

IPN-ABQ-724

AGENCY FOR INTERNATIONAL DEVELOPMENT
PPC/CDIE/DI REPORT PROCESSING FORM

15N 862112

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number

519-0406 ...

2. Contract/Grant Number

PDC-1008DC -00-9091 -00

3. Publication Date

June 1992

4. Document Title/Translated Title

Recommendations for Improving Municipal
Capabilities in El Salvador

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Office of Housing & Urban Programs, USAID
International Municipal Programs (ICMA)

7. Pagination

—

8. Report Number

9. Sponsoring A.I.D. Office

USAID, El Salvador

10. Abstract (optional - 250 word limit)

This report presents findings & recommendations
from staff of the International City / County
Management Association (ICMA), to assist USAID/El Sal.
in preparation of a "Municipal Development Project."
(1st few lines of intro.)

11. Subject Keywords (optional)

- | | |
|----|----|
| 1. | 4. |
| 2. | 5. |
| 3. | 6. |

12. Supplementary Notes

13. Submitting Official

Angela Wilcox, Librarian

14. Telephone Number

(505) 98-1666 x 1306

15. Today's Date

12 July 93

16. DOCID

17. Document Disposition

DOCRD [] INV [] DUPLICATE []

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PN-ABQ-724

**Recommendations for
Improving
Municipal Capabilities
in El Salvador**

June 1992

Prepared by:

**Michael Murphy
Frank Ohnesorgen
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for:

USAID, El Salvador

**Contract No. PDC-10080C-00-9091-00
PIO/T No. 519-0406-3-30013, and
519-0406-3-30013, A.1**

*The views herein are those of the authors and do not necessarily represent those of the U.S.
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PREFACE

This report presents findings and recommendations from staff of the International City/County Management Association (ICMA), to assist USAID/El Salvador in preparation of a Municipal Development Project. The ICMA staff included:

- Michael Murphy, Director, International Municipal Programs
- Frank Ohnesorgen, Director, ICMA Latin American Programs
- Pablo Salcido, Chief of Party, Honduras Municipal Development Project

Mike Murphy and Frank Ohnesorgen made an initial three-week visit to El Salvador, starting on March 15, 1993, to review existing studies on municipal conditions in El Salvador, visit case study municipalities selected by USAID, and gather information from other sources. A draft report was submitted to USAID/El Salvador on April 7. Mike Murphy returned to El Salvador on April 19-24, to review the draft and discuss needed modifications with AID officials; and returned again May 24-26, to gather additional information on the principal Salvadoran partner organization for the Municipal Development Project, COMURES.

In May 1993, ICMA was asked to broaden the scope of its report by conducting a survey of potential local sources of technical assistance and training that can be used in implementing the Municipal Development Project. In late May, Pablo Salcido visited El Salvador for 10 days to gather information on Salvadoran universities, local consultant firms, and other local sources of technical assistance. The results of this survey are presented in Appendix B of this report.

Preliminary findings were discussed with USAID/El Salvador staff, including Michael Deal, Mark Bidus, Tom Hawk, and Jill Kennedy. These discussions, as well as the logistical support received from USAID/El Salvador, were invaluable to the ICMA team in carrying out its mission.

RECOMMENDATIONS FOR
IMPROVING MUNICIPAL CAPABILITIES IN EL SALVADOR
under the
Municipal Development Project (MDP)

INTRODUCTION

This report contains findings and recommendations from staff of the International City/County Management Association (ICMA), designed to assist USAID/El Salvador in preparation of a Municipal Development Project (MDP). The report is based on case studies of four municipalities selected by USAID staff, to represent municipalities in the following population categories:

- Category A - more than 80,000 population
- Category B - 40,000 to 80,000 population
- Category C - 20,000 to 40,000 population
- Category D - less than 20,000 population

From March 18 to 23, 1993, the ICMA team visited the following municipalities: San Miguel (Category A); Sonsonate (Category B); Santiago de Maria (Category C); and Texistepeque (Category D). In addition, the team visited two small municipalities (Chinameca and Juayúa) to examine forms of intermunicipal cooperation existing in small communities, which is the subject of a fifth case study.

At the conclusion of field visits to the case study municipalities, the ICMA team held a day-long "brainstorming" session with USAID/El Salvador staff involved in municipal development programs, to discuss findings and potential technical assistance approaches to strengthen municipalities. Also attending this day-long session was Pablo Salcido, ICMA's chief-of-party for a municipal development program in Honduras; and Jack Eyre, a USAID consultant who is preparing recommendations on another component of the municipal development project, that is, government decentralization and national policy issues.

This report includes four sections:

- (1) Training and technical assistance needs. This section deals with three areas of municipal operations: Finance, Public Services, and Municipal Management. Citizen participation issues are included under Municipal Management, but are not

dealt with in depth in this report, since USAID/El Salvador plans to engage another contractor to study mechanisms for citizen participation in local government.

- (2) Recommended program approach. This section includes recommendations on the selection of target municipalities; dissemination techniques to spread management improvements from the target municipalities to other local governments in El Salvador; recommendations for use of MEA funds to stimulate greater municipal autonomy; and coordination of the MDP with Salvadoran partner organizations.
- (3) Expected results. This section provides financial projections for revenue growth in the four case study municipalities, under several possible scenarios. It also includes projections of program results after five years in terms of improved local public services, and gains in citizen participation.
- (4) Recommended level of effort. This section outlines the resources needed to achieve the projected program results.

I. TRAINING AND TECHNICAL ASSISTANCE NEEDS

A. MUNICIPAL FINANCE

Financial management needs appear to be very similar in all the case study municipalities, regardless of size. Following are ICMA's recommendations to deal with the most important financial needs:

1. All Salvadoran municipalities need to modernize their budget systems. The same basic budget format is used in all the municipalities we visited. The format is prescribed nationally by the Corte de Cuentas. It is a basic line item budget. It is very difficult for professionals, much less city council members or citizens, to understand from the budgets how municipal monies are allocated. A new budget format is needed that will show expenditures by program area. A new program budget needs to be developed that will be as simple, clear, and "transparent" as possible -- so that it will not be necessary to have a graduate degree in accounting in order to figure out where municipal funds are going.

Another needed change is the introduction of capital improvement budgets. None of the case study municipalities has any significant capital budget. There is a line item for "investments". Sonsonate and San Miguel budgeted a very small amount (less than one-half of one percent of their budget) for investments. But those funds tend to be earmarked for items such

as office furniture and remodeling, rather than investments in the municipal infrastructure.

The only funds used for capital improvements are from MEA and other outside resources. This is not enough. Municipalities will not achieve full autonomy unless they have their own sources of funding, not only for operational expenses, but for investment in new infrastructure, equipment, and other needed long-term improvements. In Honduras, the municipal law requires that municipal budgets include no more than 50 percent for salaries and other operating costs; at least 50 percent must be set aside for capital improvements. While this law is a long way from being implemented in every Honduran municipality, it does set a good direction for municipal budgets. In El Salvador, MEA funds might be used to achieve the same purpose (more on this below).

2. Annual audits, by an external auditor, need to become standard operating procedure in Salvadoran municipalities.

Theoretically, external audits should be conducted each year by personnel from the Corte de Cuentas. The Corte is a national government agency responsible for auditing all municipalities, as well as all ministries and national government agencies. It does not have the personnel to do this on an annual basis. The municipalities we visited are being audited by the Corte every three or four years. In the interim years, there are no external audits. This audit gap makes it more difficult to control cases of mismanagement or misuse of municipal funds. There is a need to establish better financial controls for the municipal council. The larger municipalities, at least, should arrange for independent audits by private accounting firms, for years when no auditors are available from the Corte de Cuentas.

3. With improved management, local revenue sources can be increased significantly, even under the current laws. The updating of service fees that was carried out by all the case study municipalities is a case in point. In some municipalities, service fees had not been changed in more than 50 years. Bringing the fees into line with costs meant increases as high as 300 percent. Apparently in most municipalities, as a result of careful cost studies and discussions of the need for the increases with citizen groups, the new fees went into effect without a great deal of opposition. In some communities, the results have been remarkable. In San Miguel, service fees increased from ¢2.8 million in 1992, to ¢6.2 million in 1993, and now represent 56 percent of the entire municipal budget. The new revenues coming in from fees (¢3.4 million) are more than all income coming to the municipality from outside sources.

San Miguel's service fees are now set at a level to recover actual costs, but do not include a percentage above costs, such as is permitted in the Ley de Tributos. And so in the case of San Miguel, there appears to be room for further growth in future

years in income from service fees. Other municipalities have set their new fee levels 25 percent or even 50 percent higher than actual costs -- and so will have less room for future revenue growth from this source.

Service fees are assessed for garbage collection, public lighting, paving, markets, street vendors, slaughterhouses, cemeteries, and civil registry services. User fees for these services are currently the largest local source of revenues. The other major local source is taxes, levied on local business establishments. In the case study municipalities, revenues generated from service fees were generally about three times higher than total revenues generated from local taxes.

There are a number of areas where local revenues can be enhanced. Many municipalities have only recently begun to update, and in some cases computerize, their taxpayer* rolls. All the case study municipalities indicated that there are substantial numbers of potential taxpayers who are not yet registered. Sonsonate officials believe that with a complete update of cadastral records, it may be possible to as much as double the number of registered taxpayers. Obviously, this will have a significant impact on revenue growth in Sonsonate.

All the municipalities we visited had problems with tax (and service fee) delinquencies. Municipal tax collection and enforcement have been traditionally rather lax. Those who have made organized efforts to follow up with delinquent taxpayers, have had pretty fair success. However, tax collections can be improved substantially if new collection techniques are introduced, such as combining tax billings with electric or water bills. Such computerized billings, coming on a monthly basis, tend to be paid more readily -- particularly since there is the risk of a cut-off of electricity or water in the event of non-payment. Currently, San Salvador is using such a system in cooperation with the electric company. Several of the municipalities we contacted are very interested in doing the same, but have not yet been able to work things out with the electric company. A technical assistance program should be able to provide assistance to mayors in negotiating such billing agreements, possibly accomplishing this at a national or departmental level, rather than municipality by municipality.

Another area where municipalities should be able to capture revenues is from the electric company, as cost reimbursement for infrastructure constructed by the municipalities. Many municipal governments are helping to extend electric service to

NOTE: "Taxpayer" is used in the broad sense, to include both local taxes and service fees.

neighborhoods and villages that do not have electric power, by constructing posts, electric lines, and other infrastructure from the nearest electric source into the community. The electric company does not reimburse the municipality for any of these expenses. Apparently, there is a provision in municipal law for recovery of such costs. No such revenues are being received by the municipalities that we visited. Outside technical assistance and legal assistance would be welcome by the mayors in negotiating equitable reimbursements from the electric company. The same kind of issue exists with potable water services, where the municipality again often puts in infrastructure to extend water services to new communities, but receives no reimbursement from ANDA.

The single biggest factor in increasing local revenue sources is improved management. For the past year, Sonsonate has had a professional city manager. After looking at potential revenue sources, this manager sees a "gold mine" of untapped revenues in many different areas, particularly the very large number of taxpayers who are not currently registered. Many Salvadoran municipalities should be able to more than double their revenues from local sources by hiring professional managers (or consultants) having the vision and implementation capabilities to "mine" existing revenue sources.

4. Continued modernization of cadastral systems will be a great help to municipalities in building their revenue base. A number of municipalities have recently begun to computerize their taxpayer rolls. ISDEM and GTZ have provided assistance in acquiring computers, and providing software for the new cadastral systems. Sonsonate has just begun a complete overhaul of its cadastral records. Aerial maps and information on properties have been provided through the National Geographic Institute (NGI), and are being used to update the tax registers. By the end of 1993, all properties in Sonsonate will be registered on the new computer system. The information registered includes size and location of a property, improvements, and specific municipal services furnished to the property. It does not include assessment of property values. However, having the new cadastral system in place will make it much easier (and faster) to register property values, if and when the new property tax is approved. Municipalities which have a computerized cadastral system up and running should be able to implement a property tax within six months after the law is passed.

Modern computerized cadastral systems, therefore, are a very important tool, both for enhancing the current tax base (including both taxes and service fees) by registering more taxpayers, and as a base for future revenue growth through new tax authority, such as a local property tax. Technical assistance and training are needed not only for getting the new

systems organized, but for keeping them up to date. In El Salvador (unlike many other countries), property sales and transfers are not registered at the municipal level, but rather through a national property registry office. It is important that information on property transfers are input quickly into municipal cadastral records, or the new cadastral systems will gradually go out of date. Technical assistance is needed to help set up the systems, and for training staff on systems maintenance.

B. PUBLIC SERVICES

1. Existing Municipal Services

Environmental Services. In all the case study sites, municipal environmental services appear to be in very poor shape. Garbage is strewn everywhere. Even in paved areas at the center of the cities, street cleaning is poor, causing drainage problems and stagnant water. Most of the municipalities do not provide containers for garbage. Outside municipal markets, and in the downtown streets having informal markets, refuse is not bagged, but usually just piled in the streets, where municipal garbage crews have to shovel it up when the trucks come through. Garbage trucks dump the waste into open burning dumps, or in one case (Santiago de Maria) into a ravine. Even San Miguel, the third largest city in the country, burns its garbage in an open dump. This dump is within the urban area, and is clearly a health hazard to nearby residents, and in particular to the people (including small children) who scavenge the dump for anything of value.

Some of the municipalities have sewer lines that carry wastewater from the central city to outlying areas. But they do not have sewage treatment facilities, and wastewater runs into rivers or streams, contaminating the water.

Several municipalities are receiving help through MEA funds to purchase new garbage trucks. This equipment is certainly needed. But perhaps even more important is technical assistance and training for municipal employees on how to improve service quality. A prime need is for sanitary landfills. In many cases, a single sanitary landfill can be built to service the needs of a number of surrounding municipalities. Assistance will be needed in selecting the best landfill site, setting landfill construction standards, and planning for operations and maintenance of landfills. Cleanup campaigns, and other public education efforts will be needed to make citizens aware of the health hazards of environmental pollution. Obviously, it will be particularly important to have the mayor and city council committed to environmental improvements. If they see no problem with open burning dumps, technical studies alone will not move

the city toward sanitary landfills. Therefore, it will probably be necessary to provide training not only for municipal technical staff, but for city council members and citizen groups, in order to effect significant change.

The changes needed are not only in service provision, but also in regulation. In Tegucigalpa, the city's public works director undertook a very successful campaign to stop the huge amount of littering caused by street vendors. Over a six month period, the city supplied plastic bags to each of the vendors so that garbage could be set out at curbside for orderly collection by municipal crews. (After the six months, the vendors were required to continue on their own.) Any vendor who leaves unbagged garbage behind is issued a warning. After two warnings, city officials suspend the vendor's license to sell for a one-week period. This campaign has worked very successfully to clean up streets that were previously a mess.

For municipalities, improved environmental services are a "win-win" situation. Generally, improvements are not very complex or costly. Street clean-up, garbage collection and disposal, and parks maintenance, are low technology services. Improved management, regulation, and citizen involvement are the main ingredients for success. And if city clean-up campaigns are successful, the results will be highly visible to residents and a winner for the mayor and elected officials who led the effort. It is important in training programs with local elected officials to communicate the political popularity that will come out of such environmental improvements.

Certain environmental services in the larger cities are technically more complex, and can benefit from outside expertise, particularly in the planning stages. An example is wastewater treatment facilities needed in San Miguel.

Municipal markets. The three larger case study cities own and manage municipal markets located near the city center. The largest municipal market we visited was in San Miguel. Spaces in the market are rented to retailers, who build their own shops, and pay fees to the municipality for the space. The municipality provides police to keep order in the daytime, and to provide security after the market is closed. However, management of the markets generally appears weak. Repairs, maintenance, and cleanliness leave much to be desired.

In several municipalities, the municipal markets are under the supervision of the treasurer's office. Evidently this is because they are a source of revenue. (In two of the municipalities, service fees from markets and street vendors amount to more than

40 percent of all revenues from service fees.) However, management oversight should come from a department head who has responsibility for quality of the service, not just for finances.

In some municipalities, the market is not an attractive place for customers. For example, in Sonsonate, street vendors prefer to remain in the streets, rather than move into a new municipal market where the fees would be even lower than their street locations. An option that might improve the quality and customer orientation of municipal markets is privatizing their management. This approach is being considered in several Honduran cities. With strong management from a private firm, it should be possible to set higher standards for maintenance, provide a better shopping environment, and still cover the costs through rental fees. This is an option that may be useful in some Salvadoran municipalities.

The proliferation of street vendors has become a serious problem in many of the larger cities. For example, Sonsonate is clogged with informal vendors who sell foods and other goods in very unsanitary conditions, disrupt traffic, and make it difficult to keep the streets clean. Once established in a street location, the vendors are very hard to move. In San Miguel, police were used to force street vendors out of the main plaza in front of the cathedral. But many of them then moved into other plazas and public parks. Control of street vendors is a problem that most mayors are grappling with. Workshops to discuss the problem, and look for pragmatic solutions, would be welcomed by the mayors.

In two of the case study cities, major new municipal markets have been built by the Ministry of Public Works, but because of poor locations have never been used. In San Miguel, municipal officials are considering moving their bus station close to the abandoned market, to make the market a more attractive selling place. There may be similar ways to create viable new market places at low cost in other municipalities, and this should be an area where outside technical expertise can help.

Urban Planning. Most municipalities in El Salvador have not done long-range planning. Where master plans exist, they were developed by technicians from the ministries. This is not a system geared toward municipal autonomy. Local governments need to have the capability to plan their own development.

Sonsonate created a department of urban development, and hired an architect to direct the department, with a staff of eight planners. The department also has responsibility for the cadastral office. The new urban development office is responsible for long-range planning, including infrastructure and capital improvement planning. It is also responsible for review of new construction. Fees from construction permits have been

sufficient to pay all costs of the new department, so that it is operating on a self-sustaining basis. This approach appears to be a very solid one that is transferable to other Salvadoran municipalities. MDP can provide technical assistance to other municipalities in starting such a planning department.

For smaller municipalities, an urban planning function may only be feasible by sharing the service with other adjacent municipalities, or by arranging for planning services on a contracted basis with a larger municipality.

Upgrading other municipal services. The fire service in San Miguel and in Sonsonate is provided by units of the army. Service is totally inadequate. San Miguel has only one fire truck to serve the entire department of San Miguel, and three other departments in the eastern region of the country. In the other case study municipalities, the Red Cross provides fire and emergency medical services. But due to a lack of vehicles and available personnel, the municipality often has to fill the gaps in service. In Texistepeque, when the Red Cross vehicle is not available, the municipality uses its garbage truck as an ambulance to bring in people who need emergency medical treatment to the city's health clinic.

The municipalities need to have a stronger role in fire and emergency medical services. In most other countries, these services are a local government responsibility. The use of Red Cross and/or other volunteer groups to provide the service is a commendable low-cost approach, that is undoubtedly appropriate for many Salvadoran communities. But the municipality has to take a hand in setting standards for the service, and providing training and needed equipment, so that the volunteer services can be effective in meeting community needs.

Regulation of public transportation is another area where the municipality can play a stronger role. Bus and taxi services are private. In one of the larger cities, bus routes appear to be controlled by a kind of "Mafia" of bus operators; the municipality had no say regarding safety standards, routing, etc. In Sonsonate, taxis are regulated by the municipality, and fees cover the cost of this service. In other cities, the municipality seems to have only a marginal role in regulation of public transport.

2. Decentralized Services.

A number of services that are presently being provided by national government agencies are being considered for possible devolution to the municipal level. Taking on such new responsibilities will require increased management capabilities

on the part of the municipality. The MDP can provide valuable technical assistance to municipal governments in the planning and implementation of these new services. For example:

(a) Potable water. This is not a new service at the municipal level. Some 72 municipalities are currently responsible for potable water service. It should be useful under the MDP to identify the best managed water systems among those 72, and bring together municipal officials having the most successful systems with officials from other municipalities about to take on the service.

One risk for municipalities in taking responsibility for potable water is the possibility of inheriting a service that will add new costs the municipality cannot afford. In the three case study municipalities which are interested in assuming potable water services, the mayors are very interested in getting outside technical help to analyze operating costs and revenues for the water system; new investments needed to repair or modernize the system; as well as technical staff and training requirements. Most important are the new investment requirements. For example, if a small municipality like Texistepeque has to come up with substantial funds to replace pipes in its water distribution system, they need to know this before they take over the system. Funds for such capital investment would have to be provided by an outside source (national government, MEA funds, ANDA) before the municipality could realistically take on the new responsibility.

The organizational structure for managing potable water may also need outside technical assistance, particularly in the larger municipalities, to avoid later problems. One large city in Honduras which took over potable water under the decentralization program in that country, moved quickly to create a new municipal authority for water and sewer services, with 96 employees. The employees were not provided adequate training, and the large complement of personnel will make it impossible to put the new service on a self-sustaining basis. The municipality is now looking for technical assistance to straighten out the organizational morass!

(b) Public Works. Many municipalities are already implementing projects such as construction of rural roads, building of schools, extension of electric lines and water lines, renovations on health clinics and school buildings, etc. All of these functions are theoretically the responsibility of national agencies and ministries. But in fact, there are long bureaucratic delays in getting ministry projects implemented, and sometimes urgent local needs dictate that the municipality must step in. Usually such construction work is done using MEA funds or other outside donor sources. The performance of municipalities on these projects has been demonstrated to be much

more efficient than that of the national agencies. Secondary road maintenance carried out by municipalities costs ₡25,000 per kilometer compared with ₡90,000 when done by the Public Works Ministry. Classroom construction for elementary schools has been completed by municipalities at one-third of the cost of the same construction when done by the Ministry of Education.

If responsibility for the construction of secondary roads, schools, clinics, and other local facilities is moved down from central government agencies to the municipality, it is critical that financial resources also be decentralized, so that the municipality will have a reliable base for carrying out these new functions. And as construction responsibilities grow, municipalities will need to organize a local public works department with a competent manager, and with access to engineering services either from technical assistance agencies or through private consultant firms. Currently, most municipal construction is done directly by employees hired by the municipality. As the workloads increase, it may be useful for some municipalities to contract out construction to local private firms.

(c) Other decentralized services. There is discussion of turning over responsibilities for a number of other services as well, including health clinics, management of primary schools, etc. The municipalities will need assistance in planning for each of these new services, to make sure that they have the financial and human resources necessary to take on the service and to run it effectively. The MDP can assist municipalities in planning and organizing for new services. Technical assistance will also be useful in putting together an overall implementation plan for new services. If too many new responsibilities are taken on at the same time, it could be a recipe for failure. Outside technical assistance can help stage the implementation of new services in such a way that they will not overwhelm the management capacity of the municipal government.

C. MUNICIPAL MANAGEMENT

Management and Organization. Several of the larger municipalities have "city managers", who are hired either by the mayor or the entire city council to administer all municipal operations. Our understanding is that there are eight to ten such municipal managers in the country. This is an excellent resource, and might be the start of a city management profession in the country. But right now, there are no forums for meetings between city managers from different municipalities to share experiences and learn from each other. It will be useful to start an association of city managers (possibly linked to COMURES), and to organize regular meetings for this group.

Municipal governments need to put more stress on management capability. Existing public services such as garbage collection, municipal markets, slaughter houses, etc. need supervision by competent managers responsible for providing quality services (in some municipalities, such services report to the finance department). Also, as decentralization progresses, municipalities will have to reorganize to provide proper professional and management supervision for new services such as potable water and public works.

Personnel. Salaries and benefits to municipal employees lag behind the private sector. In San Miguel, local officials estimate municipal salaries are 20 percent lower than in private business. This needs to be changed, so that municipal governments can attract competent professionals to manage their services. Comparative salary surveys will be useful, at least in some municipalities, to provide a basis for gradual readjustment of municipal salaries up to local market levels.

If public services are to improve, it is important to provide training programs for municipal employees in each functional area (markets, police, cemeteries, etc.). If employees understand clearly what is expected of them, and what are the quality standards that the municipality hopes to attain, there is much greater likelihood that services will show real improvement. An intensive program of technical assistance can help the municipality develop training manuals and basic internal training programs for the various functions.

Citizen participation. The "cabildos abiertos" used under the MEA program have been valuable in increasing citizen participation. But there are many other ways in which municipal governments need to involve the public. For example, three of the case study municipalities do not have official council meetings open to the public, or even to reporters. Open municipal council meetings are part of the policy agenda of COMURES, and this needs to be implemented.

Mechanisms also need to be found to involve leaders of community associations in municipal decision making. One mayor is meeting with community leaders in a "pre-cabildo" to set the agenda for upcoming town meetings, and to deliberate on the issues. This is an excellent approach, which hopefully can be spread to other municipalities.

None of the case study municipalities involves citizens in the budget process. It is important for citizens to become familiar with how funds are allocated for various community programs and needs. The MDP should provide assistance to the mayors on how to accomplish this (it has already been done successfully in several Honduran cities, under that country's municipal development

program). Part of this effort will be developing new formats for municipal budgets that will make them more understandable to citizens.

Training is needed for mayors and local elected officials on democratization. There is a tendency on the part of municipal council members to be leery of opening up budgets, council meetings, and other municipal operations to citizen involvement. Unless the local council is committed to change, it will be difficult. Training courses can be designed in partnership with COMURES for this group. It may be helpful in some training programs to have the participation of Spanish-speaking U.S. mayors and city managers, who can explain how it works in the U.S., and how citizen involvement can be a source of strength (rather than a threat) to municipalities.

Regional associations. The departmental associations of mayors appear to be functioning quite well. These serve as a forum for mayors to discuss municipal problems, come up with joint solutions, and put pressure on the national agencies that need to respond. These department-level associations have been a good device for building a spirit of mutual support among mayors of different political parties. They should provide a good base for national level advocacy and lobbying efforts by COMURES, as that organization develops.

Several kinds of intermunicipal agreements have developed in El Salvador, for the purpose of providing joint public services. The most common is contracted services, where one municipality provides services to adjoining municipalities for a fee. This is done in the Sonsonate metropolitan area. The city of Sonsonate provides services including computerized cadastral records, urban planning, and construction inspections for three other municipalities in the urban metropolitan area. Juayúa is also providing cadastral services and garbage collection on a fee basis for adjoining municipalities, under a "micro-region" project assisted by ISDEM and GTZ.

As decentralization proceeds, there will be a need for additional mechanisms for intermunicipal cooperation, since some of the smaller municipalities may not be able to take over a service alone. For example, in Santiago de Maria, there will probably be a need to create a new regional water authority (or a council of governments), to manage the potable water system for eight municipalities in that area, all of which share the same water source. Again, in order to make rural road construction and maintenance feasible for smaller municipalities, it will be useful to have intermunicipal agreements for sharing ownership and maintenance of major construction equipment such as tractors and graders. Having such equipment available to a cluster of small municipalities could result in a dramatic improvement in construction of roads and other public works. The municipalities

will need assistance in developing the right kind of regional agreement, which will assure proper management, scheduling, maintenance, and provision for amortization so that the equipment can be replaced.

There are many forms of regional cooperation between municipalities that have evolved in the United States, that appear to be unknown in El Salvador. As municipal government responsibility grows, some of these forms may be useful to introduce and adapt to the situation in El Salvador. For example, a "council of governments" is a very common structure for providing joint planning services for a group of municipalities, or for managing shared public services. Outside technical assistance can help adapt the right form of regional association to meet the needs of a specific cluster of Salvadoran municipalities.

D. GENERAL RECOMMENDATIONS

1. In the case study cities, technical assistance needs do not seem to vary greatly between the larger municipalities and smaller ones. All have the same basic problems with budgeting formats, tax collection systems, low quality environmental services, street vendors, etc. The larger municipalities have more professional staff, and employees with higher education levels. Therefore, training programs and manuals will have to be adapted somewhat for the size of the municipality. But by and large, areas for technical assistance and training seem to be similar for most municipalities.
2. Mayors and local elected officials need to buy into the MDP goals, if significant changes are to happen. It is important to provide training opportunities for local elected officials, particularly on areas such as increased citizen participation, where their attitudes will be critical.
3. Better management is the key to improving the quality of municipal services, and building the local revenue base. Emphasis needs to be put on training of city managers and department heads. Without improved management, municipalities will not be able to tap revenue sources that are already available to them under existing laws, nor be able to absorb well the growing responsibilities under decentralization. The MDP should stress management training, and promote the hiring of professional municipal administrators.
4. The MDP needs to include a wide variety of technical assistance and training approaches, to meet different needs. Intensive technical assistance will be needed for municipalities that are planning to take over potable water systems, or build major capital improvements such as water treatment plants. Municipal finance experts need to be brought in to work at the

national level in developing new municipal budget formats. In dealing with some problems, such as street vendors, it may be enough to have "show and tell" training sessions between officials from different municipalities, where they can interchange approaches to deal with the problem. Training approaches should vary with the target group.

5. Training of new mayors is of the highest importance. After the elections in March 1994, there will be a six-week period before they take office. This would be an ideal time to provide orientation and training for the mayors on their new leadership role. COMURES is the organization best positioned to offer this training. The MDP can provide assistance and training resources to COMURES for this key task.

E. SUMMARY OF TRAINING TOPICS

Following are the areas where training needs are most apparent in the case study municipalities:

1. Existing municipal services

- Budgeting
- Cadastral systems
- Tax collection and enforcement
- Auditing
- New local revenue sources
- Municipal environmental services
- Municipal markets
- Urban planning
- Municipal management and organization
- Personnel systems
- Citizen participation
- Regional cooperation

2. Potential new services

- Property tax administration
- Potable water
- Public works management
- Fire and emergency medical services
- Education

II. RECOMMENDED PROGRAM APPROACHES

Target Municipalities. ICMA recommends a five-year Municipal Development Project, with 15 municipalities selected for intensive technical assistance, and with a variety of dissemination techniques to spread gains in the 15 pilot municipalities to other communities. COMURES should participate in the selection of the pilot municipalities, and take the lead

in dissemination of management improvements to municipalities throughout the country.

The program should start in the first year with a limited number of municipalities. We would suggest five. For this first group of municipalities, the MDP should start with a thorough assessment of each municipality's problems, resources, and assistance needs. The assessment should be conducted by MDP staff working closely with municipal officials. When a draft assessment is ready, it should be reviewed and discussed with the municipal council, and any needed modifications made. To formalize understanding, an official resolution should be approved by the municipal council, adopting recommendations contained in the assessment approving a letter of agreement between the municipality and the MDP for program implementation, and specifying what commitments the municipality will make toward success of the program.

This whole process for reaching specific agreements with the five pilot municipalities should take about four months. The balance of the first year would then be spent in providing intensive technical assistance and training to the five municipalities, in all the areas identified in the assessment and agreed to in the memorandum of understanding.

The first group of five municipalities should include three department capitals, and two municipalities that are not capitals of their departments. Selection should include a variety of population sizes, so that the potential spread effect to other municipalities in El Salvador will be maximized.

After the first year, the program can be opened up to 10 additional municipalities. Six or seven of this "second round" group should be department capitals, where revenue growth and management changes are likely to produce the greatest impact. But again, to ensure relevance for smaller municipalities, three or four of the second group should include municipalities outside department capitals.

It is recommended that the second round municipalities not be selected in the beginning of the program, but rather late in the first year. News about program results in the first five municipalities is likely to stimulate interest from other mayors. Since success of the program will depend to a great extent on the enthusiasm and political support of mayors and top municipal officials, expressions of interest from them can be helpful in selecting new municipalities for the program. Another reason for delaying second round selections is that municipal elections are scheduled for March 1994, and it will be easier to pick the right second round municipalities after those elections.

San Salvador is a special case. The nation's capital city has financial and human resources that are unique in the country, and in many ways is not a relevant model for other municipalities in the country.

However, ICMA believes it is important to include San Salvador in the program. San Salvador is the most important municipality in the country, and some of its innovations (such as "tax billing through the electric company") will have potentially broad applicability. Moreover, a major program providing assistance to the mayors should not exclude the Mayor of San Salvador, whose participation will be important in an overall municipal development effort.

We recommend that specific technical assistance be provided to San Salvador, and to other municipalities that participate in the metropolitan government of the capital area, to deal with technical problems of high priority to the metro government. An example of such technical areas might be garbage collection and disposal, or planning and zoning, etc. Discussions should be held with the mayor and metro government officials to identify priority technical needs. An assessment can then be done by MDP staff on specific problem areas identified for assistance, and an agreement reached with the metro government spelling out terms and conditions of the technical assistance to be provided.

It may also be useful to select one of the communities within the San Salvador capital area, for a special technical assistance effort. Possibilities are communities such as Soyapango, which faces aggravated environmental problems; San Marcos, a fast-growing community around a free trade zone, which has its own special problems to deal with; or Mexicanos, a large low-income urban neighborhood with multiple problems of housing, poverty, and lack of needed community services. In consultation with the Mayor of San Salvador and metro government officials, one of these communities can be selected for intensive technical assistance under the MDP, as one of the second round communities.

Criteria for selection of municipalities. Following are suggested criteria for selection of the 15 municipalities to receive intensive technical assistance and training under the MDP (listed in priority order):

- (1) Demonstrated commitment by the mayor and municipal council to the goals of the project, and political will to make the changes necessary to improve municipal operations. (This is the single most important criterion.)
- (2) A track record of good performance on MEA projects, service fee increases, and public service improvements.

- (3) Interest of the municipality in building its own local financial base, and thereby strengthening municipal autonomy.
- (4) Good track record with open town meetings and other forms of citizen involvement.
- (5) Willingness to take on responsibility for new decentralized services, and to aggressively address unmet community needs.
- (6) Willingness to sign a Letter of Agreement with the MDP, which will pledge the municipality to specific changes in municipal operations and citizen involvement. (This is a requirement.)

In identifying the 15 target municipalities, it is recommended that the final selection include approximately 10 departmental capitals, and five other municipalities outside the capitals.

Mix of technical assistance and training. The MDP should start with a very intensive technical assistance program for each of the five pilot municipalities in the first year. Assistance can be provided by a combination of project staff, local consultants, and U.S. technical experts. Labor intensive technical work needed to help municipalities modernize their accounting systems, computer programs, tax administration, etc. can be contracted out to Salvadoran consultants and firms. U.S. experts can be brought in for special assignments such as technology transfer, and introduction of brand new management approaches, such as municipal program budgets.

In working with the first five municipalities, the project staff should develop operations manuals and training materials for the various municipal functions identified as most in need of assistance. (Manuals used in Honduras and other municipal development programs may be adapted for use in El Salvador, saving some time and expense.) Training programs should be designed for municipal employees in the key areas that need improvement (budgeting, financial management, environmental services, etc.). The five municipalities can serve as a testing ground. Training approaches can be modified and refined based on experiences in those communities.

In the second year, the program can be expanded to 10 additional municipalities. The program should again start with an assessment of municipal problems and external assistance needs. The same assessment tools can be used that were used with the first round municipalities. To speed up the process, local consultants can be engaged to carry out assessments simultaneously in the new municipalities, under guidance of the MDP staff. Subsequently, it should be possible to engage

Salvadoran firms to implement training programs for the larger group, following training designs that were developed for the first round municipalities.

By the second year, there should be enough experience with management improvements in the pilot municipalities to make possible a broader dissemination to other Salvadoran communities.

Seminars and workshops can be organized on key problem areas (garbage collection, landfills, management of markets, cadastral systems), to showcase successful programs in the target municipalities, and discuss how similar programs can be implemented in other communities. Such workshops can be sponsored by the MDP in partnership with COMURES, ISDFM, a local university, or other appropriate training institution. Further, the MDP staff can prepare case study materials on successful approaches that have been implemented in the pilot municipalities, for publication either through COMURES newsletters, or through other COMURES publication channels that will provide maximum exposure to Salvadoran local governments.

One dissemination technique that has been used successfully with U.S. local governments is an on-site workshop held in a municipality with a successful program approach. For example, if one of the pilot municipalities is able to build the first environmentally sound sanitary landfill in the country, MDP staff can arrange a workshop at that site for interested mayors and staff from municipalities around the country. The workshop would include discussions with all the key groups involved in implementation of the successful landfill (political leaders, technical staff, consultants, citizen leaders, etc.), as well as site visits to the new landfill, and discussion of how similar programs can be implemented in other communities.

In order to achieve a genuine "spread effect", it is important to include in the MDP the staffing and funds required to accomplish this goal. "Pilot programs" do not automatically spread to other places. There has to be an organized effort to accomplish this. A local professional should be hired to work full time on the COMURES staff to head up the dissemination work. The effort should include specific activities such as the workshops and publications mentioned above, and should also include efforts to strengthen COMURES and to build broader networks of municipal officials beyond the mayors. (See following section on COMURES.)

An important resource in El Salvador for training municipal employees will be the universities. The municipal development program in Honduras helped to establish courses to train municipal secretaries, accountants, and other employee groups at university centers. Obtaining a university certificate on completion of the course has been a strong motivation for municipal employees to attend. The certificates give them more

status, and put them in a better position for salary increases. A similar approach can be used in El Salvador, which has a wider network of university centers. This should be a good way of extending program benefits to many communities beyond the 15 pilot municipalities.

Over the long term, one of the most important benefits that can come from the program is increased professionalism in local government. One way to do this is to work with a local university to establish a public administration program for municipal managers and municipal finance directors. The MDP can establish connections with an appropriate U.S. university, to provide technical assistance in designing the program and in developing curricula. (For example, the University of Arizona has a public administration school that specializes in city management, with courses taught in Spanish. This might be a good partner for a Salvadoran university.)

The MDP should also include study tours and exchanges with U.S. local governments. Mayors and municipal leaders need to understand that increasing involvement of citizens, professionalization of municipal staff, tightening financial controls, and placing more emphasis on ethics in government--are changes that will strengthen local governments and will enhance their own political leadership positions. ICMA believes that carefully programmed visits to U.S. cities can help to change attitudes, and build enthusiasm for change. It is important that U.S. study tours be carefully designed, and limited to a relatively short duration so as not to take municipal leaders away from their communities for a long time (2-3 weeks maximum). The visits should always be programmed to smaller U.S. communities (preferably with Spanish-speaking mayors and department heads) where there is the best chance for a relevant learning experience. Such approaches in the MDP need to be coordinated closely with the CLASP Program.

The MDP should also build "technical twinning" arrangements between some of the pilot Salvadoran municipalities, and U.S. cities of comparable size, so that there can be an ongoing exchange of ideas, technical assistance, on-the-job learning experiences, etc. For example, a city like Corpus Christi, Texas, which has a Spanish-speaking city manager and department heads, might be twinned with San Miguel. Technical personnel from Corpus Christi could be engaged to assist San Miguel in planning its new wastewater treatment facilities. Elected officials from San Miguel might visit Corpus Christi to learn how the local government works, see open city council meetings, and discuss citizen participation techniques. The finance director from San Miguel might spend some time in on-the-job training in Corpus Christi, to learn about financial management systems, annual audits, tax collection systems, etc. Corpus Christi's mayor, city manager, and business leaders might come to San

Miguel for a seminar on public-private cooperation in local economic development, at a latter stage in the program. This is an example of how one twinning arrangement might work. The program should design a number of such partnerships. There can be a pay-off from such a partnership that will go long beyond the five year life of the project. In the U.S. city managers who are facing problems often call managers in other communities to try to find solutions. Hopefully, this kind of communication will eventually be taking place between the partnered U.S. and Salvadoran municipalities.

Criteria for future MEA funding. Currently, municipalities need to meet certain conditions in order to receive MEA funds, including citizen participation in town meetings, and a requirement that municipalities update their user fees so as to cover all costs. The MEA program also has an "incentive fund", which is available to municipalities that meet further conditions, for example, increasing local service fees by 25 percent beyond costs.

MEA funds can be used further as leverage to promote the objectives of the Municipal Development Project. In order to strengthen the local financial base of municipalities and move toward greater municipal autonomy, two additional conditions are recommended for future MEA funding:

(1) Cost Recovery. Municipalities should prepare plans for recovery of costs of new MEA projects, over a period that will normally not exceed 10 years.

Some MEA funds are for social projects, which generate little or no income. Obviously, cost recovery plans are not appropriate for these. However, AID staff should make a judgment on what percentage of new projects can realistically be put on a cost recovery basis, and then make it a condition for new grants that cost recovery plans be prepared for at least that percentage of future projects.

(2) Capital improvement budgets. All municipalities receiving MEA funding should be required to set aside in the following year's budget a certain percentage of total municipal revenues for capital investments. We would recommend the requirement be 10 percent in the first year of the program, 20 percent the second year, and 30 percent in the third year. Hopefully, by the end of MEA funding, all participating municipalities will have at least 30 percent of their total budget set aside for capital improvements, such as paving, street lighting, school construction, and other infrastructure needs.

This change will be of highest importance for the success of the Municipal Development Project. It will be no great benefit to

increase local revenue sources unless the municipalities use these new revenues for needed investments in infrastructure. If revenue gains go into an increased number of employees and higher operating costs, there may be little real progress.

The requirement for establishing capital improvement budgets and gradually increasing them to 30 percent, should be combined with a requirement for citizen participation in the allocation of these capital budgets.

Local partner organizations.

1. COMURES. The key Salvadoran partner organization for the Management Development Project is COMURES, the National Association of Salvadoran Municipalities. Most municipal governments are members of COMURES. It has a board of directors of 28 mayors. COMURES has been in existence for more than 40 years, but until recently has not been an effective advocacy organization for municipal interests. However, in the past two years, COMURES has grown significantly in strength. Through stimulus from the MEA program, departmental associations of mayors have been formed, which meet regularly and serve as a forum for dealing with concerns of the mayors. These departmental associations form a solid base for COMURES nationally. COMURES is still in early stages of organization in terms of professional staff and programs, but shows good potential for becoming a major player for promoting decentralization and municipal development in El Salvador.

COMURES should be the lead organization in implementation of the MDP. COMURES should participate with USAID and the institutional contractor in selection of the pilot municipalities; sign off on work plans developed for each of the pilot municipalities; and take the lead in providing training to local elected officials.

COMURES should have the lead role in disseminating information on management improvements in the 15 pilot cities, to other municipalities throughout the country. COMURES can also take the lead in creating networks of municipal officials for mutual support and for sharing ideas. Presently, the only existing network is between the mayors.

COMURES can develop seminars and leadership training programs for members of municipal councils. It can also promote professional associations among different groups of municipal employees, such as municipal managers, secretaries, treasurers, and urban planners. This is the way municipal associations operate in many other countries,

with different professional groups and local elected officials having their own groups, which are affiliated with the national association. The MDP should support COMURES in building such a broader association, which would result in increased political clout for COMURES at the national level. It should be noted that COMURES' current leadership is very concerned to consolidate its existing organization and the services for mayors. The work to begin broadening the association by expanding to other municipal groups beyond the mayors, should not begin until the second year of the MDP (at earliest).

Technical assistance should be provided to COMURES to strengthen its organization, including:

- Review of COMURES statutes and organizational structure
- Training for key staff and board members
- Contacts with municipal associations in other countries
- Technical assistance in developing an informative municipal newsletter, with its own sources of finance
- Assistance in developing training programs for mayors and elected officials.

The technical assistance to COMURES should include consultant services from an expert in management of municipal associations. The consultant can help COMURES build its organization and its programs, including sales of training manuals and other publications; effective lobbying approaches; better planned national conferences; membership expansion; and increasing self-generated financial resources. Assistance can also be provided in polling municipalities on their training needs, so that COMURES will be in a stronger position to set training priorities for other agencies that provide assistance to municipalities.

2. ISDEM and other local technical assistance sources. The Municipal Development Project will need to coordinate with ISDEM, and with other local organizations that have the potential for providing training and technical assistance services to Salvadoran municipalities. Overall, there is a shortage of experienced municipal trainers in the country. Considering all of the training needs of local elected officials and municipal employees in 262 municipalities, there is a very broad market for technical services in accounting, engineering, legal services, environmental technologies, etc. The MDP will need to work with local institutions and private firms that show the greatest potential for providing the needed training. It may be useful to provide training of trainers programs in specialized areas (e.g., solid waste management), for ISDEM and/or other local technical assistance delivery organizations.

A number of manuals, computer programs, and other materials have been developed for communities by ISDEM, GTZ, and other organizations working with municipalities. These materials should be reviewed to see what can be adapted by the MDP for use in strengthening the 15 target municipalities.

3. GOES. At the national government level, the MDP will need to work with the agencies that are most involved in decentralization and municipal development, including MIPLAN, the Secretariat for Reconstruction, Public Works Ministry, ANDA, etc. (These relationships will be dealt with in detail in a separate study that is being prepared for US/AID-El Salvador as background for the Municipal Development Project.)

III. EXPECTED RESULTS

A. FINANCIAL RESULTS

In this section, revenue projections will be made for the four case study municipalities under three different scenarios. The first is a "status quo" situation, with no new changes in national laws and policies affecting municipalities, and with ongoing technical assistance to municipalities at approximately their current levels. The second scenario assumes a five-year USAID project to provide technical assistance and training, and gradual policy changes by the national government. The third scenario assumes the same USAID assistance program, and rapid policy changes by the GOES, including:

- Enabling legislation for a property tax
- Increased revenues from the Ley de Tributos, as a result of legislative changes to give municipalities the authority to set their own rates.
- A doubling of the Socio-Economic Fund, with distribution only to smaller municipalities.

Under all scenarios, it is assumed that MEA resources will decline over the next five years, and be eliminated entirely as a revenue source for municipalities by 1999. It is also assumed that a higher percentage of MEA funds will go toward revenue-generating projects, with specific requirements for cost recovery, thus enhancing long-term revenue flows for the municipality. Finally, it is assumed under all scenarios that GOES decentralization strategies will be implemented in 1995, transferring responsibility (together with needed funding) for

services such as potable water and public works to the municipal level.

Scenario 1: Status Quo. Municipal revenue projections are presented in Table 1 for each of the case study municipalities, showing revenues for 1993, which is taken as a base year, and estimates for revenue levels in 1999. In order to factor out inflation, the estimates are presented in constant U.S. dollars.

MUNICIPAL REVENUE PROJECTIONS

SCENARIO NO. 1: STATUS QUO

(In thousands of U.S. dollars)

	SAN MIGUEL		SONSONATE		SANTIAGO DE MARIA		TEXIS-TEPEQUE	
FUNDING	1993	1999	1993	1999	1993	1999	1993	1999
Service Fees	\$ 703	\$ 844	\$ 421	\$ 505	\$113	\$136	\$ 39	\$ 47
Other Local Revenues	\$ 291	\$ 349	\$ 272	\$ 326	\$ 17	\$ 20	\$ 19	\$ 23
Decentralized Services	\$	--	--	--	--	--	--	--
MEA Funds	\$ 166	\$--	\$ 182	--	\$182	--	\$177	--
Other Outside Revenues	\$ 102	\$ 102	\$ 259	\$ 259	\$ 38	\$ 38	\$ 21	\$ 21
Total Municipal Revenues	\$1262	\$1295	\$1134	\$1090	\$350	\$194	\$256	\$ 91

NOTES ON SCENARIO 1:

1. Service fees. None of the case study municipalities plan to increase their service fees further than the increases already taken in 1992, except for inflation. However, with prodding from the MEA program to recover costs for new infrastructure, and with the present levels of technical assistance on financial management, the municipalities should be able to increase collections by approximately 20 percent by 1999.

2. Other local sources. As a result of ongoing technical assistance on cadastral systems, it should be possible to increase other sources by 20 percent by 1999 as well.
3. Decentralized services. Without an intensive technical assistance program, municipalities that take on such new services as potable water in 1995, are unlikely to make a net profit from the new services in the first four to five years. In the absence of a new TA program, we are assuming the municipalities will break even on these new services in 1999; therefore, we have shown no net gain in revenues.
4. MEA funds. It is assumed that MEA resources will no longer be available to Salvadoran municipalities in 1999.
5. Other outside revenues. It is assumed in Scenario 1 that the Socio-economic Fund and other outside sources will not change.

Scenario 2: Assumes MDP project and gradual GOES changes. This scenario assumes a five-year MDP project at a level of about \$15 million, which will provide intensive technical assistance to the case study municipalities--starting in 1994. It also assumes key GOES policy changes in place by mid-1996, including a property tax and doubling of the Socio-Economic Fund.

Table 2 provides baseline data on municipal revenues in 1993, and projections of revenues after five years of technical assistance and training under the Municipal Development Project. Again, the projections are made in constant U.S. dollars.

MUNICIPAL REVENUE PROJECTIONS**SCENARIO NO. 2: USAID T.A. AND
GRADUAL GOES CHANGES**

(In thousands of U.S. dollars)

FUNDING	SAN MIGUEL		SONSONATE		SANTIAGO DE MARIA		TEXIS- TEPEQUE	
	1993	1999	1993	1999	1993	1999	1993	1999
Service Fees	\$ 703	\$ 984	\$ 421	\$ 589	\$113	\$158	\$ 39	\$ 55
Other Local Revenues	\$ 291	\$ 437	\$ 272	\$ 408	\$ 17	\$ 26	\$ 19	\$ 29
New Local Sources		\$ 99		\$ 69		\$ 13		\$ 6
Decentralized Services	\$	\$ 99		\$ 69	--	\$ 13	--	\$ 6
Property Tax		\$ 612		\$ 282		\$ 66		\$ 36
MEA Funds	\$ 166	\$--	\$ 182	--	\$182	--	\$177	--
Socio-Economic Fund	\$ 34	\$--	\$ 23	\$--	\$ 11	\$ 30	\$ 11	\$ 30
Other Outside Sources	\$ 68	\$ 68	\$ 236	\$ 236	\$ 27	\$ 27	\$ 10	\$ 10
Total Municipal Revenues	\$1262	\$2299	\$1134	\$1653	\$350	\$333	\$256	\$172

NOTES ON SCENARIO 2:

1. Service fees and other local revenues. Under this scenario, it is assumed that current legislation on service fee rates (the Ley de Tributos) will continue in effect until 1994, with allowance for increases to reflect inflation.

Based on experience in the Honduran Municipal Development Project, where municipalities receiving intensive assistance increased tax and fee collections by an average of 20 percent in the first year, it is expected that with improved cadastral systems, gradual expansion of taxpayer rolls to cover those now missing, and improved tax administration--it

should be possible to increase revenues from service fees by 40 percent, and from other existing local sources by some 50 percent over the five-year period.

2. "New Local Sources". This refers to sources of revenues that are available to municipalities under existing laws, but have not yet been tapped. Examples are cost recovery from utility companies for infrastructure constructed by the municipality; fees for building inspections, permits, regulation of public transport, etc.; and fines for littering and for other violations not now covered. From such new sources, it should be possible to achieve a 10 percent increase over 1993 total local revenues.
3. Decentralized services. If municipalities take responsibility for new services such as potable water in 1995, it is unlikely they will show a net revenue gain beyond the costs of the services during the first two years, even with intensive technical assistance. However, with a new TA program, it should be possible by 1999 to show significant net revenue gains from the new services. In the absence of financial data on the services to be decentralized, it is difficult to make estimates of the level of revenue increases. A very rough projection is made in the amount of 10 percent of 1993 local revenues.

Decentralization will relieve the GOES of some expenditures. It will also require transfers of GOES funds to municipal governments to meet their new service responsibilities. Technical assistance will probably be needed at the Ministry level, to assure that funding levels are adequate to make the new service an asset, and not a financial liability, for municipalities.

4. Property tax. In this scenario, it is assumed that enabling legislation for a property tax will be in place by mid-1996.

With an MDP project beginning in 1994, all pilot municipalities should have updated cadastral systems, which will facilitate implementation of the property tax. For most municipalities, it should take six months to one year to get property values entered on their cadastral registers.

Projected income from property taxes is based on the total value of urban and rural land in each of the four municipalities, using a tax rate of one percent on the land values. It is assumed that after two years of implementation, approximately 30 percent of the total tax due would be collected. (This is based on experience in Honduras, where most of the MDP pilot cities have property

tax collections that amount to 25 to 60 percent of their total property tax billings.)...For additional background information, see NOTE under Scenario 3, in next section.

5. Socio-Economic Fund. It is assumed that the amount of the Socio-Economic Fund will be doubled from 1993 levels, and that distribution of the Fund will be limited only to Category C and D municipalities.
6. Other outside sources. It is assumed other outside sources will remain the same.

Scenario 3: Assumes MDP project and rapid GOES changes. This scenario assumes a five-year MDP project that will provide intensive technical assistance to the case study municipalities, starting in 1994. It also assumes GOES policy and legal changes in place by mid-1994, including a property tax, broader authority given to municipalities to set their own rates on service fees, and a doubling of the Socio-Economic Fund with allocation only to small municipalities.

Table 3 provides baseline data on municipal revenues in 1993, and projections of revenues after five years of technical assistance and training under the Municipal Development Project.

improvement in these revenues by 1999 is estimated at 60 percent for service fees, and 50 percent for other existing local sources of revenues.

2. "New local sources". Same as for Scenario No. 2.
3. Decentralized services. Same as for Scenario No. 2.
4. Property tax. Under Scenario No. 2, it was projected that after two years of implementation, property collections should reach 30 percent of total amounts due. With an earlier start on the property tax (mid-1994), allowing for four years of assisted implementation experience, the municipalities should be able to reach collections in the range of 45 percent of total receivables.

Prorating the total property taxes expected from these four municipalities (\$1,492,000) and their total populations (297,000) to El Salvador as a whole (5.3 million population), would suggest a total property tax yield for the country of approximately \$27 million. This appears to be quite conservative. Paraguay has a property tax of one percent, a population of 4.5 million, and has \$41 million in property tax revenues. Panama has property tax rates from 1.4 to 2.1 percent, a population of 2.5 million (half the size of El Salvador), and receives \$20 million in taxes from this source.

The tax rate that is assumed is one percent. This seems a reasonable property tax for El Salvador, based on international comparisons. In the United States, the tax rate varies in different local governments, but tends to range from 0.5 to three percent. In Europe, most countries have rates around one percent. In Latin America, rates seem to vary generally between 0.3 percent and two percent. It should be noted that these rates normally cover the value of land and improvements. The projections we have made for El Salvador are only for land values, and so are likely to be conservative. If the property tax that is actually enacted for El Salvador includes value of improvements, the total potential property tax yield for the country might be more in the range of \$40 million.

5. Socio-Economic Fund. Same as for Scenario No. 2.
6. Other outside sources. Same as for Scenario No. 2.

COMPARISONS OF THE THREE SCENARIOS

Following is a table showing baseline revenues for the four case-study municipalities in 1993, and projections of revenue growth (or decline) by 1999, under the three scenarios.

MUNICIPAL REVENUE PROJECTIONS UNDER THE THREE DIFFERENT SCENARIOS

(In U.S. dollars)

	<u>Base Year</u> (1993)	<u>Scenario 1</u> (1999)	<u>Scenario 2</u> (1999)	<u>Scenario 3</u> (1999)
San Miguel	\$1,262,000	\$1,295,000	\$2,299,000	\$2,838,000
Sonsonate	\$1,134,000	\$1,090,000	\$1,653,000	\$1,879,000
Santiago de Maria	\$ 350,000	\$ 194,000	\$ 333,000	\$ 378,000
Texistepeque	\$ 256,000	\$ 91,000	\$ 172,000	\$ 195,000
Total Revenues	\$3,002,000	\$2,670,000	\$4,457,000	\$5,198,000

Scenario 1: Status Quo. In the two larger municipalities, San Miguel and Sonsonate, revenue increases over the five years in service fees and other local sources should approximately offset the elimination of MEA funding. But there is no real growth in revenues. In both municipalities, revenues projected for 1999 are about the same level (in constant dollars) as their 1993 revenues.

In the case of the two smaller municipalities, a substantial fall-off in revenues is projected. In Santiago de Maria, with the elimination of MEA funding, total municipal revenues will drop from \$350,000 in 1993, to \$194,000 in 1999 (a 45 percent reduction). In Texistepeque, a 64 percent reduction is expected, from \$256,000 to \$91,000 in 1999.

Scenario 2: USAID T.A. project and gradual GOES changes. If all changes contemplated in this scenario are implemented, the revenues for San Miguel (Category A) will approximately double; and for Sonsonate (Category B), revenues will increase by 46 percent. For the Category C municipality (Santiago de Maria), revenues are at about the same level as 1993. Finally, for Texistepeque (Category D), there is a 33 percent fall-off in revenues, from \$256,000 to \$172,000.

Scenario 3: USAID T.A. project and rapid GOES changes.

Municipal revenues under this scenario are 17% higher overall than under Scenario 2, primarily due to the earlier start-up on property taxes, and the municipality's ability to set higher service fees.

In this scenario, all municipalities show revenue increases by 1999, except the smallest one. Texistepeque (Category D) still shows a 24 percent drop-off in revenues from 1993 to 1999.

General comments. In their 1993 budgets, all of the case study municipalities use more than 99 percent of their own source revenues for administration and current operating expenditures and less than one percent for capital improvements (investments). By 1999, all the pilot municipalities receiving assistance through the MDP should have at least 30 percent of their budgets earmarked for capital improvements.

The property tax will be a very important revenue source, particularly for the larger municipalities, having a stronger tax base. For municipalities the size of San Miguel or Sonsonate, revenues from a property tax will be more than enough to offset the loss of MEA funding.

For smaller municipalities like Texistepeque, the property tax will probably not be enough to replace lost MEA funds. This will not be true in every Category D community. Some small municipalities in coffee-producing areas, or adjacent to large cities, may have property values that will provide a good property tax base. However, it is likely that the majority of small municipalities will face a situation similar to Texistepeque when U.S. assistance phases out. Neither the new property taxes nor projected Socio-Economic Fund levels will be adequate to maintain their budgets at the same level as in 1993. The result is likely to be a decline in the amounts they have available for spending on new infrastructure and capital improvements.

Recommendation. At some future point, revenue sharing should be discussed as a policy option to strengthen the financial base for all municipalities, and to ensure that smaller communities will be able to maintain (or increase) their current levels of public services and infrastructure improvements.

If five percent of the "ordinary" budget of the GOES, which amounted to \$762 million in 1993, would be available for revenue sharing, this should generate by 1999 (with anticipated GOES revenue growth) a total of \$55 million for the 262 municipalities. With formula-based transfers that favor the smaller municipalities such a revenue sharing program would provide more than enough resources to replace all outside donor funding.

The assumption of a five percent revenue sharing level seems in line with similar programs in other Latin American countries which have revenue sharing, such as:

Guatemala	8%
Honduras	5%
Argentina	8%
Brazil	6%
Venezuela	5%

In most of these countries, revenue sharing legislation requires that all, or a substantial proportion, of the transferred funds be used for capital improvement projects. The same should be built into legislation in El Salvador. From the viewpoint of municipal autonomy, it is better to avoid any dependency on such transfers from the national government for current operating expenses. The revenue sharing funds will be much better used for infrastructure projects.

Currently, total revenues (including local and outside sources) for all municipalities in El Salvador amount to \$45 million. This is only six percent of the GOES ordinary budget (if MEA funds are excluded from the municipal revenues, the total is less than three percent of the GOES budget). This is substantially below the proportion of local government revenues in other countries where local government plays a strong role in development. For example, in Australia, local revenues are 24 percent of the national budget; France, 21 percent; Germany, 26 percent; U.S., 19 percent; Canada, 36 percent; Brazil, 16 percent; Colombia, nine percent; Chile, nine percent. It appears that revenue sharing would be an appropriate measure, in addition to a property tax, to bring municipal revenue levels up to a par with other countries where local governments have a strong role.

B. PROGRAM RESULTS

Following are changes that are expected to occur in the 15 pilot Salvadoran municipalities as a result of a five-year Municipal Development Project:

1. Management Improvements.

- At least half the municipalities hire a professional municipal manager.
- An active association is formed for municipal managers, has regular meetings, is affiliated with COMURES, and establishes linkages with professional associations in other countries.

- A similar professional association is formed for municipal finance directors.
- All pilot municipalities have a program budget, and a capital improvement budget that accounts for at least 30 percent of total municipal expenditures.
- At least 10 municipalities (the larger ones) have annual audits performed by a private accounting firm or other external auditor.
- All municipalities have updated cadastral systems; at least 10 of these are computerized.
- Planning departments are functioning in half of the target municipalities.
- Most municipalities have reorganized their management structures to improve supervision and quality of services.
- Salary levels for municipal employees have been upgraded in half the municipalities, bringing them closer to the private sector.
- Ongoing training programs for key groups of municipal employees have been established in several university centers, and by other Salvadoran training institutions.
- A public administration program is offered by a Salvadoran university, providing professional education to municipal managers.

2. Public Service Improvements.

- Streets and roadsides are visibly cleaner in all target municipalities.
- Five sanitary landfills are operating; several of these serve multiple municipalities.
- Broad-based citizen cleanup campaigns have been implemented in at least 10 municipalities.
- Wastewater treatment facilities have been constructed in five municipalities.
- Municipal markets in five cities show visible improvements in sanitation, cleanliness, and consumer attractiveness. In some municipalities, management of the market has been contracted out to a private firm.

- In half the target communities, the municipal government has taken an active role in upgrading fire services and emergency medical services.
- All target municipalities have a planned capital improvement program for upgrading infrastructure (paving, street lighting, utility extensions, community buildings, etc.), using funds from their own capital budgets, as well as from outside sources.
- At least five of the municipalities operate their own potable water systems, and all of these are showing a net revenue gain to the municipality. Half the pilot municipalities have taken on responsibility for public works construction, (under decentralization) and have organized local public works departments to manage this function effectively.
- Intermunicipal agreements are in effect in at least five municipalities, providing for joint services in areas such as public works, potable water, and sanitary landfills.

3. Advances in Democratization.

- All target municipalities have municipal council meetings open to the public.
- All municipalities have citizen advisory groups, to advise elected officials on handling community problems and needs.
- In at least 10 municipalities, local elected officials hold regular meetings with leaders representing the various neighborhoods and communities within the municipality.
- Half the municipalities have regularly published newsletters to inform citizens of municipal activities, budgets, local events, etc.
- Municipal council members have regular opportunities for meetings with counterparts in other communities, and for training programs, through affiliation with COMURES.
- Community leaders from at least 10 municipalities have been offered training opportunities on their role in local government.

- Multi-party representation on municipal councils has been enacted into law or is near enactment.

4. Decentralization and Municipal Development.

- Legislation has been passed approving a property tax, revenue sharing, and permitting municipalities to set their own service fee rates.
- At least two public services (e.g., potable water and public works) have been decentralized to the municipal level.
- COMURES has grown in organizational strength, and become an effective voice for municipalities with the National Assembly and with the Ministries.
- COMURES is offering regular training opportunities for mayors and local elected officials; is publishing informative monthly newsletters and special issue reports that go to all municipalities; and is recognized as a prime source of information on municipal needs and issues.
- Through training programs and a variety of dissemination techniques, at least 25 municipalities beyond the group of 15 pilot municipalities, have made significant improvements in management, public services, and citizen involvement.

IV. LEVEL OF EFFORT

1. U.S. Advisors. Three U.S. resident advisors will be needed in working with the 15 pilot cities, in providing technical guidance to local staff and consultants, and in disseminating information on modern local government management practices to municipalities throughout El Salvador. The resident advisors should have strong local government management expertise in the following areas:

- Municipal management and organization

- Municipal finance
- Citizen participation/training

In addition, one U.S. resident advisor with expertise in municipal association management, should be assigned to COMURES for a period of three years, to help build COMURES' organizational and financial capacities.

2. Local Professional Staff. Six Salvadoran professionals with a strong management background and some experience in local government should be engaged to work with the institutional contractor in providing assistance to the 15 pilot municipalities. Each would be responsible for delivering direct technical assistance in his/her area of expertise. In addition, they would be responsible for coordinating the work of all consultants, and training activities going to the pilot municipalities (for example, each technician might be assigned responsibility for three of the pilot municipalities). Following are the areas of expertise that will be needed:

- Municipal management and organization
- Budget and finance
- Public works/infrastructure
- Citizen participation
- Training
- Legal/national policy

In addition, five Salvadoran professionals should be engaged to work with COMURES, in the following areas:

- Member services/member marketing
- Business management
- Newsletter/publishing
- Training (for local elected officials)
- Dissemination of MDP program results

3. Support Staff. Approximately 10 Salvadoran support staff will be needed to handle all administrative requirements of the program, including accounting, training logistics, interpreting and translation needs, and secretarial support.

4. Consultants.

- A. U.S. Consultants. It is estimated that a total of 1,200 days of consultant time from U.S. municipal experts will be needed during the course of the five-year program. Areas of expertise, and approximate days required are estimated as follows:

- Design of new municipal budgeting systems (120 days)
- Financial management systems (120 days)
- Solid waste management (100 days)
- Wastewater and other environmental technologies (80 days)
- Potable water systems (100 days)
- Local economic development (80 days)
- Privatizing public services (80 days)
- Citizen participation in local governments (200 days)
- Regional cooperation/development (90 days)
- Legal assistance (on national municipal legislation) (200 days)

B. Local Consultants. It is estimated that there will be a need for approximately 6,000 days of consultant assistance from Salvadoran firms and individual professionals. The principal areas of assistance needed, and approximate days that will be required, are as follows:

- Implementation of new municipal budgeting formats (900 days)
- Accounting systems (900 days)
- External auditing (500 days)
- Personnel systems (600 days)
- Tax administration and cadastral systems (900 days)
- Engineering services (600 days)
- Urban planning (400 days)
- Municipal computer systems (400 days)
- Citizen opinion surveys (400 days)
- Municipal management and organization (400 days)

5. Other major costs. It is expected that in the second year and thereafter, as training activities broaden to include a larger number of municipalities, there will be need to set aside a significant budget amount for direct training costs, both for onsite training in El Salvador and for U.S. based training and study tours. We would suggest an amount in the range of \$450,000 per year (this would include about \$50,000 per year budgeted for dissemination activities by COMURES, including publication of case studies and special reports on project successes, workshop materials, etc.)

Home office costs for a U.S. organization managing the project also need to be provided for in the budget. It is likely there will be need for at least five home office positions, for project supervision, U.S.-based training activities, and contract management requirements.

6. Staging. First year MDP costs will generally be lower (except for one-time start-up costs). It will take time to get agreements with the first five municipalities, and most of the effort will be directed toward those municipalities during the first year. Therefore, the level of effort and expenditures in the first year should be about 30-40 percent lower than in subsequent years.

Appendix A

Case Studies of Salvadoran Municipalities

- 1. San Miguel**
- 2. Sonsonante**
- 3. Santiago de Maria**
- 4. Texistepeque**
- 5. Municipal Associations**

SAN MIGUEL CASE STUDY

Background. According to the recent census, the total population of the municipality is 183,000. The municipal officials we talked to estimated the population as much higher. They said the city alone has over 200,000, and the municipality in excess of 300,000 population.

San Miguel is in the eastern region of San Salvador, and is the business and financial center for that region. The primary agricultural products in the region include basic grains, coffee, sugar, and cotton. San Miguel has a variety of agricultural processing industries, and also produces construction materials, fertilizer, and textiles.

1. FINANCES.

Municipal Revenues. During the past year, total revenues increased from ₡6.7 million to ₡11.1 million. The most significant increase was in service fees, which rose by 225%. In 1993, estimated revenues from service fees is ₡6.2 million, or 56% of the entire budget.

The following table shows the breakdown for San Miguel's revenue sources for 1992 and 1993. With the increased service fees in 1993, locally generated revenues have now reached 79% of the overall budget.

<u>Revenues Sources: Municipality of San Miguel</u>		
	<u>(In ₡)</u>	
<u>Local Revenue Sources</u>	<u>1992</u>	<u>1993</u>
Service Fees	2,752,000	6,184,000
Taxes	1,998,000	2,178,000
Other	<u>337,000</u>	<u>381,000</u>
TOTAL Own-Source	5,087,000	8,743,000
<u>Outside Sources</u>	1,627,000	2,351,000
<u>Total Revenues</u>	6,714,000	11,094,000

The higher service fees went into effect in January, 1993. This was the first increase in service fees since 1939 -- 54 years ago! The new fees were established after a careful study of each service area conducted by city staff, with technical assistance from ISDEM. ISDEM provided full time technical assistance over a 6 month period, to help with these studies. The new service fees were set at a level adequate to cover all costs, including depreciation of capital assets, but did not include any percentage above actual service costs (such as is provided in the "Ley de Tributos"). The municipality does plan to budget annual increases in service fees to cover inflation costs, in every subsequent budget. This will keep future adjustments very gradual, and diminish the negative reactions from taxpayers.

The municipality organized a town meeting on December 20, 1992 to discuss proposed increases in service fees. A good deal of public relations activities preceded the town meeting, including radio ads and other publicity, explaining the need for the increases. Although there was some complaining, by and large the public understood and accepted the higher fees. Many citizens made it clear, however, that they will now expect better municipal services following the fee increases.

Potential new local revenues. The municipality has a brand new cadastral department, just one month old. New computers and software programs for the cadastral system have been furnished with assistance from GTZ. Municipal staff are just beginning to input cadastral records on the computer. Aerial maps and other information on municipal properties is being furnished by the National Geographic Institute. The municipality's current records include 17,000 taxpayers. But there has been a lack of control of some tax sources, such as vendors in the markets. Municipal officials estimate that as many as 10,000 new taxpayers may be added with an overhaul and update of the cadastral records. They estimate it will take four months to complete input of all current records on the computer. It is likely to take several additional months to expand the registers and include missing taxpayers.

The municipality's system for collection of taxes and service fees is as follows. Bills are sent out once a month to all taxpayers, with city employees handcarrying the bills from house to house. Actual payment of the bills is made by the taxpayers at city hall.

For those who fall behind in their tax and service fee payments, the municipality will refuse to issue a "solvencia". The solvencia is used to get credit from banks or business. By withholding this document, the municipality can exert some pressure for payment. Almost all businesses do pay their taxes and fees. But among private residences, only about 50% pay

municipal fees. Total delinquent taxes and fees are estimated at ¢12 million.

Municipal officials have looked at the system used by San Salvador, where municipal tax bills are included with the electric bill. But politically this is difficult to do in San Miguel. Because of the polarizations from the civil war, there is more sensitivity to any mechanism that puts heavy pressure on people to pay (such as turning off their lights). They prefer to use other methods that avoid conflict. However, San Salvador's approach may be a useful one for San Miguel in the future.

The municipality has not taken new loans in recent years. However, they are still paying off old loans, some of which were for public works improvements, and some for salary increases. The 1993 budget has ¢253,000 earmarked for payments on old loans.

In our discussion of the proposed new property tax, the city councilman who was briefing us was not familiar with the concept. (The Mayor had to leave San Miguel to attend the funeral of ISDEM officials). It was not possible to get information on the potential impacts of a property tax in San Miguel.

Capital Projects. San Miguel has no separate budget for capital expenditures. The municipality budgeted only ¢330,000 for "investments" in 1993, and these were primarily for repairs and office expansion in municipal buildings. Funds for capital expenditures on new infrastructure come from outside sources, including ISDEM and MEA funds. The 1993 budget shows ¢546,000 from the ISDEM fund for economic and social development. It also shows carry-over grants of MEA funds totaling ¢1,456,000. MEA funds have been used for a variety of projects, including extensions of electricity to new communities, improvements in school buildings, street paving, construction of community centers, day care centers, retaining walls, etc. A number of the projects have been built in marginal areas on the outskirts of the city, where the improvements tend to have more impact than in the central city.

The municipality has not established any fund to recapture income generated by new capital projects, for future investments. Nor has it established any "enterprise fund" to put specific services such as the municipal market on a self sustaining basis.

2. PUBLIC SERVICES.

Existing Municipal Services. The municipality is responsible for the following public services:

- o Garbage collection and disposal
- o Street cleaning

- o Slaughter house
- o Municipal markets
- o Municipal police
- o Cemetery
- o Municipal day care center
- o Street lighting
- o Urban planning
- o Sewer system

San Miguel's environmental services appear to be very weak. The municipality has 12 garbage trucks, which are about 13 years old. Only 5 of these are now functioning. Five new garbage trucks will be delivered shortly, through support from ISDEM funds.

Garbage is collected daily, from door to door. Garbage is not placed outside residences in containers. Rather when the truck comes by, a bell is rung, and people can bring out their garbage to throw into the truck. The trucks also pick up garbage that accumulates in the streets around the market areas. The trucks dump the garbage in an open burning dump, which is inside the urban area of San Miguel, with many people living nearby. Six employees are in charge of the dump, and burn as much material as they can. The municipality has no tractors or land moving equipment to cover the solid waste. They try to arrange for such equipment once or twice a year through the Ministry of Public Works. On visiting the landfill, we observed about fifty people, mostly women and very small children, scavenging on the open dump. There is a bad smell, and smoke from the open fire. The conditions are extremely unsanitary.

Sewer lines from the city carry waste water away from the center. But there is no treatment facility. Waste waters eventually run into the river, and are a serious source of contamination. The municipality is beginning to plan for future treatment plants near the river. A group of local architects and engineers are working on a volunteer basis to develop plans with the municipality. This is an area where the municipality will need technical assistance, both in planning the system, and in financial packaging.

The municipal cemetery is large and well maintained. Burial plots are sold (\$60.00 is the minimum cost), and payments are made every 7 years, in perpetuity. This income, plus burial fees, provides the revenues to pay for 15 employees, and to keep this facility clean and well maintained.

The municipal market is a large building in the city center, with thirty foot ceilings that provide good air circulation. All the spaces in the market are filled, with over 500 merchants selling their wares. The municipality operates a nearby nursery for 40 pre-school children, while their parents work in the market.

The market is busy on weekends. But on weekdays, there are not very many customers. The downtown area is full of street vendors, who sell the same kind of merchandise as is sold inside the municipal market. These vendors tend to take away customers on weekdays, when traffic is lighter.

Last year, the central plaza in the city of San Miguel was completely covered by street vendors. The municipality used the police to force the vendors out of this plaza, and there was a major struggle over a two month period before the plaza was cleared. Street vendors continue to proliferate, and have moved into other plazas and public parks. The Ministry of Public Works constructed a large new market several years ago on the outskirts of the city, but this was not an attractive site for market people, and it is now abandoned. The municipality is considering moving the bus terminal close to this market, to make it viable.

There appears to be no control in the municipal market over combustible materials. Old cardboard boxes and paper goods are stored on the roofs of individual retail shops, and they appear to be a serious fire hazard. (The old market burned down many years ago). More regulation of fire hazards is needed.

The fire service is not run by the municipality, but by a local army unit. They have only one fire truck to serve the entire municipality of San Miguel, as well as three other municipalities in the eastern region of the country. Clearly the existing fire service is totally inadequate.

Potential new services. There is no interest from municipal officials in having potable water become a municipal service. And there have been no discussions about taking on other decentralized services. From the viewpoint of the city council, the municipality has enough headaches, and would not want to take on extra services.

3. MUNICIPAL MANAGEMENT.

Organizational Structure. The city council includes mayor, síndico, and 14 members of the city council. The council has weekly meetings. Each member of the city council has an area of responsibility (e.g. markets, municipal finances, community development). They all look to the Mayor as the leader. If a council member has any problem in his area of responsibility, he brings it to the Mayor for discussion and decision.

San Miguel has a professional municipal manager, who is hired by the whole city council. Other new hires are made by a committee of 4 city council members. Currently the municipality has a total of 375 employees organized into the following departments:

- o Finance department (includes cadastral office)
- o Commercial department (includes markets, slaughter house and cattle auctions, cemetery, and civil registry)
- o Municipal police
- o Public relations
- o Legal department
- o Internal administration (including personnel)
- o Engineering department (includes urban planning, and construction supervision)
- o Maintenance department (includes garbage collection, street cleaning, park maintenance)
- o Office of internal audit

Budget. The budget format used by San Miguel is identical with that of smaller municipalities. It is a basic line item budget, with no break-out of expenditures by program. There is no budget for capital improvements.

The budget is prepared by the finance department. There is no citizen participation in the budget process. The city councilman who briefed us thought it would be difficult to open up the budget process to citizens, since this would slow things down and make it difficult to get decisions -- at least in the present political climate.

Personnel. San Miguel has several professionals on staff, including an engineer, lawyer, and accountants. The treasurer has a university degree in psychology. The accountants generally have high school degrees in accounting, with some university studies.

It is difficult to attract and retain professional staff, because municipal salary levels are low. The highest paid employee is the head of the engineering department, a civil engineer, who earns ₡4,000 per month. The general manager is paid ₡3,000 per month. Salaries generally tend to be at least 20% lower than comparable positions in the private sector.

Labor unions are active, particularly in the sanitation and parks departments. They tend to include mostly the lower level workers. There are no unions for the administrative staff. There was one strike by sanitation workers last year for a short period, but generally the unions have not been a major problem, and are not very strong among municipal employees.

The Mayor has a staff meeting every Monday with all department heads, to coordinate municipal activities. At the department head level, there is no civil service protection. The tradition in San Miguel has been for new mayors to dismiss department heads

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and bring in their own people. Civil service protects lower level employees, but not the top level.

Urban planning. The municipality invited an association of local architects and engineers to develop a master plan, working on a volunteer basis. This group has produced a long range urban plan for the city of San Miguel. Ministry technicians provided some technical assistance on this. The plan is one year old, and it is used in planning new subdivisions and other major developments. However, there are no zoning regulations. Any kind of mixed uses are permitted, as long as the infrastructure is in place.

Citizen participation. Approximately three "Cabildos Abiertos" (town meetings) are held each month, in the different neighborhoods and villages that make up the municipality. The meetings are led by the Mayor or one of the city council members. Typically about 200 to 300 people attend the meetings. Municipal officials try to develop an agenda for the meetings to keep the discussions focused on a few key issues, so that they result in specific action steps. The meetings revolve each month to different communities, so that in the course of a year all communities in the municipality's are covered.

The Mayor and council members also have other kinds of meetings to discuss how to improve San Miguel, with groups such as the Chamber of Commerce, service clubs, journalists, businessmen and other interest groups.

City council meetings are not open to the public. They are aware that council meetings are open in the U.S. and in other countries, but feel that this can not be done in San Miguel because of the political polarization. The council meetings are not even open to local reporters. The only way citizens can appear at council meetings is by petitioning an "audience" to discuss a certain issue. The council will grant a special hearing to a citizen or group making such a petition, but only to discuss their specific issue.

Regional Association. The Mayor is active in the departmental association of mayors, which meets regularly to discuss municipal problems and the allocation of CONARA funds.

However, the only meeting are between mayors. City council members do not have training programs or meetings with council members from other municipalities. Nor are there any meetings between finance directors from different municipalities, municipal managers, or other professional staff. Below the level of mayor, there is a tendency for municipal officials to be involved only in their own municipality, and not to network with their counterparts in other communities. This is true even in

the national congress of COMURES, which is only open to mayors and does not include other municipal officials.

4. TECHNICAL ASSISTANCE NEEDS.

In order to improve and modernize management of San Miguel, municipal employees will need training in many different areas, including:

- o Municipal Administration (including ways to streamline the bureaucracy, while keeping adequate control)
- o Cadastral Systems
- o Computer Training
- o Financial Management
- o Public Relations
- o Training for elected officials and community leaders

Besides training for municipal staff, it is also important to provide training opportunities for city council members. They would be interested in getting training in their own specialized functions. For example, council members who are responsible for parks or cemeteries could benefit from workshops on those subjects with municipal officials from other communities, so they could interchange ideas and approaches. It would also be useful for council members to visit other countries, and find out more about practices such as open council meetings, and new forms of citizen participation.

Direct technical assistance would be helpful to San Miguel, particularly in environmental services. One area of interest is recycling of solid waste. Municipal officials would be interested in getting literature on alternative approaches they might take in recycling, and would also be interested in having recycling experts visit the municipality to discuss potential approaches. Another environmental area that will need expert assistance is waste water treatment. Discussions on this are at a very preliminary stage in San Miguel. They will need expert advice to move forward in developing concrete plans for building the needed treatment facilities.

Other areas where technical assistance would be useful include:

- o helping develop new local revenues sources
- o assisting and designing citizen campaigns for clean ups, recycling, etc.
- o advice on how to "de-politicize" the municipality, and how to build a community spirit where all political parties will work together for municipal improvement. (This

might also be a good subject for training workshops with leaders from different municipalities).

SONSONATE CASE STUDY

Background. The municipality of Sonsonate has a total population of 76,000. It is the departmental capital, and serves as commercial center for the surrounding area, where the economy is based on coffee production, cattle and dairy farms, and sugar cane. The Department of Sonsonate also contains El Salvador's only major port, Acajutla.

The city of Sonsonate is in a metropolitan area that includes three other municipalities (Nahuilingo, San Antonio del Monte and Sonzacate); the total metropolitan population is approximately 50,000.

1. FINANCES.

Municipal Revenue Sources. During the past two years, the municipality has made major efforts to increase its revenue sources. Total municipal revenues increased as follows:

1991 -	¢3,800,000
1992 -	¢6,200,000
1993 -	¢9,970,000 (projected)

The municipality's 1993 budget includes ¢6.1 million of revenues from local sources, or 61% of the overall budget. The remaining 39% of the revenues come from government transfers and other outside sources, including ¢1.6 million of funds from MEA, which is 16% of the total budget.

1993 Revenues: Sonsonate (In ¢)

Local Sources		
Service Fees	3,706,000	
Taxes	1,742,000	
Other	<u>647,000</u>	
Total Own-sources		6,095,000
Outside Sources		3,878,000
Total Municipal Revenues		9,973,000

The largest increase in revenues in 1993 was in service fees, which were raised on average 101% in November 1992. The result was to double the income from service fees, to a total of €3.7 million in the 1993 budget.

The service fee increases were implemented over a period of time. The mayor appointed a task force of 3 staff to work, together with technical assistance from ISDEM, to develop cost studies on each of the services affected (municipal markets, solid waste, street lighting, etc). The new service fees were set at a level 30% higher than actual costs of the services (because of the introduction of the IVA tax by the national government, the effect is actually a 20% raise above cost's). The first fee increase was implemented in June 1992 for municipal markets. There was some negative reaction to the increase, but with municipal public relations efforts, subsequent increases went a lot more smoothly. All the increases were in place by November 1992.

In calculating costs of the various municipal services, depreciation of capital equipment was included. For example, amortization costs to replace garbage trucks were included in estimating total costs of solid waste management. However, service fees collected do not include a portion set aside for future equipment replacement; all service fees go into the general fund.

The other major local source of municipal revenues, taxes on local businesses, has been relatively flat. They increased from €2.25 million in 1992, to €2.4 million in 1993.

Potential New Local Revenue Sources. With service fees now updated to 20% over actual cost, there is not much potential for further increases except in line with inflation. However, there are several other ways to beef up local revenues.

The municipal manager sees a major source of untapped revenues in the new cadastre system that the city has begun to develop. In 1991 when the current mayor came into office, there were only 8,000 registered taxpayers in the municipality. After two years of effort, that number is up to 9,500. With the new equipment centers received through MEA funding, the municipality now has an opportunity to do a complete update of its tax registers. They expect it will take approximately 9 months to input all the data they have acquired from the National Geographic Institute into the computer, and to complete their overhaul of the cadastre. They do not yet know what is the total universe of tax payers for the municipality. But the municipal manager thinks that by 1994, they may be able to as much as double the number of registered

taxpayers -which will have a significant impact on revenue growth.

In addition to updating cadastral records, municipal officials are also having discussions with the National Property Registry office with the aim of having future property transfers registered immediately on municipal computers, so that the cadastral records will not get out of date.

Another source of increased revenues is reduction of tax delinquencies. When the Mayor began in 1991, there was a total of \$3.8 million of unpaid taxes on the books. Through an aggressive collection program, the municipality has now recuperated 40% of that amount. There is a new municipal department for the recuperation of delinquent taxes. One technique which the department is using is issuing a "Letter of Exchange" (a kind of IOU), which can be used as a legal document to go to the persons' residence and secure payment, or even seize assets for payment of overdue taxes. The political costs of seizing assets would be very high, and municipal officials do not actually do this. The new department, however, has a system of billings and follow up and at least the threat of more severe actions, which has already significantly decreased tax delinquency.

Property Tax. If a property tax is approved, the municipality's new computerized cadastral system will make it much easier to implement the tax. All municipal properties will be registered on the system by the end of 1993. The registered information includes size and location of a property, improvements, and municipal services furnished to the property. The new cadastre, however, does not include an assessment of property values.

The mayor and municipal manager are very interested in getting authority for a property tax. The mayor believes that if the property tax is accompanied by an elimination of the wealth tax, it should be easy to sell to residents of Sonsonate. The new property tax will provide funds to the municipality for health, schools, street repairs, and other services that are highly visible to local residents. If municipal leaders are close to their people, and the people can see that the property tax will result in improved public services, the mayor believes they will accept it readily. He also believes that every municipality may not be able to implement the property tax. The role of the capital city in each of the departments will be very important, including possibly the provision of services to other smaller municipalities to make it feasible for them to implement the tax.

Since there is no existing valuation of properties, it is not possible to estimate the overall potential of a new property tax for Sonsonate. However, the mayor pointed out that approximately \$2.5 million of wealth tax is collected for the urban center of

Sonsonate. If the property tax approximately replaces that amount, it would add more than ₡3 million for the municipality overall, or about 30% of overall municipal revenues. (The Mayor recognizes this is a very imprecise way of estimating revenue potential.)

Capital Projects. The municipality has no significant source of long term loans. The only loans they have available are short term lines of credit with local businesses for purchase of building materials and equipment. They do not have access to long term capital through such vehicles as municipal bonds.

Municipalities generally do not have the confidence of financial institutions that would allow them to get long-term credits. For example, the municipality of Sonsonate in years past ran up debts with local businesses and was very slow in paying them off. Under the new administration, they have caught up with the arrears. But there is a long way to go before the municipality will be seen as sufficiently credit worthy to obtain long term loans from financial institutions.

In 1993, the municipality budgeted ₡329,000 of its local revenues for investment purposes, less than 1 % of the budget. Almost all of its funds for capital investments come from outside sources, including ₡1.6 million of MEA funds (16% of total budget), and 520,000 from the socio-economic development fund (5% of total budget).

MEA funding appears to be used largely for projects that generate income for the municipality. Many of the recent projects have extended electric services to residents in outlying villages and rural areas. Service fees for these improvements generate revenues for the municipality. Other MEA projects include the purchase of three new garbage trucks, and the purchase of computer equipment to modernize the cadastral system. The garbage trucks will improve and expand collections services, and increase service fees. The computers are expected to have a very high pay-off for increasing overall municipal revenues.

However, it should be noted that none of the revenues being generated by outside capital investment, are being channelled back into a fund for future municipal investments. Rather, their going into the municipality's general fund, and may be used in future years for operating costs. The municipality needs to set aside significant amounts of funds in its future budgets for investment purposes. Otherwise it will not be in a position to continue spending on capital projects when the outside funding sources are no longer available.

One major capital project that the mayor mentioned as of high interest to the municipality is to build a modern market on a site that will relieve the heavy congestion, and the large number

of street vendors, in the downtown area. Construction of such a market would cost an excess of \$7 million. To pay for such a project would require long term financing. There does not appear to be any feasible source for such financing available at present.

The mayor recognizes that in order to undertake such a large capital project, it will be necessary to bring in technical experts to develop a project proposal that includes market studies, a business plan, and a viable financial plan. Assistance would be welcome by the municipality, to make sure any major new capital project is in fact feasible, before it is started. If at some point, a funding source for long term credit to Sonsonate can be found for the project, technical assistance clearly will be needed at the planning stages.

Tax Collections Systems. Presently the municipality still uses a manual system to collect taxes. Three full time municipal inspectors collect taxes and fees from local businesses. Service fees owed by residents are billed monthly, and most people come to city hall to make their payments.

In the future, the municipality plans to computerize it's tax billings and service fees. Municipal officials are negotiating with the electric company, and hope to have these billings issued monthly as part of the electric bills. Payments can then be made by tax payers to the electric company. Possibly, payments might be arranged also at local banks. This is still under negotiation, particularly as to the level of administrative charges that the electric company will accept for this service. The municipality hopes to reach agreement soon, so that the new billing system could be put into effect by the end of 1993. This approach should contribute to a further reduction of tax delinquencies.

2. PUBLIC SERVICES.

Existing Municipal Services. The municipality is directly responsible for the following public services:

- o Registry of vital statistics (births, deaths, etc)
- o Identity cards
- o Cemetery
- o Slaughter house
- o Municipal market
- o Municipal stadium
- o Public parks
- o Public works maintenance
- o Solid waste collection and disposal, and street cleaning
- o Day care center

- o Public shelter (homeless shelter)
- o Community development
- o Urban planning
- o Construction permits and controls
- o Municipal police

One problem area for the municipality is informal markets and street vendedores. The major downtown street which has a bus station at one end, and a new municipal market at the other end, is clogged with street vendors who sell foods and other goods in very unsanitary conditions, disrupt traffic, and make it difficult to keep the streets clean. A new municipal market is available, but the street vendors have their regular costumers, and they are not inclined to move. City officials have done a lot of publicity, and have taken steps to encourage people to move into the markets, including setting permit fees in the new market at a level lower than permit fees for the street stands. Gradually some of the street vendors are moving, and the market is beginning to fill up. But it is still a big problem, and the municipality is reluctant to use police force to move the vendors out, since opposing political groups are likely to create confrontations over such an approach. The continuing difficulties are one reason why the Mayor is considering a new regional market that would be a more attractive location for street vendors. The Mayor is also looking for new ideas on how to handle the problem, and successful approaches that may have been tried in other municipalities.

Potential New Services. Fire services are being furnished until now by a local army unit. With the recent military reductions, there is now discussion of transferring the Army fire trucks and fire service responsibility either to the departmental governor, or to the Mayor of Sonsonate.

The Mayor and municipal officials would be interested in taking responsibility for the fire service. They think it would be better managed by the municipality than by the governor. The service is such an important one for local residents that in the past the city has paid a monthly contribution of \$500 to the Army fire service, and helped in the maintenance of their trucks.

Another service that is very important to Sonsonate is the potable water system, which is currently managed by ANDA. ANDA has not been responsive in keeping up with the water needs of the municipality. Urban growth has been rapid, and many homes and new communities have been constructed without water service. In recent months, water service has been reduced or cut off entirely for days at a time, causing serious problems to Sonsonate residents, and presenting a major public health danger.

The Inter American Development Bank (IDB) last year prepared a project proposal for modernizing the water system in Sonsonate.

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ANDA could not agree with BID on costs of the project, and the project has not been implemented. The Mayor feels that the BID approach would provide the long-term macro solution that Sonsonate needs.

The Mayor would like to see the water system decentralized and brought under control of the municipality, so that local officials can assure that needed improvements are made in the system to be responsive to the changing needs of the community. The municipality's Urban Development Department has done a study of potable water needs of the Municipality, including areas where is the service lacking, and areas where the infrastructure is inadequate.

One new municipal service which was initiated within the past year is urban planning. The Vice-Minister of Housing encouraged Sonsonate to form a "Metropolitan Area Development office", in order to undertake a variety of functions, including urban planning, control of new infrastructure, oversight of new construction, planning to meet housing needs, etc. The municipality followed up on this recommendation, and organized a new office of urban development, with an architect as Director, and a staff of 8. The cadastral system has been placed under this new office as well. The office is providing planning services to Sonsonate and three other municipalities in the metropolitan area, including review of new construction plans, and inspection of construction sites. The fees for inspection and building plan reviews have covered the entire cost of the new department, and also brought in new revenues to the other three municipalities. The Urban Development Office is now in process of organizing cadastral records for all four municipalities, and is also preparing a plan for urban development of the metropolitan region. Master plans for urban areas have been prepared in the past by the Ministry of Planning; but the municipalities in the Sonsonate metropolitan area will have a strong voice in development of future master plans through this new department.

3. MUNICIPAL MANAGEMENT.

Organizational Structure. Sonsonate is governed by a municipal council, which includes the Mayor, a Síndico, and twelve city council members. Approximately one year ago, the Mayor hired a general manager to be the top staff person overseeing all municipal departments. This is the first time that Sonsonate has had a professional administrator to work in such a position under the Mayor.

There are six departments under the general manager, with a total of 240 employees. The Departments include Municipal Police, Finance Department, Public Services, Urban Development

Department, Civil Department (Civil Registry, Identity Cards, etc), and Department of Public Relations and Community Development.

Budget. The municipality has a line item budget. An overall budget is prepared, as well as individual department budgets, showing expenditures by cost category.

The entire budget is an operating budget. Less than one percent of operating funds are set aside for "investments". There is no separate budget for capital improvements.

Expenditures are categorized by the Department that handles them, rather than by program. For example, the presentation of overall expenditures shows more than 60% of expenditures going to "general administration". This does not reflect real program activities. All of the projected MEA funds for 1993, totalling \$1.6 million, are attributed to the Treasurer's office and classified as part of the "general administration" expenditures. This is a long way from a program budget.

The Mayor said that MEA funds have provided some technical help to modernize the municipality's finance systems. But this has only been a start, and additional technical assistance and training is needed.

Personnel. When the present Mayor came into office in 1991, he found staff morale was very low. In the fourteen preceding years, municipal employees were generally held in low esteem by a succession of Mayors, and were not provided motivation for advancement.

The Mayor has taken steps to turn around the situation. He has boosted salaries substantially in the past 2 years, and provided new fringe benefits. He has also put an emphasis on training for municipal employees. Some of the technical training has been provided through assistance from outside donors. But he has found that sometimes the programs have been too technical, and have not dealt adequately with important human relations and motivational issues. The Mayor and staff have tried to bring a new vision to municipalthe employees, so they will see their services as not just to the city council, but to the people of the community.

There has been almost no turn over on the municipal staff in the past two years. With the better treatment of municipal employees, there are much less difficulty with employee unions.

There are still problems for the Mayor in terminating employees who are not doing their jobs, or who appear to be dishonest. The municipality has to build a very strong case and present it to a

local civil service tribunal, with possibilities of appeal to a national civil service court.

Notwithstanding the improvements in employee performance over the past two years, there is still a great need for further training--both technical training, and management/human relations training. The Mayor said the most effective training is "hands on" training that is practical, down to earth, and directly related to their jobs.

Citizen Participation. The municipality has used town meetings and other community meetings to stay in touch with citizens. Two community organizers are employed by the municipality, one for the city of Sonsonate, and the other for outlying villages and rural areas. For the rural areas, they have organized a "community development committee" which includes leaders of the local communities, and key municipal staff. Each village has its own such committee, and some of them are incorporated. These committees work together with the municipality in identifying the most important needs of the poor communities, such as housing needs, sanitation and water, etc. The community organizer stays in touch with community committees, and also with teachers and other leaders in the various communities, and keeps the Mayor informed of their concerns. In twelve of the rural communities, primary schools have been turned over to local control under the "Educo" program. Under this program, management of the schools (including selection of teachers and payment of their salaries) is in the hands of the local community organization.

The municipality does not presently have budget hearings that are open to the public. However, they do present financial reports, as well as accounting on public works that are being carried out, in the town meetings. Sonsonate municipal council meetings are open to the public and media, and meeting sites are rotated around to various municipal locations.

Regional Associations. Sonsonate has developed several joint municipal services with the three other municipalities that share its urban metropolitan area (Nahuilingo, San Antonio del Monte, and Sonzacate). As mentioned above, this includes computerized cadastral records, urban planning, and construction inspections. Another service that will shortly be implemented jointly for the four municipalities is garbage collection; this should start in the near future, when three new garbage trucks received through MEA funds are functioning.

Sonsonate also participates in a regional association of Mayors, which includes Mayors of all sixteen municipalities in the Department. The President of the Association is the Mayor of Juayúa. Meetings are held in Sonsonate. The impetus for the formation of this Association was the MEA program, and the group tends to meet principally when they need to discuss the

allocation of MEA funds. Meetings have been somewhat irregular. Apparently, Departmental Associations are much stronger in San Salvador and La Libertad, where they have turned into a forum for discussing municipal problems and arriving at common solutions.

4. TECHNICAL ASSISTANCE NEEDS.

The Mayor feels that training resources for municipal management are still limited in El Salvador, and that there is a need to introduce training of trainer programs to strengthen Salvadoran training agencies. There is also a need to qualify new trainers, since there are not nearly enough to serve the needs of all 262 municipalities.

Following are some of the specific areas where training and technical assistance appear to be most needed:

- o Municipal Budgeting, particularly the introduction of modern program budgeting, and long-term capital budgets.
- o Financial Management Systems
- o Urban Planning
- o Environmental Management
- o Cadastral Systems, particularly property valuations (when the property tax is approved)
- o Management, Supervisory, and Human Relations Training.

Direct technical assistance is needed in preparing feasibility studies for major capital projects, such as the new market which is being contemplated. Intensive technical assistance will be needed in connection with the devolution of services such as potable water to the municipal level. The municipality will need assistance in getting organized to take on the new service; in evaluating the present condition of the services; in estimating full capital and operating costs of the new service, as well as realistic revenue potential; and in determining technical staff and training requirements.

Another kind of assistance that would be interesting for the municipality is "problem-solving workshops", where issues such as control of street vendors can be discussed, and potential solutions shared between a number of municipalities facing the same problem.

Finally, technical assistance and training in the various mechanisms available to the municipality for democratic citizen participation, would be useful.

SANTIAGO DE MARIA CASE STUDY

Background. According to the new census, the municipality has a population of 19,000. (The Mayor says this figure is very low. Local estimates are approximately 17,000 in the urban area alone, and 33,000 for the entire municipality). Coffee farming is the principle economic activity, and there are three coffee processing industries in Santiago de María.

1. FINANCES.

Municipal revenue sources. Total revenues for Santiago de María in 1991 were ₡899,000.00, and 53% of revenues came from local sources. The budget increased in 1992 to a total of ₡1,290,000. Nearly all of the increase came from MEA funding; local revenue sources actually declined slightly. As a percent of the overall municipal revenues, local sources slipped to 35% --due to the increase in MEA funding. Following is a breakdown of revenue sources:

Revenue Sources: Municipality of Santiago de María (In ₡)

Local Revenue Sources

	<u>1991</u>	<u>1992</u>
Service Fees	371,000	331,000
Taxes	69,000	103,000
Other	<u>39,000</u>	<u>23,000</u>
TOTAL Own-Source	479,000	457,000
<u>Outside Sources</u>	420,000	833,000
<u>Total Revenues</u>	899,000	1,290,000

Last year, the municipality received technical assistance from ISDEM to calculate current costs of all municipal services. Municipal leaders decided to raise service fees up to the maximum allowed by law, which is 50% above costs. To do this, they had to raise the old fees by an average of 300%. This should result in a rise in municipal revenues from service fees in 1993 to

about \$990,000. This amount is greater than all income from outside sources in 1992.

The response of municipal residents to the raise in service fees was not overly negative. The municipality had recently improved urban streets, and put in new public lighting. People were happy with these improvements. The Mayor held meetings with local businesses and other community groups to explain the increases. Although many did not like the higher fees, they understood and accepted without too much opposition.

Potential New Local Revenues. The service fees have now been adjusted to the maximum, and no further revenue growth in this area is expected except for inflation.

Tax delinquencies were estimated at a total of \$242,000 in August 1991. Since that time, they have collected about 50% of delinquent taxes and fees. The municipality now has one employee who works full time on tax billings and follow up with tax delinquents. They put emphasis on personal visits to those with the biggest amounts due, and offer gradual payment plans to make payment easier.

Current taxpayer rolls include 4,700. There are probably an additional 1,000 potential taxpayers who are not currently registered. The municipality is just beginning a new cadastral system. They have no computers. However two of the municipal staff are familiar with computers, and the Mayor plans to ask for computers through ISDEM and GTZ.

Capital Projects. The municipality has no capital improvement budget of its own. MEA funding is the main source for infrastructure improvements. In 1991, the municipality had a total of \$1.4 million of funds through CONARA for a variety of projects (some of this funding was carried forward to subsequent years). The funding has been used for extending potable water and electricity to poor marginal communities on the edge of the city, as well as to rural areas; for building community centers both in the city and in rural areas; for paving projects in the city; improvements to schools, such as walls, fences, doorways; for street lighting; and also for renovation of the city hall, which was run down and damaged in the civil war.

Among these projects, street paving gives the best results in terms of increasing municipal revenues. The new revenues generated by service fees go into the general municipal fund, and are not programmed for future capital projects.

Potable water projects are regarded as social projects, aimed at the poorer communities. The municipality extends water lines and service to these communities. Community committees then collect fees, and use the fees to maintain the new system. None of the

fees collected from the potable water projects revert back to the municipality.

The municipality recently took out a five year loan with ISDEM in the amount of \$55,000, in order to purchase a building to expand the municipal market, and also to cover costs incurred through prior salary increases. The loan is being paid back by the municipality on a quarterly basis, and provision is made in the budget for these debt payments.

Tax Collection. The municipality sends bills for taxes and service fees to each taxpayer, on a quarterly basis. To pay the bills, taxpayers must come to city hall. If they fail to appear, the city sends employees to their homes or business. The system is manual, and tax registers are incomplete, as noted above.

Property Tax Potential. The Mayor sees very strong potential in a new municipal property tax. Santiago de María is in the center of a very productive coffee growing area. Some of the coffee growers are small, and are under the minimum level for payment of taxes to the national government on coffee production. The municipality provides services such as road improvements, and electric extensions, to these coffee growing areas. There are also three coffee processing plants in the municipality. The Mayor sees the coffee farms and processing plants as a good base for a property tax. He estimates that municipal staff would need about six months, with the collaboration of the National Geographic Institute, to develop property tax cadastars and implement a new tax. NGI has an office in Santiago de María, and they have begun to help the municipality with its cadastral updating process, which just recently started.

2. PUBLIC SERVICES.

The municipality directly manages the following public services:

- o Garbage collection and disposal, and street cleaning
- o Municipal market
- o Slaughter house
- o Cemetery
- o Civil Register
- o Public lighting
- o Parks
- o Construction of rural roads
- o Municipal police

Garbage collection and disposal is pretty basic. The municipality does not have any equipment of its own. It pays a private contractor \$4,500 per month to do a daily collection of garbage. This private service provides one truck, drivers, and workers. In the downtown market areas, garbage is left in piles

in the streets, and workers shovel it into the truck in the early morning hours. The municipality has no landfill. The garbage is dumped in a ravine on the edge of the municipality. The Mayor is concerned about pollution, and also because rains washes the garbage downhill into an adjoining municipality. They do want a landfill, but have no concrete plans at present.

There are six municipal police, who work primarily in providing security to the municipal market. The municipality also has a market manager with an office inside the market, and two employees who collect fees from market vendors. Total revenues from the market in 1992 were \$82,000. We asked whether any thought has been given to privatizing the market operations, or forming a cooperative among the retailers using the market to manage the facility directly. The Mayor said this would be difficult, because of the likelihood that one family would tend to take over the entire municipal market and monopolize operations. From observations on our site visit, the market is badly in need of improved maintenance and sanitation.

Rural roads are theoretically the responsibility of the Ministry of Public Works. But in actuality, in order to keep the roads in any decent state of repair, the municipality has to undertake most of this work.

Potential Decentralized Services. Until the early 1960's, the potable water system belonged to the municipality. Some thirty years ago, ANDA took over the system in Santiago de María, and in most other municipalities.

The potable water service in Santiago de María is not adequate. Water services cover the central city, and several outlying communities. But for most residents in the rural areas, there is no water service.

The source for potable water is a river. Water is pumped to holding tanks, and then distributed in a gravity system. There are frequent problems with the pumps and motors, so that water service is often interrupted.

The Mayor would be very interested in having potable water become a municipal responsibility. He sees the best way of doing this as a joint service with seven other municipalities, which all have the same water source. There have been initial discussions between the Mayors of these eight municipalities, as well as with central government officials.

Technical assistance will be needed to develop a plan for devolution of this service to the municipalities. Investment costs, operating costs, and revenue; need to be looked at in detail. There also needs to be a management study, determining the best way to manage a joint system for the eight

municipalities. There are at least three different alternatives for management: having one municipality take the lead; forming a council of governments (COG) to manage the water system and possibly other joint services; or forming a regional water authority, under control of the eight municipalities.

3. MUNICIPAL MANAGEMENT.

Organizational Structure. The municipal council includes a Mayor, Síndico, and four council members. It has regular meetings twice a month. Council meetings are not open to citizens. There are two local radio stations, and sometimes reporters from these stations cover council meetings.

Budget. The municipality uses a standard line item budget, without breaking out costs of the various municipal programs. There is no capital budget. And there is no public participation in the budget process.

Outside audits are the responsibility of the official audit agency of the national government, the "Corte de Cuentas". The municipality submits monthly statements of income and expenses to this agency. Theoretically, the municipality should have an annual audit of its accounts done by the Corte de Cuentas. In practice, such outside audits occur only every three or four years. The Corte de Cuentas is responsible for audits of all municipalities, as well as of ministries and other national government agencies; it simply does not have the personnel to effectively carry out its responsibility. The municipality does not use private accounting firms to do annual audits.

Personnel. The municipality has a total of 38 employees. There is a lack of professionals on staff. For example, the municipality has no engineers, lawyers or planners. The municipal treasurer has a high school level accounting degree. Other municipal employees work based on experience, mostly without professional training.

Planning. The municipality does not have any planning staff. The only planning is done by the city council, on an ad hoc basis, in response to requests from different community groups. There is no existing master plan. However a new one is being developed by the Vice Ministry of Housing. This Ministry will send staff to the municipality to discuss the new master plan with the city council.

Citizen Participation. Town meetings are required every three months, according to the municipal law. The municipality meets this requirement, and sometimes holds meetings more frequently (e.g., at two month intervals).

The Mayor and all city council members attend town meetings. Some 22 communities within the municipality have incorporated committees, which have their own elected leaders, and which also have the power to receive national and municipal funding for community projects. Each of these twenty two communities send representatives to the town meetings. Normally there are two hundred to three hundred who attend a general meeting. Sometimes the meetings are held in the city; sometimes they are held in the cantones (villages).

The municipality has a "municipal promoter" who works with citizen groups, and helps develop campaigns on reforestation, public health, etc. The promoter also helps develop training programs for community leaders.

Regional Associations. The Mayor of Santiago de María is a member of the Mayors Association (CED) for the department of Usulután. All 23 mayors in the department participate in the association. They elect a board of directors every three years. They meet at least once or twice a month. Each of the meetings is hosted in a different city. The Mayor sees the basic aims of the CED to be:

- o Allocation of funds for macro projects in the department.
- o Forum for discussing municipal problems, and for bringing pressure to bear on national agencies (e.g., ANDA).
- o Communications with the national association of mayors, COMURES.

The mayors have worked well together in the departmental association, and there have been no political problems.

4. TECHNICAL ASSISTANCE NEEDS.

The Mayor sees principle training needs to be in the following areas:

- o cadastre system
- o long range urban planning
- o budgeting, and particularly development of program budgets

The Mayor emphasized the need for attitude training for the city council. It is important that council members understand their role as political leaders, concerned with development of the community, and not just functionaries who vote on agenda items laid out before them.

The Mayor also pointed out several areas where the municipality could use direct technical assistance. One is in planning for the devolution of potable water services. As mentioned above, help will be needed both on the technical side, and in developing a management structure that will best serve a grouping of eight municipalities. A second area where technical experts are needed is to deal with local environmental problems, particularly the solid waste system and a new landfill site. Finally, the Mayor said that engineering help in planning new projects would be welcome.

TEXISTEPEQUE CASE STUDY

Background. According to the national census conducted last year, total population of the municipality of Texistepeque is 18,000. The urban center has a population of approximately 5,000 to 6,000. The Mayor thinks the census has seriously undercounted the population, because there has been substantial growth in the community in recent years. For example, displaced persons coming in from the Chalatenango area have established 10 new cantones (villages) within the municipality.

Texistepeque is the commercial and marketing center for a surrounding agricultural region. It is one of 13 municipalities in the Department of Santa Ana, where the principle economic activity is production of coffee for export.

1. FINANCES.

Municipal Revenues. In the 1993 budget, 86% of revenues come from outside sources. The bulk of outside revenues was MEA funds (76%). ISDEM funds (Economic and Social Fund) amounted to 5.5% of total revenues. The total amount of current revenues generated through local taxes and service fees amounted to only 7% of the budget (¢155,000).

1993 Revenues: TEXISTEPEQUE

Local Sources: Current Revenues

o	Service Fees	132,000
o	Taxes	16,000
o	Other	<u>5,000</u>
o	Total current revenues	
		153,000

Carry-Over fund, and sales of assets
143,000

Outside Sources
1,746,000

Total Municipal Revenues
2,042,000

The single largest local revenue source is service fees. The increases that began in January 1993 are not reflected in the budget. However, revenues from service fees are expected to rise 260%, to approximately \$345,000 in 1993. This represents a dramatic boost in self-generated revenues. But the total expected from service fees in 1993 is still only 22% of 1993 MEA funding (¢1,560,000), and cannot be expected to replace such outside funding sources, unless additional new revenue sources are found for Texistepeque.

Service Fees. The average increase in service fees was 260%. The increases went into effect at the beginning of 1993. In fixing the new fees, the municipality had assistance from a technician from ISDEM who prepared a rate study of the various services. The technician spent 1 or 2 days per week in the municipality, over a period of approximately three months. He met with citizen groups to go over the increased rates, and he discussed willingness of the people to pay. The city also consulted a legal advisor on the rate increases.

The objective of the rate increases was to cover all costs of the services, and to set rates 25% above actual service costs so as to generate income for improvements. The new rates do meet this goals.

The Mayor met with teachers, community leaders, church representatives, and even FMLN representatives, to discuss the rate increases. The Mayor explained that the increases were needed to improve public services, and to maintain services that have already been improved, such as better garbage collection with the new trucks. To continue good community services, the higher fees are needed for maintenance of the equipment and replacement in five years. People understood and expressed willingness to pay, because they have seen that the municipality has done a good job in delivering public services.

Potential New Revenues. With the service fees now set at 25% above costs, further increases will be minimal, in line with inflation.

Tax delinquency was a major problem two years ago, when the percentage of delinquent taxpayers was as high as 40%. Through the efforts of the new administration, delinquency has been cut to the point where there are now only ¢9,500 outstanding. So there does not appear to be a great deal of new revenue potential in this area.

The municipality is about to receive computers from the MEA program, and these will be used to update cadastral records. It is probable that when cadastral records are completed, the rolls

of taxpayers may expand substantially, and this could produce significant new revenues.

National Government transfers have declined, with elimination of proceeds from the coffee tax. Total transfers now amount to approximately \$100,000 per year (through ISDEM). The Mayor believes that if local property taxes are approved, it should produce about five times more revenues for the municipalities than the current amount of national government transfers. He is very interested in seeing a property tax made available to municipalities.

Capital Projects. The municipality does not have any outstanding loans. They are presently negotiating a loan with GTZ to purchase land for a new market.

The source of funding for capital projects has come from outside donors, particularly MEA funds. MEA funds have been used for a number of projects that have had a very visible impact on the community. Paving projects have transformed the appearance of some sections of Texistepeque, creating better drainage and a much more attractive living environment in the city. MEA funds have also been used to extend electricity to some of the suburbs and outlying communities. New MEA projects that are planned for the future include a market, bus terminal, street lighting, slaughter house improvements, and a sewer system.

Most of these projects generate income for the municipality. For example, service fees are charged to residents who benefit from pavement improvements, street lighting, and other such improvements. However, cost/benefit analysis and financial plans are not prepared in advance of MEA projects to show long term cost recovery; nor are funds recovered put into a capital investment fund for the municipality to undertake further capital improvements.

The Mayor believes that MEA funding should diminish gradually, while steps are also taken to gradually strengthen the municipality's management and financial capabilities. He thinks that MEA funds may be particularly helpful in preparing the municipality to take on new decentralized services, such as potable water systems. MEA funds could help with initial investments needed to modernize the system, so as to make it feasible for the municipality to take responsibility for the new service.

The municipality has no overall master plan or capital improvements plan. And it does not have the technical capabilities to develop such plans.

Tax Collection. A municipal ordinance requires residents to pay taxes and service fees every two months. The municipality sends

notices to taxpayers either monthly or every two months, telling people to come to the city hall to pay their bills. These are not billings, but simply notices. If taxpayers fail to appear in the city hall, municipal staff send telegrams to advise them of their delinquency.

The Mayor has had some discussion with the electric company about including municipal taxes and fees on electric bills. The electric company is private, and its nearest office is in Santa Ana. So far the electric company has asked for fees that are too high to make the billing service feasible. The Mayor has tried to negotiate for some of the services that the municipality provides, such as poles and materials to extend electric service to new communities, to be taken in exchange for the billing service. But there is no deal yet.

2. PUBLIC SERVICES.

Current Municipal Services. The municipality offers the following public services:

- o Public lighting
- o Street paving
- o Slaughter house
- o Cattle auction
- o Cemetery
- o Civil registration, including birth, deaths, marriages, etc.
- o Regulation of street markets

The municipality is also responsible for garbage collection and street cleaning. Garbage is collected three days a week. From a visual survey of the city, street cleaning needs improvements; there is debris in the streets that is causing drainage problems and stagnant water.

The municipality has one local policeman. His work is in inspection of the slaughter house and street vendors. Theoretically the municipal police is also responsible for public order, such as breaking up fights, etc. In practice this kind of duty is turned over to the national police, which have twenty policemen in Texistepeque.

The landfill used by the municipality for garbage disposal is five kilometers outside the city. It is an open burning dump, which is most unsanitary.

There are no sewers in the city at present. Residents generally use cesspools, which cause problems by leaching out into streams and under ground water sources. The municipality has purchased land which they plan in the future to use for sewage treatment,

using a natural filtration process with rocks and sand. Such a new sewer system will require installation of pipes from the city center to the sewage treatment area.

The fire service is not municipal. It is run by the Red Cross, which is a volunteer group. The Red Cross does not have a fire truck. They have only one vehicle. And since they are all volunteers, many times there is no one to respond to a medical emergency. Sometimes the municipality uses its garbage truck to pick up people in emergency situations, and bring them in for treatment to the health clinic in Texistepeque.

The health clinic is managed by the Ministry of Health. It has no vehicle, and limited equipment. A doctor comes in daily from Santa Ana to provide medical services to residents. He can handle emergency treatment such as births, but is not equipped for surgery. People have to be taken to Santa Ana, which is about 30 minutes away, to the hospital there for any major medical treatment. Ambulance service from Santa Ana is very undependable. There is a real problem in Texistepeque with emergency medical services.

Although the municipality has no direct responsibility for the health clinic, it provides assistance in many ways, including equipment, building maintenance, and contribution of other services to help the clinic function more effectively.

Potential Decentralized Services. The potable water system is managed by ANDA. It functions very poorly, and the municipality is interested in taking over management of the system. The city and surrounding villages receive water only five hours per day, and service is worse still in some of the outlining areas. The Mayor has had preliminary discussions with ANDA. ANDA officials have warned that the local water system is not profitable. But this is very unclear, since up to now the Mayor has not been able to get good financial data on operating costs and revenues. His principle concern in taking over the system is with the distribution system. Some of the pipes are very old, and he is concerned that it might cost millions of colones to get the system up to the proper state of repairs. It would be very helpful to the municipality to have outside technical experts study costs and potentials revenues from the system, required new investments, and practical managerial issues that the municipality will face in taking over operations. The Mayor is hopeful that MEA funds might be available to upgrade the distribution system (if this is indeed necessary), before the municipality actually takes over operations.

The Ministry of Agriculture has a number of facilities in Texistepeque which are not being used. These include a large abandoned building in the city center that the municipality could use to promote commercial development; and a modern laboratory

that is now almost unused, which could be used by the city for cattle inspections, potable water testing, and eventually for other uses. The Ministry also has several vehicles which might be used to service community needs, such as emergency medical services. Municipal officials have had some discussion, but so far no cooperation from the Agriculture Ministry.

The Ministry of Public Works is responsible for rural road construction. But there has been no support from the ministry to take care of these need, in recent years. In order to get needed road work done, the municipality has had to secure funding from outside sources such as MEA funds, the German Government (GDZ), etc. The Mayor would be interested in having the municipality take over responsibility for rural roads and other local public works construction. He believes that by having this service at the municipal level it would be more efficient, more rapid, more honest, and cost far less for local construction projects.

3. MUNICIPAL MANAGEMENT.

Organizational Structure. The municipal council includes the Mayor, a Sindico (city attorney), and six council members. The different council members each have an assigned area of responsibility, such as slaughter house, press relations, solid waste, etc. The council has two regular meetings each month, and sometimes informal meetings. The municipality has a total of fourteen employees, and is organized into the following departments: Administration, Civil Registry, Identity Cards, Treasury and Accounting.

Financial Management. A computer was recently acquired through MEA funds. The municipality's accounting will be computerized, using software provided through GTZ. They plan also to computerize cadastral records, and the civil registry (births, deaths, marriages, etc.). There are three people working in the municipality who are familiar with computers. The most important need right now is to get training for these personnel, on how to input municipality's records on the computer, and how to provide on-going management of the programs.

Personnel. The municipality has a treasurer with an accounting degree (high school level), and also has an accountant with experience in a private firm. The administrative staff generally is quite capable, but need training in order to do their jobs more effectively. The staff does not include any engineers. Public works projects are done based on practical experience ("al ojo").

Planning. There is no planning function, or staff responsible for planning. Whatever overall planning there is, is done by the Ministry of Planning.

Citizen participation. The Mayor has town meetings at least three times a year. The radio station in Santa Ana is used to publicize these meetings. They are held in the main square of Texistepeque after mass on Sunday. Attendance is usually excellent, sometimes with over two thousand people attending. People come from all political parties, FMLN, and all communities in the municipality. The town meetings are used for different purposes. Sometimes, there are discussions of public works improvement. Other meetings provide information on city programs, or discuss local problems that need to be dealt with.

The Mayor and council members take pride in keeping the municipality open to participation by all political parties. On significant issues, such as last years increases in service fees, the Mayor meets with community groups in different parts of the municipality, as well as the various community leaders (teachers, church, business, etc). There appears to be active communication between the municipality and its citizens, and a very positive attitude on the part of the Mayor towards keeping communication lines open.

Regional associations. The Mayor belongs to the association of mayors for the department of Santa Ana. He believes there is a good possibility for collaboration between some of the smaller municipalities to meet public service needs. One example he gave is public works. It is too expensive for a small municipality to own and maintain major construction equipment, such as tractors, graders, etc. What would make it feasible is having several adjacent municipalities share the use of such major equipment, and the cost of operating it. If such equipment could be owned by several municipalities together, they could implement construction projects without having to go through the long delays entailed with the national government bureaucracy. He is hoping to get such cooperation going with several other mayors.

4. TECHNICAL ASSISTANCE NEEDS.

The Mayor believes he has competent staff, and staff turnover has been nonexistent. But there are a number of training needs that, if met, would greatly strengthen his operations:

- o Budgeting
- o Cadastral records
- o Tax collection systems
- o Computer training
- o Property valuations (if property tax is approved)

The Mayor also sees a need for providing training opportunities to members of city counsel, to give them a better understanding of their roles and how they can be effective leaders in municipal

government. He would also like to see training made available to community leaders from the rural areas of the municipality.

Direct technical assistance would be most useful in helping the municipality plan for taking on new services, such as potable water. It would also be useful to get technical help in developing potential new revenue sources. A case in point is the problem that the municipality is having with the electric company. The municipality has set posts, electric lines, and other infrastructure that makes it possible to open up electric service to more residents. Under the municipal law, it should be possible to receive payments from the electric company for these services, and for use of municipal right of ways. But so far this has been impossible to negotiate. Outside help is needed. This includes technical assistance, and possibly also legal action, or political pressure from COMURES to assure that the municipalities recover their costs.

The Mayor would also be interested in technical assistance to provide operating manuals appropriate for municipalities of his size, on basic municipal operations, such as cadastral systems, municipal budgets, etc. He believes it would be useful to have a common basic approach available to each municipality, rather than having each try to "reinvent the wheel".

CASE STUDY ON MUNICIPAL ASSOCIATIONS

ICMA staff visited with municipal officials involved in four kinds of municipal associations currently found (or contemplated) in El Salvador:

1. Micro-Region (Juayúa)
2. Metropolitan Association (Sonsonate)
3. Inter-Municipal Agreements (Chinameca, and Santiago de Maria)
4. Departmental Associations of Mayors

1. MICRO-REGION (Juayúa).

Juayúa, a municipality of 25,000 population, is the center of a "micro-region" of four small municipalities. The other municipalities are Salcoatitán (population 4,000), Nahuizalco (population 34,000), and Santa Catarina Masahuat (population 8,000).

The objective of the micro-region is to promote shared municipal services between communities that are too small individually to take on the services alone. ISDEM, with assistance from GTZ, designed a program of management assistance, and drafted an agreement among the four municipalities. ISDEM also provided a computer and paid an employee for three months to help start computer operations. Following are the shared services that are envisioned:

Cadastral records. The computer was located in the municipality of Juayúa. Cadastral records are being compiled and computerized for all four municipalities. Unfortunately, after three months of training, the employee designated for this job resigned. So the project has come to a halt. When the system is eventually up and running, municipalities can use the cadastral records for billing of taxes and service fees. Each municipality will do its own billing (a joint billing system is not planned).

Refuse collection. New garbage trucks are being purchased through MEA funds. CONARA conducted a study first to determine how much revenue from service fees would be needed to operate and maintain the garbage collection trucks. The study showed that

small municipalities, such as Salcoatitán, could not produce enough revenues for the operation and maintenance of their own trucks. Since that municipality is only five miles away from Juayúa, the trucks are being provided to Juayúa with the condition that it provide collection services to Salcoatitán and to a nearby "canton". All garbage fees will be paid to Juayúa.

Landfill. Technical help will be provided to identify a sanitary landfill site to serve the group of four municipalities.

Shared equipment. There are no concrete plans yet, but there are hopes that the micro-region will find a way to "regionalize" certain public work services. Major equipment such as road graders and other construction equipment can be shared jointly by the four municipalities, with costs of maintenance also shared. This is now only a hope.

One impression we had is that much of the impetus for regional cooperation among the four municipalities is coming from outside. In our short discussion with representatives from Juayúa and Salcoatitán, we did not detect a great deal of enthusiasm for developing fresh collaborative approaches. (For example, since CONARA made cooperation a condition of getting the new garbage collection trucks, that was fine with them, but we did not detect enthusiasm). If our impression is correct, ways have to be found to get regional and departmental municipal committees to endorse the idea of coordinating and sharing services and "come up with their own approaches", so that future cooperative groups will have life beyond the outside funding.

2. METROPOLITAN ASSOCIATION.

Sonsonate has developed several joint municipal services with three other municipalities that share its urban metropolitan area (Nahuilingo, San Antonio de Monte, and Sonzacate).

These include computerized cadastral records, urban planning, and construction inspections. Another service that will shortly be implemented jointly for the four municipalities is garbage collection. This should start in the near future, when new garbage trucks received through MEA funds are on the road.

Sonsonate has put all of these joint services on a self-financing basis. For example, fees that are now charged for building inspections are sufficient to pay all costs of the service (including an engineer and field inspectors), and also help pay for Sonsonate's urban planning department. Financially, the joint services have benefited all four participating municipalities.

3. DEPARTMENTAL ASSOCIATIONS OF MAYORS (CED).

Sonsonate also participates in a regional association of mayors (CED), which includes mayors of all sixteen municipalities in the department. The president of the Association is the Mayor of Juayúa. Meetings are held in Sonsonate. The impetus for the formation of this association was the MEA program and the group meets principally when they need to discuss the allocation of MEA funds. Meetings have been somewhat irregular. (Apparently, departmental associations are much stronger in San Salvador and La Libertad, where they have turned into forums for discussing municipal problems and arriving at common solutions.)

San Miguel. The Mayor of Chinameca is president of the mayors association for the department of San Miguel. There are twenty municipalities in the department, and the mayors from these municipalities elect a president and officers of the association. They are careful to have a number of different political parties represented in the leadership of the association. The governor of the department also participates as a member of the CED.

This association serves as a forum to discuss problems with the municipalities, and try to arrive at joint solutions. For example, many of the mayors are having problems in getting needed improvements on rural roads, which come under the Ministry of Public Works. Together, and with the help of the governor, they can put some pressure on the ministry to deliver the needed services. They also keep COMURES informed with regular reports, so that COMURES can help in coming up with national level solutions that are needed.

The Mayor of Chinameca said that these meetings of mayors within the department has created a strong feeling of mutual support among the mayors. He has tried to promote the idea that party politics should be left for election time, but once elected the mayors need to work together to respond to their citizens needs. This seems to be happening more and more. And the CED has been a good mechanism to promote such mutual support among the mayors.

4. INTER-MUNICIPAL AGREEMENTS

Joint services in solid waste management. The municipality of Chinameca has an agreement with the adjacent municipality of Nueva Guadalupe (6,400 population), for sharing a new landfill site between the two municipalities. Under the agreement, Nueva Guadalupe is to furnish the landfill site, located within that municipality. Chinameca's responsibility would be to improve access roads to the landfill site, and on-going maintenance and operation of the landfill.

The agreement has been worked out, but so far it is not functioning. The municipalities are run by two different political parties, and this seems to be causing some problems in moving ahead with the agreement. The Mayor of Chinameca says he is ready to do his part, but Nueva Guadalupe has not yet provided the new landfill site. It may need some pressure from CONARA to get the agreement implemented.

This is the only agreement currently between the two municipalities. CONARA has furnished one new garbage truck for each municipality through MEA funds, and each municipality is doing its own garbage collection separately.

Potable Water: Possible COG or regional authority. Chinameca has had a lot of trouble with its potable water system. There are twenty uncontrolled dams in the municipality, with water spilling out. ANDA is not doing the maintenance that is needed. The municipality has to clean out the holding tanks, chlorinate the tanks, and make any needed repairs on the system. ANDA does not reimburse Chinameca for any of these costs.

The Mayor would very much like to take over the water system from ANDA. The current water distribution system is very old, dating back to around the time of World War II. It needs to be modernized. The Mayor feels he could assemble the technical staff locally to handle the system. In order to take over the water system, he would need technical assistance to plan the take over, calculate all costs and revenue potential, advise on organizational needs, etc. The municipality might also need investment funds to modernize the system; how much would have to be determined in the initial studies. (The studies may show that the best way to manage a new system would be through a joint agreement between several municipalities.)

In our discussions in Santiago de Maria, the Mayor also expressed strong interest in taking over the water system from ANDA. That Mayor was convinced that a take over would work best if the service were run jointly by eight municipalities. All of these eight adjacent communities have the same water source. There has already been some discussion between the mayors and central government about the possibilities. In Santiago de Maria and the adjoining municipalities, there would be a need for either a COG, or a regional water authority, to implement such a joint system. Again, technical assistance would be needed from the outside at the start of the project to do a feasibility study, and to make recommendations on the most effective management structure to operate the new water system at the municipal level.

ALTERNATIVE FRAMEWORKS FOR MUNICIPAL COOPERATION. We have briefly examined three existing examples of municipal joint service delivery in El Salvador. The one that appears to be most successful is the metropolitan association in Sonsonate. This association appears to be a natural, and is commonly used in the U.S.. The large municipality normally has the human resources and equipment to contract the provision of services to other nearby municipalities. Services are provided under a mutual agreement for cost of service plus overhead. Contracts (in the U.S.) are usually for one year at a time and can be canceled anytime by mutual consent with 90 days notice. Funding is usually acquired through service fees collected by the municipality receiving the service, and payments made monthly to the service provider. There can be some disadvantages to this type of association in that the smaller, poorer municipalities are at the mercy of the larger ones if the larger decides to take advantage. The larger municipality can also set priorities and decide when to provide services. Small municipalities tend to get too dependant on the large ones and thus lose their identity.

The Cabezera or Departmental Association. This is another approach being discussed as a possibility for El Salvador. At first glance this appears to be a natural: the department capital municipality providing services to the smaller regional ones. It tends to share the same regional problems, some similarity in economies and is in close proximity to some of the smaller municipalities. However, this type of association has some very strong negative factors which tend to outweigh the benefits. First, the entity would be inflexible since all municipalities would have only one choice; second, it tends to lead more towards deconcentration rather than decentralization (this tends to create one strong regional municipality at the expense of smaller ones). Third, it could lead to one political party dominating and controlling whole departments because they control services; and, fourth, one municipality controls priorities for services since they control staff and equipment.

Council of Governments (C.O.G's). This type of municipal association framework is the most common and widely used in the U.S. and has been introduced in Honduras by I.C.M.A. with some success.

The popularity of this entity is in its simplicity and flexibility. A C.O.G. is a simple agreement among three or more municipalities to cooperate among themselves to address and solve an issue. Each municipality is represented by the mayor or his representative and each municipality has one vote regardless of size. Costs are distributed according to size of municipality based on population. The C.O.G. can be established to address one single issue or as many as the group desires. Any number or

size of municipalities can join the group if they have common issues. Municipalities can also leave the group if not interested in issues or on termination of the agreement.

Staffing for a C.O.G. can come from existing staffs in municipalities, or can be contracted from outside. Its size and professionalism depend on issues the C.O.G. wants to take responsibility for or address. Funding, if necessary can come from municipalities in the form of contributions, by population, services received, or special fees assessed to solve problems. This type of association is very good for small municipalities that don't have many responsibilities and resources. It is relatively easy to administer and municipalities retain control on issues.

Joint Municipal Authorities. Often a natural offshoot of C.O.G's is a joint municipal authority established to administer, develop, operate and finance a particular mutual regional service. Authorities are usually created by the vote of the citizens they service. They are usually administered by a combination of elected board members from each of the represented communities and appointed representatives of the mayor and councils. Authorities usually have very specific powers and jurisdiction to administer, enforce and finance the area of their responsibility.

Staffing of authorities is from professional sources and usually serve under a hired professional director.

Funding for authorities comes from service fees for services provided, taxes or special fees or taxes levied for that purpose.

Frequently, the best way to administer, operate and finance regional systems for water, sewer, garbage, transportation, and some forms of economic development are municipal regional authorities.

Other Observations on Municipal Associations. Any type of municipal association framework has the potential to be successful if the desire and enthusiasm to work in a cooperative manner is there. When forming or joining an association, municipalities fear losing their identity by being subject to dominance by a stronger or larger entity; are concerned about loss of control of their resources and responsibilities to another entity; and also fear being led into indebtedness by other entities that can not live up to their financial obligations.

A clear understanding as to what the long term benefits and/or costs a municipality should expect needs to be had by each party involved before joining any type of municipal association. COMURES can help in educational efforts to promote such understanding, and encourage joint municipal services.

Every country has to allow for a mix of different types of municipal associations to exist because municipalities need flexibility to select which type fits their particular needs. However, for small municipalities we tend to lean towards C.O.G's due to the reasons stated above and a long history of their success in other countries.



Appendix B

Municipal Development Source Survey

**USAID EL SALVADOR
MUNICIPAL DEVELOPMENT SOURCE SURVEY**

I INTRODUCTION

II PRIVATE UNIVERSITIES.

- A. UTEC
- B. Universidad Evangelica
- C. UCA
- D. Dr. José Matías Delgado
- E. Universidad de Sonsonate
- F. Universidad Catolica del Occidente
- G. Universidad de la Paz
- H. INCAE

III GOVERNMENT INSTITUTIONS

- A. ISDEM
- B. SRN

IV NGOs

- A. ISAM
- B. IDEA
- C. FUSADES

V INTERNATIONAL INSTITUTIONS

- A. Agencia Española de Cooperación Internacional (AECD)
- B. GTZ

VI LOCAL CONSULTING FIRMS/TALENT BANK

- A. Management/Finance
- B. Engineering/Infrastructure
- C. Community Development

VII RECOMMENDATIONS AND FINAL COMMENTS

VIII ATTACHMENTS

I INTRODUCTION

Orientation sessions were held with staff of USAID's Projects Development (PD) office and Rural and Urban Development (RUD) in El Salvador. PD reviewed the terms of reference with the request for general preliminary recommendations on both the quality of technical resources in the San Salvador area and preliminary recommendations on levels of effort for the proposed MDP. These comments can be found in section VII of this report. Meetings with RUD staff focused mostly on calendar of activities, institutions recommended for interviews as well as key individuals working in the municipal development area. Sources were broken down into five areas.

- * Universities
- * Government Institutions
- * NGOs
- * International Institutions
- * Local Consulting Firms and Individuals.

The interview methodology included a visit to institutions to observe facilities, staffing, technical resources and review files and/or prior contracts or expertise in the municipal field. Generally speaking, all institutions contacted were very cooperative and provided back-up information on their resources or expertise in their area. The following briefly covers each interview with general recommendations in charts I, II and III.

II PRIVATE UNIVERSITIES

A. UTEC:

Interviewed with the following individuals: Carlos Reinaldo Lopez Nuila, Director of the Masters Program; Mario Antonio Juarez, Administration. and Jose Adolfo Araujo in Planning and Development. UTEC is a private university with approximately 10,400 students. The university offers modular programs where professionals already employed in the private sector have options in completing either undergraduate or graduate courses. According to the individuals interviewed, strong areas include their business school--accounting, economics, marketing, finance, among others. They also have a strong engineering program which includes the areas of civil, industrial and computer engineering. Masters programs include education, business administration with an emphasis in financial management, international relations and the school of law.

A particular component that could be of great benefit to the project is the university's radio station. It can serve as a source to transfer information and/or technical curricula throughout the San Salvador region. Given their strong management and engineering background, the university would be an excellent source to develop modules for the areas of municipal administration and public works and services for municipalities. The university's leadership seems very flexible in their approach and comprehension of problems dealt with in training municipal staff.

B. Universidad Evangelica:

Interviewed with Dr. Jose Heriberto Alvallero. The university has no programs or resources in the management area although the university is interested in a modular component for some of its curricula. Its strong areas are health and education. The university has closed its architecture and engineering schools due to the lack of growth and strong competition from other universities. Degrees include dentistry, medicine and special education. Dr. Alvallero expressed strong interests in the municipal development area although at times seemed more interested in a personal career move rather than the use of the university as a potential resource.

C. Universidad Centroamericana (UCA):

Interviewed its president Lic./Father Miguel Francisco Estrada. Excellent university with an enrollment of 7,400 students. Degree plans in engineering, psychology, business administration, journalism and special BA with emphasis in computer programming. The university's greatest resource would be its Instituto de Opinión Pública which conducts

surveys and research in economics, religion, the social sciences and education. Another great resource would be its requirement of 600 hours of social service for its students. Father Estrada offered the possibility of conducting on-site technical assistance to technicians in municipalities. Although Father Estrada demonstrated great interest in the municipal development field, the university has no direct relationship or technical assistance with municipalities.

D. Dr. José Matías Delgado:

The university has approximately 3,000 students and according to Dr. David Escobar Galindo, Rector, prefers small classrooms and limited enrollment as the university's desire is to provide a quality education to its students. The university has a strong business administration background - economics, banking, finance, marketing, public accounting; other degrees include psychology, law, industrial engineering and architecture, among others. The university has been contracted by USAID previously as one of three universities conducting a study to reform the country's judicial and legal process. Dr. Escobar demonstrated great interest in the concept of modular programs for municipal staff. The university has also been promoting a public administration degree to the country's political parties. Although the university has close ties to the business community, it maintains a strong independent image. The university has no department or resources to conduct research or surveys. Dr. Escobar expressed a strong sense of pride in the university's professional capabilities.

E. Universidad de Sonsonate:

Interviewed with Lic. Francisco Arevalo Castaño, Rector, and his staff. The university has about 800 students with degrees in public administration (economics, public accounting); electrical and industrial engineering; they also have specific courses which support computer technicians. In direct participation with municipalities, the university has conducted a study for the city of Acahutla on their urban plan. Their strong suit is in its computer training capability with over 100 PCs in their classrooms. Courses offered to potential municipal technicians specialized in the area of accounting and finance for the Western part of the country could be implemented in these facilities. Although the university has good facilities, its small upstart operation and its technical staff may need additional training (training of trainers).

F. Universidad Católica de Occidente:

Interviewed Monseñor Fernando Zaens Lacalle and his deans. Although the university is only ten years old, its enrollment has grown rapidly to 1,100 students. The university

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has a strong health component to conduct field studies with research specialized in the area of family health. Degrees include business administration with emphasis in computers, law, economics and both industrial and electrical engineering, social sciences and humanities.

The university is searching for an expanded location and looking for financing for new facilities which have been designed. Deans and technical staff seem very competent and dedicated to the quality of education for their students. This university can be a great resource in providing modular training to small municipalities and their specific problems. Based on research already conducted in the social sciences area, the university can be a great asset for appropriate transfers of technology. Relationships with government institutions and other universities are excellent.

G. Universidad de La Paz:

Interviewed Dr. Javier Urrutia Garcia, Guillermo Rivas Monterosa, Administrative Officer for the university and Mssrs. Berthold Gees and Stefan Roggerbuck of Conrad Aden Ahuer Foundation. The university's emphasis is on local community development. It is the only university interviewed which organizes communities, trains community leaders, develops projects and conducts follow-up workshops and seminars on community associations. In addition it has a strong medical program which promotes preventive health care and also assists communities in creating "community pharmacies". Their success in community development has given them problems with political parties, the FMLN and the military as they are allied with ISAM and the Christian Democratic Party. This university has an excellent model in their approach towards organizing community groups.

H. INCAE:

Interviewed Ms. Maribel O. de Serarols, Executive Director for the San Salvador office. Ms. Serarols emphasized that INCAE has been pushing the area of municipal development in the Central American region since 1988. In fact, INCAE conducted a study for USAID on the training needs of municipalities in 1990 (USAID has copy). In 1991 INCAE developed the "Programa Modular en Gerencia de la Descentralización y Municipalismo". A group of mayors from throughout the Central American region participated in this course which was held in Managua, Nicaragua. A second course was held this May in Costa Rica.

Ms. Serarols stressed that municipal management is an important and untapped area in the region and INCAE is looking for funding from international institutions to conduct training of mayors. She expressed interest in developing very intensive modules for municipal technicians in El Salvador.

III GOVERNMENT INSTITUTIONS

A. ISDEM:

Initial impression of the ISDEM facilities, technicians and support staff is that they seem overwhelmed by the magnitude and depth of municipal training needs and their capabilities to satisfy those needs. Generally speaking, ISDEM's organization is undergoing dramatic changes given the sudden death of their leadership last February. Because of the reorganization and new management, meetings were not held with the Executive Director. Two very long and intensive meetings were held with technicians Ana Maria de Valle and Gilda Luna and subsequently with Alfredo Velasquez who is the Director of Training. According to Velasquez, ISDEM has focused its training in four key areas:

1. Cost benefit analysis for municipal services;
2. Cadaster systems;
3. Tax Management systems with emphasis in tax collection,
4. Management and organization with an emphasis in personnel systems.

ISDEM's technical assistance is limited to 133 cities in four geographic zones around the country. Chronic problems which ISDEM is facing institutionally are similar to the problems encountered in Honduras' Ministry of Gobernación's Municipal Technical Assistance Division (DGAATM). Never enough time, money and resources to meet the dynamic needs of the country's municipalities. A very important point: the GTZ is conducting management training of ISDEM staff. This will greatly enhance the effectiveness of the organization. ISDEM's institutional relationship with COMURES has also assisted ISDEM's training design capabilities. ISDEM staff work closely with SRN in the area of community development and "cabildos abiertos" which assist and support mayors in getting community input for municipal infrastructure projects, among other things.

In other areas, we discussed GTZ's support in locating and qualifying consulting firms which assist ISDEM and the SRN in construction projects. Finally, ISDEM has published excellent guides and manuals in a number of areas; an example "A Cost Benefit Guide in Establishing Municipal Service Fees", the "Codigo Municipal", and "The Roll and Relationship of the Private Sector in Municipal Development", among others.

B Secretaría de Reconstrucción Nacional (SRN):

Interviewed in three different sessions, the Director of the SRN, Norma de Dowe and her staff, Maria de Melendez and Rosa de Cornejo. The SRN has been working closely with municipalities on infrastructure development. According to Ms. Dowe, the SRN was involved in 14,000 projects throughout the country in 1992. The majority were concentrated in 110 municipalities engaged in the civil war. Ms. Dowe added that the physical reconstruction of the country is a phase which will be ongoing for a number of years while the development of management systems in municipalities must come from other entities.

Staff of SRN is participating at the technical level on the Commission on Decentralization (ISDEM, COMURES, Planificacion are also members). Because the SRN has access to lists of contractors working on reconstruction projects, it can be a source in identifying firms to assist municipalities involved in the MDP.

IV NGOs

A. ISAM:

Initially interviewed Eunice Orellana Jovel, Project Manager and subsequently with Victor Orellana, Executive Director. ISAM is currently in a transition period to develop a fee structure for its services to municipalities. ISAM is a fourteen year old institution allied to the Christian Democratic Party and is interested in gaining more financial and institutional autonomy. The Institute has worked with municipalities in a number of technical areas which include: management, organization development, community development, legal, infrastructure, research and public relations, including a newsletter published by the institution. Based on their organization chart, ISAM has a very qualified and competent group of technicians that can be subcontracted for any number of activities including technical assistance and training.

B. IDEA:

Interviewed Dr. Leonardo Usquiano who is the President of Iniciativa para el Desarrollo Alternativo (IDEA), a small "think-tank" comprised of professionals in management, the social sciences and finance, among other areas. They have conducted a study on the impact of the MEA program but it was not made accessible. Their forte is in the area of research and analysis. This institution can be subcontracted to do either municipal assessments or to conduct special studies in a number of areas, particularly related to community participation in the municipal development process.

Dr. Usquiano received his PhD. in Economics in Germany and has been working closely with the political left in the past two years in its attempt to develop a political agenda for the country. He worked closely with the Christian Democratic Party in the early 80s as a budget and finance technician in the municipality of San Salvador.

C. FUSADES:

Interviewed Mario Levy, Director of the FORTAS program. FUSADES mission is to "aggressively promote the participation of the private sector in the resolution of the country's pressing social problems". FUSADES has developed the FORTAS program which creates autonomous foundations in municipalities throughout the country. FORTAS' mission is to actively work with the local community to resolve major problems impeding social development. FORTAS work is concentrated in those communities which are considered the poorest in the country and principally in rural areas.

The cornerstone of FORTAS rests in its commitment to bring together the community, private sector and local government towards what they call "the development, progress, liberty and social well being" of these communities. To date, FORTAS has created 12 local foundations in 15 cities with a total of 603 businesses as associates and founding members. Funds from each foundation are used for their respective communities.

Impact of FORTAS by December 1993: 20 foundations created in 25 different municipalities affecting more than 7,000 people. FORTAS can be a great resource to the MDP because they have created a win-win partnership with communities and local governments as their base.

V INTERNATIONAL INSTITUTIONS

A. Agencia Española de Cooperación Internacional (AECI):

Interviewed Mr. Andres Bravo Moran, the agency's municipal development expert. Mr. Moran gave me a number of manuals developed by AECI, as well as the institution's priorities in the Central American region (Desarrollo Municipal en Centro América, DEMUCA). AECI focuses its work on:

- * municipal services, e.g. solid waste,
- * infrastructural development, and
- * management.

Examples of their work include the development of a local municipal water system in Choluteca, Honduras; technical assistance and supervision in the construction of a municipal landfill in Sonsonate, El Salvador and their training of candidates for mayors in various Salvadoran cities. Mr. Moran also stressed DEMUCA's commitment to strengthen municipal associations and institutional financing for municipal infrastructure development. He added that DEMUCA would look forward to working with USAID on the "professionalization" of the municipal sector on a long term basis.

B. GTZ:

Interviewed Mr. Peter Dineiger, GTZ's expert in public finance (Edmundo Chinchilla and Paulino Delgado did not attend). The GTZ is advising ISDEM and providing them with management training and "training of trainers" in various technical areas. Areas include: administration, tax management, budgeting and an urban planning component to be implemented in 1994.

GTZ supports ISAM but on a very limited basis. Dineiger also stressed the importance of decentralization as a key to autonomous municipal development. GTZ's emphasis is clearly in the tax management area and they have developed excellent manuals to complement their technical services. These manuals among other technical assistance can be of great service to the MDP.

VI LOCAL CONSULTING FIRMS/TALENT BANK

The local pool of firms and individuals in San Salvador provide a great resource of professionals who can participate directly in the MDP as either long term advisors or short term consultants. Sources interviewed had extensive experience in very technical areas such as municipal personnel management, cadaster, accounting, budgeting, water systems, wastewater, infrastructure and municipal management. The consulting firms interviewed were selected from lists provided by USAID, ISDEM, GTZ, ICMA's talent bank and the Salvadoran Association of Consultants.

A. Management and Finance:

1. López Salgado y Compañía (25 staff)*:

Interviewed Mssrs. Gilberto Paniagua and Axel Castellanos. Managing partner Wilfredo López, was out of the country (Mr. Paniagua is an associate while Mr. Castellanos is the associate in charge of government services). The firm is affiliated with Price Waterhouse.

The firm has been contracted by a number of international institutions including USAID for various projects. They have worked throughout the region with government institutions and in particular in Guatemala in the area of municipal development. They have been contracted and are currently working in what they consider their most complex project, developing an accounting system for the SRN. They have worked with Salvadoran municipalities over the last two years auditing those who have received MEA funds.

Mr. Castellanos has also worked with the FIS in Guatemala in the area of municipal project implementation. He supervised the administration, financial management, infrastructure development and execution of projects in various municipalities in a separate project. USAID has contracted the firm to conduct audits of 40 municipalities in Guatemala on the application of the "8%" transfer of central government funds. Finally, the firm was contracted in Guatemala to conduct a management audit of the IFOM.

* Includes professional and support staff

2. José Gustavo Arias Arias y Cía. (20 staff):

Interviewed managing partner, Mr. Gustavo Arias. This firm was recently contracted by the GOES to analyze management and financial systems of the "Secretaría Técnica de Financiamiento Externo (STFE)" for its €5 million "fondo de capital". ISDEM has contracted the firm to conduct audits in the municipalities of La Paz and Sacatecoluca, among others.

Over the last two years the firm has been hired by the World Bank to audit the "Dirección General de Reconstrucción" and by USAID on their "agrarian reform" project. Although their expertise is not as exhaustive as López Galgado y Cía., this firm has other strengths in the areas of tax management, MBO, personnel management and information systems.

3. Aguirre López y Asociados (10 staff):

Interviewed Mr. José Alfredo Aguirre managing partner of the firm (affiliated with the firm of Arthur Anderson). This firm has been contracted by ISDEM to develop auditing procedures for Salvadoran municipalities. They have also been contracted by the Salvadoran government to conduct management/financial certification for seventeen NGO's in their PROSAMI program.

The firm has generated a fair amount of business from government contracts but has little experience in municipal management systems.

4. Auditores Consultores Asociados (6 staff):

Interviewed Carlos Alberto Flores, managing partner, and discussed their contract with SRN and ISDEM to provide accounting systems for six municipalities in the country. This firm has the most recent and most extensive experience in working with municipalities analyzing their budgeting, internal controls, accounting, tax management and capital investment budgets. The firm has spent a great deal of time working with technicians in various municipalities and noted that the financial management area cannot be isolated from technical assistance and training on a more integrated basis. Other comments include the following:

- * ISDEM does not address municipal administration area;
- * City councils need extensive training;
- * Technical assistance is not evaluated or continual;
- * Municipal human resource is poorly schooled and trained;

- * High debt and delinquency in municipalities;
- * Budget process is not taken seriously.

With a more intensive analysis of results obtained in the six municipalities under their direction, this accounting firm can serve as a great resource for the MDP in establishing a list for management and training priorities under the project's scope of work. The firm lacks some internal organization.

5. Fernandez y Fernandez Asociados (30 staff):

Met with both Roberto and Rene Fernandez (father and son). This firm has done extensive work with ISDEM auditing 10 cities throughout the country, Sonsonate and El Congo, among them. Over the last five years they have developed a strong professional relationship with COMURES and ISDEM. In general the firm seems very aggressive and competent although a little disorganized in their presentation. The firm has also been contracted to develop the "Manual de Cuentas Municipales" under the "Ley General de Tributación Municipal". Municipalities will be able to have very specific accounting procedures developed by this firm.

6. Individuals:

The consultant also called-on and interviewed a number of Salvadoran professionals in the management area. There is a wealth of expertise in the area of MBO, personnel management, administrative policies and procedures, to name but a few. The top professionals in this area were:

- * Julio Cesar Martínez Murillo - strong budget and finance background.
- * Rosa Margarita Gómez de Manzano - 10 years of experience in personnel management policies and procedures.
- * Joaquin Jovel Cuellar - management consultant in both private sector and government institutions. Strong MBO background.

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B. Engineering/Infrastructure:

In meetings with the GTZ and ISDEM, discussions focused on a databank which the former has devised for the latter. The bank analyzes firms interested in ISDEM contracts on a weighted scale. Weighted factors include:

- * Years in business,
- * Cash flow/liquidity,
- * Ability to manage projects simultaneously,
- * Colon amount of largest project managed,
- * Academic/professional capabilities of staff.

Twelve firms were reviewed of which the top three are (see attachment I):

1. Constructora Técnica, S.A. de C.V. (95.90)
2. B & B Arquitectos Asociados, S.A. (95.50)
3. Rivera Harrouch, S.A. Ing. Asoc. (90.90)

To confirm the work of GTZ and ISDEM in qualifying firms, I also met with Ing. Mauricio Avila, General Manager of the "Camara Salvadoreña de la Industria y la Construcción". Ing. Avila was very impressed by the rating system established by GTZ and also made available to the consultant a complete list of all members of the chamber. Firms on the list are not ranked in any particular order but it is evident that contractors, engineering firms, architects, etc., are in abundance in El Salvador.

Finally, this consultant interviewed a number of individuals whom ICMA qualified in its Central American Talent Bank in 1992. Of the ten or so professionals interviewed, the following were outstanding:

- * Sergio Martínez Baldeperos, Civil Engineer - strong background and expertise in cadaster systems.
- * Beatris Pineda de Guardado, Civil Engineer - strong background in infrastructure management.
- * Edgar Banegas Cabañas, Civil Engineer/Masters in Urban Planning - excellent background in urban planning and metropolitan government development.

C. Community Development:

This area is addressed very creatively by a number of institutions with community development components. Universities which are very strong in this area include: Universidad de La Paz and Universidad Catolica de Occidente. Another University whose expertise can be used could be the Universidad Catolica which requires 600 hours of "social/community work" for its students (survey/research) degree qualification.

The most impressive NGO with an aggressive community development component is FUSADES. The cornerstone of its FORTAS program is the incorporation of the community, private sector and local government in designing and developing community priorities, addressing the most pressing issues first. They have been very successful in various cities throughout the country and can provide great leadership and insight into organizing communities. Finally, the SRN's requirements of Mayors to hold "Cabildos Abiertos" on capital improvements is a good start in incorporation of the community.

VIII RECOMMENDATIONS AND FINAL COMMENTS

A. Recommendations:

1. It is very evident that El Salvador is blessed with both public and private institutions and firms that are highly qualified, if properly directed, to participate in an aggressive municipal development project. The consultant found that all technical areas of expertise are either in existence or can be developed in coordination with the MDP.
2. The gaps to be filled by U.S. consultants would be in integrated management systems, budget and finance, new revenue sources, legal, regionalization, community development and the services area. This would include: water systems, solid waste management, privatization and possibly some infrastructure management. All other areas can probably be provided by local consultants.
3. On the level of effort which the technical assistance team will provide, I will defer to the Murphy/Ohnesorgen report and am in agreement with the technical assistance/training levels.
4. All three principal areas which municipalities will receive technical assistance and training --management/finance, public works and services, community development, will require both on-site technical assistance and modular programs from universities or private firms (classrooms). An initial assessment mix would include 65% technical assistance and 35% training. Targeted events would include accounting, tax management, budgeting, cadastre and finance, while major events would include management training, e.g. personnel management and community development, e.g. community role in projects design, implementation and evaluation.
5. Those institutions and their fortes in a given area for the MDP have been listed in charts I, II and III.

I would like to take this opportunity to thank the staff of RUD, Tom Howk, Carlos Pinto, Milagro Merino and Claudia Celina de Flores for their guidance and logistical support in this project.

RESOURCE QUALIFICATION BY AREA

Chart # I

MANAGEMENT/FINANCE

INSTITUTION	EXPERTISE	RATING
1 Lopez Salgado y Cia. (Price Waterhouse)	Management, Accounting and Finance	Excellent
2 Jose Gustavo Arías y Cia (Deloitte Ross)	Accounting and Finance	Excellent
3 Aguirre Lopez y Asociados (Arthur Anderson)	Management, Accounting and Finance	Excellent
4 Auditores consultores Asociados	Accounting	Good
5 Fernandez y Fernandez Asociados (Grobstein & Co.)	Accounting	Good
6 UTEC	Management, Finance and Accounting	Excellent
7 UCA	Management and Accounting	Excellent
8 Universidad José Matías Delgado	Management and Finance	Excellent
9 INCAE	Management, Finance and Accounting	Excellent
10 GTZ	Management, Finance and Tax Management	Excellent
11 ISAM	Management	Good
12 ISDEM	Tax Management	Good
13 Individuals:		
A. Rosa Gómez de Manzano	Personnel Management	Excellent
B. Julio Martínez Murillo	Budgeting/Finance	Excellent
C. Joaquin J. Cuellar	Management/Finance	Excellent

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RESOURCE QUALIFICATION BY AREA
ENGINEERING/INFRASTRUCTURE

Chart # II

INSTITUTION/FIRM	EXPERTISE	RATING
1 Constructura Técnica, S.A.	Infrastructure/Building/Public Works	Excellent
2 B & B Arquitectos Asoc.	Architectural Design	Excellent
3 Rivera Harrouch, S.A.	Architectural Design/ Infrastructure/ Public Works	Excellent
4 ISDEM	Cadastre	Good
5 UTEC	Civil/Industrial Engineering	Excellent
6 AECI/DEMUCA	Public Works/Municipal Services	Excellent
7 Individuals: A. Leopoldo Reyes B. Alejandro Paz Landaverde C. Sergio M. Valdeperas D. Beatrice Ramírez de Guardado E. Francisco Lopez Quezada F. Edgar G. Cabañas	Public Works/Housing/Water Systems Public Works/Cadastre/Water Systems Infrastructure/Cadastre/Housing Infrastructure/Public Works Water/Wastewater Urban Planning	Excellent Excellent Excellent Good Good Excellent

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RESOURCE QUALIFICATION BY AREA

Chart # III

COMMUNITY DEVELOPMENT

INSTITUTION/FIRM	EXPERTISE	RATING
1 ISAM	Community Organization	Good
2 IDEA	"Think-Tank" Research	Good
3 FUSADES	Community Organization	Excellent
4 UCA	"Survey/Research" Demographics	Excellent
5 UCA Occidente	Management Cooperatives	Excellent
6 Universidad de La Paz	Community Organization	Excellent
7 SRN	Cabildos Abiertos	Excellent

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ATTACHMENT I

INFORMACION DE EMPRESA CONSTRUCTORA
=====

FORMA JURIDICA DE EMPRESA: SOCIEDAD

Nombre: CONSTRUCTORA TECNICA S. A. DE C. V.

Dirección: CARRETERA SAN ANTONIO, SAN SALVADOR

Teléfono: (504) 24-2000 y 20-5777

Áreas de Especialización: 2 áreas

Índice de Solvencia: 2.30

Experiencia Administrativa en el
desarrollo de proyectos arquitectónicos y constructivos

Valor de los trabajos desarrollados en
últimos 12 meses: \$ 4,000,000.00

Preparación académica del personal técnico (4)
NIVEL LICENCIATURA Y MAESTRIA

Áreas Ofrecidas:

- 01 EDIFICACIONES EN GENERAL
- 02 OBRAS CIVILES

Total: 1 58.80 puntos

Categoría: 4

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INFORMACION DE EMPRESA CONSULTORA
=====

--- CODIGO DE EMPRESA: 400010

Nombre: S & B ARQUITECTOS ASOCIADOS, S. A. DE C. V.

Dirección: BOULEVARD CONSTITUCION, COLONIA RAFAEL-A,
RESIDENCIAL, 104 BELLIS

Teléfono: 74-1897 y 74-1898

Años de Experiencia: 7 años

Indice de Eficiencia: 100%

Capacidad Administrativa para
desarrollar el proyecto simultáneamente: 8 proyectos

Costo de uso del proyecto desarrollado: \$10,790.00
(diez mil setecientos dólares)

Preparación académica del personal técnico: 04
NIVEL LICENCIATURA Y MAESTRIA

Áreas Ofrecidas:

- 1001 DISEÑO ARQUITECTONICO
- 1002 EDIFICACIONES

Total: \$5.56 puntos

Categoría: A

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INFORMACION DE EMPRESA CONSULTORA
=====

--- CODIGO DE EMPRESA: 100007

NOMBRE: RIVERA HERRERA, S. A., INGE. SERVICIOS ASISTENCIALES

DIRECCION: C/ DE AV. SUR, # 408, COL. FLOR BLANCA, SAN SALVADOR

TELERANCO: 00-2003, 00-2040 y 00-2041

INDICADOR DE PERTINENCIA: 5 años

INDICADOR DE SOLVENTE: 1.87

INDICADOR ADMINISTRATIVO: 0.98

INDICADOR DE PROYECTO SIMULTANEOS: 7 proyectos

Monto total del proyecto desarrollado: 1,420,000.00

(Límite 7 años)

Representacion academica del personal tecnico: 04

NIVEL LICENCIATURA Y MAESTRIA

Áreas Ofrecidas:

0101	DESIGNO AFOLIO ESTADISTICO
0102	DESIGNO DE ESTADISTICAS
0103	DESIGNO DE OPERACIONES
0104	OPERACIONES
0105	OPERACIONES
0106	LABORATORIO DE SUELOS Y MATERIALES
0107	INFORMACION

Total: 90.90 puntos

Categoría: A

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