

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS PART I		1. TRANSACTION CODE <input type="checkbox"/> A ADD <input checked="" type="checkbox"/> A CHANGE <input type="checkbox"/> D DELETE		PAF 2. DOCUMENT CODE 5
3. COUNTRY/ENTITY DS/RAD		4. DOCUMENT REVISION NUMBER Original <input type="checkbox"/>		
5. PROJECT NUMBER (7 digits) [9365303]	6. BUREAU/OFFICE A SYMBOL B CODE DSB [10]	7. PROJECT TITLE (Maximum 40 characters) [Local Revenue Administration]		
8. PROJECT APPROVAL DECISION ACTION TAKEN <input checked="" type="checkbox"/> A APPROVED <input type="checkbox"/> D DISAPPROVED <input type="checkbox"/> DE DEAUTHORIZED		9. EST. PERIOD OF IMPLEMENTATION YRS. [8] [3] QTRS [4]		

10. APPROVED BUDGET AID APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>79</u>		H. 2ND FY <u>80</u>		K. 3RD FY <u>81</u>	
		C GRANT	D LOAN	F GRANT	G LOAN	I GRANT	J LOAN	L GRANT	M LOAN
(1) EH	650	240		498		-		335	
(2) FN	650	240		498		-		334	
(3)									
(4)									
TOTALS				996		-		669	

A. APPROPRIATION	N. 4TH FY <u>82</u>		G. 5TH FY		LIFE OF PROJECT		11. PROJECT FUNDING AUTHORIZED		A GRANT	B LOAN
	O GRANT	P LOAN	R GRANT	S LOAN	T GRANT	U LOAN	1. LIFE OF PROJECT	2. INCREMENTAL LIFE OF PROJECT	2	
(1) EH	353				1,186					
(2) FN	353				1,185					
(3)										
(4)										
TOTALS		706			2,371					

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)			13. FUNDS RESERVED FOR ALLOTMENT		
A. APPROPRIATION	B. ALLOTMENT REQUEST NO.		TYPED NAME (LAST, FIRST, MIDDLE)		
	C GRANT	D LOAN			
(1) EH		498	SIGNATURE		
(2) FN		498			
(3)			DATE		
(4)					
TOTALS		996			

14. SOURCE/ ORIGIN OF GOODS AND SERVICES

000
 941
 LOCAL
 OTHER _____

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

FOR PPC/PIAS USE ONLY	16. AUTHORIZING OFFICE SYMBOL	17. ACTION DATE MM DD YY	18. ACTION REFERENCE (Optional)	ACTION REFERENCE DATE MM DD YY
-----------------------	-------------------------------	-----------------------------	---------------------------------	-----------------------------------

PROJECT AUTHORIZATION AND REQUEST FOR
ALLOTMENT OF FUNDS

PART II

ENTITY: Development Support Bureau
PROJECT: Local Revenue Administration
PROJECT NUMBER: 93-5303
936-

I hereby approve DS/RAD funding in the amount of \$2,371,000 for the Local Revenue Administration Project over a 4-year period, subject to availability of funds, and I authorize \$498,000 of FN and \$498,000 of EHR in FY 1979. The contribution of additional funding as authorized by regional bureaus is also approved for this project.

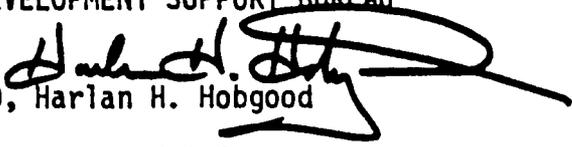
Signature: Tony Babb
Tony Babb
Deputy Assistant Administrator
for Food and Nutrition
Development Support Bureau

Date: 6.17.79

Attachment:
PAF and Project Paper

Clearances:
DS/RAD: Harlan Hobgood AH Date 6/14/79
DS/RAD: Norman Nicholson John Date 6/13/79
DS/RAD: John Gelb John Date 6/13/79
DS/PO: Robert Simpson RS Date 6/14

ACTION MEMORANDUM FOR THE DEPUTY ASSISTANT ADMINISTRATOR FOR FOOD AND
NUTRITION, DEVELOPMENT SUPPORT BUREAU

FROM:  DS/RAD, Harlan H. Hobgood

SUBJECT: Local Revenue Administration

Problem: To increase the capacity of AID to improve the self-help capability of rural communities and to increase the flow of public investments and services to the rural poor, a project on "Local Revenue Administration" has been prepared by the Office of Rural Development and Development Administration of the Development Support Bureau.

Discussion: On June 11 in room 216 RPE representatives of the Regional Bureaus and DSB Offices met with the Deputy Assistant Administrator for Food and Nutrition to review the project and the issues as presented by the Bureaus and the discussants. After substantial discussion, approval of the project as presented was recommended by all representatives present.

Recommendation: That you approve and authorize funding by DSB of \$2,371,000 for Local Revenue Administration over the life of the project (FY 1979 - FY 1982), and approve incremental funding by the Regional Bureaus as authorized by them, by signing the attached PAF.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET	1. TRANSACTION CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A ADD C CHANGE D DELETE
--	---

3. COUNTRY/ENTITY DS/RAD	4. DOCUMENT REVISION NUMBER Original
------------------------------------	--

5. PROJECT NUMBER (7 digits) <div style="border: 1px solid black; display: inline-block; padding: 2px;">931-5303</div>	6. BUREAU/OFFICE A. SYMBOL DSB B. CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">10</div>	7. PROJECT TITLE (Maximum 40 characters) <div style="border: 1px solid black; display: inline-block; padding: 2px;">Local Revenue Administration</div>
---	---	---

8. ESTIMATED FY OF PROJECT COMPLETION FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">83</div>	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">79</div> B. QUARTER <div style="border: 1px solid black; display: inline-block; padding: 2px;">4</div> C. FINAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">82</div> (Enter 1, 2, 3, or 4)
---	--

10. ESTIMATED 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	996		996	2,371		2,371
GRANT	996		996	2,371		2,371
LOAN						
OTHER U.S.						
HOST COUNTRY						
OTHER DONOR(S)						
TOTALS	996		996	2,371		2,371

11. PROPOSED BUDGET APPROPRIATED FUNCS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>79</u>		H. 2ND FY <u>80</u>		K. 3RD FY <u>81</u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) EH/FN	650	240		996				669	
(2)									
(3)									
(4)									
TOTALS				996				669	

A. APPROPRIATION	N. 4TH FY <u>82</u>		O. 5TH FY _____		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	D. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1) EH/FN	706				2,371		<div style="border: 1px solid black; display: inline-block; padding: 5px;">MM YY 09 87</div>
(2)							
(3)							
(4)							
TOTALS		706			2,371		

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 1 = NO
 2 = YES

14. ORIGINATING OFFICE CLEARANCE SIGNATURE TITLE Harlan H. Hobgood Office Director	15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS. DATE OF DISTRIBUTION DATE SIGNED <div style="border: 1px solid black; display: inline-block; padding: 2px;">06 08 79</div>
---	--

LOCAL REVENUE ADMINISTRATION

Project Paper

TABLE OF CONTENTS		<u>Page</u>
Part I.	Summary and Recommendations	
B.	Recommendations	1
C.	Description of the Project	1
D.	Summary Findings	8
	1. Technical	8
	2. Financial	8
	3. Economic	9
	4. Social	10
E.	Project Issues	10
Part II.	Project Description and Background	
A.	Project Background	12
B.	Project Description	24
	1. Project Goal	24
	2. Project Purpose	25
	3. Project Outputs	34
	4. Project Inputs	36
Part III.	Project Analysis	
A.	Technical Analysis	38
B.	Budget	40

Part IV.	Implementation Arrangements	
A.	Analysis of Recipient and AID's Administrative	45
B.	Implementation	50
C.	Implementation Plan	Attachment A
D.	Evaluation Plan	57

Annexes:

- A. Budget**
- B. Logframe**
- C. Skill Chart**
- D. Hobgood memo**
- E. A Diachronic Survey of AID's Public Finance Projects**

Part I. Summary and Recommendations

B. Recommendations

Approval is requested for a project in the amount of \$6,000,000 over a 6 year period. This represents: (a) Initial authorization by AA/DSB of a contract in the amount of \$2,370,205 for the first four years obligated in three tranches. The first tranche would be \$995,961 in FY 1979 and would fund the first two years of activity under the project. Subsequent tranches of \$66,700 in FY 1981, and \$705,544 in FY 1982 would fund years three and four: (b) Up to \$3,630,000 of incremental funding from three possible sources:

(1) USAID field missions

(11) AID Regional Bureaus

(111) DSB funding if 2-year evaluation indicates advisability of extending project beyond initial four years of funding for an additional two years.

(See Annex A for budget and p. 40 for explanation of incremental funding)

C. Project Description

The project will develop an analytical and technical assistance capability for assisting LDC governments and USAID missions in dealing with issues of policy and problems of providing jobs and services to the rural poor associated with implementing the "new directions" in AID policy. In support of this effort the project will provide 130 p/m per year for four years to be utilized for technical assistance, applied research, training and information dissemination, and will assist DS/RAD in developing a consultant network in this area of expertise.

Current development theory and the AID mandate both require heavy public investment in the rural areas, greater emphasis on the development of human capital, increasing reliance on the dynamic contribution of the

agricultural sector and market town to the development process, and greater attention to the villagers' own assessment of their needs and priorities.

One of the key components of making development responsive to the needs of the villages is the manner in which development programs are financed. Neither the theory nor the practice of public finance has caught up with current development practice. Thus, although there is growing emphasis on bottom-up planning and decentralized administration in development programs, the emphasis in financial policy is still one of extracting a surplus from the rural sector on the one hand and centralizing control of that surplus on the other. Little has been done to use financial policy to stimulate local action, mobilize local resources, and encourage more efficient use of public resources. Far too little emphasis has been placed on relating maintenance costs to public investment programs in the rural areas and to assuring that local communities have the capacity to absorb the recurrent costs. Finally, inadequate attention has been paid to the need to decentralize both investment and financing decisions and to relate the two.

In this project the contractor will work with LDC governments to develop and field test new approaches to local revenue mobilization. The information gained in these field tests will be fed back into the analytical work in an iterative fashion to provide professionals in the field with alternative models, approaches to the social and administrative problems involved in implementing them, and a clearer understanding of the distribution of benefits and costs of more decentralized and participatory rural development. This will, in turn enable us to update public finance theory to make it more consistent with current development strategies.

The major operational problems which this project is designed to deal with are four.

(a) Sector specific interventions: The project will provide assistance in dealing with the policy and management problems of local financing of sectoral programs -- including community access to capital markets, recurrent costs, and coordination of local and government revenues. These sector specific interventions might be in health, infrastructure, agriculture, education, or energy development for small industry.

(b) Increasing the variety and reliability of the general revenue sources of local authorities: This would provide assistance in development of improved revenue sources of local authorities and providing direct technical assistance in dealing with the associated management issues. Of particular importance here will be the design of grants-in-aid programs and of local land taxes as the major sources of local revenue.

(c) Local access to capital markets: A.I.D. funds are frequently used to improve the ease of access of local authorities to sources of capital both for productive investments such as roads and for social overhead such as schools and clinics. This would include programs of assistance to local development banks, development of revenue bonds, etc. Assistance would be provided in the design of such efforts, the problems of management, and the evaluation of social distribution of benefits.

(d) Management of communal property: A major equity issue in many rural areas is the access to the distribution of benefits from revenue earning public assets such as forests, common lands, or water. Frequently

these assets do not yield as much revenue as they might, that revenue is often poorly managed, and frequently inequitably distributed. The poor would derive direct benefit from improvement in the management of this resource.

(e) Commercial activities: Commercial activities are increasingly attractive as sources of revenue (also of needed investment) in small towns and rural areas. These commercial ventures cover a wide range of activities including slaughterhouses, electrification, agricultural processing, among others. Finding ways to stimulate such local activities and to deal with the financial problems of capitalizing them, managing recurrent costs, and providing adequate management could be an important contribution of this project in many areas.

(f) Equity Issues: Tax and revenue mechanisms have been singularly ineffective as mechanisms for income redistribution or even as policy instruments in the rural sector (as opposed to simple revenue devices). If we perceive both the possibility and the desirability of increasing local revenue, however, we must be concerned with equity questions associated with increasing local control over expenditure and increased efforts to raise revenue within the community. It would seem appropriate here to combine welfare economics concern with the relationship of costs to benefits received by groups in the population, the political economist's concern with the institutional mechanisms for relating revenue and expenditure decisions, and the more general concern with evaluating the social impact of development efforts in order to find ways to monitor and assess the equity impact of increased decentralization. We perceive that the contractor will make a direct contribution to development monitoring systems which will permit intermediate organizations to assess the equity impact of various

instruments for increasing local revenues.

The purpose of this project, therefore, is to help develop models and procedures of local finance which will convert local needs into a pattern of revenue mobilization that will support the provision of a mix of community. To accomplish this end the consultants provided under the contract may work with USAID missions LDC governments in the design of projects. The contractor will also collaborate with local LDC institutions in applied research on local revenue problems associated with the host country's development efforts. Finally, the contractor will be working directly with local authorities and intermediate institutions to improve administration through training, implementation of pilot projects, or by seeking ways to improve revenue mobilization performance in ongoing programs.

The outputs of the project will be:

(a) Applied research and consulting in 4-6 "in-depth countries where the contractor will be involved for 3-4 years in assisting the analysis, design, implementation, and evaluation of local finance systems. The contractor will be directly involved in implementing field tests-- including training, project management, and provision of field staff, where required.

(b) Short-term consulting and analysis in up to 4-6 countries per year which will provide opportunities for comparative analysis, rapid extension of new approaches, and a valuable consulting service to USAID missions.

(c) State of the art work and development of new approaches to local finance. Emphasis here will be on the development of a set of papers which will clarify key problems in local finance and which are then converted into manuals and training materials for direct applications to operations.

(d) Information dissemination. This may take the form of workshops and the distribution of literature but the emphasis will be on working with LDC institutions to assist in-country training.

(e) Networking: efforts to increase professional dialogue and the range of consultants available in this field with particular attention to use of LDC professionals, the direct consulting needs of LDC governments, and involvement of LDC institutions in the activities of the projects.

This combination of knowledge generation, analytical problem solving, and direct technical assistance (to support field testing of approaches) presents certain contracting dilemmas in this project. Similarly, the range of skills required is of a breadth not commonly found in the private sector. DS/RAD feels that the best way to proceed would be with a university contractor-- preferably with an institute of public policy or public management. Such an institute would be able to tap the varied resources of a major university and in addition would be accustomed to contract work.

The contracting mode we are seeking is one which combines (a) joint management, (b) integration of applied research and implementation activities, (c) incremental funding by missions of country specific field applications, and (d) a "collaborative style" approach to engaging the contractor in increasingly specific iterations of the scope of work and definition of the problem.

By end-of-project, we will have completed a series of state-of-the-art papers which synthesize the existing knowledge and recent experience. We will have developed training materials to assist in the implementation of new local revenue mobilization systems and will have field tested them in at least six countries. We will also have developed a network of professionals in

LDCs, USAID missions, and elsewhere to assist quick dissemination and utilization of these findings.

In the 4-6 countries in which the contractor will have "in-depth" relations over the life of the project we would expect to find evidence of more effective mobilization of local resources and concomitantly greater responsiveness of public expenditure at the local level to local needs and priorities.

As the interventions proposed in this project represent significant departures from existing practice in local finance in most LDCs we prefer to build some flexibility into the project design. The current request is for four years of funding. We suspect, however, that revisions of local finance practices may take a longer period to develop and test. We propose, therefore, to do an intensive review of project status in year two, and, if necessary, to seek authorization for an additional two years of funding at that time. Total project funding, including increments added by regional bureaus and mission and additional two years of funding would not exceed \$6,000,000.

D. Summary Findings

1. Technical:

The project will marshal resources which missions and LDC governments can draw upon to assist in the design, implementation, and evaluation of more participatory systems of financing rural development. This is viewed as an inter-disciplinary effort, conducted in the "praxis" mode which integrates analysis and implementation, to develop models that permit great flexibility in responding to local conditions and needs. It should be recognized, however, that the specific technical requirements of each field test will be determined by the situation in specific countries in which we have in-depth relationships. The key to implementation of the project, then, is to have a contractor with sufficient range of technical skills and the capacity to organize them flexibly to deal with a variety of different field requirements. In DS/RAD's judgement an inter-disciplinary university institute or program is a suitable management device for this purpose.

2. Financial:

It is not the purpose of this project to meet all the needs of AID missions for professional inputs into design and implementation of a local finance related project. Rather, it is intended that DS/RAD will centrally fund an inter-disciplinary team that can provide intellectual and analytical guidance, assist in project design work (including feasibility studies and PP preparation), and undertake limited responsibilities in implementation

(e.g., pilot project or monitoring of project implementation). The project paper specifically proposes, however, that the principle of mission cost sharing and the possibility of additional incremental funding for additional services under the project be established. The cost sharing would in all probability be in the form of meeting local costs (internal travel, per diem, research costs, etc.) out of PD&S funds ^{or other sources} for short term work under the DS/RAD project. ^{Regional Bureau and} mission add-ons would be for additional technical assistance to involve the contractor in direct implementation responsibilities for mission projects. This incremental funding would come from mission program funds and would be authorized as amendments to our project by the respective bureaus. Restrictions would be placed on this process in the form of the maximum number of countries in which the contractor could be involved "in-depth," the maximum amount of permissible add-ons, and that the scope of work be consistent with the scope of work defined in this project paper.

3. Economic Analysis:

DS/RAD argues that by employing the praxis mode of social science research, we can produce better analysis at lower cost than through more traditional forms. In this project, for example, knowledge generation and dissemination becomes a "free good" obtained at very marginal additional cost over the normal expenditures for project design and implementation. In the process the missions (4-6 long term and up to 4 to 6 short-term each year) will receive high quality professional assistance in their program development and DS/RAD will provide the contractor with exceptional opportunities for "grounded" research.

4. Social Soundness:

In general the purpose of this project is to encourage more equitable and participatory modes of financing rural development. We will be particularly interested in the effects of various revenue devices and decision making mechanisms on equity, protection of the community's natural resource base, and the provision of basic human needs. The project will contribute to the welfare of the rural poor by tying payment of costs of development much more directly to the distribution of benefits of development projects through a more progressive revenue structure. In addition, by stimulating local community action and providing a more efficient use of public investment, more responsive to local needs, the overall economic and social improvement of the village should be encouraged. Finally, by seeking more feasible means by which indigenous groups among the poor can mobilize their own resources in combination with better access to government resources, this project should assist the targeting of benefits to the poor. More specific social soundness analysis will be required, however, for each field intervention.

E. Project Issues

1. Contractual Mode:

This project has been designed according to the understandings recorded in the Hobgood memo of April 23, 1979 (Annex D). As DS/RAD has not had a response to this memo from SER/CM or GC, it remains an issue as to whether this form of contracting is possible.

2. DS/UD currently has a project dealing with local revenue in urban areas (Urban Financial Management). It remains an issue as to whether the bureau's local finance efforts should be divided in this manner. The DSB position is that DSB should deal with rural finance or financing services in small towns which are rural oriented, and not deal with municipal finance.

3. The issue was raised as to whether this project is adequately responsive to the "new directions." It deals with increasing local participation in decision making, increased availability and responsiveness of services and investment to the rural areas, and the stimulation of self help. But it does not specifically concern itself with taxation as a redistributive mechanism or with financial solutions to regional inequality. In short, it is concerned with local finance, not the role of rural revenue in macro-economic strategies.

PART II Project Background and Detailed Description

A. Background

Recent Advances in Development Theory and the Theory and Practice of Public Finance:

A review of current development theory yields five prominent and common themes: (a) a reduced emphasis on the role of savings and capital formation in development and renewed interest in technological innovation;¹ (b) a growing recognition of the dynamic potential of the rural sector (mediated through the market town) as the source of growth²; (c) a conviction, born of recent experience, that any growth strategy must take into account the distributive implications of a given pattern of investment and that any acceptable growth model today must contain mechanisms to redistribute access to productive assets, jobs, and economic opportunity more equitably;³ (d) a growing realization of the benefits of early investment in human capital and the growth process;⁴ and (e) the requirement to re-introduce population dynamics as a key factor in the growth process -- endogenous to our growth models.⁵

1. See, Robert Evenson & Y. Kislev, Agricultural Research and Productivity (New Haven: Yale University Press, 1975), and Y. Hayami & V.W. Ruttan, Agricultural Development: An International Perspective (Baltimore: Johns Hopkins Press, 1971).

2. See D.A. Rondinelli & K. Ruddle, Urbanization and Rural Development (New York: Praeger, 1978), and J.W. Mellor, The New Economics of Growth (Ithaca, Cornell University Press, 1976).

3. See, Hollis Chenery et.al., Redistribution with Growth, (London: Oxford University Press, 1974).

4. See, Employment, Growth and Basic Needs (New York: Praeger, 1977), and I. Adelman & C.T. Morris, Economic Growth & Social Equity in Developing Countries. (Stanford: Stanford University Press 1973).

5. See, M. Mesarovic & E. Pestel, Marking at the Turning Point (New York: Dutton, 1974), W. Leontief et. al. The Future of the World Economy (New York: Oxford University Press, 1977), G. Hardin & J. Baden, eds. Managing the Commons (San Francisco: W.H. Freeman & Co., 1977).

The net result of these new theoretical departures has been to direct our attention increasingly toward the rural sector -- as the source of jobs and subsistence for increasing populations, as a sector in which labor and technology can most easily substitute for scarce capital and low savings rates, as the sector which presents the most serious poverty and equity problems on a global basis, and as the environment which nourishes our most intractible and least understood population problems. Slowly but steadily LDC governments have begun to invest more heavily in rural infrastructure and services. Research on agricultural and rural problems has expanded. More slowly, but with increasing prominence, questions have been raised regarding the adequacy of the institutional structures which govern and serve the villages and we have now begun to address questions of the process of local participation, the organization of rural markets, the appropriateness of the current patterns of organization of rural services, and the responsiveness of research systems to farmer needs.

Unfortunately, the study of public finance in the Third World appears to have been little affected by these departures in development theory. The emphasis of the public finance literature for the past three decades has been that the process of development depended upon the transfer of surplus labor and wage goods from the rural sector to the urban sector and to encourage the mobilization of capital in that supposedly more modern and productive sector. Little attention has been given to date to the role of tax policy in stimulating productivity in the rural sector, in rechanneling resources within the rural sector (as opposed to transferring them out of that sector), or to the impact of current financing mechanisms on equity

and consumption levels among the rural poor.⁶ In a recent review of rural taxation in developing countries, Richard Bird concludes, "It is thus no exaggeration to say that not one developing country has to date utilized the undoubted potentials of properly constructed agricultural taxes as part of a conscious development policy as well as to raise revenue."⁷

Furthermore, he goes on to argue, the existing rural tax structure neither operates effectively to mobilize local resources, nor to encourage more efficient utilization of public revenues (page 41).

There seems little doubt, therefore, that the "new directions" in international approaches to development is seriously in need of applied research and theory building on the crucial problems of resource mobilization and financing in an increasing rural development effort.

The Practice of Rural Development:

Recent research into contemporary development programs strongly suggests that they impose numerous costs, some of which are excessive and avoidable, and forego numerous benefits, many of which could in fact be realized. Nowhere is this more true than in the structure and operation of the very public services that seek to mount development efforts. It is our conviction that the costs imposed and the opportunities foregone are of sufficient magnitude and of a critical enough character, involving as they do target groups of high priority to this Agency, that a major investigation into new means of supplying public services is warranted. In particular,

6. See, A.O. Hirschman, Journeys Toward Progress (New York: Twentieth Century Fund, 1963), Chapter 3; R.M. Bird & O. Oldman, Readings on Taxation in Developing Countries (Baltimore: Johns Hopkins Press, 1974), U.K. Hicks, Development from Below (Oxford: Clarendon Press, 1961).

7. R.M. Bird, Taxing Agricultural Land in Developing Countries (Cambridge: Harvard University Press, 1974).

we feel that we should investigate ways and means whereby the provision of public services could be decentralized such that the rural poor could mobilize resources so as to provide services better attuned to their needs.

Moreover, there are "indigenous" institutional structures (e.g. local chiefs, kin groups, etc.) which could be built upon to encourage local action and to provide a reliable basis for managing many local finance problems adequately linked to capital markets, extension service, and provided an adequate legal status.

It is no secret that the development programs are everywhere bedeviled by the cost of over-centralization. The consequences are well known. Plans are made without adequate information concerning either resources or needs. Projects are adopted which are inappropriate to the tasks they were selected to fulfill. Delays appear interminable. And skills and manpower that could more profitably be employed in other capacities are absorbed instead in the sheer maintenance and coordination of the bureaucratic apparatus itself.

Less well known, but increasingly recognized, are the benefits foregone from the maintenance of a centralized public service. Experience in the field has repeatedly taught us that local people are knowledgeable about the problems they face, and often more so than the experts who come to advise them. Moreover, it has also taught us that they are entrepreneurial in spirit to a far greater degree than earlier "doctrines" would have had us believe. These resources of local knowledge and innovativeness are often left untapped, however, and indeed are often curtailed. Instead, development bureaucracies often seek to substitute their pre-programmed solutions for local definitions of the problems of the rural poor, and exert their control over local forces of innovation which often times impose "inconveniences" upon them and, to many, actually appear threatening.

Equally as relevant, recent research on our target groups reveal a property that has too often been discounted: the availability of mobilization resources. The obvious poverty of the rural poor often times conceals the fact that they do possess resources. Moreover, recent research into the pattern of remittances and resource flows from urban kin reveal that they have access to resources from other sectors of a previously unappreciated magnitude.. While we in no way wish to discount the low level of the resources at their command, particularly by comparison with the wealth of the urban elites; and while we do not want to argue that the net flows of resources tend to be toward the urban centers, we nonetheless feel compelled to suggest that contemporary studies of rural savings and rural private incomes do strongly indicate that an important component of rural poverty may not be the lack of resources per se, but rather an inability effectively to mobilize them.

One last point should be noted. Experience has also taught us that private resources in the rural areas can and have been mobilized when the rural poor have found useful means of so doing. More to the point, the rural poor have often channeled their resources into the formation of private capital but much less often done so for the formation of public goods. And it is our conviction that an important factor constraining the growth of private incomes in the target group may well be the low level of complementary goods provided by the public sector.

Herds of livestock, bench terraces, farm improvements, tree crops, shelters, fences, water supplies, farm implements -- all represent the embodiment of resources into productive private capital; and all exist even among the rural poor. But they exist along side roads of such poor quality that products cannot be profitably marketed; marketing services that are inefficiently run; machinery repair services that do not operate; and schools and clinics that are understaffed and underprovisioned.

The rural poor thus can and do save and form capital. And it is our conviction they would do so to an even greater degree if they could select a level and mixture of public services that were better attuned to their needs. The record up to now strongly suggests that most centralized national bureaucracies either cannot or will not provide such services. An important part of the purpose of our proposal is therefore to attempt to promote the design and development of institutions whereby the rural poor themselves could select and manage the services they need.

The validity of this line of argument is brought home most poignantly in the growing problems of maintenance as investments in rural infrastructure expand or the difficulties encountered in financing the recurrent costs of social services to the rural poor. In some cases, it appears, the local community fails to maintain the investment for the simple reason that it was not a high priority for the village in the first place, but was initiated by a national ministry while more preferred projects went unfunded. More significant, however, is the typical lack of any institutional mechanism by which the villagers can mobilize resources adequate to the growing maintenance load. Furthermore, it is not uncommon for programs to be initiated without any analysis of the availability of the revenue base, staff, or institutional structures for maintaining them. This lack of revenue instruments and institutional structures extends also to locally inspired efforts. Local authorities are seldom provided with revenue systems which stimulate local action (e.g., ^{access to capital markets,} special tax districts or local development banks), an adequately trained staff and supporting services from government to undertake such revenue mobilization efforts, or sufficient autonomy and flexible procedures to make local efforts worth the effort.

Recent increases in government expenditure in rural areas have typically been funded directly through central ministry programs or through grants-in-aid to local authorities. Such systems of financing do not generally encourage economy in the use of public resources, stimulate the mobilization of resources to complement national efforts, or respond flexibly to local needs and priorities. It is reasonably clear that considerable increases in both efficiency and effectiveness of public investments could be achieved by funding instruments and institutional mechanisms which link decisions on revenue much more directly to decisions on expenditure at the local level.

Finally, the existing system of public finance in most developing countries appears to link a regressive tax structure with equally inequitable system of implementing rural programs. It may well be that more direct linking of user fees and costs to beneficiaries at the local level would both be more equitable in fact than current practice or at least would have the added virtue of freeing national resources for more carefully targeted programs to improve the lot of the poor. The current development literature is generally silent on this issue, however.

It is clear that each of the problems iterated above could be tackled in a variety of ways. They could be dealt with as problems of general public finance and inter-sectoral resource flows. They may also be treated as institutional problems -- problems of local government and of supporting intermediate institutions. Limited benefits might be derived from improving administration and rationalizing the financing of specific programs or projects. Finally, emphasis might be placed on the development of specific revenue instruments at the local level. The existing state of the art provides us with few insights as to which of these provide the most beneficial approach in which contexts.

A.I.D.'s Previous Experience and Current Needs:

Over the past three decades the United States Government has been involved in a variety of efforts to assist the development of revenue administration and local government administration around the world. A review of these efforts has never been systematically undertaken and it will be part of the task of this project within the first year to prepare four state-of-the-art papers (one for each of A.I.D.'s regions) to synthesize the lessons learned by these and other efforts at technical assistance and institutional transfer.

Insofar as we have been able to tap existing evaluation material and the Agency's "oral tradition" the earlier efforts would appear to share certain common elements. First, they were primarily urban oriented-- related to the administration of national level taxes which had their highest incidence either in the cities or in international trade. Some limited work was undertaken on land taxation but this was primarily directed at problems of organizing and conducting a cadaster -- assessment, establishing title, and tax mapping. Second, these efforts do not appear to have had much impact on the magnitude of resources available to local authorities because they took place in a context in which the functions of local authorities were viewed as residual -- clean streets and water supply. Major development efforts were to be undertaken by national ministries. Third, the emphasis A.I.D. assistance has been on technical administrative services and has neglected the political-economy of local finance -- issues related to linking revenue and benefits, stimulating local resource mobilization, increasing participation, etc. Fourth,

the tax base of most LDCs is highly regressive and A.I.D.'s development efforts have done little to alter that reality, or to address the policy issues that underlie it.

The PID for this project was reviewed by the regional bureaus during the Office's ABS review in May 1978, and received unanimous support as a high priority item. Strong support for the project was also expressed in the May 1979 CPSS review of the office by AID's senior staff.

A good example of the need for services under this project can be found in an information memorandum for AA/ASIA by Benjamin Hawley (ASIA/DP) dated January 29, 1979, and titled "Apparent increasing inability of local governments to support AID-initiated projects in Asia ...". The conclusions of this review of A.I.D. efforts in Asia concluded:

1. AID's knowledge of local governments in Asia in general is still imperfect. Certain project assumptions concerning local government financing project activities have been incorrect and have placed certain projects in jeopardy.
2. AID needs to study the magnitude of the debt and managerial burden which its projects, individually and collectively, place on provincial and sub-provincial governments and private organizations. That burden is becoming greater than these organizations can bear.
3. An increased emphasis on fiscal management procedures in local governments would provide AID with the assurance it now lacks that local governments are prepared, at least managerially, to continue projects after AID's funding terminates. This increased emphasis would probably take the form of Bureau guidance recommending that missions design province-based projects around

the provincial government as it currently exists in each country. This new emphasis should not take the form of a new section of the Project Paper entitled "Local Government Capability," to be tacked on just after the Women in Development section. This new emphasis should also be addressed as appropriate in program-wide reviews such as the ABS and the CDSS. The Bureau should avoid the appearance and the fact of a new Washington requirement being laid on the Missions.

4. Under present administrative arrangements, it appears unlikely that local governments can continue financing AID projects without assistance from their central governments.

5. The likelihood of increasing participation by local people in local development planning remains low as long as AID has no clear idea of the structure and sociology of the local governments and local groups which are to be encouraged to work together. The subject is an appropriate domain of AID's social analysis, new guidance for which is now being prepared in PPC.

DS/RAD would fully expect this project to be able to assist missions in analyzing problems of this kind and to participate in suggesting solutions.

Policy Guidelines

The "International Development and Food Assistance Act of 1977" emphasized (Sec. 101) that U.S. assistance should be increasingly concentrated in countries which make the most effective use of such assistance to help

the poor. Of the five criteria listed by Congress as evidence of such efforts, the fourth was: "promote greater equality of income, distribution, including measures such as more progressive taxation and more equitable returns to small farmers." At present, however, the Agency has no capacity for providing technical assistance to missions or LDC's to provide the needed analytical capacity or technical assistance to improve the revenue systems associated with rural development efforts.

More recently the "A.I.D. Policy on Agricultural Asset Distribution: Land Reform," paper stressed the importance of examining how "new land-holding patterns influence tax incidence, revenue generation and land values" Once again, however, there is no evidence that the Agency's many agricultural development projects and integrated rural development projects provide much analysis of the revenue implications of increased productivity, changing land values, and financing of local services. "The Agricultural Development Policy Paper" (AID, June 1978) also makes reference to the need to encourage local participation and resource mobilization (pp 29-30). Referring to local participatory institutions the paper comments: "Providing they are not dominated by wealthy producers, these institutions help insure access by low income producers to productive assets, thus ameliorating the disruptive effects of economic change and promoting a more equitable distribution of its burdens and benefits. They might also:

- (1) promote a more efficient allocation of public investment in infrastructure, including improved utilization and maintenance by beneficiaries

who, through their participation, have a "stake" in the investment;

(2) encourage local mobilization of resources;

(3) improve the functioning of markets; and

(4) facilitate broad-based production growth by diffusing risk, conveying technical information, or facilitating communication between local people and government officials."

B. Detailed Project Description

1. Project Goal:

The project goal is to stimulate the self-help capabilities of local communities in LDCs. This implies not only a greater mobilization of resources locally to aid the development process but greater participation in decisions regarding how these resources will be mobilized, how the funds will be used, and how local efforts will compliment and relate to national efforts. More effective participation of the villagers in decisions regarding local development is not only mandated by AID's policy guidelines but would also appear essential to effective utilization of public resources. The emphasis in this project on the mobilization of resources is justified by the assumption that only by linking revenue and expenditure decisions at the local level can we improve the effectiveness of development expenditures. While stating this conviction, however, it is still necessary to stress that careful attention be given to the revenue instruments employed and the decision processes at work to assess their impact on the community -- both in terms of equity and on their effect on the natural resource base.

Means of verification

(a) In each in-depth country in which the project is engaged in field

testing of new approaches to local finance attention will be given to the establishment of an analytical capacity to monitor the social impact of various institutional arrangements and policy instruments.

(b) If the experiments are successful we would expect to see a rising percentage of locally generated revenue to fund local development efforts, as well as a greater variety of revenue sources being tapped.

(c) We would also expect to see the emergence of revenue devices and institutional mechanisms which are better suited to the economic patterns in rural areas and to local social structures.

The analysis will be done by the contractor in collaboration with local LDC institutions and will include both survey techniques and more intensive research on institutional performance and decision making processes. In most instances an attempt will be made to make this evaluation effort an integral part of program monitoring and policy making in the host country and to accomplish it through incremental changes in existing information systems.

2. Project Purpose:

The purpose of the project will be to develop and field test new approaches to generating local revenue or funding local development activities which will have the following characteristics:

(a) provide adequate incentives for local resource mobilization and efficiency in the use of public resources;

(b) allow for increased participation in revenue and expenditure decisions by local inhabitants;

(c) are responsive to the welfare and equity considerations of the "new directions" than is generally the case now;

(d) augment and make more reliable the resource base of local authorities;

(e) be more responsive to local social and economic processes;

(f) provide a clearer picture of local needs and priorities.

We are particularly interested in exploring alternatives to centrally imposed taxes in funding local expenditures. Experiments in Egypt, Panama, and parts of Africa with commercial enterprises deserve greater attention. A new look at voluntary contributions, especially of labor, is probably desirable. Increased reliance on user fees is attractive for some services but we need to understand approaches which make such fees more acceptable.

It is also necessary to investigate the kinds of local taxes and grants-in-aid programs which will best stimulate local action and assure expenditure patterns which are most responsive to local needs. Suggestions have been made that central grants based on a "unit-cost" rather than a matching grant may be highly efficacious. A cost-effective land tax that captures some of the increased income stream from new public investments in agricultural research and rural infrastructure is highly desirable but has so far presented formidable obstacles.

Most welfare economics and public choice theory agrees that linking revenue and expenditure decision yields a greater willingness to pay on the part of the citizen and also provides a much more accurate "demand schedule" for public investment. While this conclusion should be treated with caution,

recognizing that there are returns to scale in some cases, that local power structures may bias local demand, etc., we would still argue that greater concern for innovative institutional arrangements for linking revenue and expenditure decisions are desirable. In some cases local governments will provide the answer. In others, however, varied mechanisms which relate to the field programs of national ministries have promise.

Finally, almost all operations involved in the raising of local revenue or providing assistance to local efforts require improvement. Technical assistance to improve administration of revenue should be sensitive to the need to reduce technical demands and administrative costs to local capabilities. We should also keep in mind the relationship between the administrative mechanisms employed and the institutional requirements of increased participation. For example, excessive "top down" programming combined with grant-in-aid which is viewed locally as patronage will generally discourage local initiative. Similarly, without adequate supporting services, local leadership will be unable to handle the burdens thrust on them and local action will again be discouraged.

Examples of types of projects which might provide vehicles for utilization of this project:

(a) Sectoral interventions:

Sectorally oriented projects frequently have important local finance aspects that are not always adequately analyzed or/left unresolved in project design. This project could provide direct support to missions in undertaking this component of the project design work.

- irrigation and potable water -- development of user fees and management of collection system both to repay capital costs and to fund recurrent

costs.

- agricultural markets -- development of regulated markets and the management of collection systems.
- cash crop cesses-- the convenience of tax collection at the milling point for crops that are centrally marketed (oilseeds, sugar, cotton) has made cash crops cesses attractive as revenue for supporting research, extension, road development etc. for those crops. This project could assist in the design and management of such a system of cesses.
- health services-- local payment of the cost of expendables, recurrent cost of maintaining facilities, or even the capital costs of clinics are frequently the responsibility of local authorities or the local community. Similarly, communities frequently fund the cost of rural health workers or paraprofessionals. This project could provide assistance in devising a suitable funding system and assist in organizing and designing training for the revenue management of such an effort.
- educational facilities-- costs of schools (capital or maintenance), payment of teachers, funding special (e.g. vocational) programs, may be partially met by the local community.

In all areas of social services, questions of appropriate scale of local units of revenue mobilization, the proper functions to be locally funded, the terms of government assistance, the involvement of the local leadership in planning, training of revenue staff, and problems of revenue management will be of particular interest under this project.

(b) General revenue generation:

With increased burdens of rural development falling on local authorities, assistance in improving local capacity to play this development role has been of great concern to A.I.D. In the Philippines the PDAP program, in Indonesia PDP, municipal development activities in Latin America, District Development project in Ghana, Eastern ORD in Upper Volta, Development Decentralization in Egypt, are all examples of A.I.D. funded efforts in this direction. These efforts differ greatly in the extent to which they have come to grips with the local revenue aspects of the problem but all too often it has been neglected or proven intractable. The most common and productive sources of local revenue have been grants-in-aid and land taxes. The project would be prepared to provide research on the nature of the revenue base, the equity implications of certain types of tax structures, and the distribution of investment and benefits in existing grants-in-aid programs. This analysis would also deal with economic incentives (or disincentives) of existing or proposed revenue systems. Finally, the project would be prepared to provide technical assistance in collaboration with missions and host governments in reforming existing systems.

(c) Capital markets:

One of the major problems of rural development and one of the major constraints on local initiative is the difficulty of raising initial capital for investment-- roads, irrigation, potable water, schools, etc. The result of this difficulty is that local communities become dependent on the government and initiative is stifled. A.I.D. has some experience in Municipal Development Banks which is most instructive, but we need to adapt that experience to the problems of rural development and the special needs of rural communities. An alternative might be assistance in development

of markets for local development bonds. This could be attractive in places such as Portugal, Yemen, Pakistan, or the Caribbean, where remittances from migrants cannot presently be coaxed into the public sector. A similar opportunity exists where rural to urban migration creates a flow of remittances back to the villages.

(d) Management of communal properties:

Rural communities typically have a variety of revenue producing assets-- e.g. forest lands, common grazing lands, water resources, etc. which are often poorly managed commercially. Benefits from these assets are typically appropriated by local elites with little benefit accruing to the community. Improved management procedures often have the advantage of increasing the revenue from such undertakings, improving the accountability of the managers to the community, and could even have an efficacious effect on preservation of the resource base. The project would be prepared to assist specific sectoral specialists in examining the revenue and public choice components of A.I.D. efforts in this direction.

(e) Commercial undertakings:

Commercial undertakings are attractive for local governments in that they stimulate economic activity, potentially increase employment, and are a reasonably painless way of producing revenue for the local authority. Such efforts can include public utilities, transportation, agricultural processing, and a host of other activities. These mechanisms have been extensively used in parts of English speaking Africa and A.I.D. is funding efforts in Egypt along these lines (Development Decentralization Project) and in Yemen (Local Resources for Development Project). Varieties of revenue can include user fees for specific services, general revenue income, or even "cooperative" activity as in rural electrical cooperatives. It appears that, leaving

aside one or two individual projects, the bulk of A.I.D.'s efforts in this area are through small grants from Special Development Funds made available to individual local communities by mission directors. The potential of such projects for assisting local indigenous groups to cooperate for their own benefit is considerable, although there are clear operational problems. The project would be prepared to supply specialists in small scale cooperative and public enterprise operations, familiar with capital markets, financial management at the local level, marketing, and business management to assist in development of larger scale projects of this sort.

Means of verification:

The accomplishments of the project can be divided into two components, (a) the accomplishments in the 4-6 in-depth countries where we will have a direct impact on A.I.D.'s target group by our involvement in project implementation in the field and, (b) the more general knowledge generation and dissemination activities under the project.

(a) In-depth countries: Interventions in in-depth countries will take place at several different points in the system.

(i) Policy Analysis-- This will require macro-level analysis of revenue policy, inter-governmental relations, and various sectoral applications, of the appropriate pattern of local finance in the country's development efforts. The analytical input under this project will not deal with revenue policy in general but rather the role of community financed activities within the broader context.

(ii) Revenue Instruments -- The contractor will provide a comparative analysis of the requirements, impact, and implementation problems of a variety of forms of local finance (taxes, grants-in-aid, user fees, capital loans, bonds, commercial activities, voluntary contributions). The major purpose here will be to augment the mix of instruments which are capable of meeting the purposes of this project in specific contexts.

(iii) Institutional Mechanisms -- The contractor should then be prepared to offer direct technical assistance in the design and implementation of mission funded programs to improve the administration of both intermediary and local institutions concerned with local finance. This will include analysis in staffing patterns, operating procedures, decision mechanisms, and the responsiveness of community organizations. This will, in turn, lead to recommendations for improvements, training and technical assistance in setting up new modes of operation. The range of local institutions may include local governments, cooperatives, user associations, etc., insofar as they have resource mobilization functions within the community. Technical assistance will include not only revenue assessment and administration but the appropriate community development work to assure local support.

Assistance will also be provided to intermediate institutions which service or provide financing to local communities. These institutions include Municipal Development Banks, Local Government Departments, peak Cooperative Associations, etc. Typically these institutions review community project proposals and provide assistance in securing financing --

(e.g., project design and approval processes and revenue mobilizational capacity).

Included here would also be assistance in the design and management problems of financing capital costs and recurrent costs of the provision of social services or sector specific programs in health, education, agriculture etc. In these areas, technical supervision, policy and a portion of costs typically comes from the government, while recurrent costs and day-to-day management may be vested in the community. Where these services are aimed directly at the poor, special attention is warranted to the equity and incentives involved in local financing.

As can be seen these various interventions will require a variety of evaluation and impact assessment techniques. The specific indicators will have to be developed in each instance in accord with the character of the interventions. To the extent possible the evaluation should attempt to establish causal links between outputs, purpose attainment and goal attainment. This will undoubtedly require fairly sophisticated combination of causal path analysis, case studies, informant surveys, and public choice modeling.

(b) General Outputs: The general outputs are somewhat easier to evaluate. Analytical tools, training modules, and administrative procedures can be field tested and disseminated through a variety of mechanisms. Comparative analysis of various revenue instruments can be subjected to objective evaluation through publication and workshops. The networking and short-term consulting funded under the project will assist evaluation of all of these general outputs.

3. Project Outputs:

1. In-depth consulting in 4-6 countries over life of project. This will involve involvement by the contractor in applied research, project development, implementation, evaluation, and training. At least 200 pm (LOP) of consulting time spread among a variety of disciplines will be required (see Annex C), Following negotiations with field mission the contractor agrees to provide an additional level of effort of not more than 300 pm if incremental funding is received and the work is generally within the scope of the project as defined in this PP.

2. Short-term consulting work will be provided in project design, applied research, training, and evaluation in 4-6 countries per year for a total LOP of 90 pm.

3. State of the art (SOAP) work will to some extent to be defined as the project develops in collaboration with host governments and field missions. Six of the 10 SOAPS can be defined now, however,

(a) In the first year of the project four SOAPS will be prepared one for each AID geographic region -- to evaluate previous efforts by international donors to assist resource mobilization in the region, institutional patterns and performance, and social impact of existing systems.

(b) In year 2 a SOAP will be prepared which will build on the first stage SOAPS to bring public finance theory up to date in the context of current development theory and strategies. This will provide guidelines for thinking about revenue and resource mobilization aspects of rural development, basic human needs, participation, and employment oriented programs.

(c) In year 4 a SOAP will be completed which will deal with the institutional aspects of revenue administration, resource mobilization, community action, and local decision making. It will suggest alternative analytical models for evaluating the participatory and revenue mobilization capability of various revenue instruments and decision procedures.

4. Information dissemination: The contractor will hold at least one workshop annually to review progress under the project and subject performance to scrutiny and critical analysis by professionals in the field. In

addition, the contractor will hold at least one additional workshop annually on a regional basis to review training materials, evaluate pilot efforts, and evaluate information systems developed in conjunction with the project.

Additional training efforts may be programmed for field personnel as part of the information dissemination effort but these will generally be funded incrementally through mission or bureau funds.

The findings of SOAPs applied research and field tests will in all cases be converted into operationally oriented manuals, program guidance, replicable data management systems, and analytical tools which will be disseminated through the project information network.

5. Networking: The contractor will collaborate with DS/RAD and with LDC country and regional institutions in developing access to information and professional assistance in the development of local revenue systems. Particular attention will be given to improving access to LDC professionals and in developing such a rostering or brokerage function within regional institutions.

4. Inputs:

(a) Contract: Central funding will establish an interdisciplinary team at a U.S. institution which will draw on the disciplines of Development Economics, Public Finance, Micro-economics, Policy Analysis, Economic Anthropology, Development Administration, Community Development, and Rural Sociology. We anticipate that the principal investigators of the project will be in the areas of Public Finance and Political Science/Public Administration.

The RFP will also stress the need to have access to specialists in various sectoral financing problems -- especially health, education, public works, agriculture, and small business development. There will also be a requirement for training specialists and for technicians familiar with the day-to-day administrative and analytical requirements of local revenue systems, capital grants, bonds, and loans, etc.

The RFP will request indications of language skills available to the institution with particular attention to Arabic, French, and Spanish.

Heavy weight will be given in the selection process to evidence of a management capacity which can combine university resources flexibly with respect to timing of field assignments, which understands interdisciplinary work and research, which has considerable consulting and administrative experience in this area, has appropriate links to the private sector, and has broad LDC experience.

The total centrally funded inputs will be \$2.4 million over four years in the form of a contract. Provision will be made for the incremental fundings of additional services to missions out of mission program funds of out to \$2.5 million.

(b) DS/PAD: Management time is estimated at 5 p/m of senior professional's time and 1 p/m of office's backstop officer in the first year of the project; dropping to 3 p/m of senior professional's time and 1 p/m of backstop officer's time in subsequent years.

III. Project Analysis

A. Technical Analysis:

This project is designed to develop, field test, and disseminate (through training and other suitable mechanisms) new approaches to the strategy and administration of local public finance which will stimulate local action and increase local participation. In part the problem must be viewed as analytical, as we attempt to adjust current public finance theory and practice to new needs. As we move to field testing, however, the problems of administration and implementation will have to be dealt with directly and built into our field applications. We require a contractor, therefore, capable of dealing with issues which range from those of policy and theory to those involved in everyday ^{revenue} administration. Similarly, our understanding of current problems of rural development suggest the need to attack the problem of local action not only from the perspectives of public finance, but also of institution building, community development, and development administration in an integrated fashion. Finally, we are eager to stimulate cross-regional transfer of experience so that experiments which have been successful in one locale can be assessed and adapted to another. It would appear, therefore, that the most appropriate contractor for this purpose would be a university inter-disciplinary institute or program. Such institutes have access to a broad range of university capabilities while at the same time they are accustomed to training and consulting for local governments. In most cases they also have links to the private sector which can be

drawn on where appropriate.

Although it is anticipated that the contractor will be working directly with LDC institutions in developing and testing local finance models, it is our intention to link these field efforts directly with USAID projects. DS/RAD feels that this will provide a direct and quick impact on A.I.D. development efforts, integrate our applied research activities directly into ongoing programs, provide us with more effective opportunities to field test approaches by involvement in actual project implementation, and assure the relevancy of our project to mission strategy and programs.

We have outlined a variety of possible interventions -- from analysis to implementation problems. We have also indicated that there are a variety of points in any system where the local finance system could be improved with direct benefits to the local community (e.g. tax instruments, services from intermediate institutions, etc.). In consequence, the technical nature of responses will vary according to specific country circumstances. It will be the job of the contractor to work with the A.I.D. mission and host country in defining the problem, designing appropriate responses, and then supplying the necessary technical assistance to assist host country initiatives. In the field, therefore, the project will operate much in the manner of a "collaborative style" project.

In the selection of in-depth countries, however, emphasis will be placed on situations which promise to yield insight into difficult problems of local finance or which promise widespread replicability. In choosing

a contractor, emphasis will be placed on selecting one which shows evidence of innovative approaches to these problems, a proven capability for dealing with the pragmatic problems of administration, and with sufficient third world experience to assure sensitivity to the requirements of different environments and the analytical capacity to evaluate those localized constraints.

B. Budget:

The input and output budgets indicate in detail only the DSB funded inputs for a four year period. The input budget, in addition, indicates the estimate of possible mission or regional bureau add-ons to the project and an estimate of possible additional funding for 5th and 6th year. We ask that the project be approved for funding at the combined level (i.e. both DSB and mission funding for six years) of \$6,000,000 with the understanding that only \$2,370,000 of DSB funds is currently being authorized. Further additions, not to exceed \$2,500,000 ^{may} /be added by amendment to the contract out of mission or regional bureau program funds (to procure additional inputs, within the scope of work of the project, required by specific local conditions and the characteristics of mission programs). In several cases, therefore, we will be combining DSB funds, regional bureau, mission funds or (and of course host government funds) in an experimental or "praxis" project to field test new approaches. Following an ind-depth evaluation in year two, a decision will be made as to whether to seek authorization for an additional two-year funding of about \$1,130,000.

The provision for the mission add-on is included:

(a) because of the difficulty of anticipating the technical requirements of specific field tests until we are actually in negotiation with the mission and host government in an actual context;

(b) in order to avoid the complications of having two or more contractors involved in field implementation of the model by permitting our contractor to implement a mission project in this area;

(c) in order to encourage more direct cooperation between DSB applied research and mission programs.

Mission add-ons will, of course, be authorized by their own Bureau. Once the amendment to our contract is complete, however, technical management will be primarily in DS/RAD's hands, with in-country implementation activities under the supervision of specific USAID missions.

C. Social Soundness and Economic Analysis:

This project will work directly with 4-6 host governments to develop and test approaches to local finance of rural development efforts which are more participatory and in keeping with the "new directions" mandate. We will be exploring new modes of financing local development which are

(a) more responsive to local needs;

(b) provide a more equitable link between the burdens and the benefits received from local expenditures;

(c) encourage greater local control over both mobilization of revenue and over expenditure and,

(d) will encourage a more equitable distribution of access to services and to productive assets.

It should be stated clearly, however, that decentralization does not automatically assist the poorest, nor will more participatory structures necessarily include them. It will be an important task of this project, therefore, to explore the distributive impact of various financing mechanisms,

administrative mechanisms, and decision making institutions which will combine efficient utilization of local resources with increasing equity, improved management of and access to the natural resource base, and access to basic services. It may well be the conclusion of the applied research, for example, that certain services and investments are better removed from direct local financing and control or that certain constraints should be imposed on local action by intermediary institutions to assure more equitable allocation of costs and benefits. This will, of course, be an important contribution to our understanding of the implementation problems of the "new directions" strategy.

In particular the project will develop data systems and analytical devices to permit practitioners to assess the equity implications of specific revenue instruments and to monitor their operations in practice.

Finally, the global scope of the project and the wide number of country settings which the project will be exposed to in long-term, short-term, and through its information network will facilitate comparative analysis of the effects of certain social environments, fiscal instruments, administrative procedures, and macro-policy contexts, on the efficacy of various local finance systems.

The immediate beneficiaries of this project will be the rural poor who participate in, or benefit from, the 4-6 field tests of new approaches to local finance. The specific beneficiary analyses will have to be done for each of those individual, mission funded, projects. This DSB funded effort will provide the core analytical and technical assistance capacity for those several efforts.

The indirect beneficiaries of this project will be USAID mission staff and LDC professionals who will receive short term assistance in project design and development either through the project's short-term consulting or through access to other project outputs.

An estimate of the economic feasibility of a project of this sort rests on two criteria. First, is this the most efficient means of providing the services procured. Second, is this particular set of consulting and analytical services an effective way of influencing local revenue systems in favor of the rural poor.

On the first issue, DS/RAD would argue on the basis of two year's experience with similarly structured technical assistance programs that central funding of a core, high quality, inter-disciplinary team which can be utilized to service several mission programs is a highly cost-effective way of improving mission efforts in rural development. In effect, the knowledge generation and dissemination becomes a "free good" which is derived at only marginal cost (see budget) above the normal project development and implementation costs which would be expended in any case. The bulk of our "applied research" costs are directly combined with technical assistance and consulting in support of mission projects and, in consequence, the real cost of the knowledge generation is represented only by the money allocated to information dissemination and state-of-the-art work.

On the second issue, we must rely on the "Project Background" analysis which indicates that local resource mobilization has become a key constraint in the rural development process and that A.I.D.'s

previous efforts in technical assistance in this area were not primarily directed toward rural development problems, were excessively concerned with administrative problems with insufficient attention to the political - economy of local finance problem, and were prior to the "new directions" strategy -- directed to somewhat different goals. It would appear, therefore, that as a first step in a new approach a centrally funded effort to identify analytical and operational problems and to organize existing knowledge into testable models of new approaches is essential.

IV. Implementation Arrangements

A. Analysis of Recipients and A.I.D.'s Administrative Arrangements:

1. University Contractor

(a) It is intended to seek a university contractor for this project for the following reasons:

- i) The conceptual and theoretical work required to bring current public finance theory into correspondence with existing development theory and strategies will require the intellectual inputs of a leading academic institution.
- ii) The range of disciplines required and the intellectual leadership required to integrate them both theoretically and operationally would appear to be best found at an academic institution. The project will require several sub-fields of economics, economic anthropology, public administration, public choice/political science, training, community development, plus various supporting disciplines.
- iii) It is the intention of this project to strengthen the links between basic research, implementation, and training in the field of public finance and to maximize the interactions and feedback from one stage to another. A university centered, applied or policy-oriented institute would appear to be the most suitable vehicle for this purpose.
- iv) We are also hoping that this project will help to ^{further} institutionalize U.S. academic interest in the problems of LDC development. At a time when foreign area studies programs are disappearing for

lack of public support there is great danger that we will witness a decline in American expertise in social science work on third world development. This is particularly true in the areas of public policy analysis and development administration where funding for international work is almost non-existent and where available resources have been heavily committed to domestic problems. By establishing a long term relationship between A.I.D. and the contracting university we hope to stimulate additional interest in the problems which concern us, beyond the scope of this particular project, and we hope to stimulate the creation of new institutional capacities for applied research.

v) We would also expect that much of the work under this project would be oriented toward building institutional capacity in the LDCs rather than simply developing new tax procedures per se. The university is particularly suited for such activities in that it can develop long-term exchange relationships for research/consulting with LDC institutions, it can participate more effectively in the range of training activities required, and it has a wider range of disciplinary skills to support the effort than any private contractor can do.

- (b) The contracting university should have the following capabilities:
- i) Demonstrated strength in public finance theory and administration and in particular experience in the problems of local finance and the organization of services to local authorities.
 - ii) Demonstrated strength in public choice/policy analysis research with the capacity to draw individuals from economics, political science, and economic anthropology to deal with the institutional contexts for resource mobilization and collective action.

- iii) Experience in the organization of community development and community action programs to assure a clear understanding of the community aspects of the resource mobilization effort. This should include individuals from anthropology, micro-economics, rural sociology.
- iv) An existing capacity or a capacity to access professionals with experience in the design of administrative procedures for local finance -- e.g. cadastral surveys, tax rolls, assessments, management of public bonds, preparation of estimates of recurrent costs in project design, etc.
- v) A capacity to provide technical assistance in the establishment of small scale public enterprises suitable for local authorities.
- vi) Social analysis capability in the fields such as cultural anthropology, social ecology, micro-economics, social indicators analysis, etc. to adequately evaluate the social impact of various revenue instruments on the community.
- vii) As the institution will be called upon to perform consulting and research tasks in a wide variety of countries, preference will be given to those institutions with established experience in LDC research -- including language capacity (especially in French, Spanish, and Arabic). There will be no objection to the utilization of specialists with limited or even no LDC experience in certain capacities if they are adequately supervised or if they are employed in essentially theory-building or methodology development roles. Nor is it expected that the range of country experience will be equally great in all disciplines listed.

viii) Management Capacity: This project is obviously a complicated one with a number of important component parts. One of the most important criteria for selection of the contracting institution, therefore will be the management mechanism which will be available for putting these services together. There must be a capacity for flexible and innovative combination of interdisciplinary teams for conceptual work, consulting, and research. There must also be the ability to find flexible mechanisms for making faculty time available for mission needs and for assessing individuals from other institutions or from the private sector where need be especially in specific sector applications. Finally, it may be that no single institution can provide all the services required, there may be the need for some capacity for inter-institutional cooperation. It should be understood, however, that should it become necessary to utilize more than one institution, the prime contractor will have the responsibility for managing the sub-contracting arrangements and for integrating all work into the accomplishment of project purposes.

A distinct preference will be given to management mechanisms which are of an interdisciplinary character and have existing applied research, consulting, training, and service orientations in combination. Any bid will be evaluated on the capability of the management mechanisms proposed to mobilize staff across disciplinary and institutional lines.

Implementation Schedule

Year I - 1979 - 1980

- | | |
|---|--------------|
| 1. (a) RFP sent out | July 1, 1979 |
| (b) Contractor selected | Aug. 15 |
| (c) Contract signed | Sept. 1 |
| (d) Interim work plan from Contractor approved | Oct. 15 |
| 2. (a) Recruitment of core staff at University | Dec. |
| (b) Long term information dissemination plan prepared and approved | Mar. 1980 |
| (c) Long term networking plan prepared and approved | Mar. 1980 |
| (d) First annual work plan approved | Mar. 1980 |
| (e) Outline of SOAPs 1-4 reviewed by Project Committee | Mar. 1980 |
| 3. Selection of first two in-depth countries complete and country specific work plans negotiated and approved | June 1980 |
| 4. (a) Work commences in Country #1 | July 1980 |
| (b) Work commences in Country #2 | Aug. 1980 |
| 5. (a) First regional workshop | Sept. 1980 |
| (b) SOAPs 1-4 completed | Sept. 1980 |

Year II - 1980 - 1981

- | | |
|---|------------|
| 6. (a) Workshop to review last year's work | Oct. 1980 |
| (b) Second tranche obligated | Oct. 1980 |
| 7. Select [redacted] of countries (3 and 4 completed
and country specific work plans negotiated and
approved. | Dec. 1980 |
| 8. (a) Work commences in Country # 3 | Jan. 1981 |
| (b) Work commences in Country # 4 | Feb. 1981 |
| 9. (a) Outline for SOAP # 5 and # 6 | Mar. 1981 |
| (b) Annual work plan reviewed | Mar. 1981 |
| 10. Regional workshop # 2 | April 1981 |
| 11. Countries 5 and 6 selected and country-specific
work plans negotiated and approved. | June 1981 |
| 12. (a) Work starts in Country # 5 | July 1981 |
| (b) Work starts in Country # 6 | Aug. 1981 |
| 13. (a) SOAP 5 and 6 completed | Sept. 1981 |
| (b) Field and training application of SOAP
completed | Sept. 1981 |
| (c) In-depth evaluation and decision on
extension of project through 1985 | Sept. 1981 |

Year III - 1981 - 1982

- | | |
|--|-------------------|
| 14. (a) Third tranche obligated | Oct. 1981 |
| (b) Second workshop on project progress including field tests of training materials and evaluation of in-depth approaches | Oct. 1981 |
| 15. (a) Outlines for SOAPs 7, 8, and 9 presented | Dec. 1981 |
| 16. Annual work plan reviewed. | |
| 17. (a) SOAPs 7, 8, and 9 completed | June 1982 |
| (b) Training and field application of SOAPs presented | June 1982 |
| 18. Outline for SOAP 10 presented | Sept. 1982 |

Year IV - 1982 - 1983

- | | |
|--|------------------|
| 19. Third workshop on Project Progress. Field tests
of training materials and of approaches evaluated | Oct. 1982 |
| 20. Fourth regional workshop | Dec. 1982 |
| 21. (a) Last work plan approved | Mar. 1983 |
| (b) SOAP 10 presented | Mar. 1983 |
| (c) Training and field application presented | Mar. 1983 |
| 22. Final evaluation | July 1983 |

2. A.I.D.

The project will require about 5 p/m of the time of the DS/RAD project manager in the first year and 3 p/m subsequently. About 1 p/m of the time of the DS/RAD backstop officer will be required annually. It is anticipated that the contribution of the project manager will be in three areas.

(a) Normal project management and monitoring activities.

(b) Extensive liaison with regional bureaus and field missions to help set priorities for the University's resources and to help set priorities for the University's state-of-the-art and research work.

(c) Professional input into the substantive activity of the contractor and professional review of output. We would place particular importance on this aspect of the project management function because it is essential that all aspects of the work be integrated as fully as possible with A.I.D.'s program needs and that the focus of the project activities be focused clearly on the most salient problems of our rural development activities.

The successful completion of the project will also require periodic inputs from the regional bureaus to assist in identifying countries and projects suitable for University's involvement, to set priorities for research, consulting, and state-of-the-art work, and to assist in evaluating the outputs. This input will be provided by a specific interbureau Project Committee which will be established for the project and a newly established Steering Committee for Institutional Development and Administration (SCIDA).

Through these two mechanisms we hope to assure the relevance and quick applicability of the university's work. This will be encouraged through a continual focus on the application of the University's work to ongoing projects on the one hand and the continuing involvement of the regional bureau representative in setting priorities on the other.

B. Implementation:

The project will be submitted for competitive bidding but will be restricted to educational institutions in accordance with A.I.D. procurement regulations 7-4.57 (short listing).

Funds for the five basic outputs of the project (state-of-the-art and applied research, consulting for in-depth countries, consulting in short-term countries, information dissemination, and networking) will be obligated in the current fiscal year (FY 79) for two years in the amount of \$995,961. A second tranche of \$668,700 will be obligated in FY 1981, and a third tranche of \$705,544 in FY 1982.

Additional funds up to \$2.5 million may be added from USAID mission funds or regional bureau funds incrementally by amendment to the contract for specific scopes of work in addition to those funded by central resources. These will be to support the cost of field implementation of approaches developed by the contractor and will permit the contractor to become directly involved in implementation of appropriate portions of mission programs which relate to those field tests.

An additional DSB authorization for a 5th and 6th year of funding may be sought following the first in-depth evaluation if it appears that the life-of-project is insufficient to see through the field experiments initiated under the project to their completion. Additional funding will not exceed \$1,130,000.

1. Management Devices:

The three management devices of the project will be the annual workplan, the project committee, and the Steering Committee for Institutional Development and Administration (SCIDA).

(a) Annual work plan: The project specifies the level of effort required of the contractor in various activities and the mix of disciplines which are required to accomplish that task. The specific scope of work for in-country activities has been left undefined, however, because it is necessary to relate those to local conditions and because we desire to employ the contractor to help define the problem and appropriate responses (as in the "collaborative style").

Specific scopes of work will be negotiated between the contractor, the USAID mission, and the host government and formalized in a Memorandum of Understanding for long term involvements or a simple scope of work for short-term assignments. Insofar as possible these will be aggregated into an annual work plan worked out jointly between DS/RAD's project manager and the contractor. The annual work plan will specify outputs, timing, resource allocation, and staff assignments. The project committee will then review the work plan prior to DS/RAD approval to advise the DS/RAD project manager on implementation problems they anticipate in their regions. Once approved by the DS/RAD project manager the plan should be considered binding unless specifically amended.

It should be recognized that the A.I.D. environment is extremely unstable and that it is difficult to keep to time schedules or even to previously defined scopes of work as contexts change. The annual plan is not intended to be a rigid document, therefore, but to encourage:

- i) a clear understanding of the overall allocation patterns against project outputs;
- ii) a clear statement at a point in time of staff obligations for specified outputs at specified times;

- iii) separation of clearly defined scopes of work from more emergent and loosely defined activities -- which highlights the latter for additional work by project management;
- iv) to notify missions and regional bureaus of the scope and timing of activities planned in their regions;
- v) to program DS/RAD support activities over the year.

The provision for annual plan amendment is not intended to be overly constraining on the contractor; in fact to the extent possible we intend that within shorter time frames project staff and funds should be transferable from one activity to another so that we do not have unutilized resources if certain activities lag. We merely wish to assure that any such alterations be fully documented and be made with formal approval of the DS/RAD project manager and with full information to the regional bureaus.

(b) Project Committee: The project committee will be made up of representatives from each regional bureau and will provide assistance to DS/RAD's project manager in selecting appropriate field sites for long-term and short-term applied research and consulting. The committee will also assist in the review of training materials, state-of-the-art work, manuals, and other project outputs and to advise on the relevance of the work to the needs of their missions. The committee members may also want to bring to the attention of the contractor needed special studies and state-of-the-art work in their regions. All scopes of work for field activities will, of course, be cleared by the regional bureau representative. Whenever project interventions of a sector specific nature are being discussed, representatives of appropriate DSB offices will be invited to attend Project Committee meetings.

(c) Steering Committee for Institutional Development and Administration (SCIDA):

This is an interbureau committee of senior AID officials established by the Office Director of DS/RAD to provide program and policy advice in the area of development administration. It will periodically review progress on all DS/RAD projects (especially evaluations).

Project Outputs:

1. State-of-the-art work: Six specific state-of-the-art papers (SOAPs) have been defined already in the project paper. We anticipate that up to four additional SOAPs or special studies will be defined over the life of the project as certain operational problems emerge in the field tests. These additional papers will be specified through discussions among DS/RAD, contractor and project committee and included in the annual work plan.
2. Long-term consulting: Choice of in-depth countries is a joint decision among the contractor, DS/RAD, USAID mission in question, and the host government. The choice of country will be initiated by the contractor, reviewed by the project committee and DS/RAD for consistency with the selection criteria listed below, and approved by the mission and host government. The scope of work for the long term involvement will then be specified in a Memorandum of Understanding signed by the contractor and the host government and cleared by the mission, regional bureau, and DS/RAD.

If the scope of work for the in-depth involvement exceeds available centrally funded resources, the mission may use program funds to incrementally fund additional activities, within the scope of the project. The mission must follow its bureau's normal authorization procedures but the contracting procedure will be an amendment to the existing DS/RAD contract. The amendment must be approved by the contractor and cleared by DS/RAD.

Management of that additional work will then pass to DS/RAD's project manager.

Selection criteria for the in-depth countries is as follows:

The contractor will select, in consultation with and subject to AID approval, 4-6 countries in which it would propose to conduct in-depth applied research and field test approaches to improved local finance systems.

In selecting countries for project activities, the contractor shall be guided by the following criteria:

(a) A country where there is an AID financed program.

(b) A country in which there is an ongoing or planned local finance project of substantial magnitude (involving an external donor but not limited to AID, but with preference for those projects in which AID is a participant) and from which significant lessons can be drawn to advance the state of the art.

(c) A country in which there is a proposed on ongoing local finance project which offers opportunities for innovative consultative/research activities consistent with the objectives of this Contract.

(d) Receptivity of the involved local institutions and the country.

Country selection shall reflect consideration of the following:

(a) Preference for (but not limited to) projects clearly aimed at the poorest rural populations of areas in the poorer group of the LDCs.

(b) In case of more than one country per region (as defined by AID's regional organization) preference will be given to:

1. The country in which the cooperator has the greatest capacity to do work immediately (language, cultural knowledge, experience.)

- ii. The country which has highest priority for the regional bureau of AID (as communicated through the project committee and the AID/DS/RAD project manager);
- (c) iii. In the case where the contractor has competence to perform adequately in two or more countries in one region, the regional bureau's preference for work will be followed.

(c) Preference will be given to projects in the design stage.

(d) Second preference will be given to area development projects under implementation with at least two years to run before external donors resources are drawn down.

(e) Final preference will be given to projects nearing completion for which evaluation work could lead to either a new project with external donor funding or to a reorganization of the original planning institutions for which the host country desires outside process intervention to assist in developing a more effective planning mechanism at intermediate levels.

AID will approve the contractor's selections if it finds that the foregoing criteria have been met and that the proposed activity is within the technical resources of the contractor and the budgeting limitations of the Contract. These countries will be selected from the list provided in Attachment C or as amended by DS/RAD.

3. Short-term consulting: Short term consulting in up to five additional countries a year will be undertaken by the contractor. This consulting may be in applied research, project design, aspects of training, evaluation, or advice on implementation problems. This consulting may be done on a cost-sharing basis with the mission at the discretion of the DS/RAD

project manager.

Short term consulting will be initiated by mission or bureau request and if the DS/RAD project manager and the contractor find that the proposed activity is within the scope of the project and contributes to the overall purposes of the project they will be taken on first-come, first-served basis. To the extent possible all of these requests will be aggregated in the annual work plan and priorities will be set according to the same criteria applied to in-depth work. In DS/RAD's experience, however, this is seldom possible.

4. Information Dissemination: The contractor will be asked to develop a long term approach to information dissemination within the first six months of the project, after consultation with regional bureaus, DS/RAD, and appropriate A.I.D. central offices. This approach will be presented to the project committee for their comments and approved by DS/RAD's project manager. Specific annual activities will be aggregated in the annual work plan, with appropriate documentation that the type of activities and timing have been cleared by the regional bureaus concerned and the missions.

5. Networking: Within the first six months of the project the contractor will be asked to present a long term networking plan which will be presented to the project committee for their comments and for DS/RAD's project manager's approval.

6. All staff appointments, other than short-term consultants, will be included in the annual work plan together with a proposed scope of work and vitae. Short-term consultants should be cleared with DS/RAD's project manager if they are recruited for overseas work. DS/RAD approval is not

required for short-term appointments, however, if they require only domestic assignments. All short-term assignments must be within the allocation for this purpose in the annual work plan.

C. Evaluation Plan:

The DS/RAD project manager is responsible for continuous coordination and monitoring of project activities with the contractor and regional bureaus. The project manager will keep the DS/RAD office director apprised of progress in each area of activities, any problems which develop and corrective action being taken to resolve them. The interbureau project committee and AA/DSB will be advised should the project fall behind the CPI schedule. An annual report on the status of the project will be submitted to the interbureau committee for their review. Emphasis in this report will be given to review of contractor inputs and early indications of progress/difficulties in achievement. This will include :

(a) review of scopes of work progress to date on LDC adaptive research/consulting/information services sub-projects;

(b) analysis of short term consultancy services requested by USAID missions indicating type and scope of consultancies and missions assessments/recommendations as to usefulness;

(c) review of arrangements for and status of development of the state-of-the-art papers, networking and information system including LDC participation; and

(d) effectiveness of interaction among contractor, regions/bureaus, USAID missions, DS/RAD and other DSB offices.

The annual report should summarize findings and made recommendations and necessary revisions of project design and implementation arrangements.

1. The first in-depth interim evaluation of the project will be conducted between between 22-24 months after initiation. The evaluation will be conducted, where possible, by a team composed of the DS/RAD project manager, at least one representative from a participating regional bureau and a participating USAID mission (one of whom to serve as team leader), at least one independent specialist with demonstrated experience in an appropriate discipline related to local finance as defined in the PP, a representative of the contractor. At this time recommendations will be made regarding possible extension of life-of-project.

The purposes of the in-depth team evaluation are to assess experience in the first phase of implementation, focussing on the achievement of outputs as planned and to recommend any revision needed in the project design, implementation arrangements, and resource allocations prior to allotment of any additional project funding in the third tranche. The results of this evaluation will be reflected in the scope of work statement and money requirements in the PIO/T for funding the third tranche. In addition, the team would make recommendations for the final in-depth project evaluation including key elements to be considered, data requirements, and methodology to be used.

2. Each state-of-the-art paper will be reviewed and evaluated as it is received, both in terms of professional standards, relevance to LDC applications, and utility to the Agency. This will be the responsibility of DS/RAD professional staff with assistance of other Bureau and Agency

offices and outside area development specialists. The results will then be submitted to the project committee for review prior to publication and dissemination to the field.

3. Final evaluation: All components of the project will be reviewed for quality of output, appropriateness of contractor teams mobilized for work, and timeliness and organization of work.

The results of all field tests will be subjected to professional review and a thorough impact evaluation will be conducted employing field surveys, causal path analysis, institutional analysis, and financial analysis.

A thorough review of all training materials produced and training activities conducted will be held which will review quality, utilization, and performance in field tests or training sessions.

An analysis and evaluation of the impact of local finance reforms in which contractor is involved in in-depth countries will be included as part of the final project evaluation.

OUTPUT BUDGET	Year	I	II	III	IV
A. State-of-Art and Applied Research					
1. Senior Staff (23 p/m)		(5 p/m)	(5 p/m)	(5 p/m)	(10 p/m)
		\$ 22,500	\$ 22,500	\$ 22,500	\$ 45,000
2. Research Associates (43 p/m)		(12 p/m)	(12 p/m)	(12 p/m)	(12 p/m)
		\$ 34,560	\$ 34,560	\$ 34,560	\$ 34,560
3. Research Assistants (48 p/m)		(12 p/m)	(12 p/m)	(12 p/m)	(12 p/m)
		\$ 13,026	\$ 13,026	\$ 13,026	\$ 13,026
		<u>\$ 70,086</u>	<u>\$ 70,086</u>	<u>\$ 70,036</u>	<u>\$ 70,086</u>

I**II****III****IV**

B. Long-Term Consulting

1. Senior Staff (78 p/m)

(15 p/m)

(15 p/m)

(15 p/m)

(15 p/m)

\$ 67,500

\$ 67,500

\$ 67,500

\$ 67,500

2. Research Associates (76 p/m)

(8 p/m)

(20 p/m)

(24 p/m)

(24 p/m)

\$ 23,040

\$ 57,600

\$ 69,120

\$ 69,120

3. Consultants (46 p/m)

(5 p/m)

(13 p/m)

(15 p/m)

(13 p/m)

\$ 12,500

\$ 32,500

\$ 37,500

\$ 32,500

\$103,040

\$157,600

\$210,120

\$214,120

I

II

III

IV

C. Short-Term Consulting

1. Senior Staff (27 p/m)

(8 p/m)

(8 p/m)

(6 p/m)

(5 p/m)

\$ 36,000

\$ 36,000

\$ 27,000

\$ 22,500

2. Consultants (63 p/m)

(14 p/m)

(15 p/m)

(19 p/m)

(15 p/m)

\$ 35,000

\$ 37,500

\$ 47,500

\$ 37,500

\$ 71,000

\$ 73,500

\$ 74,500

\$ 60,000

I

II

III

IV

D. Information Systems

1. Senior Staff (8 p/m)	(2 p/m) \$ 9,000	(2 p/m) \$ 9,000	(2 p/m) \$ 9,000	(2 p/m) \$ 9,000
2. Research Associates (48 p/m)	(12 p/m) \$34,560	(12 p/m) \$34,560	(12 p/m) \$34,560	(12 p/m) \$34,560
3. Research Assistant (24 p/m)	(6 p/m) \$ 6,513	(6 p/m) \$ 6,513	(6 p/m) \$ 6,513	(6 p/m) \$ 6,513
4. Consultants (8 p/m)	(2 p/m) \$ 5,000	(2 p/m) \$ 5,000	(2 p/m) \$ 5,000	(2 p/m) \$ 5,000
5. Conference Costs	\$16,000	\$25,000	\$25,000	\$25,000
	<hr/> \$65,073	<hr/> \$80,073	<hr/> \$80,073	<hr/> \$80,073

I

II

III

IV

E. Networking

1 Research Assistant (24 p/m)	(6 p/m)	(6 p/m)	(6 p/m)	(6 p/m)
	\$ 6,513	\$ 6,513	\$ 6,513	\$ 6,513

I

II

III

IV

F. Project Support

1. Project Manager	(12 p/m) \$ 45,000	(12 p/m) \$ 45,000	(12 p/m) \$ 45,000	(12 p/m) \$ 45,000
2. Secretary	(18 p/m) \$ 32,440	(18 p/m) \$ 32,440	(18 p/m) \$ 32,440	(18 p/m) \$ 32,440
3. Supplies	\$ 5,000	\$ 8,000	\$ 10,000	\$ 10,000
4. Production	\$ 3,000	\$ 6,000	\$ 6,000	\$ 6,000
5. Travel	\$ 20,000	\$ 30,000	\$ 40,000	\$ 30,000
Per diem	_____	_____	_____	_____
TOTAL	\$114,440	\$121,440	\$133,400	\$123,440

Input Budget

<u>Year</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
A. Staff				
1. Senior Staff (138P/M)	(30 P/M)	(30 P/M)	(36 P/M)	(42 P/M)
@ \$2500/M	75,000	75,000	90,000	105,000
80% overhead	60,000	60,000	72,000	84,000
	<u>135,000</u>	<u>135,000</u>	<u>162,000</u>	<u>189,000</u>
2. Research Associates (172 P/M)	(32 P/M)	(44 P/M)	(48 P/M)	(48 P/M)
@ \$1600/M	51,200	70,400	76,800	76,800
80% overhead	40,960	56,320	61,440	61,440
	<u>92,160</u>	<u>126,720</u>	<u>138,240</u>	<u>138,240</u>
3. Research Assistants (96 P/M)	(24 (P/M)	(24 P/M)	(24 P/M)	(24 P/M)
@ \$650/M	15,600	15,600	15,600	15,600
80% overhead	10,452	10,452	10,452	10,452
	<u>26,052</u>	<u>26,052</u>	<u>26,052</u>	<u>26,052</u>
4. Consultants (117 P/M)	(21 P/M)	(30 P/M)	(36 P/M)	(30 P/M)
@ \$2500/M	52,500	75,000	90,000	75,000
5. Project Manager (12 P/M)	(12 P/M)	(12 P/M)	(12 P/M)	(12 P/M)
	25,000	25,000	25,000	25,000
80% overhead	20,000	20,000	20,000	20,000
	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>

	I	II	III	IV
5. Secretary	(18 P/M)	(18 P/M)	(18 P/M)	(18 P/M)
	18,000	18,000	18,000	18,000
30% overhead	<u>14,440</u>	<u>14,440</u>	<u>14,440</u>	<u>14,440</u>
	32,440	32,440	32,440	32,440
Total Staff	383,152	440,212	493,732	505,732
Inflation @ 6% year	<u> </u>	<u>26,412</u>	<u>59,248</u>	<u>91,032</u>
		466,624	552,980	596,764

B. Project Costs

	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
1. Production	3,000	6,000	6,000	6,000
2. Supplies	5,000	8,000	10,000	10,000
3. Travel and Per Diem	20,000	30,000	40,000	30,000
4. Conference costs	10,000	25,000	25,000	25,000
	<u>38,000</u>	<u>69,000</u>	<u>81,000</u>	<u>71,000</u>
Inflation @ 6%/Year		<u>4,140</u>	<u>9,720</u>	<u>12,780</u>
		<u>73,140</u>	<u>90,720</u>	<u>83,780</u>
5. Contingency	<u>10,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Total Project Costs	48,000	98,140	115,720	108,780

	I	II	III	IV
Grand Total	431,152	564,764	668,700	705,544
1st Tranche ('79 FY)	995,916			
2nd Tranche ('81 FY)			668,700	
3rd Tranche ('82 FY)				705,544
Possible Mission Add/on	500,000	1,000,000	1,000,000	
Possible 5th and 6th Year Funding by DSB				1,130,000

	I	II	III	IV
Total	421,152	509,212	574,723	576,732
a. Inflation @ 6%/Year		30,552	68,968	103,812
	<u>421,152</u>	<u>539,764</u>	<u>643,700</u>	<u>680,544</u>
b. Contingency	10,000	25,000	25,000	25,000
	<u>431,152</u>	<u>564,764</u>	<u>668,700</u>	<u>705,544</u>

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Life of Project:
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: Local Revenue Administration 931-5303

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To stimulate self-help capacity of local communities.</p>	<p>Minimum of Goal Achievement:</p> <ol style="list-style-type: none"> 1. Information systems which can monitor social impact of local development efforts & relate to revenue burden 2. Rising % of locally derived resources supporting locally planned & managed budget for improved social & physical infrastructure & services 3. Adaptation of central/provincial government & administrative structures to systems more supportive of local initiative & which provide incentives to local action. 	<ol style="list-style-type: none"> 1. Special studies commissioned in collaboration with local institution to evaluate social impact of revenue reforms. 2. Analysis of local budgets over time. 3. Analysis in collaboration with host country counterpart organization of trends in inter-governmental relations and the relationship between field administration & local authorities communities. 	<p>Assumptions for achieving goal targets:</p> <p>It is assumed that in in-depth countries we will be contributing to a fairly significant initiative in decentralized and bottom-up planning & resource mobilization so that a goal-level evaluation of this sort will be both possible and relevant.</p>
<p>Project Purpose:</p> <p>Develop models & procedures of local finance which will support the provision of a mix of public services & investments that are optimal for the local community & to test the models in specific field situations. The models should have the following characteristics: (a) Provide incentives for local action & efficient use of resources (b) Increase participation in revenue & expenditure decisions at the local level (c) Are responsive to equity & welfare implications of the new directions (d) Augment & make more reliable local finance & revenue (e) Responsive to local social & economic conditions (f) Provide clearer picture of local needs & priorities.</p> <p>Outputs:</p> <ol style="list-style-type: none"> 1. In-depth consulting in 4-6 countries --to assist in analysis of local revenue problems & capacities & direct support in improving revenue admin. 2. Short-term consulting in 4 to 6 countries annually to provide for quick extension of new approaches, service to missions, & comparative case studies. 3. SOAP & field manuals to synthesize & organize existing knowledge & practice in forms usable to practitioners. To identify knowledge gaps. 4. Information dissemination--esp. training. 5. Networking to increase availability of consultants to AID, host governments & regional institutions. 	<p>Conditions that will indicate purpose has been achieved:</p> <p>A. In-Depth Countries</p> <ol style="list-style-type: none"> 1. Has expanded the variety & reliability of sources of local finance & revenue under the control of local communities--esp. locally generated resources. 2. Improvement in services to local communities by intermediate institutions to improve efficiency of local revenue systems. 3. Improved training programs for local administrators concerned with resource mobilization. 4. Improvements in design of capital projects & social service programs--esp. in relating outputs to financing system. 5. Increased equity in the distribution of costs & benefits of locally managed expenditures. <p>B. General</p> <ol style="list-style-type: none"> 1. Better empirical & operational understanding of the revenue policy & management implications of recent advances in development theory & the "new directions." 2. Analytical tools & operational aids better suited to the needs of local authorities in their emerging development role. 	<p>A. In-Depth Countries:</p> <p>Detailed analysis of local budgets and inter-governmental relations specifically related to the initiative; undertaken with this project resources.</p> <p>In cases where we may be assisting the development of intermediate institutions, careful evaluation of new approaches will be done with project funds either on a comparative basis or using causal path techniques.</p> <p>B. General Purposes:</p> <p>Comparative analysis of impact and effectiveness of various local revenue systems in achieving the project purpose. This will include in-depth work and short-term work by contractor but also incorporate studies done elsewhere and by other donors.</p> <p>2. Analytical tools & operational aids will be field tested in both in-depth & short-term sites & we would expect to share them with LDC institutions & international donors to encourage wide testing.</p> <p>Direct monitoring by DS/RAD & review by inter-bureau committee.</p> <p>Mission evaluation of services received</p> <p>Professional review of SOAPs & applied research.</p> <p>Normal AID reporting procedures.</p>	<p>Assumptions for achieving purpose:</p> <p>Ways can be found to utilize local indigenous institutions, existing local government structures, or new associational structures to improve efficiency, equity, and self-help in rural development.</p> <p>Assumptions for achieving outputs:</p> <p>Contractor is able to mobilize and manage the range of relevant skills required for the project (cf. p.)--ranging from theoretical development to actual operational & implementation problems.</p> <p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> 1. Development of suitable contracting format. 2. Satisfactory negotiation of in-depth applied research/consulting agreements with USAID missions and host governments. 3. Current time frame permits an adequate response from university based contractors.

Inputs:

1. Interdisciplinary team organized around a core group at U.S. university (possibly in collaboration with private sector or university consortium) to provide consulting, training, & applied research across a specified range of skills (see Attachment A) to a total of approx. 500 p/m, LOP.

2. US/WFO Staff:

(a) Year 1 - 5 p/m of senior professional, 1 p/m of backstop officer.

(b) Years 2-4 - 3 p/m of senior professional, 1 p/m of backstop officer.

3. Funding

(a) \$2.4 million centrally funded.

(b) Up to \$2.5 million incremental funding from missions or regional bureaus.

4. Possible extension of LOP by two additional years with additional funding of \$1,130,000.

Magnitude of Outputs:

1. Inter-disciplinary teams will contribute at least 200 p/m in field for analysis, design, implementation, & eval. of local revenue systems. Contractor would agree to expand this consulting to a maximum of 300 p/m additionally upon negotiation of an additional scope of work & with incremental funding.

2. Contractor will supply 90 p/m of short-term consulting--primarily in analyzing the revenue aspects of associated with--implementation & maintenance of USAID projects. Contractor will be expected to integrate this work into SOAPS & hypothesis testing.

3. State-of-Art-Papers (SOAPS)

(a) Year 1 - 4 regional surveys.

(b) Year 2 - 1 SOAP on revenue/public finance implications of "new directions" & current development theory--1 SOAP undefined.

(c) Year 3 - 3 SOAPS--undefined.

(d) Year 4 - 1 SOAP on interaction of revenue systems with institutional & social environment & presenting alternative models.

4. Information Dissemination

(a) Annual workshop/evaluation.

(b) 1 regional workshop annually.

5. Networking--system of assessing talent in this field which is directly accessible to LDC institutions worked out & in place.

Implementation Target

A. See Budget.

B. See attachment A --
Implementation Plan.

ANALYTICAL + CONSULTING SKILLS REQUIRED IN PROJECT.*

Annex C

<u>Analytical Skills</u>	<u>Economic Analysis</u> (30%)	<u>Policy Analysis + Administrative Analysis</u> (30%)	<u>Sectoral Applications</u> (10%)**	<u>Community/ Collective Action</u> (20%)	<u>Evaluation + Information Systems</u> (10%)
<u>Project Introduction</u> (1) <u>Local Finance</u> Policy + its Role in Development. (30%)	- <u>Development Economics</u> - <u>Agricultural Economics</u> - <u>Business Economics</u> + <u>Finance</u>	<u>Political Economy</u> + <u>Policy Analysis</u>	<u>Sectoral Policy Analysis</u> Health Education Infrastructure Agriculture		
(2) <u>Instruments of Local Revenue + Local Finance</u> - (with particular emphasis on mobilization of local resources)- (30%)	<u>Public Finance</u> - tax - user fees - capital loans - grants - bonds - commercial activities - "in kind contributions" - voluntary contributions	<u>Inter-Governmental Relations.</u>	<u>Small Business Resource Flows + constraints in Public Program Management.</u>	<u>Economic Anthropology</u>	- Revenue Base - Yield of various instruments - inter-sectoral resource flows equity.
(3) <u>Institutional Mechanisms</u> (a) Mechanisms to encourage local action and for linking more directly the costs + benefits of development efforts.	<u>Political Economy + Public Choice</u>	- local government - cooperatives + other voluntary mechanisms - public enterprises - private sector.	<u>Analysis of Incentive Structure in Sector</u>	<u>Community Development + Applied Anthropology</u>	<u>Applied Anthropology</u>
(b) <u>Intermediate institutions to facilitate local finance + exercise higher level controls.</u> (20%)**	<u>Public Finance</u> <u>Business Finance</u> <u>Project Analysis</u>	<u>Finance + Revenue Administration</u> - Loan institutions - Local Government Depts. - etc. <u>Public Enterprise Manage- ment</u> <u>Project Analysis</u>	<u>Problems of scale, externalities, controls, in sectoral programs as they relate to local incentives + autonomy.</u>	<u>Non-Bureaucra- tic approaches to service + investment finance.</u>	<u>Economic Anthropology</u> - related to project analysis - related to policy of intermediate institutions.
(4) <u>Implementation + Administra- tive Problems of Specific Local Finance Mechanisms</u> 1. Revenue Operations 2. Social Services + fees 3. Public Enterprises 4. Training (30%)**	<u>Financial Management</u>	<u>Revenue Administration</u> <u>Public Enterprise Mgmt.</u> - Design of procedures - training - methodology and field testing - staff pattern, etc.	<u>Extension Education</u> - training of community field staff to work with local communities.	<u>Local Government Extension</u> - technical support - local mgmt. problems - prescribed procedures	<u>Evaluation of Distributional Impact.</u> - Micro Economics - Rural Sociology - Political economy

* Figures in parentheses represent approximate allocation of staff time anticipated

** Areas where greatest expansion would take place with incremental funding.

April 23, 1979

MEMORANDUM

TO : AA/DSB, Sander Levin

THRU : DS/DAA/FN, Tony Babb

FROM : DS/RAD, Harlan Hobgood

SUBJECT: A New Contracting Mode for Applied Research and Consulting Projects.

As you know all too well, we have been trying for a year and a half to come up with a project design that will meet our objectives of providing relevant expertise and useful knowledge to solve critical program problems that our missions are facing through applied research and consulting services while meeting the legal concerns of General Counsel and the procurement constraints of SER/CM.

We think that we are on the way to a solution that from the DS/RAD point of view would be acceptable, actionable, and manageable.

In summary it would be as follows:

Using the applied research and consulting project design that we developed under the former cooperative agreements (authorized through the Expanded Program), each activity provided for the same five elements:

1. State of Art work - both up-front on-campus research and, on an iterative basis throughout the life of the project, building on field case studies and longer term applied research results.
2. Long-term Applied Research services - in-depth work in 4 to 6 countries covering action research for pre-project data gathering and analysis, project design, project evaluation and in-course study of or action on implementation problems.

3. Short-term Consulting Services and Case Study - 6 to 10 separate individual or team consultancies to help missions solve immediate program problems on pre-design, design, evaluation and quick-fix implementation problems; thus giving reality testing to the theoretical/model building/hypothesis testing on the subject area, while providing missions needed help and documenting a case for agency learning.
4. Networking - Identifying, world-wide, knowledgeable people in the field of study/application and setting up a communication system (newsletters, etc.) among them to stimulate a knowledge advancing dialogue in an open system.
5. Information Dissemination - publishing and disseminating the results of all above through mailing of written state of art work and case studies, workshops and training sessions both in the field, in Washington, on the campuses, and in international fora.

We think that we now have a tentative agreement with SER/CA and GC that this design is contractable along the following lines:

1. The DSB project paper would carefully reflect the precise area for applied research and its priority to the Agency. It would detail the expected outputs in each of the above categories and reasonably detailed estimate of the level of effort required to reach these outputs including the variety of skills and disciplines required under each activity.
2. Not all countries would be specified in advance with certainty but indicative lists for appropriate work would be shown. Level of effort estimates would be made for the long-term relationships with a breakdown of skills required and tasks to be accomplished. Input/Output budgets would be detailed.
3. The RFP based on the PP would reflect all of the above in reasonable specificity, indicating that all of the work to be done under all categories except 2. (Long term) would be fully funded by the DSB in the basic contract. Initial reconnaissance visits for longer-term associations with missions/LDCs would also be funded in the basic contract. The full association to follow would be funded by the

Mission, the Regional Bureau, or DSB through a collaboratively developed agreement between DSB/RAD and the contractor. The RFP would clearly state the number of long-term add-ons contemplated for the Life of the Project (e.g. 4 to 5 in at least three different regions) and would provide a suggestive list of likely country associations that might be developed. Thus, the requirement for full and open competition would be met in advance and each add-on would not require a new round of competition.

This is the summary of where we are at this point. Following is a detailed discussion of the background and what we perceive to be the outstanding issues to be resolved before we know we have GC and SER/CM concurrence to proceed with final PPs reflecting this model.

Background and Detailed Discussion

Setting

Following a year and a half of dialogue and debate on the subject throughout FY's 78 and 79 with GC and SER/CM, DS/RAD staff met with Mort Darvin and Carol Eldridge (SER/CM) and Steve Tisa (GC) on April 6 to discuss a model for resolving our contracting problems for all up-coming DS/RAD projects in both RD and DA (Organization of Labor-Intensive Works, Local Revenue, Financial Management, and Managing Decentralization). The attached represents, to the best of our understanding, the nature of our contracting problems and the consensus of the meeting on how best to deal with them. We should emphasize that Mr. Darvin, Ms. Eldridge and Mr. Tisa have been entirely cooperative in trying to resolve the problems associated with these contracting issues. The constraints they have faced appear to be in no significant way their doing, but rather a policy environment that is itself controlling rather than facilitating; restrictive rather than opened to innovation; timid rather than venturesome.

DS/RAD Approach to Project Selection and Design:

DS/RAD has generally followed the strategy of developing projects in areas of rural development and development administration in which A.I.D. missions are beginning to invest considerable resources but where current experience suggests that we have major problems of strategy formulation, design or implementation. We are, therefore, focusing our scarce management resources on the emerging "problem areas" of A.I.D.'s program. Tackling these problem areas presents certain characteristic difficulties which have a direct impact on the contracting process.

a) These are generally areas where the state of the art is either confused or poorly developed. In consequence we have a major knowledge generation problem on our hands at the same time that missions are rushing ahead with activities in the field.

b) These tend to be areas where the most appropriate resources are not easily combined either for research, project design, or implementation. Typically the key components of the solution are scattered or, alternatively, one component is so much more highly developed than another that it is organizationally difficult to get the proper balance. The net result is that A.I.D. does not have adequate permanent staff to deal with the subject and that it is not possible simply to buy these resources off the shelf. Rather, special efforts must be put into mobilizing the resources and making them accessible to AID missions.

c) The key to many of these problems appears to be the careful integration of (i) social analysis of the characteristics of the rural community and of rural poverty, (ii) improved policy analysis to direct government resources into the most productive channels, and (iii) careful attention to the potential and problems of institutional analysis and of implementation. This means that the traditional distinctions among research, project design, and project implementation have to be transcended in the interest of a more comprehensive approach to the problem.

d) Because we tend to focus our applied research efforts on areas where we perceive there is considerable unmet demand among our missions for quality consulting and design services, there is great payoff to the Agency in our ability to disseminate our findings and approaches to problems widely. Much of this work is short-term strategizing, elaboration of a project model, or a quick analysis of the potentials in an existing situation for productive interventions. Typically, these demands are difficult to anticipate in advance, originating in mission responses to perceived targets of opportunity. The problem is to respond quickly before the field need is poorly filled by more readily available but mediocre services. To do this a high quality centrally funded capacity must be in a state of mobilization and engagement with the subject matter not just to respond quickly to the individual programmatically driven demand but to capture for the Agency learning about the intervention while doing it.

Project Components:

In response to the above combination of requirements, each of these new projects which deal with management science/development administration issues in rural development and other sectors will have the following components:

a) State-of-the-art work: This will be a series of studies designed to synthesize the existing knowledge, practice, and methodology in the area in question in a form which is usable and accessible to field missions and LDC practitioners. Equally important, these papers should generate hypotheses about the source of the difficulties we confront in projects of this kind, gaps in our knowledge, and new ways of approaching the problem. But the work is not all front-end. All following elements feed back into the iterative process of new state of art materials throughout the life of the project.

b) Long-term applied research: The generation of new knowledge, testing of new approaches, and exploring the operational problems of proposed policies and interventions generally requires a long-term involvement in an

actual field situation and some degree of control over the parameters and interventions in that context. The provision of such applied research opportunities requires a close relationship between our project, specific mission programs, and LDC institutions. Furthermore, this relationship may require that the relationship extend from (i) initial analysis, (ii) development of strategy, (iii) project design, (iv) project implementation, and (v) project evaluation.

Of particular importance is the fact that the contractor may actually have to become involved directly in aspects of project implementation. This is required for several reasons: First, if we are to retain our concern for the implementability or operationalization of the approaches we develop, we must have opportunities for field testing. Second, DS/RAD is convinced that only by combining the implementing experience with the knowledge generated can we come up with development approaches that incorporate implementation problems as a key component of the model and assure a model with sufficient flexibility to respond to local conditions. We insist that the only meaningful learning on social change processes comes from the praxis mode of research. (i.e. learning by and while doing). Third, it is essential that our knowledge generation activities do not add to the logistical and administrative burdens of either the mission or the LDC institution. From the mission's point of view, therefore, our assistance in implementation reduces the administrative cost of our field test to the mission - hence its acceptability. Fourth, although the actual implementation of development projects usually rests with the LDC staff, it will be necessary for our contractors, from time to time, to be involved in training local staff both on site and on campus, designing and supervising experimental interventions, and directing required research.

Currently, this involvement in implementation creates difficult programing problems for us. The magnitude of the task is often difficult to anticipate in advance because it emerges as the experiment emerges. In addition, it may turn out that it becomes administratively preferable to carve out specific components of mission projects in in-depth countries and make them the responsibility of the DS/RAD contractor. This again may add to the responsibilities of our contractor but nevertheless be necessary to provide an adequate field test context that is also managerially sound.

c) Short-term consulting: We believe that all of our new projects must have a substantial component of short-term consulting with missions. There are several reasons for this. First, and most important, the short-term consulting offers the contractor a diverse exposure to problems confronted by missions in the substantive areas in which they are working and a comparative perspective on approaches to these problems. They are an important

reality testing opportunity for the Agency and the contractor. Second, the short-term consulting provides, in effect, an extension opportunity to disseminate relevant, "best available," knowledge to missions and LDC practitioners much more directly and effectively than any document or state-of-the-art paper might do -- that is, through cooperation on solutions to immediate problems. Third, each consulting opportunity, while meeting a mission need provides an opportunity to describe, analyze and document a relevant case for the literature, to expand knowledge of the state of the art. Fourth, the short term consulting provides one source of services to meet the mission's need for assistance in mobilizing resources for project design, strategizing, or research. Finally, we have discovered that some of our most effective in-depth relationships have emerged out of short-term initial contacts, started to serve some specific mission program need.

The nature of the short-term consultancies will be to deal with the same type of mission needs as in the long-term associations with the exception that they will not involve extensive implementation responsibilities. One of the problems with short-term consultancies, however, is that of keeping the demand to reasonable proportions so as not to exhaust our resources or to divert our attention from the in-depth field test efforts. This, of course, is done by limiting the project to a set number of such consultancies per year (i.e. 6 to 10) and a not-to-exceed man-month effort (e.g. 18 MM/year).

d) Networking: All projects will be developing networks of professionals in the subject matter of the project, including specialists in LDCs and elsewhere, in order to facilitate communication among them on current issues and innovations, as well as to provide the development community a means of identifying a pool or talent in the field. By requiring continuous networking and open communication within the community by the contractor, we also avoid any tendency there might be to encourage a knowledge monopoly by the institution selected for this work.

e) Information Dissemination: Information dissemination is a high priority activity under each of these projects. The vehicles may vary from workshops, and publications, to training and short-term consultancies. The dissemination target will include professionals (both academic and administrative) on a global basis. Furthermore, the intent is that the information dissemination will include not only the work generated under our project but also related work being conducted elsewhere, aired through the network operation and packaged under this function.

Contracting Problems

DS/RAD has now been working with projects of this type for over two years and we have encountered a number of common contracting problems.

1. Competition:

There are two areas of our activities which have given rise to competition issues -- short-term and in-depth applied research/consulting. the problem as understand it is this

(a) In in-depth countries our possible need to become involved in long-term applied research efforts including project implementation often leads to increased costs and increased level-of-effort that we cannot fund from a central project -- and should not be centrally funded. Nevertheless, the specific characteristics of the field test and considerations of the integrity and effectiveness of project management in the field, may well require an increased level of effort from the DS/RAD contractor, funded by mission project funds. Questions have been raised as to whether this addition of mission program funds to the DS/RAD project to secure these additional services vitiates competition requirements. DS/RAD has argued that this simply represents an additional cost of the field experiment necessary to fit it to local realities. Some have argued that this represents "new business" and that it must be separately contracted. Also at issue here is a general lack of understanding of the praxis mode of applied research. Many outside the social sciences (legal counsel, contract management etc.) have not understood that in social and institutional change we can only do validity testing by actually doing the work.

Proposed solution: The proposed solution to this problem is that the RFP should fund, centrally, start-up activities in a fixed number of in-depth countries (e.g. 4 to 6 interregionally) but that potential contractors be informed in the RFP that additional funding up to a specified limit may be added for in-depth work (including long-term applied research involving implementation). This additional funding could then be added incrementally, either from mission, regional bureau, or central funds, as specific scopes of work for each in-depth country were developed.

This arrangement would have the advantage of notifying potential contractors, in advance, of the potential scale and scope of the project but that funds would not be allocated until specific scopes of work were prepared and negotiated. It would, of course, be necessary to authorize the project initially at the maximum anticipated level, with the first increment of funding only from the DSB covering all but the long-term associations.

We understand that some version of the collaborative style of management would be appropriate for this portion of the contract and would permit the same contractor to be involved in strategizing, project design, and project implementation in in-depth countries (up to the limit number specified in the RFP - thus not requiring new competition).

(b) The competition issue for short term consulting seems less serious because the amount of such activity would be clearly delineated in the RFP. We would like, however, to be able to reach agreements with the missions requesting short-term assistance so that in most cases they meet local per diem, in-country travel and other local costs while we meet all stipends and international transportation costs. We see certain advantages in this arrangement, where possible. First, it serves as a means of more precisely "pricing" our short-term consulting and hence, will restrict demand to serious mission requests that they are prepared to spend PDS or project funds for. Second, we find that it may be desirable for the missions to have a sense of "ownership" of the consultants and that this is also beneficial for the consultants. That is, they cannot be considered an imposition by AID/W pursuing "unrelated" research projects if the mission actually demonstrates their demand by meeting some of the cost.

We understand that there are at least two ways in which the mission can add these resources to a DS/RAD project. The mission could do a small amendment to our contract in the amount of the local costs using project or program development and support money. Or, alternatively, the mission could do small purchase orders or non-salary personal services contracts with the contractor. A third possibility which has been suggested is an IQC-like arrangement through which the mission could procure services from our contractor. This however, we believe would only serve to further complicate the management of the project with task orders and other issues peculiar to the IQC system.

It is possible that the addition of mission funds for short-term consulting may raise competition issues in principle, even though the amounts are small, and we need to have this issue clarified by contracts and GC.

2. Specificity:

The specificity issues center on whether the project paper and RFP can be given sufficient specificity to enable the potential bidders to make a realistic judgement as to scope and cost of the work to be undertaken in order to make a bid; and whether the work to be undertaken and the product desired has been identified sufficiently clearly to satisfy the existing contract law. There has been considerable debate as to what constitutes adequate specificity and what components of the project have to be pre-defined in what sort of detail to satisfy this need.

We argue that the following criteria should meet all reasonable requirements for specificity:

(a) State of the art: As was stated above, we are working at the fringe of available knowledge and we wish to seek the assistance of the academic/consulting community in the definition of the problems to be undertaken -- as in the collaborative style. It does not seem appropriate to us, therefore, that we should unilaterally define all state-of-the-art papers. We can, however, do the following:

(i) We can define a representative list of important topics from which specific papers might be drawn in consultation with the contractor. We have already learned, however, that consultations between the contractor and regional bureaus may generate new alternatives at anytime during the life of the project that all parties perceive to be more beneficial and which could not have been anticipated in advance. The list does, however, provide the bidder with some guidelines as to the Agency's current substantive interests and problems.

(ii) We can also specify the number of papers, timing and estimated person-month requirements. This should permit the bidder to make a realistic cost estimate. Similarly it permits us to make a realistic cost estimate in our PP and PIO/T.

(iii) Finally, we can define a process for approval of specific papers. We have in the past used the device of an inter-bureau project committee to advise the DS/RAD project manager and to assure that there is agreement within the Agency that the issues have high priority and relevance, that they do not overlap on-going work, and that there is agreement that the methodology is acceptable.

(b) Country selection (in-depth): We have been requested frequently to have the in-depth countries selected before going out for bids. It is also fair to say that there has been some agreement on this issue among the Contract Office, GC and even the regional bureaus. We have two problems with this approach. First, we wish to the extent possible, to choose the contractor primarily on technical and only secondarily on geographical and languages competences; then, to work with the contractor in choosing from among possible sites those which best meet the information generation needs of the project while, to the extent possible, using his comparative area knowledge advantage. We feel it is undesirable to make that decision unilaterally. Second, it is simply extremely difficult, if not impossible, to tie down four to five missions at the same time, a year in advance, during our PID or PP approval stage with country programs at the same stage of development. Missions simply are not willing to tie their planned projects to an unknown contractor and an unknown time sequence. Furthermore, if we tie our contract to specific countries in advance and those projects fall through, for any of the many reasons in our turbulent environment, we would then have to go through the process of contract amendment to add a new set of countries. This appears to be a cumbersome and wasteful procedure, that is unnecessarily costly to an Agency trying to conserve overhead costs.

The solution would appear to be to provide the bidder with a illustrative and tentative list of countries in the RFP. The process of country selection could then be an iterative one in which during the first stage we would fund exploratory and start-up activities and then tap into mission funds in subsequent stages as terms of reference are collaboratively negotiated. None of this is to suggest that we should not, at an informal level, have staffed out possible in-depth countries to facilitate quick start-ups. We can provide additional specificity in the following manner:

(i) We can specify the number of countries, the geographical regions they will be drawn from, and an illustrative list drawn from ABS and COSS materials.

(ii) We can specify the range of outputs (research, strategy, design, implementation and evaluation), the level of effort, and the timing of this effort over life of project. This can be broken down into the core, start-up activities funded under the first increment and the potential level of additional effort required if additional increments are added. The contractor would then be obligated to supply the staff resources funded in the basic, OSB funded agreement and additional increments would be negotiated as collaboratively developed amendments. Staff with a reasonable range of language skills and cultural knowledge would also have to be demonstrated.

(iii) We can also specify certain criteria by which countries will be chosen: including an indication by the contractor that the country is suitable in its judgement for field testing and within their competence.

a finding by DS/RAD that there is a suitable and significant program in the country, agreement from the mission, the bureau and the host government, that the involvement of our contractor is acceptable and that the activity is within the CDSS and has sufficiently high priority, and in-country institutional acceptance.

(iv) Incremental funding will not be added until specific memoranda of agreement are signed with in-depth countries specifying scope of work, level of effort, outputs, etc.

(c) Country Selection (short-term): The selection of short-term assignments will obviously be somewhat opportunistic. We can specify:

(i) Total person/months of consulting and the spacing of this effort throughout the life of the project. (It is also possible for us to cost this out in an input-output budget for LOP in the PIOT).

(ii) We can also specify the criteria of selection of short-term efforts: i.e. within scope of project, upper limit to resources and time period for each effort, relationship to overall state-of-art and in-depth effort, mission contribution, capacity of contractor to work at that site, etc.

(iii) It should also be clear that where a specific technical or geographical expertise is required for this purpose that the contractor is free to add to his permanent institutional staff from other U.S. and TCNs resources - within the level of effort authorized.

(iv) We can also specify the character of the documentation of these short-term efforts to assure that the information gathered is available in a case study form to feed into the knowledge generation process.

(d) Networking: Once again we wish to employ the experience of the contractor and his ingenuity in devising the most appropriate form for building the network and keeping it active. We do have examples of successful efforts, however, in the LTC and the PASITAM efforts. We should be able to specify:

(i) Scope of network - emphasizing both LDC and other non-American professionals.

(ii) We can also specify a level of effort and provide a representative budget in the PIOT.

(iii) We can also indicate the kind of outputs and their probable frequency and scale of operation; which should provide sufficient information for a realistic bid.

(iv) We can also specify the uses to which we desire the network to be put which will provide guidance to the contractor - e.g. newsletters, size of mailing list, their periodicity and size, their use as an information interchange medium to open up the dialogue and the network, etc.

(e) Information Dissemination: Again the information system associated with the project will be something we wish to seek assistance from the contractor in devising. It will also be the case that some of the more productive opportunities will be somewhat linked to specific sites - e.g. training opportunities, problem-centered workshops, etc. We can provide:

(i) A representative list of possible activities and a level of effort which will be sufficiently precise to permit a bid. We will not be able to specify, however the precise time and place of individual activities since, for example, regional workshops may be requested mid-project but not perceived of as an opportunity known at PID or PP stage. etc.

3. Potential "thwarting" of contractor

In previous contracts, however, we have encountered concern in GC that we not be in a position to "thwart" the contractor in the exercise of his duties. That is to say that joint-management or "collaborative style" places A.I.D./W in a position to say "no" and hence to prevent the contractor from fulfilling his obligations.

Our solution to this in the past has been to concentrate our veto power in two places -- international travel and the annual work plan. This has been adequate as an ultimate weapon but we feel that it is essential that the RFP reflect the joint-management "collaborative style" mode of the old cooperative agreements so that we set the tone for an interactive management style and not have to depend on the ultimate weapons we possess. We would like GC advice on this issue.

Funding:

	<u>Core DS/RAD Funding</u>	<u>Incremental Mission or DSB Funding</u>
1. State-of-Art Papers and Special Studies *	X	
2. Long-Term Applied Research in In-depth countries	Exploratory & Start-up X	Research/Long-term applied Implementation X
3. Short-Term Consulting	International X Costs	Local Costs X
4. Networking	X	
5. Information Dissemination	X	X **

* We may seek to externalize management of related unsolicited research proposals to contractor.

** Funding of mission staff to conferences or funding of participants from LDC in conferences or training beyond DS/RAD resources may be added.

Project Management:

1. AID Management

We are anxious to retain an element of joint-management in our projects. The reasons for this are:

(a) As we work toward solutions to AID's programming and development problems with the contractor it is essential that the contractor have a clear and intimate understanding of our priorities, perceptions, and problems. Continual A.I.D. involvement in developing the research and consulting program of the contractor is a highly effective way of handling this problem.

We have tried in the past to use two devices to achieve this coordination.

(i) We have utilized the inter-bureau project committee which has reviewed an annual work plan prepared by the contractor in terms of its relevance, coordination with bureau priorities, mission schedules, and technical quality. We would like to continue this practice in the new set of projects.

(ii) DS/RAD technical staff has always had in the past a major technical role in defining the specific scopes of work for the in-depth countries, short-term consultations, and state-of-the-art work, in collaboration with the contractor and field missions. This is an essential device for assuring consistency with A.I.D. needs and priorities as the project emerges and should be continued.

(iii) Mission technical staffs and management have been able to establish "ownership" of our efforts while in-country by sharing in the negotiated package.

(b) We have also tried to develop complementarities among our projects by combinations of contractor consulting and research activities with the resources of our own staff and that of other DS/RAD contractors in coordinated efforts to tackle multiple country or subject-matter problems. This also requires substantial and continual involvement of DS/RAD management in collaboratively developing the contractor's work plan and program.

(c) In the field it is essential that our activities coordinate with mission initiatives and not represent a burden to them. Our principle is, therefore, that in the field our joint-management responsibilities pass to the mission project manager. This is especially true when mission program funds have been added for specific in-depth activities.

2. Contractor Management

In the past we have stressed in the RFP the need for imaginative management devices on the part of the contractor. We have emphasized management mechanisms which would encourage inter-disciplinary approaches and have encouraged inter-disciplinary project advisory committees in several instances; in at least one instance this resulted in a new joint effort between a university based research organization and an experienced consulting firm. In addition we have encouraged management devices which would provide reasonably quick responses to targets of opportunity as they come up in the field -- programming that can free us somewhat from the academic cycle where universities are involved. We will continue to give high importance to such innovativeness on the part of the contractors in these projects. Basic to this approach is the concept of a core inter-disciplinary staff and funding for a basic set of activities. We believe that we have general acceptance of the validity of this approach at this time.

General Issues for the RFP:

The RFP should reflect:

(a) The total level of effort required, detailed under each category of activity, with a total projected level for each year over the life of the project, under DS/RAD.

(b) The maximum potential level of effort that might be required through incremental funding with the clear understanding that each additional increment will be a separate amendment negotiated between the contractor and AID/W.

(c) Clear indication of the disciplinary mix required for all project activities covering pre-design study, design work, evaluation or implementation problem consulting and indications of the estimated level of effort under each category as applied to the state-of-art work, long-term associations, short-term work, networking and information dissemination. It should be recognized that this will necessarily be more specific for DSB's centrally funded activities than for the in-depth increments, which may require specific technical expertise not anticipated in this category. It should also be recognized that small amounts of technical inputs from a wide variety of disciplines may be required for specific short-term consulting jobs or state-of-the-art papers. This again may be hard to specify in detail, but the range can be so specified.

There are no particular problems in specifying in CPI format the scheduling of major inputs and outputs. Given the inevitable uncertainty

of A.I.D. scheduling due to the impingement of political and other fortuitous events, it is essential to maintain the principle of fungibility among categories of activities so that specific work components can be accelerated or decelerated in response to this situation.

(d) A clear statement of the criteria for selection and the selection process for state-of-the-art papers, long-term applied research, and short-term consulting is essential. We recommend the continued use of the DS/RAD project manager as key point of responsibility backed by the project committee (inter-bureau) as the A.I.D. side of this process and that, to the extent possible, the principle of joint management between the contractor and A.I.D. (DS/RAD) established earlier in our cooperative agreements be retained.

Local-level Revenue Projects: A Diachronic Survey
of AID's Public Finance Projects

Peter D. Little
June 1, 1979

Ever since its initiation, AID has been heavily involved in public finance projects in LDCs.¹ A review of these projects through the 1960s (i.e. initiated before FY 1970) yields three common themes. First, the projects were disproportionately focused on fiscal policy at the national level. Of the forty-one public finance projects surveyed, thirty-five of them were focused mainly on the national administration level (see Table 1.). In general, these projects were implemented through such macro-governmental structures as the Minister of Finance, National Tax Administration and National Institute of Planning. The goal in most cases was to increase the funds controlled by these central organizations.

Secondly, much of AID's technical consultant work on public finance in LDCs was done by U.S. Internal Revenue Service (IRS) personnel in accordance with PASA (Participating Agency Service Agreement). In line with AID's emphasis on macro-level fiscal projects, IRS personnel were influential in reorganizing a number of National Tax Administrations in the third world, especially Latin America (e.g., Costa Rica, Dominican Republic and Panama). Moreover, the Foreign Tax Advisory Service (FTAS) of the IRS assumed a major role in the development of training

1. Much of this report is based on information obtained from the Development Information Services, Development Support Bureau. Only projects with a revenue-generating component were considered.

Table 1. AID Public Finance Projects Before FY 1970

NEAR EAST

<u>Country</u>	<u>Project Title</u>	<u>Admin. Level</u>	<u>Date</u>
Lebanon	Survey Tax in Lebanon (2680115)	National	FY60-FY60
Israel	Income Tax Administration (2710066)	National	FY54-FY57
Turkey	Fiscal Administration (2770284)	National	FY57-FY59
Turkey	Tax Administration (2770433)	National	FY67-FY72
Afganistan	Financial Admin. Improvement (3060029)	Province	FY56-FY77

ASIA

Pakistan	Tax Administration (3910141)	National	FY62-FY65
Korea	Revenue Admin. Improvement (4890651)	National	FY66-FY70
Philippines	Revenue Administration (4920010)	National	FY51-FY60
Philippines	Tax Admin. Improvement (4920208)	National	FY66-FY70
Philippines	Fiscal and Fin. Coordination (4920210)	National	FY67-FY71
Philippines	Tax Collection Improvement (4920232)	National	FY68-FY71
Philippines	Provincial Development (4920236)	Province	FY68-FY77
Vietnam	Training Civil Tax Experts (7300160)	National	FY57-FY60
Vietnam	Tech. Aid Tax Department (7300134)	National	FY56-FY59
Vietnam	Tax and Finance Fellowships (7300164)	National	FY57-FY 60
Vietnam	Banking Income and Tax (7300211)	National	FY58-FY64

LATIN AMERICA

Argentina	National Tax Admin. (510064)	National	FY65-FY72
Bolivia	Fiscal Reform (5110460)	National	FY61-FY66
Bolivia	Tax Administration (5110461)	National	FY56-FY66

Table 1. (cont.)

<u>Country</u>	<u>Project Title</u>	<u>Admin. Level</u>	<u>Date</u>
Bolivia	Tax Policy (5110605)	National	FY60-FY69
Chile	Modern Internal Tax System (5130109)	National	FY62-FY71
Columbia	Property Tax and Land Value (5140084)	Regional	FY65-FY70
Columbia	National Tax Administration (5140100)	National	FY63-FY77
Costa Rica	Tax Studies Administration (5150003)	National	FY? -FY61
Costa Rica	Development Planning and Admin. (5150060)	National	FY52-FY74
Brazil	Tax Administration (5120122)	National	FY65-FY77
Dominican Rep.	Tax Administration (5170088)	National	FY64-FY74
Ecuador	Fiscal Reform Loan (5180061)	National	FY63-FY70
El Salvador	Tax Administration Improvement (5190032)	National	FY58-FY74
Guatamela	Budget Administration (5200045)	National	FY55-FY56
Guatamela	Property Tax Development (5200175)	National	FY67-FY73
Honduras	Technical Support (5220000)	Municipal (Urban)	FY59-FY80
Honduras	Municipal Development (5220039)	Municipal (Urban)	FY65-FY76
Nicaragua	Tax Administration (5240025)	National	FY67-FY70
Nicaragua	Municipal Administration (5240025)	Municipal (Urban)	FY67-FY71
Panama	Revenue Policy and Administration (5250048)	National	FY52-FY74
Peru	Tax Administration (5270057)	National	FY62-FY71
<u>AFRICA</u>			
Ethiopia	Economic and Financial Planning (6630116)	National	FY65-FY77
Liberia	Govt. Organization Training (6690061)	National	FY60-FY73
Liberia	Fiscal Management (6690078)	National	FY62-FY74
Libya	Public Finance (6700040)	National	FY55-FY59

programs for third world tax administrators (cf. Descartes et al, 1966; Roseman et al, 1969). Not surprisingly, by 1963 sixty-four IRS employees were working in twenty-one IDCs (Roseman et al, 1969: 38).

Finally, the geographical distribution of AID public finance projects before FY 1970 was heavily skewed toward Latin America. Of the forty-one projects surveyed, four were in Africa, five were in the Near East, eleven were in Asia and twenty-one were in Latin America (see Table 1.). In terms only of sub-national public finance projects (i.e., either at an intermediate-level or local-level), one project was in Asia, one project was in the Near East and four projects were in Latin America. With a strong urban municipal tradition, three of the four projects in Latin America were focused mainly on urban areas, while the two projects in Asia and the Near East were concerned with rural areas. Moreover, the municipal projects in Latin America were characterized by what Gall (1975: 65) refers to as the "vertical view" of municipal finance. That is to say, the municipality collected nominal local taxes and provided a limited range of social and administrative services, but was usually subsidized by national funds. A good example of such an approach is the Sanitation Finance Project in Columbia in the 1970s where local revenue was generated mainly to provide sanitation services.

I. Local-level Public Finance Projects: Post 1970

Since 1970, two of the three trends discussed above seem to have been somewhat altered. In fact, only the bias

towards finance projects in Latin America remains (see Table 2.). The IRS is no longer as heavily involved with AID revenue projects as it was in the 1960s. From a survey of AID public finance projects initiated since FY 1970, IRS was only involved with projects in four countries (i.e., Guyana-5040053, Bolivia-5110082, Guatemala-5200199, and Liberia-6690132). In addition, the ratio of sub-national public finance projects to national public finance projects seems to be less exaggerated. Since FY 1970, eight out of eighteen AID public finance projects have concentrated mainly on local (i.e., Municipal) or intermediate (i.e., provincial) administrative levels (see Table 2.). However, of these eight only four involve the use of locally-generated revenue to finance local development projects. What follows are brief descriptions of two of these four projects which are designed to upgrade the financial capabilities of sub-national administrations involving the rural sector.

a) Philippines--Local Development Project #4920256, FY73-FY80

The Local Development Project in the Philippines is an extension of an earlier Philippines AID project, Provincial Development #4920236, and is closely associated with a more recent development effort, Real Property Tax Administration (RPTA) #4920298. According to a mid-term evaluation report (AID, 1975: 3), the project is most unusual in that in no other place has AID put such resources in local development. To quote the report (AID, 1975: 8):

Table 2. AID Public Finance Projects Since FY 1970

ASIA

<u>Country</u>	<u>Project Title</u>	<u>Admin. Level</u>	<u>Date</u>
Philippines	Local Development Project (4920256)	Province(rural)	FY73-80
Philippines	Real Property Tax Admin. (RPTA) (4920298)	Municipal(rural)	FY78-81

AFRICA

Liberia	Increased Revenue for Development (6690132)	National	FY78-81
Sierra Leone	Increased Revenue for Development (6360108)	National	FY78-81

LATIN AMERICA

Bolivia	Tax Administration (5110082)	National	FY73-78
Bolivia	Local Government Assistance (5110082)	Local	FY73-78
Columbia	Cadastral Project (5140169)	Municip.(urban)	FY71-75
Columbia	Environmental Sanitation (5140183)	Municip.(urban)	FY74-77
Costa Rica	Municipal Development (5150118)	Municip.(rural)	FY70-75
El Salvador	National Cadastre (5190171)	National	FY75-78
Guatemala	Tax Administration (5200199)	National	FY70-77
Guatemala	Property Tax Development II (5200225)	National	FY73-76
Guyana	Tax Administration (5040053)	National	FY70-74
Honduras	Cadastral Demonstration (5220036)	Regional	FY72-76
Honduras	National Cadastre (5220111)	National	FY74-79
Panama	Rural Municipal Development (5250176)	Municip.(rural)	FY76-79
Paraguay	Cadastral Property Survey (5260703)	District(rural)	FY74-79
Uruguay	Fiscal Policy and Management (5280098)	National	FY75-77

Our evaluation team has developed a high regard for (an appreciation of) the unique, disciplined concentration of PDAP on developing sheer provincial capability in the three key areas of infrastructure, tax administration, and planning and management. Our first reaction was to view this approach as being too narrow in view of the wide scope of provincial needs. But we have come to realize through our observations and study that this intensive, highly concentrated approach has proved to be an effective means of enabling provinces to improve rural social and economic conditions.

As implied in this statement, the Local Development Project is attempting to depart from AID's earlier "vertical" view of local development in that to some degree the province is taking on the characteristics of "national government in microcosm" (Gall, 1975: 67). That is to say, the provinces are financing their own development projects in rural infrastructure and health and nutrition.

b) Panama--Rural Municipal Development: #5250176.
FY 76-FY79

Although there is no evaluation report available on this project to date, the project is unique in that: 1) it focuses on rural municipalities, rather than urban municipalities; 2) it attempts to pass tax and investment responsibility to the municipal level; and 3) it attempts to redress the problem that "about 85% of rural municipal revenues are used to finance . . . operating costs, contributions to support national programs and for servicing municipal public debt." In this regard, the project is concentrating on making rural municipalities more autonomous in terms of revenue collection as well as the selection of local investment programs to be undertaken. Similar to the Local Development Project in the Philippines, the Rural

Municipal Development Project is also in accord with the host country's interest in administrative decentralization.

II. ABS (FY79) Survey of Local-level Public Finance Projects

With the increasing emphasis in development theory on the rural sector, it is not surprising that in the ABS (FY79) country reports there are 8 AID projects which are either directly or indirectly related to local-level public finance (see Table 3.). However, of these 8 there are only three which have in them a local revenue generating component (Yemen: #2790045, Indonesia: #4970264, and Indonesia: #4970276). The other seven projects are concerned with local development, but are subsidized at the expense of the national government. Of the three projects concerned with the generation of local revenue and locally financed programs, the most extensive project is the Development Decentralization Project in Egypt. The goal of this project is to increase the autonomous revenues of village councils throughout Egypt in order that they can develop their own financial viability and development capacity (AID, 1978: 5).

Table 3. Local-level Revenue Projects Proposed in the ABS (FY79) Country Reports

ASIA

Country

Project Title

Date

Indonesia

Provincial Area Development Program I (4970264)

FY77-79

Indonesia

Provincial Area Development Program II (4970276)

FY78-81

AFRICA

Ghana

District Planning and Rural Development (6410073)

FY77-?

Kenya

Rural Planning Project (6150162)

FY76-80

OSARAC/Botswana

District Planning (6330077)

FY79-83

NEAR EAST

Jordan

Municipal and Village Loan Fund (2780230)

FY78-80

Morocco

Integrated Rural Development (6081052)

FY80-80

Yemen

Local Resources Development (2790045)

FY79-81

References Cited:

AID

1975 Local Development Project: Evaluation. Wash., D.C.:
AID.

AID

1978 Development Decentralization I-Egypt: Project
Paper. Wash., D.C.: AID.

Descartes, S.L., A. Buckberg, C. Harriss, C. Montue and E. Vaughan
1966 Report of the Review and Evaluation Team on Technical
Assistance in Latin America. Wash., D.C.: Treasury Dept.

Gall, Pirie M.

1975 InterCountry Evaluation of Municipal Development Pro-
grams and Institutions: Costa Rica, Dominican Republic, Guatemala
and Venezuela. Wash., D.C.: AID.

Roseman, A., S.L. Descartes and R.B. Welch

1969 Interagency Collaboration in U.S. Technical Assistance
on Revenue Systems: An Evaluation Report to the Agency for Inter-
national Development and the Treasury Department. Wash., D.C.:
AID.