

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

ROCAP

PROJECT PAPER

LOCAL GOVERNMENT REGIONAL OUTREACH STRATEGY  
(LOGROS)

AID/LAC/P-770

PROJECT NUMBER: 596-0167

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A A = Add  
C = Change  
D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

ROCAP/Guatemala

3. PROJECT NUMBER

596-0167

4. BUREAU/OFFICE

LAC

05

5. PROJECT TITLE (maximum 40 characters)

Local Government Reg. Outreach Strategy

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
09 30 99

7. ESTIMATED DATE OF OBLIGATION

(Under 'B' below, enter 1, 2, 3, or 4)

A. Initial FY 92

B. Quarter 4

C. Final FY 97

8. COSTS (\$000 OR EQUIVALENT \$1 = )

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	400		400	5,241	759	6,000
(Grant)	( 400 )	( )	( 400 )	( 5,241 )	( 759 )	( 6,000 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
<b>TOTALS</b>	400		400	5,241	759	6,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN								200	
(2) HE								200	
(3) EHN						177		2,377	
(4) PSEE						233		3,223	
<b>TOTALS</b>						400		6,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

N/A (30 October 1990)

11. SECONDARY PURPOSE CODES

N/A (30 October 1990)

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code N/A (30 October 1990)

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY  
06 95 06 99

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify) CACM

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page PP Amendment.)

I certify that the methods of financing and audit plan are in compliance with the Payment Verification Policy.

*Gary Byllesby*  
Gary Byllesby, Controller

17. APPROVED BY

Signature

Title

*Irene Castillo*  
Irene Castillo  
Regional Director

Date Signed

MM DD YY  
08 21 92

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION

**Name of Country:** Central America Regional (Guatemala, Panama, Honduras, Costa Rica, Belize, El Salvador, Nicaragua).

**Name of Project:** Local Government Regional Outreach Strategy (LOGROS).

**Project Number:** 596-0167.

1. Pursuant to Sections 103, 104, 105 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Local Government Regional Outreach Strategy project (LOGROS) for Guatemala, Panama, Honduras, Costa Rica, Belize, El Salvador, and Nicaragua, involving planned obligations not to exceed Six Million United States Dollars (US\$6,000,000) in development assistance grant funds over a seven year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local costs for the Project. The Project Assistance Completion Date (PACD) for LOGROS is 30 September 1999.
2. LOGROS will contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement. In order to accomplish this purpose, LOGROS will fund two components. The Consensus-Building Component will establish a regional Network and use that Network to establish regional consensus on priority decentralization issues and benchmarks. Networking and consensus-building activities will be issues-oriented, and will foster broad consensus on decentralization processes, policies, priorities and problems. The Technical Component will address high-priority constraints to decentralization that have broad potential for replication. Both components will be supported by a regional training framework, which will identify existing regional institutions capable of providing training for municipal officials. Other LOGROS activities include preparation of a Regional Municipal Sector Reassessment; indicator development and monitoring; a regional communications activity; support for other regional organizations promoting decentralization in the Central America; and support for bilateral Mission requests for assistance.
3. The contracts which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

26

A. Source and Origin of Commodities, Nationality of Services

All commodities, services and their supplier's financed by A.I.D. under the Project shall have their source and origin in the United States or Central American Common Market (CACM) countries, except as A.I.D. may otherwise agree in writing. Under A.I.D.'s Buy America guidance, no local procurements are authorized except as A.I.D. may otherwise agree in writing with the following exceptions: (1) Commodities of U.S. origin, which are otherwise eligible for financing, if the value of the transactions is estimated not to exceed \$100,000 exclusive of transportation costs; (2) Commodities of Geographic Code 935 origin, if the value of the transaction does not exceed \$5,000; (3) Commodities and services which are available only locally, including utilities; communications; rental costs; petroleum, oils and lubricants; newspapers, periodicals and books published locally; and other commodities, services and related expenses that, by their nature or as a practical matter, can only be acquired, performed, or incurred locally; and (4) Technical services when the value of the transactions is estimated not to exceed \$250,000. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.



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Irenemaree Castillo  
Director  
Regional Office for Central American Programs

8.21.92

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(Date)

Clearances:

As shown on Action Memorandum

Project Paper

**LOCAL GOVERNMENT REGIONAL OUTREACH STRATEGY  
(LOGROS)**

**596-0167**

**UNCLASSIFIED**

**United States Agency for International Development  
Regional Office for Central American Programs  
(ROCAP)**

**August 1992**

4'

Project Paper

Local Government Regional Outreach Strategy  
(LOGROS: 596-0167)

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## Acronyms and Abbreviations

AA	Assistant Administrator (AID).
ABS	Annual Budget Submission (AID).
AID	Unites States Agency for International Development.
AID/W	Agency for International Development/Washington.
AMHON	Asociacion Municipal de Honduras.
ANAM	Asociacion National de Municipalidades (Guatemala).
AP	Action Plan (AID).
ARDN	Agriculture, Rural Development and Nutrition Account (AID).
AWP	Annual Work Plan.
BEO	Bureau Environmental Officer (AID).
CA	Central America.
CACM	Central American Common Market.
CASC	Central American Steering Committee (AID).
CBD	Commerce Business Daily (US).
CCDM	Commission to Coordinate Municipal Development (El Salvador).
CDIE	Center for Development Information and Evaluation (AID).
CFR	Code of Federal Regulations (USG).
COMURES	El Salvador association of municipalities.
CP	Congressional Presentation (AID).
CY	Calendar year.
DI	(Office of) Democratic Initiatives (AID).
DOA	Delegation of Authority (AID).
EAI	Enterprise for the America's Initiative (USG).
EOP	End of Project (AID).
EOPS	End of Project Status (AID).
FAA	U.S. Foreign Assistance Act (USG).
FAR	Federal Acquisition Regulations (USG).
FEDEPRICAP	Federacion de Entidades Privadas de Centroamerica y Panama.
FEMICA	Federacion de Municipios del Istmo Centroamericano.
FX	Foreign Exchange.
FY	Fiscal Year.
GO	Government of.
GPSP	Guatemalan Peace Scholarships Program (USAID/Guatemala).
HB	Handbook (AID).
HG	Housing Investment Guaranty program (AID).
HPN	Nealth, Population and Nutrition Account (AID).
ICAP	Instituto Centroamerican de Administracion Publica.
ICMA	International City Management Association.
IEE	Initial Environmental Examination (AID).
IFAM	Instituto de Fomento y Asesoria Municipal (Costa Rica).
INCAE	Instituto Centroamericano de Administracion de Empresas.
INFOM	Instituto de Fomento Municipal (Guatemala).
INIFOM	Instituto Nicaraguense de Fomento Municipal (Nicaragua).
IQC	Indefinite Quantity Contract (AID).
ISDEM	Instituto Salvadoreño de Administracion Municipal (El Salvador).

Acronyms and Abbreviations

(concluded)

LAC	Latin America/Caribbean Bureau (AID).
LC	Local Currency.
Logframe	Logical Framework (AID).
LOGROS	Local Government Regional Outreach Strategy Project.
LOP	Life of Project.
NGO	Non-governmental organization.
NPD	New Project Description (AID).
OD	Office of the Director (ROCAP).
OYB	Operating Year Budget (AID).
PACD	Project Activity Completion Date (AID).
PARLACEN	Central American Parliament.
PC	Project Committee (ROCAP).
PID	Project Identification Document (AID).
PIL	Project Implementation Letter (AID).
PIO	Project Implementation Order (AID).
PIO/P	Project Implementation Order/Participant Training (AID).
PIO/T	Project Implementation Order/Technical (AID)
POD	Program Objectives Document (AID).
p-m	Person-months.
PP	Project Paper (AID).
PPD	Office of Program and Project Development (ROCAP).
PSC	Personal Services Contract (AID).
PSEE	Private Sector, Environment and Energy Account (AID).
RCMO	Regional Commodity Management Officer (AID).
RCO	Regional Contracts Officer (AID).
RHUDO	Regional Housing and Urban Development Office (AID).
RLA	Regional Legal Advisor (AID).
ROCAP	Regional Office for Central American Programs (AID).
SAR	Semi-Annual Report (AID).
TA	Technical Assistance.
UNGL	Union de Gobiernos Locales (Costa Rica).
US	United States.
USAID	United States Agency for International Development.
USDH	United States Direct Hire Employee (AID).
USG	United States Government.

## Project Paper

### Local Government Regional Outreach Strategy (LOGROS:596-0167)

#### 1.0 PROJECT SUMMARY AND RECOMMENDATION

Background. Strengthening local governments as a means to foster and stabilize emerging democracies is a concept which has evolved in AID in recent years, in part through the operation of housing and urban development programs in Central America. Since the mid-1970s, A.I.D. has directed its efforts toward basic shelter and the needs of very low income families. In order to meet affordability requirements of that target group and the burgeoning demand fueled by high population growth rates and rapid urbanization, shelter projects have increasingly focused on the provision of minimum size building sites with basic water and sewerage services. By the mid-1980s, however, it became clear that the communities which were trying to address the service needs of their populations were frustrated by legal and bureaucratic structures which sustained highly centralized authorities and systems. Central governments were often out of touch with the needs of local communities, the central agencies charged with the provision of services nationwide were overwhelmed by increasing demands, and governments were unable or unwilling to budget adequate funds to meet local requirements.

The Need. A Regional Municipal Sector Assessment prepared in 1992 found that one promising way that AID could promote stable democratic societies in Central America was by supporting the trend towards decentralization of authority from central to local governments. That Assessment also found that considering municipal, national, regional and A.I.D. interests, the best strategy to support the continued evolution of decentralization would address four general needs categories: (1) transfer of more authority from central to local governments; (2) strengthening of citizen participation in municipal government and local development activities; (3) strengthening of municipal administrative, financial and technical systems; and (4) strengthening of the roles of intermediate municipal support institutions in the public and private sectors.

The Regional Approach. Some USAIDs in Central America are developing their own municipal development projects, and these projects will contribute significantly to Agency democratic and development objectives in CA over the coming years. Agency human and financial resources available to address these objectives are limited, however, and some CA municipal development needs either cannot be met bilaterally or can more efficiently and cost-effectively be met by provision of high quality TA with a regional mandate. From the

technical perspective, moreover, RHUDO/CA has substantial sectoral expertise related to CA decentralization issues obtained through years of designing and implementing shelter and urban development programs in the region. Finally, the development of a regional policy framework to support decentralization trends in Central America can help facilitate change at the country level.

The Project Approach. ROCAP's approach to promoting decentralization is two-pronged. The first is to help build a regional environment for policy change in the municipal systems of Central America; improve the regional policy framework; and help "push" policy reform from the regional down to the national level. LOGROS will accomplish this by funding regional networking and consensus-building activities. The second is to support the capacity of municipalities to respond to their new democratic roles, and help make policy reforms that promote decentralization work at the local level. LOGROS will accomplish this by funding problem-solving activities that improve and refine policy reform implementation, and by promoting replication of these solutions in other CA municipalities with the same or similar problems. Project activities are therefore designed to build a regional consensus for policy change in the direction of decentralization and municipal autonomy, and to increase the capacity of municipal systems to implement their new responsibilities through cooperation with their constituents, including their private sectors. Training, an integral part of this approach, and will support both types of activities.

The Project. LOGROS is a seven year, \$6.0 million effort, the purpose of which is "to contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement." LOGROS will continue to support policy changes which lead to deeper and more pervasive democratic action within the fabric of government and society at large, and it will help consolidate both those fragile changes which are in process and those already achieved.

LOGROS has two discrete but complementary components--a Regional Consensus-Building Component and a Regional Technical Component--both of which will be supported by significant training activities. These two Components have been designed to respond to the mutually reinforcing political and technical concerns in the municipal development sector now prevailing in Central America. The Regional Consensus-Building Component will establish a regional Network and use that Network to establish regional consensus on priority decentralization issues and benchmarks. The Network will include institutions and individuals who share--or who are key to achieving--the objectives of the Project, and consensus-building will occur through methodological airing of issues and approaches to resolving key decentralization problems. Networking and consensus-building activities will be issues-oriented, and will foster broad consensus on decentralization processes, policies, priorities and problems. This Component will be largely implemented with FEMICA, the national municipal associations, and other regional institutions vitally involved with the CA municipal sector.

The objective of LOGROS, however, is not simply to establish a regional consensus and set action priorities; rather it is also to make a significant impact on decentralization by addressing specific, high-priority constraints that have broad potential for replication. This will occur under the Regional Technical Component, where up to ten municipal decentralization problems will be addressed in specific municipalities through workshops, technical assistance and training applied to problem resolution. Municipalities and countries will be selected for these exercises based on specific criteria described herein. Bilateral USAID concurrence--if not active participation--is a prerequisite; this will be secured by ROCAP before any local activities are undertaken, and specific regional and bilateral roles will be agreed upon prior to implementation of each activity.

Both Project components will be supported by the development of a regional training framework, which will identify existing regional institutions providing--or capable of providing--training for municipal officials. Project funds will both help develop that capability, and provide limited funding for training activities.

Other major LOGROS activities include: (1) preparation of a Regional Municipal Sector Reassessment in year three to evaluate changes in the rapidly evolving municipal development sector since Project authorization; (2) indicator development and monitoring; (3) a regional communications activity; (4) support for other regional organizations promoting decentralization in the region; and (5) support for bilateral Mission requests for assistance.

Project Achievements. At the end of the Project: (1) there will be general agreement of the regional network on a policy agenda for greater municipal autonomy; (2) specific agenda items in participating countries will have been implemented; (3) there will be improved financial management practices in selected municipalities; (4) there will be greater citizen participation in municipal government affairs in selected municipalities; and (5) there will be other decentralization improvements in selected municipalities in Central America.

Project Costs. The cost of the Project is \$6.0 million, broken down as follows:

Consensus-Building	\$2,175,000
Problem-Solving	2,245,000
Project Management	1,305,000
Audits and Evaluations:	275,000
<u>TOTAL</u>	<u>\$6,000,000</u>

Beneficiaries. The primary beneficiaries of LOGROS will be the municipal leaders, municipal associations, the private sector, community and citizen groups, central government representatives, institutes, ministries, chambers of commerce, legislators, PARLACEN representatives, donor representatives and other key regional groups involved in the CA municipal development sector.

The ultimate beneficiaries of LOGROS will be the municipal citizens of Central America, whose demands for political and economic enfranchisement will have been better served.

Sustainability. LOGROS will promote the process of democratization through promotion of decentralization of authority from central to local governments. This process is already taking place. If it is to take root and be sustained, however, democratization must be fully participatory and responsive to the demands of citizens for political and economic enfranchisement. Promoting participatory democracy at the local government level is therefore a key objective of the Project, and LOGROS' demand-driven emphasis on citizen participation is a powerful feature designed to ensure the sustainability of this process.

Project Review Summary. This Project was included in ROCAP's FY'92-94 Action Plan, in the FY'93 Annual Budget Submission, and in the FY'93 Congressional Presentation. A New Project Description (NPD) was prepared for LOGROS and circulated to the CA bilateral Missions for comment in CY 1991, and was subsequently submitted to AID/Washington as an integral component of ROCAP's FY'92-94 Action Plan. On 12 February 1992, the Action Plan and NPD were reviewed in a meeting chaired by the Assistant Administrator for the LAC Bureau in AID/W. In the reporting cable of this meeting (State 115203), ROCAP was given programmatic concurrence for design and the ROCAP Director was delegated authority to approve the Project PID. A PID-like document was prepared and approved by the ROCAP Director on 29 April 1992. The PP was prepared in May 1992, and bilateral USAID comments were solicited both in writing and in person. Bilateral comments were incorporated and the final PP prepared in August 1992.

Recommendation. The activities to be funded by LOGROS have been carefully analyzed, and are consistent with Central American, AID/Washington, bilateral USAID and ROCAP priorities and strategies. Technical, institutional, social, economic and environmental analyses indicate that the LOGROS purpose is attainable by the Project Assistance Completion Date with the resources allotted. It is therefore recommended that LOGROS be authorized and obligated in FY 1992.

## 2.0 PROJECT BACKGROUND, RATIONALE AND RELATIONSHIPS

### 2.1 INTRODUCTION

Strengthening local governments as a means to foster and stabilize emerging democracies is a concept which has evolved in A.I.D. in recent years, in part through the operation of housing and urban development programs in Central America. Since the mid-1970s, A.I.D. has directed its efforts toward basic shelter and the needs of very low income families. In order to meet affordability requirements of that target group and the burgeoning demand fueled by high population growth rates and rapid urbanization, shelter projects have increasingly focused on the provision of minimum size building sites with basic water and sewerage services.

By the mid-1980s, however, it was becoming clear that the communities which were trying to address the service needs of their populations were frustrated by legal and bureaucratic structures which sustained highly centralized authorities and systems. Central governments were often out of touch with the needs of local communities; the central agencies charged with the provision of services nationwide were overwhelmed by increasing demands; and governments were unable or unwilling to budget adequate funds to meet local requirements.

At the same time, for the first time in a century all the Central American (CA) governments--excluding Panama--could boast of democratically elected national governments. This was only a first step in the process of building a democratic environment for the societies of Central America, but because dictatorial rule had ended it was possible to think about democratizing the various elements that make up the political fabric of government. This included local structures of governance. The change from dictatorial rule to rule by elected leaders, however, did not automatically transform the habits of centralized control in the CA countries--bureaucracies which have not traditionally been held accountable to the people for their actions.

AID's Center for Development Information and Evaluation (CDIE) has undertaken a review of efforts by both theoreticians and practitioners to identify and define how AID's Democracy Initiative should go about promoting democratic development. The review and synthesis concluded that "there is no blueprint or template suggested by either the Democracy Initiative or political-development theory that defines the path to democracy" (from "AID and Democratic Development: A Synthesis of Literature and Experience," by Michele Wozniak Schimpp, for POL/CDIE/DI, May 1992, p. iii). The review found, however, that there is consensus on three basic features of a democratic system: "(1) meaningful and extensive political competition for government power; (2) political participation in the selection of leaders and policies through regular and fair elections; and (3) the existence and respect for civil and political liberties to guarantee the honesty of political competition and participation" (p.iii)(emphasis in original).

Decentralization of public power, in addition to strengthening democratic systems by making them better providers of basic services to their citizens, also contributes to democratic development: it increases competition for public power by expanding the opportunities for its use to local levels and

increases the opportunities for meaningful participation in public decision-making. Decentralization can also increase the accountability of public officials and politicians to citizens by putting the exercise of power closer to larger numbers of people where it is more visible.

Local government can in the future provide leadership, offer services and promote local development, while having to remain accountable to their communities for the use of community resources. Local governments are constitutionally the only elected level of government besides the central level. They constitute, moreover, the only level of government that offers an arena in which average citizens can exercise their democratic skills; hold government accountable for its actions; make their demands for services heard; and generally participate broadly in their own government.

In the past decade, a few of the strongest municipalities--usually the capital cities--have circumvented custom and regulation and taken greater authority at the same time that central governments have found ways to relinquish control in some areas. Today, central governments in the region have come to recognize openly the need to decentralize for practical as well as democratic reasons, and there is a rapidly growing constituency at the local government level lending increasing support to this process. A brief review of some activities in Central America helps to explain how this process has developed, and demonstrates its linkages with and contribution to the evolution of truly democratic societies.

## 2.2 CENTRAL AMERICAN PRIORITIES AND STRATEGIES

In 1987--frustrated by deficiencies of land and services for shelter projects in Honduras--USAID with the support of the Regional Housing and Urban Development Office (RHUDO/CA) undertook a Housing Guaranty program designed in part to circumvent the centralized system and work directly with impoverished neighborhoods, local governments and local private business communities. An objective of this program was to provide sites and services for low-income target groups. Non-payment for central government-provided services had been an ongoing issue in Honduras, but this program demonstrated that responsive projects could be efficiently negotiated between beneficiaries and authorities at the local level and that the beneficiaries would be willing to pay for the services received. As this new relationship between A.I.D. and local governments developed, a grassroots decentralization movement--spearheaded by a politically significant mayor--asked USAID for technical help to revise municipal legislation. Under the auspices of The Urban Institute, a US consulting firm, the Mission was able to respond with some of the best expertise in the hemisphere. With this assistance, a model municipal law was drafted and put into the Honduran legislative process. From late 1987 until the new municipal law was enacted by the Honduran Parliament in October 1990, USAID and RHUDO/CA continued to support the effort through ongoing technical consultations with concerned legislators and municipal officials. In addition, USAID carried the activity as an agenda item in negotiation with the Government of Honduras (GOH) on the programming of A.I.D. resources. The successful enactment of the law was seen as a clear victory for the concepts of decentralization and the democratic process.

USAID reported the culmination of this effort in Tegucigalpa 020484 (30 December 1990). As the Housing Guaranty program and the municipal law evolved, the potential political effectiveness of well intentioned and organized constituencies became clearer and the relationship between these activities and the expanded A.I.D. Latin America and Caribbean (LAC) Bureau mandate regarding democratic initiatives became evident. Largely because of this, a seven year, \$10 million municipal development project was approved in June 1990 to assure continued support for the decentralization and democratization processes at both local and central government levels in Honduras. A significant indicator of the impact of Honduras' municipal law is an effort by elements of the business community--now underway--to "reform" the law by weakening key provisions. Also significant is that a coalition of mayors is mobilizing to defend their newly-won gains against these forces.

Other donors have recognized the potential of local government in Central America and are working to strengthen it. Spain is involved in bilateral programs in Costa Rica, Nicaragua and Guatemala, in addition to carrying out a regional training program for local authorities with the Instituto Centroamericano de Administracion Publica. The German Agency for Development has bilateral missions in San Salvador and very soon will have one in Managua for upgrading local administrative and planning skills; it also has been working with the municipality of Guatemala City and is exploring the possibility of working with that of Tegucigalpa. The Interamerican Development Bank has capital investment programs in Honduras and Costa Rica, and the World Bank has shown interest in financing local infrastructure once select municipalities demonstrate the capacity required to manage their loans. The United Nations Development Program has several bilateral projects for the reform of the state, including upgrading of local governments, and various smaller foundations from different countries have provided support to local governments.

Other countries in the region are also pursuing strategies to promote municipal development and the decentralization of central government functions. Since 1985 in Guatemala, for example, through a Constitutional provision the equivalent of 8% of the national budget has been directly transferred to municipalities to finance capital investment projects. In El Salvador, the Commission to Coordinate Municipal Development (CCDM) was formed in 1991 with high level representatives of national and local governments; the Association of Municipalities (COMURES) was restructured and democratized; and also in 1991 the National Congress approved municipal legislation intended to improve local finances. In Nicaragua, a Commission was created in early 1992 with national and local government representatives to outline a strategy of decentralization; additionally, the Executive branch transferred to municipal administration two important taxes: real estate and vehicles. In Costa Rica, under the State Reform Program's auspices, a project to test the potential for greater municipal autonomy was initiated in 1992 through the transfer of certain service functions held by central government to 18 selected municipalities.

Full realization of the changes being sought requires hard choices, on the other hand, and the strong political will required to effect these changes--especially at the central level of government--is frequently lacking in the region. Many vested interests, as well as the natural lethargy produced by decades of dictatorial ways of doing business, need to be faced. An effort to face these problems and consolidate resolve across the region with respect to decentralization and municipal autonomy took place in a seminar in Honduras in November 1991. At this meeting, a group of important municipal leaders representing all countries in the region subscribed to a "Declaration of Tegucigalpa" and four strategic objectives in support of the decentralization process. This event set out the strategic objectives of the municipalist movement for Central America, as well as the bases for a plan of action to be undertaken by the regional association of municipalities, FEMICA. FEMICA's mandate was bestowed at its foundation and reinforced through the Declaration of Tegucigalpa. Since that time, FEMICA has obtained important support for decentralization and municipal autonomy--first with a declaration of Central American and Panamanian Presidents and second with the creation within the Central American Parliament (PARLACEN) of a Municipal Affairs Sub-Commission.

USAID Missions in the region have been considering both strategies of decentralization and municipal development projects which would operate through national counterpart organizations and host government agencies. Any project activity in this area--to be effective--must increase significantly the ability of local governments to assess and respond to the needs of local constituencies and to be responsive to a local electorate in the administration of municipal affairs. Increased community participation in local affairs will not only help local government understand more clearly the needs of the community, but will also help the community understand problems and costs associated with municipal development and service provision. In the final analysis, citizens must be able to make demands on local government, both for needed services and the redress of grievances. This increased participation and understanding can contribute to the expansion and consequent strengthening of these evolving democratic systems over the coming years, producing an improved environment for political and economic growth.

Considering municipal, national, regional and A.I.D. interests, the best strategy to support the continued evolution of decentralization and the consolidation of effective government at the local level can be described under four general needs categories: (1) the transfer of more authority from central to local governments; (2) the strengthening of citizen participation in municipal government and local development activities; (3) the strengthening of municipal administrative, financial and technical systems; and (4) the strengthening of the roles of intermediate municipal support institutions in the public and private sectors such as municipal associations, municipal institutes and NGOs.

### 2.3 SUMMARY PROJECT DESCRIPTION

ROCAP's Local Government Regional Outreach Strategy (LOGROS) Project is a seven year, \$6.0 million effort that will contribute to meeting these needs. The Project's purpose is to contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement. LOGROS will continue the push for the types of policy changes which lead to deeper and more pervasive democratic action within the fabric of government and society, and it will help consolidate both those fragile changes which are in process and those already achieved. Consistent with the Project purpose, LOGROS has two discrete but complementary components--a Regional Consensus-Building Component and a Regional Technical Component--both of which will be supported by significant training activities. These two Components, described in detail in Section 3.0, have been designed to respond to the mutually reinforcing political and technical concerns now prevailing in Central America.

### 2.4 THE REGIONAL APPROACH

There is a strong rationale for taking a regional approach to promoting democracy in Central America through support for increased devolution of authority to, and strengthening of, local governments. From the technical perspective, RHUDO/CA has substantial sectoral expertise obtained through years of designing and implementing shelter and urban development programs in the region, and through application of this expertise to the development of a policy framework for increasing municipal autonomy in Central America. The LAC Bureau appropriately intends to use this expertise to support broader Agency objectives related to the promotion of democracy in the region. And from the operational perspective, application of these specialized technical skills on a regional basis can be most effectively integrated into the Agency strategy for economic development in Central America through integration of RHUDO/CA and ROCAP programs.

The Regional Consensus Building Component of LOGROS will bring regional experience and opinion to bear on constructing a policy framework to address what are, at heart, country-level policy issues and problems. This Project component will both establish a regional network of agents promoting greater devolution of authority to CA municipalities, and establish a regional consensus on priority issues and benchmarks. The rationale for a regional approach vis-a-vis the Consensus Building Component is threefold. First, knowledge of successful measures taken to increase municipal autonomy in other countries have made decision-makers demonstrably more confident in adopting similar policy changes in their own countries. Awareness that one country is the only country without certain municipal powers can, conversely, encourage the outlier to accept change. Second, some changes with sensitive political implications are easier to promote regionally rather than bilaterally. And third, opinions favoring greater devolution of authority to local governments which emanate from regional fora can serve as a powerful agent for bilateral change.

The Regional Technical Component of LOGROS is designed to address specific, high priority municipal problems with significant regional applicability. The primary reason for taking a regional approach to addressing these problems is that many problems associated with devolution of authority in Central America --especially those related to financial management and local participation-- are widespread throughout the region. By addressing a few select problems with major regional applicability and applying the lessons learned to other CA municipalities, LOGROS expects to: (1) foster crossfertilization of ideas; (2) identify, test and apply new approaches to solving common municipal problems; (3) take advantage of regional economies of scale in the use of limited Agency financial resources available to support trends towards devolution of authority; and (4) fill gaps in country programs.

With respect to the training activities to be funded by LOGROS, it is clear that regional training can also improve cross fertilization of ideas at the same time that it offers major economies of scale. The economies of scale are particularly significant as bilateral Missions find increasingly greater demands placed on limited human and financial resources in the area of democratic initiatives. LOGROS training activities will focus on both promoting the application of lessons learned under the Regional Technical Component, and on promoting the policy changes advocated under the Consensus Building component. Most training activities will occur either in response to strong multi-country demand, or where the potential for future application of lessons learned in other CA countries is substantial.

## **2.5 RELATIONSHIP TO A.I.D. PRIORITIES AND STRATEGIES**

Designed as a central component of ROCAP's new democratic development program, LOGROS will contribute to the goal of developing stable democratic societies in Central America by promoting the decentralization of power through strengthening local autonomous government. Its purpose is to help strengthen elected local and municipal governments through decentralization of authority and control over financial and human resources in an effort to increase the responsiveness and accountability of local governments to their citizens. The Project purpose will be achieved through activities directed at: (1) building a regional consensus for policy change toward decentralization and municipal development, and increased citizen participation at the local level; and (2) strengthening municipal capacity and performance both directly and through the use of intermediate municipal support institutions in the public and private sectors.

### **2.5.1 Agency Priorities and Strategies**

**General Agency Priorities.** LOGROS is fully consistent with all applicable Agency priorities and strategies. A.I.D. policy in the area of democratic initiatives in general is to support the development of democratic institutions, and in particular to broaden and deepen participation in democratic processes. LOGROS will support the movements in Central America toward extending democratic processes through promoting greater autonomy for

local governance and more intensive and efficacious citizen participation in its processes. This recognizes that local governments--physically and institutionally located closer to the citizens they serve--can be more readily responsive and accountable to those citizens. The Project is also fully consistent with the Enterprise for the Americas Initiative's (EAI) goal of bolstering democracy in the region, and with the Partnership for Democracy and Development's (PDD) support for regional democratization.

**Bureau Priorities.** LAC Bureau policy is to promote stable democratic societies, specifically by addressing broad objectives identified by the CA Presidents in the Declaration of Antigua (adopted in June 1990) and the commitments made in the Declaration of Puntarenas in December 1990. This Bureau policy, articulated in the Economic Assistance Strategy for Central America, 1991-2000, focuses on three broad areas: (1) the development of stable, democratic societies; (2) the achievement of broad-based, sustainable economic growth; and (3) the attainment of effective regional cooperation. The LAC Bureau's program strategy for the development of stable democratic societies in Central America has ten specific components, one of which is to "strengthen elected local and municipal governments through decentralization of authority and control over financial and human resources." In developing this component, the LAC 2000 Strategy notes that:

Most Central American leaders now realize that centralized national bureaucracies limit the ability to deliver services. There is also a growing recognition that centralized bureaucratic power is often anti-democratic since it limits citizen participation in the development process and encourages paternalism. Central American countries are working to create more responsive locally-elected governments which provide greater opportunities for citizens to participate in and more directly influence the development process."

LOGROS will address a subset of the specific activities proposed in the Bureau strategy "to strengthen elected local and municipal governments". These include:

- (1) Fostering the empowerment of local governments through support for strengthening local government capacity to respond to local priorities and to deliver basic services; and
- (2) Helping Central Americans strengthen local government decision-making processes; encourage financial and administrative decentralization; strengthen local service delivery and maintenance capabilities; and enhance local revenue generation and cost recovery capabilities.

In addition, LOGROS will contribute to the Bureau's cross-cutting concern of regionalism.

The LAC/DI regional Democratic Initiatives Strategy further articulates three subgoals to support the development of stable democratic societies: (1) strengthening the competence of government institutions so they will merit the confidence of political and military leaders, citizens, and investors; (2) helping create a pluralistic, autonomous, vigorous civil society that can balance and limit state power while providing channels for the articulation and practice of democratic interests; and (3) strengthening the democratic culture-values, attitudes, beliefs and information that support democratic pluralism and are required for effective leadership. To achieve these sub-goals, 10 objectives are proposed in the LAC/DI Action Plan, one of which relates most directly to the LOGROS project: To support the decentralization of power by strengthening local and municipal government.

### **2.5.2 Bilateral USAID Priorities and Strategies**

LOGROS is designed to complement and support bilateral USAID activities in municipal development and democratic initiatives, and a number of activities have already been undertaken by RHUDO/CA in cooperation with the bilateral USAIDs in Central America. RHUDO's experience, plus interaction with the Missions during project design, indicate that a high level of interest exists in promoting local government development through a wide variety of approaches.

At the outset, ROCAP recognizes that local government development--however defined or approached--in the final analysis must be implemented at the bilateral level. The design and implementation of various activities depend on sometimes unique country conditions, and for this reason ROCAP intends to work closely with the bilateral Missions in all LOGROS activities to ensure that the Project complements, supports and responds to bilateral strategies and needs. There are, at the same time, many common issues to be addressed which require common or similar approaches applied at the regional level in order to reinforce, complement, or fill in gaps in areas where USAIDs are undertaking activities in the local government area.

From the regional perspective, the term "municipal development" can be applied to activities at the country level in two broad categories: (1) the capacity for infrastructure and basic service delivery; and (2) policy change in the direction of greater municipal autonomy--based on citizen involvement in the governance process--as a means of fostering an expansion of democracy. Sometimes there is tension between these two categories, as Missions attempt to devise strategies in one or the other direction. At the regional level, ROCAP believes that each component is necessary to the success of the other, but that the relative emphasis may vary by country. LOGROS focuses somewhat more on political change, but recognizes that if governments (however democratically elected at whatever level) are unable to deliver the basics of a better life for their citizens at all levels of society, then there will be no incentive for citizen participation and hard-earned gains are not likely to endure. Accordingly, ROCAP uses the term "municipal development" in its broadest sense to include both categories of activities.

A review of bilateral activities in municipal development is useful in order to (1) see how LOGROS activities relate to bilateral USAID priorities and strategies and (2) show how ROCAP and RHUDO as regional entities have been working with bilateral colleagues in this area.

Honduras has the distinction of being the only USAID in Central America to have a current municipal development project (as opposed to activities) under implementation. The Honduras Municipal Development Project (MDP)--a seven year, \$10 million project--is being implemented by the International City Managers Association (ICMA) which has four U.S. and seven Honduran professionals providing technical assistance to 14 select municipalities with growth potential. A primary objective of the Project is to demonstrate what can be done with newly mandated taxing and other authorities. To date, technical assistance activities have occurred in four cities. The impact of these activities has been significant. As an example, for the first time city budgets have been made public and are subject to citizen scrutiny. A recent newspaper article quoted one citizen as saying that for the first time he was able to learn how much the mayor makes for a living, and at the same public meeting which revealed this information the mayor was put on the spot regarding the city's water user fee collection practices as a factor in the need to raise rates.

MDP balances a service-delivery orientation with a focus on strong citizen participation, and works for change at the grassroots level. Its effectiveness, and that of the progressive municipal code which preceded it, will soon be tested (and indeed may be measured) by opponents who wish to turn back the move towards greater autonomy at the local level. It is important to keep in mind that policy changes such as those in Honduras have taken place in a sometimes hostile environment and continue to be very fragile. Because of this, constant-follow up and consolidation of gains is required in order for the progress to truly take root.

Until recently, USAID/Honduras had another special feature in that it housed RHUDO/CA--which played a major role in development of the MDP and was responsible for its management. With the move of RHUDO to Guatemala, USAID/Honduras has created a new Municipal Development and Infrastructure Office to manage the project. RHUDO/CA now looks to the Honduras project as a source of critical experience in the development of municipal autonomy. The LOGROS approach, already discussed with USAID/Honduras, will be to cooperate with regional resources to fill gaps in the bilateral program in those instances where the Honduras activity offers possibilities for application elsewhere in the region.

Guatemala offers an example of a Mission with interest in municipal autonomy but severe resource constraints. Accordingly, the USAID Mission has elected to use scarce resources in its Guatemalan Peace Scholarship Program (GPSP) on community leaders, many of whom are municipal officials. Under this program, groups of 25 elected and non-elected leaders are sent to the U.S. to observe city governments working with their community constituents for local development. The program will send approximately 225 such community leaders

from key, growth-potential cities, and the experience with U.S. style local governance--plus follow-up activities--will contribute to building consensus and support for similar types of community governance and participation in Guatemala.

In addition to working with USAID contractors charged with implementing the follow-up program for this exciting experiment in local development efforts, ROCAP/RHUDO will be exploring with USAID how regional resources can be used to build on the impetus for change generated by the GPSP. While recognizing that in the Guatemalan context such change must be approached with care and realism regarding what is possible, the GPSP has demonstrated a potential at the grassroots level that both USAID and RHUDO wish to support.

USAID concerns regarding the design of LOGROS center on coordination with USAID strategies and objectives in all sectors, including economic and financial as well as democratic initiatives. ROCAP will continue its practice of consulting fully with USAIDs regarding all project activities to be carried out in their respective countries. In the case of Guatemala that collaboration will be facilitated by RHUDO's presence in-country, but ROCAP will apply the same collegial approach in all countries in which it works.

El Salvador presents what may be some of A.I.D.'s greatest challenges and opportunities in the region for increased decentralization to the local government level. USAID/El Salvador has been active in a number of areas promoting municipal development. These include: (1) the Municipalities in Action program, which has funded a huge volume of local infrastructure and other development projects and has incorporated citizen involvement and control through the mechanism of town meetings as a prerequisite for approving and executing public works projects; (2) support to the national municipal association, including the democratization of its statutes to break the hold of one political party on the organization; (3) the setting up of a national commission on decentralization, consisting of key central and local government officials to plan for and monitor the devolution of certain powers from central to local governments; and (4) a series of activities aimed at specific problems of local autonomy. In addition, USAID is working on a strategy to organize and rationalize its involvement in municipal development and plans a separate municipal development project for FY '93. RHUDO has cooperated with USAID on some of these endeavors, providing technical resources as needed.

USAID/El Salvador is an example of a Mission with a high level of financial resources but a resulting strain on staff resources. The U.S.-supported reconstruction effort presents a unique opportunity to involve municipalities in the re-building process, and USAID plans for the municipal development project to address that opportunity. ROCAP/RHUDO foresees helping to fill a short-term need for technical resources as USAID develops its strategy and municipal project. After that we hope to develop a relationship similar to that in Honduras, where the El Salvador experience becomes a regional resource and regional funds are used to disseminate the lessons learned, fill gaps, provide cost-effective training opportunities and support country consensus building at the regional level. Bilateral resources could be used--as USAID deems appropriate--to fund participation in regionally sponsored activities that support USAID's municipal policy agenda.

USAID concerns regarding the development of LOGROS have involved issues of coordination between ROCAP and USAID and between ROCAP and LAC/DI. USAID/El Salvador has, in addition, raised the question of the balance between the municipal development and democratic initiatives objectives of the Project.

Although ROCAP views these two foci as being complementary, it recognizes that the balance between them may change as Project implementation unfolds. To respond to this concern, LOGROS as designed is largely demand-driven but it also has a clear decision point designed to follow the mid-term evaluation scheduled for the end of Year 3 of implementation. Redirection of Project resources consistent with the decisions made during the evaluation process will therefore be possible; indeed, give the seven year length of the Project and the speed at which regional municipal development trends are evolving in Central America, this flexibility is considered by ROCAP to be essential to Project success.

Nicaragua USAID is carrying out a municipal sector assessment intended eventually to result in a strategy for municipal development. The assessment process included a seminar which brought together the principal sectoral decision-makers from all political parties, no small achievement in a country with as differentiated a political spectrum as Nicaragua's. At this seminar, it was determined that a national committee for decentralization would be formed to develop a decentralization/municipal autonomy strategy and implementation plan. The committee was duly formed, and USAID is hiring a specialist who will provide technical support to the committee during the process of preparing the strategy and carrying out the implementation plan. RHUDO has been supplying staff technical and managerial support to this effort.

Nicaragua presents an extremely interesting case for students of democracy and development: it has a democratically-elected government; a very polarized political arena which has made difficult even the formation of a municipal association; an opposition which retains considerable strength and which represents interests sometimes antithetical to meaningful participatory democracy; a newly-freed economy struggling to grow and meet the demands of its citizens; and a highly centralized government.

It is in this context that USAID/Nicaragua must design and implement a new assistance program, well-funded but with a limited time horizon and limited staff resources. Rightly recognizing that decentralization of public power to the local level may be key to realizing development objectives, USAID has been working closely with RHUDO to support Nicaraguan efforts to strengthen the municipal role. Currently the working relationship involves RHUDO provision of staff management and technical support, expected to continue over the short term. As a result of these initial efforts, USAID is considering the possibility of a separate municipal development project. If and when this comes to pass, LOGROS will support these efforts by providing regional resources on the same bases as described above for Honduras and El Salvador.

Panama has recently undergone a change of government, which has resulted in increased U.S. support. The need to focus the USAID program in Panama makes unlikely a bilateral municipal development effort. Further, political

support for decentralization of government authority in Panama has been limited. For example, Panama is one of only two of the region's countries that do not elect their mayors directly. The absence of this basic characteristic of decentralization raises questions as to whether limited regional resources can have much impact. A change in the electoral provisions to provide for direct election of mayors would be a concrete indicator of broad support for decentralization, and would suggest that regional resources could be used effectively to build on that support. Until such action is taken, however, LOGROS assistance to Panama should be limited to the participation of policy level officials, particularly legislators, in networking and information sharing activities.

Costa Rica, perhaps understandably given its history of stable though centralized democracy, also presents fewer opportunities for collaboration under LOGROS. Despite the fact that little movement toward decentralization is discernible at the central level, there are stirrings in the direction of decentralization and, perhaps, a new role for local government. The national office set up for the reform and modernization of government has recently initiated a pilot project in which 18 municipalities are being tested with the devolution of a series of functions that to date have been carried out by the central government. Also, seven municipalities have joined together to regionalize and privatize solid waste collection and treatment. On the Mission side, very few staff and financial resources are available for pursuing municipal development activities. LOGROS therefore may most appropriately be involved in consensus-building activities to support Costa Rican efforts, to the extent that USAID considers it useful.

### 2.5.3 ROCAP Priorities and Strategies

General Priorities and Strategies. The renascent regional integration process in Central America gives special meaning to transnational cooperation and coordination. The LAC Bureau Strategy for Central America stresses the need to strengthen regionalism and cooperation, and charges ROCAP with the task of promoting and supporting efforts by CA governments to work together in addressing common political, economic and environmental problems. ROCAP therefore views the attainment of effective regional cooperation not so much as an objective in itself, but rather as a principle that permeates its entire program.

Technical leadership represents a crucial complement to political leadership. It strengthens and facilitates the process of consensus building and negotiation by identifying alternatives, exploring their implications, and searching for compromises that respond to divergent interests. ROCAP's program focuses on building and strengthening such technical leadership at the regional level, in addition to fostering an effective exchange of information on political, economic and environmental policy reform.

ROCAP's portfolio therefore stresses complementarity and flexibility as operating principles. In order to maximize the impact of its program, ROCAP assistance is designed to avoid duplication of effort and contribute to, complement and reinforce the work of the bilateral USAIDs, other donors and

key regional institutions in promoting policy reform in Central America. In addition, and while we believe that a clear agenda is essential to focus the program, we realize that effective support to policy reform is also driven by opportunity. Policy change is not a linear, steady process, and sudden changes in the policy environment demand the ability to respond swiftly to help articulate newly feasible options and evaluate their implications. The ability to respond quickly and effectively within the context of clearly identified programmatic and policy priorities is a major priority of ROCAP.

While ROCAP's overall program therefore maintains flexibility in order to respond to demands and opportunities for assistance consistent with the overall thrust of the program, the complementarity principle also applies to individual project activities. These are designed to reinforce each other, and in the last year we have begun to see important connections and commonalities in policies affecting participatory democracy, the investment climate and the environment. As the role of regionalism in Central America takes on greater significance, ROCAP anticipates that its role vis-a-vis the regional institutions and bilateral missions will evolve further through increased networking, information sharing, coordination and analysis.

ROCAP-Specific Mandates. ROCAP-specific mandates in the area of democratic initiatives derive from the LAC 2000 Strategy; the Central American Steering Committee meetings of 1991 and 1992; and ROCAP's Program Objectives Document (POD) and FY'92-94 Action Plan (AP). The LAC 2000 Strategy (January 1991) states that:

"Support for and development of stable democratic societies in the countries of Central America constitutes the leading edge of A.I.D.'s strategy for the region. The strategy envisions a significantly expanded role in this area for field missions, including ROCAP...A.I.D. will focus on technical assistance and training, and will also include democratic initiatives in its policy agenda."

The Strategy also notes that:

"With its field presence and long experience in the region, ROCAP is in a unique position to assist in fostering regional cooperation in areas of concern to the Central Americans and the United States. ROCAP can provide...program assistance to stimulate a harmonization of policies with respect major issues such as...municipal development."

To enhance coordination and more effectively integrate bilateral and regional programming, a new management oversight structure--the Central American Steering Committee (CASC)--was established under the LAC 2000 Strategy. The CASC is chaired by the Assistant Administrator/LAC, and comprises the directors of AID missions, ROCAP, and the office of Central American Affairs. ROCAP serves as the Executive Secretariat for the CASC, which to date has convened three times: in April and November 1991, and in May 1992. ROCAP responsibilities related to democratic initiatives were refined at these meetings. Of direct relevance to LOGROS are:

(1) That ROCAP be the focal point of networking activities among the CA USAIDs to ensure adequate information sharing and coordination in AID regional programs that are on the agenda (CASC of April 1991);.

(2) That when possible, ROCAP play a valuable role in supporting efforts at decentralization and local governance in the region (CASC of November 1991); and

(3) That ROCAP maintain flexibility in its ability to respond to windows of opportunity in the area of democratic initiatives (CASC of May 1992).

ROCAP's POD/AP was submitted to AID/W and reviewed and approved in early CY'92. Two issues related to LOGROS were raised at the review of these documents (State 115203):

(1) ISSUE 1: "Is there value added in ROCAP's involvement in the area of democratic initiatives, and if so what specific areas should ROCAP be involved in?"

DECISION: "Guidance from the Steering Committee meetings in April 1991 identified three areas for possible ROCAP involvement in DI: municipal development, strengthening legislatures and political leadership. Assistance to municipal development is a priority area for ROCAP involvement at this time. It was agreed that there is no presumption that ROCAP should take on additional DI activities in the region. At the same time, it was agreed that ROCAP should remain flexible and available to respond to specific priority areas of intervention as they are identified through regional mechanisms such as Steering Committee meetings and DI conferences. ROCAP will retain democratic initiatives as a strategic objective and based on further work with the USAIDs this objective will be more fully developed in next year's Action Plan."

(1) ISSUE 2: "Does the proposed activity (LOGROS) adequately demonstrate Project rationale, areas of concentration and expected outcomes at the regional level, and how the Project will complement bilateral municipal development efforts? Should the NPD be approved?"

DECISION: "Based on ROCAP's commitment to work closely with the bilaterals during Project design, the Mission is given program concurrence for design and the Director is delegated authority to approve the Project PID. To clarify and improve Project design, Mission is advised to inform and consult, as appropriate, with LAC during Project design process."

## 2.6 RELATIONSHIP TO PREVIOUS PROJECTS

AID has had extensive experience in municipal development. The highly centralized systems of local service delivery typical of Central America have been unresponsive to citizen demand or to market forces. Projects to address service delivery problems have focused mainly on technical training of local government officials, which has not done much for the democratic choice aspects of municipal development. The lessons learned from this experience are further described in "Decentralization and Democratic Government, A Review of Latin American Experience and Lessons for Sub-Saharan Africa" (George Peterson, The Urban Institute for PRE/H, March 1991). In brief, the Latin American experience shows the political aspects of municipal development are critical to success. Improving technical capacity has been important, but local institutions must be developed to provide a democratic framework.

One recommendation emerging from this review was that technical assistance should be targeted at improving local officials' skills in procedures of democratic governance, rather than at generalized institution building. Other lessons drawn from AID's experience call for assistance to local participatory processes and to policy reforms. As is shown in Section 3, LOGROS has been designed with these in mind.

More specifically, LOGROS has its immediate antecedents in Housing Guaranty program and related grant-funded municipal development activities. RHUDO/CA's efforts, indirectly related to LOGROS, were carried out within the framework of several bilateral projects such as those related to the Housing Guaranty programs in Honduras, Guatemala, Costa Rica and El Salvador. Efforts to strengthen the housing sector in several CA countries had run into common constraints in the municipal sector, emanating from the lack of land and infrastructure for proper housing solutions. The importance of municipal government in the provision of services at the local level emerged clearly from the implementation and experience of these projects. RHUDO/CA, within its housing and urban development mandate, has identified and concentrated on the role of the municipal government--despite its institutional weakness in the region--as a key and essential element in realizing many basics in the quality of life demanded by economic development.

The direct predecessor of LOGROS was the Central American Shelter and Urban Development Project (596-0143), which terminated in September 1991. Under this Project, RHUDO/CA contracted two personal services contractors (PSCs)--a Regional Housing and Urban Development Advisor and a Municipal Development Specialist--both of whom were closely involved with municipal activities. RHUDO, through an institutional contract funded out of this Project, also carried out technical analyses of the local government milieu in which LOGROS will carry out its activities.

A most significant component of Project 596-0143 with respect to LOGROS, however, was a Cooperative Agreement entered into with INCAE for programs in four countries--Costa Rica, Honduras, Guatemala and El Salvador--that were

specifically oriented toward municipal development. This activity contributed to a general regional awareness of the role of local government as a link between democracy and development.

While a different project with different outputs and objectives, LOGROS will nonetheless continue to contribute to attaining the objectives of the Central American Shelter and Urban Development Project and specifically the activities funded under that project's Cooperative Agreement with INCAE. Achievements of the Cooperative Agreement that are directly related to the objectives of LOGROS are:

- (1) The demonstration that when local government is given responsibility, local interests can become at least as important in the eyes of local leaders and their communities as party or national political issues;
- (2) Valuable diagnostic information with respect to the status and weaknesses of local governments in the countries where the Agreement carried out activities;
- (3) The initiation of municipalist movements in at least three countries that are leading to pressures for important policy changes;
- (4) The identification within the municipal systems of key leaders that promise to form the basis of a regional network capable of contributing to the objectives being proposed by LOGROS;
- (5) The identification of valuable strategic approaches to work in the municipal sector. These approaches are incorporated in the LOGROS design; and
- (6) The active involvement of INCAE, the most significant regional training institution in Central America, as a resource for strengthening the region's municipal systems.

## 2.7 OTHER DONOR ACTIVITIES

Other donors have recognized the potential of local government in Central America and are working to strengthen it. The AECI of Spain is involved in bilateral programs of TA in Costa Rica, Nicaragua and Guatemala, in addition to carrying out a regional training program for local authorities with the Instituto Centroamericano de Administracion Publica. The German Agency for Development (GTZ) has bilateral TA missions in San Salvador and very soon in Managua for upgrading local administrative and planning skills. It also has been working with the Municipality of Guatemala City and exporting the possibility of working with that of Tegucigalpa. The IDB has capital investment programs, accompanied by TA, in Honduras and Costa Rica. The World Bank has shown interest in financing local infrastructure, once the municipalities demonstrate the capacity required for their loans. The UNDP has several bilateral projects for the reform of the state, including upgrading local governments. And various smaller foundations from different countries also give support to local government.

### 3.0 PROJECT DESCRIPTION

#### 3.1 PROJECT OBJECTIVES: GOAL, PURPOSE AND OUTPUTS

##### 3.1.1 Project Goal

Change--political and economic, both within and outside of Central America--is creating unique opportunities for the region. For the first time in history, all countries in Central America have democratically elected civilian governments that subscribe to the tenets of market-oriented development policies. This common commitment to democracy and market forces has revived the spirit of regional cooperation in meeting the challenges of the 1990s, and led AID in 1991 to revise its US economic assistance strategy for Central America for the coming decade. This new LAC Bureau strategy will support and encourage these renewed commitments in three areas, one of which is "the development of stable democratic societies".

In articulating its program goal and strategic objectives (Program Objectives Document 1992-1998; approved February 1992), ROCAP responds to the challenge of change in the region within the context of this new assistance strategy and ROCAP's regional mandate. There is a growing consensus in the development community that stresses openness in social, political and economic structures. Dismantling privileges and ensuring full consideration of the interests of all groups--including future generations--is increasingly seen not only as a desirable outcome but also as the essential impulse of a swift and equitable development process. Opening the economy and society at large brings new demands and pressures, and ROCAP's program objective recognizes that policies must respond to these demands and strengthen the ability of existing structures to meet them. That program objective--and the goal of the Local Government Regional Outreach Strategy (LOGROS) Project--is "The evolution of stable democratic societies in Central America."

##### 3.1.2 Project Purpose

Central American countries have embarked on a series of policy reforms designed to open up their economies; to renew integration movements; to modernize their productive capacity through private sector development; and to engage in public sector reforms that will dismantle the old statist and centralized frameworks. Key among these reforms are decentralization efforts that will help governments respond more effectively to the needs of their populations. These reforms, however, are linked to--and circumscribed by--economic and stabilization programs in each country; this in turn has resulted in reduced government expenditures on the very programs which such reforms and decentralization efforts advocate. The ultimate challenge, therefore, is to balance the opposing demands of expenditure and deficit reduction on the one hand, and meeting basic human needs and reform objectives on the other. National government limitations in balancing these opposing demands underscores the need for resource mobilization and service provision at other levels. At the same time, however, local governments are limited in their ability to respond to these needs by both financial and human resources.

Democratization, municipal development and decentralization programs must therefore focus not only on granting and assigning municipalities greater authority, responsibility and autonomy, but--equally important--the resources with which to carry out their new roles and responsibilities. These resource needs are not only financial, but technical and institutional as well. Citizen participation is essential to democratization and municipal development, moreover, and support is needed for both public and private institutions.

LOGROS will address both political and technical aspects of decentralization in Central America. The purpose of the Project is to contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement.

### **3.1.3 Project Outputs**

LOGROS has four specific outputs which will help it attain Project objectives at the purpose level of the logframe (Annex B):

**Output 1: A Regional Network Established and Functioning.** Establishing a regional network of key Central American players in the move to transfer greater authority and control over resources to local governments is an early priority under the Project. This Network will consist of individuals and institutions which will disseminate and advance the municipal agenda, including municipal leaders and associations, community and citizen groups, chambers of commerce, legislators and other relevant central government decision-makers, political leaders, members of PARLACEN, other relevant public and private regional groups and donors, and USAID bilateral Mission representatives. The Network is expected to play a significant role in reaching and maintaining regional consensus on priority decentralization issues and benchmarks.

**Output 2: A Regional Policy Framework Established.** The Technical Analysis concludes that there is growing support in the region for decentralization and municipal autonomy, and general agreement with respect to the major factors constraining decentralization. Through the Network, LOGROS will sharpen the focus on needed policy changes that affect municipal systems, promote regional consensus on priority issues and policies, and promote regional consensus on implementation strategies for addressing constraints. The consensus-building exercise will be driven by the actors in the process themselves, and concrete action plans will be developed for follow up by the Network members at the regional, national and local levels as appropriate.

**Output 3: Resolution of Specific Constraints to Decentralization.** LOGROS will fund networking, technical assistance (TA) and training activities that focus on solving those priority decentralization problems at the municipal level whose solutions can support and strengthen the policy framework.

Specific problem areas that have regional applicability and demonstrate the positive impact that can ensue from policy change will be addressed, and replicability of solutions promoted. Although the Technical Analysis highlights problem areas that will undoubtedly be addressed by these activities, the demand-driven consensus-building approach of the Network will indicate what, when and where optimum results can best be obtained by these problem-solving exercises.

**Output 4: Regional Training Capabilities Mobilized.** Training activities funded by LOGROS are designed to directly support achievement of the three Project outputs described above: (1) establishment of a regional Network; (2) establishment of regional consensus on priority decentralization issues and benchmarks; and (3) resolution of specific constraints to decentralization. There is also a compelling need in Central America, however, to improve the ability of municipalities to identify which of the myriad regional institutions with training capabilities are most able to help resolve--through training--specific municipal decentralization problems. LOGROS will, therefore, fund development of a Regional Training Framework that will: (1) inventory and evaluate municipally oriented training operations in the region; and (2) devise a framework within which to clarify the roles of training establishments (e.g., INCAE, ICAP, the universities, the national municipal associations, private sector training providers, regional consulting groups, national institutes, FEMICA) in meeting the ongoing training requirements of the municipalities. Details on these outputs are described in the following section.

### 3.2 DESCRIPTION OF PROJECT ACTIVITIES

#### 3.2.1 The Project Approach

Although highly variable from country to country, there exists in Central America today a pervasive and growing trend towards decentralization of authority and control over resources from central to local governments. A central objective of the LAC Bureau is to support this trend wherever practicable--both at the national level through AID bilateral programs, and at the regional level through ROCAP programs.

Decentralization as a concept has been defined and analyzed extensively, but probably the most widely used formulation has been prepared by Dennis Rondinelli, formerly of the Research Triangle Institute (RTI). Rondinelli sees decentralization as political, spatial and administrative: political decentralization shifts political power from the center to citizens or elected representatives; spatial decentralization concerns spreading population and economic activities away from large city centers; and administrative decentralization moves responsibilities and authorities from central units to field offices or to subordinate units of government (from: "Decentralization: Improving Urban Management in Asia"; Ronald Johnson, RTI; August 1991). LOGROS is primarily concerned with political and administrative decentralization. On the political side, it will support changes to increase

the role of citizens in government decision-making and to increase their participation in local government; on the administrative side, it will encourage administrative decentralization of responsibilities to local government units.

Rondinelli further classifies administrative decentralization as: (1) deconcentration, or transfer of authorities to local field offices of central agencies; (2) delegation, or transfer of responsibilities from central agencies to subordinate or semi-autonomous units of government; and (3) devolution, or transfer of responsibilities from central governments to autonomous units at the local level (meaning that local units have statutory or constitutional bases for powers apart from the central government).

LOGROS will promote devolution of authorities and responsibilities wherever feasible. Although in some sectors delegation may be a more appropriate objective, its disadvantage is that more control is retained by the center which can also withdraw the delegation or limit its exercise. Devolution gives the municipality (or other autonomous authority, such as a private institution charged with service delivery) the greatest independence and will have the greatest impact on the municipal system as a whole. In this document, references to decentralization generally mean municipal autonomy, or devolution. (The technical analysis does not indicate that deconcentration would be a particularly fruitful area of activity for LOGROS).

Within the above framework, LOGROS will promote political and administrative decentralization that has the following characteristics (these characteristics are elaborated further in Sections 3.2.2 and 3.3.3);

(1) More democratic representation of local interests (e.g., direct election of mayors, separate local elections);

(2) A larger and more influential role for municipalities in the process of national development;

(3) More opportunities for citizens to make demands on local government and, conversely, to hold them accountable for decisions;

(4) Increased financial independence of municipalities;

(5) Improved and expanded local service delivery, especially for lower income groups in the population;

(6) More open and participatory process for making resource allocation decisions at the local level; and

(7) Expanded authorities for municipalities over appropriate governmental functions.

ROCAP's approach to promoting decentralization is two-pronged. The first is to help build a regional environment for policy change in the municipal systems of Central America; improve the regional policy framework; and help "push" policy reform from the regional down to the national level. LOGROS will accomplish this by funding regional networking and consensus-building activities. The second is to support the capacity of municipalities to respond to their new democratic roles, and help make policy reforms that promote decentralization work at the local level. The Project will accomplish this by funding problem-solving activities that improve policy reform implementation, and by promoting replication of these solutions in other CA municipalities with the same or similar problems.

Project activities are therefore of two types: those designed to build a regional consensus for policy change in the direction of decentralization and municipal autonomy; and those designed to increase the capacity of municipal systems to implement their new responsibilities through cooperation with their constituents, both public and private. These two types of activities will be addressed by LOGROS through implementation of two Project components: a Regional Network and Consensus-Building Component, and a Regional Technical Component. While the success of neither component relies on the success of the other, the two are both fully complementary and fully self-supportive.

The Project approach and implementation sequence of LOGROS, in short, can be summarized as follows: (1) establish the regional Network (Year 1); (2) establish consensus on priority issues and benchmarks (Years 1-2); (3) solve priority problems (Years 1-6); (4) use training activities to support Network establishment and operation, consensus-building, and problem-solving (Years 1-7); (5) continue using the Network to revise and refine consensus-building (Years 2-7); and (6) promote replication of solutions to other CA municipalities through both the Network and, to the extent practicable, through direct financial assistance (Years 2-7).

The Project is designed to be demand-driven, i.e., priorities for Project activities will emerge from the networking and consensus-building elements. The actors in the process will determine operational objectives as feasible and appropriate to the situation. The Technical Component in particular will be defined by the need for problem-solving activities in specific areas to be identified jointly with network members, including USAID Missions. Although the technical analyses conducted during Project design identified municipal finance and citizen participation as priority needs, timing and location-specific opportunities require flexibility to respond in other areas as well. In addition, a small amount of Project funds has been budgeted each year for priority bilateral activities which cannot be covered by other components. These activities will be determined by technical needs as defined jointly by the Network, the Missions and ROCAP.

The democratic process is central to all LOGROS activities, starting with an initial consensus-building exercise. Community involvement will be ensured through the representation of electorates and affected groups at workshops and seminars, and the use of public hearings to achieve community consensus on the most appropriate solution(s) to the problems addressed. Insofar as Project activities are also designed to maximize impact on the key actors in the municipal systems, they will work with municipalities, municipal leaders, and

the sector's support institutions. Specifically, most Project activities will be implemented by the Federacion de Municipios del Istmo Centroamericano (FEMICA) (the regional association of municipalities), the national associations of municipalities (e.g., AMHON in Honduras, COMURES in El Salvador, ANAM in Guatemala), the various national committees for decentralization that have been recently formed in most countries to orient the decentralization process, and/or other foundations and institutions dedicated to increasing the transfer of authority and control over resources from central to local governments.

Although LOGROS is directed primarily at the decentralization of authorities to local government levels, the private sector will be an important participant in both major project components. In the consensus-building component, representatives of private sector organizations and private sector leaders will be members of the Network. Many of the policy changes being contemplated will have significant impacts on the private sector, and they will need to be brought into the consensus-building process. For example, local businesses may benefit from improved public services, but they will also have to pay more for them than they have in the past. In the problem-solving component, the private sector may participate directly in the exercise, for example in the privatization of public markets (a current issue in El Salvador). The use of open public meetings, under either project component, will therefore of necessity involve the private sector as part of the citizen participation theme. Community organizations and NGOs will be included under the private sector rubric as well.

Training activities funded by LOGROS will directly support the ability of both Project components to attain their objectives. In addition, a Regional Training Framework--described separately in Section 3.2.4--will be developed to address a compelling need to improve the ability of municipalities to harness the resources of regional training institutions in helping to resolve municipal decentralization constraints.

### 3.2.2 The Regional Network and Consensus-Building Component

The Regional Network and Consensus-Building Component has two complementary outputs: establishment of a regional Network, and use of that Network to establish regional consensus on a decentralization policy framework. The Network will consist of institutions and individuals who share or who are key to achieving the objectives of the Project, and consensus-building will occur through airing of issues and approaches to resolving key decentralization problems. Networking and consensus-building activities will be issues-oriented, and are intended to foster broad consensus on decentralization processes, policies, priorities and problems. This Component will be largely implemented by FEMICA, the national municipal associations, and other public and private regional institutions involved with the CA municipal sector.

A key Project assumption is that recognition and awareness of what is being tried and accomplished in some CA countries will encourage decision-makers in other countries to undertake similar activities (see Logframe, Annex B). Municipal autonomy is a relatively new trend that can present major risks to established power centers. By applying Project resources to building regional consensus on priority issues, addressing problems that have a reasonable chance of successful resolution, and promoting replication of those solutions in other CA municipalities, however, ROCAP believes that this risk can be significantly reduced.

### 3.2.2.1 The Regional Network.

Network Composition. An early priority under the Project will be the establishment of a regional Network of institutions and individuals who will disseminate and advance the municipal agenda. The Network is designed as the primary agent by which regional consensus on decentralization and local government agendas will be reached and maintained. This Network will consist of a select group of about a hundred regional and national organizations and key government and private sector individuals who are committed to decentralization to--and democratization at--the level of local government. In addition, the Network will include central government decision-makers whose support is important to policy changes at the central level. For such officials who are not necessarily committed to such changes, eliciting their participation will have to depend on other factors such as relevance of the activity to their areas of interest; participation by other officials at similar or higher levels from their own country or other CA countries; the credibility of the sponsoring organization(s); and availability of funding to cover their participation.

One of the first activities undertaken by LOGROS will be the identification of potential Network members. ROCAP estimates that there are about 10,000 officials, professionals, community leaders and others in the region who are involved or should be involved--in one way or another--in municipal development. A subset of these will be invited to participate in the Network as members, including select municipal leaders and associations, community and citizen groups; central government representatives, institutes or ministries; chambers of commerce and private sector leaders; legislators; representatives of PARLACEN and other key regional groups; and donor representatives involved in the municipal development sector. Bilateral Missions will also be encouraged to participate actively in the Network as a means of keeping abreast of regional decentralization changes affecting their respective host countries. Those Missions with their own bilateral municipal development projects may also find the Network useful for supporting their efforts towards decentralization.

Network Establishment. The first step under this activity will be for FEMICA to build a master list of appropriate individuals and regional and national organizations who would be appropriate Network members. Descriptive literature will be prepared which lays out the principles of decentralization and municipal autonomy, and the broad aims of the LOGROS project. The regional consensus-building process has already begun, as set forth in the

"Declaration of Tegucigalpa" at a regional meeting co-sponsored by RHUDO and FEMICA in November 1991, and those who attended that meeting are potential core members of the Network. Individuals and institutions targeted for Network membership will be contacted first by mail and then in person to confirm their participation. Through this process, the master list will be reduced to the ultimate Network membership which will in turn constitute the basic consensus and communications group for the Project. ROCAP expects the Network to be structured during the first six months of Project implementation, and that the first consensus-building meeting will take place toward the end of Year 1 of Project implementation.

**Network Participatory Activities.** Participation in the Network will be by invitation, with no fees required or privileges of membership conveyed. Those who agree to participate will be expected to share and advance the concepts of decentralization and municipal autonomy--each in his/her own way--and to keep abreast of developments through the use of Project publications and attendance at Project workshops and seminars. Of particular importance will be Network consensus-building meetings to be held annually over the life of the Project (LOP). If practicable, the annual Network meeting site will rotate among CA municipalities. In addition to participating in the Network, local officials would also be targets for membership in national and regional municipal associations.

**Network Communications.** Effective communication both within the Network and between the Network and CA decision-makers is essential to regional consensus-building on decentralization. In order to assure that the method of communications is effective, the Project will finance the publication and distribution of all major documents emerging from the regional consensus- and problem-solving exercises, the reports of the annual regional Network meetings, and special studies that may be funded by the Project. FEMICA will publish a newsletter to keep members informed of activities and issues, and to serve as a forum for publication of member articles, letters, etc.

**Information Dissemination.** As consensus is achieved on priority decentralization issues and benchmarks--and as they are revised, updated and modified over the LOP--they will be widely disseminated through publications and annual Network meetings. The Project will fund publication and communication functions at the regional level to assure the widest possible appropriate distribution of key information on both LOGROS-specific activities and decentralization issues in general. As the Project focus is regional, priority attention will be directed at decentralization issues with broad regional applicability.

**Institutional Base.** To perform all of these tasks effectively, the Network will need a sound institutional base that can provide consistent and reliable communications and logistical support. A Network Secretariat will therefore be established and operational throughout the LOP, operating within the framework of an appropriate, existing regional institution--FEMICA. The Secretariat will be provided TA for networking, coordination and publications activities; some office equipment and supplies--including computers and software--will also be financed with Project funds as will some intraregional

travel for network coordination. The Project will also finance the preparation of technical papers, as well as the costs of facilities and the attendance of 60 participants at six annual Network consensus meetings. An estimated 14 papers will be published and circulated by the Secretariat over the LOP.

The Technical and Institutional analyses for LOGROS (Annexes D and G) recommend the channeling of select Project activities through FEMICA, whose municipal development agenda articulates and represents the interests of its member municipal associations. The building and maintenance of the Network and intraregional communications, including publications, are activities already built into FEMICA's own work plan even though it does not currently have sufficient operating personnel or equipment to do the entire job. The Project will fund these goods and services, and FEMICA will assume the role as Network Secretariat. At the end of the Project, the Network and systems to maintain it may be used by FEMICA to continue its outreach efforts in the region. The objective of this A.I.D. assistance, however, is the Network proper and not FEMICA institution building. In the event that FEMICA fails to fulfill its potential and cannot implement Project activities as planned, the Network will serve as the source of substitute institutions to take on all or parts of the functions needed to sustain the Network (see Annex G).

### 3.2.2.2 Establishing Regional Consensus.

The State of Regional Consensus. The LOGROS Technical Analysis (Annex D) concludes that there is growing support in Central America for decentralization and municipal autonomy, and that there is general agreement vis-a-vis major constraints to achieving these objectives. As noted earlier, strong evidence of this agreement emerged from a regional meeting held in November 1991 in Tegucigalpa under the auspices of FEMICA and RHUDO/CA, when representatives of all CA countries issued a declaration committing participants to the principles of decentralization and municipal autonomy. (See Annex D for complete text). In addition, working papers presented at that meeting supported the conclusions of the Technical Analysis with respect to the four principal objectives of CA decentralization. These are:

(1) To transfer authority, responsibilities and resources from central to local governments and to consolidate the political, administrative and financial autonomy of municipal governments;

(2) To strengthen citizen participation and representation in the municipal governments and in local development activities;

(3) To strengthen municipal administrative, financial and technical capacity in support of decentralization and municipal development; and

(4) To strengthen the capacity and effective participation of existing intermediary support institutions in the public and private sectors (i.e., municipal associations, municipal institutions and non-governmental organizations) in the decentralization and local development process.

Method for Reaching Regional Consensus. As a strategy to give the consensus-building exercise a strong democratic foundation, Network consensus will be achieved on the principles, the constraints and the prioritization with which issues should be addressed in Central America. This effort will be completed toward the end of Year 1 of Project implementation, thereby setting the stage for the Project's TA, training and research activities. Subsequent annual meetings of the Network will revise, refine and update priorities established at the first Network meeting.

LOGROS will employ a method that has been successful in the past in reaching and sustaining consensus at the national level (in, e.g., Honduras and Nicaragua). That method follows the following general format:

- (1) Papers are prepared on key issues by technical specialists;
- (2) Workshops or seminars are conducted with a select group of key participants (the Network in this case); using the technical papers as a basis for discussion, participants negotiate consensus on the issues and identify those issues on which agreement has not been or cannot yet be reached;
- (3) The papers and conclusions are then published and circulated to the Network, FEMICA membership, national municipal association members, and other key interested parties; and
- (4) Consensus and continuing dialogue on the issues are sustained through annual Network meetings, a newsletter, and the dissemination of relevant publications resulting from special studies or activities.

Issues Papers. To achieve the results intended from the first Network consensus meeting, issues papers will be prepared by technical specialists who will attend the first meeting in order to facilitate decision-making. The four principal objectives of CA decentralization identified by in the Declaration of Tegucigalpa and in the Technical Analysis will probably be the basis for the series of research activities and papers that will guide the first consensus meeting. These papers will examine progress in the region toward reaching the objectives, suggest priority concerns, and suggest priority strategies for addressing those concerns--including specific activities with regional significance where LOGROS inputs will have the best chance of moving the desired agenda forward.

Results. ROCAP expects the first regional exercise to confirm the broad conclusions of the Project's Technical Analysis. Just as importantly, however, it is also expected to highlight and prioritize the specific constraints that must be addressed to achieve the intended results. The priorities list--if the Technical Analysis is correct--will include such issues as the need to separate local government electoral processes from national agendas; the need to upgrade local governments' revenue raising and fiscal capabilities; and the need to improve community participation in local government. This first consensus workshop will also examine progress in addressing decentralization constraints at the national level with the aim of reaching agreement as to which activities are most likely to produce the desired results--and where.

Output. The output of the consensus meeting will be a document which will serve as the basis for planning future Project activities, as well as serve as a benchmark useful to the Network in measuring progress toward attainment of Project objectives over the seven year LOP. It will also be the instrument by which the Network's agreement on needed changes in country-level laws, policies and practices to increase municipal autonomy will be disseminated to CA decision-makers. In conjunction with this exercise, the Project may organize small-group training of key leaders to develop or consolidate strategies for change.

Implementation. The first Network consensus meeting is expected to take place toward the end of Year 1 of Project implementation, with Project management and FEMICA coordinating. FEMICA will be assisted by two ROCAP/RHUDO US direct hire employees (USDHs), a full-time ROCAP/RHUDO-based PSC technical expert, and short-term TA to help prepare technical research papers and facilitate the meeting. LOGROS will fund the attendance of about 60 (i.e., ten per country) participants, and an additional 40 participants may be self-financed or assisted by bilateral USAID Missions or other donors. To assure the broad dissemination of the results of this forum, LOGROS will also fund the publication and circulation throughout the region of the technical papers and the conclusions of the Network meeting.

From Consensus to Change. To be effective, the consensus achieved must be linked to actions which affect the ability of citizens to participate in decisions affecting them--such as how funds are raised and spent and what priorities are set for public sector action. The translation of consensus into action will be accomplished in two ways: (1) by the actions of Network participants in their roles as actors in the municipal development process; and (2) by activities funded under the Regional Technical Component of LOGROS.

LOGROS will respond to forces for change that are--to a greater or lesser degree--already in evidence in each Central American country. Although the Network will be used as the agent to establish regional consensus and set action priorities, events in some countries may well overtake the regional consensus-building process. In addition to those priority constraints identified by the Network, LOGROS will therefore have the capacity to address other specific decentralization constraints that contribute to meeting the Project purpose as long as they meet the criteria described in Section 3.2.3.

Thus far, this document has described Project support for a process--which is what democracy itself is. The design relies heavily on that process to identify needed policy changes, set priorities, identify the best ways to bring about change, and move decision-makers to action. There is already sufficient experience with key regional players, however, to permit reasonable projections of what LOGROS will support and how its success will be measured. The Tegucigalpa seminar cited above, for example, produced agreement on a series of conclusions on the essential elements of municipal activity. These include:

**Municipal Functions.** A major priority is that municipalities should have authority over those public services and other functions which they can perform more cost effectively and with greater citizen participation. The areas most likely to benefit from municipal control include health, education, city transport and rural roads, police protection, natural resources, water and sewers, urban planning and building control, cadasters, and development of local economic resources.

**Financial Independence.** Priority actions to increase the municipal fiscal base are: (1) promulgation of municipal codes which define municipal taxing authorities; (2) promotion of policies which devolve authority and resources to municipal levels, permit issuance of municipal bonds and municipal lotteries, and improve municipal administration by improving cadastral systems; and (3) establishment of a legal basis for the transfer of resources from the central to local government, under specified criteria.

**Municipal Representation.** Priority actions are: (1) establishment of direct municipal elections, held on a different date from national elections; (2) provision for municipal representation in proportion to the votes cast; (3) opening of the electoral process to groups and individuals other than national political parties; and (4) development of more mechanisms for citizen participation and control over municipal management.

The job of the Network will be to reach consensus on these items and to order priorities, which may vary by country. During the first year of the project, these priorities will be used to derive indicators which will be used to track project progress. For purposes of this project description, however, the matrix developed by PADCO, Inc. for the Regional Municipal Assessment presents an example of how a system might look (Figure 3-1). This matrix would provide the base case for those items to be used as indicators, and would be refined to include more detail for comparison and measurement purposes.

### 3.2.3 The Regional Technical Component

**Objective of the Regional Technical Component.** The objective of this Project is not simply to establish a regional consensus and set action priorities; rather it is also to make a significant contribution to decentralization implementation by addressing specific, high-priority constraints that have broad potential for replication. Together, LOGROS networking, consensus-building and problem-solving activities will: (1) enhance the political environment within which decentralization is occurring; (2) find solutions to specific decentralization problems which are widespread in the region; and (3) promote replication of those solutions in other CA municipalities and municipal systems, i.e., new relationships to central governments with the same or similar problems. By addressing select constraints to decentralization in select municipalities, the Regional Technical Component will demonstrate how improved attitudes and skills can indeed contribute to greater municipal autonomy, and greater transfer of central authority to local governments. Moreover, it will use strengthened democratic processes, i.e., citizen participation, in solving technical problems.

FIG. 3-1 MUNICIPAL MANDATES AND ACTIONS AND ACTIVITIES

CATEGORY	GUATEMALA	EL SALVADOR	NICARAGUA	HONDURAS	COSTA RICA	PANAMA
<b>MUNICIPAL MANDATES</b>						
1. Year of Constitution	1985	1983	1967	1982	1949	1970
2. Constitutional Character of Municipality	Autonomous corporations	Autonomous Entity	Autonomous unit Politico-administrative	Independent	Deliberating Body and City manager	Municipal Council
3. Legal Mandate of Municipality	Municipal Code	Municipal Code	Municipal Code	Municipal Code	Municipal Code	Municipal Code
4. Effective Year	1988	1985 Reforms 1986, 1987	1988	1990; Revised 1991	1971; Revised 1983	1973
5. Municipal Codes Titles and Articles	148 Articles	159 Articles	73 Articles	8 Titles 115 Articles	8 Titles 190 Articles	10 Titles 241 Articles
<b>MUNICIPAL ACTIONS AND ACTIVITIES</b>						
<b>URBAN SERVICES</b>						
1. Urban Street Construction	Municipality	Shared by municipality and Ministry of Public Works	Municipality	SECOPT provides designs and works; municipality assists with labor	MOPT principal function; minimal local assistance	MOP major responsibility; local support for labor
2. (Potable) Water Systems	Municipality has competency; UNEPAR & INFOM for rural areas	Central government (ANDA) in 1962, 5% of municipalities; municipalities the rest	Central government with some municipal participation	SANNA design and local labor	Instituto Costarricense de Acueducto y Alcantarillado major function; about 50% municipalities involved in construction	IDAAN central control water systems; Junta Comunales assist labor
3. Sewage/Drainage Systems	IDEM	Central government	Central government (INAA)	SANNA design and labor	AyA provides all as above	IDAAN major provider
4. Garbage Collection/Disposal	Municipality, Some private operation	Municipality	Municipality	Municipality	Municipality	Municipality
5. Street Cleaning	Municipality	Municipality	Municipality	Municipality	Municipality	Municipality
6. City Lighting	Instituto Nacional de Electrificación-INDE	Central government (LEL)	Central government (INE)	Empresa Nacional de Electrificación (ENEE)	Compania Nacional de Fuerza y Luz, Co-operatives and some Municipalities	IHRE and has provincial offices
7. Urban Planning/Land Use Zoning	Municipality with some BANVI participation	Shared by municipality and central government (DUA)	Central government	Dirección General Urbano (GDU of SECOPT design and most labor	Central government; cities sell land for profit	Land zones at central, provincial, and municipal level

FIG. 3-1 MUNICIPAL MANDATES AND ACTIONS AND ACTIVITIES

CATEGORY	GUATEMALA	EL SALVADOR	NICARAGUA	HONDURAS	COSTA RICA	PANAMA
<b>PUBLIC SERVICES</b>						
1. Parks and Recreation	Municipality and central government	Shared by municipality and central government	Municipality	Municipality	Municipality	Municipality
2. Cemeteries	Municipality. Some private operation	Municipality and some private parties	Municipality	Municipality	Municipality, and some private parties	Municipality
3. Slaughterhouses	Municipality. Some private operation	Municipality	Municipality with some private participation	Municipality. Some private operations	Municipality, and some private parties	Municipality
4. Public Markets	Municipality	Municipality	Municipality	Municipality	Municipality	Municipality
5. Licenses and Activities	Municipality	Municipality	Municipality	Municipality for stores, bars, municipal markets	Municipality for commerce, industry and services	42 local licenses permitted municipal level
6. Transportation Terminals	Municipality	Municipality	Municipality	Municipality	Municipal or Private	National Government
<b>SOCIAL SERVICES</b>						
1. School Construction	Ministry of Education	Municipality and central government	Municipality	Ministry of Education design and construction; local labor and supplies	Ministry of Education design and construction	Ministry of Education responsible; local labor and supplies
2. Sports and Culture	Ministry of Culture and Sports	Municipality and central government	Municipality	Municipality small efforts; central government major activities	Municipality for small events but central government big events	Municipality for small events but central government for large events
3. Health	Ministry of Health. Some municipality participation	Municipality and central government	Central government and municipality	Ministry of Health full control; local labor	Ministry of Health full control	Ministry of Health full control
<b>PUBLIC SECURITY</b>						
1. Police	Municipal Police for enforcement of local ordinances	Municipal Competency	Central government	Municipal police for traffic and minor offenses; central government rest.	Ministerio de Seguridad Publica control	Security representative at district level
2. Fire Department	Municipality	Municipality	Municipality	Municipality percentage coverage is minimal	Central government	Provincial level fire departments

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Source: PADCO, Inc., Regional Municipal Sector Assessment for Central America, for RHUDO/CA, Final Report, June 1992.

Under the Regional Technical Component, up to ten problem-solving exercises will be carried out in specific CA municipalities during Years 1-6 of implementation. Municipalities and countries will be selected for these exercises based on criteria shown below. USAID Mission concurrence, if not active participation, is a prerequisite and will be secured by ROCAP before any local activities are undertaken. Specific regional and bilateral roles will be agreed upon prior to implementation of each activity.

Types of Problems to be Addressed. Problem-solving targets will emerge from Network meetings, and others may be adopted as targets of opportunity. For example, in those countries with bilateral municipal development projects, opportunities for using regional problem-solving resources may be identified. There is already the possibility of such a match in Honduras, where the bilateral project is seeking regional funds to build on policy advances already made by helping set up a solid waste management system for a groups of small municipalities. Similarly, programs being carried out by other institutions or other donors may lend themselves to implementation of specific technical exercises.

In the spirit of the demand-driven approach, and based on experience thus far in working with the Central American municipalist movement, the opportunities with the greatest chance for success will be those identified directly or indirectly by the actors in the process itself rather than those sought out or initiated by ROCAP. Nevertheless, the Project's technical analysis recommends that the Project focus strategically on four broad decentralization objectives: 1) increased transfer of authority from central to municipal governments; 2) increased municipal administrative, financial and technical capacity; 3) increased citizen involvement in municipal development planning and decision making; and 4) strengthened municipal support systems and institutions.

These broad categories help define the universe, but experience thus far indicates that the technical issues most likely to be candidates for LOGROS are those in the areas of municipal service provision, fiscal and financial authorities and practices, administrative and managerial capacity, and citizen participation. In some countries (see Fig. 3-1), municipalities are responsible for provision of some services but have inadequate authorities to finance them. Problem-solving resources could address the design of fee structures or tax collection practices. Solid waste is a high priority for many municipalities throughout the region, and US technical expertise could be brought in to address issues of dump siting, shared systems for small municipalities, system privatization, etc.

But the technical aspects of such problems are not the only concern. The outputs from this component will be considerably enriched through the use of clear democratic processes in addressing these problems. Citizen participation must be built into any technical solution to fiscal or financial problems; service provision, for example, requires citizen involvement in deciding on levels of service, location, frequency, etc., if citizens are to be willing to pay for it. Citizen involvement can be used as a powerful means

of assuring accountability of municipalities for their administrative and managerial practices; the often-cited cabildos abiertos of Honduras and El Salvador, for example, are possible candidates for Project reinforcement. Possible activities could include development of public education materials for use in meetings, training in conducting meetings, and assistance in strengthening their role in the decision-making process. There are in fact abundant opportunities for regional cross-fertilization in this area.

Problem-solving activities will address the above broad areas, insofar as they are directed at the heart of the obstacles to democracy at the local level--how citizens relate to their governments, and the capacity of those governments to respond to citizen demands. In addition, they are seen as the most relevant to building a significant constituency for decentralization at the local level. This bottom-up, demand-driven approach is already showing good results in some bilateral activities. In Honduras, for example, three of four target municipalities under USAID's bilateral project are seeking new management solutions for their city governments; 1992 budgets have been aired in open town meetings; and the mayor in one municipality had publicly to justify increased water rates as the only way to expand services to the community.

Criteria for Selection of Problems to be Addressed. While the following list of selection criteria appears somewhat daunting in length, some criteria merely state the obvious (e.g., criterion 3) while others make explicit or reinforce basic regional operational understandings (e.g., criteria 1 and 5). While they are established to define the limits within which problem-solving activities will take place, certain of them may be applied with flexibility.

(1) That the affected USAID Mission propose or concur in the problem-solving activity;

(2) That the problem is common to more than one country, and interest in participation by more than one country is in evidence or there is compelling evidence of potential for replication elsewhere in the region;

(3) That the problem is amenable to a decentralized solution within the LOP;

(4) That the country policy environment is conducive to resolution of the problem;

(5) That the political aspects of intervening are acceptable to the USAID Mission;

(6) That the problem is linked to a priority policy change area as identified in the consensus-building component;

(7) That the activity's in-country sponsors are willing for it to be used as a case study--i.e., used for analysis--by Project personnel and by members of other countries; and

(8) That resolution of the problem being addressed contributes to one of the four decentralization objectives, i.e., transfers of authority, municipal capacity, citizen involvement, and municipal support systems.

How Problem-Solving Exercises Will Work. The problem-solving exercises will be carried out simultaneously--where possible--in more than one municipality. (If ten activities are each undertaken in two municipalities, for example, then 20 individual problem-solving exercises would be conducted over the LOP.) To maintain a regional focus, solutions to a problem will generally be pursued in at least two different municipalities and countries. Activities may, however, be pursued in a single municipality or single country if there is clear applicability in other countries. A tax issue, for example, might be addressed only in Escuintla, Guatemala but have clear applicability in San Miguel, El Salvador and Leon, Nicaragua.

The exercises will be conducted as follows:

(1) The problem and the location of the intervention are identified. Initially this may be done via a reconnaissance survey of USAIDs and other organizations active in the municipal sector; the Network meetings, however, will be the best resources for problem identification, as well as approaches to solutions.

(2) If the USAID has not been involved in the identification, ROCAP will consult with the appropriate Mission to secure concurrence and agreement on how the activity will be carried out.

(3) The municipalities involved will be contacted, either through the appropriate municipal association or support institution, or directly if no association exists. (This step is obviously not necessary if the municipality sponsors the exercise.) The reason for involving the association is to maximize the opportunity for dissemination of information and results from the earliest stages.

(4) The appropriate mechanisms for addressing the problem will be determined. At this stage, ROCAP plans to use short-term U.S. and local TA and training as the primary tools for addressing problems. Grant agreements with specific support institutions might also be used, depending on the situation.

(5) Research or analyses will be carried out, if needed. Although these will be done by consultants, one of their tasks will be to review the Central American experience for approaches or solutions carried out in other municipalities. Network members will be valuable resources for this effort.

(6) Preparation of papers proposing alternative solutions, making recommendations, etc. will be completed. Workshops or seminars including citizen participants and private sector groups might be conducted to achieve consensus on solutions.

(7) Short-term TA and/or training will implement agreed upon solutions, within the limits of the defined exercise.

(8) The process will be analyzed and written up as a case study, to the extent practicable. Early indications of success or failure will be noted.

(9) Information will be disseminated via FEMICA newsletters, Network meeting reports, special publications, field visits by interested public and private sector officials, and/or visits to other municipalities by officials of the implementing municipality.

(10) Project management will monitor exercises after completion, and Project evaluations will include analysis of exercises implemented to date.

Timing of Exercises. The first problem-solving activity is expected to begin in Year 1 of Project implementation. No activities will be initiated unless it is clear that they can be completed by the end of Year 6 of implementation, in order to permit LOGROS to disseminate results and lessons learned through the Network and promote replication of solutions found. Specific problems to be addressed will undoubtedly be of different degrees of complexity and, therefore, the activities to address them may require substantially different periods of time to implement. For example, an exercise to achieve citizen involvement in a budgeting process at the municipal level may take only a few months, while one to develop a new municipal tax base may take several years. The Project will therefore maintain flexibility in deploying short-term TA and training resources in addressing individual problems. To achieve the Project purpose, however, these activities must be completed early enough to permit proper evaluation of the results, and to promote their replication through wide dissemination of progress reports and publications about the problem and the solution.

Promoting Replicability of Solutions. LOGROS is not primarily designed to replicate successful problem solving activities in the region. However, it will promote replication through broad dissemination of problem-solving results and may--as practicable--directly support replication of tested techniques. Progress on each activity will be analyzed and tracked, and reported through the Network to the broad constituency for CA decentralization. While most problem-solving activities will take place simultaneously in no more than two or three countries, all countries will be kept advised of progress on these activities via the Network.

Project decisions about the substance and priority of specific activities to be undertaken will be affected by the output of the initial consensus and subsequent Network meetings, and the Network will widely disseminate technical papers and progress updates about these activities. This will increase awareness with respect to the specific constraints being addressed, as well as maintain a constant flow of information about where these activities are occurring, who is involved in the solution, what alternatives have been considered and pursued, etc. Therefore, these activities are expected to

produce both practical and attitudinal results: practical in the sense that real problems are addressed and real solutions are found; attitudinal in the sense that decentralization issues can be viewed more objectively across the region.

Level of TA Required. An estimated 24 person-months (p-m) of US short-term TA and 120 p-m of local short-term TA (144 p-m total) will be required to support these problem-solving exercises. This estimate is based on ten activities in an average of two cities each (20 city-exercises); an average of 3 p-m per city-exercise to prepare analyses and participate in seminars/workshops; 3 p-m per exercise for solution implementation; two p-m per exercise for publication and dissemination of results; and four p-m for miscellaneous backup support. The Project will also fund the attendance at two-day workshops of about 50 participants per workshop or a total of about 1800 participants, as well as logistics and administrative costs.

Sources of TA and Training. Sources for the contract services needed for this activity will come increasingly from the Central American region as the Project evolves. Cooperation with the national municipal associations in carrying-out these activities will be sought, helping them to better define their roles as support institutions for the municipalities. This will be accomplished through a provision in most technical services contracts requiring the contractor to establish and maintain an appropriate relationship with the municipal association, and to in turn use those associations to provide in-kind services or facilities; logistic support for workshops or seminars; and/or liaison services between the Project activity and the association's member municipalities.

#### 3.2.4 The Regional Training Framework

A preliminary Training Plan for LOGROS is attached as Annex I. Training under the Project is designed to directly support the Project components: (1) establishment of a regional Network; (2) establishment of regional consensus on priority decentralization issues and policies; and (3) solving of specific regional decentralization problems. The Technical Analysis (Annex D), however, identified a need to improve the ability of municipalities to identify which of the myriad regional institutions with good training capabilities are most able to help resolve--through training--specific municipal decentralization problems. Because this need is important to attaining Project objectives, LOGROS will fund development of a Regional Training Framework that will: (1) inventory and evaluate municipally oriented training operations in the region; and (2) devise a framework within which to clarify the roles of training establishments (e.g., INCAE, ICAP, the universities, the national municipal associations, regional consulting groups, national institutes, FEMICA) in meeting the ongoing training requirements of the municipalities.

The Technical Analysis especially emphasizes the need to institutionalize local government training services both nationally and regionally. Skills training at local and national levels is essential for the municipalities

effectively to assume the new roles that are demanded by decentralization. While national associations need to become responsive to the training needs of their member local governments, most CA countries already have national institutes sponsored by central government--of various degrees of competence--responsible for meeting municipal training requirements. FEMICA's ultimate role in this milieu is not yet defined, although its own regional agenda includes training and it is a medium through which training issues can be worked out. At this time, however, FEMICA does not have the capacity to undertake training directly.

Other Latin American and US training sources will also be evaluated as potential resources to strengthen regional organizations or to meet training needs not currently available in the region. The demand-driven approach will also be followed in analyzing training problems. Specialists will be employed to review training needs, evaluate existing capabilities and propose a format, based on priority needs established by the actors themselves in the municipal systems.

ROCAP expects that after Year 2 of Project implementation, much of the Project's needs for TA, research and training (workshops, seminars, etc) will be met through the national or regional institutions making up the municipal training network. After a regional training strategy is developed, agreements will be executed with several of the regional institutions to supply the major training inputs required during Project Years 2-7. For example, national institutes or municipal associations might be used as the source of short-term TA for country-specific skills training or seminars; INCAE might be employed to foster consensus through research and seminars; university curricula might be strengthened through short-term US or local TA to support regionally significant research that would be financed by the Project; and consulting groups might be employed to carry out hands-on, turnkey training activities in specific municipalities. In addition, the Project will fund the development of region-wide training programs and training manuals to address some training requirements in common to all of the CA countries. These programs may include community participation; municipal development planning; municipal financial management; annual planning and budgeting; and project preparation and management. Training of trainers courses will also be implemented for training personnel from national institutions in the use and adaptation of these training materials and programs.

The Project will employ a professional PSC training coordinator for the LOP who, in addition to project management responsibilities, will be responsible for implementing this activity. This PSC will be responsible for preparing a workplan which will be the basis for the Project's ongoing training needs; for coordinating with USAIDs to ensure the plan's applicability to the municipal development process in the countries where it will operate; and for training plan implementation. Substantial regional travel will be required of this PSC in executing his/her duties, and the position will be supported by by short-term US and local hire technical assistance.

### 3.2.5 Other Project Activities

In addition to consensus-building, technical and training activities, five other activities will be funded by LOGROS over the LOP.

Regional Municipal Sector Reassessment. Much of the technical foundation for LOGROS is contained in a Regional Municipal Assessment (Annex D) that was prepared by PADCO, Inc., in 1992. Although this assessment was comprehensive, there were areas identified which would benefit from additional investigation. The municipal situation in Central America today, moreover, is not a static one. The rate of change in the sector is accelerating, and whether this dynamic continues, slows, changes focus or even reverses, sector changes over the LOP will have major implications for LOGROS.

During review of the LOGROS NPD, the bilateral Missions asked that the Project be designed with sufficient flexibility to be able to respond to the changing needs of Central America's rapidly developing democracies. This is a valid concern. ROCAP is committed to a serious review of the Project's direction and effectiveness and--if necessary--to a redirection of Project resources in Year 4 of Project implementation following an end of Year 3 external mid-term evaluation. To optimize the usefulness of this evaluation, a "regional municipal sector reassessment" will be funded early in Year 3. This study will update the sector information contained in the assessment of 1992; fill gaps in that study; examine new issues; and provide part of the technical basis upon which the Project will be evaluated.

Indicator Development and Monitoring. ROCAP is currently participating in an exercise with the PRISM Project which will help develop indicators of local government autonomy and performance. These indicators will enable ROCAP/RHUDO to better understand the context in which the Project is operating, as well as to track progress under the local governance component of ROCAP's strategic objective in democracy which LOGROS is designed to support. LOGROS will use Project funds to monitor change in the selected indicators, in anticipation that these changes may also signal the need for changes in LOGROS emphasis over the LOP. The indicators will go beyond those strictly related to Project activities, however, and may therefore serve as a resource for USAIDs with municipal activities of their own. In addition to Project funding, this activity will also be able to call on the Regional Information Clearinghouse funded under a new amendment to ROCAP's Regional Development Support (RDS) Project to assist with information acquisition and analysis.

In the first year of Project implementation, these indicators will be defined and a system set up for tracking performance over the LOP. The PRISM work, which will take place prior to Project implementation, will be used by the LOGROS PSC Municipal Specialist to help set up the indicator tracking system. This PSC will also--with short-term buy-in or contract TA as needed--be responsible for indicator monitoring over the LOP.

Communications. One of the municipal development activities funded under ROCAP's RDS Project was a study of how communications can be used to support increased municipal autonomy. In Year 3 of Project implementation, LOGROS will develop public information materials which can be adapted for country use

in increasing citizen awareness of municipal issues and helping people better understand the potential of their own role in local governance. These materials--using a variety of media to reach different population groups--will be developed by US and Central American specialists in mass communications under short-term contract who will work with the LOGROS Training Coordinator and Municipal Specialist in designing the materials and planning a program for their use. As this communications effort must reach the local level, it will assess groups that later can be given training to help them more successfully participate in their local government affairs. The materials will be disseminated via the regional Network, and also via interested bilateral USAID Missions. An additional possibility, depending on country interest, will be to use these materials specifically to support one or more problem-solving exercises under the Regional Technical Component of LOGROS.

Other Regional Organization Activities. Although FEMICA is currently the most logical and appropriate candidate to implement the LOGROS consensus-building effort, there are many other CA regional institutions that share a common interest in promoting improved local governance. PARLACEN, for example, has recently established a subcommission on decentralization which ROCAP expects will develop into a useful vehicle for promoting greater municipal autonomy. FEDEPRICAP, a regional organization of chambers of commerce, may also be an institution of interest to decentralization. LOGROS will therefore retain the flexibility to contribute to and work with other regional organizations as opportunities arise, including co-sponsorship of regional meetings and participation in development or advocacy of policy agenda items.

Bilateral Mission Requests. While LOGROS is designed to be responsive to bilateral needs as they currently exist, ROCAP recognizes that excellent opportunities for regional support which are currently unforeseen may arise during Project implementation. Accordingly, the LOGROS budget includes a separate line item to respond to bilateral requests which cannot be accommodated in other Project components, but which are consistent with Project objectives at the purpose level of the logframe. Since the Project as currently designed does not provide for Mission buy-ins, these bilateral mission requests will be carried out in the same way as other Project activities. In addition, LOGROS-funded PSC assistance will continue to be available--as in the past--to Missions requesting implementation or project development assistance.

### 3.3 END OF PROJECT STATUS

Conditions indicating that the Project purpose has been achieved--the End of Project Status (EOPS)--are grouped into two major categories coinciding with LOGROS' two Components: Consensus-Building and Technical. The Consensus-Building Component will develop consensus on a regional policy framework for greater municipal autonomy. Conditions indicating that this component has succeeded are:

(1) Agreement of the regional network of legislators, political leaders, municipal officials, and representatives of key private organizations on a policy agenda for greater municipal autonomy; and

(2) Implementation of specific agenda items in participating countries.

The Technical Component will focus on improving municipal systems with regard to financial management and citizen participation, as well as other areas left open for identification as the Project is implemented. EOPS conditions indicating Project success under the Technical Component are:

(1) Improved financial management practices in selected municipalities;

(2) Greater citizen participation in municipal government affairs in selected municipalities; and

(3) Improvements to be defined in selected municipalities in Central America.

### 3.4 BENEFICIARIES

The primary beneficiaries of LOGROS will be the municipal leaders, municipal associations, community and citizen groups, central government representatives, institutes, ministries, chambers of commerce and private sector leaders, legislators, PARLACEN representatives, other key regional groups, and donor representatives involved in the CA municipal development sector. The ultimate beneficiaries of LOGROS will be the municipal citizens of Central America, whose demands for political and economic enfranchisement will have been better served.

### 3.5 SUSTAINABILITY

LOGROS is designed to promote the process of democratization through promotion of decentralization of authority from central to local governments. This process is already taking place. If it is to take root and be sustained, however, democratization must be fully participatory and responsive to the demands of citizens for political and economic enfranchisement. Promoting participatory democracy at the local government level is therefore a key objective of the Project, and LOGROS' demand-driven emphasis on citizen participation is a powerful feature designed to ensure the sustainability of this process. Once operational, the Network itself can be sustained with minimal resources as has been demonstrated by RHUDO/South America's shelter and urban development network. As FEMICA matures, this network will be its client base.

#### **4.0 COST ESTIMATES AND FINANCIAL PLAN**

##### **4.1 PROJECT COST ESTIMATES**

LOGROS is a seven year, \$6.0 million activity. Detailed Project cost estimates are attached as Annex E; summary Project cost estimates are presented in Table 4-1; summary cost estimates and a financial plan in Table 4-2; and a projection of expenditures by fiscal year in Table 4-3.

Additional detail on how Project cost estimates were derived is found in Annex E. Broken down by component and major support activity, an estimated \$2.2 million (37%) will be spent on the Regional Network and Consensus-Building Component; \$2.2 million (37%) on the Regional Problem-Solving Component; \$1.3 million (21%) on Project management; and \$0.3 million (5%) on evaluations and audits.

Broken down by specific element, of the total Project budget an estimated \$2.60 million (43%) will be expended on long-term TA; \$1.6 million (27%) on short-term TA; \$1.5 million (25%) on short-term training; \$24,000 (0.4%) on commodities; \$115,000 (1.9%) on evaluations; and \$160,000 (2.7%) on audits.

Total estimated expenditures by Project year exhibit a classic mid-loaded distribution (Table 4-3): from 20.8% (FYs'92-93) to 25.0% (FY'94) to 20% (FY'95) to 16.7% (FY'96) to 12.5% (FY'97) to 5.0% (FY'98). A total of \$647,725 will be expended in local currency for select short-term TA, short-term training, commodities and audits; all other Project expenditures will be paid in US dollars (Table 4-2).

##### **4.2 METHODS OF IMPLEMENTATION AND FINANCING**

Methods of implementation and financing are summarized in Table 4-4. Long-term TA for implementation and management services is already on-line using personal services contracts. Short-term TA will be obtained in one or more of seven ways, i.e., through: (1) local PSCs; (2) a HB 13 grant or cooperative agreement to FEMICA; (3) HB 3 grants to bilateral municipal support agencies; (4) buy-ins to existing AID/W projects; (5) IQCs; (6) direct AID HB 14 contracts; and/or (7) purchase orders. At this time, it is planned that the majority of this short-term TA will be obtained through buy-ins to a centrally managed municipal development contract in order to minimize the number of procurement actions required.

Training services will be obtained through either local PSCs, or through direct AID HB 14 contracts. Commodities will be obtained through purchase orders and/or as ancillary procurement included in (1) the HB 13 grant or cooperative agreement with FEMICA; (2) buy-ins to existing AID/W projects; (3) IQCs; and/or (4) direct AID HB 14 contracts. Evaluation services will be obtained either through IQCs and/or through direct AID HB14 contracts, and audit services will be obtained through local IQCs.

#### 4.3 RECIPIENT CONTRIBUTION

Section 110(a) of the Foreign Assistance Act (FAA) states that "no assistance shall be furnished by the United States Government to a country under Sections 103 through 107 of this Act until the country provides assurances to the President, and the President is satisfied that such country will provide at least 25 per centum of the costs of the entire program, project or activity with respect to which such assistance is to be furnished, except that such costs borne by such country may be provided on an 'in kind' basis." LOGROS has no "recipients" in the classical Agency use of the term, however, and pursuant to Handbook 3, Appendix 2G, Section A (Application of Section 110 (a)), "(this) provision is not applicable to...authentically multilateral, regional or inter-regional programs."

#### 4.4 OBLIGATION SCHEDULE

LOGROS was included in ROCAP's FY'92-94 Action Plan at an estimated funding level of \$6.0 million and in the FY'93 Congressional Presentation at a planned funding level of \$6.0 million. An illustrative obligation schedule is presented in Table 4-5. At the time of Project design, ROCAP expected to obligate \$0.4 million for the Project in FY'92 and \$1.8 million in FY'93. Project obligations will be from the PSEE, HE, EHR and ARDN appropriations.

Table 4-1

Summary Project Cost Estimates  
(US Dollars)

Element	Total Cost (US\$)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Consensus Building	2,175,400	355,500	569,300	370,800	316,500	234,900	207,700	120,700
Technical	2,245,150	315,400	326,250	821,000	310,000	282,200	163,100	27,200
Project Management	1,305,050	108,750	217,500	217,500	217,500	217,500	217,500	108,800
Evaluations	115,400	0	0	54,400	0	0	0	61,000
Audits	159,000	22,000	22,000	23,000	23,000	23,000	23,000	23,000
<b>TOTAL</b>	<b>6,000,000</b>	<b>801,650</b>	<b>1,135,050</b>	<b>1,486,700</b>	<b>867,000</b>	<b>757,600</b>	<b>611,300</b>	<b>340,700</b>

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Table 4-2

Summary Cost Estimates and Financial Plan

(US Dollars)

Element	A.I.D.		TOTAL
	FX	LC	
<u>Technical Assistance</u>			\$4,221,000
Long-Term	\$2,610,000		
Short-Term	1,144,300	\$466,700	
<u>Training</u>			1,480,000
US	550,000		
CA/TC	800,000	130,000	
<u>Commodities</u>	22,000	2,000	24,000
<u>Evaluations</u>	115,000		115,000
<u>Audits</u>		160,000	160,000
<b>GRAND TOTAL:</b>	<b>\$5,241,300</b>	<b>\$758,700</b>	<b>\$6,000,000</b>

Table 4-3

Projection of Expenditures by Fiscal Year

Fiscal Year	Dollars	Percent
1992	50,000	0.83
1993	1,200,000	20.00
1994	1,500,000	25.00
1995	1,200,000	20.00
1996	1,000,000	16.67
1997	750,000	12.50
1998	300,000	5.00
<b>TOTAL</b>	<b>\$6,000,000</b>	<b>100.00</b>

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Table 4-4

Methods of Implementation and Financing  
(000's US\$)

<u>Project Element</u>	<u>Implementation Methods</u>	<u>Financing Methods</u>	<u>Amount</u>
Short-Term TA Services	1. Local PSCs	Direct Payment	\$2,681,500
	2. HB 13 Grants/Coop. Agrs.	Direct Payment/Reimburs.	
	3. Buy-ins	Direct Payment	
	4. IQCs	Direct Payment	
	5. Direct Contract (HB 14)	Direct Payment/Reimburs.	
Long-term TA (Implementation and Management Services)	PSCs	Direct Payment	1,200,000
Training Services	1. Local PSCs	Direct Payment	1,361,000
	2. Direct Contract (HB 14)	Direct Payment/Reimburs.	
Commodities	1. Purchase Orders (or ancillary through:	Direct Payment	22,500
	2. HB 13 Grant/Coop. Agrm.	Direct Payment	
	3. Buy-ins	Direct Payment	
Evaluation and Audits	Eval: IQCs	Direct Payment	210,000
	Aud.: Local IQCs	Direct Payment	
TOTAL			\$6,000,000

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Table 4-5

Illustrative Obligation Schedule

(000's US\$)

<u>Fiscal Year</u>	<u>Total</u>	<u>Cumulative</u>
1992	400	400
1993	1800	2200
1994	2000	4200
1995	1800	6000
1996	0	6000
1997	0	6000
1998	0	6000

## **5.0 IMPLEMENTATION PLAN**

Implementation of LOGROS will impose no unusual burden on ROCAP. The Mission currently has two PSC professionals under contract who will be responsible for approximately half of day-to-day management of LOGROS; the remaining half of Project management will be handled by ROCAP's U.S. Direct Hire (USDH) Regional Housing and Urban Development (RHUDO) Officer. While support from other technical, project and program officers will be needed to assist with implementation and track progress towards achievement of Project objectives, all appropriate personnel are available either within ROCAP or RHUDO, or from AID officers with CA regional responsibilities.

### **5.1 AUTHORIZATION AND OBLIGATION**

After final approval by the ROCAP Project Committee, LOGROS will be authorized in the field and obligated with the addition of funds to the two PSC contractors who will help manage and implement the Project. Funds will be obligated annually, 1992-1998. FY'92 obligations, at an estimated level of \$0.4 million, will be obligated in the fourth quarter of FY'92. The FY'93 obligation is currently planned at a level of \$1.8 million. These figures may increase or decrease subject to availability of funds. A Project implementation schedule is presented in Table 5-1, and an illustrative implementation timeline is presented in Table 5-1.

### **5.2 PROJECT MANAGEMENT**

LOGROS will be implemented on behalf of AID and ROCAP by RHUDO/CA. The USDH Foreign Service Officer who will serve as Project Officer responsible for the Project will be the Director of the Regional Housing and Urban Development Office. Because of the relatively large number of separately-managed activities called for under LOGROS, and because the Project will not fund an institutional contractor to provide resident management, day-to-day Project management will be shared by two full-time PSC professionals and the RHUDO Director. These PSC Project Advisors will be responsible for technical oversight and quality control of all implementation actions. Each will spend no more than half of his/her time on management of Project activities falling into his/her area of expertise, with the remainder of their time to be spent on technical direction and implementation of Project activities. Accordingly, the Project's detailed budget factors in PSC time as TA and shows only one person-year of Project management per year through Year 6 of the Project.

The USDH Project Officer will devote part time to overall Project management, and will supervise the PSC Project Advisors responsible for day-to-day implementation. Key responsibilities will include: (1) reviewing FEMICA's Annual Work Plans (AWPs); (2) liaison with USAID bilateral Missions on issues related to LOGROS implementation; (3) ensuring that procurement is consistent with achievement of Project objectives and conducted in accordance with AID regulations; (4) oversight of external evaluations; (5) overall Project monitoring and quality control; (6) liaison with other donors working on

municipal development activities in the region; and (7) preparation and presentation of ROCAP's Semi-Annual Reports (SARs) on the Project in the months of April and October of each year of implementation. In addition to the USDH Project Officer, ROCAP will be able to draw on the services of the USDH Regional Legal Advisor (RLA) in Tegucigalpa, and on the services of the USDH contracting and commodity procurement officers in Guatemala City as needed during implementation.

Project management will require an estimated 126 person-months of professional services over the LOP. Forty-two of these will be provided by RHUDO USDH staff, and the remainder will be provided by the two PSCs who will also be engaged in Project technical direction and implementation activities.

### **5.3 SUMMARY OF IMPLEMENTATION RESPONSIBILITIES**

#### **5.3.1 ROCAP**

ROCAP, through RHUDO's USDH Project Officer, will have responsibility for Project implementation on behalf of A.I.D. Specifically, ROCAP will be responsible for: (1) authorizing the Project (ROCAP/PPD and ROCAP/OD); (2) preparing and signing the contracts that will constitute the Project's main obligating documents (RCO and ROCAP/OD); (3) reviewing and approving FEMICA's AWP's (Project Advisors, key USDH Officers, ROCAP/PPD, ROCAP/OD); (4) keeping bilateral USAIDs informed about the scope and nature of assistance provided (Project Officer and Project Advisors); (5) maintaining frequent contact with contract personnel (Project Advisors); (6) tracking Project activities on behalf of AID (Project Advisors and Project Officer); (7) preparing relevant project implementation documents such as personnel and contract approvals and payment certifications (Project Advisors and Project Officer); (8) preparing SARs (Project Advisors); (9) Project quality control (Project Advisors, ROCAP/PPD); (10) conducting special studies (Project Officer and Project Advisors); and (11) contracting for and overseeing audits and evaluations (Project Advisors, Project Officer, ROCAP/PPD, Controller, RCO).

#### **5.3.2 AID/W**

AID/W will be responsible for executing buy-ins under centrally managed contracts and IQC work orders. PRE/H and LAC/DI will be responsible for providing technical backstopping on Project activities, and LAC/DI and ROCAP will ensure coordination of regional activities in the sector.

#### **5.3.3 FEMICA**

FEMICA will be responsible for activities under the Consensus-Building Component of LOGROS. This includes, but is not restricted to, responsibility for: (1) signing the grant agreement; (2) preparing AWP's and all other reports called for by the grant; (3) providing the services

agreed upon under the terms of the grant; (4) managing and ensuring quality control over all TA, commodities, training and applied research activities funded under the grant; and (6) cooperating with audit and evaluation teams.

#### 5.3.4 Bilateral USAIDs

Bilateral USAIDs will have no implementation responsibilities per se. They will, however: (1) be strongly encouraged to participate in the regional Network to the extent practicable; (2) be consulted prior to initiation of any problem-solving activities in their countries; (3) be kept informed regarding the results of problem-solving or other activities; and (4) to the extent that they request special services from LOGROS, they will be expected to assist with scoping and/or implementation depending upon circumstances.

TABLE 5-1

ILLUSTRATIVE  
IMPLEMENTATION SCHEDULE

PROJECT MONTH	CALENDAR MONTH	ACTION	RESPONSIBLE PARTIES
0	<u>1992</u> 7/	Project Authorized	ROCAP
<u>Year One</u>			
1	7/	PSC Amendments	ROCAP/RCO
2	8/	FEMICA Conference	FEMICA
3	9/	Grant Agreement/ FEMICA	ROCAP/RCO
	9/	PIO/T for ICMA Buy-In	ROCAP
4	10/	Buy-In with ICMA	AID/WASH
	10/	SAR	ROCAP
5	11/	First In-Country Workshop	FEMICA
6	12/	First Newsletter Published	FEMICA
<u>1993</u>			
7	1/	Training Framework Initiated	RHUDO
	1/	Indicator Development Initiated	RHUDO
8	2/	Second In-Country Workshop	Contractor
	2/	First Publication Out	FEMICA
9	3/	Third In-Country Workshop	Contractor
	3/	1st Problem Solving Exercise Init.	Contractor
10	4/	Annual Network Policy Seminar	FEMICA/RHUDO
	4/	SAR	ROCAP
11	5/	Second Publication Out	FEMICA
12	6/	Second Semester Newsletter	FEMICA
	6/	First Year Audit Initiated	ROCAP
	6/	PIO/T for ICMA buy-in	ROCAP
<u>YEAR TWO</u>			
13	7/	First Report on Status of Indicators	Contractor
	7/	Draft Report on Training Framework	RHUDO
14	8/	Annual FEMICA Congress	FEMICA
15	9/	4th In-Country Workshop	FEMICA
	9/	Buy-in executed	AID/W
16	10/	Activity w other Reg Organs	FEMICA
	10/	2nd Problem Solving Exercise	Contractor
	10/	SAR	RHUDO
17	11/	3rd Publication Out	FEMICA
18	12/05	Newsletter	FEMICA

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1994

19	1/	5th In-Country Workshop	FEMICA
20	2/	3rd Problem Solving Exercise	Contractor
21	3/	6th In-Country Workshop	FEMICA
	3/	4th Publication Out	FEMICA
22	4/	Annual Network Policy Seminar	FEMICA/RHUDO
	4/	SAR	RHUDO
23	5/	PIO/T for ICMA Buy-In	RHUDO
24	6/	Newsletter	FEMICA
	6/	2nd Year Audit	Contractor

YEAR THREE

25	7/	PIO/T for Municipal Reassessment	RHUDO
26	8/	4th Problem Solving Exercise	Contractor
	8/	Grant Agreement w Other Reg Organ	ROCAP
27	9/	Municipal Trainers' Conference	Contractor
	9/	Buy-in executed	AID/W
	9/	Grant Agreement with FEMICA	ROCAP
28	10/	Communication/Community Mobilization Study Initiated	Contractor RHUDO
	10/	SAR	Contractor
29	11/	Municipal Reassessment Initiated	FEMICA
	11/	5th Publication Out	Other Reg
	11/	Seminar w Private Sector	Organiza
30	12/	Newsletter	FEMICA

1995

31	1/		
32	2/	5th Problem Solving Exercise	Contractor
33	3/	6th Publication Out	FEMICA
	3/	PIO/T for Evaluation	RHUDO
	3/	Communication/Community Mobilization Study Completed	Contractor
34	4/	Municipal Reassessment Completed	Contractor
	4/	Political Seminar	FEMICA
	4/	SAR	RHUDO
35	5/	PIO/T for buy-in	ROCAP
36	6/	Newsletter	FEMICA
	6/	Evaluation Initiated	Contractor
	6/	3rd Year Audit	Contractor
	6/	Indicator Report	Contractor

YEAR FOUR

37	7/	Evaluation Completed	Contractor
38	8/	6th Problem Solving Exercise	Contractor
39	9/	Trainers' Conference	Contractor
	9/	Buy-in executed	AID/W
40	10/	Seminar with Community Groups	Contractor
	10/	AID Evaluation Report	Contractor

41	10/	SAR	RHUDO
	11/	7th Publication Out	FEMICA
42	12/	Newsletter	FEMICA

1996

43	1/		
44	2/	7th Problem Solving Exercise	Contractor
45	3/	8th Publication Out	FEMICA
46	4/	Annual Network Policy Seminar	FEMICA/RHUDO
	4/	SAR	RHUDO
47	5/	PIO/T for Buy-In	RHUDO
48	6/	Newsletter	FEMICA
	6/	Indicator Report	Contractor
	6/	4th Year Audit	Contractor

YEAR FIVE

49	7/		
50	8/	8th Problem Solving Exercise	Contractor
51	9/	Seminar Community Groups	FEMICA/Contractor
	9/	Grant Agreement/FEMICA	ROCAP
	9/	buy-in executed	AID/W
52	10/	Course (e.g. Financial Man)	Regional Institut
	10/	SAR	RHUDO
53	11/	9th Publication Out	FEMICA
54	12/	Newsletter	FEMICA

1997

55	1/		
56	2/	9th Problem Solving Exercise	Contractor
57	3/	10th Publication	FEMICA
58	4/	Annual Network Policy Seminar	FEMICA
	4/	SAR	RHUDO
59	5/	PIO/T for buy-in	ROCAP
60	6/	Newsletter	FEMICA
	6/	Indicator Report	Contractor
	6/	5th Year Audit	Contractor

YEAR SIX

61	7/		
62	8/	10th (Final) Problem Solving Exer	Contractor
63	9/	Seminar Community Groups	Contractor
64	10/	SAR	RHUDO
65	11/	11th Publication Out	FEMICA
66	12/	Newsletter	FEMICA

1998

67	1/		
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68	2/		
69	3/	12th Publication Out	FEMICA
70	4/	Annual Network Policy Seminar	FEMICA
	4/	SAR	RHUDO
71	5/	PIO/t for buy-in	ROCAP
72	6/	Indicator Report	Contractor
	6/	Newsletter	FEMICA
	6/	6th Year Audit	Contractor

YEAR SEVEN

73	7/		
74	8/		
75	9/	Buy-in executed	AID/W
76	10/	SAR	RHUDO
77	11/	13th Publication Out	FEMICA
78	12/	Newsletter	FEMICA

1999

79	1/		
80	2/		
81	3/	14th Publication Out	FEMICA
	3/	PIO/T Evaluation	RHUDO
82	4/	Annual Network Policy Seminar	FEMICA
	4/	SAR	RHUDO
83	5/		
84	6/	Evaluation Initiated	Contractor
	6/	Newsletter	FEMICA
	6/	7th Year Audit	Contractor
	7/	Evaluation Completed	Contractor
85	8/		
86	9/	PACD	
	9/	PACR	RHUDO
87	10/		

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## 6.0 PROCUREMENT PLAN

### 6.1 PROCUREMENT RESPONSIBILITIES

Procurement of all long-term TA, short-term TA, commodities, training, and audit and evaluation services will be the responsibility of ROCAP. Contracting for these services will be done by the Regional Contracts Office in Guatemala City, or by the AID/W contracts office, based on PIO/Ts prepared by ROCAP technical and project offices.

### 6.2 PROCUREMENT REQUIREMENTS

LOGROS is a management-intensive project. One reason for this is the parameters within which a regional entity like ROCAP must obligate funds. The absence, as a rule, of sovereign government counterpart agencies for regional Project implementation means that most ROCAP funds are obligated through one of seven mechanisms: (1) Handbook (HB) 3 grants; (2) HB 13 grants or cooperative agreements; (3) personal services contracts (PSCs); (4) buy-ins to other projects; (5) indefinite quantity contracts (IQCs); (6) direct AID contracts; and (7) purchase orders. All seven of these means of procurement may be used to obtain the goods and services required to implement LOGROS, but activities have been grouped to minimize separate contracting actions to the extent possible. An illustrative Procurement Plan is found as Table 6-1.

Buy-Ins. For the first two years of the Project, the majority of activities will be implemented via annual (if possible) buy-ins to a PRE/H contract with the International City Management Association (ICMA). This contract is already being employed, using other ROCAP funds, to undertake municipal development activities leading up to LOGROS. ICMA is a US-based organization which supports and promotes municipal associations in the US and abroad. As such, it is a particularly appropriate institution to help FEMICA and national municipal associations organize to promote municipal autonomy in the region. The ICMA contract will be used to secure the short-term TA, training services and limited commodities needed to carry out most of the activities under the Consensus-building and Technical Components of the Project. The ICMA contract PACD has been recently extended to September 30, 1994. Because of the heavy demand to date for work under this contract, PRE/H intends to re-bid it as the PACD approaches in order to ensure the availability of municipal development support services. LOGROS will therefore likely be able to access a similar facility for subsequent years of Project implementation.

In addition to the ICMA contract, AID's R&D Bureau manages the Decentralized Financial Management Project which offers another buy-in contract. It is being implemented by Associates in Rural Development (prime), the Metropolitan Studies Program of the Maxwell School of Citizenship and Public Affairs at Syracuse University (subcontractor), and the Workshop in Political Theory and Policy Analysis at Indiana University (subcontractor). This contract may also be used--particularly for problem-solving exercises which need to address financial management issues--but the use of this instrument will depend on the problems identified during Project implementation.

Table 6-1

Illustrative Procurement Plan

Mechanism	Project Year							Responsible Party
	1	2	3	4	5	6	7	
Buy-Ins	xx	x	x	x	xx	x		AID/W
HB13 Grants		x	x	x	x	x		RCO
HB3 Grants		x		x				ROCAP/PPD
IQCs	x	x	x	x	x	x		AID/W
PSCs	xx	xx	xx	xx	xx	xx		RCO

Note: "x" = one contracting action.

Personal Services Contracts. The two PSCs who will manage and help implement LOGROS are already in place. These contracts will be incrementally funded by LOGROS, and amended as necessary during Project implementation by preparing PIO/T facesheets and naming thereon the Regional Contracts Officer (RCO) as the authorized agent to amend the contracts. Under AID's new Buy America regulations, the nationality of PSC personnel is not limited to Geographic Code 000 (United States); use of TCN PSCs within the CA region will be possible under this regional project. If there is a major change in the scope of work (SOW) for either of these positions, they will either be recompeted or a justification prepared for non-competition. Local short-term PSCs may also be used to help carry out municipality-specific problem solving exercises, carry out training activities in Network development, and/or monitor indicators.

HB 13 Grants and Cooperative Agreements. Because of the nearly unique role of FEMICA as a regional municipal association, a number of LOGROS activities--mostly under the Consensus-building Component--could appropriately be undertaken by FEMICA directly since many of these activities are already part of FEMICA's mission and work plan. FEMICA is a new and small organization, however, and time will be needed for it to develop management systems adequate for AID to certify it as capable of managing AID funds. TA will be provided under the ICMA buy-in for this purpose, and activities will be undertaken by ICMA jointly with FEMICA to help FEMICA become eligible for HB13 grants and/or cooperative agreements as soon as possible. Meanwhile, the ICMA buy-in mechanism will include FEMICA activities.

HB13 grants/cooperative agreements may also be used to undertake specific activities with other regional institutions engaged in municipal development activities, such as INCAE. Appropriate competitive procedures will be used, depending on the activity and institution involved. Again, AID certification requirements will need to be met before any agreements can be executed.

HB 3 Grants HB3 grants may also be used for working directly with the central government municipal support agencies, such as INIFOM in Nicaragua or ISDEM in El Salvador, should such activities be agreed upon with the USAID Missions.

Indefinite Quantity Contracts. A limited number of IQC work orders may be used under the Consensus-Building Component for activities not appropriate under the ICMA buy-in. They may be used under the Technical Component to obtain the short-term TA required to design or evaluate municipality-specific problem solving exercises; to contract for the municipal reassessment; to contract for communications activities; to help service bilateral requests for assistance; to establish or monitor indicators; and/or to conduct evaluations. Audit services will also be contracted through the PIO/T mechanism by the RCO using IQCs in place at the time of contracting. The SOWs will be developed by ROCAP and the AID/Guatemala Controller's Office. Annual audits are proposed, o/a months 12, 24, 36, 48, 60 and 72 of Project implementation. These services will be performed by Central American Common Market (CACM) contractors.

**Direct AID Contracts.** Because of the demand-driven nature of LOGROS, especially activities occurring under the Technical Component, direct AID contracts may be needed during the LOP. PIO/Ts to obtain all of these services will be prepared by ROCAP. As the individual transactions will be valued at less than \$250,000, both US and Central American Common Market (CACM) contractors are eligible to compete. Direct AID contracts under the Consensus-Building Component might be used for: (1) activities that address specific organizational needs; (2) policy framework development; (3) networking; and (4) participant training activities. Under the Technical Component, they may be used for: (1) municipality-specific problem solving exercises; (2) training activities; (3) communications activities; and (5) servicing bilateral requests for assistance.

**Purchase Orders.** Purchase orders may be used to procure select goods and services valued at less than \$25,000 that are required for implementation. Buy America will apply where required.

**Timing.** Because of the parameters within which ROCAP must operate to obligate funds, procurement action timing is critical to Project implementation. In order for buy-ins to be executed by September 30, the obligation deadline, ROCAP will have to have the full annual amount of LOGROS funding in time to submit the buy-in PIO/T to AID/W before June 30 of each year.

### 6.3 PROCUREMENT LIMITATIONS

All commodities, services and their suppliers financed by AID under the Project shall have their source and origin in the United States or Central America Common Market (CACM) countries, except as AID may otherwise agree in writing. Buy America policy will be followed except as AID may otherwise agree in writing in the various agreements, contracts or Project Implementation Letters (PILs).

Except for ocean shipping, the suppliers of commodities or services shall have the United States as their place of nationality, and ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States except as A.I.D. may otherwise agree in writing. A record of all local procurement shall be maintained during implementation of activities financed under the Project.

### 6.4 WAIVERS

No waiver requirements were identified during Project design. If the need for waiver(s) is identified during implementation, all applicable A.I.D. procedures will be followed.

### 6.5 GRAY AMENDMENT CONSIDERATIONS

ROCAP encourages to the maximum extent practicable participation of Small Business Concerns, Small Disadvantaged Business concerns, and women-owned small business concerns in this Project as either Prime Contractor or as

subcontractor thereto in accordance with Part 19 of the Federal Acquisition Regulations (FAR). In addition to evaluations, other activities funded by LOGROS may be able to be contracted with 8(a) firms. A resource survey for municipal development will be undertaken this FY by ICMA under the RDS Project, and the results will be used to identify specific firms and individuals who may be used by LOGROS or by bilateral missions with municipal development or local government activities.

All selection evaluation criteria being found equal, the participation of 8(a) concerns may become a determining factor in selection of Prime Contractors. If the Prime Contractor is not a small business concern, a small business and small disadvantaged business subcontracting plan will be required as part of the cost/business management proposal.

No less than 10% of the total value of the prime contracts will have to be subcontracted to Gray Amendment entities. These entities include: (1) U.S. socially and economically disadvantaged, including women-owned, businesses; (2) historically black colleges and universities; (3) U.S. colleges and universities with at least 40% Hispanic American students; and (4) U.S. private voluntary organizations controlled by socially and economically disadvantaged individuals, including women. To help identify potential subcontractors, a list of all organizations requesting a copy of the prime contract solicitations will be sent with each solicitation document.

In the solicitation notices for the prime contracts published in the Commerce Business Daily (CBD), bidders for the prime contracts will be encouraged to indicate whether they are Gray Amendment entities when requesting the solicitation and may indicate that they do not wish to be included on the list. By providing the list, AID does not endorse the listed organizations as being capable of carrying out the activity, nor does AID verify the claimed status of the organizations. Necessarily, the list will contain the names of only those organizations known prior to the issuance of the solicitation document. Proposals submitted in response to the solicitation for prime contracts shall be required to include plans reflecting how the Prime Contractor will subcontract no less than 10% of the value of the prime contract with 8(a) entities, and proposals not including such plans will be considered to be non-responsive.

## **7.0 MONITORING AND EVALUATION PLAN**

### **7.1 MONITORING**

Nine major mechanisms will be employed to monitor LOGROS: (1) Annual Work Plans (AWPs); (2) FEMICA Annual reports; (3) ROCAP SARs; (4) personal contact between ROCAP Project management and the grantee(s) and contractors; (5) bilateral USAID feedback on the quality of services provided under the Project; (6) field trips and trip reports; (7) Project financial reports issued by the Controller's Office; (8) external mid-term and EOP evaluations; and (9) audits. The Project reporting system will include an annual report submitted by FEMICA at or near the end of each year of implementation--either together with or separate from submittal of AWPs--and SARs prepared in or about the months of April and October in each year of implementation. For monitoring purposes, the PSC Project Advisors will keep careful records on training activities and beneficiaries. The specific beneficiary data to be collected will be determined in the first six months of implementation, but will include, as a minimum, gender disaggregation.

### **7.2 EVALUATIONS**

Two formal external evaluations will take place, a mid-term evaluation in or about Month 36 and an EOP evaluation in or about Month 72 of implementation. The mid-term evaluation will focus on progress in attaining Project objectives at the output level of the logframe, and will recommend changes and adjustments to be implemented over the remainder of the LOP. To assist with this evaluation, a Regional Municipal Sector Reassessment will be prepared under contract during Year 3 of implementation and will be finalized before the external mid-term evaluation team arrives in-country. The EOP evaluation will focus on attainment of Project objectives at the purpose level of the logframe and lessons learned from the Project. The two external evaluation teams will consist of individuals knowledgeable of the municipal development subsector in Central America, and the methods for the evaluations will be developed by ROCAP. The issue of LOGROS sustainability will be specifically included in the SOW for both the mid-term and EOP evaluations.

### **7.3 AUDITS**

Project funds (\$170,000) are budgeted for annual performance audits of grant recipients, if any. US contractors accessed through buy-ins will be subject to the provisions of the Single Audit Act, as applicable, under which regular audits will be performed by the Contractor's cognizant Inspector General.

## 8.0 SUMMARIES OF KEY ANALYSES

### 8.1 TECHNICAL ANALYSIS

The local and central governments of Central America are undergoing a fundamental transformation. Each national government--in its own way--is undertaking policy and institutional reforms directed at stimulating and ensuring economic growth and peace based upon the principles of social justice and the full recognition of the individual rights of all citizens. In the process, national governments are increasingly considering decentralization and municipal development as important elements of such national reform agendas. The implicit premise that underlies these efforts is that municipal governments, as permanent institutions with elected representatives, are closest to the people and can (ultimately) be more responsive to local needs. That premise also recognizes and emphasizes the functional interdependence of development, local governance and community participation.

In 1992, PADCO, Inc. completed the draft of a two volume study entitled "Regional Municipal Sector Assessment for Central America" (vol. 1: Basic Analysis; Vol. 2: Proposed Strategy). This study, which constitutes most of the Technical Analysis for LOGROS (summary in Annex D) and is appended by reference, was undertaken within a framework that assumes that there is a significant relationship between municipal development and democratic governance, and that democratic processes can be strengthened at the local level to the degree that local governments effectively: (1) provide political representation and governance at the local level; (2) plan, organize and manage local development and respond to constituent needs for land, basic infrastructure, services and employment; (3) integrate constituent participation within the process of local development management and decision-making; and (4) are accountable to local constituents.

The viability of this model will depend upon each country's commitment to the consolidation of political, institutional and fiscal changes required to effectively implement the decentralization and municipal development process. That process is taking place while the region's countries continue to face serious macroeconomic and fiscal problems, and both opportunities and constraints need to be understood in order to formulate realistic decentralization and municipal development objectives, policies and programs.

Four major requirements or objectives of local democratic governance are used to guide the Technical Analysis. These objectives reflect and expand upon the conclusions of municipal leaders at their November 1991 regional meeting in Tegucigalpa, Honduras (see Annex D). They are:

(1) Decentralization and Municipal Autonomy. Decentralization involves the transfer of specific competencies and resources to organisms that do not belong to the central government administration and which are not subordinated to it. Municipal autonomy refers to the form and nature of the central/local government relationship, and implies the redistribution of power to govern. Political, administrative and financial autonomy and accountability are key aspects that need to be examined.

(2) Local Participation and Representation. This refers to the quality of citizen representation in the municipal government as a key element associated with municipal mandates or competencies.

(3) Municipal Capability and Fiscal Base. Municipal administrative, financial and technical capacity is a paramount consideration in the formulation and implementation of both decentralization and municipal development policies, strategies and programs.

(4) Municipal and Community Empowerment. To sustain the decentralization and municipal development process, both public and private sector intermediary support institutions must be developed and strengthened. Citizens must have the means both to make demands on their governments and to hold officials accountable for their actions.

With regard to the context for decentralization and municipal development in Central America, the Technical Analysis points out the vast differences between some 1170 municipalities in the region; only 1.5% of these have populations exceeding 100,000 inhabitants, with 72% having populations of less than 20,000. Capital cities in Central America continue to expand and broaden their already dominant spheres of influence. Secondary cities, meanwhile, which are growing and hold potential for the future, lack the technical and financial resources that the primate cities possess. As a result, democratization, municipal development and decentralization must be focused not only on assigning municipalities greater authority, but equally important on expanding the resources with which to carry out their new responsibilities. Moreover, technical and institutional resources need to be considered together with financial needs.

With regard to mandates, the concentration of power in the central governments of the region is strong despite some recent and promising decentralization trends. Although the constitution and municipal codes in five of the countries mandate municipal autonomy and self-government (with Panama being the exception), a series of specific laws and decrees contradict and actually reduce municipal government powers. To make matters worse, national decentralization policies directed to remedy this situation are generally limited in scope and coherency. Finally, the heterogeneity among municipalities make common policies, plans and programs difficult to formulate and implement. These realities require national decentralization policies, laws and decrees that together clearly specify the authority, competencies and resources to be transferred from the national to the local level. With regard to elections, some of the most pressing needs are the universal election of mayors, direct local vote, and reduced influence from national politics and elections (through, for example, separate elections and the elimination of party candidate "slates").

Democratization requires that participation and empowerment be understood on two levels. First, municipalities must be able to effectively participate in national level government and--therefore--have access to the representation, leverage and resources required to do so. Second, communities (i.e., citizens) must be able to effectively participate in government at both the municipal and national levels. In short, both groups require representation,

voice and power at both the local and national levels. In Central America today, municipal associations and municipal development institutes provide these needed support functions in a very limited fashion. Where they do exist, municipal associations are extremely weak. Municipal development institutes provide relatively good support in technical assistance, training and financing; these institutes, however, are often controlled and financed by central authorities and this limits municipal self-determination and participation in their own development process. Finally, the activities of these institutes are not well coordinated with the complementary and sometimes duplicated role of the associations. As a result, an education process is required so that municipalities, national governments and external donors alike become more aware of the support system that municipalities need.

Community participation occurs in two separate arenas. First, communities can participate in government assessments, planning, decision-making, project implementation and evaluations. Second, communities can participate in their own self-help activities that are entirely or relatively independent from government-funded or directed programs. As a result, community participation can and must be supported from two sides. On the one hand, communities must organize themselves in order to be able to meaningfully participate; on the other hand, governments must learn how to engage in community participation. In reality, traditional forms of community participation in the public sector of Central America are substantially more limited than participation in self-help community activities.

In each of the countries of the region, the national constitution proclaims the "autonomy" of each municipal government and its right to provide a full range of public services to its residents. But the realities of constrained local resources and the intervention of central government agencies and institutions to provide basic local services too often make a mockery of high-sounding constitutional provisions. Only a very limited range of taxes is available to municipalities and, even when a municipality is allowed to levy a tax, its rate and most other features (e.g., the tax base) are often subject to delay or denial by national government. Real estate taxes, the basis for local finance in most industrialized countries, are weak or non-existent in Central America, with the principal exception of Costa Rica where the tax is levied on a national basis. Making the situation worse, most municipalities are unable or unwilling to collect even those limited taxes and service charges they are allowed to levy. Inter-governmental transfers, while substantial in Guatemala and Honduras, are extremely limited or non-existent in the other countries. As a result, municipalities can finance only a restricted range of public services.

The resulting needs are threefold. First, local resource mobilization must be improved through, e.g., upgrading of the tax collection and cost recovery systems, expanding local tax authority and credit availability, and fostering information exchanges among municipalities and countries on different financing mechanisms. Second, the fiscal base for decentralization must be improved by, e.g., making revenue-raising authority permanent, altering and/or limiting the role of national revenue "monitors," and upgrading municipal financial management capabilities. Finally, intergovernmental transfers need to be expanded and improved.

The lack of municipal capacity throughout Central America is one of the major constraints to the efficiency and effectiveness of local development activities. Currently, methods of improving that capacity are largely limited by the CA governments to TA provision and training. Central government ministries and autonomous institutions provide some informal, non-planned, direct TA to municipal governments, but the adequacy of this TA is highly variable. There are reasonable levels of municipal training in Guatemala, Honduras, Costa Rica and El Salvador, for example; lower levels in Nicaragua, and very low levels in Panama. Most municipal development training, moreover, is funded by international donor agencies, although two regional institutions--ICAP and INCAE--have begun providing training to municipalities in recent years. The absence of national institutional TA and training capacity, as well as the lack of systematic policies and strategies to guide the effective utilization of limited resources, are major constraints to the decentralization and municipal development process.

Regional cooperation in support of democratization, decentralization and municipal development, moreover, is almost non-existent. Information sharing, coordination of policies and activities, and implementation of a regional learning process coordinated in the form of programs and projects has been, to date, woefully ineffective. The Technical/Institutional Analysis concludes that the objectives of a program to support decentralization and municipal development should include four elements:

(1) To transfer authority, responsibilities and resources from central to local governments and to consolidate the political, administrative and financial autonomy of municipal governments;

(2) To strengthen citizen participation and representation in the municipal government and in local development activities;

(3) To strengthen municipal administrative, financial and technical capacity in support of decentralization and municipal development; and

(4) To strengthen the capacity and effective participation of existing intermediary support institutions in the public and private sectors (i.e., municipal associations, municipal institutions, and NGOs) in the decentralization and local development process.

Achievement of these objectives will be a difficult and complex undertaking and must be understood as a long-term process. While many commonalities characterize the situation of municipalities in Central America, each country faces particular policy and institutional constraints which must be considered. To do this, the following strategies and approaches to implementation were proposed in the Technical and Institutional Analyses:

The Conceptual Framework. At the regional level in Central America, a coherent framework and development strategy is required for effective democratization, decentralization and municipal development programs. The objectives proposed above should be reviewed, further developed and utilized to assess existing conditions, to formulate and select action strategies and programs, and to monitor and evaluate implementation.

The Establishment of Functional Linkages and Networks Among Municipalities at the National, Regional and International Levels. The effective representation of municipal interests and perspectives in regional policy formulation and technical management and coordination is considered essential. The Federación Municipal del Istmo Centroamericano (FEMICA) should be considered as a primary regional counterpart. Its objectives and activities reflect the clear intention to represent and strengthen national municipal associations and to lobby for and promote common municipal issues, channeling information and conducting research and studies that insert the municipal sector into national policies, strategies and activities.

The Systematic Promotion of Decentralization Policy Dialogue at the Regional and National Levels. The systematic use of research, publications, training and TA will be required to promote and support decentralization and municipal development dialogue. An initial series of regional and national policy dialogue seminars and workshops should be used to network with and to build broad awareness, understanding and consensus among the principal municipal development actors. Technical papers should be prepared that spell out the issues related to the key elements of the framework. This documentation and the findings of participants should be published and disseminated widely at the regional and national levels. Continual research and publication is required to reiterate the same basic themes in their various aspects. Diffusion of technical papers is considered critical to an estimated 10,000 principal actors in the region. Their purpose is to expand coverage in order to change perceptions, values and to mobilize opinion and support. For this reason, the research-publication cycle must be continuous.

Promote Systematic Support for Community and NGO Participation. An effective regional and/or national strategy for supporting more meaningful community and NGO participation in development should target three key objectives: (1) educate municipalities and hold them accountable for their actions insofar as community participation is concerned; (2) encourage productive public-private interface; and (3) strengthen the role of community organizations and NGOs in the participatory process through education, empowerment and assuming greater responsibility in development.

Formulate and Implement Technical Assistance and Training Strategies. The national municipal development institutes and other relevant national and regional training institutions should be fully involved in the ongoing regional decentralization policy dialogue. A related effort should be targeted to the development of priority training programs and materials to meet some of the common generic training requirements in areas such as community participation, municipal financial management and annual planning and budgeting.

Regional and International Networking and Resource Mobilization. The research, training and TA capacity of regional institutions (e.g., INCAE, ICAP) should be mobilized and used to support strategy and program development and implementation activities. Networks should be established with individuals and institutions at the regional and international levels that can contribute experience and resources. The purpose is to build the consensus and commitment which will be required to support the process of change.

The Technical Analysis recommends that USAID Missions play a key role in regional/national agenda formulation and in coordination of technical activities in their countries. Some strategic substantive issues which that Analysis suggests should be targeted by project assistance are:

Decentralization and Municipal Autonomy. The Project should promote the formulation and implementation of: (1) decentralization policies that explicitly specify the authority, competencies and resources to be transferred from the national to local level; (2) decentralization strategies that target scarce financial, technical and financial resources on cities and regions of strategic importance to economic growth; and (3) the identification and revision of central government laws, policies and regulations which conflict with municipal mandates or impede decentralization efforts.

Local Participation and Representation. The Project should promote and support: (1) electoral reforms which make municipal elections direct and universal, separate from national elections; (2) systems and processes of local governance that are transparent, ensure accountability and promote and incorporate community participation at all stages of local development planning and implementation; (3) increased funding for and building of community organizations as well as NGOs; and (4) increased funding for civic and voter education programs and organizations.

Resource Mobilization and Utilization. Existing limited municipal administrative, financial and technical capacity is, perhaps, the major constraint to effective decentralization and municipal development. The Project should therefore promote and support the formulation and implementation of policies, strategies and programs that strengthen municipal financial capacity through: (1) improvements in local resource mobilization; (2) expansion of local tax authority and credit availability; (3) municipal financial autonomy over income and expenditures; (4) improvements in municipal financial management capacity; and (5) expansion and improvement of national revenue sharing.

Municipal and Community Empowerment. It is important to support a larger institutional and policy framework that can sustain the decentralization and municipal development process over the long term. Specifically, the Project implementation process will need to promote and support the integral participation and strengthening of intermediary support institutions in the public and private sectors, including municipal associations at the regional and national levels; national municipal development institutes; and community organizations, federations and NGOs at the national and regional levels.

Finally, the Technical Analysis proposes an implementation strategy which emphasizes planning and implementing Project activities in a manner which supports and strengthens the capacity of regional and national municipal associations to organize and manage the long-term promotion of democratization, decentralization and municipal development in the region. It was anticipated by the analysts that the Project would engage personal and institutional contractors who would provide all or most of the long-term and

short-term TA and training services required to implement the Project. Regardless of the contracting mechanisms selected, it was recommended that such services be provided primarily through and for FEMICA and the national municipal associations. The exception to this implementation strategy noted in the Analysis was specialized analytical, research and design activities carried out in direct support of the bilateral missions.

## 8.2 INSTITUTIONAL ANALYSIS

An Institutional Analysis of LOGROS is attached as Annex G. LOGROS will be implemented by municipal institutions, foremost among them the regional association of municipalities--FEMICA. In addition, some Project activities will be carried out through national municipal associations and agencies. The Institutional Analysis found that it will be feasible to use these institutions to help implement key LOGROS activities.

FEMICA. FEMICA was set up in September of 1991 through the union of two previous regional associations. It is a non-profit organization governed by a Board of Directors which consists of Central American mayors, and its membership consists of municipalities from all countries of the region.

FEMICA's very limited staff is supported with office space and equipment, secretarial staff, and accounting and financial services by the office of the mayor who serves as the current president of FEMICA. In spite of its small size, FEMICA has already proved its capacity to make its own voice--and that of its members--heard in various regional fora. ROCAP and RHUDO have supported some of FEMICA's early successes, and that experience has indicated that it will be feasible to take advantage of FEMICA's unique regional role and shared policy agenda in municipal autonomy to implement much of the Consensus-Building Component of LOGROS.

FEMICA's relative newness and slim staffing are weaknesses, but not fatal flaws. The challenge for LOGROS is to provide support from the early stages of FEMICA's growth without fostering the unhealthy dependencies that have characterized other donor-supported regional organizations. LOGROS will therefore provide to FEMICA carefully defined and targeted assistance and training aimed specifically at developing it as a sustainable institution. Under ROCAP's current Regional Development Support Project, for example, the International City Management Association (ICMA) is providing technical assistance to FEMICA in such areas as strategic planning, fund raising, planning and budgeting, and financial management. ICMA's own mandate to help develop independent municipal associations makes this an especially appropriate match. The key point to note is that while FEMICA will be used to the extent practicable, Project success is not dependent on FEMICA's survival as an institution. Given its unique position and potential in furthering the municipal development agenda, a decision not to work with FEMICA until it has proven itself would be unwarranted; conversely, FEMICA is simply too untested at this time to warrant depending exclusively on it for Project success.

Other Municipal Support Institutions. Most Central American countries have two types of municipal support institutions: a national municipal association composed of municipal officials, and a central government-sponsored agency charged with providing TA and training support to municipalities. Both categories of institution have weaknesses, but LOGROS will focus activities to the extent practicable through the municipal associations as being the most direct and appropriate way of promoting decentralization. The central government agencies, however, have an important role in what happens to municipalities. A summary of the institutional infrastructure of the CA countries as it relates to municipalities is summarized below.

Guatemala has both a municipal association, the Asociacion Nacional de Municipalidades (ANAM), and a central government institute, the Instituto de Fomento Municipal (INFOM). ANAM is undergoing changes in the direction of greater democratization, and INFOM is important in that it administers the 8% annual central government transfer to municipalities.

El Salvador also has both a municipal association, the Corporacion de Municipalidades de la Republic de El Salvador (COMURES), and a municipal development institute, the Instituto Salvadoreno de Administracion Municipal (ISDEM), as well as an institute that supports municipal councils. AID municipal development activities have worked with both COMURES and ISDEM.

Nicaragua has a fairly strong municipal development institute, the Instituto Nicaraguense de Fomento Municipal (INIFOM), but does not have a national municipal association. Although INIFOM is relatively new and heavily dependent on the central government for funding, it also has a majority representation of mayors on the board.

Honduras' municipal association, the Asociacion Municipal de Honduras (AMHON), is currently undergoing a resurgence of influence: a recent conference to defend the Municipal Law, for example, mobilized 276 of the country's 291 mayors and featured a keynote speech by the President of Honduras. The Banco Municipal Autonomo (BANMA), a municipal development bank, plays the role that many municipal institutes play in other countries, at least with regard to technical assistance and training. In addition, however, as a development bank it offers financing. BANMA has been and will likely continue to be a marginal institution at best. Of more interest now is the potential shown by the Ministry of Governance's General Directorate on Technical Assistance, which is receiving support from USAID's bilateral project.

Costa Rica has two municipal support organizations, the Union de Gobiernos Locales (UNGL--the municipal association) and a municipal development institute, the Instituto de Fomento y Asesoria Municipal (IFAM). IFAM is by far the strongest, largest and best organized development institute in the region.

Panama, in contrast to other countries in the region, does not currently have a functioning municipal association or development institute. There have been associations in the past, but they are no longer active. There is a Council of City Councils and Representatives, however, which functions like an association for members, and a very new development institute, IPDEM.

### 8.3 ECONOMIC ANALYSIS

An Economic Analysis of LOGROS is attached as Annex F. That Analysis found that since it is only one input to a much larger effort which is itself not a discrete economic investment, LOGROS will have no directly identifiable or measurable economic output or product. It does not, therefore, lend itself to meaningful cost-benefit analysis in the classic sense of the word. By operating at the regional level, LOGROS nevertheless offers several economic advantages. By generating region-wide support for decentralization efforts, obviating the need for duplication in the provision of technical and training services, and offering economies of scale, the Economic Analysis found that LOGROS is one of the most appropriate, efficient and cost-effective way to pursue AID's democratic agenda in Central America. The total Project cost of approximately three US cents per Central American per year, moreover, is extremely modest compared with: (1) the potential political, economic and social benefits it can generate; (2) the relative cost to the US; and (3) the potential cost to Central Americans and the region if the nascent trend toward decentralization fails to take root and grow. For these reasons, the Economic Analysis found the \$6.0 million cost of the Project to be a justifiable economic investment.

### 8.4 SOCIAL SOUNDNESS ANALYSIS

A Social Soundness Analysis of LOGROS is attached as Annex H. That Analysis focuses on the urban-rural, poverty, gender and political aspects of the context in which LOGROS will be implemented, and is part of a larger study of the socio-economic-political context of the Project on file at RHUDO.

Urban-Rural Dimension. The Social Soundness Analysis notes that a significant trend in Central America is the emergence and growth of secondary centers: between 1970 and 1990, the number of cities with populations between 20,000 and 100,000 grew from 28 to 62. The number of urban centers of over 100,000 has grown more slowly. The important growth in secondary centers is a factor favoring increased decentralization and a greater role for local governments--which will have an expanding resource base on which to draw to meet growing needs. The Analysis cautions, however, that LOGROS should also deal with the large number of still "relatively rural" municipalities in the region which contain a significant proportion of the region's population. The notion of equity is not an explicit component of LOGROS activities, but may be introduced during development of the policy framework.

Poverty. Closely related to the above issue is that of the prevalence of poverty in the region. Data confirm that economic crisis has had a significant impact on poverty during the "lost decade", as the Economic Commission for Latin America calls the period 1980-1990. Absolute and relative poverty increased, especially in rural areas, though the urban incidence also increased. This situation argues for attention to "rural" municipalities, and the Social Soundness Analysis calls for targeting resources not only on the basis of growth potential of the municipalities involved but also on the grounds of equity or socioeconomic need.

**Gender.** The Analysis cites two aspects to the potential relationship between women and LOGROS activities. One is the role of women in local government itself, and the other is their role in society in general which could be affected by Project activities. Women's participation in local government is currently quite low; only a few of the region's mayors, for example, are women. Women are, however, heavily represented in the urban informal, rural and poor segments of society, and to the extent that LOGROS increases the participation of these segments in local government affairs, women too will benefit.

**Political Context.** The Analysis finds that there is a clear regional trend towards decentralization and popular participation, and that LOGROS objectives are in harmony with changes occurring in the region. Other donors share this perception. The new democracies are attempting to steer a course between the extreme left and the effects of military rule, being influenced most recently by the collapse of socialism in eastern Europe and the successful move of Spain away from authoritarian government and towards decentralization. Germany, another country undergoing change toward decentralization, has also renewed its interest in and support for local government in Central America.

The Social Soundness Analysis draws a distinction between municipal development, which focuses on local government, and community development which has traditionally involved NGOs and special central government agencies which sometimes undermined or bypassed local governments. Although a convergence of interest is starting to develop, there is still a long way to go to achieve full collaboration. Coordination between municipal organizations and parallel community development agencies is rare; the community development approach needs to work increasingly with local government, and municipalities need to learn from the community development agents' focus on communications and relationships with local citizens and neighborhood organizations. Otherwise, the danger exists that local governments will be run by local political and economic elites who are no more responsive to wider public needs than are distant central governments.

## 8.5 ENVIRONMENTAL ANALYSIS

An Initial Environmental Examination (IEE) for LOGROS is attached as Annex J. The IEE found that the activities to be funded will have no direct impact on the environment and that they are eligible for Categorical Exclusion pursuant to the provisions of 22 CFR 216.2(c)(2)(i)--education, technical assistance and training activities not directly affecting the environment; 22 CFR 216.2(c)(2)(iii)--analyses, studies, academic or research workshops and meetings; and 22 CFR 216.2(c)(2)(v)--document and information transfers. The recommended Categorical Exclusion was approved by the LAC Bureau in June 1992 (State 192339).

**ANNEXES**

**Annex A**

**Project Approval Summary**

Annex A

Project Approval Summary

The Local Government Regional Outreach Strategy (LOGROS) was included in ROCAP's FY'92-94 Action Plan at an estimated funding level of \$6.0 million and in the FY'93 Congressional Presentation at a planned funding level of \$6.0 million.

A draft New Project Description (NPD) was prepared for LOGROS and circulated to the Central American bilateral Missions in late CY 1991. Specific mission comments on the NPD addressed four issues: (1) coordination of regional objectives with bilateral strategies and needs; (2) establishing an appropriate balance between municipal development and democratic initiatives objectives; (3) the rationale for regional activities working with local government; and (4) coordination of ROCAP activities with bilateral and centrally managed projects. These issues have been resolved and incorporated into the Amendment during project design.

The LOGROS NPD was submitted to AID/W as an integral component of ROCAP's FY FY'92-94 Action Plan. On 12 February 1992, the Action Plan and NPD were reviewed in a meeting chaired by the Assistant Administrator for the LAC Bureau in AID/W. In the reporting cable of this meeting (State 115203), the decision reported was that "Based on ROCAP's commitment to work closely with the bilaterals during project design, the Mission is given program concurrence for design and the Director is delegated authority to approve the Regional Municipal Development Project (now LOGROS) PID. To clarify and improve project design, Mission is advised to inform and consult, as appropriate, with LAC/W during project design process."

A PID was prepared for LOGROS and approved by the ROCAP Director on 29 April 1992. The PP was prepared in May, and a ROCAP Project Committee (PC) meeting held on 8 June recommended that the PP be approved subject to modification and circulated to the bilateral USAIDs for comment. A second draft PP was circulated in June; comments were received from all Missions, and the final PP was submitted for authorization in August.

**Annex B**

**Logical Framework**

**PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK**

Life of Project:  
From FY 1992 to FY 1999  
Total U. S. Funding \$6,000,000  
Date Prepared: May 1992

Project Title & Number: Local Government Regional Outreach Strategy (LOGROS; 596-0167)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS												
<p><b>Program or Sector Goal:</b> The broader objective to which this project contributes:</p> <p>The evolution of stable democratic societies in Central America.</p>	<p><b>Measures of Goal Achievement:</b></p> <ol style="list-style-type: none"> <li>1. Democratically elected governments continue to exist in all 7 CA countries.</li> <li>2. Decentralization legislation exists in all 7 CA countries by 1999.</li> <li>3. Decentralization legislation implemented in all 7 CA countries by 2004.</li> </ol>	<ol style="list-style-type: none"> <li>1. AID, Multilateral Development Bank, and US embassy reports.</li> <li>2. Copies of legislation.</li> <li>3. AID and US Embassy reports.</li> </ol>	<p><b>Assumptions for achieving goal targets:</b></p> <ul style="list-style-type: none"> <li>-Political and social stability.</li> <li>-Decentralization contributes to more stable democracies.</li> </ul>												
<p><b>Project Purpose:</b></p> <p>To contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement.</p>	<p><b>Conditions that will indicate purpose has been achieved: End of project status.</b></p> <p>Agreement of participating CA countries on a regional policy agenda. Implementation of specific agenda items in participating countries.</p> <p>Financial management improved in selected localities;</p> <p>Citizen participation improved in selected localities; and</p> <p><u>Ad hoc</u> improvements in selected localities.</p>	<ol style="list-style-type: none"> <li>1a. Annual Network meeting reports; indicator monitoring reports.</li> <li>1b. Network membership roles, attendance reports, and publications.</li> </ol> <ol style="list-style-type: none"> <li>2. Mid-term and EOP evaluation reports; Contractor reports.</li> </ol>	<p><b>Assumptions for achieving purpose:</b></p> <ul style="list-style-type: none"> <li>-Legislators and officials use information provided to improve decentralization legislation and regulations.</li> <li>-Political will exists to promulgate and implement decentralization legislation and regulations.</li> <li>-Public is willing to participate in governance process.</li> </ul>												
<p><b>Outputs:</b></p> <ol style="list-style-type: none"> <li>1. Regional Network established and functioning.</li> <li>2. Regional Policy Framework established.</li> <li>3. Resolution of specific constraints to decentralization.</li> <li>4. Regional training capabilities mobilized.</li> </ol>	<p><b>Magnitude of Outputs:</b></p> <ol style="list-style-type: none"> <li>1. Network meeting annually and dissemination information.</li> <li>2. Policies published and endorsed; Action Plans being implemented.</li> <li>3. 10 constraints addressed in 10 - 20 localities.</li> <li>4. Training facilities assessed, roles established, training conducted.</li> </ol>	<ol style="list-style-type: none"> <li>1. Network meeting proceedings; publications distributed.</li> <li>2. Policy framework documents promulgated; Written Action Plans; Minutes of Year 2-7 Network meetings.</li> <li>3. SARs, contractor reports, and publish-problem-solving results documents.</li> <li>4. Assessment reports, training reports, signed agreements.</li> </ol>	<p><b>Assumptions for achieving outputs:</b></p> <ul style="list-style-type: none"> <li>-Existing networks do not effectively address local government needs.</li> <li>-Common policies can effectively address country-level constraints.</li> <li>-Training institutions willing to incorporate local government training into curricula.</li> </ul>												
<p><b>Inputs:</b></p> <ol style="list-style-type: none"> <li>1. Long-term TA.</li> <li>2. Short-term TA.</li> <li>3. Training.</li> <li>4. Commodities.</li> <li>5. Evaluations and audits.</li> </ol>	<p><b>Implementation Target (Type and Quantity)</b></p> <table border="0"> <tr> <td>1.</td> <td>US\$ 2,600,000</td> </tr> <tr> <td>2.</td> <td>1,600,000</td> </tr> <tr> <td>3.</td> <td>1,500,000</td> </tr> <tr> <td>4.</td> <td>25,000</td> </tr> <tr> <td>5.</td> <td>275,000</td> </tr> <tr> <td></td> <td><u>US\$ 6,000,000 (Total)</u></td> </tr> </table>	1.	US\$ 2,600,000	2.	1,600,000	3.	1,500,000	4.	25,000	5.	275,000		<u>US\$ 6,000,000 (Total)</u>	<ol style="list-style-type: none"> <li>1. Signed contracts.</li> <li>2. Signed contracts, executed work orders and buy-in documentation.</li> <li>3. Training reports.</li> <li>4. Receiving reports.</li> <li>5. Evaluation reports.</li> <li>6. Audit reports.</li> <li>7. MACS reports.</li> </ol>	<p><b>Assumptions for providing inputs:</b></p> <ul style="list-style-type: none"> <li>-Funds available.</li> <li>-Contracting terms met.</li> </ul>
1.	US\$ 2,600,000														
2.	1,600,000														
3.	1,500,000														
4.	25,000														
5.	275,000														
	<u>US\$ 6,000,000 (Total)</u>														

**Annex C**  
**Statutory Checklist**

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**5C(2) - ASSISTANCE CHECKLIST**

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

1. This is a regional project which is directed at strengthening local governments through the process of decentralization whereby municipal systems will have the capacity to implement their new responsibilities through the cooperation and participation of their constituents. The project indirectly can provide the setting where local organizations such as cooperatives, credit unions, federations, etc. can function more openly.

**CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?**

**A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS**

**1. Host Country Development Efforts (FAA Sec. 601(a)):** Information and conclusions on whether assistance will encourage efforts of the country to:  
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

2. Local participatory government can provide a more appropriate trade and investment climate for indigenous entrepreneurs.

**2. U.S. Private Trade and Investment (FAA Sec. 601(b)):** Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

### 3. Congressional Notification

a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Proper notification has been provided Congress.

b. Notice of new account obligation (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Financial plans and reasonable cost estimates have been prepared.

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

6. **Water Resources (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501):** If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec. 575(b)):** Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. **Capital Assistance (FAA Sec. 611(e)):** If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives (FAA Sec. 601(a)):** Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The cornerstone of the Project is decentralization whereby there is greater municipal autonomy and more local participation of its citizens for political and economic enfranchisement. These democratic actions at the local level can contribute directly or indirectly to (a) thru (f) of item 9.

10. **U.S. Private Trade (FAA Sec. 601(b)):** Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Open, franchised local governments through consensus-building activities will enhance trade and investment opportunities over the long-term, but probably will not be measurable during the life of this activity.

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**11. Local Currencies**

**a. Recipient Contributions**  
(FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Local contributions in support of this activity will be in-kind and/or in local currencies.

**b. U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

N/A

**c. Separate Account** (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

## 12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

NO

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

NO

14. Sahel Accounting (FAA Sec. 121(d)): If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

N/A

15. PVO Assistance

a. Auditing and registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N/A

b. Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

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16. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Will be done.

17. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the

The metric system is used as practicable within the respective countries/local governments.

extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

18. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Women will actively participate in this Project, which is in harmony with local political forces allowing for their participation. The Project will encourage greater women participation.

19. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

This is a regional undertaking using regional resources. Experiences in C.A. suggest that there is a strong rationale for taking a regional approach in promoting democracy through decentralization to local governments.

20. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

NO

b. Will any funds be used to lobby for abortion?

NO

21. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

This Project can enhance the political and economic setting whereby local level cooperatives may better thrive.

**22. U.S.-Owned Foreign Currencies**

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? NO

**23. Procurement**

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? YES

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? YES

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? YES

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible N/A

under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

**f. Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

NO

**g. Technical assistance (FAA Sec. 621(a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

YES

**h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974):** If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

YES

**i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504):** If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

YES

**j. Consulting services**  
(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

YES

**k. Metric conversion**  
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

This Project will use the metric system of measurement as practicable.

Metric units will be utilized or shown dually with non-metric measurements, as appropriate.

**l. Competitive Selection**  
Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

YES

## **24. Construction**

**a. Capital project (FAA Sec. 601(d)):** If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

**b. Construction contract (FAA Sec. 611(c)):** If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

**c. Large projects,**  
Congressional approval (FAA Sec. 620(k)):  
If for construction of productive  
enterprise, will aggregate value of  
assistance to be furnished by the U.S. not  
exceed \$100 million (except for productive  
enterprises in Egypt that were described  
in the Congressional Presentation), or  
does assistance have the express approval  
of Congress?

N/A

**25. U.S. Audit Rights (FAA Sec. 301(d)):** If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

Yes, but no fund is contemplated.

**26. Communist Assistance (FAA Sec. 620(h)).** Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

YES

**27. Narcotics**

**a. Cash reimbursements (FAA Sec. 483):** Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

N/A

**b. Assistance to narcotics traffickers (FAA Sec. 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

N/A

28. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

N/A

29. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

N/A

30. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?

N/A

31. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

YES

32. **Military Personnel** (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?

N/A

33. **Payment of U.N. Assessments** (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues?

N/A

34. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?

YES

35. **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology?

N/A

36. Repression of Population (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

N/A

37. Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress?

NO

38. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

YES

39. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

NO

**B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY**

**1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment):** If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

This is not an agricultural development activity and will have no direct bearing on agricultural exports and/or agricultural research programs.

**2. Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits?

N/A

**3. Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

**4. Indigenous Needs and Resources (FAA Sec. 281(b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

This Project gives emphasis to the democratic development of local governmental institutions and their participating citizenry through improved management, education and training programs.

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes, in the sense that the Project strives for a democratic political climate at the local level where economic resources can be utilized more openly and effectively.

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

This activity is specifically directed to deeper and more pervasive democratic actions at the local level involving local governments and their citizenry.

This is a regional project that will have impact on a number of private/public institutions at the local level and will influence many social groupings, including the participation of women in the democratization process.

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

N/A

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Improved local government and more involvement of its constituency will have beneficial side effects for many of the socially and economically disenfranchized.

9. Abortions (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 535):

- a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? NO
- b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? NO
- c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? NO
- d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? NO
- e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? N/A
- f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? NO
- g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? NO

10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

YES

11. **Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

ROCAP encourages the participation to the maximum extent practicable of small disadvantaged business concerns, women-owned small business concerns and other small business concerns. No portion of project funds, however, is specifically set aside for disadvantaged enterprises.

12. **Biological Diversity (FAA Sec. 119(g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

This project will have no direct impact on biological diversity.

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):**

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

YES

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent

N/A

feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

**c. Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

NO

**d. Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

**e. Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

N/A

14. **Energy (FY 1991 Appropriations Act Sec. 533(c)):** If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. **Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)):** If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) being provided in accordance with the policies contained in FAA section 102; (d) being provided in close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (e) being used to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (f) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks,

N/A

to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

**16. Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

**17. Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515):** If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

**18. Loans**

**a. Repayment capacity (FAA Sec. 122(b)):** Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

N/A

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

YES

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

N/A

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

N/A

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

This is essentially a development project that is primarily concerned with supporting municipal governments. It aims at perfecting ways the municipal administrative, financial, technical and related support service systems are strengthened and better able to serve and represent their respective constituencies. It can open the door over the long run for such amenities as increased employment for the disadvantaged, community participation through public and private social- and/or economic-based organizations, and a better political climate to enhance private sector growth.

**20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):**

**a. Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

N/A

**b. Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

N/A

**c. Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

**21. Population and Health (FAA Secs. 104(b) and (c)):** If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of

N/A

mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

22. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

23. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

24. Sahel Development (FAA Secs. 120-21). If assistance is being made available for the Sahelian region, describe: (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) whether a determination has been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom).

N/A

1/2

**Annex D**

**Technical Analysis**

**Executive Summary  
PADCO Regional Municipal Assessment**

**Cable on Honduras' New Municipal Law**

**Declaration of Tegucigalpa**

## EXECUTIVE SUMMARY

### *Scope of Work*

AID, in its efforts to support the recent changes in the Central American region towards greater democratization and decentralization, is engaged in a process of formulating and implementing a regional strategy and program in support of municipal development. The objective of this report is for PADCO, the contracting agency, to investigate, analyze and propose to AID just such a strategy and program plan. As part of the scope of work, AID requested that PADCO conduct an assessment of the existing situation in Central America regarding the key components of municipal development -- these being municipal mandates, municipal finance, community empowerment, municipal associations, and government structures at the local, regional and national level that impact local development and self-sufficiency. As a corollary, AID requested that PADCO develop models, ideals, instruments and/or alternatives for these key aspects of municipal development. Finally, AID asked that PADCO develop a strategy for possible AID interventions, based on the differences between the existing and ideal situations discovered during the investigation and on the specific country-by-country conditions and needs.

### *The Existing Situation*

PADCO based its report on the basic premise that municipal governments, as permanent institutions with elected representatives, are closest to the people and can ultimately be more responsive to local needs while increasing citizen participation in development decision-making and providing better access for the redress of grievances. As a basic point of departure from that premise, PADCO found that municipal governments and democratic processes can only be strengthened and improved to the degree that municipal governments effectively: 1) provide political representation and governance at the local level; 2) plan, organize and manage local development and respond to constituent needs for land, basic infrastructure, services and employment; and 3) integrate constituent participation within the process of local development management and decision-making. Accordingly, PADCO found that the strategic requirements for such municipal development and democratization are decentralization and municipal autonomy, local citizen participation and representation, municipal capacity and a strong fiscal base, and finally simultaneous empowerment of both municipal governments and their communities.

### ■Urban and Regional Structures: The Context

To understand the existing situation, formulate realistic goals and identify the possibilities for improvement of Central American municipalities, PADCO found that it was imperative to recognize the regional, national, and local context by which municipalities are constrained and/or enabled, depending on their geographic location and on their place in the regional, national and urban hierarchy. Regionally and nationally, Central America and its countries are embarking on a series of policy reforms -- which will be supported by AID's municipal development efforts --, among which are public sector reforms that will dismantle

the old statist and centralized framework. These include administrative reforms, decentralization efforts, and support for improvements in local finance and independence. These reforms, however, are tied to -- albeit circumscribed by -- stabilization programs that impose austerity measures requiring public expenditure reductions. Such pressures to cut back public expenditures -- at the national and local levels -- affect, indeed reduce, the possibilities for decentralization, financial transfer to local governments, and in effect municipal development and democratization. These realities simultaneously imply support for and constraint on the possibilities for municipal development .

In addition, Central American municipalities are directly affected by the urban and regional structures in which they operate. First of all, there has historically been and continues to be a growth of primate cities in every country of the region. These primate cities -- largely the capitals -- command spheres of influence (some beyond their own countries) that economically and politically affect the municipalities that fall within their spheres -- either inhibiting or promoting their growth. However, the 1980s did witness a remarkable growth in the number of secondary cities, and 21 such cities now show high potential for continued economic growth and development. Nevertheless, despite the advantages and growth for secondary cities, they remain limited in the ability to handle growth as a result of their lack of capacity to meet basic infrastructure and employment needs of a growing population, particularly the informal sector. Municipal development and decentralization strategies and programs should make most efficient and effective use of the scarce resources available by targeting cities that hold the greatest economic growth potential as well as take into account the other positive and negative implications that urban and regional structures hold for municipalities and their development.

#### ■Municipal Mandates

PADCO found that, despite some recent and promising possibilities for decentralization, power remains to be largely concentrated in the central governments of the region. While the constitution and municipal codes mandate municipal autonomy and self-government (with the exception being Panama), laws and decrees contradict and actually reduce municipal government powers. The limitation of municipal mandates is compounded by the limited scope and coherency of national decentralization policies that are directed to address this situation, even though there are efforts underway in the various committees and commissions on municipal development in each country to develop coherent policies. Finally, the heterogeneity among municipalities make common policies, planning and programs difficult to formulate and implement. These require national decentralization policies, laws and decrees that together clearly specify the authority, competencies and resources to be transferred from the national to the local level.

#### ■Municipal Finance/Resources

PADCO found that in five countries of the region, the national constitution proclaims the "autonomy" of each municipal government and its right to provide a full range of public

services to its residents. However, the realities of constrained local resources and the intervention of the central government agencies and institutions to provide basic local services too often make a mockery of high-sounding constitutional provisions. The extreme scarcity of revenue available to support the recurrent budget is common throughout the region while capital revenue conditions vary widely. Only a very limited range of taxes is available to municipalities, and, even when a municipality is allowed to levy a tax, its rate and most other features -- such as the tax base -- are often subject to delay or denial by national government. Real estate taxes -- the basis for local finance in most industrialized countries -- are generally weak or incipient in Central America. Making the situation worse, most municipalities are unable or unwilling to collect even those limited taxes and service charges they are allowed to levy. Inter-governmental transfers, while substantial in Guatemala and Honduras, are extremely limited or non-existent in other countries. Not surprisingly, municipalities can generally finance only a restricted range of public services, with the large exception being Guatemala, where water supply and sewerage are municipal functions. Secondary cities, and to a lesser extent capital cities, also represent exceptions since they tend to be responsible for a much broader range of services.

On the human -- as opposed to the financial -- resource side, the lack of municipal capacity throughout Central America is one of the major constraints to efficiency and effectiveness of local development activities. The scale of technical assistance and training required is enormous, yet most of the countries do not have the institutional capacity in place to provide systematic, timely and relevant technical assistance and training to municipalities. The absence of national institutional technical assistance and training capacity as well as the lack of systematic policies and strategies to guide effective utilization of limited resources are major constraints to the decentralization and municipal development process. In light of the large scale of assistance and training required and of the scarce resources for meeting those needs, decentralization programs should make the most effective use of resources by targeting municipalities with high economic growth and development potential.

#### ■ Local Government Representation/Community Empowerment

PADCO found that community empowerment and participation are key concerns for municipal governments, as a means to not only support democratic principles but also to mobilize local resources for development. With regard to effectively engaging community empowerment, PADCO found that there are three pillars of participation: 1) legitimacy and representation; 2) democratic and participatory governance systems; and 3) strong citizen participation. The first -- legitimacy and representation, is based on the electoral process, which, however, is limited throughout the region. For example, in many cases municipal elections are not separate (in date or political platform) from national elections, limit citizen choice since ballots are based on a party slate of candidates, and are not in all cases based on the proportionality of vote principal.

The second -- democratic and participatory governance systems -- necessitate that municipal governments should have: the authority, interest and responsibility to encourage participation; the knowledge of and capability for participatory mechanisms; and should be held accountable for their decisions and actions. In all respects, however, municipal governments are limited. They may possess the authority (and even the responsibility) to encourage participation, but they generally lack the capabilities or checks to engage or ensure that participation. Finally, the third key pillar -- strong citizen organization -- is also critical so as to assure that the appropriate organizational structures exist within the community so that individuals can effectively participate when that participation is allowed and requested. PADCO found that strong citizen organizations do exist but that the public-private interface has yet to be developed to effectively tap community organizations as a conduit for participation and/or the mobilization of local resources .

#### ■Municipal Associations

Municipal participation, representation and support takes the form of two different types of institutions: municipal associations and municipal development institutes. The reality in Central America is that these institutions provide the needed functions in a very limited fashion. Municipal associations, where they do exist, are very weak or have had repeated failures, as a result of the difficulty to sustain themselves over the long term in light of limited resources or support from municipalities, national governments and external donors. While municipal development institutes provide relatively good support in technical assistance, training and financing, they often do so without a clear framework of strategic municipal development plan. In addition, these institutes are often controlled and financed by central authorities, limiting municipal self-determination and participation in their own development process. Finally, the activities of these institutes are not well coordinated with the complementary and sometimes duplicated role of associations.

#### *Proposed Strategy*

PADCO recommends a strategy that supports a democratic process free of a political agenda while at the same time addresses the key constraints as perceived by the actors in the municipal development process. In addition, the strategy should be simultaneously realistic, effective, efficient and sustainable. Finally, it should be complementary of individual country initiatives.

The basic goal in this strategy should be to develop stable democratic societies in the region through decentralization and the creation of local capability and commitment to respond both democratically and effectively to development needs. To achieve this, PADCO found that it is imperative to:

- transfer the authority, responsibilities and resources from local to central government as well as to consolidate the autonomy of local governments;
- strengthen citizen participation and representation in municipal government and local

development activities;

- strengthen municipal administrative, financial and technical capacity; and
- strengthen the capacity and effective participation of existing intermediary support institutions, such as municipal and community associations, municipal institutes, NGOs, and federations of communities.

PADCO has identified seven broad strategies that are required to address the limitations in municipal development throughout the region. These are to:

1. Design and Utilize a Conceptual Framework as a Planning and Management Tool.
2. Establish Functional Linkages and Networks Among Municipalities at the National, Regional and International Levels.
3. Promote Systematically Decentralization Policy Dialogue and Agenda Development at the Regional and National Levels.
4. Promote Systematic Support for Community and NGO Participation.
5. Formulate and Implement Technical Assistance and Training Strategies.
6. Promote Regional and International Networking and Resource Mobilization.
7. Support the Active Participation of AID Mission in Policy Formulation and Technical Management and Coordination.

Within these strategies, PADCO has identified strategic targets for project assistance. PADCO recommends that the Regional Municipal Development Project will fund six discrete activities to achieve its objectives: 1) Analysis, research and design; 2) Seminars and workshops; 3) Training and publications; 4) Networking; 4) A communications program; and 6) Work with regional institutions.

The specific project implementation strategy and organization proposed by PADCO is an action-oriented approach that focuses on the potential for municipal development at the regional and national levels through municipal associations and associated development institutes. The basis for this focus is the comparative advantages that such municipal associations and institutes potentially hold for promoting and supporting municipal development. They provide a means for leverage, cross-fertilization of ideas, prioritization of activities based on scarce resources, support for a regional and national policy agendas, the mobilization of resources, and the implementation of action plans. As a result, PADCO supports implementation programs through: 1) FEMICA for regional-level programs; 2) national associations for both regional and country-level programs; and 3) bilateral mission programs for specialized national-level activities. Finally, through these existing municipal associations and development institutes, support will be required for a dynamic municipal development process in which continual research, analysis, formation of ideas, and innovative programs and projects will develop and occur. Only through such an approach can municipalities effectively receive support, formulate programs, obtain leverage, and manage -- as well as generate -- the scarce resources required for their development.

ORIGIN AID2 INFO DCM ECON/4

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PP RUEHC RUEHGT RUEHSN RUEHMU RUEHSJ RUEHQT  
 RUEHSG RUEHMN RUEBBR RUEHBO RUEHLP RUEHPE  
 RUEHZP RUEHKG RUEHTU RUEHNR RUEBAB RUEHBK  
 RUEHEG

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FM AMEMBASSY TEGUCIGALPA

TO RUEHC / SECSTATE WASHDC PRIORITY 6566

INFC RUEHGT / AMEMBASSY GUATEMALA 0668

RUEHSN / AMEMBASSY SAN SALVADOR 8246

RUEHMU / AMEMBASSY MANAGUA 2429

RUEHSJ / AMEMBASSY SAN JOSE 7664

RUEHQT / AMEMBASSY QUITO 1279

RUEHSG / AMEMBASSY SANTIAGO 0626

RUEHMN / AMEMBASSY MONTEVIDEO 0431

RUEBBR / AMEMBASSY BRASILIA 0518

RUEHBO / AMEMBASSY BOGOTA 2855

RUEHLP / AMEMBASSY LA PAZ 0872

RUEHPE / AMEMBASSY LIMA 1132

RUEHZP / AMEMBASSY PANAMA 4554

RUEHKG / AMEMBASSY KINGSTON 0866

RUEHTU / AMEMBASSY TUNIS 0045

RUEHNR / AMEMBASSY NAIROBI 0136

RUEBAB / AMEMBASSY ABIDJAN 0059

RUEHBK / AMEMBASSY BANGKOK 0119

RUEHEG / AMEMBASSY CAIRO 0003

BT

UNCLAS SECTION 01 OF 06 TEGUCIGALPA 20484

CLASS: UNCLASSIFIED  
 CHRG: AID 11/08/90  
 APPRV: MD:JSANBRAILO  
 DRFTD: RHUDO:RZENGER,  
 ON:SM  
 CLEAR: L.DMD:GWACHTEN  
 2.DF:LKLASSEN  
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AIDAC

AID FOR AA/LAC, LAC/DI, LAC/CEN, LAC/DR, LAC/DP,  
 A/PRE/H, A/PRE/DR

AID QUITO FOR RHUDO/SA

AID KINGSTON FOR RHUDO/CAR

AID TUNIS FOR RHUDO/NENA

AID NAIROBI FOR RHUDO/EA

AID ABIDJAN FOR RHUDO/WA

AID BANGKOK FOR RHUDO/ASIA

E.O. 12356: "N/A" OF COOPERATION  
 SUBJECT: HONDURAS APPROVES NEW MUNICIPAL LAW

1. SUMMARY: THE HONDURAN NATIONAL CONGRESS IN LATE  
 OCTOBER ENACTED A NEW MUNICIPAL LAW WHICH OVERTURNS  
 TRADITIONS, PROCEDURES AND PATERNALISTIC ATTITUDES THAT  
 HAVE FRUSTRATED LOCAL GOVERNMENT AND DEVELOPMENT EFFORTS  
 FOR DECADES. THE NEW LAW PROMISES TO SUBSTANTIALLY

STRENGTHEN THE DEMOCRATIC PROCESS BY PROVIDING A MUCH IMPROVED LEGAL FRAMEWORK FOR DECENTRALIZATION AND MUNICIPAL ATTENTION TO PUBLIC SERVICES AND ENVIRONMENTAL CONCERNS. IF FULLY IMPLEMENTED, THIS NEW LAW COULD SIGNIFICANTLY ALTER THE DIVISION OF AUTHORITY BETWEEN CENTRAL AND LOCAL GOVERNMENT BY GIVING MUNICIPALITIES GREATER FINANCIAL AUTONOMY, INCREASED TAXING AUTHORITY, OWNERSHIP OF EJIDO (PUBLIC) LANDS, AND CONTROL OF NATURAL RESOURCES WITHIN THEIR JURISDICTIONS. IT ELIMINATES AN UNNECESSARY LEVEL OF GOVERNMENT, THE DEPARTMENTAL COUNCIL, AND MAKES THE MUNICIPAL COUNCIL RESPONSIBLE FOR BUDGETS AND TAXATION. A COMPANION MEASURE EXPECTED TO BE PASSED IN 1991 WILL REFORM THE ELECTORAL LAW TO PROVIDE FOR AUTONOMOUS MUNICIPAL ELECTIONS.

2. THE NEW LAW PROMOTES A BOTTOM-UP APPROACH TO MUNICIPAL AND ECONOMIC DEVELOPMENT BY DECENTRALIZING A LARGER SHARE OF DECISION-MAKING POWER TO LOCAL GOVERNMENTS. THIS REPRESENTS ANOTHER IMPORTANT STEP FORWARD IN FURTHER STRENGTHENING HONDURAN DEMOCRATIC INSTITUTIONS THAT HAVE BEEN GRADUALLY EVOLVING THROUGHOUT THE 1980S. WHILE IMPLEMENTATION OF THE CHANGES SOUGHT UNDER THIS NEW MUNICIPAL LEGISLATION WILL NOT COME EASILY AND MAY TAKE YEARS TO BE FULLY REALIZED, USAID IS ENCOURAGED BY HONDURAS' CONSISTENT PROGRESS TOWARD MUNICIPAL REFORM AND GREATER DECENTRALIZATION. OVER THE PAST FOUR YEARS USAID, THROUGH THE REGIONAL HOUSING AND URBAN DEVELOPMENT OFFICE FOR CENTRAL AMERICA (RHUDO/CA), HAS PROVIDED SUBSTANTIAL TECHNICAL ASSISTANCE AND OTHER SUPPORT TO HONDURAS TO MOVE FORWARD THIS NEW MUNICIPAL LAW AND THE MUNICIPAL REFORM PROCESS. OUR RECENTLY AUTHORIZED MUNICIPAL DEVELOPMENT PROJECT IS NOW UNIQUELY POSITIONED TO HELP THE GOH AND MUNICIPALITIES IMPLEMENT THIS LEGISLATION AND THEREBY FURTHER CONSOLIDATE AND DEEPEN HONDURAN DEMOCRACY. END SUMMARY

3. IN RECENT DECADES MUNICIPAL GOVERNMENTS IN HONDURAS HAVE BEEN HANDICAPPED BY AN OUTMODED MUNICIPAL LAW THAT HAS PERPETUATED THEIR DEPENDENCE UPON THE CENTRAL GOVERNMENT. THE RESULTING WEAKENED LOCAL GOVERNMENTS HAVE BEEN UNABLE TO MEET THE SERVICE NEEDS OF THEIR POPULATIONS

OR TO MAKE SIGNIFICANT CONTRIBUTIONS TO THE ECONOMIC DEVELOPMENT THAT THE COUNTRY REQUIRES. OVER DECADES OF PRACTICE IMPORTANT MUNICIPAL FUNCTIONS HAVE PROGRESSIVELY SHIFTED TO CENTRAL GOVERNMENT AGENCIES WHICH HAVE BECOME

PONDEROUS AND INEFFICIENT PROVIDERS OF SERVICES, INCREASINGLY OVERWHELMED BY THE PROBLEMS OF RAPID URBAN GROWTH AND UNRESPONSIVE TO LOCAL NEEDS.

4. IN SHORT, HONDURAS' 1927 MUNICIPAL LAW, WITH ITS ANACHRONISTIC CONCEPTION OF THE MUNICIPALITY AS AN INHERENTLY WEAK ORGANIZATION THAT MUST BE CONTROLLED FROM ABOVE, HAD BECOME A CRITICAL OBSTACLE TO ECONOMIC DEVELOPMENT AND TO THE PROCESS OF STRENGTHENING THE COUNTRY'S DEMOCRATIC INSTITUTIONS. IT WAS FRUSTRATING THE MUNICIPALITIES FROM PLAYING A MORE DYNAMIC LEADERSHIP ROLE IN THE ECONOMIC AND POLITICAL DEVELOPMENT OF HONDURAS. THE EXPRESSED INTENTION OF THE 1990 MUNICIPAL LAW IS TO CREATE A MUCH MORE DECENTRALIZED POLITICAL STRUCTURE BY STRENGTHENING INDEPENDENT MUNICIPAL GOVERNMENTS AND ENCOURAGING THEM TO CONTROL AND MOBILIZE LOCAL RESOURCES FOR THEIR OWN DEVELOPMENT. IT IS EXPECTED THAT THIS NEW LEGISLATION (AND COMPLEMENTARY CHANGES TO BE APPROVED IN A NEW ELECTORAL LAW IN 1991) WILL FACILITATE A BOTTOM-UP APPROACH TO DEVELOPMENT AND PREVENT SMALL GROUPS FROM DOMINATING THE ECONOMIC AND POLITICAL LIFE OF THE COUNTRY.

5. THE NEW MUNICIPAL LAW IS THE BASIS FOR SUBSTANTIALLY CHANGING THE WAY THE CENTRAL GOVERNMENT, MUNICIPALITIES AND LOCAL CONSTITUENCIES DO BUSINESS WITH EACH OTHER. IT PROMOTES GREATER CITIZEN PARTICIPATION IN MUNICIPAL DECISION-MAKING, ENCOURAGES THE USE OF PRIVATE ENTERPRISE TO MEET SERVICE NEEDS AND, WHILE IT GIVES MUNICIPALITIES RESPONSIBILITY FOR NATURAL RESOURCES IN THEIR JURISDICTIONS, IT ENCOURAGES THEM TO PROTECT THE ENVIRONMENT. SOME OF THE MOST IMPORTANT POLITICAL, ECONOMIC AND ADMINISTRATIVE PROVISIONS OF THE NEW LAW ARE:

A. MUNICIPAL FISCAL STRUCTURE: TRADITIONALLY, HONDURAN MUNICIPALITIES HAVE BEEN ALMOST TOTALLY DEPENDENT ON THE CENTRAL GOVERNMENT FOR FINANCING SPECIFIC EARMARKED INVESTMENT PROJECTS IDENTIFIED AND APPROVED AT THE NATIONAL LEVEL. THIS HAS GREATLY WEAKENED THEIR ABILITY TO DIRECT LOCAL DEVELOPMENT AND TO RESPOND QUICKLY TO LOCAL PROBLEMS. THE NEW LAW HAS GREATLY IMPROVED THE MUNICIPAL FISCAL STRUCTURE. NOW UNEARMARKED NATIONAL LEVEL BUDGET FUNDS WILL BE AUTONOMICALLY TRANSFERRED TO

MUNICIPALITIES TO RESPOND TO LOCAL NEEDS AS DEFINED BY THE MUNICIPALITIES. THIS WILL PROVIDE MUCH GREATER AUTONOMY AND AUTHORITY TO LOCAL GOVERNMENTS.

B. CENTRAL GOVERNMENT TRANSFERS: THE CENTRAL GOVERNMENT CURRENTLY MAKES TRANSFERS FOR INDIVIDUAL PROJECTS TO SELECTED MUNICIPALITIES, INTERVENES IN SELECTED MUNICIPALITIES TO HELP PAY THE WAGES OF MUNICIPAL EMPLOYEES OR HELPS FINANCE THE BUDGET DEFICIT OF A GIVEN

MUNICIPALITY. THE DECISION ON WHAT MUNICIPALITY RECEIVES ASSISTANCE HAS BEEN BASED ALMOST EXCLUSIVELY ON POLITICAL CONSIDERATIONS, HAS PROMOTED NATIONAL LEVEL CENTRALIZATION AND PATERNALISM, AND HAS DISCOURAGED THE PREPARATION OF BALANCED MUNICIPAL BUDGETS AND LOCAL REVENUE GENERATION. UNDER THE NEW LAW, TRANSFERS FROM THE CENTRAL GOVERNMENT WILL BE EXECUTED ON AN AUTONOMIC BASIS AS PART OF THE NATIONAL BUDGET PROCESS. AN ANNUAL CONTRIBUTION OF FIVE PERCENT OF CENTRAL GOVERNMENT REVENUES WILL EVENTUALLY BE PROVIDED TO MUNICIPALITIES BEGINNING IN 1992 AT THE RATE OF TWO PERCENT, IN 1993 AT THE RATE OF FOUR PERCENT AND IN 1994 AT FIVE PERCENT. THESE RESOURCES WILL MAINLY BE TRANSFERRED TO MUNICIPALITIES FOR LOCALLY DEFINED INVESTMENT PROJECTS (90 PERCENT OF THESE RESOURCES MUST BE USED FOR INVESTMENT PURPOSES) AND THE PROPORTION OF FUNDS DISTRIBUTED TO EACH MUNICIPALITY WILL LARGELY BE BASED ON THE SIZE OF ITS POPULATION.

C. MUNICIPAL TAXING AUTHORITY: THE NEW LAW ALSO IMPROVES MUNICIPAL FINANCES BY PROVIDING GREATER LOCAL TAXING AUTHORITY AS FOLLOWS: (I) ALL TAXES ARE ESTABLISHED ON AN AD-VALOREM BASIS ELIMINATING FIXED RATES, (II) A SINGLE RATE FOR ALL MUNICIPALITIES WAS ESTABLISHED AND ALL MUNICIPALITIES ARE ALLOWED TO APPROVE THEIR OWN TAXES UP TO A CEILING LEVEL, (III) TWO NEW TAXES, A TAX ON EXTRACTION OF NATURAL RESOURCES AND A HEAD TAX ON CATTLE AT THE SLAUGHTERHOUSE, WERE CREATED IN FAVOR OF THE MUNICIPALITIES AND (IV) A TAX ON REAL PROPERTY TRANSACTIONS WAS TRANSFERRED FROM THE CENTRAL TO LOCAL GOVERNMENTS. THE NEW LAW ALSO ALLOWS MUNICIPAL GOVERNMENTS TO ISSUE BONDS AND TO DEPOSIT FUNDS IN, OR BORROW FROM ANY BANK OF THEIR CHOOSING, AND ELIMINATES THE MONOPOLY ROLE OF THE CENTRAL GOVERNMENT MUNICIPAL BANK (BANMA).

D. EJIDO (PUBLIC) LAND: THE NEW LAW TRANSFERS THE OWNERSHIP OF THE URBAN EJIDO LANDS TO THE MUNICIPALITIES. THIS PROVISION IS CRITICAL TO THE URBAN PLANNING AND SHELTER FUNCTIONS OF MUNICIPALITIES AND TO THEIR FUTURE ECONOMIC BASE. IT WILL ALLOW MUNICIPALITIES TO RESOLVE MANY LAND TENURE PROBLEMS AND IMPROVE THEIR TAX COLLECTION BASIS.

E. ELIMINATION OF THE DEPARTMENTAL COUNCIL: MUNICIPAL GOVERNMENTS HAVE BEEN LIMITED IN THEIR DECISION MAKING POWER BY A PATERNALISTIC SYSTEM OF EXTERNAL CONTROLS. A MAJOR RESTRICTION HAS BEEN EXCESSIVE DEPENDENCE UPON THE DEPARTMENTAL COUNCIL. PREVIOUSLY ALL TAXATION PLANS TO FINANCE MUNICIPAL BUDGETS AND MANY ADMINISTRATIVE ACTIONS NEEDED THE APPROVAL OF THE DEPARTMENTAL COUNCIL. IN THE NEW LAW THE DEPARTMENTAL COUNCIL WAS ELIMINATED AND ALL OF ITS FUNCTIONS WERE PASSED TO THE MUNICIPAL COUNCIL.

F. THE POSITION OF SINDICO: THE SINDICO IS THE LEGAL REPRESENTATIVE OF THE MUNICIPALITY HAVING MORE AUTHORITY THAN THE MAYOR IN SOME RESPECTS. FOR INSTANCE HE MUST EXECUTE ALL CONTRACTS AND REPRESENT THE MUNICIPALITY IN COURT. THE SINDICO IS ELECTED. IN MOST CASES, THE DEFEATED MAYORAL CANDIDATE HEADING THE OPPOSITION SLATE USUALLY BECOMES THE SINDICO, THUS NEUTRALIZING THE AUTHORITY OF AN ELECTED MAYOR. THERE HAVE BEEN NO REQUIREMENTS THAT THE SINDICO HAVE LEGAL TRAINING OR MEET ANY PROFESSIONAL OR EXPERIENCE STANDARDS. AS A RESULT, THE ELECTION PROCESS OFTEN FOSTERS POLITICAL CONFLICT BETWEEN THE MAYOR AND SINDICO. THE NEW LAW ABOLISHES THE POSITION OF SINDICO STARTING IN 1994 AND PROVIDES FOR A PROFESSIONAL LEGAL OFFICER IN LARGER MUNICIPALITIES.

G. FORMATION OF NEW MUNICIPALITIES: SMALL MUNICIPALITIES, SPREAD OVER A WIDE RURAL TERRITORY, CANNOT REASONABLY BE EXPECTED TO PROVIDE THE SAME PUBLIC SERVICES AS MEDIUM-SIZED CITIES, NOR PERFORM COMPLEX PUBLIC FUNCTIONS. THE NEW LAW PROVIDES THAT NEW MUNICIPALITIES MUST HAVE A SIZE OF AT LEAST 1 PERCENT OF THE TOTAL POPULATION, MUST DEMONSTRATE THE CAPACITY TO PERFORM LOCAL PUBLIC FUNCTIONS AND MUST HAVE SUFFICIENT TERRITORY AND ECONOMIC TAX BASE. (COMMENT: THE REQUIREMENT THAT A NEW MUNICIPALITY MUST HAVE A SIZE OF 1 PERCENT OF THE POPULATION -- APPROXIMATELY 44,000 PEOPLE -- WILL EFFECTIVELY PRECLUDE THE CREATION OF ANY NEW

MUNICIPALITIES. THIS SHOULD HELP STOP THE FRAGMENTATION AND PROLIFERATION OF VERY SMALL AND NON-VIABLE MUNICIPALITIES. END COMMENT).

H. MUNICIPAL ADMINISTRATION: STRENGTHENING OF LOCAL ADMINISTRATIVE CAPACITY IS A PRE-REQUISITE FOR ALMOST ANY ADVANCE IN THE ROLE OF MUNICIPALITIES. THE NEW LAW STIPULATES THAT ALL MUNICIPALITIES WILL BE COVERED BY A CIVIL SERVICE SYSTEM WITHIN THREE YEARS, ESTABLISHES THE POSSIBILITY TO CREATE A TRAINING INSTITUTE GOVERNED BY THE MUNICIPALITIES AND ENCOURAGES THE CREATION OF ASSOCIATIONS OF MUNICIPALITIES FOR MUTUAL SELF-HELP. (COMMENT: THE PROVISION OF ASSOCIATIONS OF HONDURAN MUNICIPALITIES IS PARTICULARLY CRITICAL BECAUSE AN OVERWHELMING MAJORITY OF HONDURAN MUNICIPALITIES HAVE SUCH SMALL POPULATIONS THAT THEY MAY NEVER BE VIABLE FINANCIAL AND SERVICE ORGANIZATIONS. OF THE 290 MUNICIPALITIES IN HONDURAS, USAID ESTIMATES THAT AT LEAST 200 FALL INTO THIS LATTER CATEGORY. THE ONLY HOPE FOR THESE VERY SMALL MUNICIPALITIES MAY BE SOME FORM OF GROUPING IN A LARGER REGIONAL ASSOCIATION. END COMMENT).

I. PLANNING AND PUBLIC WORKS: IN THE PAST, LAWS AND

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NATIONAL AGENCIES HAVE GREATLY RESTRICTED LOCAL GOVERNMENT RIGHTS TO DEVELOP AND IMPLEMENT URBAN DEVELOPMENT PLANS OR TO PUT TO USE LOCAL RESOURCES. THE NEW MUNICIPAL LAW SPECIFIES THAT URBAN PLANNING, THE MANAGEMENT OF PUBLIC LANDS TO COMPLY WITH URBAN DEVELOPMENT, AND LOCAL PUBLIC WORKS CONSTRUCTION ARE MUNICIPAL FUNCTIONS. THEY CAN BE ASSIGNED TO CENTRAL GOVERNMENT AUTHORITIES ONLY PURSUANT TO A WRITTEN AGREEMENT BETWEEN THE MUNICIPALITY AND APPROPRIATE CENTRAL AUTHORITY. TO INCREASE THE EFFICIENCY OF LOCAL PUBLIC SERVICE DELIVERY, THE MUNICIPAL LAW EXPRESSLY RECOGNIZES THE RIGHT OF MUNICIPALITIES TO UTILIZE THE PRIVATE SECTOR IN IMPLEMENTING THEIR SERVICE FUNCTIONS.

6. USAID BELIEVES THAT THE NEW MUNICIPAL LAW REPRESENTS A GIANT STEP FORWARD IN STRENGTHENING HONDURAN MUNICIPAL GOVERNMENTS AND THE LAW EMBODIES MOST OF THE POLICIES WE HAVE BEEN SUPPORTING. FOR THE PAST FOUR YEARS USAID THROUGH RHUDO/CA HAS BEEN ACTIVELY ENGAGED IN HELPING HONDURAS MOVE FORWARD ITS MUNICIPAL REFORM PROCESS. IN 1987-88 THROUGH OUR ESP CONDITIONALITY WE WERE ABLE TO ENCOURAGE MAJOR LEGAL CHANGES BY THE HONDURAN CONGRESS THAT ALLOWED ALL MUNICIPALITIES TO COLLECT FEES

(BITTERMENT TAX) FOR URBAN INFRASTRUCTURE PROJECTS. TECHNICAL ASSISTANCE WAS THEN PROVIDED TO HELP THE HONDURAN CONGRESS DO THE STAFF WORK NEEDED TO EXAMINE VARIOUS OPTIONS FOR THE NEW MUNICIPAL LEGISLATION THAT WAS APPROVED IN LATE OCTOBER 1990. TECHNICAL ADVISORS AND FINANCING WERE ALSO PROVIDED DIRECTLY TO A NUMBER OF MUNICIPALITIES THROUGH OUR HG-008 PROJECT AND COMPLEMENTARY ESP LOCAL CURRENCY AND GRANT FUNDING. AS A RESULT, REFORM ACTIVITIES ARE ALREADY UNDERWAY IN SAN PEDRO SULA, LA CEIBA, TELA, SIGUATEPEQUE, COMAYAGUA, AND CHOLUTECA. THROUGH THESE AND OTHER EFFORTS, AN IMPORTANT CONSTITUENCY WAS BUILT FOR PASSAGE OF THE MUNICIPAL LAW AND FOR FURTHER DEEPENING THE MUNICIPAL REFORM PROCESS.

7. USAID IS CONTINUING TO SUPPORT HONDURAN INITIATIVES TO DECENTRALIZE AND DEMOCRATIZE THE PROCESSES OF MUNICIPAL MANAGEMENT AND DEVELOPMENT ON SEVERAL FRONTS AS FOLLOWS:

-- FIRST, THE RECENTLY AUTHORIZED USAID MUNICIPAL DEVELOPMENT PROJECT IS A MAJOR EFFORT DESIGNED TO HELP THE GOB AND MUNICIPALITIES IMPLEMENT THE PROVISIONS OF THE NEW LEGISLATION. IT WILL PROVIDE SUBSTANTIAL TECHNICAL ASSISTANCE AND TRAINING RESOURCES TO UPGRADE THE MANAGEMENT, PLANNING, FINANCIAL AND TECHNICAL CAPACITY OF TARGETED MUNICIPALITIES (ESPECIALLY SECONDARY CITIES) SO THEY CAN ASSUME THE RESPONSIBILITIES PROVIDED TO THEM BY THE NEW MUNICIPAL LEGISLATION. IT WILL ALSO HELP REACTIVATE AND STRENGTHEN THE NATIONAL ASSOCIATION OF

HONDURAN MUNICIPALITIES AND SUPPORT SEMINARS AMONG MAYORS AND MUNICIPAL OFFICIALS ON ACTIONS NEEDED TO CARRY OUT THE NEW LAW.

-- SECOND, TECHNICAL ASSISTANCE MAY BE PROVIDED TO HELP SELECTED CENTRAL GOVERNMENT AGENCIES LIKE THE WATER AND SANITATION AGENCY (SANAA) GRADUALLY DEVOLVE THEIR FUNCTIONS TO MUNICIPALITIES AS LOCAL GOVERNMENTS DEMONSTRATE INCREASING FINANCIAL, TECHNICAL AND INSTITUTIONAL CAPACITY TO ASSUME THESE FUNCTIONS. WE WILL ALSO CONTINUE TO ENCOURAGE THE GOH TO FOLLOW THROUGH ON ITS STATED INTENTIONS OF CLOSING THE BANKRUPT MUNICIPAL DEVELOPMENT BANK (BANMA) AND OTHER CENTRAL GOVERNMENT AGENCIES LIKE THE NATIONAL HOUSING INSTITUTE (INVA) THAT HAVE BEEN OBSTACLES TO GREATER DECENTRALIZATION AND TO STRENGTHENING MUNICIPAL GOVERNMENTS.

-- FINALLY, WE WILL CONTINUE TO ENCOURAGE OTHER DONORS TO PROVIDE ASSISTANCE TO THE HONDURAN MUNICIPAL DEVELOPMENT PROCESS. ALREADY THIS EFFORT HAS LED TO THE DEVELOPMENT OF A LARGE NEW IDB LOAN PROVIDED DIRECTLY TO THE MUNICIPALITY OF SAN PEDRO SULA. THE MUNICIPALITY OF TEGUCIGALPA IS ALSO NEGOTIATING A NEW ASSISTANCE PROJECT WITH THE GERMAN GOVERNMENT. WE ARE ALSO HOPEFUL THAT OTHER MULTILATERAL AND BILATERAL DONORS WILL JOIN THIS EFFORT TO STRENGTHEN HONDURAN DEMOCRACY BY PROMOTING STRONGER MUNICIPAL GOVERNMENT. HRINAK

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# FEDERACION DE MUNICIPIOS DEL ISTMO CENTROAMERICANO

## DECLARACION DE TEGUCIGALPA

Los alcaldes y los representantes de las asociaciones municipales y de las instituciones de apoyo al desarrollo municipal de Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica y Panamá, reunidos en la ciudad de Tegucigalpa, D.C. con motivo del Seminario regional "EL PAPEL DE LA MUNICIPALIDAD: LOS ELEMENTOS ESENCIALES DE LA ACTIVIDAD MUNICIPAL", celebrado entre los días 19 y 21 de noviembre de 1991.

### CONSIDERANDO

Que los municipios son el escenario natural de la vida ciudadana y las municipalidades constituyen la célula de la administración pública y, por ende, la instancia de gobierno donde debe garantizarse la satisfacción de las necesidades fundamentales de la vida social y el bienestar colectivo:

Que los países del Istmo Centroamericano enfrentan el reto de superar la crisis política, institucional, económica y social, mediante una nueva organización del Estado, que asegure el crecimiento económico y la pacificación, con base en la justicia social y el pleno reconocimiento de los derechos de todos los ciudadanos;

Que los pueblos del Istmo Centroamericano han expresado su voluntad de enfrentar los desafíos de su desarrollo por intermedio de sistemas democráticos, que garanticen la plena representación ciudadana y nuevos espacios de concertación;

Que el desarrollo de la democracia depende fundamentalmente de su pleno ejercicio en el nivel local de gobierno;

Que es indispensable afianzar el proceso de integración, orientado a enfrentar conjuntamente algunos de los problemas básicos que nuestro desarrollo demanda.

### DECLARAMOS

1. La voluntad expresa de los alcaldes de la Región y de las comunidades locales que representamos para demandar una mayor y mejor participación de los gobiernos locales en las decisiones y en la gestión del desarrollo de nuestros pueblos.
2. La necesidad impostergable de reestructurar integralmente el Estado en todos nuestros países, para posibilitar que la satisfacción de las necesidades de la comunidad se realice de la manera más eficiente, equitativa y democrática.

# FEDERACION DE MUNICIPIOS DEL ISTMO CENTROAMERICANO

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3. *Nuestro apoyo expreso y manifiesto a la descentralización política, fiscal e institucional.*
4. *Que dentro del proceso de descentralización es necesaria la devolución de los municipios de las funciones que garanticen la atención de las necesidades fundamentales de nuestras comunidades, conjuntamente con la transferencia de los recursos técnicos y financieros necesarios para atenderlas adecuadamente. Esta transferencia debe garantizar una mayor justicia redistributivo de los recursos entre los ciudadanos de las naciones. Reclamamos estas funciones como atribución primordial de los gobiernos locales.*
5. *Nuestra voluntad de asumir el ejercicio de las funciones devueltas, que deben ser trasladadas gradual y diferencialmente, de común acuerdo entre el Gobierno Nacional y las municipalidades y en función de las necesidades, capacidades y nivel de desarrollo relativo de los distintos municipios.*
6. *Nuestra plena disposición de enfrentar el reto de la satisfacción directa de las necesidades vitales de nuestras comunidades, bajo las condiciones anteriormente definidas. En este contexto comprometemos el esfuerzo de los gobiernos locales por ejercer una administración más democrática y más eficiente en el recaudo y uso de los recursos.*
7. *Nuestra convicción de que las municipalidades cuentan con importantes ventajas comparativas, que posibilitan una mejor atención directa de las demandas locales, tales como la cercanía al usuario que se refleja en menores costos de ejecución de obras y provisión de servicios; mayor receptividad de las demandas y particularidades locales; posibilidades de congestión y corresponsabilidad de los propios usuarios; y, sujeción al control ciudadano.*
8. *Que el desarrollo municipal requiere de una mayor legitimidad y representatividad política, para garantizar la credibilidad y respaldo de la ciudadanía a la ejecución de sus mandatos. En consecuencia, exigimos que la selección de los mandatarios locales se haga por medio de elecciones directas y universales, en fecha distinta de los comicios nacionales, a partir del debate local de las plataformas propuestas por los candidatos para la conducción de los intereses comunitarios. La conformación de los concejos deberá hacerse manteniendo el principio de proporcionalidad de la representación.*
9. *Que para el logro de los antedichos propósitos, reiteramos nuestra voluntad de fortalecer las asociaciones nacionales de municipios, bajo los principios de libre asociación e independencia. A ellas recomendamos la tarea de gestar y propiciar la voluntad política que el proceso de cambio en la estructura del Estado y la*

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# FEDERACION DE MUNICIPIOS DEL ISTMO CENTROAMERICANO

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*descentralización demandan; la representación de las municipalidades en las discusiones y las decisiones nacionales que afecten a los intereses y competencias municipales; y, la gestión de los servicios de apoyo que permitan fortalecer técnica y administrativamente a los gobiernos locales para un ejercicio pleno y eficiente de sus funciones.*

10. *Nuestro pleno respaldo a la Federación de Municipios del Istmo Centroamericano -FEMICA-, como el ente más adecuado para representarnos y apoyarnos en el propósito fundamental de fortalecer política y económicamente a los gobiernos y administraciones municipales. En particular, respaldamos la labor de FEMICA en la búsqueda de las estrategias y mecanismos que movilicen respaldo político y apoyo a los procesos nacionales de descentralización. Encomendamos expresamente a FEMICA ser nuestro portavoz e interlocutor ante las instancias regionales de integración y le solicitamos presentar esta declaración en la próxima Reunión Cumbre de los Presidentes Centroamericanos.*

*Encomendamos a FEMICA y a las asociaciones nacionales de municipios promover y ejecutar las conclusiones de este Seminario y los planteamientos de la presente Declaración de Tegucigalpa.*

**Annex E**

**Detailed Cost Estimates**

## LOGROS budget 2 (conting.)

LOGROS BUDGET - ILLUSTRATIVE				
Year 1	unit cost	# units	total	w. contingency
Consensus Building Component				
-FEMICA Conference	46,000	1	46,000	50,025
-Network seminar (incl. studies)	75,000	1	75,000	81,563
-Network consolidation			20,000	21,750
-FEMICA TA			50,000	54,375
-FEMICA commodities			15,000	16,313
-FEMICA newsletter	5,000	2	10,000	10,875
-Publications	3,000	2	6,000	6,525
-in-country workshops	30,000	3	90,000	97,875
-Participant training	1,500	10	15,000	16,313
Technical Component				
-Problem solving				0
Reconnaissance	25,000	1	25,000	27,188
first exercise	100,000	1	100,000	108,750
-Training resource framework	50,000	1	50,000	54,375
-Participant training	1,500	10	15,000	16,313
Other bilateral requests				
Indicator development			25,000	27,188
Project Management	200,000	0.50	100,000	108,750
Audit			20,000	21,750
TOTAL for Year 1			737,000	801,488
				0
Year 2				
				0
Consensus Building				
-Policy framework development	100,000	1	100,000	108,750
-Network meeting/consol.	100,000	1	100,000	108,750
-FEMICA Congress	30,000	1	30,000	32,625
-FEMICA TA			50,000	54,375
-FEMICA commodities			7,500	8,156
-In-country meetings	30,000	3	90,000	97,875
-Newsletters	5,000	2	10,000	10,875
-Publications	3,000	2	6,000	6,525
-Participant training	2,500	10	25,000	27,188
-Other conferences	1,500	20	30,000	32,625
-Other regional organiz. activity			75,000	81,563
Technical				
-Problem solving	75,000	2	150,000	163,125
-Training network development	50,000	1	50,000	54,375
-Participant training	2,500	10	25,000	27,188
Other bilateral requests				
Indicator monitoring			15,000	16,313
Project Management	200,000	1	200,000	217,500
Audit			20,000	21,750
TOTAL for Year 2			1,043,500	1,134,806
				0
Year 3				
				0

## LOGROS budget 2 (conting.)

Consensus Building				0
-Policy framework development			75,000	81,563
-FEMICA TA	50,000	1	50,000	54,375
-Political meeting	100,000	1	100,000	108,750
-Newsletter	5,000	2	10,000	10,875
-Publications	3,000	2	6,000	6,525
-Participant training	2,500	10	25,000	27,188
-Other regional organ. activity			75,000	81,563
Technical				0
-Municipal re-assessment	200,000	1	200,000	217,500
-Problem solving	75,000	2	150,000	163,125
-Training network development	50,000	1	50,000	54,375
-Course development	50,000	1	50,000	54,375
-Communications project	200,000	1	200,000	217,500
Participant training	2,500	10	25,000	27,188
Other bilateral requests			60,000	65,250
Indicator monitoring			20,000	21,750
Evaluation	50,000	1	50,000	54,375
Project Management	200,000	1	200,000	217,500
Audit			20,000	21,750
TOTAL for Year 3			1,366,000	1,485,525
				0
Year 4				0
Consensus Building				0
-Policy framework development			75,000	81,563
-Network meeting	100,000	1	100,000	108,750
-FEMICA TA			25,000	27,188
-Other regional org. activity			50,000	54,375
-Newsletters	5,000	2	10,000	10,875
-Publications	3,000	2	6,000	6,525
-Participant training	2,500	10	25,000	27,188
Technical				0
-Problem solving	75,000	2	150,000	163,125
-Training network development	30,000	1	30,000	32,625
-Participant training	2,500	10	25,000	27,188
Other bilateral requests			60,000	65,250
Indicator monitoring			20,000	21,750
Project Management	200,000	1	200,000	217,500
Audit			20,000	21,750
TOTAL for Year 4			796,000	865,650
				0
Year 5				0
Consensus Building				0
-Policy framework development			50,000	54,375
-Network meeting	75,000	1	75,000	81,563
-Other regional org. activity			50,000	54,375
-Newsletters	5,000	2	10,000	10,875
-Publications	3,000	2	6,000	6,525
-Participant training	2,500	10	25,000	27,188

LOGROS budget 2 (conting.)

Technical				0
-Problem solving	75,000	2	150,000	163,125
-Training network development	30,000	1	30,000	32,625
-Participant training	2,500	10	25,000	27,188
Other bilateral requests			45,000	48,938
Indicator monitoring			9,500	10,331
Project Management	200,000	1	200,000	217,500
Audit			20,000	21,750
TOTAL for Year 5			695,500	756,356
				0
Year 6				0
Consensus Building				0
-Policy framework development			50,000	54,375
-Network meeting	50,000	1	50,000	54,375
-Other regional org. activity			50,000	54,375
-Newsletters	5,000	2	10,000	10,875
-Publications	3,000	2	6,000	6,525
-Participant training	2,500	10	25,000	27,188
Technical				0
-Problem solving	75,000	1	75,000	81,563
-Participant training	2,500	10	25,000	27,188
Other bilateral requests			45,000	48,938
Indicator monitoring			5,000	5,438
Project Management	200,000	1	200,000	217,500
Audit			20,000	21,750
TOTAL for Year 6			561,000	610,088
				0
Year 7				0
Consensus Building				0
-Policy framework development			35,000	38,063
-Network meeting	35,000	1	35,000	38,063
-Newsletters	5,000	2	10,000	10,875
-Publications	3,000	2	6,000	6,525
-Participant training	2,500	10	25,000	27,188
Technical				0
-Participant training	2,500	10	25,000	27,188
Evaluation	55,000	1	62,000	67,425
Project Management	200,000	0.50	100,000	108,750
Audit			20,200	21,968
TOTAL for Year 7			318,200	346,043
PROJECT TOTAL			5,517,200	5,999,955

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**Annex F**

**Economic Analysis**

## Annex F

### Economic Analysis

LOGROS is designed to contribute to and reinforce the current widespread movement toward more democratic and effective governments and societies in Central America. As such, it will operate to spread concepts and techniques that promote decentralization of authority to local governments, and it will help local governments to operate effectively as more viable democratic institutions. Since it is only one input to a much larger effort which itself is not a discrete economic investment, however, LOGROS will have no directly identifiable or measurable economic output or product. It does not, therefore, lend itself to meaningful cost-benefit analysis in the classic sense of the term.

One can nonetheless consider the possible order of magnitude of potential benefits. The central governments spend an average amount equal to about 15% of GNP. A combination of revenue sharing and local revenue raising could plausibly expand local government expenditure levels to a level equal to 5% of GNP, which would mean about \$1.5 billion per year. If, as a result of an effective decentralization program, that expenditure were 1% more efficient or effective than if it were managed by the central governments, the "economic benefit" would be \$15 million or 2.5 times the cost of this Project per year. It is, moreover, reasonable to suppose that the improvements in efficiency could easily be several times that amount. In addition, the value of locally chosen, designed and administered programs should be much greater than their cost-efficiency would indicate because they should meet the needs and fit the priorities of the local communities much better than centrally controlled and allocated programs.

The Project cost of about three US cents per Central American per year is therefore extremely modest compared with (1) the potential political, economic and social benefits it can generate and (2) the potential costs to the US and to the people of Central America if the nascent trends toward democratic decentralization fail to take root and grow. For these reasons, the \$6.0 million cost of the Project is a very modestly-priced and well-justified economic investment.

Finally, by operating at the regional level, LOGROS nevertheless offers numerous economic advantages to bilateral programs. By generating region-wide support for decentralization efforts, obviating the need for duplication in the provision of technical services, and offering economies of scale, LOGROS is one of the most appropriate, efficient and cost-effective way to pursue AID's democratic agenda in Central America in a regional way.

**Annex G**

**Institutional Analysis**

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## ANNEX G

### INSTITUTIONAL ANALYSIS

#### INTRODUCTION

LOGROS will be working with a number of municipal institutions over the LOP. The most important of these are the national associations of municipalities and, at the regional level, the Federacion de Municipios del Istmo Centroamericano (FEMICA), which will be a major vehicle for sector efforts to be carried out at the regional level. This Institutional Analysis focuses first on FEMICA, and then on the various municipal institutions, both the associations and central government agencies, which work at the country level.

#### FEMICA

FEMICA is a semi-official, non-profit, institution with its statutes registered in Honduras. It is an association of municipalities of Central America whose Board of Directors consists of a mayor, elected by his/her peers, from each of the six member countries. An important feature is that FEMICA is not an association of associations, but of individual municipalities. This is important because national associations do not exist in all countries.

Basic financing is provided by the member municipalities. The current (May 1992) President of the Board is the Mayoress of Tegucigalpa, Lic. Nora de Melgar Castro. The operations of FEMICA are administered by a General Manager, with the institutional infrastructure of the host city mayor's office, which rotates each year with the presidency.

FEMICA was set up in September of 1991 through the union of two previous regional organizations that up to that time had not played a significant role in promoting the municipal movement in Central America. The new organization began its activities through the co-sponsorship with RHUDO/CA of a policy seminar which produced the most significant regional statement to date of the objectives of the Central American municipalist movement. Following the seminar, FEMICA managed to obtain a position statement from the Central American Presidents at their December 1991 summit meeting, endorsing the movement toward decentralization and municipal autonomy. Similarly, the organization's efforts have led to the establishment by the Central American Parliament (PARLACEN) of a special sub-commission devoted to municipal development in the region.

FEMICA is in the process of carrying out the commitments asked of it by the municipalities of the region. (See attached work plan.) FEMICA's mission is to work for a political consensus at the highest level in favor of the municipal decentralization, as well as to provide important services to its members, the national associations and municipalities from all the Central American countries and Panama. One of the principal support services which FEMICA can undertake is to assist national municipal associations in defining their role and strengthening relationships with their in-country membership.

To date, FEMICA's small regional staff has been provided with office space and equipment, secretarial support, accounting and financial services, and other institutional infrastructure, by the office of the capital city mayor serving as president of FEMICA. In addition, FEMICA is establishing a permanent regional office in Guatemala City, whose mayor has also proved willing to provide similar support. For activities undertaken at the country level, FEMICA is able to call on the institutional structures of the capital cities, national municipal associations, where they exist, and central government municipal agencies.

However, FEMICA has been selected for a key role in LOGROS implementation, not because of its current institutional capacity, but because of its unique position in the region: no other organization exists which can provide the apolitical leadership needed to forge a consensus across countries on decentralization of political power to the municipal level. Like ROCAP, FEMICA's regional position enables it to advocate positions and approaches which individual municipalities or even their national associations might find politically awkward. Its early successes cited above are evidence that this potential is recognized by the municipalist movement.

FEMICA's relative newness and slim staffing are weaknesses, but, RHUDO believes, not fatal ones. The challenge for LOGROS is to provide support from the early stages of FEMICA's growth without fostering the unhealthy dependencies that have characterized other donor-supported regional organizations. LOGROS will therefore provide to FEMICA carefully defined and targeted assistance and training aimed specifically at developing it as a sustainable institution.

ROCAP's intent is eventually to be able to sign grant agreements with FEMICA, based on annual work plans to carry out specified activities. For example, one of the most important of these is the early forming and establishing of the network. FEMICA's role in this activity will not only serve project ends but

will help establish it as a leader in the municipalist movement, expanding FEMICA's range of contacts and potential supporters.

At the present time FEMICA's financial procedures would be unlikely to pass AID certification requirements, however, so one task of ICMA is to help FEMICA develop its current system to meet AID requirements, and, more importantly, to put it on a sound management footing from the beginning.

ROCAP does not intend to provide long term, generalized institutional support to FEMICA, however.

Nevertheless, the project must also make provision for the limitations or even failure of FEMICA to generate sufficient regional strength to fulfill its key role. Although no comparable regional organizations exist, other institutions do advocate municipal autonomy in various ways. LOGROS makes provision for working with other such institutions, for example, INCAE, PARLACEN, and other more broad-based institutions who include or might include decentralization in their activities. In that case, LOGROS would diversify its support, possibly including support to national level associations, depending on bilateral USAID agreement. The LOGROS network will be the forum by which such other relationships are developed as needed.

The important thing to not is that FEMICA will be used to the extent practicable, but the project's success is not dependent on FEMICA's survival as an institution. FEMICA is simply too untested to warrant either not building on its unique potential or, conversely, depending exclusively on its success.

LOGROS activities with FEMICA will require (1) approximately 38 person-months of U.S. and local short-term technical assistance to FEMICA to help it structure its organization, and (2) computers and other basic office equipment for its regional office to enable it to have a permanent base of operations. The former will be provided by a grant to FEMICA or by direct contracting for the necessary TA. The commodities may also be included in a FEMICA grant, or, until FEMICA is certified capable of receiving and managing A.I.D. funds, through direct procurement by ROCAP. The organizational structuring TA will be limited to the first four years of the project, and most commodities will be procured within the first year of the Project.

In addition, LOGROS will provide resources to FEMICA to assist it in implementing activities under the Censensus-Building component of the Project. Some activities will be carried out directly by FEMICA, e.g., the annual network seminars and conferences and in-country workshops which will require LOGROS

assistance in the form of technical consultants and support to attendees. Resources for these will be provided through a grant to FEMICA or direct short-term contracting (buy-in or IQC) of U.S. consultants. FEMICA newsletters and other publications will be contracted out by FEMICA using LOGROS funds. FEMICA's role will be to prepare the documents for publication, which may also require consultant assistance. Some of this assistance will be provided by the contractors involved in the above conferences and meetings, which will provide the basic materials for many of the publications.

Participant training activities will not require much FEMICA involvement beyond helping to identify participants. PSC and short-term TA to be provided for the regional training network development will include FEMICA in the network so that FEMICA can develop itself as a resource to member municipalities in identifying training resources to meet particular needs.

Assuming that FEMICA is eventually certified to receive AID funds, the major contracting actions planned for FEMICA-related activities will be:

(1) Annual grants, based on workplans covering specific agreed-upon activities; and

(2) Buy-ins to the ICMA or DFM project contracts, again covering groups of activities (Note: the ICMA contract has a ceiling of \$1 million per buy-in).

The ICMA buy-in contract is particularly appropriate to LOGROS activities with FEMICA since it is directed at using US experience in professionalizing local government to develop municipal associations in developing countries. ICMA, under its activities with FEMICA under the RDSP, is familiar with the fledgling organization and views the proposed LOGROS work as very relevant to their organizational interests as well. The PACD for the ICMA contract has just been extended for two years to September 1994. This will provide ample time for FEMICA to become certified. Even after certification, however, the ICMA contract will be a useful resource for providing appropriate US TA. After the PACD, judging from the rapidly accelerating level of AID worldwide activity in municipal development, ROCAP expects that some replacement facility will be made available.

# FEDERACION DE MUNICIPIOS DEL ISTMO CENTROAMERICANO

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FEDERACION DE MUNICIPIOS DEL

ISTMO CENTROAMERICANO

F E M I C A

PLAN DE TRABAJO  
PERIODO  
Octubre 91 - Octubre 92

Tegucigalpa, MDC  
Octubre, 1991

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# FEDERACION DE MUNICIPIOS DEL ISTMO CENTROAMERICANO

## PLAN DE TRABAJO

### FEMICA

Período Octubre 91 - Octubre 92

#### CONTEXTO:

En la década de los 60 la centralización fue la respuesta al desarrollo económico de la región. Se presenta sin embargo una gran realidad, la centralización no sólo obstaculiza el desarrollo económico sino que atenta e impide la evolución y perfeccionamiento del sistema político: "La Democracia".

Los gobiernos han tomado conciencia de esta problemática y se han avocado a la búsqueda de fórmulas que permiten viabilizar el sistema, dar respuesta rápida a las demandas sociales de los ciudadanos que claman por un mejor nivel de vida. La respuesta debe fortalecer la legitimidad del sistema político, de ahí la urgente necesidad de apoyar las instancias locales, ya que son las únicas que tienen la posibilidad de estar en contacto directo con los ciudadanos y por lo tanto de darle satisfacción y participación, para lo cual deben maximizar su eficacia en la prestación de servicios.

Se han dado en algunos países centroamericanos pasos fundamentales en materia de descentralización, por ejemplo, en Guatemala se transfiere el 8% del presupuesto del Estado a las municipalidades; en Honduras se transfiere el 5% del presupuesto y se otorga a la municipalidad una base tributaria en correspondencia con las funciones cedidas.

La voluntad política de trasladar funciones a los municipios, es un hecho, como lo es, el interés de gobiernos extranjeros y organismos internacionales por cooperar con el sector municipal.

#### ANTECEDENTES DE FEMICA

La federación de municipios del Istmo Centroamericano (FEMICA), creada en septiembre de 1991, surge de la unión de dos iniciativas.

La primera, de FEMUCAP, instalada en el año de 1976, la cual no pudo ejercer un papel importante de impulso y fortalecimiento de la institución municipal en la región dado el carácter conflictivo que caracterizó a ésta en la década de los ochenta.



# FEDERACION DE MUNICIPIOS DEL ISTMO CENTROAMERICANO

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Asimismo, dicha organización no era representativa de los más de 1,000 municipios de Centroamérica y Panamá, pues su dirección estaba limitada a las ciudades capitales.

La segunda iniciativa -- UMICA-- aunque no logró formalizarse, planteaba la necesidad de que todos los municipios de la región en igualdad de condiciones pudieran estar representados en una organización regional y pudieran beneficiarse de sus servicios.

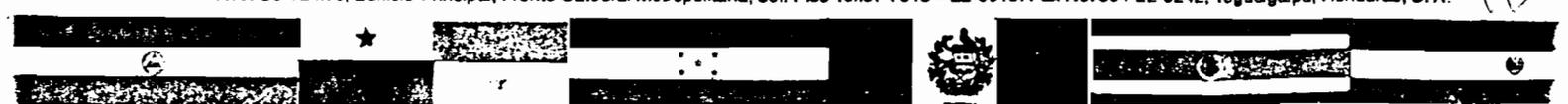
Ambas iniciativas confluyeron, y sus dirigentes decidieron conformar una única organización que los representara a efecto de promover básicamente:

- a. El intercambio de experiencias y,
- b. los procesos de descentralización.

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## I. OBJETIVO GENERAL

Promover los mecanismos que fortalecerán a la institución municipal y los procesos de descentralización en la región Centroamericana y Panamá.

## II. OBJETIVOS ESPECIFICOS

- (a) Consolidación: Consolidar a FEMICA como la organización permanente representativa y vocera de los municipios del Istmo.
- (b) Intercambio: Promover el intercambio de experiencias entre sus miembros así como la cooperación horizontal, tanto entre sus miembros como con organizaciones similares de otros países y regionales.
- (c) Apoyos internacionales: Elevar a la Agenda de los Gobernantes del Istmo el tema del municipalismo y la descentralización.
- (d) Asociaciones Nacionales de Municipios: Apoyar a las organizaciones nacionales de municipios en sus esfuerzos por promover el fortalecimiento municipal y la descentralización en sus respectivos países.
- (e) Cooperación Internacional: Lograr apoyos de las agencias de cooperación bilateral y multilateral en el logro de los objetivos de FEMICA.
- (f) Análisis e Investigaciones: Se llevarán a cabo investigaciones y estudios que tiendan a insertar al sector municipal en los nuevos enfoques económicos y papel del Estado que se promueven en la región.

## III. ACTIVIDADES

Para el logro del objetivo general y los objetivos específicos de FEMICA, se llevarán a cabo las siguientes actividades:

- (a) Consolidación: Como organización que reinicia actividades en la región, gran parte de sus esfuerzos necesariamente se orientarán a su consolidación. Aunque en términos generales todas las actividades apuntan a dicho propósito, las siguientes son de carácter específicos.

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- a.1 **Afiliación:** Durante el período se procurará la afiliación a FEMICA de todas las asociaciones nacionales de municipios, uniones, ligas y federaciones y de al menos 10 municipios representativos por cada país de la región.
- a.2 **Sustento Económico:** Para el sustento administrativo básico de FEMICA y sus actividades se promoverán dos acciones simultáneas:
1. **Cuotas:** Se llevarán a cabo gestiones a efecto de que los afiliados atiendan sus cuotas.
  2. **Co-patrocinio de actividades:** Se promoverá entre los entes de cooperación el co-patrocinio de los diferentes seminarios, encuentros, reuniones e investigaciones que FEMICA llevará a cabo.
- a.3 **Carta de FEMICA:** Se elaborará y divulgará un documento que contendrá los fundamentos filosóficos y objetivos que orientan el accionar de FEMICA.
- (b) **Intercambio:** Los países de la región poseen ricas experiencias en diferentes ámbitos del quehacer municipal en temas que van desde la participación ciudadana hasta legislación tributaria. Estas experiencias se divulgarán y promoverán entre los miembros.

El intercambio de experiencias que hará FEMICA alcanzará también a organizaciones de otros países y regiones que promueven objetivos similares.

- b.1 **Comunicación:** se establecerá un medio informativo semestral que recogerá los acontecimientos, experiencias exitosas y aspectos más relevantes del quehacer municipal de la región y el mundo.
- b.2 **Relaciones internacionales:** Se establecerán relaciones de intercambio y comunicación con otras organizaciones similares u homólogas, tales como la Unión Internacional de Administraciones Locales (IULA) y federaciones y organizaciones de municipios de otros países de la región.

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b.3 Banco de éxitos Municipales: Se promoverá la divulgación de experiencias del Istmo que sean exitosas en el Proyecto Banco de éxitos Municipales que lleva a cabo IULA, capítulo Latinoamericano con sede en Quito, Ecuador.

(c) Apoyos internacionales: La importancia del sistema municipal hasta la fecha ha sido objeto básicamente de un escrutinio técnico. En forma sistemática no ha sido tratado en los niveles políticos decisorios por los Gobernantes del Area. Su inclusión representaría para el sector municipal un aporte importante, a partir del cual podrían desencadenarse acciones y apoyos relevantes para el sector.

c.1 Declaración de la Cumbre Presidencial: FEMICA promoverá en las cumbres presidenciales de la Región un apoyo directo al sistema municipal y la descentralización como medio eficaz de fortalecer el proceso democrático.

c.2 Parlamento centroamericano: De igual forma se promoverá el apoyo por parte del PARLACEN a los principios de la descentralización.

c.3 San José - VIII: Buscará el apoyo para que en la Declaración de los Cancilleres de Europa y Centroamérica se consigne la necesidad de apoyar a los gobiernos locales como base fundamental del sistema democrático.

c.4 Cónclave sobre la Descentralización: Se llevará a cabo un cónclave en el que disertarán destacadas personalidades políticas que tendrá como objetivo trasladar de la agenda técnica a la política el tema municipal.

c.5 Crédito y Sector municipal: Se promoverá el interés de la Banca de Desarrollo Internacional y de los países cooperantes a efecto de que establezcan líneas de crédito exclusivas para el sector municipal en apoyo a los procesos de descentralización. Dicha acción se iniciará con el Banco Centroamericano de Integración Económica (BCIE).

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(d) Asociaciones Nacionales de Municipios (ANM): Dos acciones se proponen llevar a cabo relativas a las ANM.

d.1 Promoción: Colaborar con los esfuerzos nacionales en la promoción y formulación de A.N.M. en Nicaragua y Panamá.

d.2 Agendas Nacional y Regional: La Agencia para el Desarrollo internacional (AID) está realizando una evaluación comparada del sector municipal en el istmo. FEMICA tomará como base dicho estudio y coordinará con las asociaciones nacionales de municipios un taller por país que arroje:

- a. Areas de experiencia exitosas.
- b. Areas susceptibles de asistencia técnica.
- c. Focalización de áreas susceptibles a la descentralización.
- d. Necesidad de capacitación y procurar su financiamiento.
- e. En base a las experiencias exitosas, plantear intercambios entre municipios.

Como resultado de los talleres por país, se realizará un seminario general que arroje:

- a. La situación actual del sector en la región.
- b. Sugerencias para la agenda de FEMICA por país.
- c. Sugerencias para la agenda de FEMICA a nivel regional.

(e) Cooperación Internacional: Se procurará el apoyo para las diferentes actividades propuestas en este Plan por parte de las diferentes agencias y mecanismos de cooperación internacional en adición a las que propongan éstas y coincidan con los objetivos de FEMICA, especialmente en asistencia técnica y capacitación.

(f) Investigaciones: Una serie de programas se llevan a cabo en la región que están variando en forma sustancial el ambiente económico y el papel de Estado en el desarrollo de nuestros países. En efecto, el proceso de integración económica y los programas de ajuste y modernización del Estado se impulsan en la región.

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El papel que debe jugar el sector municipal en dichos procesos en cierta forma aún siguen siendo una incógnita. Se realizarán dos estudios que ayuden a dilucidar esta situación y a partir de éstos diseñar las estrategias de acción futura. Los estudios que se gestionarán serán:

- f.1 Relación y efectos del proceso de Integración Económica y el Desarrollo Municipal.
- f.2 Papel del sistema municipal en los Programas de Ajuste y Modernización del Estado.

#### IV. CALENDARIO DE ACTIVIDADES

En Anexo #1 se muestra el calendario tentativo de las diferentes actividades.

#### V. PRESUPUESTO

El presupuesto de egresos para atender los compromisos del presente plan ascienden a 148,900 Pesos Centroamericanos. En Anexo #2 se presenta un detalle desglosado en gastos operativos y de las actividades.

#### VI. MODALIDAD DE TRABAJO

La modalidad del trabajo que FEMICA aplicará será la de contrato de servicios para la realización de las diferentes actividades programadas. Su estructura básica será la de un Director Ejecutivo a tiempo completo y el apoyo logístico necesario (oficina, servicio secretarial y mobiliario) será suministrado por la Alcaldía Municipal de Tegucigalpa, M.D.C., sede de la presidencia de FEMICA.

Las tareas del Gerente General serán las de lograr los apoyos necesarios para implementar el Plan de Trabajo.

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**FEDERACION DE MUNICIPIOS DEL ISTMO  
CENTROAMERICANO**

C R O N O G R A M A   D E   A C T I V I D A D E S

ACTIVIDADES                      NOVIEMBRE   DICIEMBRE   ENERO   FEBRERO   MARZO   ABRIL   MAYO   JUNIO   JULIO   AGOSTO   SEP.

**A. CONSOLIDACION**

A.1 Afiliación -----  
 A.2 Sustento Económico -----  
 A.3 Carta FEMICA -----

**B. INTERCAMBIO**

B.1 Comunicación -----  
 B.2 Rel. Interiores -----  
 B.3 Banco Ex. Municipales -----

**C. APOYOS INTERNACIONALES**

C.1 Cumbre Presidencial -----  
 C.2 PARLACEN -----  
 C.3 San José VIII -----  
 C.4 Cónclave -----  
 C.5 Crédito -----

**D. ASOC. NAC. DE MUNICIPIOS**

D.1 Promoción -----  
 D.2 Agendas Nacionales -----  
 D.3 Agenda Regional -----

**E. COOPERACION INTERNACIONAL** -----

**F. INVESTIGACIONES**

F.1 Integración Económica y Desarrollo Municipal -----  
 F.2 Sistema Municipal y Prog. de Ajustes y Modernización del Estado -----

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# MUNICIPAL SUPPORT INSTITUTIONS

(Prepared by PADCO, Inc.)

## GUATEMALA

Guatemala has various entities working to support municipal development. First, as in other countries, it possesses both a municipal association, "ANAM" (the Asociación Nacional de Municipalidades), and development institute, "INFOM" (Instituto de Fomento Municipal). In addition, two other private entities—FUNDAZUCAR and APOLO—are supporting the municipalities.

ANAM, the municipal association, was approved by the government in November 1969 to attend to the interests of all municipalities throughout the country and to promote their development. It represents all municipalities and currently charges a fixed fee based on a "sliding scale" (i.e., on municipal income). The association is comprised of the National Assembly, an Executive Board and a Secretariat. In January 1992, Guatemala's City Councils apparently held a Congress to reform the statutes of the association such that the association's President will be elected by its members rather than, as previously established, be automatically held by the Mayor of Guatemala City. This change will improve the representation of association members and, through elections, allow greater participation of its members. It is important to note that, in addition to the national association, departmental associations exist, which convene on a regular basis in order to exchange ideas, discuss common problems and obtain information on the state of municipalities.

INFOM, the municipal development institute, was created in February 1957 and provides training, assistance and financing. The role of INFOM in financing is significant, given that central government transfers (8% of the annual budget and a percentage of taxes on beer, spirits, coffee and other items) to municipalities are made through INFOM.

The two other entities that provide assistance to municipalities are clearly limited in their scope or by their fees, but are nonetheless worth mentioning. FUNDAZUCAR, comprised of sugar producers, provides assistance to municipal corporations in sugar production. Meanwhile, APOLO, an organization established by the Francisco Marroquín University, provides technical assistance to city councils in return for some form of remuneration.

## **EL SALVADOR**

El Salvador possesses, as several other countries in the region, both a municipal association and a municipal development institute. These are "COMURES" (the Corporación de Municipalidades de la República de El Salvador) and "ISDEM" (the Instituto Salvadoreño de Desarrollo Municipal), respectively. In addition, there also exists an institute that supports municipal councils, known as "ISAM" (the Instituto Salvadoreño de Administración Municipal), which is funded by the Adenauer Foundation but which has a party affiliation.

COMURES, the municipal association, was organized in November 1940 during the First Congress of Salvadorean City Councils. It eventually became inactive, not to be re-established until September 1991 during the Sixth National Congress of Salvadorean City Councils. At this Congress, the municipalities agreed to a proposal that reforms the statutes of COMURES. The changes establish COMURES as an association comprised of the National Congress of Mayors, the Departmental Mayor Councils,<sup>1</sup> an Executive Board (with 38 directors), a Secretariat and various "commissions" dedicated to research, evaluation, consulting and publication. Accordingly, the association has already defined its goals for 1992, which include to: 1) create and operate Departmental Mayor Councils; negotiate with the Legislature in order to establish a Commission on Municipal Affairs; formulate Social Security programs for municipal officials and staff; and implement Article 28 of the Municipal Code, which calls for the creation of a special court to hear complaints against council members. These efforts, if achieved, will strengthen and help assure the sustainability of the association.

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<sup>1</sup>These councils, which are comprised of all the city councils in a given department, constitute the representative bodies of COMURES at the departmental level.

ISDEM, the municipal development institute, was created in March 1987 with the objectives to provide technical, administrative, financial and planning assistance to city councils. The ultimate goal is to empower city councils and assist them in better accomplishing their duties and obligations. According to law, the institute is also responsible for the "Economic and Social Development Fund of Salvadorean Municipalities" as well as the distribution to city councils of their share of the coffee export tax. As such, the institute provides both technical assistance and financing services.

Finally, the institute that exists for city councils (ISAM), while limited by its apparently politicization, does offer important services to its members. It provides technical training and legal assistance to municipalities as well as serves as a research and publishing arm.

## NICARAGUA

Nicaragua, while it does possess a fairly strong municipal development *institute* (INIFOM), can not claim to have a broad-based, nationwide *association*. In the 1980s, there was a "Mayor's Movement," with the ultimate purpose of forming an association. However, this movement acquired a political affiliation and lost its municipal one. While there exists recognition that the political affiliation of municipal associations must be diminished in order to effectively promote decentralization, this problem persists. For example, in the Department of Metagalpa, a Mayor's Association has been established but only some municipalities in the Department belong, due to its political affiliation with the UNO party (Unión Nacional Opositora).

The development institute that does exist ("INIFOM" or the Instituto Nicaraguense de Fomento Municipal), was recently created (in March 1990), but has already established a good track record as well as a relatively autonomous character. The basic purpose of INIFOM is to strengthen municipal administration and promote municipal development. The Executive Board has 40 members, 34 (a majority) of which are mayors. At the present time, INIFOM does not have a stable funding base, despite some international assistance, and relies almost totally on central government funding. While INIFOM is quite new and currently has severe budget limitations as

well as a heavy dependence on central government, the institute holds potential, particularly given the majority representation of mayors on its board.

## HONDURAS

Two organizations function as municipal support organizations in Honduras. The first is "AMHON" (the Asociación Municipal de Honduras), which is the official municipal association. The second is "BANMA" (Banco Municipal Autónomo), which is the municipal development bank. In such capacities, AMHON plays a key role in representation and exchange of ideas while BANMA, despite some financial difficulties, continues to play an important role in financing, technical assistance and training.

AMHON includes representatives of all municipalities of Honduras. The current President is the Mayor of La Ceiba. While it has been relatively inactive in the past, it is currently attempting to revitalize itself. To do that, AMHON is working closely with BANMA to secure credits for its member municipalities. While all mayors are automatically considered members of AMHON, only the larger municipalities (i.e., 35-40) are active in the association.

BANMA plays the role that many municipal "development organizations" or "institutes" play in other countries, at least with regard to technical assistance and training. In addition, as a development bank, it offers financing that some of the "institutes" do not. BANMA currently has 12 experts and plans on contracting, with new IADB (BID) funds, 13 additional ones in the near future. These are experts in accounting, budgeting, project preparation and land surveys. With IADB funding, BANMA is providing financing and technical services (free of charge) to 40 medium-sized municipalities (with 10,000—80,000 inhabitants each), with plans to expand these services to another 50.

In addition to the municipal support organizations, there exists a central government-run entity that supports municipalities. This entity, working out of the Ministry of Government, is called the General Direction on Technical Assistance to Municipalities. The Direction's assistance is

primarily in budget preparation, given that the vast majority (70%) of municipalities do not have any internal budget planning capabilities.

AMHON and BANMA entered into an agreement for understanding and cooperation in April 1991. This agreement, which was also approved by the General Direction on Technical Assistance to Municipalities, was accompanied by financial assistance from the German Development Foundation (CFE). This agreement should further strengthen both support organizations and improve their cooperation in assisting municipalities.

The new Municipal Law requires the formation of a municipal development institute, as is common in other countries. While as of October 1991, the institute had not yet been formed, meetings were being held within the Ministry of Government to establish one. The formation of such an institute could indeed replace the assistance provided by the Ministry's municipal technical assistance office. However, it could also potentially replace some of the technical services provided by the already troubled BANMA. As such, ultimately there could be three municipal support organizations with some overlapping and possibly competing functions.

## **COSTA RICA**

Costa Rica also has two municipal development support organizations. These include the municipal association, the "UNGL" (Unión de Gobiernos Locales), and a municipal development institute, called "IFAM" (the Instituto de Fomento y Asesoría Municipal).

The UNGL, founded in 1977, officially represents Costa Rican municipalities at the national level, while the "municipal leagues" (Ligas Municipales) represent municipalities at the regional level. In general, the Union works with 40 of the 81 municipalities, and largely these are the smaller ones, perhaps due to a greater need for representation. Municipalities elect delegates to the national assembly of the UNGL and pay a quota (2C per every 1,000 inhabitants) for its operations. In addition to domestic financing received through quotas, the UNGL also receives international financing. With a resulting annual budget of \$50,000 (C 7 million), the UNGL

provides services in three areas: training of municipal officials; national representation and legal advice; and land title searches, which are helpful in identifying people avoiding municipal property taxes. The UNGL also recoups a fee for this last function (US\$1.00 per search), helping to finance its operations.

IFAM is an autonomous public organization, which was established in 1971 as was the Municipal Law. The organization was established as a means for central government to implement this Municipal Law. Since IFAM is a central government-run program and does not represent municipalities but provides a service to them, IFAM is in effect an example of "deconcentration" rather than "decentralization." Despite the potential limitations of a centrally-run organization, IFAM is in fact the strongest, largest and best organized development institute in the region, with 245 employees and an operating budget (as of 1991) of C 1,197,777,250. IFAM's work comprises eight areas:

### **1. PROJECT DEVELOPMENT**

IFAM works with municipalities on the following types of projects: irrigation, construction, machinery and design.

### **2. CREDIT PROGRAM**

IFAM provides credit for water and sewage systems, construction, procurement of machinery and computer equipment, road repair, secondary road construction, and a variety of other municipal operations.

### **3. TECHNICAL ASSISTANCE**

IFAM's technical assistance encompasses: income generation activities (290 in all); administration assistance (260 in all) including computer work and tariff studies; budget and project planning; judicial and legal matters; civil engineering, architecture and topography; recon-

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struction and maintenance of machinery; and the development of the municipal leagues and intermunicipal organizations. The high municipal staff turnover rate every four years, due to the desire of municipal executives (city managers) to contract their "own" people, presents a problem for retained knowledge and capabilities, necessitating repeated assistance to municipalities.

#### **4. TRAINING**

IFAM has a total of eight training programs. The two largest training areas are in management and operations. Other training programs include policymaking, legislation, municipal education, urban development, computers, relationships with communities and research. IFAM also has domestic agreements with the Ministry of Education and Health as well as international agreements with IULA and UNDP. Under all their programs, IFAM estimates that it trains 2,000 officials per year.

#### **5. RESEARCH AND PUBLICATIONS**

IFAM conducts research in a variety of areas. For 1991, IFAM has planned to produce approximately 30 research activities, articles and publications. While the quality of IFAM's publications are quite high, the limitation is their distribution of publications is low since IFAM can generally produce only 1,000 copies per study.

#### **6. MUNICIPAL TAX COLLECTION PROGRAM**

IFAM collaborates with the Ministry of Farming (Hacienda) in efforts to increase tax collection at the municipality level.

## 7. SECONDARY ROAD PROGRAMS

IFAM has a special program, in addition to training, that supports secondary road construction and maintenance.

## 8. OTHER PROGRAMS

IFAM is engaged in a variety of other activities, including coordinating functions and conducting international seminars.

### PANAMA

Panama, in contrast to other countries in the region, does not currently possess a functioning municipal association or development institute. While not currently active, there have been three associations: an association of municipalities (the APCI); an association of local representatives; and an association of mayors. There is a National Council of City Councils that is active, but it does not serve as a municipal association per se. Finally, there is a very recently established development institute (IPDEM) but, having only been in operation since January 1992, as of yet possesses no track record. While attempts are being made to both reactivate APCI and to begin a development institute (IPDEM), neither yet effectively supports municipalities or any decentralization process.

The first type of association is a municipal one: the "APCI" (Asociación Panameño de Cooperación Inter-Municipal). The APCI, which was founded in 1954, only functioned well for five years. While it was re-activated 20 years later in 1985, it has not been particularly active in recent years. The purpose of the association was to further communication among mayors and local representatives who form the 65 municipal councils. Once an advocate of municipalities against encroachment and increased power of provincial governments, the APCI no longer plays this role.

The second association is for a relatively "loose" organization of "corregimiento" representatives nationwide: the Asociación Nacional de Representantes. Apparently, the association represented a political initiative to organize representatives by parties. Currently, the association is not active.

The third is an association of mayors, known as the "Asociación de Alcaldes." It was established when mayors were elected directly by popular vote. However, currently, this association is also no longer functioning.

The Council of City Councils and Representatives, while not an association *per se*, functions as such for its members. It serves as a representative and liaison with ministries in efforts to foster development projects at the provincial levels. While the Council reportedly has a limited budget, it does receive approximately \$100,000 per year to run its operations. In terms of organization, the Council has nine members who, in turn, are the Presidents of the nine Provincial Councils. The National Council President is elected by all 510 representatives and the 24 councils at large. The current President is Guillermo Guillen, Representative from the Francisco Diaz corregimiento in the Panama District.

The development institute that exists, IPDEM, is extremely new and has, as of this writing, virtually no track record, given that it was formed in late October 1991 and did not even begin its operations until January 1992. Along with support of the Adenauer Foundation, it will attempt to provide services directly to municipalities in analysis and training. Given that the IPDEM leaders are also members of the Partido Democracia Cristiana (PDC), however, they will have to demonstrate clearly and early on that IPDEM is not a party organization. This will be necessary to establish broad credibility and legitimacy among municipalities.

**Annex H**

**Social Analysis**

The Social Soundness Analysis for LOGROS was prepared for ROCAP and RHUDO/CA in April 1992 by Dr. Nelson Amaro.

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## ANNEX H

### SOCIAL SOUNDNESS ANALYSIS

This ANNEX is taken from a larger study for the LOGROS Project by Dr. Nelson Amaro. The complete study is available in the RHUDO.

#### The Social Context for Project Design and Implementation.

Four elements will be examined under this heading: the urban-rural dimension, the poverty condition, the gender perspective and the political implications of implementing LOGROS in Central America.

The Urban-Rural Dimension. The urban-rural dimension in Central America is constant throughout these countries. Range goes from 42.0 per cent in Guatemala to 59.8 per cent of urban population in Nicaragua for a mean average of 49.7 percent of urban population according to projections calculated for 1990.<sup>1</sup> There are three countries, Guatemala, El Salvador and Honduras, where the majority (more than 50 per cent) of the population still lives in rural areas.

The significant trend in Central America, as well as in the rest of Latin America, is the emergence and growth of secondary centers.<sup>2</sup> The number of these secondary centers can best be compared between 1970 and 1990. The number of cities containing between 20,000 and 100,000 inhabitants has grown from 28 to 62 (see Atach. No. 3).

Meanwhile, urban centers of more than 100,000 inhabitants have gone from 8 in 1970 to 11 in 1990. Curiously enough, the number of urban aggregates containing between 10,000 and 20,000 does not seem to have grown significantly for the countries where data is available (e. g. Guatemala declines from 14 to 9; El Salvador rises from 8 to 14 and Costa Rica, the exception, goes from 2 to 11).

These trends tend to favor decentralization and give LOGROS a sound basis in the region. The renewed interest in agriculture and the greater role played by export manufactures in the 1980s are behind this new growing tendency in secondary centers in Central America. Therefore, small agricultural producers in the promotion of non traditional exports, have a greater influence in local areas. The "maquilas" challenge the economies of scale followed by past models of development. Some of them

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<sup>1</sup> Instituto Interamericano de Cooperación Agrícola (IICA) and Facultad Latinoamericana de Ciencias Sociales (FLACSO), Centroamérica en Cifras (San José, Costa Rica: FLACSO, 1991) 15.

<sup>2</sup> This statement is supported by the most recent statement of the Economic Commission for Latin America, ECLA that reports "the growing importance of small and medium cities in the region in the last 20 years." CEPAL, Equidad y Transformación Productiva: Un Enfoque Integrado (Santiago de Chile: CEPAL, 1992) 21.

are in the hinterland but the small size of the cities involved makes their impact greater. This trend makes the drive toward decentralization and a greater role of local government, a more realistic endeavor.

Before, the concentration in large cities was rampant. The increasing migration toward the Capital City did not offer local alternatives. In addition, most central governments resided in big urban centers. Policies favoring urban consumers against rural producers through price controls in more products than necessary, discouraged economic activities in the hinterland. These conditions were not conducive for local governments to develop. Also central governments were reluctant to decentralize despite paying "lip service" to this possibility. Decentralization programs under these conditions resembled a cosmetic operation.

What we are witnessing now is the transition from an "import substitution" to an "export-oriented" model of development.<sup>3</sup> Some 'impressionistic' accounts are discussing the "Jaguars" of Central America in relation to Guatemala, El Salvador, Honduras and Costa Rica. The emphasis on "non traditional exports" is the reason for this observation in comparison to the "Four Tigers" of East Asia (Korea, Hong Kong, Malaysia and Singapore). This trend gives more ground to decentralization measures suggested by LOGROS than the usual import substitution policies supported by the Central American Common Market (CACM).<sup>4</sup>

Comparing this data with LOGROS activities, some observations can be made. There is an apparent dilemma between LOGROS addressing problems faced by municipalities with significant growing secondary centers or coping with deficits inherent to predominantly rural municipalities. On

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<sup>3</sup> This also is acknowledged by the recent statement from ECLA when it says that

"the international insertion through dynamic exports of growing complexity is the counterpart of the productive transformation with equity...In the long term, an internationally competitive orientation also promises to be more efficient and equitable because the potential additional exports generally are more intensive in hand labor than the import substitutions that remain to be incorporated." CEPAL 21.

<sup>4</sup> In the case of Guatemala, a recent report says:

Clothing continued its rapid growth of last five or six years where export growth has averaged almost 100% a year. There is every reason to expect that apparel exports will continue to grow at rapid rates as Asia's big four continue to lose market share of US market to Guatemala, the world's fastest growing clothing exporter.

Gremial de Exportadores de Productos no Tradicionales, Fastest Growing Non-Traditional Exports in 1991, Manuscript, April 1992.

one hand, to concentrate on municipalities with a larger fiscal base and potential development for the future will bring the fastest results. In addition, cities in these municipalities usually have a greater voice at the national level. Changes at the top may come easier if LOGROS strengthen these local governments. On the other hand, to concentrate only in growing urban centers will leave out most of the population of Central America that has urban aggregates with less than 20,000 inhabitants.

In addition, a goal dear to governments under the label of "social compensation measures", which will address the poorer population, will remain untouched by project activities designed by "Logros." This may be the case unless this issue is introduced deliberately by project management in the development of a common policy framework when left unanswered. Since this subject overlaps with the analysis of the poverty condition, a survey of poverty characteristics in the Central American area will help to clarify this problem.

The Poverty Condition. Fortunately, the available data at the Central American level is disaggregated to consider trends in the absolute and relative magnitude of poverty levels between 1980 and 1990 by country and by the urban-rural dimension (see Attach. No. 4).

The data confirms that the economic crisis has had a significant impact on poverty during the "lost decade" as Economic Commission for Latin America (ECLA) calls the period between 1980 and 1990. The absolute number of relative poverty increased from 13.6 to 20.5 million in the Central American area.<sup>5</sup> This condition particularly hit people from rural areas. While the urban poor increased from 4.4 to 7.5 million, the rural poor went from 9.2 to 13.0 million. This trend is repeated as an examination of the condition of "extreme poverty" indicates.<sup>6</sup> Here the number of people suffering extreme poverty in urban areas increased from 2.4 to 3.9 million whereas those residing in rural areas went from 6.1 to 10.0 million persons.

The worst situation is faced by Guatemala whose percentage of relative poor increased from 63 to 75 per cent during the "lost decade." In addition, the figure for extreme poverty rose from 32 to 52 per cent. Almost a third of poor people under any condition in the Central American area as a whole live in Guatemala. Honduras and El Salvador in that order, follow regarding the same indicators. Their relative population percentages of poor people are very similar to Guatemala.

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<sup>5</sup> Relative poverty means that people had enough income to buy a basket of food to take care of their biological survival but did not have enough to cope with other needs that normally any human being has to satisfy such as education, health, housing, etc.

<sup>6</sup> "Extreme Poverty" means that people did not even have enough income to buy a basket of food sufficient to keep calories and protein intakes according to the norms needed for a healthy biological development.

One difference should be pointed out among these countries. El Salvador and Guatemala show dramatic increases of poor people in rural areas while Honduras suffers from expanded poverty in urban areas. The latter is true of both relative and extreme poverty.

Meanwhile, Nicaragua stands between the former countries, Panamá and Costa Rica, both of which present a better picture. They even show some slight improvements, though percentages in Panamá reached 52 per cent for relative poverty and 25 per cent for extreme poverty in 1990. The same indicators for Costa Rica reached 20 and 11 per cent for the same time frame.

The data suggests that if we want to mitigate poverty in Central America according to recent increases experienced in this variable, a multidimensional approach would probably be the best answer. Not only municipalities with significant and dynamic secondary centers should constitute the target population, but also municipalities suffering from poverty conditions. Thus, if we consider inter-country differences (except for their relative population size), Guatemala, Honduras, El Salvador and Nicaragua appear as the most affected. If we take into account intra-country-differences, project activities should concentrate, but not exclusively, in the rural areas of Guatemala and El Salvador. This is the meaning of "multidimensional". On the contrary, activities in Honduras should be emphasized in urban areas. In the case of Costa Rica, Nicaragua and Panamá, both areas should be emphasized.

Social investment funds in this context are becoming a formidable device to implement this priority. All countries in the Central American Isthmus are executing social investment funds at present. At the project level, four areas are targeted: economic infrastructure, social infrastructure, social programs and small entrepreneurs belonging to the informal sector. In these countries, these funds are channeled through local governments and NGOs. The first stage in social investment funds adoption has witnessed a control by central government. The next step is to put these funds under municipal management. Consequently devolution powers would be strengthened and the private sector encouraged to participate in collaboration with local government.

Nevertheless, another characteristic that overlaps with rural and poverty conditions, is the gender variable. A clarification of this influence is needed to support any change in project design.

The Gender Perspective. The perception of the role that women may play in LOGROS cannot be supported completely with statistical data. There is a lack of visibility regarding hidden variables influencing female behavior as shown in the statistics. The transitions between activities at home and employment outside the home is not a clear cut phenomenon. Particularly, employment in the informal economy shows this ambiguity. The most reliable statistics available show that the engagement in the labor force of women in the past 20 years has remained at low levels, although probably this figure is focusing more heavily upon employment

in the formal sector (see Attachment No. 5). The mean average reaches 21.6 per cent for the Central American area, with the range moving from 29.6 for El Salvador as the highest, and 13.8 in Guatemala as the lowest. Regarding social services, Guatemala shows the greatest exclusion of women. These statistics, however, do not completely reflect the reality of the situation. For example, if we compare literacy rates along the lines of sex, the illiteracy rate for adult males is 49 per cent in comparison to an overall illiteracy rate of 63 per cent for adult females in Guatemala.<sup>7</sup>

The extent to which women are attended by specialized personnel when giving birth shows a more differentiated picture. Only 34 per cent of women in Guatemala fall into this category, as opposed to 97 per cent in Costa Rica and 89 per cent in Panamá. The remaining countries fall in the middle (El Salvador 60; Honduras 66; and Nicaragua 41 per cent). These problems may be explained, with the exception of Costa Rica and Panamá, by incurred weaknesses within the health systems of Central America. These problems have worsened as the economic crisis has forced governments to cut expenditures for social services.

Women are holding positions in local governments although this participation is still low. The percentages with respect to the total number of mayors vary from 8 per cent in Guatemala and Costa Rica to 28 per cent in Honduras.<sup>8</sup>

Female participation in project activities may be seen as falling into two definite roles. The first is geared to ensure their participation in the benefits accrued as a consumer of services provided by the project. The second refers to maximizing their degree of involvement in civic affairs, namely, the extent of their participation in local government. Indirectly, they may also benefit from a greater involvement in the labor force, e.g. a free trade zone municipality may be strengthened to manage their regulatory framework in a way that enhances the expansion of "maquilas" or informal sector activities. All research done in the area highlights the greater participation of women in "maquilas" and the informal economy of Central American countries rather than in the formal sector.<sup>9</sup> Thus, indirectly women will benefit from project implementation.

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<sup>7</sup> UNICEF. Estado Mundial de la Infancia: 1992. España: UNICEF, 1992, 78.

<sup>8</sup> Ana Isabel García y Enrique Gomáriz, Mujeres Centroamericanas, (San José, Costa Rica: FLACSO-CSUCA-Universidad para la Paz, 1989) 202.

<sup>9</sup> See for example Juan Pablo Pérez Sainz y E. Castellanos. Mujeres y Empleo en Ciudad Guatemala, (Guatemala, Guatemala: FLACSO, 1991) y Menjivar Larín y Juan Pablo Pérez Sainz. Informalidad Urbana en Centroamérica. Evidencias e Interrogantes. Guatemala: FLACSO/Friedrich Ebert, 1989.

The extent to which project activities address the problems of municipalities containing "maquilas" or "shanty towns" within their jurisdiction will have a profound effect on the visibility of women in project activities. Indirectly, employment programs addressed to poor people also may benefit impoverished women, who are disproportionately represented among some categories of the poorest people.<sup>10</sup>

Within a multidimensional approach to project implementation, the gender perspective may become an important subject around which municipalities may enhance their outreach to rural and poor people. There are many mechanisms that may make this possible. A sample of them is the following: (1) Social investment funds managed by municipalities may finance food programs through women's organizations and finance microenterprises managed by women, (2) Pre-school day care centers, an area often abandoned by the Ministry of Education, can be expanded at the municipal level with the collaboration of poor mothers with children less than 6 years old, (3) Municipal health clinics or just municipal authorities at the local level can rally women's collaboration for immunization campaigns, health and family planning education and paramedical training to supplement primary health care services at the local level, (4) Municipal Community Development offices supported by project activities may increase female participation by encouraging the creation of women's interest groups, leadership training and female representation in community groups.

#### Political Implications of LOGROS implementation.

Several issues will be analyzed under this heading. They will be the nature of the political system regarding authoritarian versus democratic tendencies; pressure groups within the bureaucracy that struggle for different agendas; and the extent to which municipalities have reached autonomy from Central governments in the context of the distribution of power of each country.

A Drive toward Democracy. Under this umbrella old concerns that characterized the First Development Decade have returned. The revival of decentralization, local government and popular participation issues

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<sup>10</sup> This is the case of poor women that are head of households who live in urban and rural areas of Central America. They represent for example between 15 per cent and 27 per cent of all households in Guatemala and El Salvador respectively. García y Gomáriz 60. These programs to eradicate poverty are better managed at the local level as the Chilean case proves. Here local government reached 80 per cent of the urban poor with programs to mitigate their condition. Ver Tim Campbell et. al. Descentralización hacia los Gobiernos Locales en los Países Latinoamericanos: Estrategias Nacionales y Respuesta Local en la Planificación, Gastos y Administración. This report was presented in the seminar entitled "La Puesta en Práctica de Políticas de Descentralización en América Latina," sponsored by Instituto de Desarrollo Económico del Banco Mundial (IDE/World Bank) y la Agencia de Española de Cooperación Internacional between December 9 and 13, 1991.

reflect this renewed interest. This movement in Latin America and Central America takes the form of "Democratic transitions." Logros" aims coincide with these tendencies and reflect the wishes of Central American governments.

The drive toward democracy has two influences at present: the end of "real socialism" in Eastern Europe and the Soviet Union on one hand, and the successful changes which have occurred in Spain on the other. Both experiences come from giving excessive influence to the military in the past which is also the case in all Central America except for Costa Rica. Both are following a path between the excesses of the extreme left, a way recently followed by Nicaragua and the insurgent movement of El Salvador; and the exaggerated influence in government of military rule, a course taken by Guatemala, El Salvador and Honduras

Spain has been able to grant autonomy to 17 regions preserving simultaneously national unity. Many of them have had autonomy and even independence claims for centuries. In addition, it is making the necessary arrangements for a full incorporation to the European Economic Community in 1992.<sup>11</sup> In this sense it offers a similar scenario to the problems which Central America is facing, where fragmented societies are struggling for national unity and economic integration.

The presence in Central America of the Agencia Española de Cooperación Internacional (AECI), the Spanish aid agency, together with regional governments such as the Generalitat from Valencia and Spanish NGOs, ultimately have the justification of coming from similar experiences regarding decentralization and past authoritarian governments.<sup>12</sup> The same can be said of Germany that has renewed, through its technical and financial aid, its interest in local governments in the region.<sup>13</sup>

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<sup>11</sup> The Spanish experience is described in Luciano Pareja Alfonso, "La Fórmula Española para la Descentralización Política del Estado." Experiencias sobre Descentralización y Desconcentración en Diversos Países, ed. Instituto Nacional de Administración Pública, INAP (Guatemala: INAP, 1987).

<sup>12</sup> Generalitat is the generic name for autonomous governments in the Spanish continental provinces of Valencia and Cataluña. This name corresponds to historical and linguistic affinities between these regions. The Generalitat Valenciana has supported a recent workshop of Mayors in Managua, Nicaragua that appears cited in some footnotes. A Spanish NGO called "Solidaridad Internacional" is supporting the Programa de Apoyo al Desarrollo de la Administración Municipal (PADAM) together with AECI. This is an effort also sponsored by Facultad Latinoamericana de Ciencias Sociales (FLACSO).

<sup>13</sup> Working in the area there are several institutions of German origin that respond to a variety of ideological and organizational sources. The Friedrich Ebert Foundation is inclined to the German Social Democratic Party. It appears active supporting the Facultad

As a consequence of this democratic drive, a greater recognition of national sentiments has evolved. The goal is to engineer a "development from below" where national goals rest on the needs and potentialities of the population. The Constitution of 1988 in Nicaragua grants autonomy to the Atlantic region where the miskitos protagonized a rebellion against the Sandinista government for a long time. The Sandinista government did not want to take into account for many years the ethnic differences of this population.

Despite the reluctance of the new administration in Nicaragua to implement the regional approach designed by the Sandinistas, a different situation is reported for the Atlantic Region. Here, the organs established by law are under way. The Regional Council is composed of 45 representatives from different ethnic groups in each of the autonomous regions independent of the number of inhabitants. A multiethnic board presides this council. Permanent and special commissions are active at present. Nevertheless, the role of municipalities in this context is still unclear.<sup>14</sup>

The combination of Community Development and Municipal Development will constitute the agenda for the future, despite recent tensions among agencies undertaking these activities. Community Development has been active in the Central American area since the sixties. At the beginning, it was promoted by isolated NGOs but soon government agencies began to appear, multiplying the scope of these activities. Community Development laws were enacted in most of the countries. Central government agencies in charge of this area emerged in different ministries of which the Ministry of Interior or Government was the most common. This is the case in Costa Rica, El Salvador and Panamá. Guatemala had the Community Development Directorate under the Presidency of the Republic which later became MINDES.

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Latinoamericana de Ciencias Sociales (FLACSO) in Guatemala and Costa Rica. The Konrad Adenauer Foundation, a Democratic Christian institution, is supporting the Instituto Salvadoreño de Administración Municipal (ISAM) and the Instituto Panameño de Desarrollo Municipal (IPDEM) recently starting its operations in 1992. Also, in El Salvador, the German Technical Assistance Agency (GTZ) is supporting ISDEM. In Honduras, the German Development Foundation is providing technical assistance to BANMA and the Municipal Advisory and Technical Assistance Directorate at the Ministerio de Gobernación. Also the German financial agency (KFW) has promised "soft" loans to the Social Investment Fund of Guatemala that amount to US\$18.0 million dollars. This fund has an important municipal component.

<sup>14</sup> Mirna Cunningham, Relación Autonomía Regional y Autonomía Municipal en la Costa Atlántica de Nicaragua. Encuentro de Alcaldes sobre Democracia Local, Regionalización y Descentralización already mentioned.

The community development institutional framework is less clear in Honduras and Nicaragua. Honduras has a tradition of popular participation through unions and peasant organizations that has allowed a National Association of Patronatos. On the other hand there is the Federación de Organizaciones Privadas de Desarrollo which rallies the most important NGOs in the country.<sup>15</sup> There is a Ley de Patronatos, which provides an "umbrella" to all community organizations in the country. It seems that the role accomplished by the institutions mentioned above in other countries, is being performed by NGOs and more recently by the Fondo Hondureño de Inversión Social (FHIS) in Honduras. Particularly the latter, with certain tensions, is serving two different constituencies that have been separated in the past: municipalities and community associations.<sup>16</sup>

On the other hand, the Sandinista government promoted community organizations at the neighborhood level but they were highly politicized. Nevertheless, it is reported that these community associations are playing a more constructive role in sectors such as health and housing.<sup>17</sup>

Municipal development has followed an independent course with regard to community development in the past. Although a convergence is starting to develop as can be noticed in the case of Honduras, grounds for collaboration still have a long way to go. To a great extent municipal and community development were parallel. Each one had its own central government agencies and constituencies. Coordination among them was extremely rare. The rule was that community development agencies, community associations and NGOs working with the latter bypassed municipal authorities.

The rivalry between the Dirección Nacional de Desarrollo de la Comunidad (DINADECO) and the Instituto de Fomento y Asesoría Municipal (IFAM) in Costa Rica is very similar to that of the Ministry of Urban and Rural Development and INFOM in Guatemala, and that of the Dirección de Desarrollo de la Comunidad (DIDECO) at the Ministry of the Interior and CONARA in El Salvador.

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<sup>15</sup> In Honduras the NGOs do not want to be called as such. They prefer Private Organizations of Development (Organizaciones Privadas de Desarrollo, OPDs) as their official name. The argument is that if they accept this denomination which is negative, the government should be called a "non-private organization".

<sup>16</sup> This tension is observed when some FHIS officials say that they are trying to "break that chain of control gained by municipal governments" by working with local groups directly or through the network of NGOs that exists. PADCO Annex-4-35.

<sup>17</sup> PADCO Anex-4, 30.

The struggle for resources between municipalities and community associations is reflected in the central government agencies that serve them. Thus, 'paternalistic' dependence and clientelism has developed among beneficiaries and personnel. In the case of Costa Rica, this situation is aggravated by the existence of specific allocations in the national budget made available to members of Congress. These funds can be donated to or bestowed upon any group or entity desired. The struggle is more prevalent in Costa Rica because these institutions have been active since the 1960s.

The fundamental lesson for all countries is that community development and municipal development are not mutually exclusive alternatives. Both have to change attitudes and behaviors. Municipal development lacked representation among neighbors. Largely, mayors were intermediaries between the population that voted for them and central agencies that furnished the needed services and resources to improve the quality of life within the community. On the other hand, political nominations also came from centralized political parties. Often, mayors took greater care in developing contacts above than truly representing their constituencies.

Community Development agencies interact with communities, in a fashion similar to other central government agencies. They became involved directly with the communities bypassing the municipal authorities. At most, they acted as solicitors of help to accomplish specific projects prompted by both community groups and promoters of community development agencies at the central level. In Costa Rica, many examples of effective collaboration may be shown. Nevertheless, the major link was between the central government and the beneficiaries without any intermediaries.

The ideal situation is the one offered by the "model of local fiscal decision" which respond to a "Public Choice" orientation.<sup>18</sup> According to

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<sup>18</sup> See María T. Morgan, Panorámica Conceptual de la Descentralización. This report was presented in the Seminar on "La Puesta en Práctica de Políticas de Descentralización en América Latina," (The Implementation of Decentralization Policies in Latin America), held in Santa Cruz, Bolivia from December 9 to 13, 1991 already metioned. For the "Public Choice" approach the literature is abundant. A good summary can be seen in Robert L. Bish, Understanding Urban Government. Metropolitan Reform Reconsidered. Particularly Chapter 3 called "The Public Choice Approach", (Washington, D.C.: American Enterprise Institute for Public Policy REsearch, 1973.

Two theoretical orientations compete in the field: the "organization centered" and the "Public Choice" approach. Both provide a creative framework where different orientations regarding the role of the state and free market processes, are elaborated. The "organization centered" approach puts its emphasis in organizations already established and induces changes through them to the rest of the state and society. The "Public Choice Approach" prescribes an enlargement of consumer options

the "local community fiscal model" management and "Public Choice Approach", ultimately the performance of municipal authorities is evaluated by the local community. Their approval of budget formulation, implementation and management of local affairs is expressed by their vote or other means of control such as "cabildos abiertos", plebecites, joint commissions, etc. For decision-makers, it is important to realize the benefits of linking local management with responsible citizenry at the local level. The control and rewards will come then from below and not from above. Thus, community and municipal development, far from being in opposite directions, are an integral part of the strengthening of local government.

Many characteristics conspire against the creation of a well-informed and participant citizen. Literacy levels, communications, and individualistic ethics have been a part of Central American culture for centuries. Some obstacles, however, may be more easily removed. One example is time of elections at the local level. The more these local elections are held separate from national ones, the more local issues will have greater visibility. Terms of electoral mandates and representation either through a good reflection of numbers or minority groups also influence this outcome (see Attach. No. 2). A six month, two or even three year term is not sufficiently enough to accomplish a program. Terms should be extended in Guatemala, El Salvador, Costa Rica and Panamá. These are grounds for having issues, elections and mandates closer to the people.

The innovation now is to link the experience incurred in community development in Central America for more than thirty years with the strengthening of municipal institutions. Accordingly, municipal authorities must abandon their concern for representation at the central level, while community groups must link their fate to municipal development.

The Honduras Municipal Development Project financed by AID is now experiencing this innovation. The "Cabildos Abiertos" offer the

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of public services. There have also been attempts to make a synthesis of both.

Ultimately the differences among them can be referred to how they see public administration and their role. While the first put emphasis in hierarchies and chains of command, the second deals with goals and a flexible selection of alternatives and institutional arrangements that change if such goods and services are jointly consumed by the general public or the latter may be partly excluded from their consumption or those products have a collective or a private use. While the first encourages public servants to say the last word, the second induces public servants to create the conditions which enable the consumers to make their final choice.

possibility of incorporating associations with different backgrounds. Patronatos and Chambers of Commerce may find that they have more common ground than anticipated given the different social composition of their affiliations. A middle class citizen and a worker can discover common benefits if sanitation policies in all contamination spots in the municipal jurisdiction are systematically applied. This is the new ingredient of municipal and community development combined which was absent in the past.

Autonomy and Distribution of power. There are many decisions that central governments have taken in the past that either have favored the autonomy of local governments or have restricted that possibility. The best single indicator of autonomy is the percentage of revenue or expenditures that local governments have been able to get for themselves in their struggle for resources with other central government bodies. This also is influenced by population and resources in each country which gives inter-country as well as intra-country differences.

Guatemala, Honduras and Costa Rica report better share in their struggle with their respective central government while El Salvador, Nicaragua and Panamá are behind regarding these indicators (see Attachment No. 6). Guatemala and Honduras have reached these percentages very recently. The percentage in Honduras is an estimation considering new law changes. Other figures show that population and Gross Domestic Product per capita are not related to percentage of revenue or expenditures of total government expenditure or revenue received by local governments. There is not relationship either with the number of functionaries at the municipal level except for Guatemala.

**Annex I**

**Draft Training Plan**

## ANNEX I

### DRAFT TRAINING PLAN

#### I. INTRODUCTION

##### 1.1 Conceptual Framework for Training Plan

Training in the context of the Project refers to exercises that intend to create consensus among the target groups, mobilize their opinion and enthusiasm, lay down challenges, and stimulate responses to these challenges, as well as to impart skills and new attitudes to carry out tasks. Insofar as it is an ancillary function, it will focus on objectives that contribute to the purpose of the Project.

The two principle thrusts of LOGROS are:

(1) to foster a supportive environment at the Central American regional level in order to help attain the overall Project purpose of policy change towards greater municipal autonomy; and,

(2) to help to build a technical capability within the municipal system to accommodate the changes sought. Within this context the following Training Plan is designed to stimulate new attitudes toward training and institutionalize over the life of the Project a permanent capability within the region of meeting the demand for training from the Central American municipal systems.

Training activities will be divided into the two broad categories: those that address consensus building and opinion mobilization and those that are directed to technical skill enhancement.

As was made clear in Section of the Technical Analysis, the municipal systems in Central America are composed of a large array of municipalities, distinguished principally, but not exclusively, by size. Given the constraints of resources and time, training of the first category will concentrate on target groups that can affect the municipal system as a whole. Those of the category addressing support capability in general will concentrate first on strategic secondary cities as indicated in the Project Description.

Training, as other activities, will be participatory and demand-driven, within the general context of the Project purpose. This means that in consensus meetings, the

trainees themselves will tell the Project management what the priority areas for action are and, as a result, the direction for future training events. Technical support training will likewise respond to priority needs and opportunities that the unfolding of the process of change indicates. A practical consequence of the demand-driven approach is that the focuses for Project training have to be dependent on the actors themselves in the process of change.

**1.2 Principles that will guide the selection of Project training activities:**

**1.2.1 Training events will develop the capability of the region to respond to regional municipal needs. This will require in-depth evaluation of regional resources available and appropriate for staging LOGROS training exercises.**

**1.2.2 Under the Technical Support Component, activities will be directed to objectives generated by the Consensus Building Component; that is, conceived within the conceptual framework of consensus for change. For example, in the case of building a technical support capability within a specific municipality as a demonstration project, training will enhance a capability that has or is expected to contribute to the Project's policy change framework.**

**1.2.3 Training will attempt to select objectives that maximize reference to common problems of the region.**

**1.2.4 In the same vein as 1.2.2, training themes/topics/skill areas will be closely integrated with, or oriented to give support to, general Project purposes.**

**II. OBJECTIVES OF THE PLAN**

- 2.1 The first objective of the Training Plan is to identify the most important training activities required to attain purpose-level objectives, given resource availability and the need for a demand-driven approach. The Plan, therefore, will indicate the number and type of events without specifying the topics which will be indicated by the actors, that is, the trainees themselves.**
- 2.2 The second objective is to insure that training activities of all categories, again given a demand-driven approach, are integrated with and reinforce other Project activities.**

- 2.3 The final objective is to lay out the programming of training events and their corresponding implementation arrangements.

### III. ACTIVITY COMPONENTS

- 3.1 Training activities will be directed toward the first and orienting component of the Project, regional consensus building (policy change). This refers to the regional seminars to be designed to build up a regional network and consensus as well as in-country follow-up or spin-off events to support national agendas.
- 3.2 The technical support component of the Project calls for a varied mix of training and training-related activities. These include in the first year of the Project a major effort at elaborating a regional training strategy, training support to accompany and backup--as the need arises--the TA activities that are projected in connection with demonstration projects; the exchange of successful experiences on a horizontal, inter-country basis; the selection of a loose equivalent of a training center for the training of trainers; and, finally, possible support for curricula and training materials development to meet regional sector needs.
- 3.3 The bilateral missions, in response to specific opportunities in their respective municipal sectors, may receive specific training support and/or, participate in regional training opportunities. For this to occur, the regional training events will have to be carefully selected to meet multiple-country needs and priorities.
- 3.4 The Project's participant training efforts, although themselves not an activity "component," cut across the three above. The Project will support participant training under all three activities both in the U. S, and in other countries for representatives from the region's municipal sectors.

### IV. PRELIMINARY PROGRAM OF TRAINING AND TRAINING-RELATED ACTIVITIES

Within the context of a demand-driven approach, which calls for a flexible selection of Project activities, we foresee the following types of training events, based on recent municipal

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training experience in the region. However, the development of new priorities might call for different methods of responding to the change process. For example, the change process might call for the sponsorship of another regional association instead of and in addition to FEMICA. The scheduling of activities is for three years only. The third year evaluation will judge the efficacy, methodologies, and orientation of the following Plan and indicate any new needs and directions.

#### 4.1 Regional Consensus Building Program

##### YEAR ONE (August 1992 to August 1993)

- 1) A Regional Network and Consensus Seminar with the following approximate characteristics:  
  
Major presentations on 4 priority topics;  
  
Three days duration;  
  
Approximately 50 participants: producing the nucleus of a future municipal sector network;  
  
Place to be determined;  
  
Regional sponsor will be FEMICA.
- 2) In-country Strategic Follow-on Workshops (4):  
  
One major presentation by expert from outside country;  
  
Two in-country presentations;  
  
Two days duration;  
  
Approximately 50 participants;  
  
Countries to be determined;  
  
Sponsors will be the national associations of municipalities with technical assistance from FEMICA.
- 3) Regional training course for national Municipal Association officials. The design will depend on further contact, meetings and exchange with the Associations during the first part of the first year of Project implementation:

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Possible duration of a week;

Course to be offered by the International City Management Association's experts from the U. S.;

Sponsor will be FEMICA.

- 4) Participant Training for 10 persons.

YEAR TWO (August 1993 to August 1994)

- 1) Regional Network Seminar (1):

Four papers presented by outside experts;

Three days duration;

Approximately 50 participants;

Place to be determined;

Sponsor will be FEMICA.

- 2) In-country Strategic Workshop (2):

One major paper by expert;

Two local presentations;

Two days durations;

Approximately 50 participants;

Countries to be determined;

Sponsors will be national associations with technical assistance from FEMICA.

- 3) Participant training for 10 persons.

YEAR THREE (August 1994 to August 1995)

- 1) Regional Network Seminar (1):

Four papers presented by outside experts;

Three day duration;  
Approximately 50 persons;  
Sponsor will be FEMICA.

2) In-Country Follow-up Workshops (2):

One major paper by expert;  
Two local presentations;  
Two day duration;  
Fifty participants;  
Countries to be determined;  
Sponsors will be national associations of municipalities with technical assistance of FEMICA.

3) Regional Course for Association Officials (1):

Possible duration of a week;  
Course to be offered by ICMA's association experts from the U. S.;  
Sponsor will be FEMICA.

4) Participant training for 10 persons.

4.2 Technical Support Component

YEAR ONE (August 1992 to August 1993)

The first task under this component will be the preparation of a regional training framework for the municipal sector. Its objectives will be to evaluate the training resources available in the region, assess the training needs as reflected by the consensus reached in the first Network seminar and previously existing sector analyses, and develop a training strategy for the region, projecting the use of new and creative training methods for the varied elements in the region's municipal systems. These elements will include the various types

of municipalities, as well as national and regional associations, and the eventual direction to be taken in the training for trainers. The strategy will also include an implementation plan.

**FEMICA** will be the sponsor of the study and participate in its dissemination and implementation.

The Project will initiate demonstration projects (2) to test the feasibility of the directions indicated by the Technical Analysis and the conclusions of the first regional network consensus seminar. The specific areas of the projects will be decided on according to consensus seminar priorities and the needs of the bilateral missions. Although TA will constitute the greater part of these efforts, specific and localized training will undoubtedly be called for. We are anticipating these efforts in the Training Plan even though they cannot be specified nor quantified at this point.

Under this component the Project will promote horizontal, inter-country exchanges (1-3 cases) within the region of expertise in a concrete area of municipal business, for example successful solid waste management. This will consist of transferring to a second country(s), through hands-on training and TA, specific and exceptional expertise developed in one country of the region.

A long-range objective of the Training Plan under this component, most probably in the second half (years 4 to 7) of the Project, will be to identify a resources for the training of trainers. This objective, although long-range for implementation, will be an element of the training thinking and strategy during the first years of the Project's activity.

A second long-range contribution of the Project's Training Plan will be the eventual support of curricula and training materials development for the sector.

Participant training of 10 persons for technical capability enhancement to support the successful implementation of this component.

YEAR TWO (August 1993 to August 1994)

Training related to the demonstration projects (2);

The inter-country transfer of expertise within the region (2);

Participant training of 10 persons for technical capability enhancement to support this component.

YEAR THREE (August 1994 to August 1995)

Training related to demonstration projects (2);

The inter-country transfer of expertise within the region (2);

Participant training of 10 persons for technical capability enhancement to support this component.

The Project will also initiate the identification of resources for the training of trainers.

V. BILATERAL REQUESTS FOR TRAINING

5.1 The Project expects to respond to requests for TA from the Missions to solve concrete, pressing problems that have common elements or lessons for other countries of the region. These requests will include both policy and technical support issues that may need a training component. Although it is impossible to be precise with respect to future requests of this kind, we project that at least 1 per year will involve training.

5.2 In addition to the above requests for problem-solving, the Project expects bilateral requests to support participant training opportunities and budgets approximately 4 persons per year for this purpose.

**VI. IMPLEMENTATION STRATEGY**

- 6.1 Under the general management by direct hire personnel, one Personal Services Contractor (PSC) will be contracted for the first two years of the Project to handle its training components. He/she will divide his/her time between support to the region's institutions in their sponsorship or implementation of the programmed training tasks/events, and responding to bilateral requests. He/she will also become personally acquainted with the training resources of the region and, to a lesser extent and when required, resources outside the region, to arrange for participant training, and design the training ingredients for the demonstration projects.
- 6.2 The institutions that will be implementing the Training Plan in general, as indicated in the above schedule, will be FEMICA, a regional municipal support institution, as well as national associations of municipalities, and other training suppliers in the region, such as INCAE, universities, etc.

At the same time, the Project, responding to the training tasks that evolve through its demand-driven approach, will be working with other regional institutions making up part of or affecting the regional municipal system (such as private sector representative associations, the Central American Parliament through its Sub-commission for Municipal Affairs, second and third tier community organization representatives, as well as other donor sponsored NGO's). The Project expects to implement training events either through or jointly with some of these institutions.

The variety of training situations expected, such as that linked to specific, concrete problems originating with demonstration projects, will demand a variety of training capabilities. As the resource picture becomes clearer through the regional training strategy, the Project expects to channel the implementation of training tasks through an array of local institutions that have a potential for responding to the municipal systems' training demands, such as ICAP, INCAE, interested Universities, specialized private consulting firms, and in some cases government municipal support agencies.

6.3 For specialized training needs, such as those supporting municipal associations or environmental training, U. S.-based expertise will be called in to implement training, particularly the International City Management Association (ICMA), as indicated in the above programming of events.

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**Annex J**

**Initial Environmental Examination**

7/82

INITIAL ENVIRONMENTAL EXAMINATION

OR

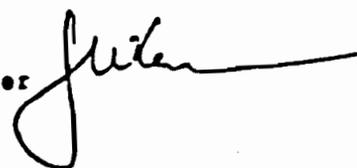
CATEGORICAL EXCLUSION

Project Country: Regional Office for Central American Programs

Project Title: Local Government Regional Outreach Strategy  
(LOGROS; 596-0167)

Funding: FY(s): '92-99 US\$ 6,000,000

IEE Prepared By Jeff Goodson  
Project Development Officer  
ROCAP



Environmental Action Recommended:

Positive Determination \_\_\_\_\_  
Negative Determination \_\_\_\_\_  
Categorical Exclusion X \_\_\_\_\_  
Deferral \_\_\_\_\_

Summary of Findings

The activities to be funded by this project are eligible and recommended for Categorical Exclusion pursuant to the provisions of 22 CFR 216.2(c)(2)(i)-- education, technical assistance and training activities not directly affecting the environment; 22 CFR 216.2(c)(2)(iii)--analyses, studies, academic or research workshops and meetings; and 22 CFR 216.2(c)(2)(v)--document and information transfers. The activities funded will have no direct impact on the environment.

Clearance

Mission Director:



Irenemaree Castillo  
Regional Director  
ROCAP

Date:

4.21.92

Clearance

Regional Environmental Officer:



Wayne Williams

Date:

5 June, 1992

Bureau Environmental Officer: \_\_\_\_\_

Date: \_\_\_\_\_

## INITIAL ENVIRONMENTAL EXAMINATION

### 1.0 Project Description

The Local Government Regional Outreach Strategy (LOGROS; 596-0167) is a six year, US\$ 6.0 million activity whose purposes are to contribute to (1) the transfer of authority and control over financial and human resources from central to local governments and (2) improvements in local capabilities and commitments to respond effectively to the demands of citizens for political and economic enfranchisement. LOGROS has four specific outputs: (1) to establish a regional Network of individuals and organizations promoting decentralization of authority from central to local governments; (2) to establish a regional consensus on priority decentralization issues and benchmarks; (3) to address specific constraints to decentralization related to municipal financial management and local participatory processes; and (4) to assess and harness regional training capabilities as they relate to decentralization. The specific inputs to be funded are: (1) long-term technical assistance (TA); (2) short-term TA; (3) training; (4) seminars and fora; (5) publications support; (6) limited commodities; (7) audits; (8) evaluations; and (9) funds to cover contingencies and inflation.

### 2.0 Issues and Impacts

The activities to be funded by LOGROS will have no direct impact on the environment. To the extent that the Project contributes to the goal of "stable democratic societies in Central America," however, it is expected that beneficial indirect impacts on the environment will result from the increasing political and economic enfranchisement of the people of Central America. This is because of a growing realization in Central America--especially among urban Central Americans--that wise natural resource use is essential to stable economic growth, and because of an increasing concern for addressing local environmental problems that directly affect municipal populations.

### 3.0 Recommended Environmental Action

None of the activities funded under LOGROS will have a direct adverse impact on the environment, and the Project is eligible and recommended for Categorical Exclusion pursuant to the provisions of 22 CFR 216.2(c)(2)(i)--education, technical assistance and training activities not directly affecting the environment; 22 CFR 216.2(c)(2)(iii)--analyses, studies, academic or research workshops and meetings; and 22 CFR 216.2(c)(2)(v)--document and information transfers.

ACTION ROCP INFO AMB DCM ECON AID/5

VZCZCGTOP78  
RR RUEHGT  
DE RUEHC #2339 1682201  
ZNF UUUUU ZZH  
R 162204Z JUN 92  
FM SECSTATE WASHDC  
TO AMEMEASSY GUATEMALA 9152  
BT  
UNCLAS STATE 192339

16-JUN-92 TOR: 22:03  
CN: 13575  
CHRG: AID  
DIST: ROCP  
ADD:

AIDAC GUATEMALA FOR ROCAF FOR JEFF GOODSON, GUATEMALA FOR

E.O. 12356: N/A

TAGS:

SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR LOCAL  
GOVERNMENT REGIONAL OUTREACH STRATEGY (596-0167)

ROCAF FOR WAYNE WILLIAMS

REF: ROCAF FAX, JUNE 8, 1992, GOODSON TO WILSON

1. LAC DEPUTY CHIEF ENVIRONMENTAL OFFICER, JOHN WILSON,  
HAS REVIEWED AND HEREBY APPROVES MISSION REQUEST FOR A  
CATEGORICAL EXCLUSION FOR SUBJECT PROJECT.

2. IEE NUMBER IS LAC-IEE-92-39. COPY OF ENVIRONMENTAL  
THRESHOLD DECISION IS BEING POUCHED TO MISSION FOR  
INCLUSION IN PROJECT FILES. BAKER

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U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

LAC-IEE-92-39

**REQUEST FOR A CATEGORICAL EXCLUSION**

Project Location : Central America Regional  
Project Title : Local Government Regional  
Outreach Strategy (LOGROS)  
Project Number : 596-0167  
Funding : \$6 million  
Life of Project : 6 years  
IEE Prepared by : Jeff Goodson, ROCAP/PPD  
Recommended Threshold Decision: Categorical Exclusion  
Bureau Threshold Decision : Concur with Recommendation  
Comments : None

*John O Wilson* Date JUN 16 1992  
John O. Wilson  
Deputy Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

Copy to : Irenemaree Castillo, Director  
ROCAP/Guatemala  
Copy to : Jeff Goodson  
ROCAP/Guatemala  
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Copy to : Kraig Baier, LAC/CEN  
Copy to : Jim Hradsky, LAC/DR/CEN  
Copy to : IEE File

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