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POTENTIAL FOR MUNICIPAL DEVELOPMENT IN EL SALVADOR: IMPRESSIONS, CONCEPTS AND ISSUES

Introduction

This report is the result of a brief TDY by Richard Nelson (AID/LAC/CA/ES) and Ed Connerley, consultant to USAID/San Salvador, Office of Democratic Initiatives. Nelson was in El Salvador May 11th through 25th. Connerley arrived with Nelson and stayed until May 29, 1986. Nelson and Connerley were assisted by Dr. Hector A. Morales Motta of USAID/ San Salvador, Office of Democratic Initiatives during their stay in El Salvador. In accordance with SAN SALVADOR 05055, the activities of this TDY included the following:

1. Review of the nature and status of the municipal reform effort with IDB officials (El Salvador and Washington) and their proposed municipal development project;

2. Discussion with appropriate GOES officials of the status of their planning in the area of municipal development; and

3. Visits to various municipalities to better understand their current status and problems.

Prior to coming to El Salvador, Mr. Connerley met with Mauricio Silva, a Salvadoran expert on municipal development with IDB. Although Mr. Silva is not directly involved with the IDB's work in El Salvador, his comments were most useful. Arrangements were made for a meeting with the IDB person in charge of their proposed El Salvador Municipal development project, but the meeting was cancelled due to the unexpected illness of the IDB participant. A list of the persons interviewed while in El Salvador is Appendix A of this report. Mr. Connerley and Mr. Nelson had an extensive "conference" telephone conversation with Harlan H. Hobgood, retired AID official and previous consultant to USAID/San Salvador on municipal development.

Assumptions and Principles

In undertaking this assignment the consultants made certain assumptions and adopted certain principles as to the desirable objectives of an eventual municipal development effort in El Salvador. The actions recommended at the end of this report assume the following objectives:

1. Enhancement of democracy --- Democracies are built "upward" from local customs and collective decision-making practices, rather than "downward" from strong central institutions. Effective municipal governments, acting in accordance with the preferences of citizens, are a cornerstone of democracy.

2. Decentralization --- GOES and USAID policies favor, in a not yet fully articulated way, administrative, political and economic decentralization of El Salvador. Economic and administrative decentralization clealy offer many potential improvements to national effectiveness and efficiency. The case for political decentralization is made more complex by the current civil war, but the arguments for more local participation and decision-making are, nevertheless, compelling in the long run.

3. Development --- Municipalities are essential providers of the institutional and physical infrastructure necessary to unleash the productive capacities of individuals and groups. Reliable local transportation of goods and persons, low-cost mechanisms for local dispute resolution, and equitable enforcement of the law are concomitants of development and are best achieved by strong local governments acting in accordance with the preferences of local citizens. In the specific context of El Salvador, it is important to note that municipalities ought to be responsible for local, as distinct from national, development and that this responsibility arises from the preferences of local citizens rather than the mandates of central government. In El Salvador, statements about municipal responsibility for development seem to suggest municipal responsibility for national development goals.

4. Service delivery --- As the interface between "the people" and "government" municipalities ought to be the primary providers of public services. Provision of services to citizens has never been a prominent feature of either central or municipal governments in El Salvador and service provision by small municipalities is currently in a state of near collapse. The legitimacy of government at all levels rests, in the long run, on the provision of valued public services.

With these assumptions in mind, we turn now to the findings of this TDY.

Findings

This section has been organized around the objects of study, the institutions and laws thought to influence the possibilities and constraints for municipal development in El Salvador. These can be looked at in four primary categories: the municipalities, GOES ministries, municipal legislation and other potentially important actors.

The Municipalities

In general, it can be said that the municipalities of El Salvador are characterized by:

1. Low service levels
2. Annual budgetary surpluses
3. Low revenue effort
4. Lack of professional management and planning skills
5. A "strong mayor" tradition
6. Strong, elite political party structures
7. Rigid central government and political party control of municipal development, and
8. Heterogeneity with respect to all of the above.

Although point 8, regarding heterogeneity, makes it obvious that there is no single "typical" municipality, we believe the above profile to be accurate for the large majority of smaller Salvadoran municipalities. Out of the 262 municipalities, at least 200 of them could be characterized as above. Exceptions to the profile may be found in the larger cities, and certainly are found in the Municipality of San Salvador, yet the majority of the municipalities fit this generally anemic profile.

Most municipalities provide very few services and generally unsatisfactory (to the eyes of an outsider) services. Municipal services typically include a public slaughter house, the issuance of identity cards, a public cemetary, public parks and street (road?) maintenance. Public sanitation is provided in widely varying degrees. The mere collection and sanitary disposal of household wastes has either never been provided or is currently moribund in some municipalities. Larger or more affluent municipalities may provide a range of sanitation services, including refuse collection and disposal, inspection and regulation of food sales and service facilities, and mosquito abatement efforts. Larger municipalities might also provide a publically operated municipal market. Most municipal services operate at a loss to the municipality. Potable water and sanitary sewers are provided by national government

agencies (construction and operation?). Electricity is largely provided by the private sector, although the government has recently taken over operation of some of these companies.

All of the municipalities that we visited had an excess of income over expenditures in their current or recent budgets. Generally, this surplus was on the order of 10 to 15% of the total budget. Until the new Municipal Code took effect on March 1, 1986, municipalities were required to deposit any surplus in a no-interest account with the Tesoreria de Fondos Especificos Municipales, an office of the Ministry of Interior. Many municipalities apparently have substantial accumulated surpluses on deposit with the Tesoreria. We were unable to understand why, under the requirement of a no-interest deposit, continuing low levels of service, and a complete lack of a municipal capital investment program, municipalities would consistently produce surpluses. Even though the requirement for no-interest deposit has ended, this is a subject worthy of further investigation.

Municipal revenues are quite low. Municipalities depend on fees from services and a very inadequate tax base for their revenues. Many of their revenues are earmarked for specific services. Street lighting and public sanitation are usually provided in this manner, which greatly reduces the discretionary spending authority of Municipal Councils. Most revenue sources are very inelastic and all are poorly administered. The national Constitution specifies that only the National Assembly may impose taxes or alter tax rates. Therefore, the Assembly fixes the rates for every municipality. It is clear that improvements to administration and collection of existing taxes and fees would yield significant returns. It is also clear that improvement to national policies with regard to municipal revenues could significantly improve the yield to the municipalities.

Little is known about the human resources and organizational structure of a "typical" municipality. There are relatively few permanent employees in the smaller municipalities and those that are "permanent" are subject to dismissal with a change of political party in the Municipal Council. Most unskilled empoyees of the smaller municipalities are employed under "contract" and are dismissed on completion of a particular project. Public sanitation workers are sometimes an exception to this general rule. Professional management skills are sorely lacking in all but the very largest municipalities. Alcaldes and Secretarios are the "managers." The Alcalde is generally a strong local political

leader and the Secretario is a career municipal employee with extensive experience and knowledge of the practical realities of day-to-day municipal administration.

The Alcalde is a "strong mayor" viz-a-viz members of the Municipal Council, but may be very weak in representing the interests of the municipality to political parties and agencies of the national government. This results from the combination of the electoral system, which favors strong, centrally-controlled political parties, with the tradition of rigid central control of the municipalities. Alcaldes must go "hat in hand" to the central government ministries with requests for technical assistance, approval of municipal documents, or requests for material aid. The Alcaldes have little "leverage" in these requests; so they frequently ask political party officials to intercede, thus creating a debt to the party and national elected officials. For further comment on the municipalities see Appendix B.

GOES Ministries

We interviewed representatives of three ministries that have primary responsibility for GOES activities with the municipalities --- Ministry of Interior (MOI), Ministry of Planning (MIPLAN) and Ministry of Public Works (MPW). These ministries contain most but not all of the central agencies with important impact on the municipalities.

The MOI and MPW have been central to the process of patronage and control of the municipalities for many years. Both ministries control significant resources and the authority to award them differentially to municipalities. Both have been used extensively in a "pork barrel" manner. MIPLAN is newer to the scene and doesn't have as much direct control over resources needed by the municipalities, but it is attempting to become a "player" in the "game" by "coordination" of municipal plans.

We have little to add to previous reports on the activities and capacities of these agencies (See McKee, 1978 and IBAM, 1980). There can be no doubt that they form a very significant portion of the institutional environment for municipal development. Each of them appears to think of "municipal autonomy" as necessarily involving high degrees of central tutelage and control.

Given that the central government wants central control, it is somewhat surprising that there is not better coordination

among the various central agencies. Each of the ministries has various directorates and commissions dealing with the municipalities. The Ministry of the Interior includes the Direccion de Desarollo Comunal (DIDECO) , the Direccion de Desarollo Regional (DDR), the Direccion de Arquitectura e Ingenieria (DAI), the Comision Nacional de Asistencia a la Poblacion Desplazada (CONADES), and various other offices with regular involvement with the municipalities. The Ministry of Public Works includes the Instituto de Vivienda Urbana (IVU), the Direccion de Urbanismo y Arquitectura (DUA) and other relevant offices. The Ministry of Planning operates through its Comision Nacional para la Restauracion de Areas (CONARA). CONARA is a large, multi-layered structure active in the conflictive zones of the country. In addition to these ministry-based efforts there is a National Plan for Social and Economic Development and a separate plan for the development of the Eastern Region of the country, which, though never operationalized in specific structures or programs, are part of the "background" for municipal development. The overall impression is of uncoordinated inaction and undeveloped policy.

Municipal Legislation

There are at least four pieces of legislation of interest. The first is the new Municipal Code which took effect March 1, 1986. The Municipal Code establishes the general principles for the organization and functioning of the municipalities. Issuance of a code was mandated by Article 203 of the Constitution of the Republic, which establishes a grand, but vague, principle of complete economic, technical and administrative autonomy for municipalities. Unfortunately, the new Code fails to truly operationalize the meaning of the "autonomy" granted by the Constitution and seems to "hedge" in favor of continued central control of several crucial functions. The Code does give the municipalities, for the first time, the power of eminent domain. This was a very controversial feature of the legislation as it was debated in the National Assembly. Some were afraid that Municipal Councils would abuse this authority, but the Code contains what would appear to be adequate safeguards. The chief failing of the new Code is a tendency to refer to existing laws which very substantially conflict with municipal autonomy without resolving, or even admitting to, the conflict. Several of the persons that we interviewed had already identified needs for revision of the Code or further "implementing" legislation.

The Assembly has received, but not yet started debating,

legislation which would establish the Instituto Salvadorena de Desarollo Municipal (ISDEM). The proposed Institute would provide technical assistance, training and finance to municipalities. Similar institutes exist in several other Latin and Central American nations with results that range from mixed to poor in terms of municipal development. The GOES expects that the Interamerican Development Bank will finance the establishment of ISDEM, but sources at the Bank indicate that this is not a foregone conclusion and that the decision process is likely to be protracted. GOES sources indicate that the legislation contains two departures from the usual GOES preferences in establishing autonomous institutes. First, the Chairperson of the Board of Directors will be elected by the members of the Board. The President of the Republic normally appoints the Chair. Second, the Board will have a majority (4 persons) representing municipalities (1 person for each of 4 regions). The Ministries of Public Works and Planning will be represented on the Board, as will the Central Reserve Bank. Although the "municipal majority" and the elected Chair are probably steps in the right direction, the Institute is still likely to be dominated by its lending functions and a defender of its own (rather than the municipalities') interests. The President of the National Assembly is quite optimistic about passage of this bill before the end of June.

Legislation is being prepared which would create a Municipal Fund for Social and Economic Development. Current discussions of the legislation include provision for 2% of the national budget to be transferred to the municipalities on a per capita formula basis. The formula being discussed would give 3 to 4 times more per capita to the smallest municipalities than to the largest. Discussions also include a requirement that the municipalities spend not less than 85% of the money transferred to them on capital improvement projects. The intent of this requirement is to prevent the municipalities from "frittering away" the money by hiring more personnel.

Legislation is also being prepared with the intent of resusitating a National Association of Municipalities. No details are known about what might be proposed.

This "spate" of legislation is sponsored by the current administration, but particularly the faction identified with Morales Erlich, the current Alcalde of San Salvador. Much of the staff work for preparation of this legislation is being done within the Municipality of San Salvador rather than one of the ministries. Other parties and other factions within the PDC are highly suspicious of the intentions of the drafters of

these bills.

Other Potentially Important Actors

Corte de Cuentas

The Corte de Cuentas is the audit agency of the national government. It is responsible for pre-audit of some 500 agencies of the national government and two autonomous agencies. It does a post-audit of 79 other autonomous agencies and is mandated by the Constitution to do a post-audit of 262 municipalities. The Corte has a total of approximately 50 auditors with which to accomplish all of the above responsibilities. It is not surprising that routine audits are approximately three years behind schedule and investigatons of suspected problems are 6 to 7 years behind. The Corte badly needs more resources, a redefinition of its mandate, and external technical assistance. A USAID funded consultant is currently assessing the needs and potential impact of such technical assistance. In addition to municipal audits, the Corte determines the chart of accounts which municipalities must use and issues "manuals" to advise municipalities on required forms and procedures.

Instituto Salvadorena Municipal (ISAM)

ISAM is an independent, non-governmental organization dedicated to providing training and technical assistance to Salvadoran municipalities. It has the appearance of a dedicated, competent and energetic institute, but it is quite small. ISAM claims to be delivering approximately 140 person days of training per week to municipal officials and is preparing a training seminar for Governors on the new Municipal Code. ISAM has a notable capacity to produce and disseminate printed materials. Previous work has included some involvement in public sanitation problems. The Institute was established and is still supported by funds from the Konrad Adenauer Foundation. Consequently, ISAM's approach to municipal problems is based in Christian Democratic ideology. ISAM seems more interested in social and political change than in rationalization of municipal management and planning.

Directors and Governors

Previous reports (See McKee, 1978 and IBAM, 1985) have noted that the District, as an intermediate jurisdiction, and the Governor, as an ambiguous political figure, complicate the municipal development "picture." We did not interview any

governors nor observe District offices during this brief TDY. Nevertheless, we wish to re-emphasize the potential importance of the Districts and Governors in helping or hindering municipal development.

The Governors are appointed by the President of the Republic. Their function was described by one of our interviewees as being "the eyes of the central government." Governors are chosen for their political abilities. They have small personal staffs with little professional/technical expertise. The Governor's staff is the District staff. Ministries do not commonly have personnel stationed in the District offices. We were informed that the Ministry of Planning proposes to develop technical staffs (personnel of various ministries) at the District level and to strengthen the role of the Governor and District in review and coordination of municipal plans. If this occurs, it would probably represent a net loss of municipal autonomy.

Municipality of San Salvador

The Municipality of San Salvador is unlike any other Municipality in the nation. It has approximately 3000 employees and is far and away the most skilled and professionalized of the municipalities. Because San Salvador dominates national economic and political life, the Alcalde of San Salvador is guaranteed to have a certain degree of national political influence. The current Alcalde, Jose Antonio Morales Erlich, is a leading "municipalista," a powerful official of the Christian Democratic Party and probable candidate for President. All of this reinforces the uniqueness of the Municipality of San Salvador.

CONCLUSIONS

1. Traditional attitudes toward municipal governments have included an emphasis on "tutelage" and control by the central authorities. Such attitudes persist despite the new Municipal Code and the rhetoric of national leadership. These attitudes are institutionalized in all agencies of the central government. If assistance to municipalities were channeled through central agencies, most resources would be consumed by the central agency(ies).

2. Current attempts to improve GOES policy re: municipal governments are based in Christian Democratic values and a traditional "capital development project" approach to national development. This "improved" policy is likely to fail

because it pays little or no attention to the development of trained human resources, the improvement of planning and management, and the creation of institutionalized capacity to deliver public services.

3. All actors (GOES AND donors) share a common ignorance of the institutional, managerial and organizational realities of Salvadoran municipalities. Particularly important gaps exist in our knowledge of:

a. citizens' expectations re: municipalities and municipal services;

b. municipal financial policy and administration; and

c. current organizational/institutional arrangements and capacities for service delivery.

4. AID worldwide experience with development of local governments has consistently shown that discretionary authority over revenues and expenditures is a sine qua non of vital local governments. Salvadoran municipalities have only token discretionary authority. The proposed Municipal Fund for Social and Economic Development (a proposal to transfer 2% of the national budget on a per capita basis) would be a step in the right direction if it passed the Assembly, but it is a "second best" solution. A better solution, in terms of the political viability of the municipalities, would be a decision to grant a significant tax base to the municipalities and authority to set (probably within limits established by the Assembly) rates. The proposal to require that at least 85% of the funds transferred to each municipality be spent on capital improvement projects seriously weakens the decision-making discretion available to the municipality and may create a long-term recurrent cost problem. Two percent of the 1986 Ordinary Budget is 67,740,000 colones. We have no way of knowing whether this is a meaningful sum at this time.

5. Although our knowledge is fragmentary, it seems quite likely that a primary constraint on municipal development is an absence of qualified planners and managers.

6. Despite the recently issued Municipal Code and pending legislation, the GOES has not articulated a coherent national policy on municipalities. There are many unacknowledged contradictions and loopholes in these laws. There are many overlapping and/or contradictory mandates for central agency tutelage of municipalities in current ministerial practice.

The result is likely to be that national bureaucrats, political party authorities and elected officials will continue to dominate municipal affairs in contradiction to espoused policy goals. It is particularly important that policy be defined in unambiguous, operational terms and that apparent contradictions be resolved in advance.

RECOMMENDATIONS

General Strategy

1. USAID should design its municipal development efforts to enhance the capacity of municipalities to deliver services in accordance with local preferences. Such efforts would aim to improve day-to-day management and planning as they affect the delivery of particular services: Improvement of the performance of existing service systems should be emphasized over the creation of new systems. Institutionalized capacity to operate and maintain service delivery systems within the constraints of local resources and in accordance with local preferences is the ultimate objective. Infrastructure development projects should be avoided if possible.

An advantage of a "service delivery" approach is that project designs for specific service delivery systems are derivable from accurate knowledge of (1) the nature of the service in question, (2) the nature of the decision-making arrangements which govern provision of the service, and (3) the preferences of the community of service users. Political economy is the underlying body of social science knowledge. Optimum public service delivery systems may involve private sector production of services.

2. USAID is already engaged in several activities which have the potential to contribute to an eventual long-term municipal development effort. Examples include the training of mayors by CONARA, the study trip for 50-100 mayors to the U.S. under the CAP's program, and many of the "restoration of essential services" activities. USAID should not miss the opportunity to learn about municipal development from these activities. Coordination of these activities, on a formal or informal basis, might yield significant insights into what works best. A simple review process on an "as appropriate" basis might yield useful information.

3. We recommend that USAID not commit to a broad, long-term municipal development effort at this time. USAID should commit

itself to such an effort only after two conditions have been met:

a. USAID has developed a convincing "technical package" for municipal development in El Salvador; and

b. The GOES has developed unequivocal and favorable policy on municipal development.

Strategies for achieving both conditions will be outlined below.

4. USAID should seek to be complementary to, or supportive of, the proposed IDB financed Municipal Development Institute (MDI), but it should resist any effort to put USAID in a primary role or make USAID's municipal development efforts contingent on the Municipal Development Institute. In an effort to avoid meeting the IDB's conditions, the GOES could well turn to USAID for funding of the MDI. As Gramm-Rudman reduces USAID's budget the MDI could easily become USAID's only municipal development activity. The Municipal Development Institute is likely to be several years away and to consume major resources in building its own capacities with only moderate chances of improving municipal performance.

Specific Actions

1. In the short and medium term USAID should work on an exploratory basis with a few (6 to 12) selected municipalities to develop the technical package which might serve as the basis for an eventual long-term, expanded municipal development effort. We suggest two elements to start as soon as possible:

a. Diagnostic studies of

- municipal financial policy and administration
- municipal organizational capacity to deliver public services, and
- the incentive systems, including citizens' preferences, that shape municipal service delivery;

b. A hands-on, learning-by-doing approach to improving financial management.

Several approaches to the diagnostic studies are imaginable. We don't have time here to lay out detailed scopes of work. We suggest that 3 person months of expert U.S. technical assistance are probably required, on average, for each diagnostic study. The U.S. experts would design the studies,

train Salvadoran participants, analyze the data and interpret the results. Salvadoran participation might include everything from local experts working in full collaboration with U.S. experts to student data gatherers. Several Salvadoran universities are potential sources of assistance. The Technological University and Gavidia University have degree programs in Public Administration. Political Science degrees are offered by the University of Central America, the National University and Matias Delgado University. Sociology degrees are offered by the University of Central American and the National University. Faculty and advanced students from each of these programs would be potential participants in the diagnostic studies. Students are required to do "internships" as part of their degree programs. Participation in these studies might earn them internship credit.

The hands-on approach to improving financial management would be very similar to a World Bank effort currently under way in Nepal. A single expert is working with the mayors and staffs of 5 cities to develop accurate and comprehensive data on trends in revenues and expenditures over the last several years. The objective of the exercise is to get city decision-makers to recognize these trends and think through their implications. There is an attempt to get the mayors and staffs to recognize the fundamental differences in recurrent and capital expenditures and to realize that capital investment can be planned. This may sound extremely simple, but the Bank expert believes that some very important changes are taking place. This work is based on an adaptation of the "Financial Trends Monitoring System" developed by the International City Manager's Association (Washington, D.C.) several years ago. The work in Nepal is being done by Jim McCullough of Research Triangle Institute.

2. Either or both of the above actions could be focused on the delivery of a specific service or services. However, a focus on specific services should not be done until citizens' preferences are understood. Potential focii include public sanitation, markets, road maintenance, and others.

3. USAID should explore the potential for assisting in the "resusitation" of the Association of Municipalities. USAID might, for example, offer to pay the membership fees for all of the smaller municipalities for one or more years and underwrite the costs of a certain number of meetings of the Association. USAID might offer to provide technical assistance for some studies to be carried out by the Association with the results to be the subject of discussion at one of the Association's

meetings. In return for support, USAID should insist that the Board of Directors of the Association have representation from all political parties.

4. USAID should sponsor a few (3 or 4) "action training" activities for municipal managers over the next year. Action training is training in which intact working groups are given training about problems that they confront in their work environment. Participants have the opportunity to apply what they have learned to real problems. For example, the Alcalde, the Secretario, the Sindico and one clerk from 4 or 5 cities might be given training on how to manage a cadastro. In addition to being an unusually effective approach to training, action training creates the opportunity for trainers to learn more about the problems that confront the trainees. This will contribute to the mission's learning about municipal conditions.

5. At some point in the intermediate future, we recommend tht USAID give a high priority in its policy dialogue with GOES to municipal development issues. The timing of these discussions will, in part, be contingent on progress in defining a convincing technical package. The GOES is more likely to listen to persuasion based in a real knowledge of the municipalities. If USAID does not place municipal development on its policy dialogue agenda, it is unlikely that GOES will articulate the unequivocal and favorable municipal development policy cited in 3b of the General Strategies section.

CONCLUDING COMMENTS

Municipal development is a volatile issue in this highly polarized nation in the middle of a civil war and related massive social change. We have tried to make clear, concise suggestions as to ways to contribute to municipal development and, thus, to the resolution of some of the problems that confront the nation. Conciseness may give the appearance of decisiveness, but that is far from the truth. What we are proposing here is a process of reasoned exploration with very little certainty about the eventual answers.

Appendix A

LIST OF VISITS AND INTERVIEWS

Made by R. Nelson, Ed Connerley & H. Morales From 5/12 to 5/21.

1) Municipality of San Salvador (PDC)
Mayor: Dr. Jose Antonio Morales Erlich.

2) Municipality of Santa Ana (PDC)
Mayor: Rafael Antonio Aragon Ruiz
Ingeniero: Carlos Rodriguez.

3) Municipality of Nueva San Salvador

4) Municipality of Sonsonate (PDC)
Mayor: Jose Ricardo Vega Hernandez
Secretario: Wilfredo Bonifasio Cordova
Sindico: Jose A. Ochoa.

5) Municipality of Colon (PDC)
Mayor: Ulises Blanco Sandoval

6) Municipality of Candelaria de la Frontera (ARENA - PCN)
Mayor: Mario Oswaldo Recinos Carrillo
Secretario: Angel Lima.

7) Municipality of Zaragoza (PDC)
Mayor: Jose Alberto Osorio

8) Instituto Salvadoreno de Administracion Municipal (ISAM)
Director: Eduardo Molina Olivares.

9) FUSADES Fundacion Salvadorena para el Desarrollo Economico y Social
Director of Economic Studies: Rafael Rodriguez Loucel.

10) Legislative Assembly
President: Dr. Jose Antonio Guevara Lacayo (PDC)
Vice-President: Dr. Raul M. Somoza Alfaro (ARENA)
Vice-President: Dr. Hugo Carrillo, Ing. Pio Ayala,
Dr. Rafael Moran y Dr. Arturo Mendez (PCN)

11) CORTE DE CUENTAS
Chief of Autonomous Institutions: Jose Francisco Alfaro.

12) Ministry of Public Works
D.U.A. Director: Ing. Rene Gregorio Lopez Canana

13) Interamerican Development Bank (IDB)
Representative: Dr. Lucio Paz
Sub-Representative: Hernando Hernais
Sectorial Specialist: Adalberto Paredes.

14) Ministry of Interior
Vice-Minister: Carme de Morales
General Director of D.D.R.: Dr. Jose Antonio Herrera

15) Ministry of Planning
Mr. Carlos Orellana
Mr. Miguel Ayala.

Appendix B

LOCAL GOVERNMENT IN EL SALVADOR

GENERAL OBSERVATIONS

-Lack of bipartisan leadership at the local level. Confrontation politics.

-Organization for development very weak within municipal government.

-No professional/technical staff. Civil Service does not include planners, economists, engineers, financial analysts at local level.

-Financial base is weak. Over-reliance on national subsidies and special projects from national agencies for development.

-Prioities and agenda set by the national government. Municipalities in a "reactive" mode...

-No concept of planning, prioritizing local needs and linking with potential local financial base...
-No linkage of budget to a capital improvement plan...

-Budgeting system is archaic -- strictly a line item approach...

-Tight central government controls over financial base of the municipality...

-Property tax system a relic of the 17th century.

-Rate setting and collection efficiency of various municipal fees and taxes needs overhaul.

-Municipalities differ as to need, size and security. GOES must tailor its approach accordingly.

-Despite new Municipal Code, which calls for "local autonomy", national government representatives appear reluctant to relinquish control from center to municipal periphery.

-Departments may be an impediment to municipal autonomy. Governors are political representatives of national government and PDC. No staff. Ministry of Planning claims that Departmental Governors may become conduit and control point for approval and funding of expanded municipal public works program.

-No concept within national government leadership of the need for municipal staff development to plan, fund and carry out services and small projects.

-AID must construct a strategy to upgrade municipal governments' ability to deliver basic public services that is acceptable to all political factions.

-There is a need for careful, "hands-on" training and actions technical assistance within selected municipalities. Say 18 months to 2 years in 10 municipalities at most.

-Need to select very limited number of public services for improvement and in process the need for better data base, design/planning, funding/budgeting and implementation.

-Public sanitation may be the entree --- garbage collection and landfill, malaria control, hygiene, clean markets, potable water.

-Ultimate objective should be a replicable model of municipal administrative and services capacity -- municipal development staff, improved financial base, and limited public works capacity.

-Need to identify a host-country institution through which AID can provide technical assistance, training and other assistance.

Appendix C

USEFUL REFERENCES

1. Agency for International Development, Evaluation Special Study No. 17, Local Government Trends and Performance: Assessment of AID's Involvement in Latin America", November 1983

2. Agency for International Development, Bureau for Latin America, "Intercountry Evaluations of Municipal Development Programs and Institutions (Costa Rica, Dominican Republic, Guatamala, Venezuela)", October 1975

3. Instituto Brasileiro De Administracao Municipal, "Final Report on Municipal Development". January 1986

4. Instituto Brasileiro De Administracao Municipal, "Study on the Present Situation of Municipalities in El Salvador and Proposals for Reform", October 1980

5. Instituto Salvadoreno De Administracion Municipal, "Manual Basico Del Codiga Municipal", May 1986

6. Poyner International, Thomas A. McKee, "Report to USAID El Salvador on Status of Municipal Development in El Salvador", April 14, 1978.