

PROJECT ASSISTANCE COMPLETION REPORT

4/9/90

PDKAR961

I. BACKGROUND DATA:

A. Project Title: Integrated Regional Development Project
B. Project Number: 527-0178

C. Date of Authorization
and amounts:

April 2, 1979
\$ 16,050,000 Total
\$ 15,000,000 Loan
\$ 1,050,000 Grant

December 08, 1982 (Am # 1)
\$ 520,000 Grant Increment
\$ 15,000,000 Loan
\$ 1,570,000 Grant

August 30, 1983 (Am # 2)
\$ 30,000 Grant Increment
\$ 15,000,000 Loan
\$ 1,600,000 Grant

September 30, 1988 (Am # 4)
(\$ 1,000,000) Loan Decrease
\$ 14,000,000 Total Loan
\$ 1,600,000 Total Grant
\$ 15,600,000 Project Total

D. Date of Obligation and
Amounts:

June 28, 1979
\$ 15,300,000 Total
\$ 15,000,000 Loan
\$ 300,000 Grant

September 29, 1980 (Am # 1)
\$ 100,000 Grant Increment
\$ 15,000,000 Loan
\$ 400,000 Grant

December 18, 1980 (Am # 2)
\$ 440,000 Grant Increment
\$ 15,000,000 Loan
\$ 840,000 Grant

June 29, 1982 (Am # 3)
\$ 210,000 Grant Increment
\$ 15,000,000 Loan
\$ 1,050,000 Grant

December 17, 1982 (Am # 4)
\$ 520,000 Grant Increment
\$ 15,000,000 Loan
\$ 1,570,000 Grant

August 31, 1983 (Am # 5)
\$ 30,000 Grant Increment
\$ 15,000,000 Loan
\$ 1,600,000 Grant

September 29, 1988 (Am # 7)
(\$ 1,000,000) Loan Reduce Funding
\$ 14,000,000 Total Loan
\$ 1,600,000 Total Grant
\$ 15,600,000 Project Total

September 25, 1989 (PIL # 86)
(\$ 535,170) *Reduction to Loan Funding
(\$ 3,518) **Reduction to Grant funding
\$ 13,464,830 Total Loan (*)
\$ 1,596,482 Total Grant
\$ 15,061,312 Project Total

E. Food Program Local
Currency generations: \$ 6,500,000

F. Other GOP Financial
Contributions: None

G. Other Donor Financial
Contributions: None

H. PACD: June 15, 1984 (Original)
December 31, 1985 (First Revision)
December 31, 1986 (Second Revision)
December 31, 1988 (Third Revision
NIMD only)

I. Implementing Agencies: 1. Departmental Development Corporations
(DDCs) of Cajamarca and Junin.
2. Ministry of the Presidency (MIPRE) thru
Technical Assistance and Training Program
for the Departmental Development
Corporations (TATP/DDCs)
3. National Institute for Municipal
Development (NIMD)

II. PROJECT PURPOSE:

To strengthen a decentralized regional planning and project implementation capability at national, departmental and municipal levels, and establish a mechanism for financing and executing priority sub-projects in market towns and rural areas selected by the National Planning System, in the departments of Junin and Cajamarca. Decentralized regional planning and municipal development capabilities would have been strengthened through assistance to two national level institutions, the Ministry of the Presidency (MIPRE) and the National Institute for Municipal Development (NIMD).

*Only \$136,560 has been deobligated. \$398,610 will be deobligated as soon as CN expires.

**Deobligation already processed in September 1989.

2

III. PROJECT INPUTS:

In order to achieve project objectives, the A.I.D. Loan and Grant financed technical assistance, training and equipment purchase in support of the following activities:

1. Institution Strengthening
2. Key Market Town Development Fund
3. Rural Public Works Fund
4. Technical Assistance
 - 4.1 Technical Assistance to Departmental Corporations of Junin and Cajamarca
 - 4.2 Technical Assistance to Municipalities
 - 4.3 Technical Assistance to other Corporations and the MIPRE
5. Support for Regional Administration
 - 5.1 Augmented Staff Capacity for Planning and Evaluation
 - 5.2 Project Implementation Function
 - 5.3 Local Information Function

Activity 1: Institution Strengthening

The capacity of national, departmental and local offices to plan and execute regional infrastructure investments was strengthened under the Project through the provision of long and short term advisors, administrative support, additional personnel, furniture and office supplies, training with short courses, studies, seminars and publications for the following institutions:

Departmental Development Corporations (DDCs) of Junin and Cajamarca, with technical assistance, administrative support, training, and in addition, loan funds were provided for machinery, vehicles and equipment required by both DDCs.

The municipalities of Huancayo and Cajamarca, in an experimental phase, with technical assistance, administrative support, training, and in addition, loan funds were provided for microcomputers, required by these municipalities.

Ministry of the Presidency (MIPRE), with the implementation of Technical Assistance and Training Program (TATP) for all the Departmental Development Corporations (DDCs).

National Institute for Municipal Development (NIMD), with the implementation of Technical Assistance and Training Programs for the majority of the Municipalities (TATP/NIMD).

Activity 2. Key Market Town Development Fund

This fund was established in the Housing Bank of Peru (HBP) to channel resources to selected revenue-generating subprojects which were analyzed, developed and approved by the DDCs in Junin and Cajamarca. The subborrowers under the Fund were municipalities, public utility companies (e.g. Electro-Peru), water, sewerage, and other concessionaires, local community organizations and individuals. Target groups were explicitly identified, with priority concern given to subprojects which had a direct benefit on the rural population and urban migrants.

Activity 3: Rural Public Works Fund

This fund was utilized for financing priority non self-financing rural public works in Junin and Cajamarca. Two major categories of projects were contemplated for rural areas (i) small roads and (ii) small scale projects of productive nature, especially irrigation canals.

Activity 4: Technical Assistance

Funds under the grant financed the technical assistance program providing long and short term advisors, as well as support to Regional Administration in order to finance start-up costs of the Project. Technical assistance was provided in the following areas:

4.1 Technical Assistance to Departmental Development Corporations (DDCs) of Junin and Cajamarca.

A Regional Planner/Administrator was provided for both Junin and Cajamarca DDCs to assist in sub-project preparation, assure that the necessary liaison is provided between the Corporations and the Fund's financial agent, and assisted each corporation in strengthening long-range, medium-range, and short-range planning and annual budgeting. Regional Planning/Administration technical assistance based in Junin and Cajamarca was available to DDCs in selected neighboring departments as needed.

4.2 Technical Assistance to Municipalities

In order to determine those activities and programs which were assisted in the development and strengthening of local governments (Municipalities), technical assistance was provided on an experimental basis to several municipalities of Junin and Cajamarca. Technical Assistance specialists in municipal management and tax administration assisted the municipalities of Junin and Cajamarca in the development of an urban cadastral system, improvement in tax collection, budgeting, and in improving administrative management and maintenance of municipal services.

A second aspect of technical assistance to municipalities was to support the National Municipal Development Institute (NIMD) and its activities of technical assistance and training for municipalities. One long term advisor in municipal development worked with NIMD and with a selected group of municipalities, coordinating the need for short term technical assistance, training courses for NIMD and municipal officials, research, studies and manual publications.

4.3 Technical Assistance to other Corporations and the MIPRE

Technical assistance was provided to other DDCs through the work of two long term rotating advisors who worked with up to twenty corporations. One long term advisor worked full time with the Technical Assistance and Training Program for the Departmental Development Corporations (TATP/DDCs) in developing that office's capability to provide technical support and training to DDCs so they may better fulfill their roles. Further, the project funded the services of three integrated multi-disciplinary teams which provided short

term technical assistance to Departmental Development Corporations (DDCs). Further, the grant funded the development of courses and seminars and the writing and publication of research, studies, and manuals. Funds were also provided to support the staff of the TATP/DDCs in the MIPRE in order to better develop the offices' functions.

Activity 5: Support for Regional Administration

In addition to technical assistance, funds were provided for vehicles, spare parts and road-building machinery and equipment required by the Departmental Development Corporations and public sector entities in Junin and Cajamarca charged with subprojects execution. Operating expenses were provided to assist in establishing within each DDC two new functions: That of Project Implementation and that of Local Information.

5.1 Augmented Staff Capacity for Planning and Evaluation

Additional staff to the existing technical secretariats of the corporations was financed with Project funds.

5.2 Project Implementation Function

The Project assisted in the strengthening of a project implementation capability within each DDC, which allowed them to carefully analyze the detailed characteristics of existing project design and implementation, identify methods of accelerating project execution, improve contracting procedures and improve subprojects supervision in the field.

5.3 Local Information Function

To assist the DDCs, address the problem of information flows and better reach the target population, a local information capability was strengthened within each DDC to permit it to maintain a dialogue with local communities and organizations and carry out training at the local level. Training courses were developed on types of community organization, including cooperatives. Participants were requested to act as contacts between the communities and the development agencies.

Such courses included principles of organization of small groups, cooperativism, agricultural marketing, alternative forms of credit, project identification and the concepts of feasibility analysis. These concepts were taught so that these leaders might better be able to assist communities in selecting worthwhile activities for requests to the corporations or other entities.

IV. PROJECT OUTPUTS/ACCOMPLISHMENTS

The two most important results obtained by this Project were: Decentralization through regionalization, and Administrative Simplification. Both these processes are being implemented. The Project is contributing its experience, research work and trained personnel, who are now working at different levels of the GOP and the Private Sector.

Activity 1. Institutional Strengthening

The Technical Assistance and Training Program for the Departmental Development Corporations (TATP/DDCs) were established, equipped and trained (1984-1987) and became institutionalized as executive bodies of the Ministry of the Presidency (MIPRE). At present they continue to operate Technical Assistance and Training activities for the DDCs, with GOP funds, and are currently making preparations to broaden their activities to include the new regional governments due to be implemented in mid-1990.

The complicated aspects concerning the concentration, in Lima, of the resources and decisions of the Central Government were studied, and a series of contributions and proposals were incorporated into legal provisions such as annual budget laws, the norms governing administrative simplification and the basic laws on regionalization.

The National Institute for Municipal Development (NIMD) was duly equipped and trained, and Technical Assistance and Training activities were institutionalized within the General Municipal Development Bureau, which activities have been decentralized in three regional offices located in the North (Cajamarca), Center (Huánuco), and South (Cusco).

The DDCs in Cajamarca and Junin were equipped with vehicles for staff use and with road-building machinery such as tractors, front-end loaders, dump-trucks, tank trucks and maintenance vehicles.

Two microcomputers were installed in each of the municipalities of Cajamarca, Huancayo, Cusco and Huanuco enabling them to develop a cadastral system, real-estate registers, taxpayers' lists, and accounting systems. These municipalities serve as demonstration models for other municipalities which are now obtaining their own equipment.

Activity 2. Key Market Town Development Fund

38 sub-projects were executed, to benefit 22,540 families, mainly providing them with electricity, markets, slaughter-houses and a trout-processing plant. These subprojects have now been completed and are in operation. They were financed by a revolving fund, which according to the Housing Bank of Peru (HBP), is in a process of financial recovery.

These resources reached the target group, as in the case of the electrification of the ten shanty towns in Cajamarca, or the electrification of six urban centers in Junin's Yanamarca valley.

This component's greatest impact was when the GOP, based on the experience gained by this project, established a revolving fund with its own resources (FONAVI) to finance the implementation of subprojects such as these.

Activity 3: Rural Public Works Fund

46,980 Families benefitted from the 99 sub-projects implemented, mainly community highways, irrigation canals and reservoirs in the Departments of Junin and Cajamarca.

6

These resources were implemented in rural areas neighboring key market towns in both Junin and Cajamarca, and the benefits of the services provided in these towns were thus expanded.

The major impact of this project component was that the participation of the population was obtained in selecting and establishing finance priorities, with the contribution of local resources; labor was provided for implementation purposes; and, above all, participation in the maintenance and repair of public works.

Activity 4: Technical Assistance

4.1 Technical Assistance to Departmental Development Corporations (DDCs) of Junin and Cajamarca

Technical assistance to the DDCs was carried out in three stages:

The first stage by the University of Syracuse (1981- 1983), with long-term advisors resident in Cajamarca and Huancayo: 24 man/months in Regional Planning and 18 man/months in Preparation and Evaluation Projects. Departmental Development Plans were proposed, applying the theory of Urban Functions for Rural Development.

The second stage (1984-1986), took place with short-term advisors resident in Lima, in specific areas such as: 12 man/months in priority investments, 6 man/months in recovery by way of improvement contributions, and 6 man/months with microcomputers.

The third stage (1987-1989), was executed within the activities of the TATP/DDCs whereby the Project's personnel became integrated in the GOP, which continues to provide Technical Assistance and Training to all DDCs.

4.2 Technical Assistance to Municipalities

Technical Assistance to municipalities was carried out in three stages:

The first stage was carried out in a direct, experimental manner, in the municipalities of Junin and Cajamarca (1981-1983), with two long-term advisors resident in Cajamarca and Huancayo, who organized teams within the DDCs, providing to the municipalities advice on administration, organization, finance and cadastral systems. After this experience, the need to strengthen the institutions acting as a liaison with the Central Government, was duly established.

The second stage took place on a nationwide scale (1984-1986), with two long-term consultants resident in Lima: 36 man/months in Municipal Development, and 36 man/months in Administration of Resources, who trained 480 NIMD and GOP officials.

The third stage was also carried out nationwide (1985-1989), with multidisciplinary teams of experts organized in the NIMD who, with GOP funds, continue to provide technical assistance to the municipalities, particularly on planning, administration, tax inspection and urban plans and projects. Technical Advice was provided to 482 local governments, and 1,298 mayors and municipal officials received training.

4.3 Technical Assistance to other Corporations and the TATP/DDCs

The staff training by the TATP/DDCs (1984-1989), continues its activities, providing technical assistance and training in the fields of planning, administration, project engineering, microcomputing and public budgeting, with GOP funds. All DDCs (24) have received advice from this component and 989 DDC officials have been trained.

Activity 5: Support for Regional Administration

5.1 Augmented Staff Capacity for Planning and Evaluation

Members of the technical team trained by the Project, currently occupy key positions in the GOP, either in the MIPRE's own institutions, NIMD, DDCs, Municipalities, or in the NPI, COFIDE, MEF, universities, private organizations and non-profit institutions.

Several legal provisions and norms governing programming and budget implementation were made more flexible, for example, the programming of public expenditure is now done every quarter, resulting in better planned expenses.

5.2 Project Implementation Function

This component's best contribution, was the amendment of the aims of the project, progressing from an experimental stage at a bi-departmental level, to a stage with a nationwide scope in liaison with the Central Government, which was implemented through several amendments and project implementation letters.

This was carried out in a dynamic manner, since during the implementation, several difficulties were encountered as a result of the norms in force, which did not conform to the project's characteristics, such as the Housing Bank request for individual guarantees, which prevented municipalities from having access to loans.

5.3 Local Information Function

In order to maintain a broad contact with welfare organizations, both DDCs established community promotion offices with promoters who visit the communities periodically, organizing various community promotion and development activities.

Also, various training courses were implemented on community leadership, crop handling, family planning, various crafts, marketing of farming products and home economics.

Community participation reached its maximum stage of development in the "development committees" for specific works, with which strategy a high degree of participation was achieved, and local contributions were channelled through implementation and maintenance of public works.

V. LESSONS LEARNED

This project has succeeded in making respectable progress toward its goal and objectives.

Moreover, as a pilot project, and largely as a result of the many hurdles it has had to overcome, it is rich in experience and lessons that will be valuable to decentralization policy dialogue and program development as the new government comes into power in Peru.

The current Peruvian budgetary and administrative process is antithetical to decentralization.

Despite promising new legislation on empowerment to municipalities, budgetary and administrative processes seem calculated to enhance control at the center and frustrate local initiative, planning and development. Changing the current budgetary and administrative process has to be a key focus in a new decentralization development project.

The effectiveness of the PRODERINS (as the Project in Junin and Cajamarca is called) showed that it is possible in Peru to create decentralized local development organizations drawing almost exclusively on local human resources.

The PRODERINS had, with a few notable exceptions, good and in some cases outstanding technical staff and leadership. To a great extent PRODERIN and other IRD training made this level of quality staffing and leadership possible. These trained leaders had dedication to purpose, creativity, and drive. Their effectiveness is attested to by survey responses in both rural and urban areas. The point is that trainable human resources are available at the departmental level.

Promoting rural development by strengthening rural-urban linkages in and around key market towns, is a viable development concept for Peru.

As demonstrated in the pilot project, the planning and implementation of the concept were not as synchronized or as complete as they could have been. However, the project results show that investments in rural areas strengthen the economies of both rural and associated urban areas. Moreover, while investments under IRD in key market towns are relatively recent and were limited primarily to electrification, there is expectation at the local level that this development will lead to greater town-based economic activity which will also enhance incomes in rural areas.

Municipalities are a critical potential source for mobilizing local capital, intellect and labor for development, at a time when it is clear there will be scant resources to transfer out to the provinces from the central government.

Despite woefully deficient staff, budget and equipment, some municipalities are taking very seriously their new responsibilities for the rural areas they encompass and are thinking and planning broadly for province-wide development. Some are making steady progress on increasing their revenue generation, are seeking assistance with property registration and other forms of cadastre, and are responding encouragingly to assistance from the DDCs, NIMD and ITAP/DDCs. For the present, they appear to be a stable unit of local government and, especially at the province level, should figure importantly in USAID and GOP new projects.

Local participation in project selection, planning, labor and in-kind inputs is a vastly underutilized resource in Peru's rural areas, as demonstrated by extensive experience with rural works development in the project.

The special status given to the PRODERINS permitted them to administer works projects themselves rather than having to use a contractor. As administrators, the PRODERINS encouraged and utilized local participation (contractors eschew this approach) and thereby reduced costs, ensured more reliable adherence to completion targets, and developed a local commitment to maintenance. A serious institution building problem the DDCs are facing is the integration of PRODERIN and NPI(National Planning Institute) departmental planning staff. Bureaucratic jealousies and ideological conflicts are the root causes.

There is in Peru a strong rationale and basis for decentralization of development.

It is more than a political expedient. It is a resource waiting to be tapped, and perhaps one of the few resources this country will have in abundance for the foreseeable future.

It is very important to mention that in the middle of 1990 will be installed a new national government which will begin to implement the new Regional Governments. This is a key opportunity to support and strengthen the democratizing process in Peruvian society.

The new projects in Peru will begin consideration of the significant decentralization process, they can be built on the basis of local resources that we know could be available and on the vast experience gained in this pilot project, under the disaster relief program, and the experience and lessons of other decentralization efforts of significance in Peru.

VI. FINANCIAL SUMMARY: (as of March 31, 1990)

	<u>U S \$</u>
A. <u>A.I.D. Contributions</u>	
<u>Loan Funds Cumulative by PACD:</u>	
Amount Obligated	13,464,830
Amount Committed	13,464,830
Accrued Expenditures	13,464,830
Amount Unexpended	0 (*)
<u>Grant Funds Cumulative by PACD:</u>	
Amount Obligated	1,596,482
Amount Committed	1,596,482
Accrued Expenditures	1,596,482
Amount Unexpended	0 (*)
(*) Unexpended balances 535,170 loan and 3,518 grant funds reduced by PIL 527-0178-86 dated Sept 25, 1989	
B. <u>Food Program Local Currency Generations</u>	\$ 6,500,000
C. <u>Other GOP Financial Contributions:</u>	None
D. <u>Other Donor Financial Contributions:</u>	None

VII. MISSION ASSESSMENT OF PROJECT

The Integrated Regional Development Project (IRD Project) contributed considerably to strengthening Peru's democratic process: On a local scale, by supporting the modernization of municipalities, it made the local government become the first school of democracy. At a departmental level, by training officials in planning, preparation and execution of public works, it provided sufficient human resources to implement regional governments and to face development tasks more efficiently. At a national level, by strengthening institutions that act as a liaison between the different government levels; dialogue, and decision-making levels were improved.

The IRD Project is a pilot project for supporting Departmental Development Corporations and Local Governments. The Project proved that these entities have a motivated staff capable of working more efficiently than the organizations covering the entire nation, in the development of depressed areas and/or with a productive potential. The IRD Project managed to make central government officials more sensitive and more willing to increase financial resources, simplify administrative norms and delegate the implementation of sub-projects.

The IRD Project proved that in Peru, the Theory of Urban Functions for Rural Development is applicable, a working methodology that consists of supporting the services provided in key market towns and developing productive infrastructure in neighboring rural areas.

Improvements of productive infrastructure by way of irrigation, access to seeds, reduced transport costs for products through road-building, have revalued property and provided incentives for peasants to defend their lands: Peasant Watch-Patrols were organized in Cajamarca, and these have subsequently been expanded to cover a large area of the nation's territory. Thus the project contributed to national efforts to suppress the spread of terrorism.

Clearances:

NRD:CSaito (i.d.)
NRD:JSalvo (i.d.)
AGR:RGriego (i.d.)
PDO:LJackson (i.d.)
PROG:CKassebaum (i.d.)
CONT:PKramer (i.d.)
OARD:ERupprecht En 4-9-90

Drafted:

NRD:Hizquierdo
(8888N 2/13)