. $ 16,050

7. PERIOD COVERED BY EVALUATION

From (month/yr.) 7/79

To (month/yr.) 3/83

Date of Evaluation Review 3/83

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
(see attached USAID summary)		

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

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

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)

David Bathrick, Chief, Office Agriculture, Rural Development
William Sugrue, Chief, Rural Development Division
Danilo Cruz-De Paula, USAID Evaluation Officer
Jerome French, Director, S&T/DAA/DT (Chief, evaluation team)

12. Mission/AID/W Office Director Approval

Signature

Typed Name Thomas L. Geiger
Acting Director

Date 12/12/83

AID 1350-15 (5-81)

EVALUATION SUMMARY

Project Background:

The Integrated Regional Development Project was designed in 1978 and 1979. The Project Agreement was signed June 28, 1979. The project's goal was to further socioeconomic development of priority sierra and high jungle regions, with emphasis on increasing employment and income opportunities for the poor in key market towns and surrounding rural areas. The project's purpose was to strengthen a decentralized regional planning capability and establish a mechanism for financing and executing priority sub-projects in selected market town and rural areas of the sierra and high jungle. The departments of Junin and Cajamarca were selected as the principal sites of activity for the project. The then existing Departmental Development Committees were the organizations with which project activities were initiated.

The technical assistance activities under the project were carried out through the S&T/Multi-Sectoral Development Office Local Revenue Administration Cooperating Agreement with Syracuse University. Dr. David Robinson has been the Chief of Party and has served as advisor in Junin and Cajamarca. He is currently the principal advisor in the department of Junin. Dr. Ray Bromley has been the senior advisor in Cajamarca since August 1981. Various other advisors of medium and short-term have been contracted. The contract with Syracuse University will terminate on December 31, 1983.

Implementation of the Regional Administration and Rural Public Works components eventually led to the hiring of personnel, purchase of commodities, and execution of studies and construction through project units called PRODERIN's. In late 1981, the Departamental Development Commmittees ceased to exist and in their place were established the Departmental Development Corporations (DDC's). A vacuum developed when the Committees disappeared and the DDC's were organizing themselves and taking on functions and staff. On January 1, 1982 the PRODERIN's came under the organizational aegis of the Prime Minister's Office, at least temporarily being classified as a national-level Special Project. They continued to function becoming more or less autonomous project management units operating in the two departments. Through 1982, Project activity steadily increased in areas of planning, studies, training, and construction of rural public works.

Unfortunately, largely because the PRODERIN's were better financed and had already gone through the difficult period of institutional formation, difficulties and institutional jealousies arose with the ever-growing DDC's. The basic and certainly most visible role of the DDC as specified in Law of Corporations of December 1981, was to design and execute public works using central government funds. This meant there was a direct overlap of functions between the organizations. The basic difference between their public works activities was that PRODERIN staff invested time and resources in eliciting the participation of beneficiary communities in planning and construction, covering costs and creating a potential for self-sustaining development. The DDC's planned and executed works almost exclusively through contracts with local companies. The Mission, recognizing the conflict, began the process of

evaluating the project with a view towards a complete integration of the PRODERIN's with their respective DDC's.

On January 1, 1983, the PRODERIN's staff, functions, and capital goods were officially transferred to the DDC's of Junin and Cajamarca. In reality, however, the integration only meant that the project was officially transferred as a budget category within the overall DDC's budget. Significant problems arose as DDC jealousy and PRODERIN mistrust were exacerbated. Adding to Project difficulties was the effect of economic austerity as the central government was extremely reticent to disburse budgeted counterpart for the two project offices. Loan funds were available but the PRODERIN's experienced serious difficulties due to the shortage of counterpart.

One component of the project which did not begin disbursement until mid-1983 is the Market Town Development Fund. Reasons for the serious delay in beginning disbursement was that priority was given to rural public works study and execution by the PRODERIN's because the MTDF was essentially unknown, difficulty in establishing a satisfactory working relationship between the PRODERIN's and the National Housing Bank through which the money was channeled, and a confusing translation of the concept of key market towns in the Spanish column of the Project Agreement. Sub-project proposals were formulated in 1982 and the first was approved that year, but it was not funded because the beneficiaries withdrew their request for the project based on the belief they would receive project benefits without paying for them. In May, 1983, the first sub-project was approved and entered implementation followed by two more in June and September. There appear to be a significant number of sub-project proposals nearing final approval at this time.

Evaluation Findings:

The Mission called for, and organized, the project's first evaluation which was conducted in March, 1983 by a multi-disciplinary team. Major findings on project achievements and weaknesses and recommendations for improving implementation will be reviewed below. Based on evaluation findings and further Mission study, means for improving project implementation in the two departments and for expanding project impact to other departments, municipalities, and organizations which serve them at the national level were developed.

1. Project Achievements:

   a) The Project was successful in helping develop and in beginning to institutionalize local planning capacity in Cajamarca and Junin. The PRODERIN's demonstrated the ability to assess community needs, set objectives, develop and design development plans, select works for prefeasibility studies, program and implement rural works programs and evaluate and learn from their experience.

   b) The PRODERIN/Cajamarca filled a vacuum in the departmental planning process, helped shape the dialogue about the department's development

alternatives, and helped prepare Cajamarca's new development corporation's (CORDECAJ) first development plan for 1983-85.

c) In contrast in Junin the INP (National Institute of Planning) has played a stronger role and has more actively coordinated the resources of the PRODERIN and the Corporation.

d) Plans of both PRODERIN's reflect good general assessments of the characteristics and problems of the Department, identifying key market towns and their connected rural areas and micro regions within which strategic investments might be made.

e) The PRODERINs developed the capacity to identify and prepare feasibility studies of small scale rural infrastructure projects and to implement construction of these projects by direct administration with high levels of community participation and cost effectiveness.

f) PRODERIN rural works projects in both departments are generating significant benefits to rural households, justifying the USAID and host-country resources invested.

g) The PRODERIN is the only organization that invests in human resource development as well as in infrastructure, increasing initial start-up costs, but which is essential for promoting sustained rural development and lowering project construction and maintenance costs.

h) Significant regional differences exist for cost/efficiency comparisons of rural works sub-projects.

2. Project Weaknesses

a) Institutionalization into the DDC's of the planning and execution improvements achieved by the PRODERIN's is constrained by the status of the PRODERINs as autonomous organizations whose functions duplicate or overlap with established departmental agencies. They became autonomous when the Departmental Development Committees were disbanded and corporations were created in their stead. In the interim as the corporations took on their responsibilities the PRODERIN's became essentially autonomous.

b) Use of the market town fund has been difficult because (1) many of they key decisions regarding the fund lie in the hands of organizations other than the PRODERIN; (2) the Housing Bank's procedures process for review of sub-project proposals have been cumbersome and protected; (3) the ability of Municipalities to borrow Central Government funds is next to nil; (4) it was not accurately defined in the Spanish version of the Project Agreement (Convenio).

c) The integration of the PRODERIN's into the Departmetal Development Corporations, as required by law, raises serious problems for morale and for the preservation of some of their distinctive aspects.

3. Evaluation Recommendations

a) Subject to GOP renewed commitment to provide counterpart financing, extend the Project Agreement to at least July 1985 to allow the PRODERIN's in Junin and Cajamarca to complete their on-going sub-project work and to further institutionalize their most important features within the Departmental Corporations and INP offices.

b) The mixed model for integration of the PRODERIN's into the Departmental Corporation's is preferable. Should key managers from the PRODERIN in Junin or Cajamarca be appointed to key management positions in the corporation, it might be feasible to move to the fully integrated model described in the Evaluation.

c) The human resource investment element of PRODERIN activity should continue to be a basic part of the IRD Project concept.

d) Use of community leaders as para-technicians in promotion and training activities to lower costs, increase sub-project volume and improve public relations should be encouraged.

e) The object of the Market Town development Fund of the project was to apply regional economic planning and market flow analysis to the establishment of a mechanism for financing and executing priority sub-projects with anticipated major impacts in priority Market Towns, but this objective has not been achieved and will not be achieved under existing arrangements. Various alternative approaches should be tried to improve implementation of this component

f) Continue to provide long and short term regional planning technical assistance to both the Corporation and INP Offices in Junin and Cajamarca to facilitate the integration into these organizations of the PRODERIN planning and implementation methods and concepts. A Senior Technical Advisor should be assigned at the National level to assist this and to facilitate the revised approach to implementing the Market Town loan fund described above.

4. Post-Evaluation Actions:

After the evaluation was completed, a meeting was held between the Office of the Prime Minister, represented by its Executive Secretary, and USAID, represented by its Director. A Memorandum of Understanding was developed, which is attachment No. 2 to this Action Memo, and signed on March 30, 1983. On the basis of the understanding, a major redesign effort was launched to develop the TAT programs for the Office of Coordination of the Departmental Development Corporations (OCC) and the National Institute for Municipal Development (INFOM). Improvement of implementation of the MTDF component and of the organizational integration process was pursued simultaneous to redesign.

The redesign effort has been organized by the Project Manager and has involved, related to the regional planning - OCC TAT Plan, the work of Patricia Salinas, the current advisors - Ray Bromley and David Robinson, and Larry Mann. Allan Austin worked on the municipal development - INFOM TAT Plan. Both the OCC and INFOM have been intimately involved in collaborative, collegial, and constant consultations at all stages from conception to finalization. It is completely accurate to say that the TAT Plans are their programs not something imposed on them.

At the same time as the redesign work, the integration of the PRODERIN's and the corporations was completed. Taking the lead from the Memorandum of Understanding, the Office of the Prime Minister appointed an experienced Public Administration expert through an inter-institutional personnel loan from the National Institute for Public Administration (INAP) to assist in the process. Through trips to both locations, a Supreme Decree was drafted and published on August 9 legally defining the manner of integration and fixing target dates for submission of general and specific plans and for commencing the actual integration. A monitoring committee was formed consisting of the INAP consultant, several OPM staff, and the Project Manager, which regularly met to review the status of the integration process and identify necessary actions. It is fair to say that it appears that in both Junin and Cajamarca integration plans were developed which will provide for continuation of achievement of the objective of strengthening the corporation's planning and implementation capacities through the transfer of PRODERIN personnel and the acceptance of project objectives as key to the work of the corporations. The execution of these integration plans is experiencing difficulties and will continue to be monitored.

5. Specific Changes Undertaken:

a) Project Authorization Amendment No. 3 modifies the definition of the Project. It adds the key words "decentralized regional planning and project implementation capability at the national, departmental and municipal levels establishing a", to clarify that project activities, except the Key Market Town Development Fund and the Rural Public Works Fund, will be carried out at the national level, and in departments other than Junin and Cajamarca, and with municipalities in other departments than those two just cited.

b) Project Agreement Amendment No. 6 makes two significant changes. First, the definition of the project is amended to allow project focus to include work at the national and departmental levels, other than Junin and Cajamarca. The PACD is extended to December 31, 1985 in order to allow sufficient time to implement all significant aspects of the revised program and to disburse all components of the Project, particularly the slow moving KMTDF.

c) Annex 1 to the Project Agreement is deleted in its entirety and a new version is substituted. Changes include:

(1) Departamental Development Corporations (DDC's) as opposed to the defunct Departmental Development Committees are named as the departmental institutions referred to throughout (beginning page 1).

(2) The two national level institutions, OCC and INFOM are identified as recipients and channels of the new TAT activities (page 1).

(3) Project strategy is expanded to institutional strengthening at the national, departmental, and municipal levels through improvements in planning and administration (page 2).

(4) Project Elements - Institutional Strengthening (pp 2-4) includes strengthening of national offices through provision of TA, administrative support, and training. The prime objective of strengthening OCC and INFOM is the improvement of their ability to provide TA and training to DDC's and municipalities. Selected other DDC's as well as those of Junin and Cajamarca will receive support to strenthen regional planning and subproject development and appraisal capacities. Expanded technical assistance is then identified in specific terms in the form of 2 long-term advisors in Cajamarca and Junin with expanded responsibilities to work in neighboring departments, 1 long-term TA with the OCC full time, 2 rotating TA working for short periods with DDC's identified by the OCC, and one long-term advisor working with INFOM. Short-term TA would be a part of the program with both the OCC and INFOM. Training, research, manual publication, and limited administrative support would also be provided to OCC and the INFOM.

(5) Project Elements - KMTDF (page 4) The fund is reduced in total from $8 million to $5.65 million. The fund is renamed Key Market Town Development Fund. Use of the Fund was clarified in Implementation Letter No. 43.

(6) Project Elements - Loan Technical Assistance (pp 7-10) The loan TA program of $2.454 million (transfer from MTDF = $2.35 million; residue from previous budget $104,000, some of which is disbursed). The six areas of the program are identified.

(7) Table I (pp 8-9) - The various specialties called for in the program are presented.

(8) TA to Departmental Corporations (page 10) - The role of advisors in Junin and Cajamarca is described and the expansion of their work to neighboring departments is described

(9) TA to Municipalities (pp 10-11) The program's work with INFOM is detailed.

(10) TA to other Corporations and the OCC (pp 11-12) The program is described for OCC and other corporations.

(11) The Project Financial Plan has been redesigned.

(12) Implementation Schedule (page 14) and Table III (pp 16-18) From September 1983, key implementation events are identified.

(13) Project Outputs and Targets (pp 14, 19) New program components have been listed with existing components.

(14) Project Coordinating Unit A new coordinating unit is identified and will include key OCC/Prime Minister's Officer, INFOM, DDC, and AID representatives.

6. Timetable

As it stands now in the following is the timetable for beginning implementation of the revised program:

a) November 4, 1983 - Council of Ministers approved proyecto de ley transferring $2.35 million to the Presidencia del Consejo de Ministros from the BANVIP.

b) December 5, 1983 - PIO/T's for at least five of the six positions approved and Regional Contracting Officer negotiates contracts.

c) December 15, 1983 - USAID, PCM, and Credito Publico sign Amendment No. 3 to the Project Authorization and Amendment No. 6 to the Project Agreement.

d) December 15, 1983 - February 15, 1984 - Advisors arrive to begin work. Training programs begin implementation.

e) Late December, 1983 - Law transferring capital signed and OCC and INFOM budgets increased to use money under new project budget.

EVALUATION OF THE PERU INTEGRATED REGIONAL DEVELOPMENT PROJECT (527-0178)

March, 1983

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SECTION I

INTRODUCTION

In June 1979 the United States Agency for International Development (USAID and the Government of Peru (GOP) signed an agreement for an integrated regional development project (527-0178). The project goal was to futher the social economic development of selected sierra and high jungle areas of Peru with an emphasis on increasing employment and income opportunities in key market towns and surrounding rural areas.* The purpose of the project was to strengthen decentralized planning capacity, establish mechanisms for financing priority subprojects in selected market towns and surrounding rural areas, and to provide technical assistance and training to municipalities. The first project director in Cajamarca appointed in October 1980 and in Junin in April 1981.

In March 1983 forty-five months after the project agreement was signed and thirty months after the first project director was appointed in Cajamarca, the USAID mission in Lima, Peru requested an evaluation with two basic objectives: 1) to assist the Mission and GOP make key decisions on the restructuring of the integrated regional development project based on the lessons learned, and 2) to help the Mission decide upon and develop its strategy of future support of Peruvian decentralization efforts. To this end, the evaluation concentrated on (a) an analysis of Peruvian Government Decentralization Policy and USAID options (Section I); (b) an analysis of the Integrated Regional Development Project's success in creating effective local planning capacity in Cajamarca and Junin, implementing rural works, market town development and technical assistance to municipalities (Section II) and; (c) cost effectiveness and impact evaluations of rural works projects in Junin and Cajamarca (Section III).

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*USAID committed $15,000,000 in loan funds and $1,570,000 in grant funds and the GOP provided $6,500,000 in counterpart funds for a total of $23,070,000 for the IRD project.

A. MAJOR EVALUATION FINDINGS AND RECOMMENDATIONS

Project Strengths

1. The project was successful in helping develop and begin to institutionalize local planning capacity in Cajamarca and Junin. The Proderins* demonstrated the ability to assess community needs, set objectives, develop and design development plans, select works for prefeasibility studies, program and implement a rural works program and evaluate and learn from their experience.

2. The Proderin Cajamarca filled a vacuum in the departmental planning process, helped shape the dialogue about the department's development alternatives, and helped prepare Cajamarca's new development corporation's (CORDECAJ) first development plan for 1983-85. In February 1983, 6 staff planners from the Proderin began to provide 50% of their time to help staff the corporation's planning office.

3. In contrast in Junin the INP (National Institute of Planning) has played a stronger role and has more actively coordinated the resources of the Proderin and the Corporation. Thus, PRODERIN plans have been more complementary to those of the INP and the Corporation and integration of staff members from the PRODERIN into other organizations has been slower. It is expected, for example, that Proderin planners will join the Corporation and INP in the next few months.

4. Plans of both PRODERINs reflect good general assessments of the characteristics and problems of the Department. The plans identify key market towns and their rural hinterlands, and micro regions within which strategic investments might be made.

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*Acronym for the organizations created to implement the project in the Departments of Junin and Cajamarca. Stands for "Project for Integrated Regional Development."

5. The Proderins developed the capacity to identify, prepare feasibility studies of small scale rural infrastructure projects and to implement construction of these projects by direct administration with high levels of community participation and cost effectiveness. For example, in Cajamarca 24 road, bridge, reservoir and irrigation canal projects were identified, fourteen were completed and ten are scheduled for completion by July 1983. In all projects food for work was an important part of the community effort. In Junin 18 of the 35 rural works projects selected have been completed. In none of the projects was food for work a vital element to secure community participation.

6. PRODERIN rural works projects in both departments are generating significant benefits to rural households. Sufficient to justify the USAID and host-country resources invested. Over 80% of beneficiaries assessed PRODERIN performance as good. PRODERIN has completed projects which were started and abandoned by other organizations, especially COOPOP.

7. The PRODERIN is the only organization that invests in human resource development as well as in infrastructure. This increases initial start-up costs, but is essential for promoting sustained rural development. Individual PRODERIN sub-project costs can be reduced over time by cumulative investments in the same communities.

8. Significant regional differences exist for cost/efficiency comparisons of rural works sub-projects. None of the four organizations whose works were compared (MERIS, PRODERIN, CORPORATIONS and COOPERACION POPULAR) has a clear cost-efficiency advantage in both regions. The specific findings are as follows:

a. For Irrigations:

— MERIS was judged to have best quality design and construction; PRODERIN was second. PRODERIN unit cost per hectare irrigatred and per family benefitted were higher in Cajamarca. But in Junin, PRODERIN was three times cheaper per family benefitted than MERIS.

b. For Roads:

-- In Cajamarca, CORDEC was judged to have best quality; PRODERIN was second. PRODERIN is most expensive, CORDEC next, and COOPOP cheapest.

-- In Junin, highest quality is CORDEJ, lowest cost is PRODERIN (COOPOP not applicable).

c. Administration vs Contract

—Administration was dominant mode in both departments for all four organizations.

Project Weaknesses

1. Institutionalization of capacity created is constrained by the status of the PRODERINs as autonomous organizations whose functions duplicate or overl with established departmental agencies. This handicap may be overcome by their integration into the Departmental Development Corporation, but will require careful negotiations and significant accommodations in attitudes and procedures within the corporations.

2. Neither Proderin has developed a capacity to carry out market town development projects. Although market town investments made up 37% of Proderin Cajamarca's investment budget, the utilization of the fund was not perceived as a priority until June 1982, twenty one months after the first project director was named.

3. Once the market town fund became a priority, Proderin Cajamarca did not adjust its organizational structure to accommodate the strategy change. As March 1983, only one of eight community organizers were assigned to the fund and in the works division there were no sanitary or electrical engineers, (professionals who are critical to the design or design review of water and electricity feasibility studies).

In contrast, in Junin the organization readjusted its organizational structure to try to implement the market town projects. Two of its four promoters and its director took responsibility for promotion of the market town projects. Unfortunately, PRODERIN Junin has had little success with its market town projects.

4. Use of the market town fund is difficult because (1) it was not accurately defined in the Spanish version of the Project Agreement (Convenio); (2) many of the key decisions regarding the fund lie in the hands of organizations other than the Proderin; (3) the Housing Bank has not functioned as an effective intermediary; (4) the ability of Municipalities to borrow Central Government funds is unclear.

5. The Proderins made little use of their resources to develop municipal technical assistance and training. Initiatives in these areas are not related consistently to the departmental plans and, municipalities are not identified as strategic elements of the overall plan. Some progress is being made in Junin in providing the basis for increases in municipal revenue through improved property tax collection and the application of user fees. It is too early to tell what impact these efforts will have.

6. The PRODERINs had little substantial impact on other Departmental organizations. In Cajamarca key managers in the corporation, INP and several municipalities have neutral or negative impressions of the Proderin's capacity particularly in areas other than planning and rural works. In contrast in Junin, INP and Corporation officials had mildly positive impressions of Proderin work but said that up to this time the Proderin's had little actual impact on their organizations.

7. The integration of the Proderin's into the Departmental Development Corporations, as required by law, raises serious problems for morale and for the preservation of some of their distinctive aspects. General conflicts revolve around the strategy (small scale rural works, market town development, and municipal technical assistance);

and the issues related to organizational autonomy such as: control of project selection studies works and day to day financial and administrative operations. Specific administrative conflicts involve: unclear rules of the game about financial procedures, wage and salary policy, the right to hire and fire employees, and corporation control of the project and study approval process. On the one hand, complete autonomy for the project is impossible under the corporation law and undesirable from the point of view of integration. On the other hand, corporation oversight must be flexible enough not to paralyze project operations.

8. In Junin, integration plans appear to provide sufficient autonomy, at least initially, for the Proderin to complete its work. In contrast, in Cajamarca a more conflictive atmosphere is apparent and operating autonomy sufficient to complete the Proderin's work is in doubt. In both situations the differences in Proderin and Corporation salary scales for top executives and engineers is a source of continuing friction, which must be resolved.

Projecr Recommendations

1. Subject to GOP renewed commitment to provide counterpart financing, extend the Project Agreement to July 1985 to allow the Proderins in Junin and Cajamarca to complete their on-going sub-project work and to further institutionalize their most important features within the Departmental Corporations and INP offices. These features have been: the development of planning capacity at the departmental level, the linkage between planning and investment decisions, the development of study capacity and the ability to build small scale infrastructural works which link rural areas to key market towns.

2. Support the mixed model for integration of the Proderins into the Departmental Corporations with the functions and calendar specified in Exhibit 8 and Part IIIA of the report. The mixed model for merger provides for uniform procedures, adequate oversight, but sufficient Proderin flexibility to complete its work.

It also merges sufficient administrative functions to provide good economies of scale for both organizations.

3. Should key managers from the Proderin in Junin or Cajamarca be appointed to key management positions in the corporation, it might be feasible to move to the fully integrated model described in Exhibit 8 and in Part IIIA of the report. Without such a fusion of the top management structure, a fully integrated model might for 1983 and 1984 endanger the institutionalization of many of the unique features of the Proderin effort which have been developed up to this time.

4. The human resource investment element of Proderin activity is a basic part of the IRD Project concept. Care should be exercised to insure it is retained and institutionalized in the merger of the Proderins into the development corporations.

5. Encourage use of community leaders as para-technicians in promotion and training activities to lower costs, increase sub-project volume and improve public relations.

6. The object of the Market Town loan component of the project was to establish a mechanism for financing and executing priority sub-projects with anticipated major impacts in priority Market Towns. This objective has not been achieved and will not be achieved under existing arrangements. The following alternative approach should be tried on a trial basis:

a. Form an inter-institutional working group in each department to make loan decisions.* The committee would consist of representatives of:

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*The details of this model must be developed on the basis of further study. Two points are especially important:

(1) the acceptability of municipalities to be recipients of loans must be resolved;

(2) measures must be taken to insure that the underlying concept of Market Town Development is integrated into loan criteria and understood by all parties to the agreement.

- Housing Bank (or other financial intermediary such as the National Bank)

- The Development Corporation (Programming Department)

- Departmental office of the National Planning Institute (Micro-Regional Planning Division)

- A Departmental representative of the Municipal Development Institute

- The Mayor of the Municipality in which the sub-project is to be located.

b. The Committee would (1) make the initial decision, based on staff recommendation, to contract for technical studies and (2) make the final decision on loan approval based on feasibility studies and staff recommendation. The Committee would receive staff support from personnel transferred to the Development Corporation from the studies and projects divisions of the Proderins. In each Department these groups would be assisted by technical advisors familiar with the Market Town concept and with methods of identifying and analyzing the socio-economic feasibility of the proposed investments. Other necessary technical studies and construction work, unless within the Corporation's capacity, would be contracted.

c. Amend the Project Agreement to clarify the Key Market Town concept and purpose and to further define the model to change the selection emphasis for market town sub-projects from purely social infrastructure like potable water or residential electricity, to those with more direct economic impact like: markets, slaughterhouses and refrigeration facilities.

7. Continue to provide long and short term regional planning technical assistance to both the Corporation and INP Offices in Junin and Cajamarca to facilitate the Interation into these organizations of the Proderin planning

and implementation methods and concepts. A Senior Technical Advisor should be assigned at the National level to assist this and to facilitate the revised approach to implementing the Market Town loan fund described above.

B. SUMMARY CONCLUSIONS ON PERUVIAN GOVERNMENT DECENTRALIZATION POLICY

1. As outlined in Section II of the report, decentralization has historically been a major consideration in Peru. Current government policy is heavily influenced by this past history. One manifestation of this is the rather cautious approach being taken with regard to the type and degree of decentralization which is occurring.

2. The present policy distinguishes between decentralization to regional levels which is primarily economic in character, and decentralization to municipal levels which is primarily socio-political in character. This presents problems in terms of rationalizing developmental assistance intended to have maximum impact at both levels.

3. Despite the government's cautious approach to decentralization, and its highly political aspects, it must be taken into account in formulating a new Mission country assistance strategy. Because of its importance to Peruvian national development and the confluence of U.S. and GOP policy interest with respect to decentralization, it warrants consideration as a major thrust of USAID's overall program. No other major donor appears to be significantly involved in this area. If the USAID should choose to make decentralization a major thrust of its country development strategy, it should do so with the clear recognition that it will constitute a long term undertaking containing a heavy commitment to technical assistance for institutional development. The first step would be a policy dialogue to clarify the ambiguities and resolve the contradictions in current government policy.

4. The USAID should also:

a. Consider technical assistance to other departments but conditioned on (1) a clear and strong expression of GOP interest at the National and Departmental levels; (2) the ability to find qualified advisors, skilled in the subject area and the technical advisory role, who are willing to reinforce and build upon the work already done; (3) a build-up of USAID technical and administrative support capability.

b. Summarize the results of studies on various aspects of Municipal Development completed by the project and make them available to the "Mixed Commission" organized to recommend transfer of functions and resources to local Governments.

c. Consider providing short term technical advisory support to the commission and one senior long-term Technical Advisor to INFOM, if requested.

d. Plan any further assistance on the basis of experience in using the new mechanism for implementing the Market Town development fund proposed above, and a clarification of GOP decentralization policy as reflected by GOP decisions on regional organization and the transfer of functions and resources to local governments.

SECTION II

ANALYSIS OF PERUVIAN GOVERNMENT DECENTRALIZATION POLICY AND USAID OPTIONS

This section incorporates the report of Patricia Wilson Salinas, which appears as an Annex II-1. It thus bridges the area of policy analysis -- in the broadest possible context -- with that of the main strategic alternatives that US/AID in Peru should be considering. That in turn provides a basis for judgments, later on, about the IRD Project specifics.

The breadth of the approach is predicated on the observation that the subject of "decentralization" has sometimes been subject to a remarkable degree of misinterpretation. The sources of such misunderstanding are to be found in overly narrow and shortsighted views of what this subject embraces and can mean in a nation such as Peru. Thus, both to avoid undue naivete and to escape the curse of repeating history's errors, a wide perspective is taken as a point of departure.

The Meaning of "Decentralization"

Since the rise of the first human civilizations, a key problem has been how to organize enduring multi-purpose activities in a society's territory. From the unstable systems of city states onward to the intermittant empires (episodic, except where a dependable means of transportation and communication could be developed), the delimma of centralizing vs. decentralizing has preoccupied much of human history.

The subject should be well enough understood by now for there to be agreement that we are discussing at least the following distinct kinds of change in "centralization-decentralization":**

a. Relocation of some powers in physical space, moving them to or from a central point or area;

b. Relocation of some funds in physical space, moving them to or from a central point or area;

c. Relocation of some activities in physical space moving them to or from a central point or area;

d. Relocation of some powers within an organization or among organizations moving them to or from a central point or position;

e. Relocation of some funds in physical space, moving them to or from a central organizational position;

f. Relocation of activities within an organization or among an array of organizations moving them to or from a central position.

Note that each of these is reasonably independent—except that it is easier to move "powers" (on paper) than to move funds and still hard to obtain movement of activities in the short run—yet it is possible to have centralized powers, or funds with decentralized activities, and vice versa. Similarly, one can centralize institutionally while decentralizing physically, and vice versa. Thus "decentralization" becomes a more complex subject than it may seem at first.

**The distinctions here go beyond the current usage in Peruvian professional discussion, that between "deconcentration" (as the spreading out of activity, without accompanying authority) vs. "decentralization" (as extending both activity and authority or autonomy). This distinction is better understood in terms of the more complete scheme provided here.

The project under evaluation involves aspects of each of the kinds of potential decentralization discussed above. It also includes some limited forms of centralization, eg., to the key market towns within a rural hinterland. It thus is best understood in the context of regional decentralization movements, which internationally and historically have had similar mixes of decentralization and centralization. (See Chart I.)

Decentralization policy should be oriented toward finding an optimal degree of decentralization. And, in regional decentralization approaches, we shall be looking for optima in each of the several kinds of possible decentralization (physical, institutional, and of powers, of funds, and of activities.) The ends sought in estimating such an optimum are certainly not limited to the economic, and it will be necessary to be as precise as possible about what other objectives are in play. There is little room for absolutism in this matter: optimal decentralization will depend upon the nation and the time. On the other hand, the subject is important enough that ways to estimate the appropriate optima are necessary. The starting point should be trade-off economic analysis already under way.

The above considerations provide something of a summary of the general question of decentralization. They will be considered again in a later section. First, however, we need to be much clearer about the specific Peruvian experience with decentralization and policy related to it.

A. HISTORICAL BACKGROUND

Peru has some unique attributes as an instance of the centralism-decentralism issue. These attributes should be clearly in mind when policy on this area is considered.

The most obvious uniqueness lies in Peru's pre-hispanic cultural tradition. The early stages were a version of the basic alternation of

city-state vs. empire. We know very little about this period which has no direct impact on the present. However, the Incaic empire is both relevant and a matter of some knowledge.

The Incas had a remarkable approach to the question of physical or spatial centralization-decentralization. The government was of course highly centralized, but it was organized not by sectors but by geographic areas. There were just four "ministers" one for each of the main points of the compass. Each "minister" had "councelors", but there were twice as many of these for the North and the South, as for the East and West—indicating a basic spatial prioritization. While sectoral governance was absent at the center (El Cuzco), there was evidence of such a breakdown at the subregional level, where apunchic were in charge of police functions and public works construction and tucuy ricoc (supervisors) were responsible for the civil and criminal justice functions, as well as for public works inspection. Moreover, at the local level "mayors" (Curaca or aylluca, depending on the size of place) had considerble decentralized autonomy—though subject to the inspection by tucuy ricoc. If found grossly incompetent, "mayors" were banished to be herdsmen in the region of Titicaca. Each locality had an istitutionalized "Second Person" against just such a contigency.

The traditional past is important in Peru. This brief note on Incaic spatial organization may be of some marginal use in getting across some points regarding decentralization policy with persons who share this tradition.*

The Spanish Colonial Tradition

The centralism of colonial administrations generally is well known. The Spanish in Peru were here initially to get as much gold and silver out of the country as possible, as quickly as feasible. Lima was the port. Everything

*It is what every Peruvian schoolchild is expected to know. See the textbook by José Antonio del Busto D., Peru Incaico, Lima, Librer§a Studium (Fourth Edition), 1982.

was concentrated there: colonial administration, Church, army, etc. In time, however, the transition to other kinds of activities led to a shifting of some foci of activity elsewhere.

Most importantly, as extractive mining developed, the whole South of Peru was united for administration to what is now Bolivia. This separation was later reinforced by the development of wool exports. Then Peru had no integral identity as a colony, and its regional differentiation was not articulated because of the particular necessities of the colonial administration.

Peruvian National History: Eight Critical Points of Decentralization*

First, when independence came in the early 1820's, there was an initial failure to attain coherent political alliances. By inertia apparently, the new nation chose a set of areas that had been in use by the Spanish viceroy: "departments" (obviously Napoleonic in origin), in addition to the provinces and districts that were more traditional in Spanish colonial administration. There was danger that the nation might not "hold together" initially as quasi-feudal "caudillos" struggled for power in various parts of the territory. The practice of "earmarking" taxes for Departments, provinces and districts began early.

Second, at the end of the lost war with Chile in 1884, there was a more serious danger that the nation would split into a series of Central American style countries. These tendencies were reinforced by the development of three export "vectors" focusing on Arequipa, Lima, and Trujillo

Third, the emergence of the Departmantal Boards (Juntas) under the

*This entire section makes use of the chapter summary, plus direct reference to the full historical bibliography cited in Gregory Schmidt, "Center-Periphery Relations in Peru," (approximate title), Ph. D. dissertation in process, Cornell University, 1983.

"Aristocratic Republics" (1885-1919) was a concession to provincial interests that may have preserved national integration. However, these Juntas Departamentales were controlled by the power structure from each Department, and their power to draw monies form locally-collected excise taxes and to function as local patronage machines is generally agreed to have been more negative than positive. A serious problem was the loss of control by the central government over what turned out to be a very large proportion of the national budget. This was exacerbated by a private tax collection firm, that sometimes distributed funds to areas or sectors directly. At the end of this period, the first balanced approach to decentralization in a centralized nation appeared, in the proposals of Victor Andres Belaunde. This took the form of electoral reform that increased the power of the middle class in the provinces, at the expense of the landlords, but still with the locally earmarked taxes to "lubricate" the system.

Fourth, at the onset of the 1930's, rival capital cities were set up in Cuzco, Arequipa, and Piura, after the overthrow of Leguia's totalitarian "onceio" regime — which among other things had finally abolished the Departmental Development Boards. The breakup of the nation was averted by the formation of a provisional junta which called for elections.

Fifth, the "Decentralists" from Arequipa and elsewhere dominated the drafting of the 1933 constitution, which gave overwhelming power to the legislative branch. More in keeping with their agenda, the "Decentralists" put into the constitution a provision for popularly elected Departmental Councils, which were to be financed by locally-collected taxes and to have authority to organize and coordinate most of the activities of state agencies. The provisions of the new constitution were not implemented mainly because of fear that too many of the Departmental Councils would be controlled by APRA, which had just appeared as a very serious factor on the national political spectrum. The financial crisis of the 1930's was also a factor, for a very high proportion of the national budget would have passed to local control.

Sixth, APRA provoked the next crisis in the "decentralization" issue in 1945 by having passed in Congress a measure to set up "Provisional Municipal Boards" to govern the provinces and districts until the next municipal election. These Boards were used as an important power base in efforts to control all kinds of central government activities. This crisis was averted by the coming to power of Odria and his totalitarian "Ochenario".

Seventh, in the late 1950's, the Departmental Development Corporations were created, simultaneously with the Departamental Public Works Boards (funded by the National Economic Development Fund). These became effectively controlled by provincial influentials, with national level approvals being largely limited to technical considerations. These measures were advanced by Prado largely because of the serious challenge posed by the then young "decentralist", Belaunde Terry, in his losing 1956 electoral campaign. When Belaunde came to power with military help after the "tie" in the 1962 election (in which there was a headlong escallation of decentralist rhetoric), he pushed his decentralization platform even further, though giving some countering central emphasis through the new National Planning System and budgeting. (These administrative reforms were advanced by the military during the 1962 inter-regnum). The provincial influentials controlled all projects except those funded by international assistance. Military intervention in 1968 was precipitated by "civilian paralysis" and by an impatience for significant reforms to be implemented — the 1962 standoff between APRA and AP, with each promising to decentralize more, being symtomatic.*

Finally, the present "decentralization thrust" came from the 1979 constitution, at the end of the two-stage military regime. (In the second stage the decentralist ORDES, and what became the PRODERINS, were promoted). This calls for Regional Governments, Departmental Development

*See also the treatment of the two most recent "critical points" in Annex II-1 to this report, by Dr. Patricia Wilson Salinas.

Corporations, and Municipalities all with considerably increased powers and resources. The constitution provides that the elected administration is to draft legislation in each area for approval by congress under very strict rules. The second Belaunde government is proceeding with considerable caution, and some (calculated?) ambiguity and seeming contradiction--perhaps with a knowledge of the history just sketched.

B. CURRENT PERUVIAN DECENTRALIZATION POLICY*

As already suggested, the Belaunde government is understandably searching for a workable mix of decentralizing policies, but with enough central control so that it will all work — economically, socially, and politically. They are understandably cautious, for they have been there before. And, since Acción Popular comprises a very wide swath of the Peruvian polity, there are naturally differences of opinion, or at least of emphasis, on the specifics of decentralization. Their struggle should be seen as a kind of dialectic: strong theses will be advanced, these will be challenged with positions of comparable strength, and some kind of a settlement will emerge.

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* More broadly, APRA and IU also have difficult positions to take on the matter of decentralization. These become more difficult in the specifics. Each of the parties is by now wary of the decentralization issue, for it is historically replete with unanticipated consequences. It is likely that each party will state a rather vague position on regional government and further reform of the municipalities — except that the opposition parties will get maximum mileage out of the failure to t he government to do more, faster.

What is sure is that there is an issue in decentralization. And since politics is the art of agitating and settling issues, we may be sure that the discussion of decentralization will be highly political.

Most important in the short run is not partisan politics but rather politics internal to the AP party and administrative politics internal to the government. (Partisan politics becomes more relevant in the section below that attempts to project decentralization policy into the future).

For a fuller discussion of this policy analysis, with a different emphasis, see Annex II-1, by Dr. Patricia Wilson Salinas.

Physical Decentralization and Decentralization of Authority

Peruvian policy on decentralization in the Second Belaunde administration seems contradictory to a number of observers. Others suspect it of being merely rhetorical.

On the one hand, we have the long tradition of proposals to provide access and benefits to the "forgotten" people and towns, the development of regional institutions, and the thrust of major "frontier" works such as the Marginal Highway. On the other hand, we see hesitation and delay in implementing the constitutional provisions for the several decentralist initiatives. And, when a law, such as that of the Departmental Corporations does come out, and those entities are in due course actually created, there are delays in transferring full and dependable funding to them. There certainly is no haste in transferring autonomy and resources either to the Departmental Corporations or to the municipalities.

This paradox is probably best understood in terms of the distinction between the physical transfer of activities, which the government is clearly in favor of, and the physical (spatial) transfer of power or authority, about which the government has learned to be cautious, and which is delayed by lack of funds. The idea of transferring activities within an organization without taking the risk of transferring authority is also attractive.

The Twin Thrusts of Current Decentralization Policy

When asked about municipal policy during a discussion of regional decentralization policy, a number of representatives of the present government responded with an expression that the two matters are entirely distinct. Since they are not obviously separate to an outsider, we should break down the line of policy thinking that makes them appear to be so within the Second Belaunde administration.

Regions and Departments are seen as extensions of national economic

policy down to those levels. (If the Regional Governments Plan is implemented, the Departmental Development Corporations will be consolidated at the Regional level; for now, only the Departments have legal reality). Accordingly, much of the planning and other decision-making is concerned with investment criteria for public works. If the legislative powers of the Regional Governments are implemented, there will also be limited taxing powers and some other discretions. But there will also be very firm central control in economic planning, as part of the National Planning System, down through the macro-regions (much larger than the proposed Regions of governance), through micro-regions, and provinces. (See excerpt from Decree 008, Annex II-2).

There is certainly a political dimension to decentralization to Regional Governments and to Departmental Development Corporations as well. The next election, and later ones, will surely be influenced by the amounts and ways that resources are distributed to these areas. Yet much of the planning and other decision making will be centered on investment criteria, and we should speak of decentralization policy vis-a-vis these intermediate areas of the national territory as being characterized by <u>political economy</u>.

Municipalities, on the other hand, are seen as mainly an extension of social policy.* with important electoral and other political consequences. The thrust of government decentralization policy to the municipalities must be seen as <u>socio-political in nature,</u> closely allied to and perhaps in time supplanting the somewhat more obviously partisan "Cooperation Popular" apparatus. Accordingly, the emphasis in decision making about decentralization to the municipalities is based on moving many of apparent activities (the attributions in the law of municipalities), and a number of apparent powers, but without ever actually transferring massive financial resources that will be needed for a more overriding national economic strategy. What is intended in the municipal decentralization strategy, it would appear, is to generate enough activity to stimulate somewhat more participation in the activities of localities, and to <u>seem</u> to be doing quite a

lot for the municipalities for purposes of electoral politics.

Thus, if implemented as part of the government's municipal decentralization strategy, it cannot be anticipated that the economic infrastructure for the development of key market towns would be located where they needs to be, of the kind that it should be, and with broader economic development considerations in mind.

Prospects for an Articulate Synthesis of Decentralization Policy

The policy-lines for Regional Departmental decentralization vs. Municipal decentralization are so divided that there is no automatic way that they could be easily brought into a single, coherent policy thrust. The current government is going to need a strong input of subtle help, even urging, if it is to arrive at such a line of thought and action prior to the paralyzing climate that must be anticipated when the 1985 presidential election campaign gets underway. And, as argued below, it is very much to US/AID's interest that such an articulate synthesis of decentralization policy be developed.

As a general concept, it appears that the most promising line of such assistance and urging will be some kind of construct of "economically strategic municipalities", within regions and smaller microregions. This would provide a way of concentrating upon just those municipalities that do have key economic roles to play in the larger geographic zones and, ultimately, in the nation itself. We will return to this idea with more specifics below.

*See Section II E. for further background on Peruvian municipal development history and policy.

Positions of Opposition Parties

As discussed above, both APRA and IU are committed to some kind of decentralization policy. Part of this is ideological, stemming from the marxist dictate about "minimizing the difference between the city and thecountryside" and naturally part of it is simply opportunistic. Any opposition party can profit by criticizing a party in power for failure to pay enough attention to persons in remote locations —since no government will ever be able to do enough for them. However, the political rhetoric about decentralization has been maintained at such a high level since the 1962 election that no party is likely to have any overwhelmingly different position on the subject from any other -- at least of the major parties. So for the short run, the positions of the opposition parties are likely to be of very limited relevance to the policy outcomes on the immediate decentralization issues. There are some necessary qualifications to this judement, to which we now turn.

Short Run Prognosis on Decentralization Policy

The general expectation is that the Regional Governments Plan will not be approved by the Congress this year. This is the anticipation at the highest and intermediate levels of the government itself. However, there could conceivably be a surprise.

The Constitutional terms stipulate that, if the Congress does not vote to reject the government's proposed Regional Governments Plan, it will automatically become law. The prediction is that the AP party would support the program, with only a minimal number of defections due to which Departments are joined or separated into the dozen regions. None of the other parties is prepared to oppose the legislation, or so it now seems. So the voting might be along locational rather than partisan lines in the opposition parties. It is quite conceivable that the congress, under these circumstances, might become paralyzed and fail to act on the Plan. And it is barely conceivable

that, if the matter did come to a vote, a solid vote in favor would carry the measure over the regionally-split opposition vote. The probability of a inertial solution to the matter is enhanced by the recent announcement of the Chairman of the Senate Committee on the measure that he was in favor of having a national plebiscite on the Plan, noting that Article 264 of the Constitution stipulates that "it will be the people who will decide their government through their vote." (Domingo Ramirez Angeles in El Comercio, March 21, 1983). A plebiscite would not be determinate, of course, but it would get a lot of AP (and other) legislators "off the hook" with local constituents, allowing them to vote in favor of the law--or more likely to let it pass on the basis that "the people have spoken." (It is unlikely that the regionalization would actually be voted down in a national advisory plebiscite, given that the overwhelming Lima vote would be quite indifferent to the localistic squabbles about boundaries.) If there appear some matters of substance on the matter of the "Plan Nacional de Regionalización"--other than that of boundary disputes--the outlook might change. If not, Peru might just might surprise itself with a new Regional Government structure.

Even if that were to happen, the impact would be minimal on the kinds of decentralization of public works now found in the Departmental Corporations. There would be major adjustments of consolidating these, but that would not be so difficult now as it would be a few years from now when each Corporation will have built up its Departmental constituency.

C. PROJECTION OF LONGER RANGE DECENTRALIZATION POLICY IN PERU

It is of course very hazardous to predict a matter of this complexity. However, the historical analysis above and what understanding we have been able to attain about the current and near-future situation, does seem to provide some basis for a fairly confident forcast about the next couple of decades in Peru. This confidence is buttressed by the following analysis, made nearly a decade ago, by an expert who had been in Peru almost a decade

before that, about the degree of decentralization in Peru:

> "The Western liberal...tradition have been hostile toward centralized bureaucratic power -- seen as profoundly dangerous for human freedom. And Marxist-Leninist thought is strongly opposed to decentralization, which may permit enemies of the revolutional party to capture power within decentralized units while permitting excessive influence of market forces on product mix and income distribution decisions.
>
> Elements of this ideological struggle are present in the Peruvian process. In a decentralized system, capitalism is likely to swamp socialist like initiatives or at best reduce them to offshoots of capitalism which serve as barriers to propagating socialist values. A highly decentralized system of self-managed firms operating in a pluralistic economy is likely to mean that the distribution of income, and thus "voting power" in the market for goods and services, will be very inequitably distributed in Peru for some years to come.
>
> "This fact may justify the decision to maintain considerable elements of central planning and control as well as strong economic support by the state, at least in the early stages of implementation. But when a market is permitted to develop, the existing distribution of income becomes a factor influencing how much and what is produced and who consumes how much of what. Direct government measures beyond the creation of (cooperatives) are likely to be necessary if production and consumption are to be in accord with the social necessities and a market retained".
>
> "The problem here, of course, is avoiding the creation of an all-powerful centralized bureaucracy that might develop its own class interests and in turn stand as a barrier to a greater degree of autonomy or a more just distribution of income in the future. Peruvian policy makers may eventually decide to decentralize some of the
>
> financial decisions ... by creating regional ... funds receiving a percentage of the resources flowing to the (cooperative sector). Investments approved at the regional level could be required to be consistent with national and regional development plans. Such a scheme might have the political advantage of securing greater popular support at the grass roots, since most provincial Peruvians distrust Lima bureaucracies. At the same time it would guard against the more purely economic pitfalls of bureaucratic myopia at the center."*

(In the above quotation, the term "social-property" has been rendered "cooperative" to avoid the archaic tone of program-jargon from the early 1970s.)

Decentralization policy in Peru is likely to be an enduring issue, and one with generally predictable attributes. These are as follows:

1. Both of the major political forces are going to want to follow though on decentralist policies implied by the 1979 Constitution, not much more and not much less.

2. Neither the right nor the extreme left are going to be in any position to block decentralist initiatives by the "left center" (the consensual area presently ascribed to by most of AP and most of APRA).

3. The military will not intervene over questions of decentralization policy that fall within the general scope of the 1979 Constitution.

4. The interesting questions of decentralization policy are going to be the details e.g., (a) the extent of the National Planning Institute's role, (b) the extent to which the powers of the Regional Governments will be real(when these are put into action, as they probably will be just before or after the next presidential election), (c) the extent to which different classes of municipalities are given significant amounts of resources and are actually allowed to take over the functions that have been attributed to them, as modified by pending legislation.

5. The two center parties are going to jockey for position on the basis of these details over the next two decades. But they will generally checkmate each other so that policy will be generally constant.

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*Source: P.T. Knight, "New Forms of Economic Organization in Peru," in A.F. Lowenthal, The Peruvian Experiment, Princeton University press, 1975.

6. The international assistance agencies that are interested in this question could have a significant role in the policy-outcomes of these details of decentralization policy, in what really results from it, of what of all that is promised actually gets implemented. (Note the impact of international assistance in the First Belaunde administration's decentralization efforts, above, at the effective onset of the current decentralization policy-consensus.) This will take place in part by the terms of the financial assistance provided for projects across a wide range of sectors and, more indirectly, through the kinds of technical assistance provided in the specific area of decentralization--especially in the details.

D. OPTIONS FOR INTERNATIONAL ASSISTANCE

If the international assistance agencies have a crucial role to play in working out the policy-outcomes of decentralization in Peru, as argued above, what are the options?

None of the major donors presently appears to have an assistance strategy directly tied to the Peruvian government's decentralization policies. If further fact-finding substantiates this AID would be in a position to move unimpeded into a vacuum. The impact of making decentralization the core of USAID's country assistance strategy in such conditions could be substantive.

US/AID has been effective accross a wide range of programs and projects in Peru, recovering rather nicely from the difficult period of the mid- and late-1970's. Underway or planned are an array of undertakings in agriculture (agricultural intensification, including water and land use in the Sierra, soils conservation, and research-extension-education; rural development support, including (besides the project under evaluation) the small hydroelectric power development, land use inventory and environmental planning, agricultural policy and planning; and the high jungle expansion

initiatives, including the subtropical soils and lands, the intersectoral area development in Upper Huallaga, and the Central Selva resource management.) There is a comparable thrust of activity in the housing, shelter and urban sector, centering on PL 480 funds. This entire package with modifications could be directly supportive of decentralization if put in the proper strategic context.

WHY US/AID PERU MAY BE INTERESTED IN A DECENTRALIZATION STRATEGY

The legitimate interests of the "assistance" mission of one country to another have to reside in the area of mutual self-interest shared by the countries. It is in this context that policy dialogues on institution building and technology transfer, as well as the role of private sector activity may be carried out.

These considerations are wrapped up in questions about the general development of democratic values and modern approaches. Development also means increased ability of people in a territory to communicate with one another, implying the articulation of a space economy and its related demography. As suggested above, decentralized approaches are compatible with the selection of market solutions to problems of economic production and distribution, and both the United States and the Peruvian government believe private enterprise solutions will be beneficial to Peru. The United States is legitimately interested in minimizing the turbulence that Peru has sometimes suffered, and promoting a stable climate in development can occur.

Decentralization, in the middle range, is almost surely a more promising strategy than any other to enhance some reasonable measure of tranquility.

WHAT US/AID SHOULD SEEK IN DECENTRALIZATION

The United States, through US/AID should want to promote politic-economic rationalization of Peru at the regional and municipal levels

in keeping with the common interests of the two nations. Similarly, socio-political participation at the municipal level is desirable for the same reasons: such participation has had positive benefits in the U.S. and there is reason to believe that these same kinds of benefits would accrue in Peru if such participation were developed well. And, since the municipalities cover every square metre of Peru's national territory, a combined regional-economic and municipal-social decentralization policy is really a way of getting at the substance of almost any kind of activity that might be desirable to encourage for one reason or another. (All programs and projects ultimately do have to be anchored in terrestrial space.) The rationalization of the locations of projects, through a reasoned decentralization policy, practically defines the articulation of a nation's national territory -- since the rationalization is based on a criterion of "optimal decentralization," as discussed above. This means that US/AID should be interested in Peruvian decentralization up to that point at which it becomes too costly in terms of current expenditures or opportunity costs for economic development. And to assure that the rationalization referred to is real, and that the decentralization not go unacceptably beyond the "trade-off" point just indicated, US/AID should be interested in having a strong national planning system to guide, and occasionally to regulate, the pace and direction of decentralization.

It is striking that the interests of US/AID are remarkeably congurent with what has been identified above as the central consensus about decentralization in Peru since 1962 or even 1956. It appears this common interest will extend well into the next two decades.

If, in addition, it is correct that decentralization would provide a coherent organizing paradigm for almost everything that US/AID should want to be doing in Peru, it may have something to offer as a focus for the new Country Development Strategy Statement. We believe that may be the case.

PREVIEW OF US/AID STRATEGY ACCORDING TO THE DECENTRALIZATION PARADIGM

A somewhat more specific view of what might be involved in fleshing out such a strategy, based on a decentralization focus, should be suggested. In the first place, there would need to be some basic studies financed, along with some high level technical assistance, to help the Peruvians to sort out and come to a greater common agreement on just what their policy is going to be about for the next year or two. This input would need to be in two places. The National Planning Institute and the office of the Executive Secretary to the Prime Minister. One is technical and the other more political, but it would be a great error either to neglect one for the other or to assume that there is more conflict between the two offices than there really is.

The second line of action would be to provide information on practically all programs and projects through these offices, even those that seem initially to involve only sectoral ministries. To the maximum extent possible, all programs and projects should be worked out specifically along the ladder of spatial areas in use by these two agencies: besides the conventional sectors, the macro-regions, regions, micro-regions and Provinces of INP and the more political areas of Departments, Provinces and District municipalities of the Primer Minister's dependencies, the Corporations and the Institute of Municipal Development (INFOM). Programs and projects be identified by both specific area and specific sector.

AID should expect to spread its influence (albeit indirect) across a significant range of Regions, Departments and municipalities. The area covered by the decentralization assistance would need cover more than a few target areas for its subsequent impact to be assessed.

Very importantly, the crux of the entire AID decentralization assistance framework should be concentration on the ECONOMICALLY STRATEGIC MUNICIPALITIES, sketched above and detailed in our recommendations regarding

the Key Market Towns below. This is essential. Without this, the decentralization strategy could easily be dissipated across the more than 1600 municipalities, most of which have very limited strategic importance to the overall development of Peru.

Note that we are not talking about just Provincial Municipalities, for some Departmental Municipalities will be found to be much more strategic than the (politically) higher ranked one. And conversely we are not talking about all Provincial Municipalites, or even Departmental Capitals -- for some of these have less strategic economic importance. What we are talking about are just those localities that sound microregional analysis, and emerging opportunities such as resource or entrepreneurship discoveries, reveal to have identifiable importance for the economic functioning or development of larger areas and thus, hierarchically, to the nation itself. We mean to generalize from what was good in the idea of the IRD project under evaluation, including both the parts of it that were well implemented and the unrealized potential that we see in the key Market Towns aspect. (See discussion in the evaluation section which follows).

Technical assistance is of prime importance in making this whole paradigm work. Economic assistance should be used to assure the realization of the technology transfer and the outputs of the policy dialogue around this theme. However, rather considerable sums would have to be contemplated to make what is implied come to reality.

THE IRD PROJECT AS REHEARSAL FOR THE DECENTRALIZATION STRATEGY

As indicated, we think that the accomplishments and the potential the IRD project suggest some of the main elements of what could be a beneficial overall strategy for AID/Peru's activities. That of course is for the Mission to decide through its normal procedures for establishing its CDSS.

To the extent that the framework is used for the broader Mission strategy, even partially, there will have been an important learning experience from the IRD project. This is so even though there have been some disappointing outcomes from the operation of the IRD in the details of what it has done and not done. These are covered in the sections that follow.

SECTION III

ANALYSIS OF IRD PROJECT PERFORMANCE IN JUNIN AND CAJAMARCA

A. CAJAMARCA

1. Planning Capacity

In the thirty month period since the appointment of PRODERIN Cajamarca's first executive director in October, 1980, the PRODERIN group developed the capacity to generate coherent, useful plans for the Department of Cajamarca and to use these plans as a partial basis of their investment strategy.

During the project period the PRODERIN Cajamarca filled a vacuum in the planning process in Cajamarca, helped shape the dialogue about the Department's development alternatives and helped prepare the new development corporation's (CORDECAJ) first departmental plan. The historical development of this process is as follows:

a. While PRODERIN's first plan, prepared in 1981 was not linked to the organization's investment program, it provided a useful preliminary assessment of Cajamarca's resources and its development possibilities. It identified key market towns and hinted at some of the critical linkages between market towns and their rural hinterlands. Unfortunately, the plan was done largely by external consultants without substantial participation of PRODERIN staff.

b. PRODERIN plans developed in 1982 reflect more detailed assessments of Cajamarca's economic, demographic, and resources characteristics and of its social problems compared with other departments. The plans identify not only key market towns, but also three micro regions in the department around which planning efforts might take place.

c. In 1983 PRODERIN staff participation in the drafting of the CORDECAJ plan for 1983-85 and the transfer of 6 staff planners to the corporation's planning office (50% time but 100% salary paid by the PRODERIN), reflect the influence of the PRODERIN planning capacity on planning efforts in Cajamarca.

d. One possible limitation of the PRODERIN plan strategy is its failure to consider the role of municipalities other than market towns. Plan logic identifies micro regions, key market towns and rural hinterlands, but not the string of small municipalities which fall between them.

2. Relation of Plans to PRODERIN Investment Strategy

While the PRODERIN demonstrated its ability to develop departmental planning capacity, the linkage between plan concepts and investments in infrastructure and program service deliver decisions has been highly uneven.

a. The relation of plan priorities to investment decisions has been most successful in rural works development in 1982 where roads selected for construction helped to link productive rural areas to key market towns. All ten investment choices in 1982 followed plan logic of linking rural hinterlands to key market towns. In constrast, all 13 works in 1981 were selected for construction before a plan was available and before priorities were set.

b. Inspite of the importance of investments in market town development (37% of Cajamarca's investment package) and in municipal technical assistance activities, no projects in market town development were identified until June 1982. Market town development fund projects selected for study fit priority areas in the plan but seemed to bear little relation to possibilities for increasing economic development on rural/urban linkages.

c. Although three micro regions in Cajamarca were identified virtually all PRODERIN activities were concentrated in the Southern Micro region and heavily favored Cajamarca province. In 1981, 8 of 13 projects were in Cajamarca and 12 of 13 were in the Southern Microregion. In 1982, 2 of 10 projects were in Cajamarca province and 7 of 10 were in the Southern Microregion. The 1982 investment pattern represents a better spread in the Southern Microregion but still a heavy bias in favor of that region. PRODERIN informants explain their focus as a result of limited resources, travel problems, and the ample resource base of the Northern Microregion specifically Jaen which made service there unnecessary.

3. Works Preselection Process

Strategy for the selection of actual projects varied considerably during the life of the project:

a. In 1981 rural infrastructure projects were selected on the basis of review of community requests in 12 of 13 cases. In contrast in 1982 projects were preidentified based on plan priorities. Then the communities were visited to generate interest. Community interest and specific applications were generated in 9 of the 10 projects.

b. In contrast, in municipal technical assistance and market town development projects, possible activities were selected based on suggestions by outside agencies, or special interests of PRODERIN members.

c. In the cases of the two projects where the community made no specific project requests, the Canal San Juan and the Carretera Sucre Oxamarca, serious implementation problems developed.

4. The Development of Study Capacity (See Exhibit 2)

During the project period the PRODERIN was most successful in developing its capacity to present prefeasibility studies of rural infraestructure projects. The studies presented economic, social, financial and engineering

feasibility. In 1981 such studies were largely descriptive. They contained detailed cost information, little extensive topographic ... gineering data and few criteria to help judge whether project costs were greater than benefits. They contained no information to help compare one project with another. In 1982 simple cost benefit techniques were employed and engineering and topographic information became more extensive.

While study capacity was generated for rural works, PRODERIN group members noted that the principal use of studies was not to make decisions about which projects should be selected for construction, but rather how much preselected works would cost and how to perform the construction.

The PRODERIN group developed virtually no internal capacity to produce studies of the more complex market town electrical and water systems or to evaluate studies produced by Electro Peru or SENAPA, the government agencies responsible for works in these areas.

5. Implementation Capacity (See Exhibits 3-6)

The most successful aspect of the project was the development of the PRODERIN capacity to construct small scale, rural infrastructural works by administration with a high level of community labor participation (in return for food). During a 30 month period 24 works were selected for consktruction and 14 were completed. A total of 70.22 kilometers of roads were constructed and 39.5 km. of irrigation works. The average cost per construction project was $81,965 and the average number of beneficiaries served per work was 789. In the roads projects the average cost per work was $166,488 and the average number of beneficiaries served was 1371. In irrigation works the average cost of works was $12,796 and the average number of beneficiaries served was 308. In social infrastructure the average cost per work was $5,082 and the number of beneficiaries served per work was 450. (See Part IV for cost effectiveness comparisons) In contrast the group demonstrated little capacity to select, design and implement urban infrastructural works. (See discussion in Part III C.)

6. Evaluation Capacity

A key element in project success is the ability to learn from accumulated experience and readjust project activities accordingly. The team has demonstrated notable sucess in learning from its rural works experience. It has not yet demonstrated its ability to analyze its problems in the market town fund and in municipal technical assistance and to restructure its organization or negotiate with key external actors whose decisions slow down the utilization of the fund.

7. The Creation of a Planning Organizational Team With Adequate Technical Skills and High Levels of Motivation

In 1980-81 the PRODERIN group suffered from changes in top level staff, directors of some departments and low morale. However, in the beginning of 1982 a new project director was hired and as a result of a new strategy a highly motivated cohesive work team has been established. (See Exhibit 7 for a discussion of job turnover).

The team is qualified to perform the functions of a departamental planning organization and the implementation and studies functions related to rural small scale infrastructure design and construction. The group is not presently capable of performing the design, implementation or construction of more complex urban infrastructural development.

Although motivation levels remain high, there is considerable anxiety about the implementation of the integration of the PRODERIN with the Cajamarca Development Corporation. An integration model which seriously restricts the PRODERIN's implementation capacity could lower morale seriously.

8. Impact of the PRODERIN on Other Organizations Such as the Corporation Departmental Office of INP and the Municipalities

During the 30 months of project life the PRODERIN group has largely concentrated on developing its internal organization and strategy. Thus, its impact on other organizations in Cajamarca has been limited. In terms of actual services delivered, the PRODERIN group collaborated with INP officials in the development of regional plans, it has assisted the CODERCAJ in the drafting ot its 1983-85 plan and in the preparation of its 1983 budget and investment plan. PRODERIN group members believe that their presentations were partially responsible in helping get the corporation budget doubled in 1983 after they made presentions at the fifth economic encounter, and at other meetings. Finally, the group provided limited technical assistance to municipalities and gave two courses.

PRODERIN's most important impact on other organizations has been in the presentation of departmental planning concepts and strategies to key influentials in Cajamarca. The PRODERIN conception of microregions, market town development, and the socio economic and resource situation of the department have become commonly shared conceptions. Six of the PRODERIN planning staff have been transferred to the corporation and are used on a shared basis. Thus, the process of institutionalization of the planning system and specific planning strategies is taking place.

In spite of the positive impacts and institutionalization of key planning concepts of the PRODERIN in other organizations, the perceptions of key officials from the Corporation, the departmental office and INP and the few municipalities visited were either neutral or negative.

a. Corporation officials recognize the positive impact of the PRODERIN in the planning process and conception. They state, however, that PRODERIN's rural works projects are costly and limited in impact. (See Part IV for actual cost comparisons and impact findings.) They

believe that the approach to municipal tehcnical assistance is too sophisticated for municipalities. THey do not think that PRODERIN staff have the skills to prepare studies or implement market town investments. Finally, they believe that a separate project organization with high salaries is unrealistic for Peru at this time.

b. INP officials in Cajamarca refused to comment on the PRODERIN except to say that only the INP has the right to prepare departmental development plans.

c. PRODERIN staff note that they have had very limited contact with municipal officials. The two municipal mayors and committees with whom we conversed knew about and have favorable impressions about the rural works program. They were dissatisfied with PRODERIN's ability to get municipal water and electric systems going in their districts. They commented on the lack of frequent visits of PRODERIN staff, and lamented their lack of information about the costs, terms and construction calendars of the municipal projects.

B. JUNIN

1. Planning Capacity

Since the preparation of the Junin 1982 Departmental Development Plan, between April and June 1981, the PRODERIN group has developed its planning capacity. It has, for example, developed an appropriate methodology to establish priorities for project selection consistent with the agreement objectives and according to the Department's micro regional plan and the priorities assigned by the plan to each micro region (see Exhibit 13 and Appendix 3). In this sense, the operational plans prepared by PRODERIN place 70% of the projects in micro regions ranked as first and second priority.

Besides the experience obtained from the preparation of this plan, team members have not het become involved in departmental planning procedures. PRODERIN staff members have conceptual clarity as to micro-regionalization priorities and operational planning, but not in respect to key market towns, an aspect which will be discussed below. In contrast to Cajamarca, in Junin the INP actually plays the role of a regional planning organization, interested in coordinating the resources of the Corporation and PRODERIN. As a result of the delay in defining the procedure and the integration mechanisms between PRODERIN and the Corporation, no new development plan has been worked out for Junin for 1983. However, as a first step to integrate planning efforts, four PRODERIN planning group staff will be assigned to INP, four to the planning office (scheduling) of the corporation, and two appointed as advisors to the executive director of PRODERIN.

The above action places the planning function under a matrix model which will make it possible to test the planning capacity of the PRODERIN team and will determine the uniformity of the concept developed by the group on future plans. For this purpose, it is basic for the group to generate an informal communications mechanism to maintain the influence of the technical consultants.

2. Relating the PRODERIN Plans to an Investment Strategy

The beginning of the operations in Junin, followed a logical sequence determined by the following schedule:

April 1981	Staff recruitment (see exibit 14). Preparation of the development plan. Objectives presented, applications received.
Sept./ Nov. 1981	Evaluation of 600 applications for projects. Selection of 25 possible projects, and profile preparation. On the basis of project profiles and selection criteria:

14 definite studies for rural public works were selected to make up the first project package.

Nov. 1981 — First disbursement and simultaneous beginning of 6 projects from the first package.

Dec. 1981 — Rural public works from the first package continued. Preparation of 7 studies from the second package of RPW. Selection of 14 RPW projects, for a third package and beginning of studies.

June 1982 — Reorganization to create the "key market towns" office (see new organization chart in Exhibit 15).

The action timetable between April 1981 and June 1982, shows that: 1) A sequence was followed in the selection of rural public works projects on the basis of priority criteria, established in the development plan; 2) more than one year went by before actual significance was given to the investment projects in "Key market towns." In fact, early in the project all the efforts were concentrated on rural public works and 3) the change in the organizational structure is due to the attempt to attach some significance to the key market town projects.

One of the main aspects of PRODERIN investment strategy is the fact that the 35 rural public works projects (of which 18 have been completed and the 14 key market town projects (of which only one has been started and completed), are scattered in an area that covers approximately 40% of the department territory and falls into the micro regions which were given priority status in the plan.

3. Project Selection Procedure

As noted in the previous section, the project selection procedure was done on the basis of the priority setting criteria of the plan. Only two

exceptions have been made to this procedure, an irrigation project and an electric project (through grants) in suburban areas close to Huancayo. A combination of political pressures and cost benefit ratio seemed to have determined its implementation as part of the rural public works.

4. The Development of Study Capacity

Before the reorganization of June 1982, the study and project offices, carried out the main part of the rural public works studies. From this group a review of a sample of ten studies revealed study capacity and particularly a capacity to perform cost benefit analysis improved considerably in two studies carried out in May 1982, cost benefit rates were determined on the basis of a 10 year projection and are combined with present net value analysis (See Exhibit 16). A significant evidence that studies were used to make decisions is available. For example, the executive directorship decided to cancel two projects already approved, based on later cost benefit analysis not performed in original studies. For key market towns, studies have been contracted to fulfill the technical requirements of agencies such as Electro Peru and SENAPA.

5. Implementation Capacity (See Exhibits 17-20)

(a) Rural Public Works

In just 21 months, starting from the appointment of the only Executive Director that PRODERIN has had, it was evident the team had the capacity to collect, design and build small scale works by direct administration, with a high community labor elements which contrary to Cajamarca, did not receive any food for work. By March 1983, 18 works have been completed (inlcuding the first stages of some highways), from a total of 35 selected works. 97.8 kilometers of highway have been improved or built (including 5 bridges) and 27.2 kilometers of irrigation canals have been built. (See cost data in Part IV.)

(b) "Key Market Towns"

In spite of the organization change to create an office exclusively oriented to the inpmentation of this type of project and the efforts to promote them, (2 of 4 promoters and the promotion director are assignad to "key market towns") results have been practically nil and they have contributed to frustration of PRODERIN personnel. Several factors contributed to this failure and are detailed in Section III D.

(c) Technical Assistance to Municipalities

As of March 1983, the technical assistance team gave 4 seminars oninvestment project design for municipalities.

6. Evaluation Capacity

The team has proven its ability to learn from its experience in rural public works. As to problem solving for thekey market fund, it has tried to correct its mistakes through reorganization but has not been able to find adequate mechanisms to negotiate with the organizations which inpinge upon its work in this field.

7. Development of an Organizational Planning Team with Adequate Technical Skills and High Motivation Level

From its inception, PRODERIN has had only one director, who has beenable to make up a highly cohesive work team, which at the same time is highly motivated and seriously committed to the future of the organization. Throughout the project duration only one professional advancement.

The team is qualified to carry out the planning and implementation functions of small and medium sized projects in rural areas but as is the case

with the Cajamarca team it is not ready to embark on more complex projects or urban infrastructure.

8. Impact of PRODERIN on Other Organizations Such as INP and the Corporation

Except for the original involvement of the PRODERIN planning team inthe Departmental Development Plan, the impact of its work on the Corporation and on INP has been minor; however, interinstitutional relations have evolved in a friendly and open climate which will facilitate theintegration process of PRODERIN to the Corporation. On the PRODERIN bulletin board one can see the schedule of interinstitutional sports competitions; this item, added to the fact that the transfering of the planning team to INP and to the Corporation was decided on the basis of a consensus reached bymanagement are positive signs of the feeling which characterizes interinstitutional relations. Both the Corporatio and the INP director have spoken favorable of PRODERIN and its performance and have stated that they hope the transfering of the planning people of PRODERIN will contribute to strengthening the departmental planning capacity.

The INP director acknowledges that his ownmicro regionalization concept based on areas with homogeneous characteristics is different from the PRODERIN concept which is based on urban-influenced areas with highly detailed analysis at the municipal level; but he feels that this disagreement is healthy and he is willing to accept "the one which actually proves to be better".

C. PROBLEMS RELATING TO INTEGRATION OF THE PRODERINS AND THE CORPORATIONS

Since their creation the PRODERINs have reported to three different organizations. In 1979-81 they were nominally subject to supervision and control

by the departmental development committees. In 1982 when the departmental development committees were abolished and the corporations created, it was felt that the corporations were too new to take on an oversight function. Thus, the PRODERINS were given autonomous status and placed under the direct control of the Prime Minister's office. In late 1982 the PRODERIN's were informed that they would be subject to oversight by the corporations and in the 1983 budget year, PRODERIN budgets were placed in the hands of the corporations although separate budget lines were established for the PRODERIN under the supervision of the corporations. No basic guidelines were provided for the roles and responsibilities of the PRODERINS and corporations and as a result considerable conflicts have been generated.

1. Models for Organizational Autonomy and the Problems of Mergers

Normally when project organizations like the PRODERIN are established they are provided broad powers and their major functions and powers are delegated to them with loose oversight by some parent agency or by a board (see Exhibit 8 for an example of types of organizational autonomy). They normally must have their budget approved on an annual basis, their director appointed by the parent agency, but they exercise a high degree of operational autonomy, subject to legislation which governs the behavior of autonomous agencies.

The logic of such strong delegation of authority is that the organization can cut the red tape associated with ministries, through having control of key actions which result in service delivery. Salaries are normally higher, staff often more motivated, and often more competent. The organizational form of autonomous project organizations is often favored by external donors since such groups frequently can move more rapidly to get things done. The key problem for such organizations is that when external funds disappear they often disappear as well. Their accumulated expertise disappears and no institutionalization of key distinctive features of the project takes place. Thus, short term autonomy is gained at the loss of longer term institutional capacity building.

When autonomous project organizations reach their ultimate funding year they either disappear or are integrated with existing organizations on a partial or a complete basis. If they have their own resource base or income base (as in the case of an independent water company), they can often negotiate merger or some form of integration with another organization under the conditions of the mixed model presented in exhibit 8. When two organizations each bring resources and markets to a merger, procedures and policies are often developed using the best features of each.

However, when a project organization has no resource base, it is often faced with the choice of simply disappearing or of being absorbed into an existing organization. In such a process, it usually subjugates its strategy, procedures and policies to those of the controlling organization.

2. The Situation of the PRODERIN Cajamarca

As an organization with separate resources until June 1984 it is plausible that the PRODERIN could negotiate for mixed status. Without outside resources after June 1984 it would have to think in terms of subjugating its strategy and structure to the corporation and of total integration. The conflicts normally associated with total absorption and integration have been accelerated by the top level directives which have placed the PRODERIN under supervision of the corporation.

A review of the positions of the Director of the PRODERIN Cajamarca and the Manager of the Corporation (based on memos which appear in Appendix 2 and based on detailed personal conversations) state their positions on key integration issues and also reveal the points of conflict. The position presented by the PRODERIN Director in January 1983 is one of more complete autonomy than is normally given to autonomous agencies. For example, few existing autonomous agencies have control over the approval of their own internal budget. Salary policy must normally conform with some law of autonomous agencies.

On the other hand, certain elements of the corporation director's position call for a more detailed intervention into day to day operations than is normally expected in a mixed organization and in several areas more than a typical executive director and board would intervene in the day to day operations of their own organization. Some of the corporation's proposals would slow down PRODERIN functions as they try to carry out the rest of their activities until the end of 1984.

SPECIFIC POINTS OF CONFLICT

The most serious point of conflict which will effect program functioning through the end of the Project period is the detailed control of PRODERIN operating procedures (see Exhibit 8 and CORDECAJ resolution Feb. 21 point 4 Appendix 2). For example, CORDECAJ resolution Feb. 21 point 4 calls for approval by the corporation's manager of all projects, budgets or works and studies and the allocation of funds for all individual project and study activities. In conversations about financial control and disbursement procedures corporation people felt that they needed to see and approve all PRODERIN requests for funds to be drawn down against the national budget. The PRODERIN's controller thought he only had to send copies of disbursement requests to the corporation and send its actual requests to Lima. PRODERIN's director feels that this kind of detailed intervention will slow down project completion substantially. Furthermore, since most works are already programmed, having to ask for approval of studies and funds will cause difficulties.

A second tension point revolves around wage and salary norms and upon the ability of the corporation to terminate PRODERIN employees immediately. Exhibit 10 shows that top level salaries and engineer salaries proposed by the PRODERIN are higher than those of CORDECAJ. PRODERIN staff cite arguments that CORDECAJ salaries are lower than they should be, that PRODERIN positions have no civil service status and that their employees need to be compensated for risk. Finally, the PRODERIN director believes that to attract quality professionals it is necessary to pay more.

In contrast the CORDECAJ manager believes the PRODERIN salaries are out of line with all autonomous agencies and they must be brought into line with those of the Corporation even if it means lowering some salaries. He notes that the general manager of the PRODERIN who reports to him will have a higher salary than he does. He also notes that all department heads and some professionals will have higher salaries (see exhibit 10). Finally, CORDECAJ's director believes that some positions need to be cut from the PRODERIN. He does not understand why some many people are needed in works and studies and is not sure what the role of promotion is and why it is necessary. He sees the need to cut the administrative group but might be willing to wait a year. On the budget, the third point of conflict, the corporation wants and says it has control of the budget general total and specific lines for annual approval and that it sends the "calendario of compromisos". The PRODERIN would like to have only general approval but not specific approval of lines by the corporation. On this issue under normal circumtances the parent organization, like the corporation has both general and specific line approval on an annual basis.

Corporation right to review strategy, receive evaluations, check personnel procedures and review operating norms (not specific details of operation) are within the range of controls normally provided to an oversight operation.

IMPLICATION FOR FUTURE PRODERIN OPERATIONS

Should the entire CORDECAJ position presented in its memos (appendix 2) and in exhibit 8 be the final position, there may be a resignation of key staff members and a possible paralysis of the project. Even without dealing with specific personalities and their problems in Cajamarca, corporation detailed oversight of functions of operations (project selection, study selection, works administration) and the specific approvals required as mentioned in point 4 and others in the memo would slow project operations considerably. They represent a much deeper intervention into the managerial process than most general managers and boards would be willing to engage in.

The sheer level of detail required would be difficult for a general manager to assimilate and still deal with other departments and divisions in his organization. If the mission wants to see the project completed successfully it may need to express an opinion about this item.

A second key issue to consider is whether intervention of the corporation in 1983 in staff cuts in the PRODERIN and in detailed operations will allow them to finish their work program. Staff cuts without key data on who does what in the organization may not make sense. Thus, it may be useful to preserve PRODERIN autonomy in staff, and administrative procedures in 1983 and then work for major changes in the 1984 budget with staff cuts and strategy adjusted to the reduced final year funding level, with the corporation's staff needs known and with the more careful studies done on necessary administrative procedures. Based on these issues and probable necessary responses mission options for influencing the integration process might be considered under three scenarios: Scenario 1- convenio not extended beyond June 1984, Scenario 2- convenio extended through 1985 with $3,000,000 in market town development fund resources transferred to organizations other than the PRODERIN or the Corporation, Scenario 3- convenio extended through 1985 with market town resources and possibly additional resources left in the hands of the PRODERIN. Each position might require a different stance of the mission.

Scenario 1. Convenio Not extended Beyond June 1984

Under these circumstances it would be useful to try to preserve operating autonomy of the PRODERIN so that it can complete its work, and also to try to take a position in which PRODERIN staff resignations do not take place in 1983 and in which a transition of integration of PRODERIN staff which the Corporation wants can take place in 1984. If there are not going to be funds for the PRODERIN after 1984 it makes little sense for a lot of direct intervention of the Corporation in organizational policies and financial policies and systems since the PRODERIN will simply disappear as an

organization in 1984. Corporation and PRODERIN time could be better spent administering their operations. A useful set of targets to aim for under these circumstances might be:

1. That the PRODERIN director be delegated key internal functions such as control over his operating procedures in project design, selection and implementation and in detailed financial disbursement procedures until the end of the convenio period (at least till the end of 1983). Budget approval in general and at the line item level be exercised by the corporation as an oversight organization.
2. That PRODERIN retain its salary scale and personnel procedures until the end of 1983 or that selected corporation salaries be raised slightly to bring them on a par with the PRODERIN.
3. That personnel cuts be made in 1984 based on who the Corporation wants to absorb and who is necessary to finish the convenio during January through June 1984. That any 1983 PRODERIN hiring be consulted with the Corporation.

These are probably minimum necessities for the convenio to finish successfully. The mission's lobbying capacity might be low in this option since it will withdraw key funds from the loan at the end of the convenio period.

Scenario 2. Extend the Convenio until the End of 1985 but move the $3,000,000 to and Organization other than the Corporation or the PRODERIN

Under this option the mission might support the same basic plan as in option one, with less budget problems in 1984 but with provisions to pick up key PRODERIN staff which the corporation wants in 1984.

The successful control of the operating aspects of the PRODERIN would enable it to successfully spend any remaining rural works money and municipal technical assistance money in line with its plans.

Scenario 3. Extend the Convenio and Possibly Increase Funding

Under these circumstances it is probably useful to be supportive of a phased integration process of the PRODERIN into the corporation retaining relative PRODERIN operating autonomy in 1983 and looking for significant integration which begins to be reflected in the new PRODERIN budget which will be produced in June of 1983 for the January 1984 period. Here the mission needs to think about whether a mixed or an integrated organization would best serve the objectives it wants to accomplish with a restructured project. A list of the features of transition which would be necessary in each case follows:

MIXED ORGANIZATION (KEY FEATURES OF THE TRANSITION)

1. Director of the PRODERIN continues to be appointed by the President and his appointment is ratified by the Corporation Board.
2. Strategy design by the PRODERIN is approved annually by the Corporation.
3. Corporation approval of budget general and detail on an annual basis.
4. Separate accounting and finance procedures in 1983 in compliance with Ministry of Finance requirements sending copies of documents to the Corporation. A decision about whether to continue this or integrate administrations in 1984 (decision needs to be taken in June or July of 1983).
5. PRODERIN's 1984 budget and staff redesigned (cut or kept) on the basis of the revised convenio. PRODERIN's 1985 budget and staff scaled down to finish the convenio with the Corporation hiring those PRODERIN staff it needs.
6. In 1984 budget PRODERIN and Corporation salaries adjusted to same relative scale based on more detailed study by INAP. 1983 salaries in corporation of key executives raised to those of the PRODERIN.
7. PRODERIN control of its detailed operating procedures.

INTEGRATED ORGANIZATION

In this option the PRODERIN director or key staff directors might take top management positions in the corporation.

1. PRODERIN keeps relatively autonomous status in 1983 in operating procedures but becomes a fully integrated part of the corporation concentrating on rural works, market town development and municipal technical assistance in 1984.
2. Administration of the PRODERIN fused with the Corporation's administrative group with staff reductions in the 1984 budget year.
3. PRODERIN director appointed by the Corporation President with his Board's approval on a contract basis.
4. Strategy of the PRODERIN and its review treated within the normal review process of the corporation in 1984 and controlled in general approval by the Corporation President.
5. Budget of the PRODERIN in 1984 treated as a normal department budget.
6. Separate accounting procedures dropped by 1984.
7. Personnel and salary policies reanalyzed and integrated for 1984.
8. Corporation department head salaries raised to PRODERIN levels in 1983.
9. PRODERIN director controls his detailed operating procedures like any department head.

CONCLUSION ABOUT THE PRODERIN AND CORPORATION MERGER

The overall option selected depends upon whether the mission wants to extend the convenio or not and also whether the government wants to change its Corporation or PRODERIN top management.

From the perspective of institutionalizing the planning process and gaining the survival of the most positive aspects of the PRODERIN work process, a total integration with the corporation is favored by the Evaluation Team with some top management changes in the corporation. Without some

PRODERIN staff taking key top management positions in the Corporation, at least initially a total integration strategy may not be possible. However, this option makes best sense if the mission decides to extend the convenio and if the PRODERIN and corporation retain access to the market town fund. If the convenio is not extended the best option is probably to stay out of the struggle and let it run its own course.

THE SITUATION OF THE PRODERIN JUNIN

The situation of the integration of the Junin PRODERIN into the Coporation, appears to be different from the one at Cajamarca. The positive sign is that the corporation inJunin appears to be willing (unlike in the Cajamarca situation) to delegate sufficient operating authority for the PRODERIN to complete its work. However, differences in salary scales between the PRODERIN and corporation could create the same problems which exist in Cajamarca. The evolution of events seems to indicate that in Junin a mixed organization pattern would be best if the salary issue is resolved. The basis for conclusion is that there is evidence in Junin of a climate favorable to negotiation between the directors of the two organizations.

From the beginning, the corporation's position has been to provide PRODERIN adequate autonomy to complete the operational plans derived from the agreement. These issues have been discussed in several meetings and, after jointly evaluating the recommendations of a consultatn hired by Cordecaj to study the merger mechanism (See Appendix 4), a verbal agreement was reached on the following basic points:

a. The Executive Management of PRODERIN will report to the General Manager of the Corporation (please note that in its present organization chart the corporation has not included PRODERIN Exhibit 23).

b. The Executive Management of PRODERIN will submit a resolution proposal to PRODERIN defining the functions and duties of the

Executive Director (See Exhibit 24). That document was ready to be sumbitted when this report was being prepared. The PRODERIN director believes there was no disagreement and that it will be approved without any substantial revision.

c. The Planning office staff of PRODERIN would be allocated among three institutions as previously described.

d. The Executive Management should submit the Personal Asignment Table and the Personnel Budget for approval to the Corporation's Board of Directors. Those documents were submitted on March 18, 1983.

Conflict about the salary scales carry the same risks which could impair the inter-institutional relations and spark resignations of PRODERIN directoes in Cajamarca. The comparative wage table in Exhibit 25 allows us to forsee the position of Cordecaj board of directors on this proposal for two basic reasons: 1) In four cases, the s/750,000 ceiling established by the government for hired officials has been exeeeded and 2) it seems ilogical that the PRODERIN director will get a salary almost twice as large as that of the manager of the Corporation to whom he must report.

During the interviews, the PRODERIN management stated that if the salarytable was not approved, "the committee would resign", since they felt that their market opportunity cost was equal to their claims.

In case this impasse is surmounted, it might be expected that PRODERIN would continue operating intially on a mixed organization basis with adequate autonomy to fulfill original project goals. Complete integration could then be pursued in accordannce with the Time Table for scenario 3 above.

D. MARKET TOWN DEVELOPMENT FUND

This part of the report is divided into two sections:

1. Analysis of the failure to utilize the fund.
2. Proposals for future utilization.

Failure to Utilize the Market Town Development Fund

The point of departure is the fact that, as of this moment, no sub-projects have been financed through the US$8.0 million Market Town Development Fund. Failure to implement this part of the project is due to a number of factors and cannot be attributed to any individual or institution.
The factors include:

1. Utilization of the Fund was not a priority item until June/July 1982. Changes in personnel in AID/Lima, initial pressures on Technical Assistance and PRODERIN staffs to produce departmental development plans, the necessity to demonstrate some sub-project activity and the development philosophies of some Technical Advisors and PRODERIN leaders, combined to give very low individual and institutional priorities to utilization of the Fund until at least June/July 1982 when an implementation letter was transmitted to the PRODERINs calling for increased attention to Fund implementation. Formal recognition of the importance of the Fund began at that date, but actual commitment of time and resources to this portion of the project has been slower and, in some cases, has not been apparent until very recently.

2. AID/Lima. Initially, interest in the PRODERIN project was shared bytwo AID/Lima offices—Urban Development and Rural Development. Because of professional experience and training the Market Town Development Fund tended to be attractive to the Urban Development Office, while the Rural Public Works component of the project was closer to the interests of the Rural Development Office.

Departure of mission personnel assigned to Urban Development shifted total project responsibility to the Rural Development Office and removed from

the scene the individuals most interested in the Market Town Development Fund. Failure of Rural Development staff to pick up the slack in terms of institutional interest in the Market Town Fund was due not only to the fact that it was somewhat removed from their major professional interests, but also (perhaps largely) to the very heavy project supervision load staff members were carrying.

3. Technical Assistance Staff. The energies and attention of Technical Assistance staff were captured in the early stages of the project by the need to produce, in a very short time, departmental development plans in both Cajamarca and Junin. Subsequently, the desire (necessity) to generate sub-projects in the field then led to an emphasis on the Rural Public Works part of the project.

Rural public works were relatively easy to package and implement compared to Market Town projects. Studies and funding could be provided internally, without the necessity to struggle with the requirements of seemingly unyielding bureaucracies such as the Housing Bank and ELECTRO-PERU.

In addition, at least in Cajamarca, the Technical Assistance staff had a philosophical predisposition towards rural public works projects and a conviction that the Market Town fund, with its pay-back loan requirements, was not appropriate to what they saw as reality in the department -- a highly rural population, starved for decades for public investment of any kind and virtually no capacity to pay back loans.

This initial predisposition to rural public works was reinforced by the frustrations of dealing with the Banco de la Vivienda in early attempts to utilize the Market Town Fund. Field opinion is that experience with the Bank has been an unending series of delays, rigid commitment to pre-existing loan procedures that seem to have little relation to the objectives of the project and petty bureaucratic behavior. The problems of dealing with the Bank will be treated in greater detail later in this report. The important point, as far as the field is concerned, is that project implementation has been

extremely difficult, time-consuming and unrewarding. Faced with the necessity to produce projects, given the initial predisposition towards rural public works and frustrated by attempts to deal with the Bank, it was only natural that interest and energies in the field concentrated on the successful rural public works projects. Again, from the perspective of the field, the Mission seemed to be pleased with this ordering of priorities; and the first hint that attention should be given to the Market Town Development Fund did not come until June 1982.

4. The PRODERINS. To some extent, PRODERIN concentration on rural public works and lack of attention to the loan fund can be traced to the same considerations that influenced the Technical Assistance staff in the field. That is, AID/Lima interest in rural public works, difficulty of dealing with the Housing Bank and other central government agencies and the relative ease with which rural public works projects could be organized. There were, however, additional considerations that tended to further reduce even PRODERIN interest in the Market Town Development Fund. These included:

a. The English term, Key Market Towns, was badly translated into Centros Poblados, Spanish for population centers, referring to any population center and carrying no connotation of development, markets or prioritization. PRODERIN leaders and staff of the never understood the concept or how it might fit into their development planning. This point is stressed by the Technical Advisors in the field, whose responsibility should have been to clarify such misunderstandings.

b. The PRODERINS have recently given any priority to the Market Town Development Fund in their internal organizational structures.
The weak structural base has further detracted from organizational ability to successfully utilize the Fund. In PRODERIN/Cajamarca, there is no office with responsibility to carry out Market Town Fund projects. One individual in the Office of Studies and Projects is in charge of the Fund and one out of eight promotoras in the Office of Promotion is assigned to work on Market Town Fund

projects. In PRODERIN/Junin, there is an Office of Centros Poblados, which was not organized until July 1982 and seems to be isolated from the rest of the organization.

c. - The PRODERIN/Cajamarca staff lacks the technical skills to carry out or review studies dealing with electrification, water and sewage projects. Staff members are frank and open about their inability. In some cases, this has led to local PRODERIN endorsement and transmittal of poor technical studies to the Housing Bank. This, in turn, has reinforced the Bank's initial tendency to engage in detailed technical project review and has fueled its contention that the PRODERINS do not have the technical competence to generate acceptable studies.

Another result of the lack of technical skills on the part of this PRODERIN/Cajamarca office has been an inclination to turn away from Market Town projects that tend to professionally threaten the office, and to emphasize the rural public works projects with which it is more comfortable.

5. The Procedures of the Banco de la Vivienda have been serious obstacles to the disbursement of the Market Town Development Fund. The Bank has a strong tendency towards centralization of decision making and an equally strong commitment of resources and personnel to the Coast as opposed to the Sierra. PRODERIN contacts with the Bank regarding the Market Town Fund have been frustrating and disappointing because:

a. The Bank has refused to recognize municipal governments as acceptable subjects of credit. Its reasoning is:

b. By law, municipalities are not permitted to mortgage their assets to guarantee loans.

c. If the Bank were to grant a loan to a municipality and if the municipality were to fail in the repayment schedule, the Bank would have no way to recover the investment-- it could not seize municipal assets to cover losses.

d. The Bank thus refuses to loan directly to municipalities and insists on the formation of neighborhood groups of project beneficiaries as the recipients of loans. Each beneficiary must sign a legal document committing his assets to repayment of the loan.

Lurking in the background of this refusal to deal directly with the municipalities is the fact that some 90% of the Bank's delinquent loans are to state organizations whose assets enjoy protection similar to that of the municipalities.

e. Long delays in the review of PRODERIN project proposals by the Bank are standard procedure. The Bank's position is that because PRODERIN's technical staff is not capable of producing reliable studies it gives detailed attention to each loan request, not only in terms of financial arrangements for the loan, but also to the quality of economic and technical feasibility studies. To some extent, the PRODERINS have stimulated this close scrutiny by the Bank by submitting some poorly designed projects. However, this seems to have been the Bank's procedure from the beginning of the project and not simply a response to PRODERIN's inadequacies. The Bank maintains its procedures are reasonable and prudent. But, we found no evidence that the Bank is helping the PRODERINS overcome any of the inadequacies.

f. Whatever the merits of the Bank's meticulous review process, it is not carried out efficiently. Rather than completely reviewing a project and then noting deficiencies, the Bank proceeds one point at a time. Loans are thus delayed, much to the frustration and financial detriment of intended beneficiaries.

g. The Bank has failed to decentralize its decision-making powers and its project review resources to facilitate project approvals.
The Bank has a branch office in Cajamarca with no power or resources to carry out on-site project reviews. Nor does the Bank send periodic teams to the field for this purpose. All reviews and approvals take place in Lima headquarters. There is no branch office of the Bank in Junin.

b. The Bank has failed to produce loan requirements for this Project. The Bank uses the same set of procedural requirements for the disbursements of this loan fund as for any other loan it processes. PRODERIN is treated the same way as any individual applicant for a loan.

i. Some of the Bank's actions seems to verge on nitpicking. For example, the Mariscal Castillo electrification project is being held up because the Bank's legal department refuses to acknowledge that the area is, indeed, a Centro Poblado and therefore eligible to participate in the project. Since there is no official definition of a Centro Poblado and since the Provincial Municipality of Cajamarca and PRODERIN have certified the status, the Bank's position is arbitrary; all technical and economic studies for this project have been approved by other departments of the Bank.

We found no evidence that the Bank gives any priority to the disbursement of the Market Town Development Fund and that it often is a major obstacle to loan disbursements.

6. Additional factors that complicate disbursal of the loan fund include:

a. The PRODERINS have had no institutional presence in Lima. Given the complexity of negotiations with the Bank, ELECTRO-PERU and other Lima based agencies, some sort of permanent Lima presence would have been most helpful. To contact with key agencies concerning the progress of loan applications and, in general, to serve as a project facilitator. In the absence of this sort of office, a stream of PRODERIN officials, beneficiary representatives and technical assistants flows from the project sites to Lima.

b. There is a strong tradition that projects such as electrification, water, markets and slaughterhouses are provided to population centers as direct grants, rather than through loans. PRODERIN representatives often find reluctance on the part of intended beneficiaries to participate in loan-funded projects. The attitude is, "The village across the valley

received its market by donacion. Why should we pay for ours?" This partly explains the many instances of beneficiary groups which cling to the hope that eventually the projects will be provided through donacion and have second thoughts about a loan. Hopes are fueled by the high profile of Cooperación Popular —which operates through a system of donacion supplemented by community labor— in both departments. Cooperación Popular is involved in many of the same sorts of projects as are contemplated in the Market Town Development Fund.

c. There has been no strong technical assistance component specifically indentified with the Market Town Development Fund. In much the same way that the PRODERINS have failed to provide a strong organizational base for the Market Town Fund, technical assistance has not focused on the Fund. For example, a technical advisor persuasive and acceptable to PRODERIN as Ray Bromley, but focusing on the Market Town Fund could have had a significant and positive impact.

d. Delays in loan project approval lead to increased costs which caused some beneficiary groups to reconsider initial commitments. Delays in loan project approvals, serious obstacles to Loan Fund disbursements, lead to an additional problem - - dramatic increase in project cost due to inflation. We visited several leaders of beneficiary groups in Cajamarca with a PRODERIN promotora at which time the leaders were informed that one of the results of loan approval delays would be nearly a doubling of project cost due to inflation. Each leader was deeply concerned about the increased costs and expressed reservations about his/her ability to commit his/her group to the new budget.

e. A very high percentage of Loan Fund Proposals pending approval are electrification or water projects in housing areas. It is not clear that these projects are linked to the project's original investment criteria:

> ..."emphasize clusters of urban and agricultural investments that, because of their mutually reinforcig effects, stimulate small farmer development, generate off-farm employment opportunities; improve services for the urban poor, and integrated the regional hierarchy of market towns."

Even if it is decided such projects are appropriate, the funding of these types of projects is questionable.

Emphasis on electrification and water has thrust the PRODERINs into a position of competition with ElectroPeru and SENAPA, the state agencies responsible for these services. The Banco de la Vivienda has separate agreements with both agencies to finance projects in Junin and Cajamarca that are exactly the same as the ones the PRODERINs have been trying to generate with Market Town Development Funds. The same interest rates apply, but PRODERIN and Technical Advisors say that the procedures for ElectroPeru and SENAPA are not nearly so complicated as the Bank's. Frustrated PRODERIN staff members cite several examples of loan project proposals that were taken over (they used the word "stole") by ElectroPeru at the last stages of loan negotiation, after considerable investment of PRODERIN resources in promotion activities and technical and economic studies. Relationships among the organization are not good and ElectroPeru and SENAPA refuse to share their departmental planning priorities with the PRODERINs.

One point of view might be that development of projects implemented by others would be an ideal PRODERIN activity. However, it is clear that PRODERIN views ElectroPeru and SENAPA as competitors, and not collaborators. The PRODERINs are under pressure to produce loan-funded projects and there seems to be little credit to be gained for doing space work for other organizations.

PRODERIN people involved in Market Town Development projects view ElectroPeru and SENAPA with the same hostility they view the bank--all three engage in the same delaying tactics, are unresponsive, and characteristically bureaucratic.

h. The Banco de la Vivienda charges (or would charge if there were any loans) varying interest rates for loans flowing from the Market Town Development Fund. The lowest rates are for electrification and water projects, while higher rates apply to projects such as markets and

slaughterhouses. It would be worth looking into this to determine the impact of variable interest charges on loan disbursements and if the variations are consistent with project objectives.

i. Periodically, lack of money for gasoline and per diems limits field visits of PRODERIN staff to promote and develop Loan Fund Project. For example, no travel was authorized during the months of January and February, 1983 to visit Market Town Fund projects in PRODERIN/Cajamarca.

Recommendations for Future Utilization of the Market Town Development Fund

Introduction

There are plenty of ideas on how best to use the U.S. $8.0 million Market Town Development Fund; the main problem is evaluating the alternatives:

1. The Prime Minister's Office would transfer the money to INFOM's proposed Municipal Development Fund to be used for direct loans to municipalities.

2. Some of the Technical Advisors and PRODERIN leaders would transfer some or all of the funds to the successful PRODERIN Rural Public Works programs to be used in grant programs.

3. If the Fund is to retain its loan component, most PRODERIN leaders and Technical Advisors would remove the Banco de Vivienda from the loan funding process. Opinions vary as to which institution(s) should replace the Bank. The most popular option is a grant of sign-off responsibility for economic and technical aspects of the loans to the PRODERINS/Corporations (depending on the extent to which they merge) and responsibility for packaging the financial details of loans be given to another financial institution, such as the Banco de La Nación.

4. Another possibility, one with few visible supporters, is to leave the institutional arrangements as they are, but eliminate bottlenecks, foster cooperation among the various institutions and add a technical assistance component.

Problems of Evaluation

The evaluation process is unusually complex for the following reasons:

1. Institutional Overload in the Decentralization Process. Several institutions are competing for part of the action in the movement towards decentralization embodied in the relatively recent Law of Department Corporations and the revised Organic Law of Municipalities. Among the competitors are such old institutional hands as Cooperac§ón Popular, Electro Perú, SENAPA, the Banco de Vivienda, and the National Planning Institute. They are joined by relative newcomers such as the department corporations, the PRODERINS and the Municipal Development Institute (INFOM). The situation is further complicated by the new roles assigned to municipal governments, which only recently are being considered as active participants in the development process.

The older institutions are trying to adapt long-existing structures to the new focus on decentralization, the newer ones are trying to organize internally and carve out a role for in the decentralization process. Each has developed or is in the process of developing its own institutional personality and perspective on development.

There is considerable overlap in the mandated responsibilities of these organizations and serious questions exist about who does what, where and when. AID housing Advisor Kraig Baier suggests the sector suffers from institutional overload.

Judgements about the desirability of involving any of these institutions in a modified version of the Market Town Development Fund is difficult because most of the organizations are either so new that they lack a track record or have made records in other areas with little basis for knowing whether institutional skills can be successfully transferred to the new setting.

2. It is Not Clear Which of Number of Competing Values Should Govern Use of the Money Available. There are a several issues:

a. How important is the principle of recovery of funds embodied in the concept of a revolving loan fund? The answer will impact on the procedures to be utilized and on participating institutions The present system, administered by the Banco de Vivienda, places such a high value on the recovery of funds that loan process is virtually paralyzed. At the other extreme, a shift of funds to rural public works by donation would eliminate the recovery of funds.

There are, of course, compromise positions. Most of the PRODERIN people and Technical Advisors would probably favor a system in which a portion of Market Town projects would be financed by donation

The importance of the recovery principle is also related to the choice of institutions to be involved in the loan process. Our sense is that the following ranking of institutions reflects the seriousness with which the recovery of funds would be pursued:

- Banco de La Vivienda
- PRODERINS
- Department Corporations
- INFOM

b. How important is the completion of worthwhile projects as opposed to either the development of market town institutional capabilities or building the integrated development structures contemplated in the original plan? If project completion is the highest value, transfer of funds to rural public works makes sense. If any of of the other values takes precedence, a significant part of the Loan Fund probably should not be transferred.

This question is also related to the size and expense of desirable loan projects. Given the pressures to produce significant movement in the Loan Fund there will be a tendency to develop large, expensive projects. As we

were told by PRODERIN field workers: "Since it takes virtually the same amount of time and energy to develop a big project as a small one, why not emphasize the large ones?" However, few large projects may not have the overall impact on integrated regional development as a large number of smaller projects. Which value is to govern?

3. A different but related issue concerns the Project's termination date. The time available to establish new institutional and procedural relationships will affect the desirability of the various options, some of which would require extension of the scheduled 30 June 1984 termination date.

4. A Final Issue Concerns Evaluation of the Status of the Market Town Fund as Administered by the Banco de Vivienda. The basic, inescapable fact is that, to date, no loan funds have been dispersed. One may take the optimistic view that, although there have been start-up problems, the system is at the point where an adequate number of future suitable loan placements seems assured. The alternative view is that a system has not really evolved at all, and that while some isolated projects seem to be close to favorable loan decisions, there is little assurance that the future will hold be better. We lean to the latter since most of the projects close to the end of the loan pipeline were developed by Electro Perú, have little relation to the project goals and are being funded by PRODERIN only to produce some movement in the Loan Fund.

The Practical Alternatives

In this section we will make recommendations on major alternative future uses for the Market Town Development Fund.

Alternative No. 1: Transfer all or part of the Loan Fund to INFOM's proposed Municipal Development Fund

This is the least desirable of the major alternatives.

a. INFORM is new and has limited institutional capacity.

b. INFOM lacks a loan fund management capability.

c. INFOM is more vulnerable than any of the other institutions to pressures to use the money for projects that will be politically benefit the government. Municipal elections are scheduled for November 1983; most people feel that the government will suffer substantial losses. INFOM does not have the institutional strength to resist potential government pressures.

d. It may be in INFOM's long-term interest not to have a loan fund capability in its formative period. The tendency for other Latin America municipal development institutions with loan capability has been to emphasize loan projects and neglect technical assistance and training to the municipalities. Obviously, it is easier to build a market than to change the perceptions and performance of municipal authorities but building markets, in itself, may not be a major contribution to development.

NOTE: While we do not recommend transfer of the Market Town Loan Fund to INFOM at this time, we do believe that the Mission should explore the possibility of a long-term technical assistance relationship.

The role and integration of municipalities in the planning and development process is very unclear. It does seem that the role could be important and that INFOM's organizational mandate places it in a key position. It is at this early period of INFOM's organizational development that technical assistance could be decisive.

Project sites in Cajamarca and Junin? For example, rotation of staff between the PRODERINS/Corporations and INFOM could be arranged, presuming that the municipal training and development functions of the Proderins will be incorporated into the corporations.

One of INFOM's early actions should be to establish a field presence to counteract the fear that it is just another Lima-based institution.

Alternative No. 2: Retain current institutional arrangements, including the central role of the Banco de Vivienda, but eliminate bottlenecks, foster cooperation and introduce a strong technical assistance component.

On the plus side, the Bank is acquainted with the project, has a proven loan management capability (in other AID-funded projects) and is serious about the loan recovery principle.

On the minus side, the Bank has clearly far not facilitated loans. The Fund has yet to be tapped. The system does not work.

In addition, the Bank and PRODERINS staffs hold each other in deep mutual disregard. Each views the other as the principle cause for failure of the Market Town Development loan project.

We do not give this alternative high priority. While there is little risk of misuse of the Fund, the corresponding possibility of success in project implementation is low.

Should this alternative be adopted, we recommend:

a. The Bank should be required to provide field representatives with economic/technical capabilities for project review and legal/financial skills for loan packaging at both project sites. These persons should view themselves as loan facilitators and be willing to shore up the capabilities of the PRODERINS and the corporations. They should be given sign-off capability for loan projects. It may be necessary to subsidize the salaries of these bank employees from PRODERIN funds.

b. The PRODERINS should assign an official to Lima to facilitate loan application progress among the various involved central government institutions.

c. A technical assistance component should be assigned specifically to this part of the project.

d. USAID should periodically review the status of loan proposals with representatives of the Bank and the PRODERINS.

Alternative No. 3: Give to the PRODERINS/Corporations (depending on the extent of integration) sign-off responsibility for loan project approval and transfer the money to another Bank whose sole responsibility will be to package loans approved by the PRODERINS/Corporations.

The advantages and disadvantages of this approach are:

a. Sign-off power for the PRODERINS/Corporations would expedite the lending process.

b. This kind of responsibility, for funds derived from foreign credits falls within the powers mandated to the corporations in the Law of Department Corporations.

c. The PRODERINS have developed a successful mechanism for planning and implementing rural public works. There seems to be no reason that they could not acquire a similar planning (but not implementing) capacity for Market Town Development if the program is granted equal priority and resources within the organization.

d. The main disadvantage of this approach is the danger that the PRODERINS/Corporations might not devote sufficient organizational resources and priorities to Market Town Development. If such happened, a technical review capacity, with the ability to assure the quality of contracted studies, might not be present and recovery aspects of the Loan Fund would be minimized.

We give this alternative second highest priority.

Alternative No. 4: Deposit loan funds in the Banco de La Nacion (or other appropriate banking agency) and form an inter-institutional committee in each department to make loan decisions.

We recommend that a model based on this idea be developed as the preferred future use of the Market Town Development Fund. Details depend on further study, but the basic model consists of:

a. An ad hoc committee for each loan request consisting of representatives of:

- Banco de la Nación (or other bank)
- PRODERIN/Corporation (the Programming Officer of the Proderin)

- National Planning Institute
- INFOM (assuming the establishment of a field office in each department)
- The Municipality in which the sub-project is to be located.

b. This committee would:

- Make the initial decision to contract for technical feasibility studies (socio-economic feasibility studies will be done in-house by the ex-PRODERIN staff).
- Make the final decision on loan approval, based on the feasibility studies.
- Award the construction contract.

c. Staff support would be provided the Loan Committee from the corporation, made up of ex-PRODERIN staff members now assigned to the Centros Poblados, and Studies and Projects Divisions of the PRODERINs. They would be supported by technical advisors familiar with the Market Town concept and methods of identifying and analyzing the economic feasibility of the proposed investments. Other necessary technical studies and sophisticated construction work would be contracted.

The major differences between this model and Alternative No. 3 are the following:

- Alternative No. 4 broadens the base of decision-making at the department level. It may also strengthen decentralization trends within the participating institutions.
- Alternative No. 4 specifically includes INFOM in local decision-making. This may be valuable if the Mission decides not to honor the Secretary to the Prime Minister's request to transfer the Loan Fund directly to INFOM. At least INFOM will have part of the action.
- Alternative No. 4 may also be attractive if a decision is made not to further strengthen the departmental corporations.

The major disadvantage of Alternative No. 4 is that broadening the base of decision-making power could lead to loan delays and obstructions. We feel that the possible advantages outweigh the risks.

Should this alternative be adopted, we recommend:

Continuing technical assistance in the areas of:

- micro regional planning
- socio-economic studies
- development and improvement of local consulting firms to carry out technical studies.
- works progress evaluation
- continued municipal technical assistance

Two other uses of the Market Town Fund have been suggested:

1. Transfer of part of the Fund to rural public works by donation.
2. Transfer of the fund to provide resources for technical assistance to other departments in the Sierra.

These suggestions are not analyzed in this report because they represent

departures from the original idea of development of key market towns; a different set of factors would influence their adoption.

E. MUNICIPAL DEVELOPMENT

A New Role for Municipal Governments

Several recent occurences have stimulated interest in the role of municipalities in Peruvian development programs:

1. The Law of Department Corporations (December 1981) mandates potentially significant roles for municipal governments in establishing investment priorities in each department. Provincial mayors participate in the Corporation Assemblies and preside over Provincial Development Councils. District mayors participate in the Provincial Development Councils and preside over District Development Councils.

The Corporations are moving slowly in organizing the mandated municipal participation in their councils. The hesitancy is due, in part, to tension that exists between mayors, who are elected, and Corporation presidents, who are appointed by the central government. The mayors consider themselves to be the true representatives of the people and view the Corporations as politically motivated interlopers.

Delays in organizing the councils also have occurred because distances are great, roads are bad and travel funds are limited.

Finally, the Corporations are under pressures to produce projects and it is easier to develop an investment plan from above than to engage in long negotiations and persuasive techniques that traditionally accompany municipal participation.

2. The Organic Municipal Law (1981) gives significant new responsibiilities to municipal governments and places them squarely in the middle of local developmental activity. However, as with municipal participation in the department corporations, the new mandates are a thing of the future and do not represent present reality.

3. The Municipal Development Institute (INFOM) was organized in 1982 to assist municipalities to prepare for their newly acquired developmental responsibilities. INFOM got off on the wrong foot with the municipalities when it drafted the Organic Municipal Law with virtually no input from municipal leaders INFOM claims time pressures prevented such consultation. When INFOM President Jaime Althaus presented the new law to the Peruvian Municipal Association, he was met with howls of indignation and demands for his resignation. He managed to smooth over the flap, but it was an auspicious beginning of the INFOM/municipalities relationship.

Before INFOM can be of much assistance to the municipalities it must deal with its own internal organization and development outreach strategies. It must also come to terms with a widely held view by municipal leaders that its staff is generally young, inexperienced and political, rather than technical.

Despite its weaknesses, INFOM seems destined for an important role in local development and should be carefully evaluated by the Mission in terms of possible long-term technical assistance (see also comments on page 65. Alternatives for the Market Town Development Fund).

4. The Mixed Commission to Recommend Transfer of Functions and Resources to Local Governments was organized March 4, 1983 to identify the respective spheres of action of central and local governments. In addition, it is to recommend transfer of powers, personnel and financial resources that will enable local governments to assume their new responsibilities.

The Commission is presided over by the President of the National Institute of Public Administration and includes representatives of INFOM

(acting as a technical resource), the Ministry of Economy and Finances, the National Planning Institute and the Peruvian Municipal Association.

The work of this Commission should be extremely important to the future of municipal participation in development activities. The Mission should consider technical assistance to the Commission (possibly linked to longer-term assistance to INFOM).

The Traditional Role of Municipal Governments

The new responsibilities for municipal governments are a significant departure from traditional municipal responsibilities characterized in the old Peruvian saying: "The municipality is a good housewife who goes to the market and keeps the house clean."

The reality is that all but the largest municipalities share a rather dismal image which includes:

a. General ineffectiveness. The image of government is probably not as negative at the local level as the central, since local governments have never been in a position to impose serious demands on their constituencies. But most smaller local units have never done anything that captured the imagination or confidence of the people.

b. Absence of skilled leadership. Smaller municipalities are likely to be served by poorly trained, part-time employees.

c. Lack of financial resources. With few exceptions, municipalities seem to be locked into a negative cycle which includes the following elements:

- they have not been successful in generating revenues internally;
- they have never been considered a target area for central government resources;
- they have been unable to attract leadership with vision and competence.
- they are unable to make proposals which might plug them into special programs and funding schemes that may become available.

- Resources tend to flow to municipalities that have crossed the threshhold of competence. And the cycle goes on ....

Municipal Technical Assistance and Training in the Integrated Regional Development Program

1. The most significant project contribution in this area has been the establishment of a municipal data base for the two departments and the publication of a surprising number of studies dealing with various aspects of municipal development (see listing).

This contribution should not be underestimated. Perhaps because of their relatively unimportant role in the past, municipalities have never been the subject of scholarly or practical attention and very little reliable information is available. The material collected in the two departments served by this project is undoubtedly the most complete municipal data base in the country.

The stage has been set for a more active program of technical assistance; the temptation to collect more details and information must be resisted. The predisposition of higher levels of government to engage in endless studies that seldom result in concrete action is a common complaint of municipal officials (not directed specifically against the PRODERINs).

2. The training courses have been well received by participating municipal officials and have focused on key concerns.

The following training courses directly related to municipal development:

1981
- Municipal Finances - Concepcion (Junin)
- Preparation of Local Development Projects - Tarma (Junin)

1982
- Municipal Finances - San Ramon (Junin)
- Municipal Finances - Huancayo (Junin)
- Municipal Finances - Cajamarca (Cajamarca)
- Municipal Finances - Jaen (Cajamarca)

1983 (projected)

- Municipal Finances - Chota (Cajamarca)
- Municipal Finances - Huancayo (Junin)
- Municipal Finances - Tarma (Junin)
- Urban Cadastral Systems - Cajamarca (Cajamarca)
- Two courses in municipal administration (selected municipalities).

The municipal finance courses, which have been the focus of the training effort, are offered to groups of approximately 33 municipal participants and last five days. They are organized around four themes: budgeting, accounting taxes and Tax control and administration

The area of municipal finance is a reasonable place to start a training effort; it is the most complex and least understood area of municipal administration in Peru. It is also an area in which the acquisition of a little information can bring about sometimes substantial increases in municipal income.

The same group of four professors - all municipal officials from the Huancayo area with a practical experience in their subjects - presented the course at each site.

We reviewed instructor and course evaluation forms (filled out by students) and conducted individual interviews with 15 municipal officials who attended the courses. They expressed a generally high level of satisfaction with the courses, and felt the professors knew their subjects and presented the material in a practical manner. For most it was the first time they had received any systematic information concerning administration of the municipal finance system. Several reported that they introduced changes, based upon course material, in their municipal systems.

Common complaints about the courses were:

- They were too short for the amount of material to be covered.
- It was difficult for the professors to strike an optimum level of sophistication in presenting the materials because of the great differences in background of the students. At one end of the scale were a few councilmen and officials from the largest

municipalities who had university degrees. At the other end were part-time employees from small districts who were barely literate.

Municipal technical advisors at the two sites agreed with the comments and plan to extend future courses to two weeks and will try to recruit a more homogeneous group of students, a difficult task.

3. Having laid a substantial data base and made a good start in training, the next step should be to beef up direct technical assistance to municipalities.

A limited amount of such assistance has been offered, often on an informal basis during field visits to collect data. On a more formal basis:

- The PRODERIN/Cajamarca is offering help to the small, recently created, provincial municipality of San Pedro.
- David Robinson is assisting the provincial municipality of Tarma to develop a computerized property tax system.
- Robert Kent (former municipal technical advisor in Huancayo) worked with several municipalities.
- Technical advisors in Junin have begun to work with the National Planning Institute to generate provincial development plans.

The direct technical assistance must now be systematized and linked to the other priorities of the PRODERINS/Corporations.

Working directly in the municipalities is likely to have far more impact than running training courses for the following reasons:

- Usually only one or two employees from a given municipality can attend a course. They sometimes return to a traditional environment where they are stone-walled in their attempts to implement what they have learned.

- The courses often give the participants enough information to excite them about the possibilities for improvements, but not enough to allow them to implement changes.

The relatively few resources available for municipal development will limit not the extent to which direct technical assistance can be offered but its impact.

Perhaps a program could be designed in which the two components -- courses and technical assistance -- are combined. For example, a series of seminars, dealing with critical areas in municipal development could be held in various parts of the departments The seminars would be attended by officials from targeted municipalities and would be designed to present the basic objectives and procedures of local reform. After each seminar technical assistance staff would visit each municipality to assist with the implementation of the reforms presented at the seminar. The advantage of this approach is that the basic elemonts of the program will simultaneously be presented to a group of municipalities, thus eliminating the necessity to undertake the basic training individually in each municipality.

Finally, it must be emphazised that training and technical assistance alone will not allow the municipalities to break out of the vicious cycle described above. Increased administrative efficiency is meaningless in the absence of resources to administer. The work of the Mixed Commission will be crucial in this regard.

Background Summary of the Traditional Role of Municipal Governments

The importance accorded to municipal governments in Latin America has fluctuated widely over the years. The lively days of the conquest, when the establishment of a municipality was often the first act of newly-arrived conquistadores were followed by a period when sale of lifetime and hereditary seats in the cabildos gave the holders a vested interest in maintaining the status quo and focused local activity on matters of rank and protocol. The flicker of life during the Wars of Independence generally yielded rapidly to passivity during the republican period.

The nineteenth and twentieth centuries are dotted with largely unsuccessful schemes to devise and apply various formulas for decentralization. Peru historian Carlos Pareja Paz-Soldan discusses the principal reasons for failure:

> "Multiple causes have contributed to the abortion or failure of these plans and the triumphant maintenance of centralism. The attempts undertaken were badly conceived or badly prepared with little or no study."

The author notes other such more or less mechanical causes before he gets to the heart of the matter:

> "But the scarcity of results must be attributed to deeper causes ...The will to implement them did not exist nor did the people vigorously demand the execution of the reforms . . . Peruvian local areas have possessed only very weakly the will and the custom of working for their own progress. They have acquired the habit of expecting everything from the central government."

F. USAID/SYRACUSE/GOP PROJECT SUPPORT

This component appraises effectiveness of technical and logistical support to the project by the three major external actors: (1) USAID Peru (2) SYRACUSE UNIVERSITY, which is supplying technical assistance to the project, and (3) the Peruvian Central Government. The emphasis is on identifying problems and suggesting ways of ameliorating them through altered approaches.

The design and implementation problems this project has experienced are common to projects which emphasize technical assistance and institution building .* Special efforts through research and other means are now underway in AID to increase our understanding and to develop better design and implementation practices to more effectively carry out such projects.

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* Extracts of two documents left by the team with the USAID Office of Agriculture and Rural Development contain many insights which should be helpful to USAID Project Officers and technical assistance personnel in understanding better some of the Technical Assistance and institutional development process issues and problems associated with this Project. They are: (1) "Learning from field experience: institutional development and the dynamics of the project process," taken from a report by David Korten, NASPAA consultant; and (2) "Implementation Issues" a paper by Paul O'Farrell, PPC/AID/W.

A basic problem is the assumption that the original design has adequately identified what needs to be done and the means and resources necessary to do it, and that all key parties have a common understanding. This assumption is rarely valid but because of it, inadequate provision is made for learning from implementation experience to adjust the project design or to solve problems as they arise. This was the case in the IRD project.

Because of personnel turnover on all sides it is difficult to establish how much dialogue originally took place between the USAID and the Peruvian national and local government entities concerned. But it is clear there was insufficient mutual understanding about the Project, which persisted.

The urban and rural components were originally co-managed by the Rural Development and Housing Offices of AID. When the Housing Office project officer left, total responsibility shifted to the Rural Development Office.

In restrospect, basic design mis-calculations were made about (1) the capacity and longevity of the departmental committees in Junin and Cajamarca, (2) the degree to which planning in Peru would be decentralized and (3) The willingness and capacity of the Banco de la Vivienda to serve as effective intermediary for the Market Town development component of the Project. The most unfortunate aspect is not that these mis-calculations were made, but that no provision was built into the project for early recognition and adjustment to them.

EARLY IMPLEMENTATION PROBLEMS

1. Commodity Procurement

The IRD Project was approved in February 1979. However, a decision was made to delay implementation start-up was delayed until early 1981 because of the changeover from military to civilian government. Given the long lead times involved the USAID could usefully have used this interim period to order

vehicles and construction equipment from the U.S. This delay has impeded progress on the rural works component and significantly increased costs.

2. Technical Assistance Selection

The interim period between Project approval and start-up would also have been a good time to acquire and orient technical assistance advisors and to work out their administrative and logistic support arrangements. Syracuse University was selected as the sole technnical assistance provider. Syracuse competency is in local revenue generation and administration . Given the multi-faceted character of the project (regional planning, municipal development, local revenue generation, rural works, market town development and institutional capacity building) it might have been desirable to have drawn upon a broader consortium of TA providers, or at least to have insisted that Syracuse draw from other institutions with comparative advantage in fields complementary to its own. Given the overriding importance of the institutional development and management aspects of the project, much greater attention should be given to this element in the mix of the future technical assistance provided.

3. Technical Assistance Scope of Work

The scope of work (exhibit III D.I) for the technical assistance component of the project is contradictory. Under section II Institutional Arrangements it states that the technical advisors "will advise and work under the direction of Codec and Codej in achieving project purposes." In the next paragraph, it states "overall AID project management rests with the USAID/Peru Director who will designate a Project Manager(s) who will be responsible for ensuring that the technical assistance effort contributes satisfactorily to the achievement of project objectives". What constitutes a satisfactory contribution was never defined, nor was the apparent contradiction between GOP and USAID responsibilities ever resolved.

4. Coordination Provisions not Implemented

Two mechanisms for coordination and joint problem solving were provided for in the Scope of Work but never activated. The first was a management

group to consist of the USAID/Peru Director or his representative, the USAID Project Manager(s), the Syracuse Project Director (on-campus), the Technical Directors of the two Departmental Committees, a DS/RAD project Officer* and a Resident Advisor to be designated by Syracuse. This management group was to meet once a year in Peru to participate in the annual Project evaluation.

A second working group composed of the Peruvian Government Technical Directors, the designated Senior Resident Advisor from Syracuse and the USAID/Peru Project Manager(s) was to meet quarterly or more frequently if necessary to coordinate Project matters.

Had either of these two mechanisms been activated some of the early miscalculations and misunderstandings might have been handled more effectively. If the project is extended a continuous coordinating mechanism should be developed. GOP participation should be changed to take account of the changes in GOP participation and Project responsibility. Membership should be broadened to include a national level representative of the Prime Minister's Office and representatives of the Development Corporation and INP at the departmental level. Technical assistance should be provided for the management aspects of implementation.

5. Character of Project Altered at Outset

When implementation began, two decisions were taken which impacted very adversely on subsequent implementation. The first was a decision by the USAID to stick to the original timetable (June 30, 1981) for preparation of departmental plans, instead of adjusting this date to take account of the delayed start-up. Since no preliminary work had been done, the plans were prepared in three months almost totally by technical assistance personnel, some of whom were brought in on a short-term basis and who had limited

*Technical assistance who provided under a cooperative agreement between Syracuse University and the Rural Development and Development Administration Office of the AID/W Development Support Bureau (now the Science and Technology Bureau).

qualifications and experience. This decision violated the basic institutional and local capacity building objectives of the Project and created ill-feelings among Peruvian agencies, particular INP at the departmental level, which have been very difficult to overcome.

The second decision was to establish the Project staff in offices separate from those of the two departmental committees. The Project staff became a separate, autonomous organization, was labelled "PRODERIN" and functioned apart from other departments of the Peru government.

The net effect was polarization rather than integration. These decisions also opened the way for a concentration on rural works, since this was an activity which could be carried out in a rather autonomous fashion, whereas the other activities required greater coordination and interaction with other elements of the government.

GOP SUPPORT

The adverse trends were further exacerbated by changes by the Peru government. The initial national Project point of contact was the National Institute of Planning (INP). However, in the hiatus between the disestablishment of the Departmental Committees and their replacement by the Departmental Corporations, the PRODERINS were made a special project of the Prime Minister's Office. This strengthened their autonomy but complicated their integration into the Corporations (see Section III A) and weakened the GOP institutional support base for the project.

A more immediate problem is that GOP counterpart funds have been reduced as a result of central government austerity measures. Recently, funds have not even been sufficient to permit PRODERIN staff to travel to sub-project work sites; implementation is falling behind schedule. Inability to perform their work coupled with anxieties over the future status of the PRODERIN organizations is having a severe impact on staff morale.

The Municipal Development Component of the Project has been impeded by the fact that most of the municipalities in the two Departments do not have enough income to participate in their own development. The amount of GOP revenue returned to the municipalities is insignificant relative to other Latin American countries (see exhibit 28). Absent an increase in municipal financial autonomy, the municipal training and technical assistance component of the Project will have little impact. (see Section III E)

SYRACUSE UNIVERSITY SUPPORT

1. On-Campus Support

The University of Syracuse on-campus support was not well defined in the scope of work. There have been problems and delays in administrative and financial support mainly attributable to the distances and difficult communications involved, and lack of familiarity with and sensitivity of on-campus administrative to problems of field staff working in remote relatively isolated conditions.

The process for transmitting funds from Syracuse to the field is complicated and time-consuming, and has resulted in financial hardship and morale problems. The Syracuse chief of party estimates he spends 30% of his time on Syracuse administration. Records for the period January 82 - February 83 (Exhibit III D2) support this-- approximately 25% of his time was spent in Lima on administrative and other matters. An office and administrative capacity should be established in Lima to perform some of the administrative functions now handled by the COP and administrative staff at Syracuse. An alternative would be for some of this support to be provided by USAID, as discussed below).

Syracuse professional support, particularly by the Senior Faculty, to the project has been inadequate. There has been inadequate field participation by regular Syracuse Faculty. Syracuse support has been particularly deficient on the regional planning and market town components. Most of the recruitment of short and long-term technical assistance has been

left to the Chief Technical advisor in Peru whose isolated position has made it difficult for him to locate and acquire adequate TA inputs.

There is little evidence that Syracuse Faculty associated with the parent DS/RAD (now ST/MD) Local Revenue Assistance Project made a concerted effort to understand the Peru Project, and to provide needed professional assistance to in-country colleagues. Nor does it appear that Syracuse has adequately used the opportunity afforded by its involvement in the Peru Project to build the University's capacity, as called for in the basic cooperative agreement.

If the Project is continued and Syracuse remains the prime TA provider, the University would need to (1) build its on-campus capacity to provide Spanish language short-term technical advisory and training support in the local revenue aspects of the Project, for which it has an existing base of technical competence, and (2) involve other sources of competence in areas of the Project in which Syracuse's own substantive or Spanish-language competence is limited. (municipal adminstration, regional development and development management)

Examples of sources of support which should be tapped are institutions and individuals previously involved in the DSB/UD Urban Functions in Rural Development Project; Regional Development expertise associated with the Area Development Cooperative Agreement and Development Management expertise available through NASPAA, The USDA Development Project Management center and Regional Management Institutes.

2. <u>In-Country Technical Assistance</u>

By and large, the technical assistance personnel in-country have been dedicated and energetic. Future TA should be broadened in character and concentrated on advising Peruvian Agency personnel and building local capacity rather than pursuing independent studies. TA staff should be encouraged by

the AID Mission and Syracuse University to view their counterparts in the local Peruvian Agencies (the Departmental Corporations and INP) as the persons to whom they have primary responsibility and should be encouraged to facilitate the corporation/PRODERIN mergers. USAID and Syracuse should insure that all TA staff understand their function and have the requisite training and experience to carry it out.

TA personnel must respect their Peruvian colleagues. They should be prepared to work within the existing base of Peruvian knowledge and experience within the two departments and work indirectly in support of Peruvian colleagues to incrementally expand and improve on the existing planning and management capacity. New ideas and methods from within the Peruvian system should be encouraged.

Some local TA staff salaries are so disproportionate to the individuals' functions and qualifications that they are creating rancor among Peruvian counterparts. These situations should be rectified.

Studies (working papers) produced by TA personnel are distributed in a format which identifies them with the Local Revenue Administration Project of Syracuse University. This may be satisfactory for distribution outside Peru. However, the documents would have greater use (credibility) within Peruvian government circles if they were published by the government. To enhance local capacity-building, studies should be jointly conducted by TA personnel and their Peruvian colleagues, with the latter in lead authorship roles.

USAID SUPPORT

Technical support and oversight of the Project within USAID has been shared by an American Project Officer and two Peruvian staff members from the Office of Agriculture and Rural Development. The current Project Officer (and previous ones as well) is an agriculturalist. One of the Peruvians is an engineer; the other is a specialist in rural organization and motivation. All

are given high marks by the PRODERIN and technical advisory personnel for their professional competence and their support to the project. However, their interest and expertise has been largely devoted to the rural works and rural promotion aspects of the Project. In addition, none of them has the Project as a full-time responsibility. The Project would benefit from the additional USAID in-house support in the areas of Regional Planning, Municipal Development, urban functions in rural development and development management. To the extent these are not available, greater use should be made of TDY assistance from AID/W on external consultants on a regular basis and preferably by the same persons.

Several persons with whom the team talked felt there should be greater participation by and delegation of authority to Peruvian staff of the USAID. It was suggested this would improve USAID Project support, increase knowledge within USAID about Project operations and enhance USAID communication with the Peruvian government. A greater sharing of the workload among available staff would also permit more frequent USAID visits to Project sites and consultation with GOP counterparts.

An important aspect of any project is teamwork. Technical assistance personnel see some mission personnel as viewing them as "mercenaries," as "hired hands," as adversaries.

USAID should provide better administrative and logistical support to direct hire and contract staff. A secretary or administrative assistant should be detailed to look after the affairs of TA personnel in the field. More rapid means of communication—radios or a teletype for example— should be used. Given conditions of field travel during the rainy season, radios with long distance communication capabilities in field vehicles would be a worthwhile investment. Field vehicles should be equipped with winches, heavy-duty large-tread tires, emergency spares and either auxiliary gas tanks or "Jerry Can" racks.

To improve telephone communication a separate line should be installed. The evaluation team found that calls to Huancayo, impossible to complete through the Missions switchboard, could be completed virtually immediately from our Lima Hotel.

Some way also should be found to move written materials more rapidly between Lima and the two departments. Express bus is a possible solution. Another possibility, at least for Huancayo, would be to use the CIP or CENTROMIN airplanes that make almost daily flights to and from Lima.

The recently adopted practice of having TA personnel participate in USAID or USAID/GOP project strategy or review sessions and periodic briefings for senior management when they are in Lima should be continued. However, care should be exercised not to put USAID responsibilities onto TA staff which would conflict with their primary role of providing technical assistance to their Peruvian counterparts or jeopardize the confidential nature of the advisor/counterpart relationship.

Some minor efforts that would help make TA personnel feel their presence and role is not merely recognized but important to the Project are including them on the Embassy/USAID telephone and address lists and on circulation of general USAID notices, local newletters, Front Lines and announcements of general interest; providing them with a mail slot and file cabinet the USAID, etc. These matters are of a minor nature but they can have a major influence on morale and productivity.

SECTION IV

COST EFFICIENCY AND IMPACT OF RURAL WORKS SUB-PROJECTS

A. COST EFFECIENCY ANALYSIS - CAJAMARCA

For the cost-efficiency analysis in the Cajamarca region, 21 sub-projects were surveyed, of which 20 were visited in the field. Eleven were PRODERIN-sponsored projects, three by MERIS, four by CORDEJAC, three by Cooperacion Popular. Nine irrigations, five reservoirs and seven roads were included in the analysis. For each project surveyed, all cost data were first converted into current (March 1983) soles using official conversion coefficients published by the Central Bank. A summary of all project costs by year and their adjusted values is presented in Annex IV-1 for Cajamarca, and Annex IV-2 for Junin. For each project two cost estimates were made. The first of these was total project costs, including the value of all community labor or materials contributions as well as food assistance received, if any. The second estimate was the net direct cost of the project to the Peruvian Government. The value of community resource contributions and food assistance was excluded. For the analysis below, all cost estimates in Peruvian soles were converted into U.S. dollars at the exchange of S/.1,120 to US$1.

1. Average Project Cost

Table 1 shows the average cost per project—in U.S. dollars—for each of the different institutions surveyed. The most expensive projects are those of Plan MERIS ($238,701 average project cost), followed closely by CORDEJAC ($228,832). For both institutions, total and net costs are the same because all local labor and other resources are purchased directly. However, PRODERIN and Cooperación Popular mobilize significant amounts of local resource contributions. In the case of PRODERIN, about 29% of total project costs for conventional irrigation and road projects are local contributions. PRODERIN's special Rural Development Support Projects (PADRU) mobilize local contributions averaging about 85% of total project costs. The difference

between total and net average project costs is quite large. The least-expensive projects are the PADRUs ($2,354 average cost). Cooperación Popular projects ($75,192 average cost) and normal PRODERIN projects ($115,879 average cost) occupy an intermediate cost range.

Table 1. Average Project Costs and Costs per Beneficiary, by Sponsoring Institution, in US$

Institution	Proj.	Benefic.	TOTAL PROJECT COSTS		NET PROJECT COSTS	
			Per Proj.	Per Benef.	Per Proj.	Per Benef.
PRODERIN-C	8	3,769	163,091	346	115,879	246
PADRUs	3	120	15,274	382	2,354	59
MERIS	3	1,288	238,701	185	238,701	185
CORDECAJ	4	2,155	228,832	292*	228,832	292*
Coop. Pop.	3	2,230	93,416	126	75,192	101

* Chilete-Rupe road project excluded for lack of beneficiary data, based on 3 CORDEJAC projects only

2. Average Costs Per Beneficiary

Table 1 also shows average project costs per beneficiary, i.e., households using the project. When total project costs are considered, the most expensive projects per beneficiary are the PADRUs ($382 average). However, if net costs to the Peruvian Government are considered, the PADRUs become the least expensive, at only $59 per beneficiary. Excluding the special case of these mini-projects, the most expensive projects are those of PRODERIN in the case of total costs ($346), and CORDEJAC in the case of net costs ($292). Cooperación Popular projects are the least expensive in both instances, while those of MERIS occupy the intermediate range.

3. Comparative Costs for Irrigation Projects

Nine irrigation projects were surveyed and their relative costs per hectare irrigated and per family assisted are compared in Table 2. With regard to total and net project costs, the highest costs per hectare or per family occurred with CORDECAJ, which recorded $604 per hectare irrigated and $2,534 per family benefited. The second most expensive projects were those of PRODERIN-C, with $276-394 per hectare and $629-896 per family. The least expensive irrigation projects were sponsored by Plan MERIS, in the case of

total costs, with $231 per hectare and $185 per family. However, when net costs are considered, Cooperación Popular was less expensive at $65 per hectare and $130 per family, but this result is based on a single project only. The reader is referred to Annex __ for a detailed listing of project costs, areas irrigated, families benefited and unitary costs.

Table 2. Comparative Unit Costs of Irrigation Projects, per Hectare Irrigated and Family Benefitted (in US$)

Institution	Proj.	TOTAL PROJECT COSTS			NET PROJECT COSTS		
		Total	Per Ha.	Per Fam.	Total	Per Ha.	Per Fam.
PRODERIN-C	3	614,143	394	896	431,111	276	629
MERIS	3	238,701	231	185	238,701	231	185
CORDECAJ	2	392,906	604	2,534	392,906	604	2,534
Coop. Pop.	1	22,974	383	766	3,891	65	130

4. Comparative Costs of Reservoir Projects

PRODERIN is the only institution surveyed in Cajamarca that has been involved in the construction of reservoirs. These projects are fairly small works, primarily intended for the provision of drinking water for human consumption and livestock. Although a few hectares might be irrigated with stored water, this is not the primary purpose of the project. For this reason, they must be analyzed separately from irrigation projects. PRODERIN has sponsored the construction of five reservoirs— actually holding ponds, two of them as normal projects and three as PADRU projects. As shown in Table 3, the average cost per cubic meter constructed was $125 when full costs are considered, and only $28 per cubic meter in the case of net costs. Similarly, the cost per family benefited averages $226 for full costs and $51 for net costs. Whether constructed as a normal PRODERIN project or as a special PADRU project the unit costs are fairly similar for this type of project. From the perspective of net project costs to the Peruvian government per beneficiary, these reservoirs are the least expensive of all projects. They especially lend themselves as follow-on activities after the completion of a normal, larger PRODERIN project. Furthermore, they are easy to build, require minimum technical assistance and can be completed in a short period of time.

5. Comparative Costs of Road Projects

Table 4 compares costs per kilometer constructed and cost per family benefited for seven road projects. Total and net costs of road construction by PRODERIN—at $178-227 per beneficiary—is more expensive than by the other institutions. On a cost-per-kilometer basis, however, CORDECAJ is slightly more expensive than PRODERIN when net costs only are considered—$15,142 versus $13,145/kilometer. The least expensive mode for road construction remains Cooperación Popular, at $8,526-9, 895 per kilometer and $101-107 per family benefited.

Table 3. Comparative Unit Costs of Reservoir Projects, per Cubic Meter of Capacity and per beneficiary

Institution	Proj.	TOTAL PROJECT COSTS			NET PROJECT COSTS		
		Total	Per M3.	Per Fam.	Total	Per M3.	Per Fam.
PRODERIN-C	2	87,043	145	206	22,699	38	54
PADRUS	3	45,823	100	381	7,062	15	59
Total	5	132,866	125	226	29,761	28	51

Institution	Proj.	TOTAL PROJECT COSTS			NET PROJECT COSTS		
		Total	Per Km.	Per Fam.	Total	Per Km.	Per Fam.
PRODERIN	3	603,544	16,765	227	473,224	13,145	178
CORDECAJ	2	522,425	15,142	131	522,425	15,142	131
Coop. Pop.	2	257,274	9,895	117	221,684	8,526	101

6. Contracted Versus Administrated Projects

The consultants were asked to examine the relative cost-efficiency of contracted versus administrated projects. The initial assumption was that comparability of the two models of project implementation would be fairly straightforward since it was thought that most MERIS and CORDECAJ projects were contracted while those of PRODERIN and Cooperación Popular were mostly administrated. Upon visiting the Cajamarca region it was found that all four institutions implement virtually all projects by administration. Out of 20 projects, only one was contracted (irrigation Tomoche-Chota, by CORDECAJ). A second contracted project (Rupe-Chilete road, by CORDECAJ) was not visited. Thus, the available sample is not large enough to permit a valid comparison.

What little evidence is available is nonetheless suggestive. The average cost per hectare for all administrated irrigation projects is US$627 (based on 8 of 9 irrigation projects surveyed), whereas the cost of the single contracted irrigation project was US$561 per hectare. However, on a cost per beneficiary basis the average for administrated irrigation projects was US$680 per family whereas for the single contracted irrigation the cost was a prohibitive US$4,495 per family.

The predominance of administrated projects is explained by a several factors. Many projects are relatively small in terms of cost and are not technically complex. Hence, they do not justify extended bidding and are too small to interest the most established contractors. Second, in both Cajamarca and Junín there have been negative experiences with small contractors. Third, the depressed state of the Peruvian mining sector has resulted in an abundance of construction equipment available for rent at very favorable prices, encouraging the PRODERINs to expand their construction capacity. Another initiative is to sub-contract discrete pieces of given projects—for example, a technical feasibility study, a complicated construction stage—but without relinquishing overall construction responsibility to outside contractors.

More importantly, what has developed are two different models of administrated projects. The first model, exemplified by PRODERIN and Cooperación Popular, actively promotes local labor and materials contributions by project beneficiaries. In Cajamarca, both organizations use food assistance through ONAA to create labor mobilization incentives. The second model, exemplified by CORDECAJ and MERIS, pays wages to local rural laborers. The latter model thus recruits labor in the same way a private contractor does and therefore approximates a contracted project. However, ultimate construction responsibility is retained by the sponsoring institution.

7. General Conclusions

The issue of comparatie cost-efficiency can not be clearly resolved by reference to quantitative data alone. The central question involves the relative merits of two very different approaches to project promotion in rural

areas: the more participatory and the less non-participatory. Expressed differently, one approach stresses investments in human as well as physical infrastructure, while the other is a more technical, project construction approach stressing the most rapid completion of physical infrastructure with only minor investments in human promotion.

If the objective is to simply get projects built in the shortest period of time and at the least cost per beneficiary--with each project project to be a once-only undertaking with rural communities--then the most efficient project development mode would be to use MERIS and Cooperación Popular for irrigation projects, and CORDECAJ and Cooperación Popular for road construction. PRODERIN-C has only demonstrated superior cost-efficiency with reservoir and PADRU projects. It tends to be more expensive than other institutions in promoting irrigation and road projecrs because PRODERIN invests in the organization of fairly large local resource contributions. Such investments in local human infrastructure development are simply not justified if PRODERIN's relationship with the community is to be terminated at the end of the project.

On the other hand, the human-centered approach promotion and training is justified to the extent that its initial investment in human infrastructure leads to a succession of additional projects in the same communities. Emphasis on the promotion of follow-on PADRU projects is an excellent example of what the PRODERIN does best, and what it must do to justify its relatively higher costs.

The impact evaluation clearly demonstrates that the PRODERINs are awakening active rural interest and commitments to new and additional projects. Support for this awakening can be greatly strengthened--at modest additional cost to PRODERIN-- by the use of rural leaders as paratechnicians for project promotion and supervision. These part-time, lowest-level field agents would assist in rapid project replication from one rural community to another, as well as support follow-up and continuity of project activities in their communities of origin. Additional details on this recommendation are provided in the concluding section on impact evaluation.

b. COST-EFFICIENCY ANALYSIS JUNIN

There are important differences between Cajamarca and Junín regarding project implementation arrangements. PRODERIN-J generally promotes smaller voluntary contributions of labor and materials from project beneficiaries. No food assistance is provided and almost all skilled community labor is paid a wage. Thus, the difference between total and net project cost is miniscule (about 4 %) for PRODERIN-sponsored projects. Furthermore, there is also little difference between PRODERIN-J and the project implementation arrangements of MERIS and CORDEJ: all three follow a quasi-contract, usually single-project focus wherein promotion and training functions are de-emphasized once a project has been inaugurated. Continuing relationships and follow-up between PRODERIN-J and assisted rural communities are not usual. In contrast, Cooperación Popular follows a sharply different approach based on large amounts of voluntary community labor. Local resource contributions on the average reach 68 % of total project costs. As a result, Cooperación Popular projects are the only ones which display a significant difference between total and net project costs.

1. Average Project Cost

In Junín, 19 projects were surveyed for cost-efficiency analysis. Of these, 11 were sponsored by PRODERIN, four by MERIS, three by Cooperación Popular, one by CORDEJ. The average project cost was highest for MERIS projects ($649,863), with CORDEJ a distant second place ($168,403). The lowest average project cost was recorded by Cooperación Popular ($16,770). PRODERIN-J projects occupy a category of moderately-expensive projects (average $98,642), but still far below CORDEJ and especially MERIS. Comparisons of total and net project costs are presented in Table 5, below.

Table 5: Average Project Costs and Costs per Beneficiary, by Sponsoring Institution, in US$

Institution	Proj.	Benefic.	TOTAL PROJECT COSTS		NET PROJECT COSTS	
			Per Proj.	Per Benef.	Per Proj.	Per Benef.
PRODERIN	11	14,447	102,869	78	98,642	75 (230)
Plan MERIS	4	5,828	649,863	446	649,863	446
Coop. Popular	3	5,146	52,662	31	16,770	10 (104)
CORDEJ	1	150	168,403	1,122	168,403	1,122

Compared with Cajamarca, PRODERIN projects are roughly of the same average cost in Jun§n, those of MERIS/Jun§n are almost three times larger and Corporation projects are slightly smaller, Cooperación Popular projects are much smaller in Jun§n than in Cajamarca.

2. Average Cost per Beneficiary

With regard to project costs per beneficiary, the one CORDEJ project subject to analysis was by far the most expensive ($1,122), nearly four times higher than the average for corporation projects in Cajamarca. The next most expensive projects were those of MERIS ($446 per beneficiary), or almost 2.5 times higher than the average for MERIS projects in Cajamarca. In contrast, costs per beneficiary are significantly lower for PRODERIN-J ($75) and Cooperación Popular projects ($10). However, this result is something of a statistical misrepresentation. Included among the 11 PRODERIN-J projects is one (Santa Ana bridge) which accounts for 69 % of total beneficiaries (10,000 out of 14,447) but represents less than five % of aggregate project costs. This project is excluded, the cost per beneficiary rises to a more believeable $230, almosts equal to the cost experience of PRODERIN in Cajamarca. Similarly, among Cooperación Popular projects, 97 % of total beneficiaries (5,000 out of 5,146) are credited to a single project (Sicaya street improvements) which otherwise accounts for less than 18 % of aggregated project costs. If this second exceptional poroject is also excluded from analysis, the cost per beneficiary for Cooperación Popular projects rises to $104, almost identical with the cost experience in the Cajamarca region.

3. Comparative Costs for Irrigation Projects

Table 6 compares the cost-efficiency of nine irrigation projects with respect to cost per hectare irrigated and cost per family benefited. The most expensive projects per hectare are those of PRODERIN-J ($475) and Plan MERIS ($462). These results are significantly higher (almost double) the cost experience recorded for Cajamarca. Furthere, whereas MERIS projects in Cajamarca were clearly more efficient than those of PRODERIN, in Junín no such superiority exists. In fact, when costs per family benefited are taken into account, MERIS irrigation projects in Junín are three times more expensive than those sponsored by PRODERIN-J. It is also noteworthy that PRODERIN-J irrigation projects are also less expensive per beneficiary than even Cooperación Popular. From an overall eficiency measurement, PRODERIN-J appears to have a clear advantage over MERIS for construction of irrigation infrastructure in Junin.

Table 6: Comparative Unit Costs of Irrigation Projects per Hectare Irrigated and per Family Benefitted

Institution	Proj.	TOTAL PROJECT COSTS			NET PROJECT COSTS		
		Total	Per Ha.	Per Fam.	Total	Per Ha.	Per Fam.
PRODERIN-J	4	348,237	497	158	332,806	475	151
MERIS	4	2,599,452	462	446	2,599,452	462	446
Coop. Pop.	1	111,077	1,110	1,292	20,760	208	241

4. Comparative Costs for Road Construction Projects

Table 7 shows that PRODERIN-J enjoys a clear superiority over CORDEJ with regard to construction costs per kilometer of road built as well as costs per family benefited. However, PRODERIN-J's $21,211 per kilometer average is two-thirds higher than the PRODERIN cost experience in Cajamarca, a region where serious construction difficulties prevail. Similarly, the CORDEJ average of $28,067 is much higher than in Cajamarca. One is tempted to speculate that the cost experience in Junin would be nearly identical to that of Cajamarca if PRODERIN-J was equally committed to mobilizing local voluntary labor and materials contributions. The fact that such local resources can be mobilized has been demonstrated by Cooperación Popular, but to do so will require a more serious commitment by PRODERIN-J to community-level promotion and training activities.

Institution	Proj.	TOTAL PROJECT COSTS			NET PROJECT COSTS		
		Total	Per Km.	Per Fam.	Total	Per Km.	Per Fam.
PRODERIN	3	495,852	22,038	289	477,260	21,211	278
CORDEJ	1	168,403	28,067	1,123	168,403	28,067	1,123

5. Comparative Costs for Road Repair Projects

The costs of road repair are far below those of road construction making it appropriate to analyze them as two separate types of projects. Unfortunately, no road repair project was surveyed in Cajamarca so there is not basis for inter-regional comparisons. In Junin, road repair projects by PRODERIN and Cooperación Popular demonstrated very low costs per kilometer and per family benefited, Cooperación Popular projects have very low costs per kilometer and per family benefited. Road repair is the type of mini-project that lends itself--like the PADRUs in Cajamarca--to sustained relationships between PRODERIN and rural communities, at very low cost. Similar opportunities exist for irrigation project repair.

Table 8: Comparative Unit Costs of Road Repair Projects per Kilometer Constructed and Family Benefited, in US$

Institution	Proj.	TOTAL PROJECT COSTS			NET PROJECT COSTS		
		Total	Per Km.	Per Fam.	Total	Per Km.	Per Fam.
PRODERIN	1	45,394	3,783	39	43,579	3,632	37
Coop. Pop.	1	28,700	1,366	6	19,930	949	4

6. Comparative Costs for Bridge Projects

PRODERIN-J and Cooperación Popular were the only institutions surveyed which had bridge projects. No inter-regional comparison with Cajamarca can be made based on the projects surveyed. The data in Table 9 show performance superiority by PRODERIN-J over Cooperación Popular--with regard to costs per meter of bridge span and costs per family benefited. It is noteworthy that the PRODERIN-J bridge project (Santa Ana) involved a sub-contract for the installation of the metalic structures. The construction of such medium-sized bridges (Santa Ana is 117 meters long) requires specialized technical skills. Since bridge-building is not a major project line for the PRODERINs, it would appear to be more cost-effective to contract for such skills only when needed rather than maintain an in-house capacity in bridge building.

Table 9: Comparative Unit Costs of Bridge Construction Projects, per Meter of Span and per Family Benefited, in US$

Institution	Proj.	TOTAL PROJECT COSTS			NET PROJECT COSTS		
		Total	Per Mt.	Per Fam.	Total	Per Mt.	Per Fam.
PRODERIN-J	1	60,232	515	6	60,232	515	6
Coop. Pop.	1	18,209	2,023	303	9,620	1,069	160

7. Contracted Versus Administrated Projects

Very few projects in Junin are being implemented by contract. PRODERIN-J, CORDEJ, MERIS and Cooperación Popular predominantly employ the administrated projects approach. The cost advantages of administrated versus contracted projects are similar to those described in the section on Cajamarca. It is worth mentioning that potential economies in machinery use—resulting from the depressed level of mining sector activity and the artificially low machinery rental prices that currently prevail—are even more dramatic in the Junín than in Cajamarca.

8. Participatory Versus Non-Participatory Project Implementation

The most critical policy issue that emerges from the evaluation of the PRODERIN program in Junín is whether or not PRODERIN-sponsored projects should require a significant voluntary labor and materials contribution by project beneficiaries. There are several benefits to having PRODERIN-J pay for a large share of labor services:(1) it provides an employment benefit to local residents; (2) projects get completed more quickly and are thus able to begin generating benefits earlier; (3) PRODERIN-J can economize in the use of promotion and training staff; (4) the program is simpler, easier to implement and more consistent with the skills, qualifications and attitudes of existing staff.

The disadvantages: (1) PRODERIN-J projects have generally higher unit costs than in Cajamarca (40-60 %) because they fail to mobilize significant resource contributions from project beneficiaries; (2) the less promotion, the less local participation in project decision-making, which increases the risk

of building inappropriate projects that will not be protected or maintained users; (3) without active local participation, the project becomes an end in itself, rather than a means to broaden development ends.

We believe it is appropriate for PRODERIN/Junin to make a policy choice in favor of increased promotional activities and greater efforts to reduce net project costs through voluntary resource contributions from assisted communities. Beyond a mere policy decision, the choice must be strengthened with an increased budgetary investment in the Department of Promotion and Training which should have its own vehicle and at least four additional field promoters. The selection training, and development of part-time rural paratechnicians should be given serious consideration.

C. GENERAL CONCLUSIONS: COST EFFICIENCY

1. Project Quality

IRRIGATION: The highest quality in irrigation design and construction was judged to be MERIS. In second place are PRODERIN projects, followed by corporation projects and finally those of Cooperación Popular. In general, MERIS projects are the largest and most impressive; bocatomas and other water gathering structures are well-constructed, canals are adequately reinforced and field-level delivery structures are generally quite complete. PRODERIN irrigations are reasonably well-built, but evidence of over-building (barrajes) instead of bocatomas) and other design errors are common. In the future, irrigations built by corporations will probably be transferred to MERIS in the future through an aggrement with INAFA. In general, the principal deficiency of Cooperación Popular irrigation projects is that they do not receive adequate technical assistance and supervision in their design and construction.

TRANSPORT INFRASTRUCTURE: In general there is considerable similarity in the quality of road and bridge projects constructed by PRODERIN, the corporations and Cooperación Popular. The most technically constructed

projects tend to be those of the corporations, which are usually larger or longer undertakings, often paved and with abundant drainage structures. The PRODERIN projects were second-best in quality, followed by those of Cooperación Popular.

2. Project Follow-up and Maintenance

Road and irrigation projects in particular have a kind of "gestation" period. Once they have been initially constructed and inaugurated, it normally takes several years of routine maintenance and repair work until the project has physically stabilized. Destruction of sections of road and irrigation projects are common for the first few years. Repair is a continuing cost that must not be ignored; it is recommended that all project feasibility studies and investment budgets include an estimate for maintenance and repair costs. Cost experience with PRODERIN road projects surveyed above (see page) suggests that repair and maintenance costs per kilometer are on the order of 17 % of project construction costs. Two options confront the PRODERINs. Either a maintenance budget should be established for so-called "completed" projects (covering cement, tools, technical assistance, etc. required to repair them over 1-2 years) or project beneficiaries should be assisted in estimating their probable project maintenance costs, and establishing a system of user fees or quotas to finance maintenance expenses. In the latter, the project maintenance responsibilities of the assisted community should be identified from the outset of the project.

3. Screening of Projects and Participation Motivation

Several community projects were approved by PRODERINs based on unconfirmed lists of signatures by community residents. Requests by community leaders are often not ratified by an official decision reached in a general assembly of local residents. In Cajamarca, project workcrews are sometimes composed by non-beneficiaries who simply want to earn food assistance. In Junín, paid project laborers are often recruited from outside the community. These abuses can only be corrected by more careful PRODERIN monitorship.

4. Machinery Rental

Wherever possible, PRODERINs should rent machinery from a single-source rather than rent individual machines from a variety of sources. The owner of the equipment would thus be responsible to maintain as a unit. With multiple-source rentals, little control and scattered accountability for equipment, is the rule.

5. Administrative Considerations

Funding priority should be given to the completion of projects under construction or the repair of completed projects before new projects are funded. Project construction schedules should include participation of project beneficiaries to avoid conflicts with the agricultural task calendar or work conducted during seasons of inopportune weather.

6. Technical Considerations

The irrigation capacity of very small volume canals can be expanded by the construction of so-called reservorios nocturnos (evening collection ponds) which can double and triple existing irrigation capacity. As a matter of routine procedure, all technical design activities should include consultations with local residents to determine special conditions (peak flood level, climatic factors, changes in the riverbed, etc.) that may have an important bearing on project design. Community leaders should always be given an opportunity to review (have read to them) PRODERIN project technical studies.

D. IMPACT EVALUATION OF PRODERIN SUB-PROJECTS - CAJAMARCA

Fourteen PRODERIN-sponsored projects were selected for evaluation in the Cajamarca region. They included seven irrigation projects, five road projects

and two reservoir (holding pond) projects. This selection constitutes a near-census of all completed PRODERIN projects it includes projects located in all of the principal areas of PRODERIN activity within the Department of Cajamarca.

Once the project sample was selected, the communities that benefited were asked to send a representative to a one-day training program in Cajamarca on March 2, 1983. The rural leaders were trained how to administer a simple questionnaire to measure the impact of their community's project on beneficiary households, and how to collect the perceptions of project users regarding project benefits, deficiencies and recommendations for improvement.

Each community leader ws to interview a quota of 10 resident households. To select the respondent sample, each leader brought to Cajamarca a sketch map of his community indicating the location of all resident households. Evaluators selected an interview sample representing an approximately even distribution of large, medium and small-farm households.

From March 3-6, the community leaders completed 142 interviews for 14 projects. Accompanied by two PRODERIN promotors, each of the three evaluators visited a third of the communities to provide support to the farmer-interviewers as well as to conduct additional interviews. Additional community residents offered to be interviewed. RDS evaluators conducted 51 interviews; PRODERIN promotors completed 75 more. A total of 268 questionnaires were completed for project beneficiaries in the Cajamarca region. See Annex IV-3 for a list of the projects surveyed, the list of the rural leaders who participated and the distribution of interviews among leaders, promotors and evaluators.

On March 7-8, the farmer-interviewers returned to Cajamarca. For the next two days an evaluation workshop was held for leaders and PRODERIN promotors to tabulate results of the survey and to discuss findings and recommendations. A separate seminar proceedings document as prepared. Participants received diplomas, prizes were given for the best community maps and a party was held.

1. Overview of Community Beneficiaries Interviewed

The survey yielded 265 useable questionnaires. Of these respondents, 256 were men, nine were women, seventy-five percent of the respondents were over 45 years of age. Fifty-one percent were absolutely or functionally illiterate (less than three years of schooling), 39% had 3-5 years of66ducation, 9% had some secondary or higher studies. Forty percent of all respondents held a leadership position in the community. The average household size consisted of seven members, of which four were minors and three were adults. 234 respondents (88%) listed agriculture as their principal occupation. The most common secondary occupation were those of merchant, ranching and artisan crafts.

There were 136 respondents (from seven communities) who were beneficiaries of irrigation projects, 94 families (five communities) who were beneficiaries of road projects and 35 families (two communities) who were beneficiaries of reservoir (holding pond) projects. The survey results for each of these three groups project users will be presented separately.

2. Perceptions of Irrigation Project Beneficiaries

PRINCIPAL BENEFITS: In order of importance, the major project benefits were improved crop production (mentioned 111 times), drinking water suupplies for humans and livestock (38), food assistance during project execution (38), elimination of wasted water supplies (15), more frequent irrigation (14), other benefits (10).

PRINCIPAL PROBLEMS: Delays in the delivery of tools, materials, machinery or technical assistance was the major problem (45 responses), followed by problems arising from the rainy season (31), inadequate community participation (22), conflicts wirh landowners (17), internal community conflicts (16), inadequate training by or meetings with PRODERIN staff (14), conflicts between project construction and the agricultural task calendar (5), other problems (5).

PRINCIPAL RECOMMENDATIONS: The most common recommendation was the promotion of greater community unity (27 responses), followed by improved organization (24), police action against residents who do not comply with their labor quotas (19), project maintenance planning (18), greater community-promotor coordination (15), cordination of project construction schedules with non-peak periods in the agricultural calendar (8), more training (7), more motivation (6), and other (3).

NEXT COMMUNITY PROJECT: Out of 120 opinions, 110 (92 %) expressed a desire to initiate another project. Nine of the 10 who responded no did so because they were currently involved in a project and did not want to initiate anything new until it was completed. The most popular candidates for new projects were a road (51 reponses), a school (35), a health clinic (21), construction of a bridge-canal (12), potable water (8), a community meeting place, electrification (1).

EVALUATION OF PRODERIN: Of 136 respondents, 117 (86 %) characterized the performance of PRODERIN as "good"; 19 (14 %) as regular (fair). The principal reasons for good performance were the provision of tools (36), sustained support (30), technical assistance (28), donation of materials (22). Fair performance was explained by incumplimiento --failure to keep promises-- (9), conflicts with PRODERIN technician (5), failure to support community wishes (4), delayed arrival of equipment (1).

DIRECT IMPACTS OF COMPLETED PROJECTS: The projects led to a 77% growth in the number of families with access to irrigation water. Of families who irrigated before projects began, the area of their irrigated hoildings increased--on the average--from 1.3 to 1.6 hectares (25 %). The major crops planted with irrigation water have been potatoes (mentioned 88 times), ryegrass (56), corn (45), wheat (25), ocas (18), olluco (18), alfalfa (15), vegetables (11). Out of 111 households who experienced use of irrigation water, 63 (57%) say it allowed them to plant a single time; but 36 (32%) have been able to plant twice per yer, and 12 (11%) three times. Ryegrass

plantings have averaged four cuttings per year. The yield experience with irrigated crops ranges between 50-100% increases. 35 of 88 planting potatoes experienced an average yield increase of 95%; 7 of 56 planting raygrass and 41 of 45 planting corn experienced a doubling in yields. Increased yields in wheat averaged 58%, while those of ocas averaged 71%.

PARTICIPATION IN THE PROJECT: When asked who originated the project idea, 12% of responded it was a community decision, 30% said it was a decision by community leaders and 58% said the idea originated outside the community. Similarly, only 10% of respondents said the community had participated in the location of the project, while 28% believed community leaders had participated and 62% said the decision was reached by outsiders to the community. 127 of 136 respondents (93%) participated directly in the project by supplying labor; 15% gave less than two weeks of labor, 28% gave 2-4 weeks, 11% gave 5-8 weeks, 46% gave more than eight weeks of labor. Regarding participation in training activities related to the project, 117 of 136 respondents (86%) said they received some training, while over half (59%) received training on at least four separate occasions. The principle subjects of training involved organization of the project committee or work crews (mentioned 54 times), participation (33), benefits of the project (22), project maintenance (15), motivation (13), food assistance (7), construction of agricultural terraces (5). Slightly more than half (54%) said that some member of their household had occupied a position of responsibility within the project committee or workcrews.

3. Perceptions of Road Project Beneficiaries

PRINCIPAL BENEFITS: Improved communications and community or market access (65), improved transportation services for marketed produce (20), food assistance received for work on the project (14), better educational and cultural opportunity (13), better access to health services (4), new stores in the community (3), construction of new (additional) roads and paths (1).

PRINCIPAL PROBLEMS: By far the most frequently-mentioned problem involved damage to road consteruction due to rain (40). This was followed by broken promises (32), lack of tools and machinery on a timely basis (19), poor project organization and leadership (12), obstacles created by local landowners involving project right-of-way (10), conflicts with the agricultural labor calendar (10), inadequate technical supervision (6), failure to make good on promised food assistance for work completed (3), failure of residents to meet labor quotas (3).

RECOMMENDATIONS: To alleviate these problems and improve project execution in the future, respondents suggested more work by community residents (27), conduct road construction during the dry season (16), better organization and training of the project committee (15), more attention to project maintenance (13), resort to police action for enforcing labor commitments (6), avoid political debate (3), offer chicha a coca as a work incentive (1), request/procure tools in advance (1).

NEXT COMMUNITY PROJECT: 92 out of 94 road project beneficiaries (98%) expressed the desire of beginnig another project. In order of priority, new projects desired were irrigations (33 responses), a health post (21), potable water and drainage (17), a school (9), a community meetinghouse (4), improvement of the community plaza and marketplace (3), a church (2), an agricultural improvement project (2), construction of additional roads and trails to link community with surrounding districts (3), street improvements (1), football field (1), a police station (1), reforestation (1).

EVALUATION OF PRODERIN: Of 94 respondents, 81 (86%) described the performance of PRODERIN as "good;" while 13 (14%) called it "fair" or "poor". Good performance was credited to the supply of machinery and tools (51), keeping promises (20), technical assistance (14), training activities (6), high quality field technicians (6), temporary residence of field staff in the community (2), punctuality (1), good project organization (1). Fair or poor performance of PRODERIN was blamed on the unexplained absence of field staff

assigned to the project, bad communications between technician and community and inadequate project visitation, supervision and follow-up.

DIRECT IMPACTS OF COMPLETED PROJECTS: Before the project, 75 of 94 respondents utilized horses and burros (80%). 62 walked (66%). Only two used motorized transport, but only in the dry season. To sell their produce, 70 did so at local markets (Incajada, Pabellón Chico, Llapa, Asuncion, San Marcos) while 34 traveled to distant markets. Before construction of the road, a one-way trip to the nearest market required at least two hours for 95% of the respondents; 37% had to travel at least three hours. Before the road was completed, the transport of a single cargo sack of produce from the community to the market cost respondents at least 500 soles (about $0.50 at December 1983 rate) for 77% of the households surveyed.

Unfortunately, due to a mistake in the impact evaluation instrument, interviewers failed to ask the situation existing after project completion with regard to the above variables. The only variable where before and after data was collected involved the frequency of market trips. Before, some 96% said they made a market trip once a week. After project completion only 73% of respondents made a weekly market trip, while 11% travel several times a week and 16% travel every 2-4 weeks.

Respondents were asked what changes had occurred in their communities since road projects were completed. Because one of the five projects (Combayo) had not yet been completed, 19 respondents said that no changes had occurred. The most important ones were increased traffic in pedestrians ad the arrival of motorized transport (mentioned 34 times), new health services (23), increased commercial transactins (21), incareased sales of farm produce within the community (19), new stores in the community (9), sale of food supplies within the community that formerly could only be acquired at local markets (9), improved communications with neighboring districts (4), school teachers are more punctual (1), children of community residents can now continue their studies at other schools outside the community (1), a local resident purchased a truck (1).

COMMUNITY PARTICIPATION IN THE PROJECT: 61% said the project idea originated with community authorities, 20% credited community residents as a whole, 19% said the project idea was initiated by outsiders (PRODERIN and others). With regard to the location and route taken by the roads, 83% said the decision was made by PRODERIN staff or other outsiders (priest, school teacher), while 17% credited community authorities. 96 of 104 stated they or their families contributed labor to the project. The average labor contribution was 30 days, with a range of two to 120 days per household. 68% said they received some form of training from PRODERIN during the project. The major topics of training were project maintenance (19), organization of work crews (19), organization of the project committee (11), community participation and motivation (12), machinery maintenance (5), improved farming practices (3), animal health (2), cheese-making (2), ONAA food assistance (1).

4. Perceptions of Reservoir Project Beneficiaries

PRINCIPAL BENEFITS: food assistance (36), the supply of water for drinking and minor irrigation (26), the end of water waste (5), training in water use (4), crop improvement (1).

PRINCIPAL DEFICIENCIES: Inadequate participation by community residents (12), lack of tools and materials (12), failure to consult the community (4), poor technical guidance during initial stages of the project (3), incumplimiento (2), non-beneficiaries were required to work (2), conflicts with the agricultural task calendar (3).

RECOMMENDATIONS: Program work to take advantage of slow periods in the agricultural task calendar (8), establish stricter controls against residents who fail to comply with their work commitments (7), better project organization (6), request materials and tools further in advance (6), hold more meetings for better project coordination (5).

NEW PROJECTS: All respondents (35) expressed a desire to initiate

additional community projects. Future projects needed, in priority order, were following: lining of their water distribution Canal (18), a health post (7), a community tambo (store) (4), a school (3), additional irrigation and water storage structures (3).

EVALUATION OR PRODERIN: Beneficiaries of reservoir projects were almost evenly divided in judging PRODERIN performance either "good" (18) or "fair" (17). Reasons for a good performance were the supply of tools and materials(16), rapid completion of the project (13), technical assistance received (6), and general support received (3). Reasons for deficient performance included lack of adequate materialls and tools (120), delays in the supply of food assistance (6), and initial lack of technical guidance (1).

DIRECT IMPACTS OF COMPLETED PROJECTS: Reservoir water has been used to irrigate small plots of different of crops. In order of importance, these are corn (18), beans (9), peas (9), alfalfa (3), barley (3), wheat (3), potatoes (2), garlic (2), carrots (1), onions (1), quinua (1). The water is used predominantly for only one planting per year. Only 10 respondents (19%), attemped two or more plantings. The water supply consists of 12-15 hours of water every dry season. 28 of the respondents (53%) claim there has been no significant change in crop yields with the additional water received. However, 16 of 18 corn growers claim an average yield increase of about 60%, 7 of 9 bean growers see a 33% average increase, and 5 of 9 pea growers see a 25% yield improvement.

COMMUNITY PARTICIPATION: The idea for the reservoir projects appears to have involved considerable local participation. Some 28% credit the origin to community members, 36% to community authorities, and 36% to external sources. The location of the reservoirs and their distribution systems were primarily determined by existing canal infrastructure, with additional contributions by PRODERIN and community residents. All 35 respondents claim to have contributed labor to the reservoir projects, with the average being 32 days per family. 30 of 36 say they received some training under the project, with

the average being four meetings or training activities per respondent. The most common topics of training were general community promotion (11), organization (11), and water conservation. 13 of 35 residents (37%) served in a position of responsibility within the project committee during project implementation.

b. Food Assistance to PRODERIN-Sponsored Projects

All PRODERIN projects surveyed or visited in the Cajamarca region have received food-for-work rations through the ONAA. Given the critical importance of food assistance in the project promotion strategy of PRODERIN-J, the impact evaluation sought to give this activity special attention, so a section of the questionnaire was reserved to capture the perceptions of rural families about food-for-work rations in general. Of the 223 respondents who answered the questions, 132 (59 %) characterized the food assistance program as "good", while 84 (38%) said it was fair, 7 (3%) said it was "bad".

The principal reasons for good performance were distribution of food quotas conducted weekly (30), the food is a necessary motivation to get people to work (27), the food is a special help to the poorest members of the rural community (24), rations were of high quality (11), distribution was conducted equitably among project or community participants (6), residents received training in preparation of certain of the foods (6), rations were adequate (5), the supply of rations was reliable.

Reasons stated for deficient food assistance performance included the rations are insufficient (29), ONAA still owes the community rations that were never delivered (15), rations supply was not enough to distribute to all workers (11), delays in delivery of food supplies occurred (7), rations were not distributed equitably (6), ONAA did not meet its commitment promise (incumplimiento) (6), ONAA red tape is cumbersome (4), local residents are not accustomed to some of the food products supplied (4), the rations should have been reserved for the neediest families, not everybody (2), rations were not

fresh (1), and no training in food preparation or use was given (1).

The food assistance performance record, then, is quite mixed. In the evaluation seminar conducted with community leaders (March 7-8), some participants stated the opinion that food assistance was destroying traditional community customs (the collective workday or minga) in which the women prepare special food for participants, thus damaging the principal role of project participation formerly reserved to rural women. This exacerbated the broader problem widaly observed in Cajamarca and Jun§n that women participate very little in PRODERIN-sponsored projects; project participation opportunities are virtually monopolized by male residents.

In the opinion of the consultants, PRODERIN/Cajamarca's continued dependence on food assistance for all projects is inadvisable. PRODERIN-C should consult the community to determine if it is willing to work without food assistance; priority allocation of PRODERIN services can be allocated to communities willing to forego this external subsidy. If food-for-work rations are necessary, they should be used on a priority basis—if not exclusively—with communities embarked upon their first project with PRODERIN. We believe that smaller, follow-up projects should not require food assistance incentives.

Finally, food rations can be programmed for higher impact. For example, if the food is indeed so important to the poorest families, the community should identify and target its most needy households for extra rations. Similarly, food rations should not be indiscriminately programmed throughout the year but rather concentrated in the pre-harvest "hungry season" or other periods when the food vulnerability of the rural household is highest. The impact of food-for-work rations on farm households and the rural community in general merits considerable in-depth evaluation.

E. IMPACT EVALUATION OF PRODERIN SUB-PROJECTS - JUNIN

Fifteen PRODERIN-sponsored projects were selected for evaluation in the Junin region. They consisted of 11 road or bridge projects, two irrigation projects and two social infrastructure projects—an electrification and a school. The projects include virtually all completed and inaugurated works by PRODERIN-J to date, plus several in the construction phase. All the geographical areas of major PRODERIN activity in Junin were visited by evaluation team and are represented in the selection of projects evaluated. The major thrust of PRODERIN project activity in Junin has been on roads, whereas in Cajamarca, the emphasis has been on irrigations.

The methodology of the evaluation very closely followed the model established in Cajamarca. The arrival of the team in Junin was set back two days due to a national strike in Lima and interruption of the Lima-Huancayo highway, which necessitated an 18.5 hour trip by an alternative route to reach Huancayo by March 12, the day scheduled for the training of Junin community leaders.

Thirteen leaders were trained in the use of the impact evaluation instrument. From March 13-17, community interviewing and evaluation visits were conducted with the evaluators accompanied by PRODERIN promotors. Collectively, 272 interviews were completed, 154 by rural leaders, 75 by PRODERIN promotors and 43 by evaluators. A list of the projects surveyed, names of the rural leaders who participated and the interview distribution is included in Annex IV-4. On March 18 and 19, an evaluation seminar was held with community leaders and PRODERIN promotors. Initial tabulation and discussion of survey findings were completed, diplomas awarded and a proceedings document prepared.

1. Overview of Community Beneficiaries Interviewed

The survey yielded 272 usable questionnaires. 239 (88%) were men; 33

(12%) were women. A significantly higher representation of women were interviewed than in cajamarca (3%). 64% of all respondents (175) were over age 35, a somewhat younger population than was interviewed in Cajamarca. Of the 272 respondents, 23% were absolutely or functionally illiterate (less than three years of schooling), 45% had 3-5 years of education, and 32% had some secondary or higher studies. This contrasts sharply with the interviewed population in Cajamarca, where 51% illiteracy prevailed and only 9% had secondary studies. Precisely beause of their generally higher levels of formal schooling, a higher %age of respondents in Junin currently held some community leadership position (68%) than was the case in Cajamarca (40 %). Because of their younger age and higher levels of education, respondents in Junin represented somewhat smaller households—six members versus seven in Cajamarca, with an average of three adults and three minors per household.

The occupational distribution of Junin respondents was also much broader than in Cajamarca. Only 174 (63%) listed agriculture as their primary occupation (versus 88% in Cajamarca); there were significant numbers of ranchers (19), merchants (18), artisans and craftsmen (15), and a wide variety of other occupations: chauffers, accountants, carpenters, masons, barbers, musicians, domestic servents, employees, cooks, tailors, teachers and general laborers. Of those who listed a secondary occupation (183), the most common were merchants (36), ranchers (34) and farmers (32).

The perceptions of PRODERIN project impact have been organized and analyzed by project type into three categories: 200 road and bridge project beneficiaries, 40 irrigation project beneficiaries and 23 "other project beneficiaries."

2. Perceptions of Road and Bridge Project Beneficiaries

PRINCIPAL BENEFITS: The major benefits resulting from transport infrastructure projects were reported by respondents, in order of importance, as follows: greater ease in the transport of farm produce to market (70),

more convenient transport of passengers (70), improved supplies of farm inputs (30), improved income and savings (31), improved standard of living (26), more employment opportunities (10), more reliable transport services (10), improved access to health services (5), better communications with neighboring districts (5).

PRINCIPAL PROBLEMS: Delays or breakdowns in machinery service was cited as the most serious problem (mentioned 58 times), with damage and delays to the project caused by rain a close second (54). Other problems included delays in procurement of materials and fuel (46), lack of adequate coordination between PRODERIN technicians and community (45), internal problems among community residents (31), inadequate compliance of some community residents with labor commitments (23). obsacles to right-of-way by local landowners (16), construction difficulties caused by steep slopes (10) broken promises and non-compliance (incumplimiento) by PRODERIN (12), and inadequate supervision of projects (9).

PRINCIPAL RECOMMENDATIONS: To improve future project performance, respondents urged the more organization and training of community residents (53), more control and closer coordination of the project (41), more timely (earlier) procurement of required machinery and materials (39), the contracting of technicians with ore experience (28), more technical assistance (15), concentrate project construction during the dry (summer) season (19), assignment of a budget adequate to complete the project, including follow-on maintenance costs (14), greater punctuality in the suppply of materials (10), site visits of longer duration (including part-time community residence) by supervising technical staff (10).

NEXT COMMUNITY PROJECT: 195 out of 200 wish to continue with new project activities. In order of priority, project preferences are potable water (mentioned 100 times), follow-on road construction to link up with existing road infrastructure just completed (76), rural electrification (50), irrigation and water storage—including fish culture (44), a health clinic

(29), school construction (24), urbanization projects--parks, stadium, etc. (18), community centers for civic, religious, and market activities (16), sheepdips for bathing livestock (6), other projects (6).

EVALUATION OF PRODERIN: Beneficiaries of road and bridge projects were divided in their evaluation of PRODERIN performance. Of 200 respondents, 129 characterized the assistance of PRODERIN as "good" while 71 (36%) described it as deficient (regular). This result compares unfavorably to Cajamarca, where a generally higher %age of beneficiaries (86%) gave PRODERIN a good rating. The principal causes of good PRODERIN performance in Junin were the significant resource contributions of PRODERIN--in budget, materials, machinery, technical assistance (60), the fact that PRODERIN persisted until the project was completed (29), the rapid completion of the project (22), the benefits generated for the community as a result of the project (30), the joint participation of laborers and engineers (6), the improved communications between towns (6), continuity in project inspection (2).

On the other hand, the fair or poor ratings of PRODERIN were blamed on unnecessary delays in its work--studies, approvals, reviews, etc. (22), inadequate equipment maintenance (20), lack of sufficient materials and delays in their supply (14), too few visits by field staff resposible for project implementatio (14), deficient courtesy and respect by PRODERIN project technicians toward community residents.

DIRECT IMPACTS OF COMPLETED PROJECT: Before the construction of the road projects, 66% of those interviewed listed travel on foot as their principal means of transportation to and from their community. The next most important transport modes used were pack animals (57%), huaros-cable platforms for crossing rivers and rafts both used by 12% of respondents, motorized transpor (9%), llamas (4%). Before the project, respondents mostly sold their produce in local neighboring markets (55%), local community markets (42%), on-farm (11%), in Lima (6%). Before the project, the average respondent required ove 2.5 hours for a one-way trip to the nearest market. Before the road, the

average cost to transport a sack of produce to market was about 900 soles (US$0.90 at December 1982 rate), which is nearly twice the cost observed for projects in Cajamarca. This data provides a baseline for post-project comparisons, but unfortunately an error in the questionnaire instrument prevented post-project data from being collected for the above variables.

The one variable for which both pre- and post-project data were collected involves frequency of market access. From the available information we can estimate that daily market trips increased from five to 27% of market contacts. Once-a-week trips remained about the same—at 54-56%. The frequency of bi-monthly and monthly trips declined from 34% to 18%.

The most significant changes observed in their communities since the completion of road and bridge projects were motorized transport services carrying out local farm produce (mentioned 140 times), more frequent passenger traffic to and from the community (84), marketing improvements via the organization of a local feria (market day) (35), new stores (26), expanded availability of purchased food supplies (articulos de primera necesidad) (27), increased commercial transactions between neighboring communities (21), home improvements (14), improvements in agricultural practices due to availability of new farm inputs (5). Most of these benefits were also observed in Cajamarca road projects. The variety of variables observed is much greater than that used in the impact evaluation instrument. This should provide guidance for the design of more comprehensive impact evaluation instruments for future use in measuring road project results.

COMMUNITY PARTICIPATION IN THE PROJECT: Seletion of road projects appears to have been mostly controlled by commuity authorities, who were mentioned by 72% of respondents as the originators of the project idea. Community residents were cited by 38% of residents, while external parties were given equal credit. Regarding location and determination of the project, outsiders (PRODDERIN, Ministry of Transport, Cooperación Popular, Public Works, SINAMOS and contractors) were credited with the decision by 87% of respondents;

community residents and leaders were mentioned only by 12 and 15% respectively, of project beneficiaries interviewed. Of 200 respondents, 189 (95%) contributed labor to the road and bridge projects. The average labor commitment was 40 days. 57 out of 193 respondents (30%) received some kind of training by PRODERIN, mostly on subjects of project organization. One third of those interviewed participated (64 of 193) in a position of authority within the project organization.

Perceptions of Irrigation Project Beneficiaries

PRINCIPAL BENEFITS: In order of importance, the major benefits cited by irrigation project beneficiaries were increased agricultural production (18), cattle improvements (17), increased employment (9), improved income levels (6), forage improvement (2).

PRINCIPAL DEFICIENCIES: The rainy season, breakdown in the transport of project supplies and inadequate labor made available to the project were mentioned with equal frequency as project deficiencies (9 times each). Technical design errors (5) and inadequate technical assistance also were cited along with a deficient supply of project materials (4).

RECOMMENDATIONS: The most common suggestion was to include in the project budget resources for financing technical rectification and maintenance/repair (mentioned 12 times). Also suggested was more intensive promotion and motivation of the community (11), a more adequate programming of labor requirements to avoid conflict with the agricultural labor calendar--(15), and removal of the existing resident engineer (3).

NEW PROJECTS: All 40 respondents expressed a desire to constsruct additional projects. The project ideas mentioned are electrification (17), school construction (10), road improvement (7), construction of a fish culture instalation (5), irrigation canal (2), community center (1), community marketplace (1), a livestock stable (1).

EVALUATION OF PRODERIN: 32 of 40 respondents (80%) graded PRODERIN performance as "good" while eight (20%) as deficient. Reasons for good performance included budgetary support for the project (17), tools and materials supplied to the project (14), competent technical direction (7), and rapid respose to the community request (4). Reasons for deficient performance included the slow pace of project construction (3), a resident engineer who displayed poor leadership.

DIRECT IMPACTS: 26 of 40 respondents irrigated for the first time. 18 beneficiaries irrigated plots ranging from 400 meters to six hectares, with the average being 1.2 hectare. Collectively, their holdings totalled 21.6 hectares, which represents a 43% expansion of the area formerly cultivated. The second irrigation project is intended to irrigate up to 50 hectares of collectively-farmed crops, of which 20 hectares had just been planted (to pasture crops) at the time of the evaluation. Other crops to be irrigated in the individually-farmed project are vegetables, alfalfa, potatoes, broadbeans and quinua. A single planting had been achieved by 14 beneficiaries (78%), while four (22%) had achieved at least two plantings. The only yield experience achieved to date was an average 91% increased in potatoes (8 of 18 beneficiaries).

COMMUNITY PARTICIPATION IN THE PROJECT: In both irrigation projects, the original idea was developed by community residents without outside involvement. The communal irrigation scheme (Haribado) was basically designed by the community before PRODERIN assistance arrived. The individual scheme was mainly designed by PRODERIN. All 40 irrigation project beneficiaries provided labor for their projects, the average being 20 days. 27 of 40 respondents (67%) received some form of training—most on 2-3 occasions. The major topics of training concerned project organization, promotion of labor contributions and coordination with PRODERIN technicians. Among respondents interviewed, 38 of 40 occupied no position of authority within the project organization.

4. Perceptions of Beneficiaries of Electrification and School Projects

PRINCIPAL BENEFITS: The school project (San Luis de Shuaro) enabled the children of community to study much closer to home. The Cullpa electrification was constructed to provide light to illuminate nocturnal work and recreation (7), encourage the installation of small industry (2) and promote improved income opportunities. However, a year after construction, the final connection to the electrical supply source has not been completed; hence the above benefits have not yet occurred.

PRINCIPAL PROBLEMS: Difficulties in obtaining construction materials (19), project delays because of the rainy season (9), lack of a final power source connection (6), machinery breakdowns (4), prolongation of the construction period caused by various delays (3), lack of adequate local community labor (3), problems with the PRODERIN resident engineer (2).

PRINCIPAL RECOMMENDATIONS: Better coordination between the community and PRODERIN (10), more technical guidance in use of materials (9), demand the rapid connection to the power supply (4), extend the electric lines to additional sectors (2), make materials requsts directly to Lima (2), encourage closer supervision by the project committee (2), and coordinate project labor demands so they don't conflict with agricultural calendar.

NEW PROECTS: All respondents wish to construct additional community projects. These include electrification (23), potable water (10), a road and bridge (7), community center (6), other projects (4).

EVALUATION OF PRODERIN: 25 (78%) grade PRODERIN performance as "good," seven (22%) as deficient. Reasons for good performance include completion of the project to community satisfaction (10), project directly benefits children (8), coordinated effort between PRODERIN and the community (6), opportune supply of materials, technical assistance and subsidies. Reasons for deficient performance include poor coordination between resident engineer and

contractors (2), lack of domiciliary connections (1), delay in completion of the project (1), poor materials calculations (1), unexplained absences of resident engineer (1).

DIRECT PROJECT IMPACTS: Even though the Cullpla electrification project has not been inaugurated, 10 of 14 respondents have purchased electrically-driven machinery to install their own workshops (shoe-making, weaving, sawmill, etc.). In addition, five of 14 have acquire electrical appliances, such as refrigerators. In the Shuaro school project, educational services had not begun at the time of the evaluation.

COMMUNITY PARTICIPATION: Both projects were mainly originated by community leaders and residents. All 14 respondents in Cullpa and 18 in Shuaro contributed labor to their respective projects. The average was 39 days per family in Cullpa and 8 days in Shuaro. Six of 14 (34%) received training in Cullpa and 10 of 18 (55%) in Shuaro; principal topics included project organization and financing, promotion of community interest and the importance of education. In both communities, respondents were predominantly not involved in project leadership responsibilities.

F. IMPACT ANALYSIS - GENERAL CONCLUSIONS AND RECOMMENDATIONS

This concluding section presents a series of general conclusions and recommendations considered to be of broad applicability to PRODERIN programs in Cajamarca and Junin. It bears mentioning that many project-specific conclusions and recommendations have been assembled in a separate document prepared by RDS consultants in Spanish for use by PRODERIN staff in both regions. This separate document also contains the proceedings of the two evaluation seminars conducted with community leaders from Cajamarca (March 7-8) and Junin (March 18-19), and tabulations of the questionnaires gathered during the evaluations.

1. Regional and Community Differences

It can not be emphasized enough that Cajamarca and Junin are two very different regions, with different client populations, different patterns of project demand, thus meriting different and specialized approaches to the promotion of rural development. Furthermore, the differences in geographical, economic, social and cultural environments are very large, but in some cases these differences are equally striking between communities within the same region. Such considerations suggest that efforts to standardize PRODERIN approaches across both regions and all projects face a very low probability of success. The program should maintain as high an experimental flavor as possible. Efforts to simplify approaches should be resisted.

2. Project Benefits

In both regions the PRODERIN program is clearly generating significant benefits--at the level of individual farm households, rural communities and in terms of regional and national development--enough benefits to more than justify invested USAID and host-country resources. Aside from the measurable or presumed impacts of specialized projects, the PRODERINs have demonstrated an ability to carry through to conclusion many infrastructure projects started and abandoned by other institutions. The successful completion of so many projects has served to create precedents for imitation and replication by neighboring rural communities. This has also generated great pride and enhanced self-help capacity within assisted communities, which, in turn, has strengthened the prospects for sustained rural development. Given the brevity and forced-march schedule of the present evaluation, our guess is that many program strengths and benefits have been overlooked. Even so, we believe that the rural infrastructure component of the PRODERIN program is sufficiently successful to merit continuing and expanded levels of AID support.

3. Problems

A fair number of project-specific problems have reappeared again and again in many different projects and in both regions, enough so to justify special mention among general program findings. In our view, the most frequent and serious of these problems is that of endemic incumplimiento or the failure to live up to planned commitments and promises. Failure to arrive at meetings on time or to attend at all, or to postpone a delivery of materials, or to neglect routine follow-up visits to monitor project activities--these are mistakes PRODERIN staff should not be allowed to make, for they constitute the most serious expression of lack of respect for project beneficiaries.

Where PRODERIN staff members have kept their promises, their relations with client communities have received high praise. Where technicians have been a point of consulting community leaders for advice, or held frequent meetings for project review and training purposes, or where they have taken up part-time residence in the rural community itself, project implementation usually has been very smooth. Attention to such details can help to forestall or resolve many of the other problems mentioned so frequently in this report.

4. Recommendations

Many of the recommendations repeated with frequency by project beneficiaries can be translated into: "Please listen to us: we too have something to say." By careful listening to project beneficiaries, PRODERIN field staff would probably not schedule heavy project construction during peak agricultural task periods, or wait until the last minute to procure needed equipment and materials, or promote a project not really supported by the majority of the community, or miscalculate local weather extremes and maximum flood levels, etc. Many mistakes could be avoided if the technician considers project users as co-authors of project design, planning and supervision. Our main suggestion to field staff is to continually ask themselves: "Who does this project belong to?"

5. Next Projects

The process of sustained rural development did not begin with the PRODERINs, and the process will continue long after the PRODERINs have vanished from the rural scene. The best the PRODERINs can expect to do is enhance and accelerate the process. It is sobering to note that in Cajamarca, 13 of the 14 rural communities we visited had completed one or more local projects before the PRODERIN arrived; of these 13, five had completed two projects each, one had done three projects and another had completed four projects. Collectively, these communities had worked with no less than eleven development institutions. In Junin, nine of 13 communities evaluated had each completed an average of 2.5 projects before the PRODERIN's arrival. Of their 23 previous projects, no less than 11 were exclusively implemented without external assistance. The remainder were constructed in cooperation with 10 external institutions. These facts provide elegant evidence suggesting that when rural households say they want to construct new projects, they indeed mean what they say and have the capacity to carry their wishes to reality.

The above points serve to make two assertions:

- First, the PRODERINs provide an excellent mechanism for supporting a sustained development process. By providing modest materials, machinery, and technical assistance to "next" projects, a much larger volume of project activity can be generated.

- Second, the PRODERINs can also play a useful liaison role in supporting community projects developed in cooperation with other institutions. To a large extent, this liaison role is already being actively carried out. Continued resource support from USAID could allow the PRODERINs to

become effective rural development "brokers"; and this would constitute an innovative approach for the Agency to pursue in rural Peru.

6 Evaluation of PRODERIN by Rural Beneficiaries

The evaluation provided most project beneficiaries with their first opportunity to formally evaluate performance of an external agency helping them. The two evaluation seminars held in Cajamarca and Huancayo allowed rural leaders and PRODERIN promotors to dialogue about program strengths, weaknesses and suggested improvements as equals. This methodology of constructive debate and evaluation by project promotors and beneficiaries deserves to be repeated. In fact, the organization of future evaluation workshops was formally requested by the participating rural leaders in Cajamarca and Junin.

Regarding the content of their evaluation, beneficiaries proved themselves to be remarkably even-handed in identifying both strengths and deficiencies. In Cajamarca, 86% scored PRODERIN performance as "good" for irrigation and road projects, but only 51% gave a "good" rating to reservoir projects. In Junin, PRODERIN performance ratings ranged from a low of 65% "good" rating for road projects to 80% for irrigations. These numbers deliver an important message. Overall, despite many shortcomings, the PRODERINs have been certified as generally successful by their rural clients.

7. Direct Impacts of Completed Projects

Unfortunately, the data generated by the survey were incomplete and the range of measured variables too narrow to provide a satisfying documentation of project impacts. As far as it goes, the information suggests very significant positive changes are occurring at the farm level. For irrigation projects, 25-45% expansion of irrigated holdings, 50-100% increases in yields and 20-40% achievement of multiple harvests of both food and fodder crops were documented. For road and bridge projects, measureable intensification of

market trips was documented, a baseline was established for measuring changes in transport costs and marketed produce and a wide variety of indirect improvements in the quality of community life identified in order of their importance. With improved evaluation instruments, far more reliable and impressive impact data will be gathered in the future. We strongly urge--for reasons of cost economy as well as a professional commitment to participatory evaluation methods--that rural leaders trained by evaluators in Cajamarca and Junin be utilized to gather follow-up data on an annual basis.

8. Community Participation

The participatory approach to rural development--suggested in part by significant investments in human beings as well as physical infrastructure, and financed by major community contributions of voluntary labor and local materials--appears to be better implemented by PRODERIN/Cajamarca than PRODERIN/Junin. However, in neither case are the principles underlying this approach explicit, nor have PRODERIN staff received much training in how to promote greater community participation.

The model divides the process of project development into five stages: Identification and Selection of the Client Community, Diagnosis of Community Needs, Planning of a Community Project, Project Execution and Project Follow-up. At each stage there exists a set of basic decisions that must be made to complete the stage and pass to the next. Making these decisions requires certain skills, all of which are teachable— to illiterates, if necessary. Participation is defined as the act of becoming involved in decision-making activity. The fundamental principle underlying the development of truly participatory projects is that all projects members have

a right and a capacity to control the basic decisions made at each stage of "their" project. The appropriate role of the external advisor is not to make project decisions for members, but to teach members the skills they need to make their own decisions. In choosing to assist a given community the external advisor effecively controls Stage 1, but controlling the others should be avoided.

Beginning with Stage 2, the skills needed by project members to control project decision-making include:

DIAGNOSIS STAGE: Final product, a Needs Assessment

- How to identify real community needs
- How to select the highest priority need
- How to gather basic information about the community, which is required to plan a solution and provide a baseline for future evaluation of project results.

PLANNING STAGE: Final product, a Project Proposal

- How to identify project objectives
- How to identify activities required to reach objectives
- How to estimate a budget to finance the required activities

PROJECT EXECUTION STAGE: Final product, a Completed Project

- How to locate and communicate with external resources needed to finance the project
- How to mobilize local resource contributions
- How to keep simple project records

- How to organize laborers and materials
- How to supervise project implementation

FOLLOW-UP STAGE:

- How to organize for project maintenance and repair
- How to evaluate compliance with project plan
- How to evaluate project impacts on participating members

Decisions made at each project stage require the gathering of information. Hence, a parallel function must be added to the model. It is entitled PROJECT EVALUATION and cuts across all project stages. Similarly, the above-named skills require a process of nearly continuous training; thus another parallel function, called PROJECT TRAINING, is also added to the model such that it too cuts across all project stages.

9. The Critical Role of Farmer-Paratechnicians

Like most other training models, what makes the proposed scheme so intimidating is that it suggests the need for huge investments in training activities by outside change agents, such as PRODERIN promoters. It is precisely to cope with this concern that the final and most important component of the Participatory Project Model was developed. We believe that the most cost-effective use of external professional staff is not to train project beneficiaries directly but that these very expensive technicians be used to intensively train groups of selected rural leaders--"farmer-paratechnicians"--who, in turn, will train other rural leaders.

The paratechnician is a rural resident, of campesino extraction, with at least four years of primary schooling. His occupation is agriculture, but on a part-time basis (normally 5-10 days per month) he or she is hired to conduct project promotion, training, and supervisory activities in rural areas. The paratechnician is paid a daily wage plus reimbursement of expenses equivalent to about US$5-8 per day. His area of coverage responsibility consists of his rural community of residence and up to five neighboring communities. Experience in other countries as well as elsewhere in Peru has demonstrated that farmer-paratechnicians are quick to learn, can perform many of the field

tasks presently assigned to professionals (but at a fraction of the cost), move about by foot or horseback (avoiding the requirement of a vehicle), and do not require an office, or any complicated logistical support.

Under the propose scheme, each PRODERIN promotor would intensively skill train and periodically supervise two to four farmer-paratechnicians. These would be the lowest-level liaisons, coordinators and supervisors of PRODERIN-assisted projects; they would also be the principal trainers of project beneficiaries. By teaching special skills to other rural leaders like themselves, they will become replicators of knowledge. This function of multiplying skills required for truly participatory projects is visually depicted in the proposed model by a third parallel function--KNOWLEDGE MULTIPLICATION-- cutting across the five project stages. Whereas the project training function is controlled by professional staff, the knowledge multiplication function is controlled by the paratechnician.

USIAD/Peru is urged to give this model serious consideration, discissing its potential with PRODERIN senior staff in both Cajamarca and Junin. An experimental paratechnician program--including training and supervisioncosts--could be implemented in each region for about $30,000 per year. Candidates for paratechnical positions will be readily found among the 28 rural leaders who participated in the evaluation workshops. In our opinion, about 18 of these leaders offer outstanding promise for paratechnician assignments.

LIST OF EXHIBITS

(Available at ST/MD and USAID Peru)

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Exhibit #2: Sample Selected from Studies elaborated in PRODERIN

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Exhibit #28: Participation of Investments via Local Governments in the National Budget