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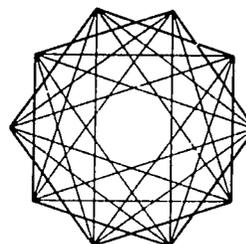
PLANNING AND
DEVELOPMENT
COLLABORATIVE
INTERNATIONAL

THE URBAN DEVELOPMENT INITIATIVE

INTERIM EVALUATION

El Alto, Bolivia

July 1990



P A D C O

AN INTERNATIONAL COLLABORATIVE FORMED TO
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THE URBAN DEVELOPMENT INITIATIVE
INTERIM EVALUATION

El Alto, Bolivia

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July 1990

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CHAPTER I

EXECUTIVE SUMMARY AND RECOMMENDATIONS

FIRST PART: EXECUTIVE SUMMARY

This report on the Urban Development Initiative for El Alto (PROA), a USAID/Bolivia program in the city of El Alto in the Department of La Paz, has two objectives: first, to assess whether this program is achieving satisfactory progress in terms of the initial objectives; and second, to determine if this experience can be used as a model for similar activities for urban development in the future.

The Urban Development Initiative began two years ago, in June of 1988, in response to a plea to USAID for help from the Mayor of El Alto. The municipality of El Alto is only recently established, and suffers from a lack of personnel, deficits in infrastructure and public services, and financial resources that are totally inadequate to serve a rapidly expanding population of more than 300,000.

With an initial contribution of US\$25,000, a team of three Bolivian consultants were hired to prepare a plan of support for the Mayor's office. As a result of this work, it was decided to launch a Pilot Program for the Urban Development of El Alto (PROA), which has been funded to date with local currency funds from the Bolivian government derived from USAID's ESF program. In the two years since it began, PROA has received financial support from this source totalling US\$580,000.

A. PROA'S OBJECTIVES

PROA's objectives are four:

The organizational strengthening of the three principal actors in urban development in El Alto: the municipality; public and private institutions that operate locally;

Support of productive activities and generators of employment in the petty manufacturing sector;

Access for the lower-income sector of the population to programs for housing, basic infrastructure, and social facilities; and

The establishment of a system for interinstitutional coordination in the area of primary health care.

B. ACHIEVEMENTS OF THE PROGRAM IN TERMS OF ITS OWN OBJECTIVES

Taking into account these four objectives together, we can say that during the short period of less than two years, PROA has made significant progress in achieving its declared objectives.

1. Institutional Development

In terms of institutional development, PROA has constantly been providing substantive support to the municipality on administrative, technical and financial matters. It has established itself as an effective coordinator of development activities in El Alto, facilitating communications between the Mayor's office, donors, government agencies, and local community organizations. Also, in the process of initiating activities in three villas, PROA has received a favorable response from the communities involved. The tasks of organization and raising awareness have proceeded slowly, but once established, have produced positive results.

2. Employment and Income Generation

PROA has approached the task of generating jobs and incomes in three ways. It has organized a credit program to channel loans to micro businesses that do not normally have access to them. It has started various pilot projects to stimulate income-generating activities based in the home, which have provoked considerable interest in the community. Further, it has complemented these efforts with training courses for the owners of small businesses and participants in the pilot projects.

3. Primary Health Care

Solid progress has been achieved in establishing an effective system of primary health care in El Alto with the opening of a health center that is open round the clock, based on the principal of recovering costs through user charges. With technical assistance from PROSALUD in Santa Cruz and financial support from USAID, PROA plans to expand this program during the next three years with some dozen centers in different parts of El Alto. Eventually, it is anticipated that the program will be largely self-financing.

4. Housing

In collaboration with Mutual La Paz and FONVI, PROA is setting up a credit program for the purpose of providing loans for housing improvement. In the past, the great majority of housing in El Alto was constructed without the authorization of the municipality. PROA has helped the Mayor's office to facilitate the process of regularizing the subdivision of lots and the construction of buildings. With their documents in order, property owners can use credit sources available from formal sector institutions. As complementary measures, PROA is establishing a building materials bank, training courses, and a technical assistance service for those wishing to improve their houses.

Given that all this has been achieved in less than two years, it may be said that PROA has been notably effective in accomplishing its objectives, and as will be seen later, in its role

in facilitating development and attracting resources for the development of the city of El Alto.

C. ACHIEVEMENTS OF THE PROGRAM IN LIGHT OF USAID MISSION OBJECTIVES

The achievements of the urban development initiative may also be evaluated in light of the six objectives recently defined by the USAID Mission in Bolivia to guide its plans and the selection of projects:

1. To assist the Government in maintaining economic stability

The Urban Development Initiative does not have much relevance to this objective, at the national or macro-economic level. The contribution of the program is oriented more to ensuring the social stability of the city of El Alto.

2. To raise investment, productivity and employment in non-coca activities

PROA's activities are helping this objective in three ways. First, it is collaborating with the Banco del Estado to introduce its credit program for manufacturing and small industry into the three pilot villas. Just recently set up, it is already serving 20 mutual lending groups with an average of 5 members each. Second, in collaboration with the Neighborhood Associations in the three villas, PROA has established five projects to create jobs and generate family income. To date the five projects involve about 153 families. In connection with the credit program and the pilot projects, numerous training courses have been offered for the owners of small businesses, and the participants in other activities.

3. To improve financial markets

PROA is helping this objective through two credit programs, one for small businesses and the other for housing improvement. In both cases, PROA has managed to make credits available to people and families that normally do not have access to formal sector financial markets. In the case of the Banco del Estado program, PROA has established a credit scheme based on groups of lenders that collectively provide mutual guarantees. In the case of the housing credits, PROA has introduced in the Mayor's office a process for regularizing lots and buildings, which facilitates applications for credit. To date, the 70 properties have been legalized, and the number of housing credits provided through the Mutual La Paz has reached 130 for a total of US\$350,000.

4. To increase non-coca exports

So far the Initiative has not had much success with respect to this objective. It was involved in a frustrated attempt with Equus to organize local craftsmen and carpenters in producing furniture for export. Currently, in concert with the municipality, PROA is investigating the feasibility of establishing a "free trade zone" in El Alto.

5. To improve the health of mothers and children under five

PROA is making a very positive contribution to this Mission objective. In collaboration with the Mayor's office, the Unidad Sanitaria de La Paz, and with technical assistance from PROSALUD/Santa Cruz, a health program has been started, in which it is planned to open about a dozen health centers in El Alto during the next three years with financial support from USAID. The first of these centers started operation in September 1989. As part of its activities, the center offers a primary health care program which includes health education to make the community more aware of how to use medical services.

6. To strengthen democratic institutions

The Initiative is contributing to this objective through PROA's support for the Mayor's office and the Neighborhood Associations. The strengthening of the municipality is being achieved in three areas. In the technical area, PROA provides assistance with the design of projects and with negotiations with donors. In the administrative area, PROA helped to restructure the municipal administration. In the financial area, with the aim of strengthening the city's fiscal base, PROA commissioned a survey of industry and commerce, and improved the process of regularizing informal constructions. It is estimated that these measures should raise municipal income about ten times. PROA has also invested substantial efforts in strengthening mechanisms for community participation in the search for solutions to local problems.

D. PROA AS FACILITATOR OF DEVELOPMENT

Another indicator of the Initiative's impact on El Alto is PROA's capacity to facilitate development and attract investments and other resources to the city. Since the start, PROA has been involved in one way or another in 18 projects financed by a variety of institutions, the total value of which amounts to nearly US\$30 million. Of this total, the major part, or 60%, has come from other donors, 36% from the Bolivian government, and 4% from the private sector.

1. Funds from Other Donors

PROA's role in these projects varies widely. Sometimes PROA has expedited projects that had come to a halt, as for example the projects of JICA and HIG. In other cases, PROA has initiated new projects and acquired the necessary funds, as for example the primary health care program financed by USAID and the inclusion of El Alto as an eligible area in the FOCAS program (Financial Program for Capital Formation in Secondary Towns).

2. Public Sector Resources

Of the four projects financed by the public sector, three are for infrastructure and the fourth for support of micro businesses. In each case, PROA played an important role

in expediting the projects, often through technical assistance to the municipality for the preparation of technical studies and financial analyses for the projects.

3. Private Sector Contribution

The contribution from the private sector has been less than from donors or the government. However, PROA has had success in getting the private sector to participate in employment projects, training, housing and infrastructure.

SECOND PART: RECOMMENDATIONS

A. REPLICABILITY OF THE PROA MODEL

1. The Need for Support to Municipalities

From a national perspective, El Alto is merely the tip of the iceberg of municipalities that need technical, financial, and other forms of assistance. Without doubt, there exists an urgent need to improve support for municipalities throughout Bolivia.

2. The PROA Model as a Response

At the national level, the PROA model is a second best solution, since it does not address the fundamental problem of the weakness of municipal government in the great majority of cities and towns in the country. A best solution requires a national policy to enable municipalities to solve their own problems, with resources to match their needs. However, given that such a solution is far from becoming a reality, the PROA model offers an effective alternative for supporting municipal government and promoting community development, which has the great advantage that it can be implemented rapidly.

3. Feasibility of Replication

In its present form, the PROA model is difficult to replicate, in part because of its high costs of operation. Outside the three or four largest cities in the country, it would not only be difficult to attract such a highly qualified team of professionals, but it would be hard to justify the expense, in the sense that there would be less potential to generate sufficient external funds to cover these costs. Substantial financial support would be needed from donors.

4. Alternative Forms of Replicating the Model

To replicate the model in other municipalities, four alternative approaches were considered:

- Reducing salaries and hiring fewer professionals, which implies a less well qualified team, less capable of providing the support and assistance needed by a municipality;
- Replicating the model in a reduced form focused on specific sectors, but this is only a partial solution, and fails to address the larger problems of strengthening local government;

- Creating PROAs attached to regional development corporations, but they do not function at the level of the municipality or villa, and are unlikely to strengthen community participation and the process of democratization.
- Transforming PROA into a national organization with a core staff at the center serving municipalities throughout the country, attached as an autonomous entity to a national association of mayors or municipalities, and supplemented by a pool of experts who could be distributed among individual cities as circumstances demanded.

Of these four alternatives, the last is to be recommended. Such an approach would be more cost-effective, would be more feasible financially, and is likely to be more appealing to donors, given the limited resources available for financial assistance.

B. PROA IN THE SHORT TERM

1. Strengthening the Democratic Process

In the longer term, the most important asset PROA can bequeath the city of El Alto is the capacity of the community itself to identify problems, to design solutions, to mobilize resources, and to manage its own programs and projects. It should attempt to do this in two ways:

a. Strengthening Ties between the Municipality and the Community

To empower the local government and to create the capacity for self-determination, sectoral committees should be established along the lines of the Council for Urban Development proposed at the Lake Titicaca workshop.

b. Formalizing PROA's Decision-Making Process

To improve the manner in which its decisions are made, PROA should create an Advisory Committee to meet on a more regular basis, including representatives from both development organizations and the community.

2. Institution Building versus Direct Intervention

A second fundamental objective of PROA both in the short term as well as the longer term should be to strengthen the capacity of local institutions to assume responsibility for the development of the El Alto community. Little by little, PROA has become involved in implementation of projects, in some cases because of the lack of other organizations with the necessary resources or interest, in other cases because PROA is the only organization capable of implementing the project. However, this involves risks, since it distracts PROA from its primary tasks of catalyzing the efforts of others, and lays it open to having to subsidize the activity, which in turn creates potential financial problems. Most importantly, it undermines the longer term objective of strengthening local institutional capacity and promoting self-determination of the community.

3. Generating Its Own Financial Resources

A third objective for PROA should be to strengthen its longer term financial security. There is no guarantee of continued support from USAID in the future. As long as PROA relies on a single major source for funding, its autonomy and scope for independent actions are compromised. To secure its own resources, PROA needs on the one hand to start the process of transforming itself from a purely local organization to a national one capable of providing support to all Bolivian municipalities. This would make better use of its resources, and would make a future appeal for financial support more attractive to USAID and other donors. On the other hand, PROA needs to develop mechanisms for generating its own resources, through activities that yield income or through fees for its services as a coordinator of development projects.

4. Expanding Coverage in El Alto

The fourth short term objective for PROA is to expand its coverage in El Alto. PROA has to weigh carefully the costs and benefits associated with each proposed activity, and to select those that generate the greatest benefits for the entire El Alto community for a given investment of human and financial resources. This suggests a greater emphasis on city-wide activities than area-based ones, but not to the point of excluding the latter. The former have the major advantage of not being tied to the pace at which villas can be organized.

The coverage of area-based activities is projected to reach a population of 87,500 by 1995, or 20% of the total for El Alto. This assumes that the pace of mobilizing villas is quickened. PROA should explore opportunities for expanding the coverage of its activities in the city by other means. For example:

- a. Expansion through specific projects;
- b. Expansion through "twin" villas;
- c. Expansion by means of the local media; and
- d. Expansion by delegating tasks to a local organization.

5. Program Priorities

Given the many needs of city hall and the El Alto population, there are many things that could be done, or that merit consideration. Therefore, PROA constantly has to determine the most effective use of available human and financial resources, and has to remind itself of its principal objectives and tasks, and to evaluate the relative contribution of each proposal to long term goals, particularly the objective of building and strengthening local institutions.

a. Strengthening the Financial Resources of City hall

Apart from its task of assisting the Mayor's office in strengthening the democratic process of local government, PROA's major priority should be to strengthen the financial resources of the El Alto municipality. First, efforts should be made to improve the collection of existing fiscal revenues, derived from licenses, fees and such. An

important part of this task is to capture potential revenues nominally attributable to El Alto, but actually paid to La Paz, by the branch plants and offices of companies domiciled in La Paz. Second, steps should be taken to reinforce financial controls over spending of the limited resources which it already has. Third, a study should be made to rationalize the existing structure of tariffs, license fees, and other taxes which it currently imposes. Fourth, PROA should work with the United Nations team to increase potential revenues derived from taxes on property and buildings, a task already started with the cadastral survey. To assist in these efforts, PROA should contract one or more specialists in municipal finances and accounting.

b. Jobs and Income Generation

In terms of jobs and income generation, a large part of PROA's efforts have been devoted to pilot projects and micro businesses, which require the intensive use of its human resources. PROA should therefore seek the most effective means of promoting these activities, especially those that are most cost effective in terms of available human and financial resources. Three alternatives suggest themselves:

(1) The Free Trade Zone

The proposal to establish a free zone in El Alto is interesting, but it is not clear that it is feasible. Nevertheless, given that the proposal is of national interest, PROA should request the central government to hire a team of specialists to investigate the feasibility of the proposal in greater detail.

(2) The Regulatory Environment Governing the Informal Sector

The current Mayor of El Alto has evidently adopted a position of supporting micro businesses. But PROA should nevertheless review the whole range of rules and regulations that affect the informal sector, with a view to eliminating unnecessary obstacles, and creating a legal environment that is conducive to the economic activities of the sector.

(3) Links to Rural Hinterlands

Given that a large proportion of El Alto families have close ties with rural areas in the Departments of La Paz and Oruro, and even further afield, PROA should investigate the potential for exploiting these linkages to generate opportunities for production and commerce, particularly those associated with the processing of agricultural produce.

c. Primary Health Care

In order to secure continued technical assistance, it is strongly recommended that the primary health care system initially be established as a PROSALUD franchise under the direction of PROA. Further, to insulate PROA against potential financial losses, it is recommended that the health care element be set up as a financially autonomous entity, receiving its financial support directly from USAID. In the longer term, this will make

it easier for PROA to gradually disengage itself from direct involvement with the health program, as it makes the transition from a local to national organization.

d. Housing Improvement and Infrastructure

(1) Regularization of Sites and Buildings

This is an excellent example of the kind of action that PROA should focus on. At the cost of a relatively small amount of resources, PROA was able to generate potential benefits for the entire El Alto community. However, the pace at which homes are being regularized is slow. Only 43 homes have been processed in a period of three months. PROA should investigate whether this is due to bottlenecks in city hall, or to a lack of demand by homeowners. Steps should be taken to accelerate the number of homes processed, if necessary through a campaign to encourage homeowners to apply which explains the advantages of legalizing their properties.

(2) Building Materials Bank

PROA is taking the responsibility for implementing this project, on the assumption that in the future it will generate income to help cover PROA's overheads. More logical is the reverse: PROA should support the project during the first years while it needs subsidizing, and once it is shown to be profitable should transfer it to another institution.

(3) Infrastructure Service Charges

It is important to maintain the principal of cost recovery for infrastructure and utilities, although this often encounters strong opposition from the community. PROA should explore possible mechanisms for improving communications between the utility companies and the community, in order to involve them more closely in the process of establishing tariffs that are at the same time equitable and yet profitable.

C. PROA IN LIGHT OF LONGER TERM ASSISTANCE TO MUNICIPALITIES

Given the recommendation to transform PROA into a national organization providing support to municipalities throughout the country, and attached as an autonomous entity to a national association of mayors or municipalities, PROA should start to build a national lobby representing the interests of municipalities, and should develop an agenda for a policy dialogue with the central government on issues of municipal concern.

1. Building a National Lobby to Represent Municipal Interests

Bearing in mind that many of the problems found in El Alto are common to many if not most other municipalities, PROA should work with the Mayor's office of El Alto to provide leadership for other municipalities in establishing a national lobby to represent their common interests, and to seek the support of the central government in carrying out necessary reforms.

2. An Agenda for Policy Dialogue with the Central Government

Alongside the building of a national lobby to represent the interests of municipalities, a second task for PROA is to elaborate an agenda of policy issues affecting municipalities that require actions by the central government. Among the many topics that might be included in such an agenda are the following:

a. Revenue Sharing

A topic of primary importance is the present system of revenue sharing between the central and local governments as embodied in the Reforma Tributaria Nacional de 1985, which benefits the departmental capitals at the expense of other smaller municipalities. Action is needed by the central government to solve the problem, possibly through revised distribution formulas based on size of population, size of the workforce, and/or existing levels of service provision.

b. The Structure of Municipal Revenues

The existing plight of municipal finances merits the study of methods for strengthening the fiscal base of municipalities. These might include for example, improved information bases to facilitate collections, updated property valuations, revised tariff structures, and particularly cadastral surveys to provide an accurate data base on which to levy taxes.

c. Decentralization Policy

Many of the problems of El Alto and other municipalities can only be solved at the national level. If cities are to be managed effectively, then local governments will have to be given the appropriate authority and adequate resources for the purposes. Since this policy is already under active consideration, PROA should ensure that the interests of the El Alto municipality and other municipalities are adequately represented in policy discussions.

d. Urban-Rural Policy

There is an urgent need for a coherent national policy to accommodate the process of urbanization and exploit the opportunities it offers for promoting national economic development. Such a policy could not only help to alleviate the worst problems of population concentration in larger cities, but also spur the diffusion of economic growth among smaller towns and rural areas throughout the country. Thus, PROA should actively lobby donors and the central government on the urgent need for such a policy.

e. A Professional Career Structure for Municipal Employees

The bi-annual municipal elections are often associated with an excessive turnover of personnel, which undermines continuity, and jeopardizes the administrative and management capacity of the municipality. PROA should seek to promote the broader acceptance of the principle that recognizes the distinction between change among the political leadership of the Mayor's office and continuity among its supporting professional

and technical staff. Only then will it be possible to minimize the negative impact of electoral changes.

D. RESOURCE REQUIREMENTS

Resource needs are based on the assumption that during the period from now until the end of 1992, PROA consolidates its current activities in El Alto and prepares itself for the transition to a national organization from 1993 onwards.

1. Short Term Needs

a. Human Resources

For the development of PROA in El Alto over the next few years, it will be necessary to hire additional short term specialists for promotion, training, and technical assistance, at an estimated cost of US\$15,000 per year. For financial support for small community projects an amount will be needed of US\$50,000 in 1991 and 1992. For larger economic development programs it will be necessary to hire specialists for specific projects, estimated to cost US\$30,000 per year. For the primary health care program, an annual sum of US\$125,000 will be needed during the first three years of operation. In the housing sector, the activities being undertaken with Mutual La Paz and FONVI will require temporary personnel, material supplies, and some equipment, at an estimated cost of US\$65,000 a year during the first three years of the program.

b. Financial Resources

So far, PROA's basic operation costs are about US\$222,000 per year. Assuming annual increases of 8% for salaries and 4% for other items, this figure would increase to US\$252,000 in 1992. At present the costs of the programs which PROA manages itself are about US\$87,000 per year, but these are expected to rise to US\$226,000 during the second year and to fall to US\$68,000 in 1994. This assumes many activities will by then be largely self-financing.

2. Replication of the PROA Model In the Longer Term

The most cost-effective way to expand the PROA model in the longer term, in order to extend its services to other municipalities, is likely to be the fourth alternative outlined in section B, in which PROA transforms itself from a local to a national organization. This scenario would require minimal changes in staffing, and allow PROA to retain most of its existing personnel. It is recommended that personnel be supplemented with one or two professionals with expertise in municipal finances and accounting, and with a small pool of selected experts to be attached to individual municipalities for a period of one or two years at a time, as circumstances required. Under this scenario, the estimated budget for PROA would be US\$390,000 in 1993, rising to US\$443,000 the following year.

E. FINANCIAL SUPPORT

Based on what we have seen and heard, we conclude that without doubt the PROA model works, and deserves to be supported. In the short period of less than two years, PROA has made notable advances, and has achieved much in terms of its declared objectives. We strongly recommend that USAID and the Bolivian government provide PROA with sufficient funds to cover its basic operating costs during the next three years, and preferably five.

In the short term, as indicated in Table 4.3, the funds required will rise from US\$309,000 at present to an estimated US\$455,000 in 1992. In the longer term, as a national organization, it is estimated that PROA will require a sum of US\$390,000 in 1993 and US\$443,000 in the following year. This is aside from the possible need to continue support for activities in El Alto. A secure financial future is essential both in the short term to allow PROA to concentrate on its primary tasks as coordinator, facilitator, and technical advisor to the municipality, and even more in the long term so that it may transform itself into a national organization supporting municipalities throughout the country.

F. ACTION PLAN

As an outline to assist PROA in designing a Plan for Immediate Action, the following activities are recommended:

1. Consolidate local experience;
 - Strengthening of fiscal resources
 - Employment and income generation
 - Primary health care
 - Housing and infrastructure
2. Institutionalize PROA's process of decision-making;
3. Prioritize activities according to the most effective use of resources;
4. Strengthen institutions so that they can assume responsibilities for projects within the framework of community development;
5. Strive for more effective community participation to strengthen the democratic process of local government;
6. Expand the coverage of activities in El Alto;
7. Generate alternative sources of income to ensure a measure of self-financing for PROA;
8. Elaborate an agenda for a policy dialogue with the central government, covering among other topics:
 - Strengthening municipal government
 - Tax reform
 - A career structure for municipal employees, and training;
 - Government decentralization policy

- National urban-rural policy
 - Policy for free trade zones
9. Start the gradual process of transforming PROA from a local organization to a national one serving all municipalities;
 10. Analyze the executive team needed to make the transition from a local to a national organization;
 11. Identify a list of experts in different fields to form a pool of consultants for assisting municipalities in the longer term;
 12. Develop a system of cost recovery via the sale of services related to the coordination and implementation of development projects.

CHAPTER II

PROA'S ACTIVITIES

This chapter evaluates PROA's main achievements to date in light of the objectives formulated at the outset, and identifies major obstacles encountered along the way during the course of its development.

A. INSTITUTIONAL DEVELOPMENT

Given the conditions of urban marginality in El Alto and the need to approach the solution to urban development in an integral manner, the initial analysis indicated the need to combine the efforts of public agencies, the private sector, and the community.

One of PROA's objectives is to serve as a coordinator between those entities that are working or are interested in working in various development activities in El Alto, and to channel human, technical, economic, and financial resources in support of urban development and the improvement of the quality of life of the El Alto population.

At present, around 87 agencies are working in El Alto, among them public and private entities, NGOs, PVOs, and community groups. These have often started projects independently, but with the arrival of PROA, have begun to work together in order to avoid duplication of activities and to maximize the allocation of resources.

The aim of this component stems from the need to integrate and coordinate the efforts of institutions and community organizations in the execution of socio-economic projects that contribute to the improvement of conditions for living and working in the city of El Alto.

1. Formation of the Coalition

One of the first steps taken by PROA was to organize a Workshop for Inter-institutional Cooperation at the Hotel Titikaka in June 1988. About thirty development organizations were invited, including financial institutions, private groups, NGOs, public agencies from the central government, and the municipality of El Alto.

Nevertheless, this first attempt at inter-institutional coalition building did not live up to expectations. This was partly because PROA, as a new organization, was not widely recognized in the area and met with institutional jealousy, and partly because it had not established adequate contacts with those groups already working in El Alto.

As a result of this experience, PROA decided instead to form coalitions around specific projects, linking together as mentioned before, community groups, industrial and commercial firms, national and international organizations, government and non-

government agencies, and voluntary groups. The coalition that have resulted in each sector are as follows:

a. Employment

For the purpose of making loans to micro businesses in the informal sector, PROA has established links with financial institutions such as the Banco del Estado and FADES. In addition, there are plans to create a guarantee fund, with the participation of USAID Bolivia, FUNDES, COTESU, FOCAS, PRODEM, ADEPI La Paz, and the Banco de La Paz. For technical assistance to small businesses, PROA has secured the help of ADEPI La Paz, PRODEM, FENACRE, and SEMTA; and for training INASET, IDEA, community groups, ADAM, MUPADE, ICI, CIEC, ANESPA, CEBIAE, and UTASA.

b. Health

For the construction and equipping of a health center in Villa Bolivia D, and in setting up a self-financing primary health care network, PROA worked with PROSALUD/ Santa Cruz, UNADESA, and FEJUVE. For the garbage collection projects, PROA has participated with DIFAD, FEJUVE, HAMEA, MUTUAL LA PAZ, MUTUAL LA PRIMERA, GTZ, and ENDA Bolivia.

c. Housing

In financing housing for low income families, PROA has linked up with Mutual La Paz, Mutual La Primera, FONVI, Cooperativa de Ahorro y Crédito para la Vivienda El Alto, and the Caja Central de Ahorro y Préstamo.

d. Municipal Support

For certain projects in the city of El Alto, PROA has obtained the support of PNUD CNUAH, GTZ, and Cooperación Italiana.

In this way, PROA has managed to reach different institutions, broadening its scope of actions in support of community initiatives, and at the same time has disseminated information concerning different activities related to the Pilot Program.

In the future, PROA plans to continue the promotion and consolidation of coalitions at the level of specific programs and projects, and specifically to reinforce links with the community, with a major focus on the informal sector.

This will make it possible to broaden coverage and to combine efforts of public and private entities and the municipal government. However, for future reference, it is essential to monitor more strictly the responses of the entities involved in specific coalitions in order to demonstrate their potential for future projects. This will allow them later to be integrated more actively in the global action framework of the Pilot Program, and to adopt the model as their own in extending it to the national level, avoiding the institutional loss of memory of the experiences gained that occur with changes of government and local officials.

As part of PROA's longer term transition towards a national organization, it is important that at the outset of each coalition, member groups take on some of the activities that PROA currently undertakes. The institutionalization of methods, operational procedures, and acquired knowledge represent a fundamental element of this transitional process.

2. Community Participation

In recent years, El Alto has experienced one of the highest rates of population increase in the country, largely due to in-migration. Recent statistics from PNUD-CNUAH reveal that 91% of the demographic increase in 1989 was due to migration. Links to the rural sector are strong, and customs are largely rural, which is reflected in the heterogeneity of the inhabitants in the pilot project.

PROA's fundamental objectives in relation to neighborhood groups are to strengthen mechanisms for community participation in the search for solutions to local problems. To ensure community participation in the project, and following immediately after the formation of the ad-hoc coalition committee with FEJUVE, PROA started promoting the project jointly with the Mayor's office and other institutions in the coalition. This was done through contacts with leaders of the villas, meetings to promote awareness of the need for participation, needs analysis, all based on the principle of "endeavor without paternalism".

It is important to stress that as a result of its promotion work, PROA has earned the credibility of the community. As is well known, the community is often skeptical of "promises" made by organizations, and PROA has been able to overcome initial resistance through proper information, concrete actions, and specific projects.

The demonstration effect, produced by community organization, the construction of specific works, and training courses, has generated considerable interest among the El Alto population and has consolidated the organization of the Villa Tupac Katari and Villa Esperanza. Furthermore, it has also spurred the replication of certain projects (greenhouses and rabbits) among individual households, and has good chances of spreading to the rest of the municipality.

Training undertaken for the purpose of organizational development has been important for the promotion of the program. Following identification of local leaders, training is started for community participation. The principal theme is "the community as it participates in its own development". Towards this end, PROA and other institutions offer technical assistance in recognizing problems, identifying needs, prioritizing projects, and feasibility studies.

PROA's first effort in mobilizing and organizing the community in the Pilot Villa No.1 took about six months. This was the most complex stage, given the initial lack of confidence and resistance of local groups. It required two people for the task and the committed support of the Neighborhood Committee, plus training committees, volunteer leaders, and community action promoters from the Mayor's office.

At present, given the experience gained from Villa Bolivar D, it is estimated that the time required to organize a community, such as Villa Esperanza, Villa Tupac Katari, or any other villa with at least some minimal form of local organization, is a maximum of three months.

Based on this experience, greater coverage of community organization is needed in order to achieve more widespread and effective participation. PROA should therefore set up training mechanisms in other villas, and consider the possibility of enabling Community Action, FEJUVE, or other suitable groups, to take over the task with technical assistance and coordination from PROA.

3. Strengthening of the Municipality

The municipality has been unable to cope with the innumerable needs of the El Alto population due largely to weaknesses in its technical, administrative, and financial capacity. The objectives of the pilot program with respect to the El Alto municipality include: the provision of technical assistance, research and training for institutional strengthening; advice and management for channelling funds for development programs and projects in El Alto; and assistance in securing support from other national and international institutions. With this in mind, PROA has intervened in the following areas:

a. The Technical Area

PROA has provided assistance in formulating projects and undertaking feasibility studies for numerous infrastructure and urban development projects. Among these are:

- Solid waste, in which PROA approached FNDR and BID for financial assistance;
- Mass transport, where PROA collaborated in preparing the project proposal;
- Cadastral survey, in which PROA assisted in preparing the terms of reference;
- Training programs for municipal employees;
- Technical assistance to the Department of Urban Development for housing programs for the poorest.

In most cases, PROA started with preliminary ideas, prepared feasibility and preinvestment studies for submission to the Mayor's office, and helped to locate the appropriate institutional channels for their implementation. PROA should continue supporting the community and the municipality in obtaining entities for this purpose. However, it is important to define more clearly the separate functions of PROA and HAMEA in order to achieve better results in this field.

With the aim of lowering the costs of urbanization, supporting the activities of the informal sector, and serving the low-income population, it is worth stressing the importance in the technical area of minimum standards for urbanization and legislation governing the use of public spaces. These can serve as instruments for the Structure Plan which is expected to be started in the near future.

b. The Administrative Area

With a local team from the municipality, PROA carried out an administrative reorganization, since there were neither job description manuals nor internal regulations. As part of this effort, PROA seconded one of their staff to the municipality for a period of six months at half time to serve as senior technical officer. In February 1990, the municipality asked PROA to provide an advisor half time to serve the Mayor directly in strengthening ties to the community.

In other areas, PROA collaborated in the design of a computerized administrative model intended to improve internal control for the management of personnel, schedules, warehousing, and supplies, and in this way to improve the administrative efficiency of the municipality. For this purpose, PROA contracted for a period of three months experts in the design and operation of management systems.

In this respect, PROA should help the municipality to concentrate their efforts in simplifying administrative procedures (for example for mixed land uses, and informal sector activities among others) in order to facilitate community activities. Given the turnover of municipal officials associated with changes in local government, PROA should help the municipality to prepare training primers and manuals that explain the tasks associated with municipal offices, and thus to ensure better continuity in the development focus.

c. The Financial Area

Given the weakness of local public finances, PROA's efforts have centered on seeking solutions that permit the municipality to improve its situation somewhat. Towards this end, PROA has commissioned a census over a period of five months to register tax contributors in the eight most important villas of El Alto. This aims to provide a clearer accounting of industrial and commercial establishments in the municipality, and of the vehicles that should be paying taxes there. PROA should also help the municipality to obtain revenues from licenses, fees and other local taxes.

The foregoing underlines the importance and the urgency of improving the system of tax collection and strengthening controls over local public spending, and the need to find new sources of income. For this, PROA must become a principal source of assistance, and obtain relevant consultants.

Given the inefficiency in the collection of taxes from industry, commerce, and vehicles, it is essential to arrange a meeting among the owners of firms in the city of La Paz with branch offices or plants in El Alto, in order to raise the level of collections.

The system of local taxation based on fees and licenses is also out of date. A fundamental change is required in its structure to bring it into line with current realities in El Alto. This should also be supported with primers and manuals that can be easily understood by local public officials.

Recent studies by PNUD-CNUAH indicate that once the cadastral register is brought up to date, the Municipality's potential tax revenues could reach as much as US\$4 million. Based on present valuations, revenues would be US\$2.3 million, or 57% of the potential, but the reality is that actual collections amount to only US\$173,000 or a mere 4.3% of potential.

Given that the coverage of the cadastral sample survey proposed by CNUAH covers only 12% of the municipal jurisdiction, it would be useful to increase coverage to the entire municipality to determine more precisely potential revenues from this source. PROA should get more actively involved in this task, which is of fundamental importance to the municipality.

Taking into account the effect of legalizing informal construction, and the tax revenues and public service charges associated with real property, the municipality would be able to increase its income significantly. However, the pace of regularizing properties has been slow, only 43 in six months. This is due perhaps in part to municipal elections, to the change in local officials, and to the slowness of City Hall's response.

With an increase in the pace of regularizing properties, the municipality would recover income both from property tax and from tariffs for public services through the specialized entities such as SAMAPA and COBEE, resources which can be invested in new public works.

In the case of resources derived from Law 843, the Mayor's office will present to Parliament a project for the regulation of resources, defined in accordance with criteria for population or other indicators that accurately measure investment needs. In addition, petitions have been sent to the Mayor's office of La Paz in order to reach an agreement on the debt owed to El Alto. The situation is complex and represents a vicious circle: El Alto has various needs which require resources, but its coffers are empty. The problem is basically a political one, since the mayors of La Paz and El Alto belong to different parties, and have failed to reach agreement on the matter.

If the problem cannot be solved, then the El Alto municipality will need preferential treatment by the National Treasury and other state agencies in order to avoid a problem of public order.

Despite PROA's support to the HAMEA in different areas, including technical training for municipal staff, the issue of strengthening the municipal government requires greater attention. PROA should help to prepare guidelines for local public officials to allow them to exercise tighter control over the tax structure, improving the fiscal base and thus the capacity for public investment in projects of community interest. It is recommended that PROA hire specialists in municipal finance and accounting to undertake the relevant tasks.

In its support to the municipality, PROA should focus on financial aspects, taking into account that the principal problems are related to the National Tax Reform. PROA will

have to persuade those concerned of the need to make changes, particularly those among the donors and the central government interested in proposals for the government decentralization. Given that these problems particularly affect cities that are not department capitals, and that El Alto is among the largest of these, the Mayor's office should assume the leadership of a coalition of municipalities in this effort.

To strengthen the three areas mentioned here, it is worth putting on record that, given a firm request, institutions like ISAP would be able to train a municipal team according to specific needs. ICAM, for its part, offers courses specially for La Paz, but has extended invitations to officials from El Alto.

B. EMPLOYMENT AND INCOME GENERATION

As mentioned before, the population of El Alto is characterized as mainly belonging to the informal sector, and suffers from high levels of unemployment and underemployment. Recent data from PNUD-CNUAH concerning economic activities in El Alto show that 42.2% of the population are self-employed in handicrafts, workshops, and retail trade. At the same time, 82.7% of the population have incomes of less than Bs 300 per year, and only 2% earn more than Bs 900 per year. For this reason, PROA's focus in the pilot project is centered on the creation of activities that generate jobs directly and indirectly through productive activities and micro businesses.

1. Credit Program for Micro Businesses

Given the conditions of the informal sector in the area, PROA has sensitized various organizations to the need to create flexible credit programs based on group guarantees, accompanied by technical assistance and training in basic aspects of administration and finance.

The first effort was attempted with ADEPI La Paz and the Banco de La Paz, which channelled about 50 applications from small-scale craftsmen, carpenters, mechanics and hatmakers, who were unable to satisfy traditional credit requirements.

The second effort, which is currently in operation, involved the Banco del Estado, IDEA, UMSA, ADEPI La Paz, and INFOCAL. Through an agreement with the Banco del Estado, PROA is channelling resources from a program of support for handicrafts and small businesses which the bank operates nationally. The credits are backed by a system of jointly-binding guarantees, for a maximum amount of US\$1,500, over periods of 18 or 36 months, for working capital or machinery, and at an interest rate of 18% per year. IDEA is handling training in basic aspects of administration, and ADEPI, UMSA and INFOCAL will provide technical assistance. The program is being implemented solely in PROA's three pilot villas.

The program started effectively at the beginning of April 1990, and so far 20 groups have been formed with five members each. Of these, fifteen have been qualified, and five have

received loans. It is estimated that by December 1990, US\$1 million will be disbursed among 700 beneficiaries with average loans of US\$1,200.

2. Training

In accordance with its goals, PROA is organizing institutional training courses, and also others in response to requests from the community, when their purpose is to raise incomes and only when there is a minimum of fifteen participants.

Training in specific areas of employment is focused on small businesses and self-management. Topics of courses held so far have included:

- weaving, with the Neighborhood Association, FADFS and PROA;
- small businesses, with the Neighborhood Association, IDEA, Mutual La Paz, Mutual La Primera and PROA;
- women's roles as mother, wife and worker, with the Neighborhood Association, Social Security Fund, the University of San Andrés, and PROA;
- vegetable production in greenhouses, with the Neighborhood Association, MTE and PROA; and
- literacy, with the Neighborhood Association, the National Service for Adult Education, SENAEP and PROA.

Since many of the topics presented are novel in the country, PROA has had to prepare special educational media and materials in many cases, and in others to seek organizations with the relevant expertise.

3. Women's Role in Training

Given that traditionally it is the men of the household that go out to work or to search for employment, the women have expressed considerable interest in being trained and bringing in additional income for the household. The training received from PROA has been applied in their homes with a big impact in the areas concerned.

In the three villas women's groups have already been formed. Through training and with PROA's promotion, the women's group in Villa Bolivar D has responded favorably. At present, 100 women have been assembled, and 60 of these have been included in agreements between PROA and ADAM, MUPADE and CDA to proceed beyond training and to produce textiles in their homes according to technical specifications for quality, style and measurements.

PROA has been sharing the expenses of trainers (Bs 20 per week) and their transport costs, and has started the promotion of women's micro enterprises for textiles, tailoring, macrame, and greenhouse production.

In the training field, PROA has managed to find suitable organizations to whom to delegate the task. However, it is of primary importance to fix the number of hours of

attendance as a prerequisite, such that participants regard their commitment to training seriously, especially in those cases where owners of small businesses are requesting credits.

4. Pilot Projects

The linking of the private sector to programs for creating employment, and hence the improvement of family incomes, must be seen as a function of the areas of housing, health and infrastructure, which are treated in subsequent sections. In the specific case of employment, a number of productive activities carried out through pilot projects stand out. Among them:

a. Project for Solid Wastes

In the absence of adequate services for garbage collection by the municipality, PROA initiated private services for the collection of domestic solid wastes in the Villas Bolivar D and Tupac Katari. Using tricycles, initially donated by the Mutuales La Paz y La Primera, the first of these micro businesses has led to seven jobs after six months of operation.

Through the demonstration effect of this project, other private sector micro businesses with no relation to the pilot project have spontaneously followed suit in other parts of El Alto. Meanwhile, a donation of US\$50,000 has been obtained from DIFAD, to prepare plans for extending the service throughout El Alto, and to replicate the experience in other regions of the country.

This project is now on a solid footing and has taken on its own dynamic. PROA should gradually transfer the project to the newly established Association of Micro Businesses for Solid Waste Collection in El Alto, taking care to ensure that the Association does not turn itself into a cartel, and that it continues to provide an adequate service.

b. Forestry Project

This project began with a donation from the Mayor to Villa Bolivar D of 2,000 trees. However, due to the lack of any preliminary educational campaign, there was little interest or appreciation of forestry on the part of the community. Subsequently, PROA provided training in this respect, explaining the ecological advantages, and the community has begun to respond more favorably.

At present, there exists a tree nursery owned by the municipality but designed by PROA, with 100,000 plants. To complement this activity, the Belgian government has promised US\$500,000 to expand this project throughout El Alto. At the same time, USAID has promised US\$70,000 to equip the municipal nursery for the production of plants. Meanwhile PROA has provided funding of a further Bs 15,000 and the municipality pays the salaries of the staff.

To date, the benefits generated by the project include the 100,000 plants ready for use, and the creation of community jobs. One hundred women from the area around the nursery will benefit from the food for work program for a period of six months.

c. Angora Rabbits

The main idea behind this project is to create a variety of activities related to the production of angora wool from rabbits, including breeding the animals, spinning the wool, petty manufacturing of wool products, and finally the export of textiles. The project started in Villa Bolivar D and has attracted the active participation of the Neighborhood Association and a special project committee formed from unemployed youths and students from the villa.

In the community center of the villa, a communal breeding point has been set up for the production of animals and wool. This also provides training and technical assistance for those interested in rabbit breeding in their own homes. So far a small number of families have started their own projects, including a few in 3 rural communities.

The total cost of the project to date has been Bs 36,650, of which FADES has contributed the largest share of 72%, PROA 7%, and the community the remaining 21%. The benefits derived from the project include both training in animal management, and the treatment of products such as the tanning of skins. Jobs have been created for 80 youths, and in its first year of operation the communal breeding center produced 40 kgs of wool worth US\$1,600 and 35 offspring worth US\$500.

In this project, it is important to constantly monitor market conditions to ensure that production does not exceed demand, with the result that earnings fall below the costs of production, creating frustration and disillusionment among those the project is intended to benefit.

d. Textiles

This project for the production of textiles was initiated by the Neighborhood Association of Villa Bolivar D. PROA initially obtained technical assistance from ADAM and funds from FADES. ADAM provided training for a group of 100 women, of whom 60 were later selected for the project. Output was sent to ADAM in Cochabamba for export to the American market. However, due to difficulties in meeting quality requirements, earnings were less than anticipated resulting in a loss of interest among the women involved in the project. Costs of the project at this stage were covered mainly by FADES (65%), with other contributions from ADAM (12%), PROA (10%), and the community (13%).

With the aim of improving quality, PROA brought in MUPADE, a group interested in reaching women throughout the city of El Alto, with a goal of eventually having 1,000 trained weavers and knitters. Currently, two groups of 80 people are receiving training in the Villas Esperanza, Tupac Katari and Cooperativa, and production is expected to start in July 1990.

e. Greenhouses

The central idea of this project is generate additional family income through the production of agricultural goods. It is conceived as a chain of activities from cultivation through sorting, preparation, and packing of produce, and small-scale production of processed foods. Two community greenhouses of 500 m² each have been constructed for experimental production to test which products are profitable. Each site offers technical assistance, training, supplies of materials, and facilities for bulking produce. Among goods produced so far are melons, cucumbers, lettuce, radishes, and Chilean strawberries. Also under consideration is the eventual production of flowers for the regional market.

The greenhouses have generated broad participation from the community. In addition to local labor involved in the construction and operation of the facilities, a group of 60 women were trained in the first stage. The women are organized in groups of ten in order to receive financing, and to pool their labor in building their own family greenhouses for home production.

f. Conclusion

These pilot projects require a substantial investment of PROA's human resources, from initial conception, through planning, implementation and subsequent monitoring and supervision. Together these projects are estimated to absorb more than a fifth of PROA's total staff time.

On the other hand, being experimental in character, it is difficult to estimate the time needed for these projects to mature, or the extent to which they may be profitable or feasible. It is also sometimes difficult to get other people and institutions to participate. Despite the interest expressed by the women of El Alto, cultural conditions have sometimes made it difficult for them to get actively involved.

The risks associated with these projects refer mainly to the possible delays in the process of implementation, increases in the cost of implementation, and the creation of unrealistic expectations outlined above.

Once these pilot projects have been started, PROA should search for suitable organizations to subsequently take them over, providing them obviously with all the assistance needed, in order to avoid at all costs having to assume the financial risks. For the last three projects mentioned, MUPADE might be considered a suitable candidate for taking them over. It is interested in working throughout the city of El Alto, and is already involved in promotion, literacy programs, and the creation of micro-businesses related to the projects for rabbits, greenhouses, and textiles. MUPADE currently receives US\$5,000 from USAID for a Center for Farm Sales and Handicraft Exhibits near Villa Esperanza, and is setting up a revolving fund for credits of US\$100 for these activities.

C. HEALTH AND SANITATION

High rates of in-migration and population growth in El Alto have created deficits in the provision of health and sanitation services, which clearly affect the health of El Alto inhabitants. The rural origin of the population, the high rates of illiteracy, and the lack of knowledge concerning basic family health matters, have all contributed to ignorance and indifference within the community in this field, increasing the high rates of mortality and disease. For this reason, PROA's efforts in this area are focused on setting up a primary health care system and implementing a program of sanitation infrastructure.

1. Primary Health Care Program

Among the priorities identified by the community of Villa Bolivar D after carrying out a socio-economic analysis was the need to put into operation the health center for the area, which had been built by the municipality through the Emergency Social Fund. The community had a number of clear ideas about how the center should be operated, and the services it should provide. These were put together by the Neighborhood Association, through its health committee and block committee.

In response to the petition from the community and the Mayor's Office, PROA looked to USAID to obtain technical assistance from PROSALUD, an organization with successful experience in running a health program in Santa Cruz. The aim was to transfer experience in operating a health center and recovering costs, so that in the future the center might be self-financing. With the support of US\$70,000 from USAID, a feasibility study was prepared, and training provided for staff from the municipality, the Ministry of Health, and PROA. The center started operations in September 1989 with an average attendance of 17 patients per day. PROA will take the place of PROSALUD/Santa Cruz. The community, which is represented on the center's Board of Administration, will carry out supervision and the approval of the structure of charges.

Subsequently, plans have been laid to expand the health care system throughout the city of El Alto. For this purpose USAID has agreed to put up US\$200,000 to equip five more health centers serving 40,000 people.

In its five years of operation in Santa Cruz, PROSALUD has recovered more than 90% of its costs through service charges. Currently the rate of cost recovery in El Alto is more than 50%, but it is hoped that with improved community awareness the program will be self-financing in about three years.

Health center records show that by December 1989 2,053 patients had received attention, 995 of them for nurses services, 465 for general medicine, 395 for pediatric services, and 198 for dental treatment.

Since current levels of attendance are considered low, it is suggested that an aggressive campaign should be launched to promote the center, to increase the number of patients to improve the level of cost recovery, and thus to be able to maintain the medical personal required.

Given current plans for the opening of new centers and administration by PROA, it is essential to rely on the specialized technical assistance of PROSALUD, in order to ensure the success of the venture. It is recommended that PROA carry out periodic evaluations of progress towards targets for self-financing, and make appropriate adjustments to avoid incurring financial risks. It is also recommended that the health component be treated as a separate financial entity, receiving financial support directly from USAID.

a. Toilets

In response to a request from the community, PROA hired two technicians to teach community members how to make lavatory bowls and floor toilets with septic tanks. While the cost of porcelain lavatory bowls ranges from US\$40-60, the cost of concrete floor toilets is only US\$12. The cheaper components allow a larger number of families in the municipality to obtain them, and thus improve their housing conditions. However, there still exists a cultural problem of accepting the floor toilets, particularly among families with children raised in the city.

b. Public Urinals and Solar Showers

Existing facilities had been abandoned, and the community through the Neighborhood Association resolved to refurbish them, put them back into operation, and to maintain them through user fees. PROA helped this initiative and assisted with two toilets and a solar shower.

The community has plans for three other urinals for the area. They have approached PROA for technical assistance in their location and operation, but are providing their own labor for building them.

User fees are charged for both types of facilities, bringing in Bs 300 per month from the urinals, and Bs 60 per month for the showers. This income covers the cost of water, energy, and the wages for an attendant, and provides the community with a service it did not previously have.

c. Drainage

This is perhaps one of the weakest aspects of public infrastructure in El Alto. Surface water drainage is non-existent, and sanitary drainage covers only a limited area. As a result of PROA's intercession, SAMAPA finally approved in May a proposed project for Villa Bolivar D, to be funded by the Emergency Social Fund. It is estimated that work will be able to start within two months.

2. Vaccination Program

The health center runs two kinds of vaccination programs, one in the course of its routine consultations, the other through massive special purpose campaigns. By May of 1990, it had carried out 1039 vaccinations through the first route, and 1384 through campaigns. In order to improve infant health, it is recommended that the use of this

service should be promoted in schools, and parents should be made more aware of its value.

3. Health Education

Given their cultural characteristics, the population of El Alto is timid and ignorant in using medical services. To overcome this problem, a health education program has been launched to promote the use of the health center through home visits, and meetings of fathers, mothers, and youth. Doctors and nurses have also attempted to approach women's groups, offering lectures on responsible parenthood, and the need to seek the help of doctors for childbirth.

These activities have generated a positive image of the center with the expectation of making it more accessible to families in the pilot villas. A more aggressive campaign is recommended in the community at large, in order to increase the use of the health facilities.

D. HOUSING

Infrastructure in El alto is gravely deficient. It is estimated that of the 300,000 inhabitants in the municipality, less than 100,000 have direct access to drinking water, and less than 50,000 to sanitary drainage. Surface water drainage is non-existent, and the great majority of roads are unpaved. Community facilities in general are precarious if they exist at all. This situation reflects the marginal state of affairs in the city, with clear implications for the quality of life of its inhabitants.

With respect to housing, the population census carried out by the pilot villas reveals that a large proportion of tenants are living in one or two rooms, giving rise to overcrowding. On the other hand, there are many families that own a lot, but due to the lack of economic resources are living in shacks, or in unfinished basic units.

One of PROA's first actions in Villa Bolivar D was to pressure the Mayor's office to expropriate a number of empty parcels of land, which would provide lots for 60 families. Due to a change in government, this action was not taken, though the decision was reached to sell the land at US\$7 per square meter. Subsequently, PROA managed to arrange financing through the Mutual de La Paz for the cost of the land, and the rest the community contributed through cooperative self-help construction.

PROA's actions have focused on setting up mechanisms that facilitate the construction process. These include, for example, financing terms that are as flexible as possible, bearing in mind that they are aimed at the poorer strata of the population. Similarly, in line with the political desires of the Mayor's office, PROA has helped with documentation to facilitate applications for granting building permits within 48 hours. To provide technical assistance to the population, Technical Units have been created, in which architects and engineers, working closely with community and the municipality, have created an atmosphere of confidence, offering advice and supervision. Further, PROA has worked

to persuade financial organizations to be more flexible in terms of their requirements for documentation and guarantees.

1. Housing Improvement Credits

The institutions that are currently active in this field are the Central Bank for Savings and Loans, the Mutual de La Paz, and FONVI. Unfortunately, a first experience with the Central Bank for Savings and Loans failed for lack of resources because the central government made no disbursements.

a. Mutual La Paz

Since this institution had previous experience in a low cost urbanization scheme at El Kenko in the city of El Alto, PROA discussed the possibility that it would open a branch office in El Alto.

The Mutual La Paz has a credit line through HIG 007, by means of which the savings and loan system receives from the Bolivian government US\$15 million, of which US\$2 million is destined for La Paz and El Alto. Loans will be for low cost housing, that is to say up to US\$3,800, at an annual interest rate of 21.6%, over a maximum period of five years. These credits may be used for improvement, expansion, and construction, but they have not yet been disbursed since the funds have not been received from the central government.

b. FONVI

FONVI is a "second floor" financial institution linked to intermediaries aiming to reach the poorer sectors of the population of the pilot villas, through the technical and financial actions of PROA. FONVI linked up to PROA under the terms of decree 22497/90, which earmarks US\$20 million for social interest housing up to US\$2,000 per unit, and the improvement of basic substandard housing. Of this US\$20 million, the first disbursement to initiate the program with PROA will amount to US\$2 million, and US\$400,000 of this would be disbursed in trusteeship under the absolute responsibility of PROA through a financial intermediary (ICI).

At present, to get the program off the ground, PROA has proposed that FONVI work in EL Alto without the conventional mortgage guarantees, but with mutual union guarantees, through popular slum organizations and the Neighborhood Associations. PROA has also proposed a trusteeship, with the creation of a guarantee fund, a building materials bank, and a group lending system that facilitates paperwork and circumvents mortgage guarantees.

Credits will be from US\$100 to US\$500 over a period of 18 months at an interest rate of 12%. PROA plans to place 250 credits quarterly for all types of loans.

The housing sector has suffered setbacks from the lack of disbursements from the HIG. This has undermined the motivation of the population, which despite having full

confidence in PROA, has not seen the results anticipated. This could damage the program's image.

PROA's goal of issuing 1000 credits a year is ambitious and probably overly optimistic. PROA should evaluate the likelihood of achieving this goal in light of the first three months. In addition, it should study the feasibility of having another specialized institution recover the loans, or including a processing fee in the loan to cover overhead costs. It is worth mentioning here that the process of placing and disbursing loans is generally slow, but that once initiated the demonstration effect is significant.

In accordance with the plan for organizing borrowers for the financial institutions, it is recommended that once chosen, groups should participate in training programs for a requisite number of hours in order to stress their credit obligations. On the other hand, PROA will have to detail as soon as possible the mechanisms related to credits for materials and labor, and tie these actions to the proposed building materials bank.

An additional element that PROA will have to prescribe is the supervision of construction work. For this, it is recommended that PROA seeks an appropriate institution, trains it, and later delegates this activity to it.

2. Building Materials Bank

The building materials bank is designed to provide material loans to families wishing to construct or improve their homes. The site for the bank has been made available by the municipality for a period of ten years. The National Bank has donated a metal structure which will serve as a base to begin operations.

Credit in the form of materials has the big advantage that funds are not handed over to the borrower but to the provider of the materials, which facilitates the supervision and auditing of the loan.

Experience from the Carvajal Foundation in Cali, Colombia, with regard to centers for building materials suggests a number of alternatives, such as offering sales concessions to producers of materials and to other micro enterprises that will recover the costs of administering and managing the center. This would allow PROA at the outset to manage the center without the need for subsidies and without incurring expenses.

CHAPTER III

EVALUATION IN LIGHT OF THE OBJECTIVES OF USAID/BOLIVIA

This chapter evaluates the achievements of the Urban Development Initiative in light of the six principal objectives of the USAID Mission in Bolivia, as laid out in the document "USAID/Bolivia Action Plan FY 1991-1992".

A. TO ASSIST THE GOVERNMENT IN MAINTAINING ECONOMIC STABILITY

Objective: Assist the GoB in maintaining economic stability, and support GoB ability to formulate and maintain sound macroeconomic policies.

The Urban Development Initiative has little relevance to this objective at the national or macroeconomic level. Apart from a specific contribution to the local economy, the contribution of this program is focused more on guaranteeing the social stability of a city that is in jeopardy and could become a center of social conflict. This would distract the attention of the government from its concerns with macro-economic adjustment and the global development of the economy.

B. TO INCREASE PRODUCTION AND EMPLOYMENT

Objective: Increase investment, productivity and employment in non-coca activities.

The activities of PROA are supporting this objective in three ways, through a) credit programs to micro businesses; b) pilot production projects; and c) training courses.

1. Credit for Micro Businesses

As mentioned before, the Banco del Estado runs a program in support of handicrafts and petty manufacturing at the national level. PROA has been collaborating with the Bank to extend the program to micro businesses in the three villas where it is operating. Since the program began in April, PROA has helped to set up 20 lending groups with an average of five members each, of which 5 groups have received credits to date. Earlier, PROA tried to launch a similar program with the Banco de La Paz, but so far this bank has not committed the required funds.

2. Pilot Production Projects

In collaboration with the Neighborhood Councils in the three villas, PROA has established five pilot projects for the purpose of creating jobs and generating family income. In each case, the objective is to demonstrate that the activity is profitable, and to assist families who wish to undertake such activities themselves. To date, the five projects involve a total of about 350 families, as follows:

TABLE 3.1: PILOT PROJECTS			
Project	Start Date	Number of families	Monthly average income (est.) in Bs.
Greenhouses	--	60	--
Nursery & forestation	October 1989	100	--
Angora rabbits	--	80	--
Weaving	--	100	30 - 80
Solid waste program	--	24	--

3. Training Courses

Tied to the credit programs and the pilot projects, numerous training courses have been held for the owners of the micro businesses and the participants in the pilot projects. These courses are designed to provide technical assistance in production methods, and in the case of the business owners training in business administration. The courses have included the following:

C. TO IMPROVE FINANCIAL MARKETS

Objective: Increase the efficiency and effectiveness of Bolivian financial markets to support economic reactivation and growth.

PROA is supporting this objective through two credit programs, one for micro businesses, the other for housing improvements. In both cases, PROA has managed to make credit available to people and families that normally do not have access to formal sector financial markets.

1. Credit for Micro Businesses

As mentioned before, the Banco del Estado runs a credit program at the national level oriented to small businesses with loans of three sizes, the smallest of which are less than US\$3,000. Normally, to be eligible for such a loan, the Bank requires collateral of some kind, a condition which many micro businesses find hard to meet. To overcome this difficulty, PROA has established a credit scheme for group borrowers, who collectively provide a mutual responsible guarantee.

2. Housing Improvement Loans

It is estimated that some 85% of the homes in El Alto lack adequate documentation to obtain credit from a financial institution in the formal market. This is because in many cases both the subdivision of sites and the construction of buildings took place without the authorization of the municipality. To solve the problem of the lack of proper

TABLE 3.2: TRAINING COURSES	
Course Subject	Institution responsible
Rabbit breeding	Neighborhood Association, FADES, PROA
Weaving	Neighborhood Association, ADAM, PROA
Embroidery	Neighborhood Association, ADAM, PROA
Hand knitting	Neighborhood Association, ADAM, FADES, PROA
Machine knitting	Neighborhood Association, PROA
Micro businesses	Neighborhood Association, IDEA, Mutual La Paz, Mutual la Primera, PROA
Production of vegetables in greenhouses	Neighborhood Association, MTE, PROA
Greenhouses	Neighborhood Association, PROA
Leather tanning	Neighborhood Association, PROA
Clothes making	Neighborhood Association, PROA

documentation, PROA in collaboration with the Mayor's office has instituted a process to facilitate the regularization of sites and buildings. Once the documentation is in order, a home owner becomes eligible to request credit.

D. TO INCREASE THE VOLUME OF EXPORTS

Objective: Increase the volume, value, and range of non-coca exports.

So far, the Urban Development Initiative has not had much success with respect to this objective. Nevertheless, one aspect is noteworthy. In collaboration with the Mayor's office, PROA is investigating the possibility of setting up a free zone in El Alto, along the lines of the border region in Mexico with its assembly plants. Since discussions are still at an early stage, it is not possible to comment on the feasibility of this proposal.

E. TO IMPROVE THE HEALTH OF MOTHERS AND CHILDREN

Objective: Improve the health of mothers and of children under five.

PROA regards the health sector as one of its four priorities, and as a result is making a positive contribution to this objective. With the collaboration of the Mayor's office, and technical assistance from PROSALUD/Santa Cruz, a primary health care program has

been started, under which a total of sixteen health centers are planned to open during the next three years, financed by USAID. (See Table 3.3.) The first of these centers opened its doors in September 1989. As part of its activities, the center offers a vaccination program for children, and a health education program to familiarize the community in the use of medical services.

TABLE 3.3: PRIMARY HEALTH CARE			
Date	No. of centers	No. of villas	Coverage of population
May 1990	1	1	4.000
December 1991	5	5	40.000
December 1992	16	16	100.000

F. TO STRENGTHEN DEMOCRATIC INSTITUTIONS

Objective: Improve the effectiveness and accessibility of key democratic institutions (including local government).

The Urban Development Initiative is contributing to this objective in two ways, through PROA's assistance both to the municipality, as well as to the Neighborhood Councils.

1. The Mayor's Office

Strengthening City Hall is another of PROA's four main priorities. Its efforts in this direction are focused on three areas. In the technical area, PROA provides assistance with the design of projects, and in negotiations with donors. In administration, PROA helped to carry out a restructuring of the Mayor's office, and to design a computerized model to improve administration and internal control. In finance, the purpose of PROA's support is to strengthen the fiscal base, and to increase the collection of revenues. As part of this effort, PNUD-CNUAH is preparing a cadastral register. Together with the reforms that facilitate the legalization of subdivisions and buildings, it is estimated that these measures should raise municipal income about ten times.

2. Neighborhood Councils

PROA maintains that the key to successful project implementation is the active cooperation and participation of the community. Thus, PROA has invested a large part of its resources in strengthening mechanisms for community participation in the search for solutions to local problems. In this respect, PROA has been working closely with neighborhood councils in each of the three villas where it is operating, in order to make the council members themselves aware, and to collaborate with them in mobilizing the community.

CHAPTER IV

CONCLUSIONS AND RECOMMENDATIONS

A. ACHIEVEMENTS TO DATE

The achievements of PROA to date may be discussed in two ways: first, in terms of its own objectives as initially defined as a result of the first workshop at Lake Titicaca in June of 1988; second, in terms of its larger role as a facilitator of community development in El Alto.

1. Progress Toward Objectives

When PROA was set up, four objectives were defined to guide its activities: a) to strengthen the institutions involved in the development of El Alto; b) to generate jobs and incomes, particularly for low-income families; c) to establish a primary health care system; and d) to improve the provision of housing and infrastructure. A detailed account of PROA's activities and achievements towards these objectives are given in chapter II.

Taking its four goals together, we can say that in the short space of less than two years, PROA has made significant progress in each of these areas.

a. Institutional Development

In terms of institutional development, PROA has continually been providing substantial assistance to the municipality on administrative, technical and financial matters. It has established itself as an effective coordinator of development activities in El Alto, facilitating negotiations between the municipality, donors, government agencies, and the community. It has also initiated area-based activities in three villas, obtaining favorable responses from the communities involved. Progress in organizing Neighborhood Associations and associated committees has been slow, but positive results have been achieved after their establishment.

b. Employment and Income Generation

The task of generating employment and incomes is being approached on three fronts. A credit program has recently been set up to channel loans to small-scale businesses that would not normally be able to borrow. Several pilot production projects have been started to encourage home-based income-generating activities, and have spurred considerable interest within the community. Both these efforts have been supported with extensive training courses for owners of small-scale businesses and those participating in the pilot projects.

c. Primary health care

Solid progress has been made in establishing an effective primary health care system in El Alto with the opening of the first health center operating around the clock on a fee for service basis. With technical assistance from PROSALUD of Santa Cruz, and

financial support from USAID, PROA plans to extend this program to sixteen centers throughout El Alto during the next three years. Eventually, it is anticipated that the program should be largely if not entirely self-financing.

d. Housing

In collaboration with Mutual de La Paz and FONVI, PROA is in the process of setting up a credit program to provide loans for home improvement. Given that the great majority of home construction in El Alto has taken place in the past without proper authorization from the municipality, PROA assisted the municipality in streamlining the process for regularizing permits for subdivisions and construction. This in turn enables homeowners to access credit sources from formal sector institutions. As complementary measures, PROA is setting up a building materials bank, training courses for petty manufacturers of building materials, and a technical assistance service for prospective home improvers.

2. PROA as Facilitator of Development

Another measure of the impact of the urban development initiative on El Alto is PROA's performance in facilitating development and attracting investments and other resources to the city. Since its inception, PROA has been involved one way or other in 18 projects, the total value of which amounts to a little under \$30 million dollars. Of this total, the largest share has come from donors with 60%, followed by the government of Bolivia with 36% and the private sector with 4%. (See Table 4.1.)

a. Donor Funds

PROA's role in these projects varies. Sometimes it has acted to push forward projects that had stalled. The JICA project for potable water, for example, was in danger of being canceled due to lack of action by the municipality. PROA rescued the project, by providing technical assistance to help prepare the necessary project documents. Likewise, the HIG project was stalled, since potential beneficiaries were unable to meet the borrower's conditions for lack of proper documents. With PROA's help, the municipality was able to institute a new and much simpler procedure for issuing the necessary authorizations required by the lender.

In other cases, PROA has taken a lead role in initiating projects and seeking the resources required for it. This was the case, for example, with the primary health care program funded by USAID, and the project for furniture exports funded through FOCAS, which previously had excluded El Alto from its list of cities to be assisted. Since then, PROA has initiated negotiations with FOCAS for funding several other schemes in El Alto totalling US\$1.2 million.

b. Public Sector Resources

Of the four projects funded by the public sector (meaning the government and its agencies), three are for basic physical infrastructure, and the fourth for support of micro-businesses. In all four cases, PROA has played an important part in expediting

the projects, often by assisting the municipality in preparing technical studies and financial analyses for the projects. The SOFRE-GAS pipeline proposal had ground to a halt, but PROA was able to get it moving again. The FNDR had approached the municipality without result, until PROA entered the scene. Since then, funds have been acquired for sewerage, drinking water and solid waste projects.

c. Private Sector Contributions

As is to be expected, the financial contributions from the private sector have been smaller than those from donors and the government. Nevertheless, PROA has succeeded in obtaining the participation of the private sector in projects for employment, training, housing and infrastructure.

To assist institutions interested in working in El Alto, PROA provides information on the following items:

- Physical and socio-economic characteristics of urban development in El Alto;
- Institutions and organizations working in El Alto;
- Programs and projects being implemented or in course of preparation;
- Technical assistance both for the design and implementation of projects, as well as monitoring of the same; and
- Interinstitutional coordination identifying areas of common interest and scope for complementary activities.

In this way PROA has attracted the attention of various bodies in supporting development in El Alto, including the following:

- Financial organizations: Banco Nacional, Mutual La Paz, Mutual La Primera, Banco del Estado, FADES, FOCAS, Caja Central de Ahorro y Préstamo, Banco de la Paz;
- Training and technical assistance organizations: IDEA, CEBIAE, INASET, SEMPTA, ADEPI, FEBOPI, PRODEM, NEF, CDA, UNADESA, CIEC, UTASA, ESAPA; and
- NGOs, PVOs, and trade unions: FEJUVE, MUPADE, ENDA, PLAN PADRINOS, ADAM, ASOBUR, College of Architects and Engineers, Chambers of Industry, Commerce and Construction, ADRA OFASA, Foundation against Hunger, FADES, FOCAS, FENACRE, ICAM, IDEA, INASET, and PROSALUD.

Although certain NGOs and PVOs continue to work independently in some areas of the city, PROA's role as a coordinator in channeling and rationalizing the actions of others is already evident. This role allows all parties to acquaint themselves with each others' activities. Furthermore, PROA participates as a member in ASOBUR¹, which it helped to set up, allowing it a potentially larger role in the future at the national level.

This is a recently established private entity which aims to promote a coalition of organizations concerned with urban development at the national level.

TABLE 4.1: INVESTMENTS INDUCED BY PROA IN EL ALTO		
ORGANIZATION	ACTIVITY SUPPORTED	AMOUNT (US\$)
Public Sector		
FSE	Infrastructure	1,268,500
FNDR 1/	Physical infrastructure	3,000,000
SOFRE-GAS	Gas distribution network	5,000,000
Banco Estado	Finance for micro businesses	1,000,000
Sub-Total		10,268,500
Private Sector		
FADES	Angora rabbit project	13,000
ADRA OFASA	Paving of streets and squares	800,000
PRODEM	Support for micro processes	256,000
ADEPI	Construction of training center	50,000
Banco Nacional	Furniture for PROA	40,000
Sub-Total		1,159,000
Donors		
USAID	Health centers and hospital	315,000
HIG	Housing funds for FONVI & Mutuales	1,500,000
FOCAS	Furniture for export	230,000
JICA	Drinking water	13,000,000
PNUD-CNUAH	Cadastral survey for municipality	637,000
InCooplberoam.	Slaughterhouse and forestry	350,000
GTZ	Preinvestment for Río seco canal, solid waste and sanitary landfill	20,000 800,000
Belgian Govt.	Forestry	448,000
Sub-Total		17,300,000
Total		US\$ 28,727,500
1/ Rotating fund for water supply, drainage, and solid waste. Source: PROA		

Given that all this has been achieved in the space of less than two years, it can fairly be said that PROA has been remarkably effective as a facilitator of development, and in

bringing in outside resources to El Alto. Nevertheless, in reviewing the successes and failures of PROA during its first two years of operations, it appears that it has had more success at the micro level with local projects than at the macro level with actions addressed to more general problems. At the micro level PROA has been able to launch a number of pilot projects, particularly those involving the community, such as the health center, the collection of solid wastes, and various income generating activities designed for home production. At the macro level, while PROA has had some successes, notably in attracting external funds for development projects, it has been less effective in tackling some of the larger problems. Among these, for example, are the financial difficulties of the municipality, the investment by larger firms in new plants with the attendant creation of new jobs, strengthening the democratic process of government, and harnessing the collective energies of the community towards the development of El Alto.

There are a number of reasons why PROA has been more successful at the micro level than at the macro level. First, small-scale locally oriented activities are less dependent on the collaboration of outside institutions, and more responsive to community initiative, given the appropriate organizational framework and effective support in mobilizing community resources. This is a task to which PROA has devoted considerable energy in each of the three villas in which it has worked, achieving promising results which demonstrate how communities can to some extent help themselves. Second, the larger issues pertain to circumstances that are often beyond the control of PROA or the local community. The lack of outside investment is largely a reflection of the lack of confidence by the private sector given the uncertain economic climate of the past few years. The financial difficulties of the municipality stem from national policies and political in-fighting, which require actions by the central government. Thirdly, the lack of progress in strengthening the democratic process of local government is simply because this has never explicitly been recognized by PROA as a priority objective.

B. REPLICATION

1. The Need for Assistance to Municipalities

PROA originated as a response to call for help by the Mayor's office in El Alto. In some respects, El Alto is a special case, being a newly established administration, with a shortage of skilled personnel, a severe lack of infrastructure and services, and totally inadequate financial resources. Other cities obviously have their problems, but the larger ones are for the most part better endowed with human and financial resources, even if far from optimum.

In other respects, though, many of the problems which El Alto faces are also faced to a greater or lesser extent by other cities, particularly smaller ones, where the lack of qualified staff and adequate funds is severe. From a national perspective, El Alto is merely the tip of the iceberg of municipalities in need of technical, financial, and other forms of assistance. As indicated in the UI report entitled "Urban Development Assessment", there

is undoubtedly an urgent need to improve support for municipal government in cities and towns throughout Bolivia.

2. The PROA Model as a Response to Municipal Problems

On the face of it, therefore, there would appear to be a substantial need to replicate the PROA model in other cities as a means of providing some form of assistance to municipal governments. The question is: is this the right response?

In the big picture, the PROA model is a second best solution, since it does not address the heart of the problem which is characterized by weak local government capacity throughout most cities and towns of the country. The PROA model is fundamentally an ad hoc (albeit surprisingly effective) solution to the specific needs of El Alto municipality. A radical long term solution to the problems of local government can only come from a national policy designed to strengthen municipalities and empower them to generate sufficient resources to solve their own problems. A potential opportunity for moving in this direction is offered by the current discussions on the decentralization of government. (See below.)

Within the foreseeable future, however, such a radical solution aimed at solving the fundamental problems of local government is a long way from becoming reality. On the other hand, as has been amply demonstrated in El Alto, the PROA model offers an innovative and effective alternative for supporting local government and promoting community development. It also has the great advantage that it can be implemented now, without having to wait for an unknown length of time for the central government to formulate policy, assemble resources, and take other necessary supporting actions. Under the current circumstances, therefore, the PROA model deserves serious consideration as a promising alternative approach to ameliorating the problem of weak municipal government.

3. Feasibility of Replicating the PROA Model

Despite its impressive achievements, the PROA model as it stands is not a feasible method for providing support to municipalities throughout the country. The success of PROA in El Alto is unquestionably due in great part to the team of people that support it. Not only are they highly skilled and experienced professionals, but as a team they have excellent connections with most branches of government, right up to the President of the Republic, as well as to much of the donor community. One reason PROA has been able to assemble such an impressive team is that it has had the resources to offer above-average salaries to attract the best.

It is nighly doubtful that it would be possible to assemble such a well qualified team outside the three or four largest cities in Bolivia, perhaps the nine departmental capitals at the most. Apart from the difficulty of attracting such people, the cost of such a team is probably hard to justify in cities with less than a hundred thousand population, where there is limited potential to generate sufficient outside funding to cover their costs.

Furthermore, it assumes the availability of financial support from donors, which is itself is doubtful.

4. Alternative Forms of Replicating the Model

It is necessary, therefore, to consider alternative forms of replicating the PROA model for the purpose of providing assistance to the country's municipalities. One alternative is to reduce costs of replication by lowering salaries, and hiring fewer people. But this approach means less experienced staff with less good connections and less ability to influence donors and government agencies. Lower salaries also imply less well qualified staff that is less capable of providing the technical assistance needed by the municipality, the unit it is intended to serve. In other words, there is a certain threshold below which such a unit loses its capacity to perform its role effectively.

Another alternative in the larger cities is to replicate the PROA model, if not in its entirety, then in a reduced form focused on specific sectors such as jobs and income, health, housing, or community development. But this is a partial solution, and fails to address the larger problems of strengthening local government and mobilizing local resources for the development of the community in general.

A third alternative is to create PROAs attached to regional development corporations, since they already perform many of the same functions of coordinator and catalyst. But the corporations have many other responsibilities, and therefore their capacity to support municipalities in particular is likely to be diminished. Furthermore, the corporations do not function at the level of the municipality or villa, and are not accountable to the local community. As such, they are unlikely to accomplish another major objective, which is to strengthen community participation and the process of democratization.

A fourth alternative for replicating the PROA model is to create a central or national body serving municipalities throughout the country on request. Although existing organizations are somewhat weak at present, a central PROA might be attached as an autonomous entity to the national association of mayors or municipalities. A core staff at the center could be supplemented by a pool of experts who could be distributed among individual cities as circumstances demanded.

This last alternative is the approach to be recommended. As discussed below, many problems to be found in El Alto are common to most municipalities, and solutions for one city are likely to be applicable to others. A central body could not only attract and retain a team of highly qualified experts, but also could offer technical assistance to a large number of communities. Given its organizational structure, such a body would of course be less capable of implementing specific projects in a given community, but would instead have to concentrate its efforts on strengthening institutions, which in any case is a preferred strategy for development. Such an approach would be more cost-effective, would be more feasible financially, and is likely to be more appealing to donors, given the limited resources available for financial assistance.

C. PROA IN THE SHORT TERM

If we accept this last alternative as the preferred version for replicating the PROA model at the national level over the longer term, then it suggests a number of implications for PROA's activities over the short term. Basically, PROA's development strategy over the short term should aim to pursue two major directions. First, PROA should consolidate its experience at the local level in building and strengthening local institutions with the capacity to assume responsibility for community development. Second, PROA should begin the process of building a national lobby to represent the interests of all municipalities, while simultaneously initiating a policy dialogue with the central government on an agenda of key issues that address municipal concerns.

PROA's activities over the short term, therefore may be discussed in terms of four main objectives. First, it should aim to strengthen the democratic process of local government through broader community participation. Second, it should strengthen the capacity of local institutions to assume responsibility for the development of the community. Third, PROA should develop mechanisms for generating its own sources of revenue such that it becomes less dependent on USAID. Fourth, PROA should seek to expand the coverage of its area-based activities such that a larger proportion of the population of El Alto benefit from these activities. Each of these objectives in turn suggests priorities for allocating its scarce resources of human and financial capital among its different activities.

1. Strengthening the Democratic Process

As PROA has already demonstrated in its work among the three villas in which it is operating, the most valuable resource of all is the community itself. PROA can achieve little alone, and in the longer term the most important asset it can bequeath the city of El Alto is the capacity of the community itself to identify problems, to design solutions, to mobilize resources, and to manage its own programs and projects. Nevertheless, although PROA has achieved considerable success at the level of the villa, it has not paid much attention so far to pursuing the same objectives at the larger level of the city as a whole. It should attempt to do this in two ways.

a. Strengthen the Links Between the Municipality and Community Organizations

A large number of community organizations already exist in El Alto, notably FEJUVE (the Federation of Community Groups) and its constituent member groups, the Neighborhood Associations. The Mayor himself has spoken of the importance of working in collaboration with the community, and PROA should assist the municipality in harnessing the collective potential energy of community groups as a powerful resource for the larger development of El Alto. Specifically, PROA should work to build and strengthen mechanisms that allow community groups to participate more actively in the decision-making process of the municipality, and in implementing specific projects and programs. This is a difficult challenge, and one that is beset with potential political pitfalls. Nevertheless, it is an essential element in strengthening the democratic process, empowering local government, and building the capacity for self-determination. One possibility in this direction is to establish sectoral committees composed of representatives

of both the municipality and community groups with responsibility for different activities, such as infrastructure, housing, health, and employment. A potential model for such committees is the proposal to establish a Council for Urban Development, which was recently put forward during the workshop at Lake Titicaca in June of 1990.

b. Formalize the Decision-Making Process of PROA Itself

A smaller though nonetheless significant step that PROA can take in strengthening democratic participation in the development of El Alto is to formalize the decision-making process of PROA itself. This refers specifically to the definition of objectives, the identification of projects, and the prioritization of activities. To date, these decisions have been made partly through the two workshops held at Lake Titicaca in June of 1988 and June of 1990, in which representatives of some forty local organizations have participated, partly through ongoing discussions with community leaders and other organizations active in El Alto, but most of all by PROA's own staff working in close collaboration with USAID. As long as PROA is almost entirely dependent on USAID for financial support, this is virtually unavoidable. However, it is not conducive to achieving the objective of strengthening democratic institutions of local government. PROA should therefore set up an advisory committee to participate on a more regular and active basis in its decision-making process, with representatives not only from development organizations, but also from the community itself. A similar proposal was put forward at the Titicaca workshop held recently, and should be implemented as soon as possible.

2. Strengthening Institutions versus Direct Intervention

A second fundamental objective of PROA both in the short term as well as the longer term should be to strengthen the capacity of local institutions to assume responsibility for the development of the El Alto community. This is absolutely essential in order to achieve the larger objective of self-determination, and to wean the municipality away from continued dependence on outside assistance. This is obviously not something that will be achieved in the near future, but the objective should always be foremost in mind in determining how PROA approaches the solution to a given problem or task.

Although the principle is recognized by PROA, and is incorporated in the first of its declared objectives, in practice it has often tended to violate the principle by intervening directly in the implementation of projects by assuming some critical role for itself. This has been the case, for example, in the credit programs for small-scale businesses and housing improvement, and especially in the area-based programs.

There are two reasons for this: one is necessity, the other is to generate income for PROA, a subject which is discussed later. PROA claims that it has become involved in the implementation of projects due to the lack of interest or resources of others, and that it has to research the feasibility of a project, and demonstrate its profitability before others can be persuaded to take it over. This has been the case, for example, with the pilot projects, which are basically designed to diffuse technical know-how to community families.

In other cases, it may be that PROA is the only organization with the capacity to implement a project. Such is the case for example, with the credit programs for micro businesses, where PROA clearly has a superior capacity to carry it out. In this case PROA not only has the technical skill but also the links to local organizations with an intimate knowledge of the community.

Nevertheless, there are dangers when PROA intervenes directly in implementation. It distracts PROA from its main tasks of catalyzing the efforts of others. Further, there is a risk of having to support activities requiring subsidies, which in turn might create financial problems for PROA. But most importantly, it undermines the longer term objective of strengthening local institutional capacity and promoting self-determination of the community.

Otherwise, there is danger that PROA assumes responsibility for more and more activities, which is a natural tendency for capable organization like PROA. But in some sense, when PROA implements a project, it is a reflection of failure, in that it has not succeeded in its role as catalyst, attracting another entity to undertake the endeavor. Obviously, there will be occasions when promising opportunities present themselves, and for lack of feasible alternatives, PROA has to intervene in implementation. But the true test of success in promoting community development is when PROA makes itself redundant, and the community itself assumes the responsibility for a project. If that does not happen, then probably it is not worth continuing the project.

3. Generating its Own Financial Resources

A third objective for PROA should be to strengthen its longer term financial security. So far, PROA has been almost entirely dependent on USAID for financial support, and recently the Mission has agreed to continue funding PROA's basic operating costs at least until the end of 1991, including an additional provision for certain project activities. While this has assured PROA's financial security during the early years of its existence, this is not a desirable situation. There is no guarantee of continued support in the future, and as long as PROA relies on this single major source for funding, it is involuntarily obliged to conform to USAID policy preferences. While PROA may well agree with these preferences, it compromises its autonomy and scope for independent actions.

In order then to improve its financial security and to secure a greater degree of policy-making autonomy, PROA needs to do two things. First, it needs to begin the process of transforming itself from a purely local organization concerned solely with supporting the municipality of El Alto towards a national organization with the capacity to provide technical assistance to municipalities throughout the country. This would not only enable PROA to make more cost-effective use of its resources, it would enhance PROA's chances of gaining financial support in the future, not only from USAID but also from other donors.

Second, and perhaps more importantly, PROA should develop mechanisms for generating its own sources of revenue such that it becomes less dependent on financial support from

donors. As discussed in the Urban Institute report, there are two possibilities for doing this through income-generating projects or services; or through charging fees based on its activities as a coordinator of development projects. The first alternative runs the risk of inducing PROA into less well known fields, and extending it beyond its capabilities. Further, it implies that PROA becomes more directly involved in the implementation and operation of projects, which as was discussed previously is not the most desirable direction for PROA to take. The preferred alternative is for PROA to support itself primarily through its activities as a coordinator, charging fees to donors, government agencies and the municipality for its services in the design, preparation, and expediting of projects.

4. Expansion of PROA in El Alto

A fourth short term objective for PROA is to expand its coverage within the city of El Alto. PROA's activities fall into two kinds: those that affect or concern the entire city, and those that relate to specific villas. One of PROA's main precepts is the notion of area-based management. In terms of staff energies and time, it would appear that much the greatest share is spent on community related activities than those for the city as a whole. But currently PROA operates in only three of the more than 180 villas in the city, which collectively represents about 10,000 people or 3% of the total population.

There are two issues here. One is the allocation of effort and time between city-wide and villa-based activities. The other is how to increase coverage of area-based activities.

a. City-Wide versus Villa-Based Activities

A basic question is which kinds of activities are likely to generate greater results to larger numbers of people for a given expenditure of PROA's time, money and the energy of their staff? For example:

- (1) the promotion of a free trade zone, or a series of mini pilot projects?
- (2) obtaining funds for extending the water supply system and facilitating the implementation of the project, or launching a trash collection scheme?
- (3) designing a process for regularizing land and construction permits, or processing family applications for home improvement loans?
- (4) assisting the municipality in improving their system of local taxation and raising their tax revenues, or organizing the community to contribute their own resources to a public works program?

The answer is not always straightforward. Generally, an action that benefits a larger number of people is to be preferred. But sometimes an action at the level of the entire city accomplishes nothing without supporting actions at the level of the villa, as for example in case (3) mentioned above.

The point is that PROA should carefully weight the expected costs and benefits associated with each proposed activity, and be rigorous about selecting those that are likely to bring most benefits to the community as a whole for a given investment of time, money and effort. This is likely to suggest greater emphasis on city-wide activities than

area-based ones, but not to the point of excluding the latter. The former have the major advantage of not being tied to the pace at which villas can be organized.

b. Expansion of Area-Based Activities

There are two critical factors to consider here. One is the rate at which PROA can expand its coverage of villas. This depends in part on the time required to organize the community and put in place the mechanisms for implementing villa-based activities, such as pilot production projects. The other is the availability of resources with which to expand programs.

(1) Organizing Villas

PROA has been functioning now for nearly two years, but is effectively operating in only two villas, since the third is still not operational. Of the two, one is much more active than the other. Admittedly, the first cases are always going to be the slowest and most difficult. Perhaps the time required for the preliminary organizational phase can be reduced in subsequent villas. Nevertheless, there is no escaping the fact that it is an extremely fragile, delicate, and time-consuming process, which is critical to the long term success of community based activities. Without the whole hearted support of the neighborhood organization and the community at large, the chances of success are likely to be substantially reduced.

As indicated in Table 4.2, coverage of area-based activities is projected to reach a population of 87,500 by 1995, or 20% of the total for El Alto assuming the growth rate continues at 8% per annum. This is based on two further assumptions: first, that a minimum of 6 months is required to cultivate community trust and support, and to put in place the initial mechanisms required to carry out area-based projects; second, that PROA expands at the rate of four villas per year over the next three years and five thereafter. If anything, the second assumption may be optimistic.

Year	1990	1991	1992	1993	1994	1995
Number of villas	3	7	11	15	20	25
Number of families	1500	3500	5500	7500	10,000	12,500
Estimated population	10,500	24,500	38,500	52,500	70,000	87,500
Population of El Alto	300,000	324,000	349,920	377,914	408,147	440,798
Percentage of total	4%	8%	11%	14%	17%	20%

How can things be speeded up? The above scenario is based on the basic premise that successful replication of many of PROA's area-based activities depends critically on sound community organization, and that this a necessary precondition for expanding activities. For many activities, this may be true, especially for example where the neighborhood organization plays a role in organizing group credit schemes, and vouching for loan applicants who lack the conventional collateral required by formal sector institutions. But need it apply for all? Some suggestions:

(2) Expansion to Other Villas through Specific Projects

Rather than elaborating a fully fledged neighborhood organization with a full set of committees for different purposes, would it not be possible to build community organizations around specific projects, in the same way that PROA learned that coalition building also needs to be based on specific tasks. This has the advantage of yielding concrete results early on, which can serve to motivate the community to undertake further activities.

(3) Expansion through "Twin" Villas

PROA is already starting to use leaders of the first villas to train leaders of other villas whose initial task is to generate interest and build momentum for PROA activities. But how about a system of adopting "twin" villas, in which the first villas take responsibility for helping to organize one or two other villas. PROA might consider designing such a system, after a little more experience, evolving a series of steps to be completed.

(4) Expansion through the Use of the Local Media

The municipality and PROA appear to have remarkably good relations with the local media. We understand one local television station is planning to devote one hour of programming each week to PROA's activities. We suggest PROA explore the possibilities of using television, radio and newspapers to propagate ideas for community-based activities. The media is ideal, for example, in promoting community awareness of hygiene methods, publicizing the services of the health center, or stimulating the initial interest of local organizations in area-based activities.

(5) Delegation of Tasks to a Local Organization

The strategy of development based on areas requires a substantial amount of human resources, not only for the initial organization of the community, but also for subsequent monitoring and technical assistance. While it might have made good sense for PROA to assume initial responsibility for these tasks in the first few villas, it clearly will become increasingly impractical and undesirable for PROA to maintain this role over the longer term as the number of villas rises, particularly if it is to transform itself from a local organization to a national one. Instead, therefore, PROA should seek to delegate these tasks to a local organization, and concentrate on building its capacity to ensure that it is able to take over PROA's role and continue the work effectively. An obvious candidate for this role is FEJUVE, although there are no doubt other possibilities too.

c. Availability of Supporting Resources

A word of warning, though, is in order. Generating interest and enthusiasm is one thing. However, unless the resources exist to capture that interest and channel it productively, it could backfire, merely arousing frustration and resistance to future efforts to mobilize the community. Thus efforts to expand coverage of programs to other villas must be undertaken hand in hand with expansion of human and financial resources, to ensure that available resources are sufficient to meet additional projected demand. This applies particularly to projects like credit schemes for petty businesses and home improvement, which depend on outside finance rather than local inputs.

5. Program Priorities

The four major objectives outlined in the preceding paragraphs are intended to provide PROA with a set of priorities in allocating its resources over the next couple of years, in selecting courses of action, and in managing the projects it is already undertaking. Given the many needs of City Hall and the El Alto population, there are many things that could be done, or that merit consideration. Thus, it is important that PROA avoid the temptation of getting involved in too many projects, and burdening itself with the costs of projects that are meritworthy but unprofitable. The temptation is especially difficult to avoid given the lack of other capable organizations in the area. Therefore, PROA constantly has to determine the most effective use of available human and financial resources, and has to remind itself of its principal objectives and tasks, and to evaluate the relative contribution of each proposal to long term goals, particularly the objective of building and strengthening local institutions.

a. Strengthening the Financial Resources of City Hall

Apart from its task of assisting the municipality in strengthening the democratic process of local government, which was discussed before, PROA's major priority should be to strengthen the financial resources of the El Alto municipality. While some of the basic issues require action by the central government in resolving disputes with the city of La Paz, PROA can do much locally to help the municipality to strengthen its fiscal base. Four actions merit particular attention. First, efforts should be made to improve the collection of existing fiscal revenues, derived from licenses, fees and such, by setting up a database and monitoring system to ensure such fees are collected. An important part of this task is to capture potential revenues nominally attributable to El Alto, but actually paid to La Paz, by the branch plants and offices of companies domiciled in La Paz. Second, steps should be taken to reinforce financial controls over spending of the limited resources which it already has. Third, a study should be made to rationalize the existing structure of tariffs, license fees, and other taxes which it currently imposes. Many are out of date, there are many inconsistencies, and some activities are not even covered. Fourth, there is considerable scope to raise potential revenues derived from the tax associated with land and buildings. This means PROA should work in collaboration with the United Nations team to expand the cadastral survey to cover the entire city, to design procedures to update the taxable value of these properties, and to set up a more effective system for collecting property-based revenues. To assist in these efforts, PROA should contract one or more specialists in municipal finances and accounting.

These and many other proposals were put forward at the recent workshop at Lake Titicaca, including others concerning technical and administrative aspects. However, it is doubtful that PROA has the resources to tackle all of these issues over the next couple of years. In the circumstances, it is recommended that PROA should give first priority to strengthening the financial situation of the municipality, since this to a large extent dictates the capacity of the municipality to undertake other tasks.

b. Jobs and Income Generation

In terms of jobs and income generation, a large part of PROA's efforts have been devoted to pilot projects and micro businesses, which require the intensive use of PROA's human resources. Given that the great majority of the El Alto population earn their living in the informal sector, these activities obviously deserve priority attention. Nevertheless, PROA needs to search for the most cost-effective ways of promoting them. Three suggestions are considered here:

(1) Free Trade Zone

The proposal to establish a free zone in El Alto is interesting, but it is not clear that it is feasible. The principal attraction of a free zone is the availability of qualified labor at a low cost. In Bolivia, salaries are low but there is a shortage of skilled labor. Further, Bolivia is not Mexico, located on the frontier of the United States. Instead, it is far from countries where the cost of labor is high, and this increases the costs of transport and reduces the attraction of El Alto as a location. Nevertheless, given that the proposal is of national interest, PROA should request the central government to hire a team of specialists to investigate the feasibility of the proposal in greater detail.

(2) The Regulatory Environment Governing the Informal Sector

Often, rules and regulations governing industry, commerce, and other economic activities, are based on standards established in industrialized countries. As a result, they are often inappropriate for informal sector activities, and tend to get in their way. For example, zoning laws exist that prohibit shops and workshops in residential areas; municipal ordinances oblige street sellers to confine themselves to inconvenient locations; and hygiene standards controlling the sale of food eliminate mobile food vendors.

The current Mayor of El Alto has evidently adopted a position of supporting micro businesses. But PROA should nevertheless review the whole range of rules and regulations that affect the informal sector, with a view to eliminating unnecessary obstacles, and creating a legal environment that is conducive to the economic activities of the sector.

(3) Links to Rural Hinterlands

A further opportunity for promoting jobs and incomes lies in strengthening links with El Alto's rural hinterland. A large proportion of El Alto families have close ties with rural areas in the Departments of La Paz and Oruro, and even farther afield. PROA should investigate the potential for exploiting these linkages to generate

opportunities for production and commerce, particularly those associated with the processing of agricultural produce. A consultant should be contracted to determine the feasibility of alternative activities.

c. Primary Health Care

The intention of establishing a self-financing primary health care system is ambitious, particularly in an area of low income families such as El Alto. For this purpose a highly competent and specialized organization is needed. PROA is right to contract the technical assistance of PROSALUD/Santa Cruz in this respect, since they have technical competence based on eight years of experience in Santa Cruz. The institutional structure for the expansion of the primary health care program to sixteen health centers in EL Alto over the next three years is currently under discussion. In order to secure continued technical assistance, it is strongly recommended that the primary health care system initially be established as a PROSALUD franchise under the direction of PROA. Further, to insulate PROA against potential financial losses, it is recommended that the health care element be set up as a financially autonomous entity, receiving its financial support directly from USAID. In the longer term, this will make it easier for PROA to gradually disengage itself from direct involvement with the health program, as it makes the transition from a local to national organization.

d. Housing Improvement and Infrastructure

(1) Regularization of Sites and Buildings

This is an excellent example of the kind of action that PROA should focus on. At the cost of a relatively small amount of resources, PROA and the municipality were able to relieve a major constraint with potential benefits for the entire El Alto community. As a result of this action, homeowners can now obtain, more rapidly and with less difficulty, the necessary documents to access credit programs using their home as collateral. Over the longer term, City Hall stands to increase its revenues from property-based taxes.

Despite these reforms, however, the pace at which homes are being regularized is slow. Only 43 homes have been processed in a period of three months. PROA should investigate whether this is due to bottlenecks in City Hall, or to a lack of demand by homeowners. Steps should be taken to accelerate the number of homes processed, if necessary through a campaign that encourages homeowners to apply and explains the advantages of legalizing their properties.

(2) Building Materials Bank

This is another example where PROA has assumed responsibility for implementing a project that it had previously initiated. One reason given is that it is assumed that in the future the project will generate income, which can be used to cover part of PROA's overheads. More logical is the reverse: given that the project will not be profitable in the first years, it will need PROA's support. Once it becomes financially viable, PROA can then transfer it to another institution, or perhaps a cooperative or other form

of enterprise under worker ownership. But if this is the intention, it should be planned as the goal from the outset.

(3) Infrastructure service charges

According to newspaper reports (*El Diario*, 16 May, 1990, section 3, page 3), community representatives from El Alto have opposed the raising of tariffs by COBEE and SAMAPA for energy and water services. On the other hand, the utility companies obviously need to recover their costs of operation. It appears that a gap exists between the intentions of the utility companies and the perception of the community.

It is important to maintain the principal of cost recovery for infrastructure and utilities, although this often encounters strong opposition from the community. PROA should explore possible mechanisms for improving communications between the utility companies and the community, in order to involve them more closely in the process of establishing tariffs that are at the same time equitable and yet profitable. One possibility is to launch a campaign to make consumers aware of the need to recover costs and minimize subsidies.

D. PROA IN LIGHT OF LONGER TERM ASSISTANCE TO MUNICIPALITIES

Section B of this chapter recommends the most appropriate form of replicating the PROA model in the longer term as a means of providing support to other municipalities. The authors envisage the transformation of PROA from a local organization serving El Alto to an autonomous national body attached to the national association of mayors or municipalities, or a similar organization. Towards this end, PROA, over the next couple of years should start to build a national lobby representing the interests of municipalities, and should develop an agenda for a policy dialogue with the central government on issues of municipal concern.

1. Building a National Lobby to Represent Municipal Interests

Many of the problems found in El Alto are common to many if not most other municipalities, especially those like El Alto which are not departmental capitals. Since El Alto is by far the largest of the municipalities that are not departmental capitals, PROA should work with the municipality of El Alto in providing leadership for other municipalities and in establishing a national lobby to represent their common interests. Working alone, the municipality of El Alto is likely to find it difficult to win support within the central government for necessary reforms. As the leader of a coalition of municipalities, however, it would be able to draw on much wider support throughout the country. PROA should determine whether this is best achieved by working through an existing organization such as the national association of mayors, which is reportedly weak and largely inactive, or by establishing an alternative group.

2. An Agenda for Policy Dialogue with the Central Government

Alongside the building of a national lobby to represent the interests of municipalities, a second task for PROA in transforming itself from a local organization to a national one, is to elaborate an agenda of policy issues affecting municipalities that require actions by the central government. During the course of its work in El Alto, PROA has already begun to identify a number of generic issues that concern municipalities. Over the next couple of years, PROA should develop a strategy for engaging donors and the central government in a discussion of these issues. This involves organizing the issues into a coherent framework for a policy dialogue, and identifying interested donors and the relevant government agencies responsible for such matters. Since some of these issues are likely to be more difficult to resolve than others, PROA should aim to begin with those that are easier. In this way, PROA can establish its credibility as an effective intermediary on behalf of municipalities. Among the many topics that might be included in an agenda for discussion with the central government are the following:

a. Revenue Sharing

The present system of revenue sharing between the central and local governments as embodied in the Reforma Tributaria Nacional de 1985 benefits the departmental capitals at the expense of other smaller municipalities. In El Alto, as in other secondary cities, much of the taxes derived from branch plants and offices located there never reach City Hall, because they are paid by the firm's headquarters, usually located in La Paz. Due to the way in which the new law works, tax revenues are allocated in proportion to the amounts collected in each municipality, and on the basis of formulas which favor capitals of the Departments. This benefits the biggest cities at the expense of other places. Action is needed by the central government to solve the problem, possibly through revised distribution formulas based on size of population, size of the workforce, and/or existing levels of service provision.

b. The Structure of Municipal Revenues

A second item on the agenda for a policy dialogue with donors and the central government should be methods of strengthening the fiscal base of municipalities. Revenues are derived from a variety of sources, including property taxes, tariffs, fees, and licenses. In many instances, however, the revenues which municipalities actually receive are far less than they might be. There are three main reasons for this: municipalities lack an adequate data base on which to levy such charges; the declared values on which taxes are levied are far below market values; and the structure of charges is out of date and has not kept pace with inflation. Of particular importance here are cadastral surveys to provide an accurate data base on which to levy taxes, and the revision of the structure of tariffs, fees, and licenses to reflect current activities.

c. Decentralization Policy

A third item on the agenda concerns government policy for decentralization. The authors understand that apparently this initiative is largely stalled, although it has major implications for municipalities. In this respect, a major issue to be determined is the

operate primarily as a local organization serving El Alto. It is recommended, however, that during the period from now until the end of 1992, PROA consolidates its current activities in El Alto and prepares itself for the transition to a national organization from 1993 onwards. The estimated financial costs for operating as a national organization from 1993 onwards are discussed in section E.2, though no allowance is made for the possible need for continuing support for El Alto activities.

1. Short-Term Needs

PROA's short term needs may be discussed in terms of basic operations and specific projects. At present, a team of six professionals and four administrative assistants are responsible for PROA's basic operations. Additional personnel are required for specific projects as indicated below.

a. Human Resources

Human resource needs depend largely on the extent to which PROA expands its coverage of area-based development activities in El Alto. Tentative estimates for different sectors are as follows.

(1) Institutional Development

In principle, the budget for coalition building would remain the same as at present. For community participation additional personnel are needed for promotion and training (four middle level promoters for two years). Further strengthening of City Hall can be carried out through short term specialized technical assistance, implying financial resources according to demand (estimated to be US\$15,000 per year).

(2) Jobs and Income Generation

For the financial support of small-scale community projects, a yearly sum of US\$50,000 is needed. For larger economic development programs it will be necessary to contract specialized technical personnel according to each project (estimated to be US\$30,000 per year). For training, participating groups normally contribute as much as 50% of costs, though a complementary fund is required (estimated to be US\$1,500 for one course per month).

(3) Health

During the first three years of operation, before the health program becomes self-financing, support is needed in the amount of US\$125,000 a year.

(4) Housing

The housing loan programs being undertaken with FONVI and the Mutuales will require the hiring of temporary personnel, the purchase of certain materials and equipment, estimated to be US\$65,000 a year for the first three years of the program. From the fourth year, associated projects like the building materials bank are expected to contribute to self-financing of the program.

b. Financial Resources

The financial resources needed to support these activities during the next five years are estimated in Table 4.3, based on the assumption that PROA continues in its present form as an organization primarily focused on El Alto. Basic operating costs are currently about US\$222,000 per year, and assuming annual increases of 8% for salaries and 4% for other items, this figure would rise to about US\$287,000 in 1994. Costs of projects and activities managed by PROA itself are currently US\$87,000 per year, but are expected to rise to US\$226,000 during the second year, and then decline to US\$68,000 by 1994. This assumes that many of these activities will by then be largely self-supporting.

TABLE 4.3: FINANCIAL NEEDS (US\$ 000s)					
Item	1990	1991	1992	1993	1994
Basic Costs					
Technical assistance	138.0	149.0	160.9	173.8	187.7
Administrative support	60.0	63.0	65.5	68.1	70.9
Equipment	24.0	25.0	26.0	27.0	28.1
Sub-Total	222.0	237.0	252.4	268.9	286.6
Costs of Activities					
Institutional devp.	--	48.0	25.0	13.0	--
Community org'n	10.0	15.0	15.0	15.0	--
Small-scale projects	--	50.0	50.0	35.0	20.0
Training	12.0	18.0	18.0	18.0	18.0
Short-term consultants	--	30.0	30.0	30.0	30.0
Guaranty fund	65.0	65.0	65.0	--	--
Sub-Total	87.0	226.0	203.0	111.0	68.0
TOTAL	309.0	463.0	455.4	379.9	354.6

2. Expansion of the PROA Model in the Long Term

The costs required for expanding the PROA model in the longer term, in order to extend its services to other municipalities depends on the approach adopted. The most cost-effective way is likely to be the fourth alternative outlined in section B, in which PROA transforms itself from a local to a national organization. This scenario would require minimal changes in staffing, and allow PROA to retain most of its existing personnel.

Technical assistants responsible for specific local projects might have to be transferred to local organizations, if that had not already taken place. It is also recommended that one or two additional professionals be added with expertise in municipal finances and accounting. In addition, a small pool of selected experts would be needed to attach to individual municipalities for a period of one or two years at a time, as circumstances required. This suggests a budget for the years 1993 through 1994 as indicated in Table 4.4.

TABLE 4.4: FINANCIAL NEEDS FOR PROA AS A NATIONAL ORGANIZATION (US\$ 000s)		
Item	1993	1994
Basic Costs		
Technical assistance	173.8	187.7
Administrative support	68.1	70.9
Equipment	27.0	28.1
Sub-Total	268.9	286.6
Additional Costs		
Additional professionals	38.9	42.0
Technical assistance	38.9	84.0
to municipalities	(2)	(4)
Costs of Activities		
Short-term consultants	30.0	30.0
Institutional development	13.0	--
Sub-Total	120.8	156.0
TOTAL	389.7	442.6

F. FINANCIAL SUPPORT

Based on what we have seen and heard, we conclude without hesitation that the PROA model works, and deserves to be supported. In the two short years of its existence, PROA has made remarkable progress and achieved much in terms of its declared objectives. We strongly recommend that USAID and the GoB provide PROA with sufficient funds to cover its core operating costs over at least the next three years, and preferably five.

In the short term, the estimated amount of the funds required was indicated in Table 4.3 above, rising from US\$309,000 currently to US\$455,000 in 1992. In the longer term, as a national organization, it is estimated that PROA will need US\$390,000 in 1993 and US\$443,000 in the following year, without taking into account possible need for continued support to activities in El Alto.

A secure financial future is essential to enable PROA to concentrate on its primary tasks as coordinator, facilitator, and technical adviser to City Hall, and even more in the longer term to enable PROA to transform itself into a national organization. Without such security, PROA has no choice but to seek its own sources of income to cover operating costs. This implies getting more involved in project implementation, which would divert it from its main tasks.

Doubts have been expressed by some that the GoB and donors may resist the idea of providing funds merely for PROA's core operating costs, in part perhaps because the benefits or outputs are not immediately apparent, as is the case for example with infrastructure or services. It should be pointed out, however, that PROA represents a highly cost effective use of resources. For each dollar of support for PROA, the city of El Alto is receiving more than 50 dollars of financial assistance.

Direct support for PROA's core operating costs is preferred. But if this is not forthcoming, or insufficient, then we suggest an alternative approach based on a fee schedule for PROA's services to the government and donor community. Since its main task is to coordinate donor activity in El Alto, and to facilitate project implementation, then PROA should receive payment for these services from the funding organizations that it assists, primarily the donors but also units of central and local government. To establish the precedent, an agreement should be drawn up between PROA and the relevant department of the GoB, which explicitly recognizes PROA's entitlement to charge such fees.

ANNEX A

Text of press release issued by PROA describing:

WORKSHOP FOR THE EVALUATION OF PROA AND INTER-INSTITUTIONAL COORDINATION

Hotel Titikaka, June 22-23, 1990

1. Two years ago at the first workshop for inter-institutional coordination held in June 1988, also at the Hotel Titikaka, at the instigation of the Honorable Mayor's Office of El Alto and USAID/Bolivia, representatives from 30 public and private institutions at the national and international level participated in an analysis of the problems of the city of El Alto. The opportunity permitted the participating institutions to prepare an Operational Plan of support for El Alto, the coordination and monitoring of which was entrusted to the Pilot Program for Urban Development, PROA, which represented USAID/Bolivia's response to the summons from the El Alto authorities.
2. The Workshop for the Evaluation of PROA and Interinstitutional Coordination, held June 22-23 1990, provided an opportunity to make known the progress achieved by this institutional coalition--through PROA--pointing out the great extent to which the planned activities have been carried out.

Once again, this workshop was held under the auspices of the Honorable Mayor's Office of El Alto and USAID/Bolivia, and attracted the participation of a total of 40 representatives of institutions involved in programs and projects of benefit to the city of El Alto.

3. At this workshop, a draft report commissioned by USAID/Bolivia on the evaluation of PROA was also presented, prepared by Hugh E. Evans and Inés Useche de Brill from the consulting firm of PADCO International in Washington, DC, USA. This report concluded that the Pilot Program for Urban Development, PROA, had fulfilled the expectations of the donor institution. As a result of this evaluation, and at the request of H. Mario Aparicio Duarte, Municipal Mayor of El Alto, the Director of USAID/Bolivia has decided to expand the activities of PROA for a further period.

At the inauguration of the workshop, H. Mario Aparicio Duarte, Municipal Mayor of El Alto, read the Ordinance of the Honorable Municipal Council of El Alto. The Ordinance granted a Medal of Recognition to Mr. Reginald Van Raalte, Director of USAID/Bolivia, for his positive support, and Diplomas of Recognition to the professional staff of PROA in recognition of the work carried out by PROA for the benefit of the urban development of the future city.

4. As a result of this workshop, a new Operational Plan has been drawn up with the participating institutions, which is to be carried out in PROA's next phase. This includes the following activities:
 - a. Strengthening the institutional capacity of the municipality
 - b. An Urban Development Plan for El Alto
 - c. Priority support for housing programs
 - d. Support for programs and projects for small enterprises
 - e. Organizational development and community training.

The contents of this Operational Plan will be published in the Proceedings of this Workshop, which are to be distributed shortly.

ANNEX B

PARTICIPANTS AT THE WORKSHOP FOR THE EVALUATION OF PROA

NAME	INSTITUTION
1. Mario Aparicio Duarte	H. ALCALDE MUNICIPAL EL ALTO
2. José Velarde, Ing.	OFICIAL MAYOR TECNICO-HAMEA
3. Jorge Ocampo, Dr.	OFICIAL MAYOR DE CULTURA-HAMEA
4. Simón Paco Lobaton	PRESIDENTE CONSEJO MUNICIPAL
5. Mario Aiza	VICE PRESIDENTE id.
6. Pablo Ticona	PRESIDENTE FEJUVE
7. Francisco Cabrera	PRESIDENTE JUNTA VILLA BOLIVAR "D"
8. Carlos Cardozo, Ing.	GERENTE MUTUAL LA PAZ
9. Hugo Ponce, Ing.	GERENTE TECNICO MUTUAL LA PAZ
10. Jorge Zambrana, Ing.	GERENTE TECNICO MUTUAL LA PRIMERA
11. Ernesto Wende	PRESIDENTE CAJA CENTRAL A&P
12. Javier Ichazú P., Lic.	GERENTE COMERCIAL FONVI
13. Luis Vicario, Arq.(y sra.)	DIRECTOR PROYECTO BOL/88/020 NN.UU.
14. Daniel Quevedo, Lic.	COORDINADOR NACIONAL id.
15. Irene Vance, Arq.	DIRECTORA PROYECTO BOL/88/F05 NN.UU.
16. Jhonn Brañez, Lic.	GERENTE REGIONAL LA PAZ -IDEA
17. Mercedes Vera, Lic.	JEFE PLANIFICACION, IDEA
18. Luis Baudoin, Lic.	GERENTE, INASET
19. Nicolás Martínez, Lic.	SUBGERENTE REGIONAL, BANCO DEL ESTADO
20. Alfredo Pacheco, Lic.	DIRECTOR ADEPI LA PAZ
21. José Valdivia, Lic	DIRECTOR, FADES
22. Gonzalo Ostría, Lic.	GERENTE, CAMARA NACIONAL DE INDUSTRIAS
23. Daniel Zambrana, Ing.	SAMAPA
24. Kennet Lyons	GERENTE GENERAL COBEE
25. Fabio Strauss, Lic.	GERENTE REGIONAL FENACRE
26. Michel Gregoire	COORDINADOR GENERAL, ENDA BOLIVIA
27. Norah Fortún	DIRECTORA, MUPADE
28. Teresa Loza, Lic.	GERENTE TECNICA MUPADE
29. Carlos Moncada, Lic.	FONDO NL. DESARROLLO REGIONAL
30. Edgar Medina	REGIONAL EL ALTO PRODEM
31. Bernardo Santa María	REGIONAL EL ALTO PRODEM
32. Luis Ampuero	PARTNERS UTAH, REPRESENTANTE
33. Antonio Camberos, Lic	JEFE PROMOCION FOCAS
34. Hugh Evans	EVALUADOR DE PROA PADCO
35. Inés Useche de Brill	EVALUADOR DE PROA PADCO

- | | |
|-------------------------------|-------------------------------------|
| 36. Julio Cesar Viscarra | IMBUSTRADE GERENTE |
| 37. Hugo Loaíza | IMBUSTRADE DIVISION DE PERSONAL |
| 38. Reginald Van Raalte | DIRECTOR USAID/BOLIVIA |
| 39. Rafael Indaburu, Arq. | GERENTE DE PROYECTOS USAID/BOLIVIA |
| 40. Dino Siervo | ASESOR EN VIVIENDA USAID/BOLIVIA |
| 41. Sigrid Anderson | DIVISION DE SALUD USAID/BOLIVIA |
| 42. Raúl Bascon C., Ing. | DIRECTOR PROA |
| 43. Manuel Pacheco S., Lic. | GERENTE DE FINANZAS Y ECONOMIA PROA |
| 44. Jaime Cusicanqui V., lic. | GERENTE DE PRODUCCION PROA |
| 45. Jorge Valenzuela V., Arq. | GERENTE DE DESARROLLO URBANO PROA |
| 46. Gastón Mejía B., Ing. | GERENTE DE COALICION PROA |
| 47. María Luisa Betancuort | PROA |
| 48. Alberto Nogal Q., Ing. | PROA |
| 49. Marco A. Paredes A., Lic. | PROA |
| 50. Jorge Gutierrez, Lic. | OFICIAL MAYOR ADMINISTRATIVO HAMEA |

ANNEX C

PEOPLE INTERVIEWED

PROA

Ing. Raúl Bascón, Director PROA
Arq. Mabel Cruz, Subdirectora de PROA
Lic. Manuel Pacheco S., Jefe del Area Socioeconómica y Financiera
Ing. Gastón Mejía, Jefe de Coalición
Lic. Jaime Cusicanqui V., Jefe del Area de Promoción y Capacitación
Ing. Alberto Nogales, Responsable proyecto desechos sólidos
Arq. Jorge Valenzuela, Jefe del Area de Desarrollo Urbano
Lic. Marco A Paredes, Coordinador del Departamento de Información y Documentación

USAID Bolivia

Reginald Van Raalte, Director USAID
Robert Kramer, Subdirector
Wayne Tate, Jefe División de Planificación para el Desarrollo
Dino Siervo, Asesor en Vivienda
Sonia Aranibar, Gerente de Proyecto
Rafael Indaburu, Gerente de Proyecto

Honorable Alcaldía del Municipio de El Alto (HAMEA)

H. Alcalde Ing. Mario Aparicio
Lic. Jorge Gutierrez, Oficial Administrativo
Ing. José Velarde, Oficial Mayor Técnico de la Alcaldía.
Dr. Jorge Ocampo, Oficial Mayor de Cultura
Lic. Magda Barraza, Directora de Acción Comunal

COMUNIDAD

Francisco Cabrera C., Presidente Junta Vecinal Villa Bolívar D
Gerardo Laura, Coordinador
Fernando Clavijo, Asesor
Pedro Nolasco Tambo, Comité de Alcantarillado
Bernardo Chambilla, Comité de Alcantarillado
Darío Amusquivar, Vecino
Blanca Alvarez, Promotora
Marcelino Callisaya, Vecino
Mateo Tapia, Vecino
David Mamani, Vecino
Asunta Plata, Vecino

Fortunata Villa, Vecino
Estefanía Villegas, Vecino
Basilio Villafuerte
Ramiro Amusquivar
Lino García
María Quenta, Villa Esperanza
José Ayala, Villa Concepción
Florencio Canaviri, Villa Tupac Katari
Edgar Berrios

BANCO DEL ESTADO

Lic. Armando Salas, Gerente Regional La Paz

MUTUAL LA PAZ

Ing. Hugo Ponce Espinoza, Subgerente Técnico

FONDO NACIONAL DE VIVIENDA (FONVI)

Ing. Carlos Moreno Anez, Presidente

**MINISTERIO DE PLANEAMIENTO
DIFAD**

Fernando Torres, Director
Samuel Calasich, Jefe Dpto. de Proyectos
Reynaldo Salinas, Oficina Auditoría

BANCO INTERAMERICANO DE DESARROLLO (BID)

Ing. Juan Francisco Heyes

**PROGRAMA DE LAS NACIONES UNIDAS PARA EL DESARROLLO-CENTRO
DE LAS NACIONES UNIDAS PARA LOS ASENTAMIENTOS HUMANOS -
HABITAT**

Arq. Luis Vicario, Director de Proyecto

ENDA BOLIVIA

Michel Gregoire, Coordinador General
Oscar Saavedra, Director Casa de la Fraternidad

COOPERACION TECNICA SUIZA

Lic. Carlos Carafa R.

COOPERACION TECNICA ALEMANA

Rainer Willingshofer, Primer Secretario Cooperación Técnica y Financiera,
Embajada de la República Federal Alemana

ALCALDIA MUNICIPAL DE LA PAZ - BANCO MUNDIAL

Ing. Jerry Vargas Ugalde, Coordinador General Proyecto de Fortalecimiento Municipal

FONDO NACIONAL DE DESARROLLO REGIONAL (FNDR)

Lic. Roberto Jordan Mealla, Subdirector

Lic. Ana María Villacorte Vargas, División de Promoción y Programación

INSTITUTO DE CAPACITACION MUNICIPAL (ICAM)

Arq. María Eugenia Vera V, Directora Ejecutiva

ANNEX D

LIST OF ACRONYMS USED IN THE EVALUATION

ADEPI	Asociación Departamental de la Pequeña Industria de La Paz (The La Paz Departmental Association of Small Industries)
ANESAPA	Asociación Nacional de Empresas de Servicios de Agua Potable y Alcantarillado (National Association of Service Industries for Water and Drainage)
ADRA OFASA	Agencia de Desarrollo y Recursos Asistenciales de la Iglesia Adventista del Séptimo Día (The Seventh Day Adventist Development Agency)
CEBIAE	Centro Boliviano de Investigación y Acción Educativas (Bolivian Center for Educational Research)
CEPB	Confederación de Empresarios Privados de Bolivia (Bolivian Confederation of Private Businessmen)
CIDEM	Centro de Formación y Desarrollo de la Mujer (Center for Training and Development of Women)
CIEC	Centro Interdisciplinario de Estudios Comunitarios (Interdisciplinary Center for Community Studies)
CDA	Centro para el Desarrollo Autogestionario (Center for Self-Help Development)
COTESU	Cooperación Técnica Suiza (Swiss Technical Cooperation)
CEDLA	Centro de Estudios para el Desarrollo Laboral y Agrario (Center for the Study of Labor and Agrarian Development)
CNUAH	Centro de las Naciones Unidas para los Asentamientos Humanos (United Nations Center for Human Settlements)
ENDAIB	Medio Ambiente y Desarrollo en Bolivia (Environment and Development in Bolivia)
FADES	Fundación de Alternativas para el Desarrollo (Foundation for Development Alternatives)
FIE	Centro de Fomento a Iniciativas Económicas (Center for the Promotion of Economic Initiatives)
FNDR	Fondo Nacional de Desarrollo Regional (National Fund for Regional Development)
FOCAS	Formación de Capitales en Areas Secundarias (Program for Capital Formation in Secondary Cities)
FONVI	Fondo Nacional de Vivienda (National Housing Fund)
FSE	Fondo Social de Emergencia (Emergency Social Fund)
FENACRE	Federación Nacional de Cooperativas (National Federation of Cooperatives)
FH	Fundación Contra el Hambre (Foundation Against Hunger)

GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Collaboration)
HAMEA	Honorable Alcaldía Municipal de El Alto (Honorable Municipal Mayor's Office of El Alto)
HIG	Housing Investment Guarantee
ICAM	Instituto de Capacitación Municipal (Institute for Municipal Training)
ICI	Institución Crediticia Intermediaria (Intermediary Credit Institution)
ICI-MTE	Misión Técnica Española (Spanish Technical Mission)
IDEA	Instituto para el Desarrollo de Empresarios y Administradores (Institute for the Development of Businessmen and Administrators)
INASET	Instituto de Asistencia Social, Económica y Tecnológica (Institute for Social, Economic and Technical Assistance)
INIDEM	Instituto de Investigación y Desarrollo Municipal (Institute for Municipal Research and Development)
ISAP	Instituto Superior de Administración Pública (Higher Institute for Public Administration)
IVS	Instituto de Vivienda Social (Institute for Social Housing)
JICA	Japanese International Cooperation Agency
MUPADE	Mujeres Para el Desarrollo (Women for Development)
NEF	Núcleos de Educación Femenina (Centers for Women's Education)
PNUD	Programa de las Naciones Unidas para el Desarrollo (United Nations Development Programme)
PROA	Programa Piloto de Desarrollo Urbano de El Alto (Pilot Program for the Urban Development of El Alto)
PROSALUD	Programa de Salud/Santa Cruz (Health Program/Santa Cruz)
PRODEM	Programa de Desarrollo de Microempresas (Development Program for Small Businesses)
RHUDO	Regional Housing and Urban Development Office
SAMAPA	Servicio Autónomo Municipal de Agua Potable y Alcantarillado (Autonomous Municipal Service for Water and Drainage)
SEMPTA	Servicios Múltiples de Transferencia de Tecnologías (Comprehensive Services for Technology Transfer)
UNITAS	Unión Nacional de Instituciones para el Trabajo de Acción Social (National Union of Institutions for Social Action)
UNADESA	Unidad Administrativa de Salud para El Alto (El Alto Administrative Health Unit)
UTASA	"Tu Casa" ("Your Home")

ANNEX E

A.I.D. Evaluation Summary, Parts I and II

(Draft; to be completed by USAID/Bolivia)

A.I.D. EVALUATION SUMMARY PART I

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

IDENTIFICATION DATA

A. REPORTING A.I.D. UNIT: <u>USAID/Bolivia</u> (Mission or AID/W Office) (ES:)	B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN? yes <input checked="" type="checkbox"/> slipped <input type="checkbox"/> ad hoc <input type="checkbox"/> Eval. Plan Submission Date: FY ___ Q ___	C. EVALUATION TIMING Interim <input checked="" type="checkbox"/> final <input type="checkbox"/> ex post <input type="checkbox"/> other <input type="checkbox"/>			
D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program(s) evaluated; If not applicable, list title and date of the evaluation report)					
Project	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)
	Urban Development Initiative Interim Evaluation (July 1990)				

ACTIONS

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR		
Action(s) Required	Name of officer responsible for Action	Date Action to be Completed
(Attach extra sheet if necessary)		

APPROVALS

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION: mo ___ day ___ yr ___			
G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:			
	Project/Program Officer	Representative of Borrower/Grantee	Mission or AID/W Office Director
Signature			
Typed Name			
Date: _____	Date: _____	Date: _____	Date: _____

H. EVALUATION ABSTRACT (do not exceed the space provided)

The aim of the Pilot Program for the Urban Development of El Alto (PROA) is to provide technical assistance to the local municipality. This mid-term evaluation was conducted in May and June 1990 by a two person team from PADCO International, based on project-related documents, visits to the El Alto community, and interviews with PROA staff and officials from the GoB, USAID, other donors. The main purposes of the evaluation were to determine whether PROA is achieving satisfactory progress, and to assess the potential for replicating PROA as a model for providing assistance to other Bolivian municipalities. The main conclusions and lessons are:

* In two years, PROA has expedited donor funded projects destined for El Alto totalling nearly US\$30 million, facilitated the launching of credit programs for micro businesses and low-income home improvement, initiated a private sector primary health care program, and established strong grass roots organizations and pilot income-generating projects in three city neighborhoods.

* In sum, PROA is a well managed organization and has proved itself highly effective in coordinating and promoting development in El Alto.

* Over the next two years PROA should consolidate its work in El Alto in four ways: by strengthening community participation in local decision-making; strengthening the capacity of local institutions to assume responsibility for community development; developing its own alternative sources of revenue; and expanding the coverage of its area-based activities to reach a larger proportion of the El Alto population.

* In the longer term, the most cost-effective way of replicating the model, is for PROA to transform itself into a national organization providing technical assistance on demand to all municipalities.

* Towards this end, PROA should over the next two years: gradually disengage itself from direct intervention in El Alto projects; start to build a national lobby representing the interests of municipalities; and develop an agenda for a policy dialogue with the central government on issues of municipal concern.

* PROA's two major workshops attended by many El Alto organizations are an effective way to share concerns, generate proposals and secure donor support.

* PROA has been more successful in promoting small-scale locally oriented activities since these are less dependent on the collaboration of outside institutions.

I. EVALUATION COSTS

1. Evaluation Team Name	Affiliation	Contract Number <u>OR</u> TDY Person Days	Contract Cost <u>OR</u> TDY Cost (US\$)	Source of Funds
Hugh Evans	PADCO, Inc.	26		USAID/Bolivia
Ines de Brill	"	24	\$22,456	USAID/Bolivia
Other Direct Costs			\$11,651	
			<hr/>	
TOTAL			\$34,107	
2. Mission/Office Professional Staff Person-Days (estimate) _____		3. Borrower/Grantee Professional Staff Person-Days (estimate) _____		

A.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)

Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: USAID/Bolivia

Date this summary prepared: June 1990

Title and Date of Full Evaluation Report: Urban Development Initiative, Interim Evaluation (7/90)

Purpose of PROA and evaluation.

The aim of the Pilot Program for the Urban Development of El Alto (PROA) is to provide technical assistance to the local municipality. This mid-term evaluation was conducted in May and June 1990 by a two person team from PADCO International, based on project-related documents, visits to the El Alto community, and interviews with PROA staff and officials from the GoB, USAID, other donors. The main purposes of the evaluation were to determine whether PROA is achieving satisfactory progress, and to assess the potential for replicating PROA as a model for providing assistance to other Bolivian municipalities. The main conclusions and lessons are:

A. Findings.

1. In the space of less than two years, PROA has made significant progress towards each of its own objectives of strengthening local development institutions, generating jobs and income, and improving access to better housing and health care. In one way or another, PROA has worked with donors and government agencies to generate investments in a variety of projects for El Alto totalling nearly US\$30 million.

2. The program is also contributing significantly towards USAID Bolivia's six main development objectives. While the program helps only marginally towards maintaining national economic stability, it has spurred jobs and investment in non-coca related activities through loan programs, job training courses, and pilot projects in support of urban home-based production. PROA has also improved local financial markets by working with local institutions in organizing group lending schemes and mortgage guarantees in order to extend credit programs to small businesses and homeowners who previously were ineligible to borrow from the formal sector. Its efforts to promote non-coca exports have proved frustrating, though PROA is currently exploring with the central government the feasibility of establishing a free trade zone in El Alto. The goal of improving the health of mothers and children is being pursued in collaboration with PROSALUD / Santa Cruz, with whom PROA has launched a primary health care program, opening the first of sixteen health centers planned for El Alto. Finally, PROA is helping to strengthen democratic institutions both through its technical assistance to the local municipality, as well as its effective work in organizing grass roots groups and mobilizing community resources.

B. Recommendations.

1. Replication: There is undoubtedly an urgent need to improve support for municipal government in cities and towns throughout Bolivia. However, despite its impressive achievements, the PROA model as it stands is not a feasible

method for providing this support, since the costs are too high and hard to justify outside the three or four largest cities of the country. The most feasible approach to replicating such a program is to gradually transform PROA from a local to a national body serving municipalities throughout the country on request. Such an approach would be more cost-effective, would be more feasible financially, and is likely to be more appealing to donors, given the limited resources available for financial assistance.

2. PROA's strategy in the short term: To achieve this transformation, PROA needs to pursue two major directions. First, PROA should consolidate its experience at the local level in building and strengthening local institutions with the capacity to assume responsibility for community development. Second, PROA should begin the process of building a national lobby to represent the interests of all municipalities, while simultaneously initiating a policy dialogue with the central government on an agenda of key issues that address municipal concerns.

3. Strengthen democratic participation: As PROA has already demonstrated in three villas, the most valuable resource of all is the community itself. The Mayor himself has spoken of the importance of working in collaboration with the community, and PROA should assist the Alcaldia in harnessing the collective potential energy of community groups as a powerful resource for the larger development of El Alto.

4. Strengthen local institutions: Both in the short term as well as the longer term PROA's goal should be to strengthen the capacity of local institutions to assume responsibility for the development of the El Alto community. This will be especially necessary as PROA transforms itself into a national organization, and gradually disengages itself from direct intervention in El Alto.

5. Generate own financial resources: A third objective should be to strengthen its longer term financial security, by generating its own revenues. The preferred approach is for PROA to support itself primarily through its activities as a development coordinator, charging fees to donors, government agencies and the municipality for its services in the design, preparation, and expediting of projects.

6. Expand activities in El Alto: This can be achieved both by placing greater emphasis on programs that benefit the whole community, as well as accelerating the expansion of community-based programs. The latter may be accomplished in four ways: through specific projects instead of the more comprehensive approach currently adopted; through "twinning" communities, using early starters to guide later entrants; through the more organized use of the local media; and most importantly, by delegating the tasks of organizing grass roots groups to a local agency, and building up its capacity accordingly.

7. Strengthen the financial resources of city hall: This can be done in four ways. First, by improving the collection of existing fiscal revenues, including especially the capture of potential revenues nominally attributable to El Alto, but actually paid to La Paz, by the branch plants and offices of companies domiciled in La Paz. Second, by reinforcing financial controls over spending of existing limited resources. Third, by rationalizing the existing structure of tariffs, licence fees, and other taxes which are currently

imposed. Fourth, by collaborating with the United Nations team to raise potential revenues derived from the tax associated with land and buildings, a task already initiated with the preparation of a cadastral survey. To assist in these efforts, PROA should contract one or more specialists in municipal finances and accounting.

8. PROA's strategy in the longer term: In order to gradually transform itself from a local organization serving EL Alto, to a national body attached as an autonomous entity to the national association of mayors or municipalities, PROA should start to build a national lobby representing the interests of municipalities, and should develop an agenda for a policy dialogue with the central government on issues of municipal concern.

9. Building a national lobby: Since many of the problems found in El Alto are common to many if not most other municipalities, and since El Alto is by far the largest of the municipalities that are not departmental capitals, PROA should work with the Alcaldia of El Alto in providing leadership for other municipalities and establishing a national lobby to represent their common interests. PROA should determine whether this is best achieved by working through an existing organization such as the national association of mayors, which is reportedly weak and largely inactive, or by establishing an alternative group.

10. Revenue sharing: The present system of revenue sharing between the central and local governments as embodied in the Reforma Tributaria Nacional de 1985 benefits the departmental capitals at the expense of other smaller municipalities. PROA should press for action by the central government to solve the problem, possibly through revised distribution formulas based on size of population, size of the workforce, and/or existing levels of service provision.

11. The structure of municipal revenues: A second item on the agenda for a policy dialogue with donors and the central government should be methods of strengthening the fiscal base of municipalities. In many instances, revenues which municipalities actually receive are far less than they might be. Of particular importance here are cadastral surveys to provide an accurate data base on which to levy taxes, and the revision of the structure of tariffs, fees, and licenses to reflect current activities.

12. Decentralization policy: A major issue to be determined is the allocation of responsibilities and resources between the central government and local authorities. Since this policy is already under active consideration, PROA should ensure that the interests of the El Alto Alcaldia and other municipalities are adequately represented in policy discussions.

13. Urban-Rural Policy: Given that a large proportion of the population in Bolivia is still living in rural areas, there is an urgent need for a coherent national policy to accommodate the process of urbanization and exploit the opportunities it offers for promoting national economic development.

14. A professional career structure for municipal employees: PROA should seek to promote the broader acceptance of the principle that recognizes the distinction between change among the political leadership of the Alcaldia and continuity among its supporting professional and technical staff. Only then will it be possible to minimize the negative impact of electoral changes.

ATTACHMENTS

K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

MISSION COMMENTS OR FULL REPORT

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

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