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CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

PD-AAX-814

Report Control
Symbol U447

1. PROJECT TITLE Local Revenue Generation and Administration			2. PROJECT NUMBER 936-5303	3. MISSION/AID/W OFFICE S&T/RD
5. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent FY <u>79</u> B. Final Obligation Expected FY <u>84</u> C. Final Input Delivery FY <u>85</u>			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) <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
6. ESTIMATED PROJECT FUNDING A. Total \$ <u>6,608</u> B. U.S. \$ <u>6,608</u>			7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>9/79</u> To (month/yr.) <u>11/83</u> Date of Evaluation Review <u>1/84</u>	

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

A. List decisions and/or unresolved issues; cite these items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., telegram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
<p><u>Possible 2-year extension of project</u> An extension of the present Project for up to 2 years is recommended should early March discussions with USAID/Cairo result in a Mission request for long-term technical assistance from Syracuse under the existing Cooperative Agreement. Any formal action on this extension should await an indication of intent from USAID/Cairo to proceed with such a long-term arrangement (delaying formal pursuit of such an extension until late March 1984).</p> <p>Should the anticipated request for long-term technical assistance from USAID/Cairo not materialize, the Project should terminate at the end of January 1985 as presently scheduled.</p>	R. Firestine	3/31/84

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

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

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

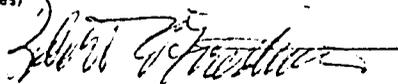
A. Continue Project Without Change

B. Change Project Design and/or Change Implementation Plan

C. Discontinue Project

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

Robert E. Firestine
Project Officer
S&T/RD



12. Mission/AID/W Office Director Approval

Signature _____

Typed Name _____

Date _____

13. Summary

The authors took a "critical stance" in the evaluation, focusing upon "project weaknesses rather than accomplishments." Although they felt that there were definite project weaknesses, they were generally impressed with the work that Syracuse has done and with the efforts they have put into the Project. The evaluation team found the concept of comparative country studies of local revenue and related concerns to be good. While Syracuse has concentrated on the building of new knowledge through the comparative case study techniques, the evaluators felt that "the development of new theoretical and operational approaches has not been a notable product of the project."

The Syracuse technical assistance was found to have been "very creditable." The missions generally appear to have been pleased with the Syracuse field work. Short-term work was adjudged to have been "relatively well done and of some value to the countries involved." The evaluation team concluded that there was a need to involve other researchers in doing "more basic research" in LDCs on local finance and that too little emphasis had been given "to expenditure analysis or to linking revenues and expenditures in various sectors." It also indicated that the project should seek more communication among interested researchers in the public finance field. More of a multi-country comparative perspective should be taken in the forthcoming dissemination work; the existing country reports do not provide a succinct enough format for wide dissemination.

There is a high probability that capabilities developed at Syracuse under the Project will be sustained there "for the foreseeable future" (after project termination) so that A.I.D. and host countries may continue to draw upon them.

While the project has not achieved its original objectives as stated in the logframe, the evaluation team found these not to have been realistic. It concluded, "Given the number of people involved, the initial level of knowledge and the time it takes to analyze tax systems alone, little more could be expected of this project than what [it] has actually done."

14. Evaluation Methodology

This scheduled interim evaluation of the Local Revenue Project was designed to pinpoint both progress and problems to date and to indicate the desirability and character of any proposed extension or follow-up activity. The evaluation effort consisted of:

- a. Review by the evaluation team of a rather massive collection of project documents (including the project paper, the cooperative agreement document, individual scopes-of-work for the long-term LDC involvements, etc., as well as an extensive set of Syracuse publications produced under the project);
- b. A 2-day visit by the evaluation team to Syracuse University for a full briefing by and detailed discussions with the Syracuse project team;

c. a 2-day visit of the evaluation team to AID/W (which featured interviews with several AID professionals who were familiar with the Syracuse work as well as lengthy discussions with S&T/RD Office Director, Deputy Director, and Local Revenue project officer); and

d. TDY visits to project field sites in Bangladesh and the Philippines.

The project evaluation team consisted of Dr. John Akin of the Department of Economics of the University of North Carolina - Chapel Hill and Dr. David McGranahan, a rural sociologist with the Economic Research Service of the U.S. Department of Agriculture.

16. External Factors

The original multidisciplinary breadth of the project was narrowed during 1981-82 to focus rather closely on public finance issues in local revenue generation and administration. An explicit decision was made to seek a coherent set of comparative case studies of local government finance problems in LDCs, with topical concerns centering on the finance of recurrent costs and government decentralization.

The evaluation concluded that the original assumptions stated in the logframe are probably no longer valid: The breadth of the intellectual involvement and the expectations of actual implementation for the project, as originally prescribed, were simply too much for the available resources. At the time of the narrowing of the project focus, the project seemed to be foundering and on the verge of failure.

17. Inputs

Not pertinent at this time.

18. Outputs

In light of the revised agenda for the project as established between Syracuse and S&T/RD in 1981-82, the project is on schedule and at budget. Three major long-term country interventions (the Philippines, Bangladesh, and Peru), will be completed shortly, and a fourth (Upper Volta) is beginning a second phase of work which was requested by the Mission as the originally planned (first phase) of Syracuse work in that in that country was nearing completion. Since the 1981-82 focusing of the project, Syracuse project management has proven to be professional and reliable. Budgeted expenditures have been adhered to, substantive and financial management has been strong and predictable, and the annual workplans have been exemplary.

18. Purpose

The purpose of the project is to "develop and field test new approaches to generating local revenue or funding local development activities which have the following characteristics" [as cited in the original Project Paper]:

- * provide adequate incentives for local resource mobilization and efficiency in the use of public resources;
- * encourage increased participation in revenue and expenditure decisions by local inhabitants;
- * respond to the welfare and equity considerations of the "new directions" mandate;
- * augment and make more reliable the resource base of local authorities;
- * respond to local social and economic processes;
- * provide a clearer picture of local needs and priorities.

The long-term applied research interventions in at least four developing countries will have been successfully carried out, and dissemination of their results will have been made, by EOP. These are the most important elements of project output, and their successful completion -- particularly in the comparative case study mode -- is expected to be of significant use to AID in general and as a model for other similar projects in S&T/RD. Moreover, as noted in the evaluation, an important institutional resource has been put in place at Syracuse. In several instances, the Syracuse specialists now engaged in local government finance work in LDCs were first brought into development work via this project. Most members of the Syracuse team may be expected to continue to be involved in development work, as a team and as individuals, for the foreseeable future, whether or not further project funding is available from S&T/RD. The Syracuse local finance team already is working on significant LDC work, for AID and for other donors, which is totally exclusive of any core funding under the cooperative agreement.

Other important objectives of the project must be adjudged to have been less than fully met. While a number of state-of-the-art papers (SOAPs) were produced during the early "multidisciplinary" period of the project, few of these were of any substantial value and none have found wide distribution. The lack of a general strategy for the project in those early years was reflected in the absence of an overall strategy or role for those early SOAPs. Thus their haphazard coverage of development issues corresponded much more closely to the then-topical interests of a rather disparate available faculty than to any overarching requirements of the development field at the time.

While the quality of short-term consulting has been quite good, the number of TDYs for short-term mission technical assistance has been much less than was anticipated in the Project Paper. In large part, this was a result of rather low mission demand for short-term technical assistance in local government finance -- or even in central government finance, for that matter. This low mission demand is probably related to AID's sectoral orientation -- as noted in the evaluation: Mission project officers do not think in terms of government finance (revenues and expenditures) per se -- they think, rather, much more in terms of sectoral projects in which the host government's financing role is often quite peripheral. Moreover, regarding the ostensibly great concern with recurrent costs, short-term technical assistance is often not the proper means of addressing the problem. A few weeks of technical assistance can produce an estimate of how much a given tax increase might yield in seeking to cover the increment of recurring costs of a development project if the revenue system worked in practice as legally prescribed. Such a short-term consultancy will likely not do well, however, in estimating the real revenues to be raised in practice by such a fiscal change; nor could it specify, in most cases, the related economic effects (on resource allocation, equity, economic growth and stability) which are likely to emerge from such a "simple" change as a tax increase or the imposition of a user charge. Unless the workings of a country's revenue and expenditure mechanisms are well understood (at the local as well as the central level), these perhaps more important economic effects cannot be revealed by a brief TDY. Oftentimes, a more intermediate-term effort would be necessary to specify these effects adequately; most missions appear to have neither the time nor the resources to support such an endeavor, not do most seem convinced of the importance of such an approach to the local revenue problem.

Finally, the originally prescribed annual regional workshops have not been held. As pointed out in the evaluation, "because the project has not developed training materials, pilot efforts, or information systems, AID regional workshops would not have been worthwhile." As project output was limited until mid-1983, annual progress workshops were not advisable. The evaluation did observe, however, that workshops held "in conjunction with professional meetings" would have been useful both for purposes of "professional scrutiny" and "information exchange." Now that written outputs have begun to flow in some quantities, such professional outreach opportunities should be used to advantage.

19. Goal/Subgoal

The project goal is "to stimulate the self-help capabilities of local communities in LSCs. This implies not only a greater mobilization of resources locally to aid the development process but greater participation in decisions regarding how these resources will be mobilized, how the funds will be used, and how local efforts will complement and relate to national efforts."

From the standpoint of fiscal and financial policy, the project has met very well all aspects of this broadly-conceived goal. Assuredly, it has focused on issues of the mobilization of local fiscal resources for the public purpose. It has addressed the concerns of local participation use and of national-local interaction primarily (a) from the point of view of its strong orientation toward analysis of the intergovernmental grants system in each long-term comparative case study and (b) through its intense interest in how the local finance system functions within the broader national fiscal context. As the Agency is only beginning to understand the importance of these concerns for both recurrent cost and decentralization issues, the analysis and dissemination of such intergovernmental finance work should be continued.

As it was more tightly focused after 1981, however, the project has not addressed the broader social science concern of increasing the local participation of human resources (as opposed to local community financial resources) in the development process. It would not be unfair to interpret the original PP as calling for just such consideration of local human resource mobilization and encouragement of greater "popular" participation in development. It is doubtful that the Project could have properly reckoned with such a task even in its original broad multidisciplinary mode, since the University's differentiated specialist resources ("economists versus sociologists", if you will) would almost certainly have been in even greater competition with one another -- both intellectually and financially -- than was even then the case.

In light of S&T/RD's documented unhappiness with the management and direction of the project prior to mid-1981, the more singular fiscal orientation of Syracuse's work since then should be seen as a good decision.

20. Beneficiaries

The PP indicated that the immediate beneficiaries of the project would be "the rural poor who participate in, or benefit from, the 4 - 6 field tests of new approaches to local finance." While this was a reasonable expectation, it is not easily verified. In Peru, for example, improved regional/municipal planning surely has benefited the rural poor in the two areas where the project worked, but further identification of such benefits could prove to be a complex undertaking. In the Philippines, the departmental reorganization of ministry-level finance functions which resulted from a Syracuse recommendation likely increased intergovernmental efficiency to the benefit of the rural poor. Nonetheless, any attempted quantification of such benefits should be treated with caution. Thus, future benefits may well develop from Syracuse's work in the Philippines and elsewhere. To date, however, no other significant policy changes have resulted from the Syracuse long-term field interventions.

The indirect beneficiaries of the project were seen in the PP to be USAID mission staff and LDC professionals having contact with the project, largely through short-term technical assistance. This is an important beneficiary group, though largely from the long-term Syracuse field work which in each of the four countries afforded opportunities to LDC counterpart agencies to work

cooperatively with the Syracuse team. Such involvement was particularly close in Peru, and Syracuse's contribution to individuals and cooperating institutions in the Philippines (at the Institute of Local Government of the University of the Philippines and at the National Tax Research Center) and in Upper Volta (at the Institute of National Administration in Ouagadougou) was notably beneficial to all concerned.

21. Unplanned Effects

Syracuse's field involvements in Upper Volta and in Bangladesh have successfully survived two changes of government each during the course of their work. Especially in Upper Volta, the current government's willingness to proceed with Phase II of an effort which was initially conceived and implemented under the previous government is a testimony to the perceived value of this work to that nation.

22. Lessons Learned

As noted above, it is believed that more tightly focused projects (especially in the cooperative agreement mode presently followed by S&T/RD) afford more controllable outputs that are more useful to the Agency than do broader, less well-focused projects. Multidisciplinary work is "easier said than done."

It helps to have an AID project officer who is professionally and intellectually familiar with the subject matter of the cooperative agreement and with the approach of the provider institution. Ideally, from the perspective of both the project officer and the provider, the project officer should have a meaningful opportunity to participate in some substantive aspect of the research of the cooperating institution. Some would argue that this would only ensure that the project officer would become an advocate of his/her project rather than a dispassionate monitor. Such advocacy emerges naturally, however, whenever a project officer is properly closely involved with the cooperator in creating and maintaining a cooperative applied research program which meets the diverse (and sometimes conflicting) needs of the Agency (for practical, generalizable, and cost-effective outputs), the Missions (for project-specific technical assistance), and the cooperators (for respectable scholarly work which also satisfies the S&T/RD and Mission sponsors).