UNCLASSIFIED
CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) – PART I

Report Control Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
DEVELOPMENT ADMINISTRATION IMPROVEMENT	520-0270	USAID/Guatemala

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 85-05

☒ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 80	A. Total $ 805,366	From (month/yr.) 09/80
B. Final Obligation Expected FY 84	B. U.S. $ 305,000	To (month/yr.) 12/84
C. Final Input Delivery FY 84		Date of Evaluation Review

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Any new project designs for development administration improvement in external finance should focus on improving relations among Government agencies, with the goal of a better integration of units involved with external financing and improving the information available to DFEF.	G. Leal	Dec. 1987
2. Policy dialogue should continue to improve the development administration capacity of those institutions responsible for the implementation of the Government of Guatemala's externally financed development programs.	C. Costello P. Kolar E. Baker	Continuing

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) _____
- ☐ 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)

Gustavo Leal, Project Dev. and Support Advisor
Edward Baker, Project Dev. and Support Officer

12. Mission/AID/W Office Director Approval

Signature: [signature]

Typed Name: Charles E. Costello

Date: 2/21/86

AID 1330-15 (3-78)

13. Summary:

The Development Administration Improvement Project (AID Grant No. 520-0270) was designed to assist Dirección de Financiamiento Externo y Fideicomisos (DFEF), within the Ministry of Finance (MINFIN), in the management of externally financed development programs. The evaluation determined that the targets, purposes and goal planned by the project were partially met. Only one part of the Guatemalan financial external system (in this case DFEF) was provided assistance under the project. Other entities such as the Secretariat General of the National Economic Planning Council, the Bank of Guatemala, the Executive and Legislative Branches, the implementing units, the ministries, various MINFIN offices and the Controller General of Accounts which affect the system's operations were not strengthened at the same time.

The project established the DFEF, increased the capacity of the Ministry of Finance to obtain and negotiate external financing, partially improved project monitoring, coordinated and expedited project implementation, improved external debt management, and initiated an information system. In view of the partial achievements obtained, the evaluation team considered that DFEF's overall strategy should continue and be improved in the following areas: project monitoring; strengthening relationships with other GOG agencies involved with external finance; managing the information system; and increasing the technical capacity of DFEF staff .

14. Evaluation Methodology

The end-of-project evaluation was scheduled to analyze the impact the project had on improving the development administration capacity of the GOG institutions responsible for its investment programs. Factors evaluated include the goals and objectives planned under the project; the qualitative and quantitative impact of the project on the performance of DFEF/MINFIN and its relationships with other GOG agencies in the external finance system; and the outputs obtained. The evaluators were also requested to outline strategies for future DFEF operations and to provide advice regarding the feasibility of further USAID support for DFEF.

From April 29 to May 24, 1985, a two-person team from Price Waterhouse, representing both the U.S. Office of Government Services and the Guatemalan office, conducted the evaluation in Guatemala. Prior to conducting interviews and collect-

ing data, the team reviewed project documentation including the project paper, the grant agreement, implementation letters and technical assistance contracts. Following completion of data collection and interviews, analyses and recommendations were developed in accordance with the scope of work. Prior to departing Guatemala, the team discussed with USAID and DFEF officials DFEF's future activities and possible future AID assistance to DFEF.

16. Project Inputs

Over the life of the project, AID provided funds to cover salary supplements for 14 DFEF professionals (for twelve months each) to attract a core of qualified professional staff, as well as vehicles and equipment for site visits and project monitoring. AID financed technical assistance contracts in: (i) design and implementation of systems for the administration of DFEF, for the financial administration of projects, and for project monitoring; and (ii) design and implementation of a data processing system to assist DFEF in its activities. To complement the technical assistance provided, a seminar on the administration of development projects was provided DFEF and other GOG agencies staff as well as visits to counterpart agencies in Mexico and Costa Rica and some English language training. AID funded technical assistance to design and implement an overall management information system and provided micro-computer equipment and software.

Counterpart resources were provided by the Government of Guatemala to finance salary costs and benefits of DFEF personnel, office furniture and equipment, and other operating costs of DFEF. For the second and succeeding years, the salaries and operating costs of the DFEF were incorporated in the Ministry of Finance budget.

17. Outputs

a. DFEF Organization and Management

By an Executive Decree, the DFEF was established on July 16, 1981 with three departments. Previously, a small section in the Dirección de Estudios Financieros analyzed loan agreements on an ad-hoc basis. No unit in the Ministry of Finance had been responsible for monitoring project implementation. Responsibility for managing the foreign debt was disbursed among several agencies.

An expected project output was the establishment of administrative and operational procedures for DFEF operations. The technical assistance consultant firm, Contracting Corporation of America (CCA), designed the procedures manuals in 1983 for the DFEF organization, administrative procedures, and internal information procedures. With the support of the Director of DFEF, CCA developed recommendations for an expanded role of DFEF and designed the systems based on these recommendations. Higher levels within the Ministry of Finance did not support the organizational and policy changes required to effect the recommendations and therefore many of the recommendations made by CCA were never officially implemented. Although the evaluation team found the manuals developed are not currently in use, the procedures and forms used by the DFEF staff are based on the materials prepared by CCA.

b. Capacity to Obtain and Negotiate External Financing

Relations with international financing agencies, the ability to negotiate more advantageous terms and conditions for loans, and the ability to reduce the processing time for loan negotiation and legalization were criteria used to assess DFEF's capacity to obtain and negotiate external financing. The evaluation team found that officials of the external agencies recognize DFEF as the central unit for negotiating external financing, and DFEF is involved from preliminary discussions of potential projects to final negotiations. While certain terms and conditions of external finance are not subject to negotiation (for example the interest rate on standard multinational bank loans), the DFEF has been able to negotiate more favorable conditions for some projects. Personnel of international financing agencies (AID, BID, World Bank) interviewed reported that the legalization process had been shortened by two to four months since the establishment of DFEF.

c. Improved Monitoring, Coordination, and Expedition of Project Implementation

The second major function of the DFEF is the monitoring, coordination, and assistance in expediting project implementation. This function is carried out from the time the loan agreement is legalized until final disbursement of project funds is made by the financing agency. The evaluation team found that the DFEF was effective in

increasing the accountability of executing agencies, expediting approvals within the Ministry of Finance, and assisting new or inexperienced executing agencies. Unfortunately, the DFEF has been less effective in monitoring projects, accelerating disbursements against budgeted funds (DFEF does not have exclusive control over this function), evaluating project progress against established objectives, and maintaining management information systems.

d. External Debt Service Management

The third major function of DFEF is to control the external public sector debt of Guatemala. Reports are being provided in a timely manner on the status of the external public sector debt, as monitored by this Department. However, debts contracted directly by the Bank of Guatemala are not included and delays are encountered in receiving confirmation of these transactions.

While two subsystems have been designed and the majority of their components have been implemented, the computer-based information system still requires significant additional work to allow DFEF to take full advantage of its capabilities. Programs which DFEF should install include debt service projections, an information system for project monitoring, and data bases for analyzing macroeconomic trends.

e. Training

Although training occurred as scheduled, DFEF staff interviewed reported that they felt the training provided was insufficient. Consultants provided little to no hands-on training in the systems and procedures they had designed. The visits to Mexico and Costa Rica provided the opportunity to discuss the other countries' practices and experiences, but the duration was too short for in-depth knowledge to be gained and the participants perceived little direct benefit.

The week-long seminar on Project Management conducted by INCAE provided in-depth case studies on development projects, and an opportunity for staff from DFEF and the executing agencies to understand each other's mission and activities. Participants reported that the seminar increased coordination and cooperation among executing agencies, DFEF, and other governmental units. As a direct result of the conference quarterly progress meetings be-

tween DFEF and the executing agencies were initiated. Additional training is still needed in several areas to follow up that provided under the Project.

18. Purpose

The purpose of this project was to improve the institutional capacity of the Ministry of Finance in the management of the GOG's externally financed development programs. The end of project status included the functioning of DFEF; monitoring, coordinating, and expediting project implementation reflected in higher percentages of disbursement of annually budgeted funds; and reducing the time interval for the financial management analysis process from the time of request for financial assistance to ratification of the appropriate legal documents.

The DFEF has been established and is performing most of its functions satisfactorily and routinely. The effectiveness in obtaining and negotiating external financing is demonstrated by the improved relationships with international financing agencies since the establishment of DFEF. Although the negotiating ability of DFEF has improved, its ability to reduce the time required to negotiate and legalize loans has met with mixed success. Acceleration of project activities and monitoring of implementation have been improved with executing agencies demonstrating increased accountability; the Ministry of Finance accelerating approvals; new or inexperience agencies being assisted; and information regarding all externally-financed development projects being available. However, the DFEF has to play a more active role in project monitoring; disbursement rates still need to be accelerated to meet budgeted projections; project evaluations need to be underaken, and the management of the information system needs to be more efficient.

The DFEF has had only a minor impact on increasing the disbursement of project funds, as a percentage of the total amount budgeted for the year. Disbursement rates for the last two years have been much lower than projected: only 37 percent of budget assignments were disbursed for the first quarter of 1985 (at annual rates), and the corresponding figure for calendar year 1985 was only 54 percent. As an example, the Inter-America Development Bank (BID) reported that most of its projects are at least two years behind schedule. Severe government budget restrictions, frequent changes of governmental authorities, and cumbersome bureaucratic procedures in most ministries are often beyond the control of DFEF.

The DFEF has had a greater impact on the reduction of the amount of time required to negotiate and legalize a loan. The international financing agencies reported that negotiation and legalization had been reduced by two to four months on an average.

19. Goal

The project goal is the improvement of the development administration capacity of those institutions responsible for implementing the Government's investment programs that benefit the poor. Even though the PP included means of verification for measuring achievement of the goal, the evaluation team determined that the goal was very ambitious when relating the project's purpose to the country's external finance system. Given the magnitude of the external finance system, the direct impact of the project affected only one entity of the entire system.

The project has raised the visibility and status of the Ministry of Finance with the DFEF becoming an advocate for externally financed development projects, assisting in the internal processes and budget negotiations. Through the DFEF, the Ministry of Finance serves as the best source of information for loans, disbursements, project execution and debt service. Even though the DFEF has provided substantial assistance in project execution to some executing agencies, other GOG institutions perceive the organization as another central unit requiring project information. Coordinating project design and negotiations with the Planning Council (SEGEPLAN) and the Bank of Guatemala has resulted in reducing the time required for legalization. Unfortunately the international financing agencies still tend to work directly with executing agencies, especially to resolve project execution problems.

20. Beneficiaries

Severe governmental budget restrictions and frequent changes of authorities at the Ministerial level (both occurring during the life of the project) and cumbersome, time-consuming bureaucratic procedures in most of the ministries and executing units) has not improved public opinion regarding the GOG's commitment to the delivery of badly needed social services and infrastructure to poor inhabitants of the rural area of the country. The direct beneficiary of the project is the Ministry of Finance which now has a governmental office in charge of monitoring externally financed development activities in Guatemala.

21. Unplanned Effects

N.A.

22. Lessons Learned

In designing interventions to accelerate an administrative process, all elements affecting a system should be analyzed prior to deciding the specific nature of the intervention. As demonstrated by this project a specific discrete intervention in a complex system was insufficient to achieve the overall goal. Internal government procedures for loan legalization remain cumbrsome.

The process of legalization of a loan document can take several months, due to the various steps required. Even though SEGEPLAN and the Banco de Guatemala are represented on the negotiating working group, the two institutions must nevertheless prepare separate approvals for the ratification of the loan document. Even though some executive actions have reduced the overall time for administrative approval, the legalization process may be lengthened in the future since loans will also have to be ratified by the Congress

23. Special Comments or Remarks

N.A.

(Attachment to PES#_____)

EVALUATION COST DATA

USAID/ GUATEMALA or Bureau/Officer_____

Form completed by LEAL G. (Typed Name) PDSO (Office) 1-29/86 (Date)

1. No. and Title of Project/Activity: 520-0270 Development Administration Improvement Project
   (or Title of Evaluation Report) Final Evaluation of Development Administration Improvement Project

2. Date of Evaluation Report: June 15, 1985
   Date of PES (if different): January 29, 1986

3. Mission Staff Person Days involved in this Evaluation (estimated):
   - Professional Staff 5 Person Days
   - Support Staff _____ Person Days

4. AID/W Direct-Hire or IPA TDY support funded by Mission (or office) for this evaluation:

Name	Period of TDY (Person-Days)	Dollar Cost: (Travel, Per Diem, etc)	Source of Funds*

5. Contractor Support, if any, for this evaluation:**

Name of Contractor	Contract #	Dollar Amount of Contract	Source of Funds*
Price Waterhouse	Cooperative Agreement No.520-0000.3-3.50034	13,519	PD&S

*Indicate Project Budget, PD&S, Mission O.E. or Central/Regional Bureau funds

**IQC, RSSA, PASA, PSC, Purchase Order, Institutional Contract, Cooperative Agreement, etc.