PD-ABQ-672
98/30

A I D EVALUATION SUMMARY - PART I

IDENTIFICATION DATA

A Reporting A I D Unit	B Was Evaluation Scheduled in Current FY Annual Evaluation Plan?	C Evaluation Timing
USAID/NICARAGUA Evaluation Number 98/2	Yes X Slipped __ Ad Hoc __ Evaluation Plan Submission Date 97/4	Interim X Final _ Ex Post __ Other _____

D Activity or Activities Evaluated (List the following information for project(s) or program(s) if not applicable list title and date of the evaluation report)

Project No	Project/Program Title	First PROAG or Equivelent (FY)	Most Recent PACD (mo/yr)	Planned LOP Cost (000)	Amount Obligated to date (000)
524-0341	MUNICIPAL DECENTRALIZATION AND DEVELOPMENT PROGRAM	1994	9/30/99	7 000	5 250

ACTIONS

E Action Decisions Approved by Mission Director Actions Required	Name of Officer Responsible for Action	Date to be Completed
See Attachment "A"		

APPROVALS

F Date of Mission Review of Evaluation May 20, 1998

G Approvals of Evaluation Summary and Action Decisions

	Project Officer or Program Officer	Evaluation Officer	Representative of Borrower/Grantee	Mission Director
Name (Typed)	Alexandra Panehal	Paul Greenough		Liliana Ayalde
Signature	A. Panehal	H P Greenough		Liliana Ayalde
Date	6/3/98	7/30/98		8/11/98

ABSTRACT

H Evaluation Abstract BACKGROUND AND PURPOSE OF EVALUATION

The Municipal Decentralization and Development Project (MDDP) supports efforts to decentralize decision making and responsibility for service provision to local authorities It is assisting the Association of Municipalities of Nicaragua (AMUNIC) to strengthen the legal framework under which municipalities operated Within 14 selected municipalities, the Project supports improved administrative and financial systems, better service delivery and increased community participation

To carry out the Project, USAID signed a performance-based, three-year contract with PADCO (Planning and Development Collaborative International) in October 1995 The PADCO contract is one of several implementing mechanisms for achieving these results With less than one year remaining on the institutional conduct with PADCO, the Project is at a critical juncture

The objective of this mid-term evaluation of MDDP activities, carried out by RTI, is to provide USAID/Managua with an assessment of progress toward objectives and recommendations for future Project activity The evaluation team reviewed project documentation, carried out a rapid assessment in nine municipalities, and met with representatives of national level organizations, donor agencies, and Project and USAID staff

The major findings and conclusions are

1 The original purpose of the MDDP "to enhance municipal decentralization" was met, both at the national and local level

2 The work being carried out under the PADCO contract is uniformly of high quality and is having significant impact on the 14 participating municipalities in a number of areas This impact should be replicated in a larger number of municipalities The area of service delivery has shown less improvement

3 The PADCO contract delivers cost effective technical assistance and training

COST

I Evaluation Costs

1 Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U S $)	Source of Funds
Julie Otterbein	Research Triangle Institue	AEP-5468-I-00-6014-00	$80 000	Project
Carmen Arevalo	Research Triangle Institute			

2 Mission/Office Professional Staff Person Days (estimate)	3 Borrower/Grantee Professional Staff Person Days (Estimate)
N/A	N/A

SUMMARY		
J Summary of Evaluation Findings Conclusions and Recommendations (Try not to exceed three (3) pages) Address the following items • Purpose of Evaluation and methodology used • Purpose of activity(ies) evaluated • Findings and conclusions (relate to questions) • Principal Recommendations • Lessons Learned		
Mission or Office.	Date This Summary Prepared. July 22, 1998	Title and Date of Full Evaluation Report

Purpose of Evaluation USAID is supporting efforts in Nicaragua to decentralize decision making and responsibility for services to local government Nicaragua has nine regions, 17 Department (States) and 147 municipalities There is no intermediate level of government between central government and the municipalities The municipality includes both rural and urban populations, and can be quite large in area

Municipalities in Nicaragua are characterized by severe resource constraints On a per capita basis, Nicaragua is the second poorest country in Latin America so the tax base is weak As yet, no system for intergovernmental transfers exists Municipalities rarely use loans due to their poor financial status and their weak administrative, budgetary and financial systems Also, service delivery is generally inadequate In the past there was often poor understanding among elected officials of the role of municipal government and a lack of citizen participation in local decision-making

USAID assistance addresses some of these constraints It is targeted at larger municipalities, with more than 20,000 residents The five year Municipal Decentralization and Development Project (MDDP) was approved in 1994 It was signed between USAID/Nicaragua and the Government of Nicaragua (GON) Instituto Nicaraguense de Fomento Municipal (INIFOM) and Fondo de Inversion Social de Emergencia (FISE) on September 29, 1994 Its purpose is "to enhance municipal decentralization that fosters citizen participation, and promotes municipal autonomy, local control over financial and human resources and accountable local governments" The project was designed with a national level component, to provide assistance on policies and laws affecting decentralization and to strengthen the Association of Nicaraguan Municipalities (AMUNIC), and provide technical assistance and training to 14 selected municipalities, including needs assessments, mechanisms and procedures to promote community participation in municipal affairs and capacity building in areas such as revenue collection and transparency in accounting, budgeting and financial controls To carry out the Project, USAID signed a performance-based, three-year contract with PADCO (Planning and Development Collaborative International) in October 1995 The PADCO contract is one of several implementing mechanisms for achieving these results

The objective of the mid-term evaluation of the MDDP activities is to provide USAID/Managua with a set of findings, conclusions and recommendations to ensure that project objectives and quantitative targets are met by the project authorization completion date (September 30, 1999) The evaluation team was asked to address a number of specific questions and to make recommendations to the Mission on the future direction for activities currently being carried out under the PADCO contract, as well as the Mission's overall municipal development strategy The evaluation team reviewed project documentation, carried out a rapid assessment in nine municipalities and met with representatives of national level organizations, donor agencies, and Project and USAID staff

Methodology used
An evaluation team of two consultants carried out field work in Nicaragua from January 20-February 12 A USAID staff member from RUDO/Guatemala participated with the team for six days The evaluation's methodology consisted of interviewing counterparts, stakeholders and customers, including Mission personnel involved in designing and managing the activity, observing training activities and reviewing project documentation and background reports

ATTACHMENT A

MUNICIPAL DECENTRALIZATION AND DEVELOPMENT PROJECT (MDDP) - INTERIM EVALUATION REPORT

FINDINGS/CONCLUSIONS	RECOMMENDATIONS	USAID ACTION
National Level		
The MDDP strengthened AMUNIC s ability to lobby for new legislation by helping it to draft legislation and to develop strategies for informing legislators of the National Assembly on the importance of municipal laws A reform of the Municipal Law (No 40) was passed in 1997 This new law greatly expands and clarifies the roles and responsibilities of local government		
Efforts are planned in 1998 to seek approval of three laws for municipalities on revenue sharing municipal taxes and municipal budgets which would strengthen decentralization in Nicaragua	USAID should consider ways to express its support for passage of this legislation particularly the law on revenue sharing and encourage other donors to do so as well	The institutional contractor is providing technical assistance to AMUNIC on this
In addition to continuing its work on the legislative agenda AMUNIC needs to expand its role providing a greater variety of services and support to members	AMUNIC should be involved in discussions with the Office of the Controller General on the standardization of municipal accounts It should have data and information and the analytical capacity to build its arguments in support of municipalities AMUNIC needs to determine to what extent it should become more of an advocate for member interests before Ministries and other national institutions Some municipalities have begun to ask for assistance which AMUNIC has been unable to give AMUNIC should be a clearinghouse for municipalities for information on Best Municipal Practices from inside and outside of Nicaragua	Agreed These are all on-going activities
The Project also worked with AMUNIC staff to strengthen the administrative and financial systems of the organization AMUNIC s financial base improved over the past two years During the 1997 Municipal Congress members agreed to pay AMUNIC over one percent of local budgets While contributions have not yet reached this level AMUNIC made significant gains in 1997 in both its operating and project budgets		

Local Level		
The organizational structures and the administrative and financial system of municipalities participating in the MDDP are being transformed More rational organizational structures were developed with greater communication and coordination among offices New functions were added in some cases e g the Municipal Manager A new integrated computerized financial system was installed and staff were trained The system is fully functional in a number of municipalities		
A one year program for each municipality is too short	A tighter program of activities is appropriate perhaps over two years focusing on administrative and financial systems the first year and municipal services and community outreach the second After completion of the program the municipality should be graduated from MDDP assistance	Agreed but communities will continue to receive technical assistance at a maintenance level
USAID s assistance could have a very wide ranging impact on management levels of community participation and service delivery in many more municipalities in Nicaragua if an approach for replicating assistance in smaller municipalities is developed	USAID should expand the program to cover additional municipalities perhaps 20 or more and extend the MDDP until 2001	Agreed MDD activities will be included in the new Good Governance Program
The MDDP is supporting efforts to raise more local income The tax base is being broadened with help from a number of sources such as SISCAT the Municipal Property Tax Project funded by the United Nations Tax proceeds within participating municipalities are increasing but there is still great untapped potential for local tax collection	Registries need to be modernized and updated and collections need to be improved greatly	Agreed – but the Mission does not have the funds to do so
Gains in income have been somewhat counteracted by external factors such as the reduction by the central government of the municipalities tax on sales and services Even though income is increasing expenditures for operating costs are increasing as well though not as quickly The Project s quantitative target for the internal savings rates indicator was not met for every municipality but generally the financial status of municipalities is improving New income generated as a result of MDDP assistance is as likely to be used for increasing operating expenditures as for new investment	As surpluses increase close attention should be paid to the use of these funds since small gains in annual income could service a loan and thus leverage more investment Municipalities which have potential for borrowing should be identified MDDP assistance to these municipalities would be warranted	Agreed

Staff training funds are almost non-existent	As internal savings increase the MDDP should encourage participating municipalities to budget for staff training and development	Agreed
Notable achievements were made in citizen participation The MDDP raised the profile of community participation within the municipal structure Mayors and staffs agree that their most recent Cabildos or formal town meetings were the most successful ever They were better organized and much better attended than previous ones Municipalities are holding more meetings than ever with community groups and other evidence showing that community participation is increasing PADCO plans to build on this base and has a good strategy for further strengthening this component	USAID should consider using sources of information from municipalities themselves for its R4 indicators Potential indicators of the commitment of the municipality to increasing community participation include the establishment of Community Relation Office (level of Dirección) within each municipality and the number of staff and annual budget of this office Potential indicators for increased participation might be the number of people participating in Cabildos and in meetings	Agreed The Mission will use Number of Meetings as an indicator of participation
Progress in the municipal services component of the Project is less evident than in the other components Municipal services staff attended one training program but have not received technical assistance for improving the management of services The evaluation looked in particular at solid waste services which are managed directly by municipalities as opposed to water and sewerage which are managed by central government organizations except in the case of a few municipalities Some improvement was noted in the coverage of solid waste systems but these are still very inefficient operations Fees cover only a small part of the cost of services	The MDDP needs to develop a strategy for assistance in this area which will give results in the short term Assistance should be provided in selected municipalities where efforts are being made to improve the delivery and management of services These case studies and other best practices could form the basis for training other municipalities Also technical assistance should be tied closely with Capital Fund grants and targeted specifically to the financial management of services focusing on the financial management	Agreed Yes but capital funds will only be provided through the existing agreement

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Expanding the Effect to Other Municipalities		
Other municipalities are interested in the assistance MDDP is providing and could benefit from program for sharing systems techniques and models developed under the Project with smaller municipalities	The MDDP should work with core municipalities on a strategy and a program for providing assistance to smaller municipalities perhaps including internships and workshops given by technical staff from core municipalities A standard training package on finance administration services and community participation geared to smaller municipalities should be developed	Agreed
	The strategy program and package should be coordinated with other donors in regions where they are working The MDDP should train municipal staff as trainers and provide other support so that a mentoring/training program can get underway perhaps with cost sharing from other donors	Agreed but the Mission believes that cost sharing with other donors is not likely to occur
	A program for replicating MDDP assistance should be coordinated with the German and Danish Development Agencies (GTZ and DANIDA) in the regions where those agencies are supporting programs for small and medium sized municipalities	Agreed -- the MDDP purposely avoided areas where they are working
	The MDDP should also work to strengthen networks of communication among municipalities including electronic networks and support expansion of AMUNIC s networks within the region and with members	Agreed
	USAID should be much more directly involved in the discussions of the decentralization committee and should look for additional opportunities to meet with key donors on areas for collaboration	Agreed that USAID should collaborate with key donors -- but the decentralization committee is a Nicaraguan organization that should manage its own decisions

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Municipal Decentralization and Development Project (MDDP)

Interim Evaluation Report

April 1998

Prepared by

Julie Ottenbein and Carmen Arevalo

RTI RESEARCH TRIANGLE INSTITUTE

ACRONYMS

AMUNIC	Asociacion de Municipios de Nicaragua
DANIDA	Danish Development Agency
FISE	Fondo Inversion Social de Emergencia
FUNDEMUN	Municipal Development Foundation
GGRT	Good Governance Results Team
GTZ	German Development Agency
IBRD	International Bank for Reconstruction and Development
IDB	Interamerican Development Bank
IEN	Instituto de Estudios Nicaraguenses
INIFOM	Instituto Nicaraguense de Fomento Municipal
MDDP	Municipal Decentralization and Development Project
OCG	Office of the Controller General
PADCO	Planning and Development Collaborative International
R4	Results Review and Resource Request
SISCAT	Sistema Unico de Catastro Municipal (Municipal Tax System Project)
USAID	U S Agency for International Development
UNDP	United Nations Development Program
IFMS/CAM	Integrated Financial Management System/Comprehensive Audit System (in Spanish as SIGFA)
INAA	Instituto Nicaraguense de Acueductos y Alcantarillados

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Municipal Decentralization and Development Project (MDDP)
Interim Evaluation Report

I Summary

USAID's Municipal Decentralization and Development Project (MDDP) supports efforts to decentralize decision making and responsibility for service provision to local authorities It is assisting the Association of Municipalities of Nicaragua (AMUNIC), the principal lobbyist for local government, to strengthen the legal framework under which municipalities operate Within selected municipalities, the Project supports improved administrative and financial systems, better service delivery and increased community participation

The purpose of this mid-term evaluation of MDDP activities is to provide USAID/Managua with an assessment of progress toward objectives and recommendations for future Project activity The evaluation team reviewed project documentation, carried out a rapid assessment in nine municipalities, and met with representatives of national level organizations, donor agencies, and Project and USAID staff

Activities and Impacts at the National Level Assistance

The MDDP strengthened AMUNIC's ability to lobby for new legislation by helping it to draft legislation and to develop strategies for informing legislators of the National Assembly on the importance of municipal laws The Project also worked with AMUNIC staff to strengthen the administrative and financial systems of the organizations

AMUNIC's financial base improved over the past two years During the 1997 Municipal Congress, members agreed to pay AMUNIC one percent of local budgets While contributions have not yet reached this level, AMUNIC made significant gains in 1997 in both its operating and project budgets

A reform of the Municipal Law (No 40) was passed in 1997 This new law greatly expands and clarifies the roles and responsibilities of local government AMUNIC was less successful in getting passage of a provision which would establish a formula for sharing a portion of central government revenues with municipalities This provision would greatly increase resources available to local governments and is particularly important to the smallest and poorest localities

Efforts are planned in 1998 to seek approval of three laws for municipalities on revenue sharing, municipal taxes and municipal budgets which would strengthen decentralization in Nicaragua In addition to continuing its work on the legislative agenda, AMUNIC needs to expand its roles, providing a greater variety of services and support to members

Activities and Impacts at the Local Level

The organizational structures and the administrative and financial systems of municipalities participating in the MDDP are being transformed The impact is greatest on the first five

municipalities to receive assistance, but change is notable in all 14 selected municipalities Training provided under MDDP helped Mayors and municipal councils to develop team work More rational organizational structures were developed, with greater communication and coordination among offices New functions were added in some cases, e g , the Municipal Manager A new integrated, computerized financial system was installed and staff were trained The system is fully functional in a number of municipalities

The MDDP is supporting efforts to raise more local income The tax base is being broadened with help from a number of sources, such as SISCAT, the Municipal Property Tax Project funded by the United Nations Tax proceeds within participating municipalities are increasing, but there is still great untapped potential for local tax collection Registries need to be modernized and updated, and collections need to be greatly improved

Gains in income have been somewhat counteracted by external factors, like the reduction by the central government of the municipalities' tax on sales and services Also, even though income is increasing, expenditures for operating costs are increasing as well, though not as quickly The Project's quantitative target for the "internal savings rates" indicator was not met for every municipality, but generally the financial status of municipalities is improving

Notable achievements were made in citizen participation The MDDP raised the profile of community participation within the municipal structure Also, staff were trained in techniques which are proving useful for organizing meetings and information campaigns Mayors and staffs agree that their most recent "Cabildos", or formal town meetings, were the most successful ever They were better organized and much better attended than previous ones Municipalities are holding more meetings than ever with community groups and evidence from surveys and observations is that community participation is increasing PADCO plans to build on this base, and has a good strategy for further strengthening this component

Progress in the municipal services component of the Project is less evident than in the other components Municipal services staff attended one training program, but have not received technical assistance for improving the management of services The evaluation looked in particular at solid waste services which are managed directly by municipalities, as opposed to water and sewerage which are managed by central government organizations, except in the case of a few municipalities Some improvement was noted in the coverage of solid waste systems, but these are still very inefficient operations Fees cover only a small part of the cost of services

The MDDP needs to develop a strategy for assistance in this area which will give results in the short term The evaluation team recommends that assistance be provided in selected municipalities where efforts are being made to improve the delivery and management of services These case studies and other "best practices" could form the basis for training other municipalities

Expanding the Impact of MDDP Assistance to Other Municipalities

Other municipalities are interested in the assistance MDDP is providing and could benefit from the experiences of core municipalities The MDDP should make efforts to develop a formal

program for sharing systems, techniques and models developed under the Project with smaller municipalities A program for replicating MDDP assistance should be coordinated with the German and Danish Development Agencies (GTZ and DANIDA) in the regions where those agencies are supporting programs for small and medium sized municipalities

The MDDP should also work to strengthen networks of communication among municipalities, including electronic networks, and support expansion of AMUNIC's networks within the region and with members

Principal Conclusions and Recommendations

The MDDP is meeting its objectives, but more work is needed on the service delivery component

USAID should consider expanding the program to cover additional municipalities, perhaps 20 or more, and extending the MDDP until 2001 Both an extension and expansion are justified While progress has been remarkable in participating municipalities, USAID's assistance could have a very wide ranging impact on management, levels of community participation and service delivery in many more municipalities in Nicaragua, perhaps up to 100, if an approach for replicating assistance in smaller municipalities is developed

II Background and Purpose of Evaluation

USAID is supporting efforts in Nicaragua to decentralize decision making and responsibility for services to local government Nicaragua has nine regions, 17 Departments (States) and 147 municipalities There is no intermediate level of government between central government and the municipalities The municipality includes both rural and urban populations, and can be quite large in area

Municipalities in Nicaragua are characterized by severe resource constraints On a per capita basis, Nicaragua is the second poorest country in Latin America so the tax base is weak As yet, no system for intergovernmental transfers exists which is another disadvantage for municipal government Municipalities rarely use loans due to their poor financial status and their weak administrative, budgetary and financial systems Also, service delivery is generally inadequate Also, in the past there was often poor understanding among elected officials of the role of municipal government and a lack of citizen participation in local decision-making

USAID assistance addresses some of these constraints It is targeted at larger municipalities, with more than 20,000 residents, which have relatively greater institutional capacity The Municipal Decentralization and Development Project (MDDP) supports USAID/Nicaragua's first Strategic Objective (SO1) on democratic initiatives, "More Political Participation, Transparency and Compromise " The Mission's March 1997 Results Review and Resource Request (R4) identified four major results under this Strategic Objective

1 Greater protection of human rights,
2 Efficient and transparent elections
3 Strengthened civil society and
4 More accountable and responsive government

The Good Governance Results Team (GGRT) is responsible for achieving the fourth result (1 4), "more accountable and responsive government " The team's strategy has four components or intermediate results (See Annex D for SO1 Results and Indicators) The PADCO contract is one of several implementing mechanisms for achieving these results

The MDDP was approved in 1994 Its purpose is "to enhance municipal decentralization that fosters citizen participation, and promotes municipal autonomy, local control over financial and human resources and accountable local governments " The Project was designed with a national level component, to provide assistance on policies and laws affecting decentralization and to strengthen the Association of Nicaraguan Municipalities (AMUNIC) which had been recently formed The Project was also designed to provide technical assistance and training to selected municipalities, including needs assessments, mechanisms and procedures to promote community participation in municipal affairs, and capacity building in areas such as revenue collection and transparency in accounting, budgeting and financial controls Finally, the Project's design included a Capital Fund of $2 0 million to provide up to $150,000 per municipality for services or infrastructure improvement to complement training and technical assistance

The total cost of the MDDP was estimated at $7 0 million with a Life-of-Project of five years A Program Agreement was signed with the Government of Nicaragua in September 1994, with a completion date of September 30, 1999 To carry out the Project, USAID signed a performance-based, three-year, $3 2 million contract with PADCO (Planning and Development Collaborative International) in October 1995 Starting in FY 1998, USAID will transfer an estimated $2 0 million through FISE, the Fund for Emergency Social Investment, for capital projects in the 14 municipalities selected for participation in MDDP To date, $5 25 million of the $7 0 million total have been obligated

The objective of the mid-term evaluation of the MDDP is to provide USAID/Managua with a set of findings, conclusions and recommendations to ensure that project objectives and quantitative targets are met by the project authorization completion date (September 30, 1999) The evaluation team was asked to address a number of specific questions (See Annex A for Scope of Work) and to make recommendations to the Mission on the future direction for activities currently being carried out under the PADCO contract, as well as the Mission's overall municipal development strategy

III Methodology

An evaluation team of two consultants carried out field work in Nicaragua from January 20-February 12 A USAID staff member from RUDO/Guatemala participated with the team for six days The evaluation's methodology consisted of interviewing counterparts, stakeholders and customers including Mission personnel involved in designing and managing the activity observing training activities and reviewing project documentation and background reports (See Annex E for Methodology and Work Plan)

The team interviewed representatives of

- the association of municipalities (AMUNIC),
- the Social Emergency Investment Fund (FISE) which is implementing MDDP Capital Fund projects,
- the Nicaraguan Institute for Municipal Development (INIFOM), which is on the MDDP advisory committee,
- the Commission for Municipal Affairs of the National Assembly which is promoting legislation to decentralize authority to local government,
- the Office of the Comptroller General (OCG), which is responsible for financial oversight of municipalities,
- the UNDP funded Municipal Tax System Project (SISCAT), and
- donors, including the Interamerican Development Bank, the World Bank, and the Danish and German development agencies (DANIDA and GTZ)

The team interviewed municipal government authorities and staff, including mayors, city council members, and staff involved in financial management, personnel, service delivery and community participation in nine of the 14 cities selected for assistance Investment projects were reviewed and sites were visited In one city, the team observed a workshop which was called to involve the community in development of the municipality's investment strategy, and in another city, the team met with leaders of citizen groups to gather information on interactions between communities and local government See Annex B for a list of persons interviewed by the team

Existing and draft laws affecting municipal government, Mission strategy documents, the MDDP Project Paper, and results reviews were consulted The team reviewed documents produced under the PADCO contract, including work plans, quarterly reports, assessments of municipalities, agreements with municipalities, training manuals and reports, and many others See Annex C for list of documents reviewed

While in Nicaragua, the team prepared a draft report in English which included recommendations on future activities under the MDDP Findings and recommendations were presented to the USAID Mission and other members of the Good Governance Results Team, including the Deputy Mission Director, team before departure

IV The MDDP/PADCO Team

A great amount of work has been done under the PADCO contract by a small team of core staff and a number of short term expert consultants In addition to support staff, full-time PADCO team members include

- Chief of Party who also manages national level activities
- Coordinator of Training and Technical Assistance
- Coordinator of Finance Systems
- Survey & Data expert
- Coordinator for Community Participation
- Coordinator for Municipal Services
- Coordinator for Investment Projects (FISE)

In addition to technical responsibilities, coordination of activities in municipalities is divided geographically among staff members A roster of expert local consultants is used to augment core staff participation at both the national and local levels This approach appears to be very cost effective Work objectives are being met, yet expenditures are lower than projected

V MDDP Assistance and Impacts at the National Level

Starting in 1996, PADCO provided short-term training and technical assistance activities PADCO also sub-contracts work to local firms, for example to support AMUNIC PADCO consultants helped the organization to develop a work plan, a new organizational chart and manuals on procedures To help AMUNIC become eligible for USAID funds, its accounting system was revised PADCO supported this work and continues to pay an accountant working with AMUNIC

PADCO sub-contracted a firm of lawyers to provide assistance in drafting new municipal legislation This firm provides experts who are available to both AMUNIC and to the Commission on Municipal Affairs of the National Assembly These lawyers began working with AMUNIC and the Municipal Commission in 1996 on draft legislation to reform Municipal Law 40 More recently, these consultants helped to prepare laws on revenue sharing, municipal taxes and budgets This legislation will be discussed in greater detail in Section V B The Commission and AMUNIC were pivotal in getting municipal legislation on the agenda of the National Assembly during 1997 The MDDP also supported AMUNIC in organizing seminars for new delegates to explain the impact of laws on municipal government

A Strengthening of AMUNIC

The scope of work for the evaluation asked whether AMUNIC's administrative and financial systems have improved significantly under the Project? and whether "AMUNIC is able to represent its members more effectively before the national government?" The team believes that the answer to both of these questions is "yes", and this is largely due to the Project's concentrated technical assistance to AMUNIC during the past year and a half

AMUNIC fills a special niche as the only non-partisan advocate for all municipalities There are two other associations of mayors, the "Asociacion Patriotica" which represents mayors from the Liberal Party and the "Asociacion Democratica" which represents mayors from the Sandinista Party, but even the mayors who belong to these associations recognize AMUNIC's importance in lobbying the National Assembly for legislative change

The Project also helped AMUNIC improve its accounting and management systems, enabling it to qualify for direct grant assistance from USAID and other donors With its strengthened financial management system, AMUNIC was able to successfully secure funds from other organizations (See Table 2)

AMUNIC's financial position is improving Its operating budget has increased because of an agreement that member municipalities pay one percent of their annual local income to AMUNIC for its operations While collections are still far below one percent, contributions from

municipalities increased by more than 150 percent from 1996 to 1997 and there is potential for even greater levels of income from members Table 1 shows the changes in AMUNIC's operating income between 1996 and 1997, and sources for this income

Managua has long been the biggest single contributor to AMUNIC Its contribution increased ten fold between 1996 and 1997 The mayors of Department capitals are also beginning to support AMUNIC, but still at levels much lower than desired AMUNIC's Board of Directors is made up of mayors of the Department capitals and they are fully aware of the Association's financial circumstances Many of these municipalities are also beneficiaries of the MDDP so opportunities exist for MDDP staff to encourage mayors to support AMUNIC

With regard to smaller municipalities, AMUNIC faces a special challenge For 1996 and 1997, INIFOM transferred contributions from this group of municipalities directly to AMUNIC, taking these fees from a fund within the central government designated for this group At the end of 1997, AMUNIC was told that this system would no longer be used Now the Association is faced with the extremely difficult task of collecting from these municipalities one by one This concerns AMUNIC greatly since this group represented 29 percent of its 1997 operating income

For 1997, AMUNIC had operating income of C$944,970, and operating expenditures were C$827,592, providing a surplus of C$117,378 for the year, a little over US$11,000 at the current exchange rate of US$1 00 to C$10 While positive, this is still a very small margin

Table 1
Sources of AMUNIC's Operating Income 1996-1997
(in thousands of cordobas)

	1996	1997
Managua	40 4	429 5
Department Capitals	0 0	65 8
Other municipalities/INIFOM	254 0	276 0
Others regional & USAID	142 6	173 6
Total	437 0	944 9

NOTE Although PADCO does not support AMUNIC s operating budget AMUNIC's internal reports classified some USAID funding under its operational budget Currently, the only items funded by PADCO which appear to be operational in nature are support for AMUNIC's monthly bulletin and support for an accountant These expenses should be financed by AMUNIC's own resources as quickly as possible

AMUNIC is securing more and larger grants for special projects Table 2 shows the change in grant funding between 1996 and 1997 as well as the principal sources for those funds Total funding increased by 61 percent, and the number of funding sources increased from nine to thirteen between 1996 and 1997 This indicates improvement in AMUNIC's ability to market

itself as well as to manage grant funds AMUNIC received USAID grant funds from three Sources the MDDP, other Mission sources, and RUDO/Guatemala

Table 2 Sources for AMUNIC's Grant Funds 1996-1997 (In thousands of cordobas)		
	1996	1997
Regional sources	118 8	72 2
USAID (All sources)	72 0	262 1
Grants from municipalities, other bilateral donors, & private foundations	276 9	418 2
Total	467 7	752 5

Until now, AMUNIC has focused on drafting and lobbying for legislative change Policy and informational roles of AMUNIC will become more important as the legislative agenda is completed Among other things, AMUNIC should be involved in discussions with the Office of the Controller General on the standardization of municipal accounts It should have data and information, and the analytical capacity to build its arguments in support of municipalities It should be a clearinghouse for municipalities for information on Best Municipal Practices from inside and outside of Nicaragua These roles have not yet been developed AMUNIC also needs to determine to what extent it should become more of an advocate for the interests of members before Ministries and other national institutions Some municipalities have begun to ask for assistance on particular matters, which AMUNIC has been unable to give

B Changes in Laws Affecting Municipalities

The scope of work asked "Has the Project helped to improve the legal and policy framework for decentralization?" The team believes that the Project, through PADCO, provided critical support for recent legislative change While the laws that were finally enacted did not completely meet the expectations of the drafters, the preparation and lobbying for the laws was an important learning experience for AMUNIC, and some progress toward decentralization was made

The MDDP was closely associated with the reform of Municipal Law 40, which is the framework law for municipalities, and with several draft laws which will complement Law 40 To understand the importance of this work for municipalities, it is important to understand the context and the how the provisions of existing and proposed laws affect local government

The Context The Municipal Law of 1988 and Constitutional Reform of 1995

Interest in decentralization and strengthening the role of local government has been growing since the late 1980's Municipal Law No 40, enacted in 1988, reinforced the principal of municipal autonomy established in the Constitution, but provided only general guidance

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regarding relations between national governmental organizations and local authorities, while "respecting the mechanisms and instruments for physical and economic planning of the State" The Law gave the Executive Branch of government the responsibility for harmonizing actions between local and national entities and required among other things

- that the local tax plan (Plan de Arbitrios), after approval by the municipal council, be submitted to the Executive Branch of government to be ratified by decree,
- that both the Ministry of Finance and the Comptroller General provide oversight for municipal budgets, and
- that the President of the Republic regulate the elaboration, modification, execution, and monitoring and evaluation of Municipal budgets

The wording of the original Law 40 guaranteed friction between local government and national institutions on both roles and financial matters, and its provisions contradicted the principal of autonomy

In 1995, a constitutional amendment was introduced Articles 177 and 178 gave local government political, administrative and financial autonomy, responsibility for socio-economic development at the local level, and also required free elections for the mayor and vice-mayor, in addition to city council members who were elected for the first time in 1990 These articles mandated that Municipal Law 40 be reformed to strengthen local government and obligated central government "to designate a sufficient percentage of the General Budget of the Republic to municipalities" While direct local elections took place in 1996, the debate on matters affecting municipal finance is on-going, particularly related to inter-governmental transfers This is one of the central issues of legislative actions related to municipalities

Law 261, the 1997 Reform of the Municipal Law No 40

The Reform of Law 40 clarified and greatly expanded the roles and responsibilities of local government and eliminated or modified a large number of the articles which had limited municipal autonomy The level of national control and oversight for municipal budgets was greatly reduced For example, only the Comptroller General is now required to provide fiscal oversight In addition, the reformed law gave local governments the opportunity to assume responsibility for the services of water, sewerage, and electricity which were not contemplated originally This law introduced a new chapter on community participation which called for continual communication between local government and citizens, including participation in "Cabildos" (formal town meetings), and obligated local government to respect the interests of indigenous groups At the same time, the law included a new limitation on the ability of local government to tax, by requiring that the local tax plan of every municipality be submitted to the National Assembly for approval

The draft law also contained an article which proposed a formula for revenue sharing, specifically that eight percent of the national budget be redistributed to municipalities However, after long debate, the National Assembly rejected this article by a 48 to 47 vote

The Reformed Municipal Law was enacted in June 1997 While all of the articles on the expanded roles and responsibilities of local government were included, it was silent on financial

matters, or how local government would finance additional services, instead referring to two other laws (still in draft) to regulate sources of income for local government and to define a framework for municipal budgets These are the Municipal Tax Law (Ley General Tributaria Municipal) and the Municipal Budget Regulation (Regimen Presupuestario Municipal)

Pending Legislation

When revenue sharing was dropped from the new Municipal Law, AMUNIC and the Commission on Municipal Affairs (Comision de Asuntos Municipales) prepared a new draft law (Ley de Transferencia Presupuestaria) which proposes a gradually increasing transfer of resources from the national budget to municipalities, starting with three percent in 1998, and rising to six percent in the year 2001 The law calls for the distribution of these resources according to a formula which would take into account the size of the municipality's rural population, a poverty index, and performance on tax collection

In addition, AMUNIC will submit to the Assembly a new Municipal Budget Regulation which introduces local budgeting guidelines and recommend investment levels (percentages) by type of municipality It will also submit the new Municipal Tax Law which sets forth basic principals and a framework for municipal governments to prepare their local tax plans While these tax plans still have to be approved by the National Assembly (as required by Article 48 of the new Municipal Law), the Municipal Tax Law should make approvals pro forma for tax plans which meet established norms

There are diverging opinions on whether efforts to move forward on the legislative agenda will be successful in 1998 Some representatives of the national government believe that a revenue sharing law will pass in 1998, but with a smaller share of the national budget (e g , 3%, or 2%, increasing gradually to 5%) Others believe that the municipal tax law will be approved, but not the revenue sharing law

It is not clear when these laws will be debated, as the legislature has only recently convened following a 45 day interruption in work The priorities of the current legislative session have yet to be set by the leadership

With three major pieces of legislation pending, 1998 will be a critical year for the municipal sector USAID should consider ways to express its support for passage of this legislation, particularly the law on revenue sharing, and encourage other donors to do so as well The evaluation team believes that the proposed revenue sharing law will advance decentralization by providing local governments with a stable resource base There is no argument that the local tax base needs to be expanded, or that fees for services need to be greatly strengthened, but these are not a panacea for municipalities in Nicaragua Transfers are needed in addition to more locally generated income particularly for the poorest 30-40 municipalities which do not have the necessary tax base nor institutional capacity to raise funds locally

Transfers are commonly used and are vital for the weakest municipalities In Guatemala, intergovernmental transfers represent ten percent of the national budget, in El Salvador six

percent, and in Honduras five percent [1] Transfers are widely used in industrialized countries, including the United States, to fund infrastructure in areas which do not have the tax base to support construction of public works

VI MDDP Assistance and Impacts at the Local Level

A Project Start-up and Description of MDDP Activities

Selection of Municipalities

Subjective and objective criteria were established in the Project re Paper for the selection of municipalities, taking into account factors such as local authorities' receptiveness to innovation and potential capacity for assuming greater responsibility, as well as practical criteria such as favoring municipalities which are capitals of Department, and which have a population of at least 20,000, a minimum of ten members on the municipal council and a considerable operating budget (US$250,000 in 1993) A universe of 32 municipalities was developed from which 12 municipalities were selected In addition, two very small municipalities were included, El Tuma-La Dalia and Ciudad Dario USAID and INIFOM (Instituto Nicaraguense de Fomento Municipal) were responsible for selection and this process seems to have gone smoothly

Participating municipalities have very different demographic and economic characteristics They range from Dario with an agriculturally based economy and a population which is two-thirds rural, to Matagalpa which is close to eighty percent urban Chinandega and Matagalpa are relatively prosperous compared with other municipalities because of a developed agro-industrial base

MDDP Activities

The original design of the Project called for an intensive one year program of technical assistance and training in each municipality, covering five the first year, five the second year, and four the last year In practice, while PADCO phased the start of intensive technical assistance by groups of municipalities, it maintains contacts with earlier municipalities while work begins in new ones This is a good strategy for reinforcing the effects of technical assistance and training, but also presents a problem in defining when technical assistance should end This will always be arbitrary since additional needs continue to surface The team agrees that a one year program for each municipality is too short, but believes that a tighter program of activities is appropriate, perhaps over two years, focusing on administrative and financial systems the first year and municipal services and community outreach the second After completion of the program the municipality should be "graduated" from MDDP assistance A series of MDDP training modules in various technical areas have been developed Two day seminars were held in seven locations for mayoral candidates in 1996 One week seminars were carried out with elected mayors and council members on roles and responsibilities, and how to organize committees and meetings Many of the mayors and council members met by

[1] La Decentralization Desde La Optica de Las Municipalidades AMUNIC-CASC-UCA, Documento Provisional Deciembre 1997

the team mentioned how valuable these seminars were for people who had never held a political office

The MDDP developed manuals for the financial, community participation and service delivery training components, using course material from Nicaragua Training on each subject usually lasts one week All training courses have been given at least once, starting in 1996 Staff from all 14 municipalities participated in the training

Formal agreements were signed with five of the fourteen municipalities in 1996, another six in 1997, and two in February 1998 The final agreement is expected to be signed in March 1998 These agreements are typically drawn up after completion of an assessment (diagnostico) of the municipality by a PADCO team The assessment includes information on the geography, ecology and population of the municipality, the organization of local government and its administration, the staffing pattern, and human resource capabilities The assessment also analyzes income sources and expenditures, and calculates internal savings rates (current operating expenditure/locally generated income) over a number of years, if information is available Tax registries are also reviewed to determine potential income sources The assessment team reviews the coverage and cost effectiveness of municipal services, including garbage, potable water, sewerage, markets, slaughterhouses, parks and cemeteries, and street maintenance Finally, the assessments looks at urban and rural planning, public works systems, and relations between the mayor and the municipal council, and between municipal government and the community Based on findings, the assessment team makes recommendations for the technical assistance program which then becomes the basis of each formal agreement

The assessment provides the point of departure for discussions with municipal staff which lead to the formal agreement on a program of technical assistance, typically signed by the mayor, the Chief of Party of PADCO and the USAID Project Officer The agreement lays out the responsibilities of PADCO to provide training and technical assistance in a number of areas, help develop the municipality's five year investment plan, support the identification and development of the capital investment project, and assist the municipality to become eligible for managing USG funds In turn, the municipality agrees to actively participate in all of the training and technical assistance activities, and in addition to increase locally generated income, reduce its current operating costs, and increase the coverage of its solid waste services, usually by ten percent each over the course of a year

The MDDP includes investment grants of up to $150,000 for projects in participating municipalities Recently, procedures for disbursement of funds through the Fondo Inversion Social de Emergencia (FISE) have been finalized and eligibility requirements for some municipalities have been met Initial disbursements of funds for design studies are being made to several municipalities

Projects which have been identified are

- provision of electricity, water, and latrines in Cuitanca, Chichigalpa,
- expansion of sewerage system in the North Sector of the Subtiava neighborhood, Leon,
- provision of potable water in San Antonio de Tepeyac, Granada,

- solid waste projects in Masaya, Dario, and Matagalpa, and
- expansion of the sewerage system in Boaco

These projects are expected to begin within three to four months, and should be completed during 1998

B Improvements in Organizational Structure, and Administrative & Financial Systems

The scope of work asked "Have administrative and financial systems improved?" The team believes that the MDDP has clearly helped to improve municipal administration and financial systems In every municipality visited, the mayors, vice mayors, council members, staff and community leaders said that there have been significant changes in how the municipality operates and expressed great satisfaction with the changes that have taken place The following pages provide more detailed descriptions of what the team heard from different people at the local level

Organizational Structure and Administrative Systems

One of the first activities in each municipality is an analysis of the organizational structure and the work being carried out by each office (Direccion) Then, in consultation with municipal staff, the mayor and the council, PADCO helps design a new organizational structure to better carry out the functions of the municipality This process helps to delineate lines of authority and responsibility, to reduce duplications, and to define areas for collaboration and coordination One product of this analysis is a manual for municipal operations which describes functions and systems

In some municipalities, new functions were introduced, in particular the role of the Municipal Manager who is in charge of the administration and operation of the municipality, and the creation of a new Office of Community Relations, equal in importance to Offices of Finance or Municipal Services The new municipal structure, with well defined responsibilities, is better suited to budgeting by cost centers (Presupuesto por Programas) which is also introduced by the MDDP

At the end of the process, a workshop is held to introduce the new structure to the municipal staff In all of the municipalities visited by the team, staff are keenly aware of changes in functions and administrative systems In one city, the new organizational chart is displayed in each office The decentralization of responsibility for the operating budget is mentioned repeatedly by staff at all levels within municipalities Previously, the budget was mysterious and undefined and now staff are taking responsibility for planning and monitoring their budgets

The first five municipalities to participate in the MDDP have put in place a new or revised organizational structure The second five have completed about 80 percent of the planned reorganization and the last four are just beginning this process

Council members support organizational adjustments and other changes which are being introduced by the MDDP It has been a policy of the MDDP to draw the municipal council into

the process The scope of work asked "Do mayors, vice-mayors and city council members work together as a unified team or do political party divisions constrain the ability of local officials to govern?" The team believes that the MDDP has been an unqualified success in this regard In almost every municipality, mayors and council members are working as a unit, and are not divided by party politics Occasional friction seems to be caused more by personality than party politics

Financial Systems

The financial situation of many municipalities in Nicaragua are characterized by continually increasing current expenditures, lack of new income streams, little investment capital from locally generated resources, extremely high dependence on grants from national institutions or foreign donors, highly subsidized municipal services which are costly to the municipality, poorly administered tax registries and systems, low levels of tax collection, deficient preparation and management of budgets, no internal budget controls, and inconsistent accounting systems

The MDDP focused on a number of these problems, providing training, technical assistance and manuals for planning and managing income sources, preparing budgets, and planning and budgeting investments The MDDP financial system is structured in interactive computerized modules which include Tax Administration, Budgeting by Cost Center, Municipal Assets, Payments and Internal Control This system allows staff to prepare a broad range of analyses on the municipality's financial situation

The MDDP provides training and assistance as municipal staff begin to input data and use the system The staff in the first five municipalities have been trained and the system is completely computerized These municipalities used the new financial system for their 1997 budgets (**Note** The module on managing assets has been installed in three of these municipalities, with two scheduled to be completed shortly) The financial departments in the second group of municipalities have been trained in the financial system and will begin using the computerized system this year

This system provides the municipalities with analytical tools for planning and control of all elements of the budget process The introduction of budgeting by cost centers allows much greater scrutiny of each of the operations of the municipality, and decentralizes responsibility for managing budgets to the staff who handle the operation

C Progress in Improving the Financial Base of Municipalities

Increased Tax Collection

In all Project municipalities efforts are underway to generate new income by increasing tax collection The most important taxes for local government are Property Tax (Impuesto sobre Bienes Inmuebles or IBI), the tax on economic activity (Impuesto sobre Ventas y Servicios"), the tax on vehicles registered in the municipality, and in some municipalities fees and taxes on the transport of agricultural products and on cattle

Property Tax Originally, property tax was collected by the central government In 1995, this responsibility was transferred to local government While this tax represents great potential income, collections are problematic because of the lack of tax maps, the lack of unified registries of tax payers, and the costs involved in updating registries

The Municipal Property Tax Project (SISCAT), financed by the United Nations Development Programme (UNDP) and the Swedish Government, was designed to help municipalities manage their tax registries and to assess the value of properties SISCAT began working in 14 Department capitals in 1992 and eventually covered 58 municipalities SISCAT's property assessment system is flexible, and can be used in very small municipalities which manage their registries manually, or larger ones with computerized systems

Efforts are being made in every participating municipality to update tax registries and collect from taxpayers PADCO subcontracted SISCAT to support these efforts in MDDP municipalities There is also an initiative sponsored by the German Development Agency (GTZ) to establish a Unified Tax Registry ("Registro Unico de Contribuyentes") under the FAMU Project ("Fortalecimiento a la Autonomia Municipal") Each of these efforts is an important contribution to strengthening the local tax base

Since 1994, SISCAT has been collecting data on actual performance against potential property tax collections for thirty municipalities, including eleven MDDP municipalities In 1994, the entire group of thirty collected only about eleven percent of the estimated potential IBI, and in 1996 17 percent Most MDDP municipalities performed better than the group as whole in collections, although they are far from maximizing this income source There are also notable fluctuations in levels of collections from year to year which are not fully explained

The team was able to get updated information for five MDDP municipalities on changes in tax collections through 1997

Table 3
Percent of Potential Property Tax Collected

Municipality	1994	1997
Chichigalpa	45%	92%
Leon	28%	48%
Boaco	15%	10%
Juigalpa	26%	31%
Matagalpa	60%	63%

Sources Municipal data and SISCAT

Tax on Economic Activity (Sales and Services) This tax is traditionally collected by the municipality and has been the most important source of income in municipalities until now In 1997 the central government reduced this tax to stimulate economic activity The Fair Tax Law

reduced the tax from two percent to 1 5 percent in 1998 and to one percent in 1999 Because of the projected impact of this law, many municipalities made concerted efforts in 1997 to increase the base for this tax by registering new firms and businesses Table 4 present data available for five MDDP municipalities

Table 4 % Change in Collection of Municipal Sales Tax, 1996 to 1997	
Municipality	
Chichigalpa	+56%
Leon	+10%
Boaco	+35%
Juigalpa	+9%
Matagalpa	+42%

Sources PADCO and Municipal data

Internal Savings Rate

The scope of work asked the team to address the question "Has the project met its quantitative targets regarding internal savings rate?" PADCO is required to report annually on a number of indicators which provide inputs to the Mission's Results Reports, including several financial indicators The team paid special attention to the quantitative results for the first five municipalities, "Group 1" since they have benefitted from MDDP assistance for the longest period Table 5 shows the results for two key indicators for this group PADCO reports on each group of municipalities separately since their base years are different

Table 5 MDDP Finance Indicators for Group 1* 1995-1997						
	Base Year 1995	1996		1997		1998
		Plan	Actual	Plan	Actual	Plan
Ratio Operating Expense/Local income	97%	87%	84%	77%	89%	72
%Locally generated resources available for investment (internal savings rate)	3%	13%	16%	23%	11%	28%

Source Municipal Decentralization and Development Project Quarterly Report Oct-Dec 1997
*Group 1 Chichigalpa Ciudad Dario Matagalpa El Tuma-La Dalia y Boaco

The relation of current expenditures to average local income is a very useful indicator since it shows whether the municipality is running a surplus or deficit It also provides the basis for the "internal savings rate" or the percent of locally generated resources available for municipal

projects Table 5 shows that in the base year, these five municipalities, on average, spent 97 percent of their income on current expenditures and had only three percent available for investment At the end of 1997, the ratio of expenditures/income was 89 percent, and 11 percent of income available for investment As a group, the five municipalities did not meet the target which represented a ten percent increase each year in available investment resources Nevertheless, the group as a whole improved its position from the 1995 base

Individually, four of the five first municipalities did very well during the period The exception was Ciudad Dario, where the internal savings rate declined by 35 percent The explanation given for this poor performance is that the municipality collected few taxes because of campaign promises to lower taxes

Table 6
Changes in Internal Savings Rates for Municipalities in Group 1 1995-1997

	Current Expenditures/ Current Income		Change	Available for Investment
	1995	1997		
Matagalpa	92%	77%	-15%	23%
Dario	98%	133%	0 35%	-33%
La Dalia	79%	60%	-19%	40%
Boaco	106%	92%	-14%	8%
Chichigalpa	108%	83%	-25%	17%

NOTE See Annex F for data on Groups 1 and 2

PADCO tracks this indicator closely since much of the emphasis of the MDDP has been on improving the financial management of municipalities Overall, the team believes that progress on this indicator has been more than satisfactory The original target was quite ambitious for the time frame While most municipalities have signed agreements to try to increase income by 10 percent and decrease expenditures by 10 percent each year, this is proving quite difficult For example, municipalities which have been able to increase local tax income needed to increase expenditures to collect these taxes Also, many municipalities feel the need to improve salaries which have been frozen for years

New Local Investment

The Internal Savings Rate is an indicator of *potential* new investment However new income generated as a result of MDDP assistance is still as likely to be used for increasing operating expenditures as for new investment As surpluses increase, close attention should be paid to the use of these funds Municipalities which may have potential for borrowing should be identified since small gains in annual income could service a loan, and thus leverage much greater levels of investment resources Currently only Managua borrows regularly, but

eventually other large municipalities with a strong economic base should be able to use credit for investment projects If such a municipality is identified over the near term, MDDP assistance would be warranted and this would be a good reason for delaying "graduation" of a municipality from the Project

NOTE If a revenue sharing program is established, the potential for lending to municipalities will increase A number of countries use income from central government transfers for loan repayment, thus making municipalities lower credit risks for financial institutions This mechanism would be very suitable for Nicaragua

Even smaller municipalities should be encouraged to become more self-reliant and less dependent on outside resources as they make gains in income Most municipalities are extremely dependent on donors and national agencies for technical assistance and training, as well as for their capital investments Staff training funds are almost non-existent As internal savings increase, the MDDP should encourage participating municipalities to budget for staff training and development

D Changes in Levels of Community Participation

The scope of work asked the team to look at the quantitative indicators established for community participation and to comment on their quality It also asked "Have mechanisms within municipal governments been established to promote greater citizen participating in local decisions?" "As a result, are more citizens involved in municipal affairs?" and "Do citizens in project cities express confidence in local government management?"

Indicators for Community Participation

PADCO reports annually on three indicators of community participation Table 7 shows data for the five municipalities in Group 1

Table 7
MDDP Community Participation Indicators for Group 1 1995-1997

	Base Year 1995	1996		1997		1998
		Plan	Actual	Plan	Actual	Plan
1 No meetings held each year during the life of the project			26		78	
2 No Cabildos or sectoral/regional meetings on budgets each year			2		2	
3 Percent of citizens participating in meetings	13%	17%	7%	18%	7%	19%

Source Municipal Decentralization and Development Project, Quarterly Report, Oct-Dec 1997

The indicators used for community participation do not reflect the diversity of the change which is occurring at the local level The first indicator, the number of meetings organized by the municipality each year, is an indicator of additional activity on the part of the municipality, but a relatively weak one The second indicator, the number of Cabildos held each year, is less useful since, two Cabildos are required by law each year to present information on municipal budgets to citizens

The third indicator, on the percent of citizens participating in meetings, is a better indicator, but the data used to construct this indicator is problematic PADCO's quarterly reports seem to show that participation declined between 1995 and 1996, and held steady since then The base year figure of 13 percent and projections of 17 percent and 18 percent respectively for 1996 and 1997 were derived from the USAID funded survey "Democratic Values in Nicaragua 1991-1997" by Mitchell A Seligson Data for "actual" participation for 1996 and 1997 was gathered in Project cities by the Instituto de Estudios Nicaraguenses (IEN) These data bases are not comparable Seligson's survey covered the entire country and includes both urban and rural respondents IEN surveys cover only 14 Project cities, and focuses on urban areas

In every city visited for this evaluation, the team was told that rural communities are significantly more active in municipal affairs than urban residents which greatly biases the base year data in comparison with IEN figures

Seligson and IEN data do not work very well for Results Review indicators The former is too broad based The latter only covers urban residents and differs from anecdotal evidence which points to more participation in 1997 than in 1996 for both urban and rural groups

USAID should consider using sources of information from municipalities themselves for its R4 indicators Potential indicators of the commitment of the municipality to increasing community participation might be

- the establishment of Community Relation Office (level of "Direccion") within each municipality, and
- the number of staff and annual budget of this office

Potential indicators for increased participation might be

- the number of people participating in Cabildos and in meetings

IEN surveys in each municipalities are still extremely valuable Questions which citizens are asked include Which level of government is best able to solve community problems? Do you participate in community meetings and if not why not? Do you know the work of the municipal council? Do you view the municipality favorably, or not? These surveys can help identify problems and provide insights for municipal staff in developing strategies for community participation

Stronger Municipal Mechanisms for Citizen Participation

The MDDP had a decided impact on how community participation is viewed and supported within participating municipalities In two municipalities visited by the team, no community outreach program existed before MDDP assistance began, and there was no general consensus about the need for such a program The Project was the determining factor in creating new Offices for Community Participation, in one municipality staff were hired six months ago, in of another the director for community liaison was just hired

Several other municipalities had long-established programs for community outreach and promotion Staff members were sometimes attached to the office of the mayor and were tasked with dealing with the press and other public relations activities The MDDP is responsible for raising the profile of existing programs within the municipality's organizational structure, they have become Offices (Direccion) with access to more staff and resources

Project seminars on community participation helped staff to develop new skills The Director of one Office of Community Relations said that staff use the manuals from the training program regularly and that the training helped them to develop new marketing tools Several municipalities now have radio campaigns to reach citizens on the need to pay taxes, and most have newsletters to provide information on municipal projects The team was told that there is a greater commitment on the part of mayors to community participation, and that meetings with the public are now organized differently so that community input is solicited rather than having information flow in only one direction, i e , from the municipality to the public

Increased Levels of Citizen Participation

Staff in municipalities were asked how community involvement has changed over time Cabildos are being taken more seriously by both municipal authorities and citizens Local authorities credited the project with helping them prepare more carefully for these events Agendas were worked out ahead of time and posted so that citizens knew the points which the meeting would cover In some cases, there were presentations of the programs of each municipal office as well as of the annual budget MDDP seminars were credited with giving staff techniques for holding a focused and organized meeting Staff in every municipality considered their most recent Cabildo in November or December to be a great success Most estimates of attendance ranged between 200 and 500 people, and were higher than previous meetings One municipality estimated attendance at 2,500!

The number of other municipal meetings is growing, along with attendance The team spent one half day at a workshop with community leaders in one municipality The purpose of the workshop was to present and discuss the municipality's "five year plan" About 60 people were expected and close to 150 came

The evaluation team also interviewed community leaders one-on-one to determine how well the municipality is doing from their point of view Although these interviews were few in number community leaders were positive about their contacts with municipal authorities, and indicated that their needs and priorities were being heard Community Participation staff tend to work with leaders from party affiliated community action organizations, i e , JCOP or "Juntas

Comunales de Obras y Progreso" which is affiliated with the Liberal Party, and "Moviemento Comunal" which is affiliated with the Sandinista Party Local leaders were careful to say that they represent all families, regardless of party affiliation The team has no way of knowing whether this is true, but from all accounts the situation is much changed from a few years ago when municipal programs were more delineated by party lines Both local authorities and community leaders say they to want to get on with the business of improving services and quality of life and that political parties are working together toward these ends

The mayor is usually the contact point for non-governmental organizations, such as universities, the Chamber of Commerce and others These organizations do not yet seem to be integrated into the community outreach program of the municipality However, as community relations offices are strengthened, it is expected that they will become the point of contact for the local NGO community

Confidence in Local Government

The previously cited study by Seligson is an excellent source of information on the level of confidence in local government This longitudinal study measured changes between 1991 and 1997 in areas such as political tolerance, system support, and participation in civil society Findings on local government were very positive In response to the question "who has responded better to help resolve problems of this community? The central government? The Legislature? or The Municipality?", 57 percent of the respondents selected the Municipality over central government (12%) and the Legislature (6%) The level of confidence in local government increased by almost ten percent in this period as well In addition, the sample for the study was broken down by municipalities participating versus those not participating in the MDDP Project In Project areas, 70 percent of the respondents were positive about services provided by local government, while in non-project areas only 50 percent responded in this way Answers to another question in the survey indicated that by 1997, a majority of Nicaraguans favored giving municipal government greater responsibility for service provision (Ibid pp 72-73)

The Seligson study showed a strong correlation between participation in civil society organizations, e g , churches, civic societies, chambers of commerce, etc , and participation in municipal meetings (Ibid P 76) Therefore, it is possible to hypothesize that other USAID programs targeted to strengthening civic organizations have had a positive impact on the growing support for local government

PADCO has an excellent strategy and plan for community participation which should help participating municipalities to further develop their abilities to identify new opportunities for citizen participation, expand educational programs for civic leaders, and inform residents about municipal programs

E Change in the Coverage and Cost Effectiveness of Service Delivery

The scope of work asked the team to look at both the coverage and cost effectiveness of services PADCO reports annually on the coverage of services, but not yet on the financial

management of services This information is collected in the baseline assessment of each municipality and should be updated regularly, along with other project indicators

According to initial assessments, the "profitability" of services varied widely, but slaughterhouses and markets were more likely to have higher levels of self-financing than other services Only three, however, fully covered their costs from user fees Garbage collection was the least likely to be self-financed In some municipalities, fees collected covered less than 20 percent of the service, in others fees covered up to 50 percent of costs

At the request of the evaluation team, a special effort was made to update information for a few municipalities on current levels of self financing for solid waste services Table 8 indicates that little ground is being gained

Table 8
Percent of Cost of Solid Waste Service Covered by Fees

Municipality	1996	1997
Jinotepe	21%	24%
Matagalpa	36%	37%
Juigalpa	47%	27%
Chichigalpa	12%	16%
Leon	43%	50%
Average	34%	32%

Source Municipal Service Departments

Table 9 provides data on changes in the coverage of services for the first group of MDDP municipalities

Table 9
MDDP Service Delivery Indicators for Group 1 1995-1997

	Base Yr 1995	1996		1997		1998
		Plan	Actual	Plan	Actual	Actual
Percent of population covered by						
solid waste service	56%	66%	61%	76%	67%	81%
potable water	78%	82%	85%	85%	85%	88%
sewerage	27%	32%	27%	37%	28%	40%

Source Municipal Decentralization and Development Project Quarterly Report Oct-Dec 1997

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Traditionally, the municipality has been responsible for collection of garbage, but not for water and sewerage On average, solid waste services increased from 56 percent in the base year to 67 percent by the end of 1997, short of the target of 76 percent coverage This average, however, is misleading Within this group, four municipalities have fairly high coverage of this service (ranging from 67% to 82%) and one, Ciudad Dario, actually shows a decline from 77 percent in 1995 to 28 percent in 1997! (See Annex F for a breakdown of indicators by municipality for Groups 1 and 2) This was the result of an interesting experiment on the part of that municipality which is collecting garbage from only those households which pay their fees In the end, coverage went down, and apparently fees have not increased

Group 1's target for potable water services was met, while the target for sewerage services was not Until the recent change in the Municipal Law, central government agencies were fully responsible for water, sewerage (the Instituto Nicaraguense de Alcantarillado y Acueductos, INAA) and electricity (the Empresa Nicaraguense de Electricidad, ENEL) While the new law permits these services to be transferred to municipal government, in practice they are still being managed by central government One MDDP municipality, where there were severe problems with bulk water, made a special arrangement with INAA in 1991 to assume responsibility for water and sewerage

Local authorities complain that there is public pressure for them to make large investments in water and sewerage systems, which are then turned over to INAA to manage the service In many municipalities, water and sewerage coverage is good, and payment of fees is good since service is cut off in cases of delinquencies Local authorities often characterize those services as "profitable" and lament that proceeds are not available to them for investment in infrastructure improvement (**Note** The team does not have independent data on INAA operations in participating municipalities, so we do not know whether these actually have surpluses) Several municipalities plan to propose that fees for garbage collection be added to water bills to ensure greater collection of fees for this service

While the MDDP has provided assistance on how municipal services fit with the municipality's organizational structure, little direct assistance has been provided on service provision and management PADCO's quarterly reports indicate that plans for improving the operation and coverage of public services began in August 1997, but these plans are still not concrete

It is not completely clear why efforts on this component were delayed until the third year of the Project since many improvements could have been made simultaneously with improvements in administrative and financial systems At least one municipality asked for specific assistance in improving the viability of the municipal market, which PADCO has not yet provided

PADCO has preliminary plans to provide assistance to the staffs in all 14 municipalities on the management of municipal services, concentrating in particular on solid waste management Given that this assistance is starting so late in the Project cycle a very practical and immediate program of assistance is needed if the MDDP is to have an impact on services over the near term The team noted that several municipalities are experimenting with privatization of solid waste services The MDDP should select pilot projects in these or other municipalities where there are good prospects for introducing better management, new fee structures and collections

systems, and alternatives to direct municipal administration These working models and other "best practices" could be used as the basis for training other municipalities

Also, technical assistance should be tied closely with Capital Fund grants and targeted specifically to the financial management of services, focusing on the financial management of the service

F Expanding Project Activities, Replicating Assistance, and Supporting Networks

Mayors and staff in participating municipalities say that there is a great deal of interest from other municipalities in the technical assistance provided by PADCO under the MDDP Systems developed under the MDDP are very appropriate for many other municipalities in Nicaragua Given the impact seen in participating municipalities, USAID should consider expanding the number of core municipalities covered by the MDDP, perhaps to 20 or more Staff trained under the MDDP represent a groundswell of support at all levels for more professional and transparent local government Some experts in Nicaragua believe that if this core group was larger it could eventually transfer project improvements to the entire municipal sector Core municipalities were selected from a list of 32 municipalities so additional municipalities are likely to qualify for assistance

Also efforts should be made to develop a system for replicating MDDP assistance in smaller municipalities While progress has been remarkable in participating municipalities, USAID's assistance could have a very wide ranging impact on management, levels of community participation and service delivery in many more municipalities in Nicaragua, perhaps more than 100, if an approach is developed to reach smaller municipalities Extending assistance widely will need to be done by municipalities for municipalities since no national level agency has the budget to carry out broad based municipal training

In every municipality we visited, staff were eager to help personnel in nearby municipalities, but time and resources for more than perfunctory visits were not readily available The MDDP should work with core municipalities on a strategy and a program for providing assistance to smaller municipalities, perhaps including internships and workshops given by technical staff from core municipalities Once there is agreement, a standard training package on finance, administration, services and community participation geared to smaller municipalities should be developed The strategy, program and package should be coordinated with other donors in regions where they are working The MDDP should train municipal staff as trainers and provide other support so that a mentoring/training program can get underway, perhaps with cost sharing from other donors Some department-level municipal associations are forming which may provide a channel for organizing such training

The MDDP should also work to strengthen networks of communication among municipalities MDDP mayors have good contacts with each other because of the Project and because of AMUNIC activities However technical staffs do not have as many opportunities outside of formal training events organized by the MDDP Staffs of newly organized Community Participation Offices could greatly benefit from the experience of long established offices The directors of municipal services have many problems and issues in common and could benefit from more frequent communication with counterparts Networks of professionals reduce the

need for outside assistance since many problems can be solved by colleagues helping colleagues Efforts should also be made to strengthen AMUNIC's contacts with other organizations in the region, and with its members, and between technical staffs of municipalities

The evaluation team recommends that the USAID expand the MDDP to cover these new areas of assistance We also recommend that Project assistance be extended through the year 2001

VII Activities of Other Donors and Opportunities for Collaboration

The scope of work asked "Given other donor interest in this field, is there sufficient justification to extend MDDP or not?" "If so, how long and what recommendations would you make regarding project design?" The MDDP is unique in terms of the type of municipalities it targets Other donors support programs for smaller, more rural municipalities, or one-of-a kind investment projects

Most donors working in the municipal sector fund specific infrastructure projects in one or two municipalities, or offer sister city relationships In every municipality visited by the team, a number of projects were underway with foreign funding In one municipal newsletter for October-December 1997, the signing of the MDDP agreement was prominently covered The same newsletter reported on the modernization of a municipal market with a donation from the city of Minsk, street paving in one community with a donation from the Swedish PRODEL, improvements in the principal market with assistance from Japan, a visit of a delegation from Valencia, Spain, a report on the visit of a delegation to Holland to participate in training, the visit of a representative of a sister city in Holland, and school construction supported by the European Union (EU) in addition to several projects being carried out with the municipality's own resources and with funding from national agencies

Beside USAID, a few other donors fund multi-year projects which provide integrated training and technical assistance to groups of municipalities These programs, however, are less likely to transform the municipal sector than USAID's since other donors do not work as broadly at the national and local levels Nevertheless, there are opportunities for collaboration, particularly with the Danish Development Agency (DANIDA), the German Development Agency (GTZ) and the World Bank (IBRD) which is a major funder of FISE There are other donor funded projects including FADES (Finland) and PRODEL (Sweden), but their impact on the municipal sector as a whole is limited, and they do not provide direct assistance for strengthening municipal government

- DANIDA has been working in three Departments (Nueva Segovia, Esteli, and Madriz) since 1994 These departments are poor, have large rural populations and were affected heavily by the civil conflict DANIDA works with 23 small and medium sized municipalities (not Department capitals), helping them with basic equipment and to develop their planning and management systems The $7 million Project, called "Las Segovias" has had excellent results and many of the municipalities have improved their management capacity DANIDA is concentrating on expanding the financial base of these municipalities during the final phase of the Project which will end in 1999

- GTZ is working in four Departments (Masaya, Granada, Rivas and Carazo) in 27 municipalities Like the DANIDA program, small and medium sized municipalities have been targeted, and none are capitals of departments To date, the program has emphasized community participation, improving the tax base and planning for projects Cost center budgeting will be an emphasis in the future

- FISE was established in 1990 Its purpose was to soften the impact of Nicaragua's economic restructuring program by supporting investments in municipalities, particularly the poorest ones, which would generate jobs and income FISE has received loans from IDB and IBRD, and donations from UNDP, USAID, and the bilateral agencies of Germany (GTZ), Switzerland (COSUDE), Sweden (ASDI) and Canada (ACDI) Its funding for 1995-1997 totaled $104 million, these funds were earmarked for municipalities according to a poverty index formula About 10 percent of funds were destined for water projects, the remainder for education and health projects

One issue which is being discussed in the national decentralization committee (which includes INIFOM, FISE, various national agencies and a number of donors), is expanding the role of the municipality in projects currently being carried out by line ministries, e g , Education, Health It is being proposed as well that the municipality play a much more central role in proposing FISE projects Since new World Bank funding is expected for FISE, this topic is very much on the minds of advocates for decentralization Pilot municipalities have been identified to test a more decentralized approach for FISE projects, these municipalities are very small and rural, but include two MDDP municipalities, Ciudad Dario and El Tuma-La Dalia

USAID should be much more directly involved in the discussions of the decentralization committee and should look for additional opportunities to meet with key donors on areas for collaboration Such meetings have not been encouraged by INIFOM With the exception of USAID's Project, all donor programs in the municipal sector are coordinated by INIFOM and there seems to be a disinclination to include USAID or MDDP in sector-wide discussions Donors working under the INIFOM umbrella seem to want more contact with USAID and the MDDP

VIII Summary of Conclusions and Recommendations

A Conclusions

1 The original purpose of the MDDP, "to enhance municipal decentralization that fosters citizen participation, and promotes municipal autonomy, local control over financial and human resources and accountable local governments", is being met, both at the national and local levels

2 The work being carried out under the PADCO contract is uniformly of high quality and is having significant impact on the 14 participating municipalities in a number of areas and these impacts should be replicated in a larger number of municipalities, impacts are still weak in the area of service delivery

3 The PADCO contract delivers cost effective technical assistance and training

B Recommendations

- At the national level, the MDDP should help AMUNIC to expand its role as the trade association for municipalities, by providing assistance in developing a strategic vision and expanding its membership services

  - USAID should consider way to express its support for passage of municipal legislation in 1998 and encourage other donors to do so as well

  - At the local level, the MDDP should develop a much stronger component for service delivery, emphasizing the privatization of services and sharing of best practices

  - The program of MDDP assistance should be tightened to cover two years in each municipality after which the municipality should be "graduated" from MDDP assistance

  - The MDDP should encourage municipalities to use gains in income for new investments, and, as appropriate, for leveraging investment loans Staff development should also be given greater priority in municipal budgets

  - The number of core municipalities assisted by MDDP should be expanded, to 20 or 25

  - The MDDP should establish a systematic approach for replicating changes made in core municipalities to smaller municipalities, help strengthen AMUNIC's networks within the regional and with member municipalities, and look for opportunities to establish channels of communication for technical staffs

  - The MDDP (and the technical assistance contract) should be extended through 2001, but at a bare minimum, the technical assistance contract should be extended through the end of the Project, through September 1999, to provide for greater impact in service delivery and community participation

  - The full $7 million should be obligated, and additional resources should be considered If additional resources, beyond $7 million, are available, the team believes that the Capital Fund grants program should be continued, but with a much closer link between technical assistance on service delivery, particularly on producing income streams from services, and the projects which are financed

    If no additional funding is available beyond the Project's current $7 million the team believes that remaining funds should be used for technical assistance and training While currently participating municipalities are very grateful for Capital Fund resources there was no indication whatsoever that participation depended upon those grants

In lieu of providing direct investment grants, the MDDP could act more as a catalyst for municipalities to access resources from FISE and other institutions, even perhaps regional credit institutions like FUNDEMUN or others FISE is likely to become a much more important source for municipal investment with the new IBRD project Like MDDP, FISE emphasizes community participating in project identification and development so MDDP should try to ensure that its "graduating" municipalities are in the best position to successfully seek funds from FISE

- USAID should continue to seek opportunities for cross fertilization of activities

  The team recommends that AMUNIC continue to be targeted by activities such as the Development Training Project (DTP) to help it to improve management practices, to develop a vision and strategy for the medium term, to improve its ability to raise funds, to manage projects, to serve its clients and to develop its staff

- If the MDDP is extended beyond its current end date, USAID should consider extending the PADCO contract or signing a new contract with PADCO to carry out the expanded program of activities This seems to be in the best interests of the USG because

  a The MDDP and PADCO are very closely identified In fact, in may places, the Project is known as "the PADCO project", participating municipalities are called "PADCO cities", etc *

  b Very close relationships of trust and respect have developed between PADCO and participating municipalities and with AMUNIC

  c PADCO has developed an array of manuals for training which should continue to be used

  d A quality core staff has been assembled and the current delivery system for assistance is cost effective

  e Six or more months and additional USG resources would be needed to bring another company up to speed on the program

***NOTE** If the USAID Mission decides that a new contract is warranted and that competition is necessary every effort should be made immediately to use "MDDP" to identify the Project For example "PADCO" should be less prominent on manuals and reports and staff should be asked to use 'MDDP' when referring to the project

Appendix A
Evaluation of Municipal Decentralization and Development Project
Scope of Work

I Objective

To conduct a mid-term evaluation of the USAID/Nicaragua Municipal Decentralization and Development Project (524-0341) in order to provide the mission with a set of findings, conclusions and recommendations to ensure that project objectives and quantitative targets are met by the project authorized completion date of September 30, 1999

II Sector Overview

Local government in Nicaragua can play a critical role in providing opportunities for citizens to participate in the decisions that affect their lives directly Municipal governments provide in the opportunity for citizens to put into practice the principles of democratic government Placing government services under the control of local entities helps assure that they are responsive to the needs of the people who use them As municipalities gain control over resources, increase participation in decisions regarding their use, and develop systems of accountability, they contribute to developing democratic values in more immediate ways than many other initiatives that deal with more abstract issues of governance at the national level

Nicaragua is subdivided into nine regions which contain 17 departments and 147 municipalities There is no intermediate level of government between the municipality and the central government Municipalities are categorized by population and the number of council members Ninety-seven municipalities have a population of less than 20,000 and elect 5 council members Of the remaining fifty, Managua elects 20 council members and the remainder elect 10 Mayors, vice-mayors and city council members are elected directly by voters Local elections were last held in 1996, and will now be held in off-years from national elections

The principal constraints confronting the municipal sector in Nicaragua are similar to those experienced by cities in other developing countries the most noteworthy of which are

- Under utilized tax base
- Limited access to capital
- Weak administrative, budgetary and financial systems
- Inadequate service delivery systems
- Poor understanding among elected officials of municipal government role
- Lack of citizen participation in local decision-making

Another constraint, somewhat more particular to Nicaragua, is the high level of political polarization that has made governing difficult for elected officials at both national and local levels of government Some mayors have successfully defused the political tensions by working closely with the city council opposition to reach consensus and by focusing most of their energies on the nuts and bolts' issues of running a municipal government Other mayors have not been successful depolarizing the political divisions and consequently their governments have been less effective

III Project Summary

The five year Municipal Decentralization and Development Project (MDDP) agreement was signed between USAID/Nicaragua and the Government of Nicaragua's (GON) Instituto Nicaraguense de Fomento Municipal (INIFOM) and Fondo de Inversion Social de Emergencia (FISE) on September 29, 1994 The MDDP has a life of project funding of US $7 million, of which $5 25 million has been obligated Project implementation did not begin until October 39, 1995, the effective date of the contract between USAID/Nicaragua and the institutional contractor, Planning and development Collaborative International Inc (PADCO) The PADCO project team, with Sigifredo Ramirez as Chief of Party, was mobilized in Nicaragua on December 11, 1995, after which time implementation began in earnest

The project has three objectives 1) to improve the legal and policy framework in support of municipal decentralization, 2) to improve the delivery of municipal services, and 3) to increase citizen participation in local government decisions The achievement of these objectives supports the USAID/Nicaragua democracy strategy to increase political participation, compromise and transparency through the creation of, among other things, a more accountable and responsive government Each of the three project objectives are summarized below

Decentralization

The project is providing technical assistance to the Asociacion de Municipios de Nicaragua (AMUNIC) to help it represent the interests of local governments more effectively before the national government Thus far, the bulk of this assistance has come in the form of specific consultancies to help AMUNIC draft legislation that would grant more autonomy to municipalities Significant reforms to the municipal law were enacted in 1997 which expand municipal authority to deliver services, clarify the roles of elected officials--mayor vice-mayor, and council persons--and encourage greater citizen participation in municipal affairs In addition, the project is to strengthen AMUNIC institutionally so that it has the proper administrative, financial, and organizational policies and structures in place to perform and sustain its work after project close out

Service Delivery

The project is providing direct assistance to 14 relatively large municipalities located in all areas of Nicaragua except for the Atlantic Coast, and Region I in Northern Nicaragua The total population of the project cities is approximately 1 million, or 25% of the national population, city size ranges from a low of 22,000 in San Carlos to a high of 161,000 in Leon In accordance with the terms of the project agreement, USAID/Nicaragua and INIFOM jointly decided on the project municipalities, based on a set of established criteria Through the elaboration of technical manuals and training of personnel in their application the PADCO project team of consultants has been helping to strengthen municipalities administrative financial, budgetary, personnel, procurement, ant organizational systems Numerical targets have been established for this project objective to assess progress in expanding service delivery coverage, improving government efficiency, increasing internal municipal savings rate, and making municipal services more cost effective Once strengthened, the project municipalities are to serve as urban models, providing training and assistance to neighboring cities in order to expand the impact of the project

Direct assistance to municipalities is complemented by a modest capital fund of up to $150,000 per project municipality to help finance one or more community projects The capital fund is administered by FISE, a GON entity which manages a large number of donor financed, community based projects Representatives of FISE and PADCO work closely with the target municipalities throughout the elaboration and implementation of the capital fund projects

Citizen Participation

Except for the legally mandated once yearly cabildos, or town meetings, there has been little involvement of citizens in municipal affairs The project is dedicated to changing that by developing institutional mechanisms within local governments to encourage greater citizen participation The establishment of a community relations department is one mechanism to bring government closer to the population to encourage their involvement in civic activities A manual on community participation and public relations has been developed by PADCO and a series of training sessions with municipal representatives was undertaken Targets which have been established to measure progress in dais area include the number of cabildos and other public meetings held annually, and level of participation among citizens in municipal meetings

IV Purpose of Evaluation

With less than one year remaining on the institutional conduct with PADCO, the project is at a critical juncture An evaluation will provide USAID/Nicaragua with the objective data it needs to make a decision regarding the future direction of the current implementation arrangement, as well as the mission's overall municipal development strategy

The purpose of the evaluation is to assess progress made in completing project objectives, using the quantitative targets as one measure among several used to assess performance Over methods of gathering information about the project will include interviews with stakeholders, customers, and counterparts, review of project documents, observation of project training activities, and analysis of institutional changes brought about by the project in municipalities and in AMUNIC

Specific questions to be answered include

- Has the project met its quantitative targets regarding internal savings rate, coverage and cost-effectiveness of service delivery, and level of citizen participation?
- Has the project helped to improve the legal and policy framework for decentralization?
- Have the administrative and financial systems of project municipalities and AMUNIC improved significantly under the project? If so, how have these improvements contributed to achievement of project objectives?
- Is AMUNIC able to represent its members more effectively before the national government?

- Have institutional mechanisms within municipal governments been established to promote greater participation in local decisions? As a result, are citizens more involved in municipal affairs?

- Do citizens of project cities express confidence in local government management?

- Do mayors, vice-mayors, and city council member work together as a unified team or do political party divisions constrain the ability of local officials to govern?

- Given other donor interest in this field, is there sufficient justification to extend MDDP or not? If so, how long and what recommendations would you make regarding project design?

V Evaluation Methods

The evaluators will rely on information from a number of different sources to conduct the evaluation The institutional contractor, PADCO, is responsible for collecting data to measure progress in meeting the quantitative project targets, and data should be available for 1996 and 1997 Other sources of information include project documents such as technical manuals, diagnostics, and eligibility studies produced by PADCO, the USAID project paper and project agreement with INIFOM and FISE, and implementation agreements between PADCO and the project municipalities In addition, the evaluation team should refer to the Mission R4 and to a preliminary mission democracy survey for quantitative information The evaluators will have an opportunity to visit each of the project cities, review project accomplishments, observe several PADCO led training sessions, and interview key individuals involved in the project, both individually and in focus group settings

The USAID/Nicaragua project officer will work with PADCO and project municipalities to facilitate the gathering of information for the team throughout the evaluation exercise The work plan for conducting the evaluation will be developed by the contracted evaluation team and submitted to USAID/Nicaragua for approval

The team should consist of two, senior level municipal development specialists, one of whom will be designed as the Chief of Party (COP The COP will assume responsibility to deliver all required written documents to USAID/Nicaragua that are specified in the contract The specialists should have experience evaluating and implementing USAID or other donor financed municipal development projects and be well versed in the municipal sector issues, such as decentralization, service delivery, citizen participation, capital budgeting, financial management, and governance As experienced evaluators they should also be proficient in conducting focus group interviews, and applying other rapid appraisal methods

Both individuals must be proficient in the Spanish language to at least the NFATC 3+/3+ level, and possess excellent written and verbal communication skills

The contracted individuals mill be augmented by at least one AID/Washington staff person who will serve as a fully integrated member of the evaluation team Among other things the participation of a USAID representative will help to reinforce the USAID perspective throughout the evaluation, and enable the agency to learned to be shared with other missions

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VII Procedures, Schedule and Logistics

The evaluation team will receive technical guidance on the activities and objectives of the project from the USAID Project Officer, Gary Russell The evaluation team will receive technical guidance on evaluation methodology and Mission requirements from the Mission Evaluation Officer, Paul Greenough

The total time programmed to conduct the evaluation is 40 work days, of which 25 will be spent conducting the field work in Nicaragua However, the maximum amount of time of the conduct cannot exceed 75 days The 25 days of field work will take place during a four week period, sometime between January 5 and February 19, 1998 The additional 15 days are programmed to draft and finalize the evaluation reports in English and Spanish

Upon arrival, the evaluation team will participate in an entry meeting, chaired by the Mission Evaluation Officer The purpose of the meeting is to achieve consensus on the evaluation schedule and style, and to answer any question the team may have A proposed methodology, work plan for conducting the evaluation , and evaluation report format will be submitted for USAID/Nicaragua approval within 6 days after the arrival of the evaluation team in Nicaragua

While in the field the team will be authorized for working a 6 day work week The contractor will be responsible for arranging travel, in-country transportation, lodging, office space, computers and other equipment The USAID/Nicaragua project manager, Gary Russell and assistant, Luis Ubeda, will facilitate meetings and interviews, and compile relevant documents for review The evaluation will require significant travel outside Managua to the 14 project municipalities, so the team will need to rent several vehicles to carry out the evaluation in a timely manner

VIII Reporting and Dissemination Requirements

The report will document the important findings, conclusions, and recommendations of the evaluation

The general length of the body of the report should be no more than 30 pages, additional details and analysis should be placed in an appendix, which should include <u>at a minimum</u> the following

- The evaluation Scope of Work,
- A description of the methodology used in the evaluation (e g , the research approach or design, the types of indicators used to measure change of the direction/trend of impacts, how external factors were treated in the analysis) Evaluators may offer methodological recommendations for future evaluations,
- A bibliography of documents consulted
- A list of persons interviewed

Other appendices may include more details on special topics

Evaluation Abstract - The Contractor shall provide a brief abstract of the evaluation for use by USAID in disseminating information about the evaluation This abstract shall be a further summary of the same information as the Summary within the space limitations of one single-spaced page, preferably less

The first draft of the evaluation must be presented by **the contractor** in English to USAID/Nicaragua prior to completion of the field investigation in Nicaragua The draft report should be presented during a final, oral briefing to the Mission's Good Governance Results Team **The contractor** will submit a draft report in Spanish within 10 work days after completing the field investigation in order to provide project counterparts with an opportunity to review the draft evaluation report **USAID/Nicaragua** will provide the contractor with its comments on the Spanish and English versions of the draft report within 5 days after receipt of the Spanish version

The final approved evaluation report will be presented by the contractor to USAID/Nicaragua within 15 days after receiving mission comments on the draft report The final report must be presented with 25 copies in English and Spanish

The contractor must deliver the final evaluation in both English and Spanish on diskette in WordPerfect 5 2

Annex B
List of Persons Interviewed

USAID
- Alexi Panehal, Chief, Office of Democratic Initiatives
- Gary Russell, Strengthening Democratic Institutions Coordinator
- Luis Ubeda, Development Specialist
- Paul Greenough, Mission Evaluation Officer

PADCO
- Sigifredo Ramirez, Chief of Party
- Roberto Garcia, Director of Finance Programs
- Claudia Belli, Coordinator for Training and Technical Assistance
- Carlos Huete, Data and survey expert
- Marta Regina Rios, Coordinator for Community Participation
- Luis A Medal, Coordinator for Municipal Services
- Javier Mejia, Responsible for Investment Projects
- Rafael Romero, Expert Consultant for Investment Projects

Commission for Municipal Affairs, National Assembly
- Monica Baltonado

AMUNIC
- Anabelle Icaza de Arguello, Executive Director

Controller General
- Agustin Jarquin Anaya, Controller General
- Manuel Fuentes, Director Auditing for municipal and regional government
- Bruno Cardenal, Director of Public Relations
- Juan Ramon Salgado, Representative to SIGFA
- Luisa Idalia Tellez, Responsible for municipal development and strengthening

INIFOM
- Christian Matus, Executive Director

GTZ (German Assistance Agency)
- Rudolfo Wassen, Chief of Team
- Isabel Aviles, Finance Specialist

DANIDA (Danish Assistance Agency)
- Luis Herrera Project Co-Director

World Bank
- Luis Suarez
- Nicolete Boyer

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Interamerican Development Bank
- Jose Lois, Sector Specialist

Municipality of Leon
- Denis Perez, Municipal Manager
- Sonia Novoa, Budget Director
- Adrian Lara, Director of Accounting
- Nieves Diaz, Treasurer
- Porfirio Rostran, Director of Human Resources
- Esperanza Somarrriba, Responsible for Markets and Slaughterhouses
- Rigoberto Sampon, Mayor

Municipality of Chinandega
- Rodolfo Grios Mayor
- Constantino Velasquez, Municipal Manager
- Christian Chavez, Chief of Public Relations
- Maria del C Majano, Assistant in Community Relations
- Javier Mejia, Responsible for Investment Projects

Municipality of Chichigalpa
- Modesto Escalante, Finance Director
- Richard Perez, Director of Projects
- Eligio Palacios, Mayor

Municipality of Matagalpa
- Jaime Castro, Mayor
- Moises Lopez, Vice Mayor
- Carlos Jaen, Municipal Manager
- Imelda Amador, Finance Director
- Lesbia Gutierrez, Chief of Human Resources
- Rodolfo Nieto, Auditor
- Ronald Sacasa, Director of Municipal Services
- Ana Maria Guzman, Director of Community Relations
- Aquiles Escoto Horosco, Community Leader
- Amparo Hawkins, Community Leader
- Nubia Salinas de Palacios, Council Member
- Manuel Perez, Council Member
- Francisco Flores, Council Member

Municipality of Jinotega
- Hector Rodriguez, Mayor
- Ernesto Araica, Municipal Manager
- Danelia Ruiz, Finance Director

Municipal Council Members

- Dalila Huerta
- Carlos Seledon
- Rosario Lopez
- Humberto Jarquin
- Martin Vega
- Uriel Ubeda
- Martha Cruz
- Marina Lumbi

Ciudad Dario

- Mario Quijano, Mayor
- Romulo Ruiz, Municipal Manager
- Arecely Torres, Finance Director

Municipio de Granada

- Tatiana Raskosky, Mayor
- Ivania Barberena, Finance Director
- Francisco Delgado, Director of Projects

Municipio de Masaya

- Gloria Maria Larios, Responsible for Community Relations
- Noel Quant, Responsible for Municipal Services
- Gilberto Bermudez, Municipal Manager
- Fernando Padilla, Mayor

Municipio de Jintotepe

- Armando Rodriguez, Mayor
- Juan Narvaez, Vice Mayor
- Arnoldo Umana A, Director of Administration
- Mauricio Aburto, Director of Finance
- Reynaldo Aviles, Director of Municipal Services
- Armando Cardenas, Responsible for Human Resources
- Alvaro Lopez, Director of Community Relations

Council Members

- Juan Carlos Fajardo
- Gladys Marenco
- NapoLeon Vargas
- Leticia Sermano

Annex C
List of Documents Reviewed

USAID/Nicaragua Documents

- Project Paper Municipal Decentralization and Development Project (Project Number 524-0341)
- Annual Report/Portfolio Review (Period Covered January-December 1996) I Good Governance Results Team (GGRT)
- Management Contract Good Governance Results Team (GGRT) Contract Period 3/97 to 3/98
- USAID/Nicaragua Results Review and Resource Request (R4), March 17, 1997

MDDP/PADCO Documents

- Evaluacion Institucional de La Municipalidad de Leon, Mayo-Junio 1997
- Diagnostico de la Municipalidad de Chinandega, Julio 1997
- Diagnostico de La Municipalidad de Chichigalpa, Abril 1996
- Diagnostico de La Municipalidad de Matagalpa, Mayo 1996
- Diagnostico de La Municipalidad de Jinotega, Borrador para Discusion
- Diagnostico de La Municipalidad de Ciudad Dario, Mayo 1996
- Diagnostico Institucional de La Alcadia de Granada, Junio 1997
- Diagnostico Institucional de La Municipalidad de Masaya, Junio 1997
- Diagnostico de La Municipalidad de Jinotepe
- Convenio de Asistencia Tecnica y Capacitacion (8 municipalidades)
- Recomendacion para certificacion de elegibilidad Municipalidad de Matagalpa
- Plan de Inversiones del Municipio de Chinandega 1998-2002, Documento de Trabajo, enero 1998
- Estudio de Elegibilidad Proyecto Ampliacion de la red de alcantarillado sanitario del consejo No 1 y 2 del Sector Norte Del Barrio Subtiava en La Ciudad de Leon, Municipio de Leon
- Manual de Contabilidad Municipal, Ano 1997
- Manual de Presupuesto de Programas, Agosto 1997
- Manual Guia de los Servicios Municipales, Mayo 1997
- Manual Sobre Participacion Ciudadana en la Gestion Municipal en Leon
- Encuesta de Opinion en 6 Municipios sobre la Participacion ciudadana en el que hacer local - Informe Global, Instituto de Estudios Nicaraguenses, Septiembre de 1997
- Plan de Trabajo 11 de Dic 1995 030 Sept 1998, Octava Revision al Plan de Trabajo Original
- Quarterly Report October-December 1996
- Quarterly Report October-December 1997

Laws

- Ley No 40 Ley de Municipios, Gaceta No 155 del 17 de Agosto de 1988
- Leyes No 40 y 261, Reformas e Incorporaciones a la Ley 40 'ley de Municipios" La Gaceta Diario Oficial No 162 20 de Agosto de 1997
- Plan de Arbitrios Municipal Decreto No 455, Gaceta No 144 del 31 de Julio de 1989
- Normativa Presupuestario Municipal 1996, Acuerdo Presidencial No 257-95, La Gaceta, Diario Oficial No 244, 1995

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Annex D
Strategic Objective Table

Result 1 4 More accountable and responsive government Indicators 1 Nicaraguan households have access to basic services, e g water and sanitation PR 60% of population with access to services 2 National Assembly (NA) enacts key legislation PR 35% of legislative agenda is enacted 3 Independent audits accurately documenting GON performance are made public PR 6 audits made public Development partners Government of Argentina, IBRD, IDP, INIFOM, MIFIN, INNA, AMUNIC, Project Municipalities, OCG and contractors			
Intermediate Result 1 4 1 Legislature addressing key national issues	Intermediate Result 1 4 2 Greater transparency & accountability in managing public finance	Intermediate Result 1 4 3 Local governments effectively managed	Intermediate Result 1 4 4 Government decision-making based on greater citizen participation
Indicator 1 Fiscal/budgetary impact of legislation PR 15% of legislation agenda has fiscal impact	Indicator 1 GON entities implementing IFMS (uniform reporting) PR 1 GON entity implementing IFMS 2 Unified tax information system being implemented by MIFN PR 50% system implemented	Indicator 1 Selected municipalities allocate more local revenue for capital projects PR 13% increase in budget for capital projects 2 Citizens more confident in Local government PR 47% of citizens express confidence in local government	Indicator 1 Public hearings held by NA PR 30% of NA hearings are held public 2 Municipal government involving citizens more in local decision-making PR None for 1997
		3 Selected municipalities deliver cost effective services PR 55%of total O&M costs for services	3 Department legislators visiting districts more frequently PR None for 1997

Annex E
Methodology and Work Plan Proposed to USAID

Methodology

An evaluation team of two consultants and one USDH (partial time) will carry out the evaluation of the MDDP by

Interviewing counterparts, stakeholders and customers, including

a Mission personnel involved in designing and managing the activity to determine how the activity fits within the Mission's strategy and to discuss implementation issues

b Selected individuals from organizations involved in the activity at the national level, including FISE, AMUNIC, INIFOM, the municipal commission of the National Assembly, and the Controller General to gather information on commitment to decentralization and how the activity is seen to support decentralization initiatives and increased citizen participation

c Contractor staff to learn about implementation of technical assistance, training, and investment projects in selected municipalities

d Other donors (IDB, World Bank, and some bilateral agencies) to assess how their programs complement USAID's activity

e Municipal authorities and staff, including the mayor, city council members, financial management staff, and service delivery staff in about nine of the 14 cities which have been selected for assistance to discuss changes which have occurred in city management and service delivery as a result of training and technical assistance Investment activities will also be reviewed, where they are underway, and in two cities, the team will organize focus groups with leaders of citizen groups to discuss how the public interacts with municipal personnel on service delivery projects and issues

2 Review of documents, including

a Strategic Mission documents on democracy and decentralization (e g Project Paper, R4)

b Agreements with participating institutions

c Contractor's reports to USAID

d Training manuals and technical assistance materials

e Diagnostic studies of cities selected for assistance

f Municipal legislation (enacted and in draft)

3 Observation of a training session conducted by the contractor

4 Analysis and Report Writing

The team will spend approximately 8 workdays preparing a draft report in English The report will include recommendations on future activity under the MDDP Recommendations will be presented to the USAID Mission and other members of the SO 1 team, as determined by USAID

B Work plan

Week January 20-24

Mission briefing
Interviews with contractor staff
Interviews with national agencies (schedule attached)
Document review

Week January 25-31

Visits to six cities and observation of training session (draft schedule attached)
Interviews with national agencies
Document Review

Week February 1-7

Visits to three cities
Document review and analysis
Outline of report submitted to USAID
Drafting of findings

Week February 8-12

Analysis and preparation of draft report
Oral briefing for USAID mission and contractor staff (Feb 12)

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Annex F
Changes in MDDP Indicators by Group of Cities
(In %)

Expenditures/Income			Coverage					
			Water/Sewerage/Garbage			Water/Sewerage/Garbage		
Group 1	1995(Base)	1997	1995(Base)			1997		
Matagalpa	92	77	60	42	50	88	46	76
Darío	98	133	95	95	77	100	36	28
La Dalia	79	60	85	85	70	80	0	80
Boaco	106	92	69	69	66	69	54	67
Chichigalpa	108	83	84	84	50	85	6	82
Group 2	1996(Base)	1997	1996(Base)			1997		
Leon	111	117	93	56	76	96	56	79
Chinandega	98	95	77	34	76	81	34	82
Masaya	120	102	82	39	54	92	42	82
Granda	138	102	91	21	70	96	21	90
Juigalpa	99	100	61	0	76	63	0	83

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