



USAID
FROM THE AMERICAN PEOPLE

WORK PLAN – 2005

PARAGUAY MUNICIPAL FINANCE PROJECT

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PARAGUAY MUNICIPAL FINANCE PROJECT

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

A. Introduction

This work plan covers fiscal year 2005, the period from October 1, 2004 to September 30, 2005. Section B briefly summarizes the achievements during FY 2004 and highlights areas requiring reinforcement or emphasis for the next fiscal year. Section C details our work plan for the new fiscal year beginning October 1, 2004 and Section D deals with other project matters. In Appendix I we include a monitoring chart for FY 2005.

Chemonics feels it accomplished most goals of the FY 2004 work plan and will continue its holistic approach to municipal development in Paraguay. During FY 2005, Chemonics will initiate 12 new local government consultancies for a total of 38 local governments (36 municipalities plus two governorships) including at least 3 selected by the technical support units of these governorships.

B. Results and illustrative activities for FY 2004

The section is organized with the same structure as the FY 2004 work plan; following the performance indicators USAID will use to monitor the project. This document should be considered an expansion to the 2004 work plan, and does not reiterate the same information already being implemented and that will continue to be implemented during the next year, but rather takes the time to add details and/or new activities. In this section we briefly present the results and activities accomplished during FY 2004, and identify areas that can be improved in 2005.

B1. Financial resources improvement

As shown by the quarterly reports, Chemonics has substantially improved collections of the property and business taxes. However, some municipalities experience a decline in collection growth after the consultants complete their field work. During FY 2005, the project will continue with the same general tested work plan, and will accentuate specific activities designed to increase the prospects of sustained improvements.

B2. Financial position improved

Of the 21 municipalities that have significantly improved their financial resources, 15 have also improved their overall financial position. The municipalities have improved their financial reporting, and management information systems, accounting software and budget reports, their budget methodology (including showing the budget to the community), and many have developed or are developing operations manuals, at least for the collections unit, if not other units. Some municipalities started out owing 6 months salary wages to employees and/or council members while others owed payments to the departmental Government and yet others owed payment for municipal services, both to private companies or individuals inside and outside of their community.

The project recognizes that the municipalities could improve their focus on managing expenditures, and has made recommendations in this area. However, helping the municipalities develop and utilize essential reports to control and evaluate the billing and collection efforts is the first priority. The concept of the municipal development fund is beginning to flourish in at

least 7 municipalities of which 4 have begun disbursements for works and investment in the income enhancement efforts. During FY 2005 Chemonics will improve the information surrounding the forming, funding and disbursements of these important funds which are now obligatory and a contractual obligation of each municipal client..

B3. Service delivery expansion

Municipalities have identified over 200 works and services in 22 municipalities of which amount Chemonics claims 44 works in the quarterly reports, including the design of 6 sanitary landfills that achieved environment approval from the national government. During the next year the project will offer additional assistance to municipalities to develop a selection methodology for larger works and services.

B4-6. Transparency, accountability and participation best practices

Transparency starts within the municipality with improvements in the quality and accuracy of accounting records and reports. Chemonics believes that the municipality must improve internal transparency and information system to be sure the information it shares with the public is accurate and understandable to laymen. Of the 26 municipalities who have started with our program, approximately 18 held public audiences by September 30, 2004, sharing the annual budget, and soliciting requests for works and/or service delivery projects. All 21 have promoted community meetings to discuss the financial situation and solicit ideas and feedback regarding municipal services. Four municipalities have enacted an access to information ordinance, and one held a transparency fair, where all municipal units explained their functions to the community, fostering awareness and appreciation for the role and services of the municipality. These activities will continue during FY 2005.

B7 Ethical best practices

The Chemonics consultancy improves ethics within the municipality and among taxpayers without treating ethics as a special activity. New software and improved internal controls have revealed fraudulent activity in several municipalities. Most billing and collection employees change their behavior following the Chemonics training programs. Mayors cease negotiating improper property tax reductions with delinquent taxpayers when project consultants explain the illegality of this activity. Delinquent taxpayers often agree to pay taxes due following lengthy discussions of the law. Employees begin to work effectively when they see large taxpayers agreeing to pay. It is encouraging to note the difference in mayor, council members and staff attitudes, many stating how they now enjoy coming to work, and they are much more productive. Ethics is improving in all client municipalities.

B8. Sustainability, dissemination and replication

Chemonics is working directly with two governorships and has subcontracted 3 local organizations to implement and replicate the activities of the project. This is in addition to the various seminars, trainings and discussions promoted by the project, within municipalities, local and international institutions, including the Peace Corps, and making project tools available to the public, promoting best practices and lessons learned. The project has also inaugurated an

innovative practice of training one municipality with the employees of another, utilizing the FARA mechanism. During the next year, the project will make additional information and tools available to the public, via the website, and additional targeted seminars to interested organizations and individuals.

C. Objectives, expected results and illustrative activities for FY 2005

In this section we briefly present the expected results and types of activities we will undertake to achieve them. The section is organized following the performance indicators USAID will use to monitor the project.

C1. Financial resources improvement

Expected results:

- Improvements in 30 municipalities by end of FY 2005
- Property tax collections increase a minimum of 40% or
- The number of properties on which tax is collected increases 20% as compared to the same period of the prior year starting 60 days after the consultancy begins or
- Fees for a selected serviced increase 30%
- Establish a municipal reputation to collect its taxes and fees

Objectives:

- Improve the sustainability of revenue enhancement reforms
- Improve the climate for good governance reforms

Illustrative activities:

- Collect from largest taxpayers first
- Create an income collection unit
- Train municipal employees in tax law and collection techniques
- Teach municipality to maintain its cadastre data base
- Recommend and install, if necessary, adequate software

Illustrative activities for FY 2005:

The consultancy includes the preparation of many reports and information on billing and collection activities. However, in many municipalities this information is not used sufficiently by key executives and the mayor to review the effectiveness of billing and collection. During FY 2005, the Chemonics will:

- Teach key executives and the mayor to use the daily, weekly, monthly and annual reports recommended by the consultants
- Recommend an information package for the Municipal Council
- Coach municipal employees on the information to be used for municipal web site and public audiences and the press
- Measure performance of municipal departments relating to collections of taxes and fees
- Formalize the legal pressures to collect taxes

C2. Financial position improved

Results:

- Financial position improved in 25 municipalities by end of FY 2005
- An improved accounting and information system
- Budget an operational surplus
- Reduce indebtedness, overdue payables including unpaid salaries

Objectives:

- Create a desire within the municipality for infrastructure investments financed from internally generated surpluses
- Create an appetite for controlling expenses
- Improve the budgeting process
- Reestablish municipality creditworthiness in the community

Illustrative activities for FY 2005:

- Design of interim financial reporting
 - Comparisons with prior year
 - Interim reports on debt reduction
- Improve the budget process
 - Premises used in the confection
 - Submit alternatives to the Municipal Council
 - Recommend a set of budget directives from Municipal Council
- Recommend and report on opening cost centers to evaluate costs of selected services
- Improve internal reporting on indebtedness, overdue payables and unpaid salaries
- Promote the hiring of an internal auditor
- Promote a Collection Unit Manual of Operations

C3. Service delivery expansion

Expected results:

- A minimum of 50 service delivery expansions in 30 municipalities by end of FY 2005
- Adoption of a rationale for the selection of infrastructure investments
- A municipal development fund in 13 municipalities

Objectives:

- Increased service delivery in a participatory, transparent manner
- Increase receptivity to services offered by NGOs

Illustrative activities:

- Promotion of a Municipal Development Fund in at least 13 municipalities

- Continue promotion of public audiences for works selection in 30 municipalities
- Promote more public meetings to report on works implemented arising from public audiences (rendición de cuentas)
- Recommend NGO participation when circumstances permit such as urban zoning, privatization of certain municipal services and technical assistance for works design and construction
- Improve financial reporting of municipal development funds for the mayor and the municipal council
- Promote additional special purpose development funds for road paving, street lighting and garbage collection
- Promote a rationale for selecting works requested in public audiences
- Suggest the need for the preparation of an updated master plan for municipal improvements

C4. Transparency best practices

Expected results: Implement a transparency mechanism in 30 municipalities by end of FY 2005

Objective: Create an appetite for transparency within the municipality

Illustrative activities:

- Promote internal transparency-
 - Clear interim reports
 - Transparency in hiring practices
 - Improved accounting systems Teaching property data base maintenance
 - Showing proactive collection techniques
 - Teaching courteous contacts with citizen taxpayers including careful explanations of tax calculation in the municipality offices and on the street through project trained notifyers
- Promote external transparency-
 - Training for municipal employees on dealing with the access to information ordinance
 - Promote an access to information ordinance and a guide as to its use within the municipality
 - Discussion in radio broadcasts of certain important ordinances such as changes in taxes or a moratorium on interest and fines
 - Periodic assets disclosure of public employees above a certain pay level
 - Open sessions of the municipal governing body or the mayor's cabinet
 - Publication of checks issued
 - Publication of the 4 month budget execution statements with a narrative explanation
 - Distribution of the "Memoria Anual" to the public
 - Agreement with citizen oversight committees (contraloría ciudadana) and similar groups allowing for oversight of municipal administration

C5. Accountability Best Practices

Expected results:

- Accountability best practices implemented in 28 municipalities by end of FY 2005
- An information system that measures municipal performance

Objectives:

- The municipality prepares reliable data and then
- Shares performance information with the public
- Implementation of web sites in at least 6 municipalities

Illustrative activities:

- Recommending careful budget preparation and reporting
- Public hearings with citizen groups
- Recommend the implementation of a municipal web site
- Recommend establishing citizen committees to oversight some municipal activities

C6. Participation Best Practices

Expected results:

- A participatory event implemented in 30 municipalities by end of FY 2005
- Increased citizen participation in the selection of municipal infrastructure investments
- Increased sense of participation within the municipality among the municipal governing board, the mayor and his operating departments

Objective: Promote good governance with citizen participation in municipal affairs

Illustrative activities:

- Promote neighborhood gatherings to help with tax collections
- The organization of a good governance day where the mayor and his key executives meet with neighborhood committees
- Publishing interim and annual financial statements
- Opening Municipal Council meetings to the public or to closed-circuit television
- Convening public hearings to discuss zoning changes, changes in user fees for some services, service delivery selection, and the annual budget
- Implementing a municipal communications strategy, which could include newsletters, radio interviews, public billboards, installing a computer accessible to citizens showing significant municipal operations
- Inviting a recognized citizens group to participate in municipal affairs

C7 Ethical best practices

Expected results: Ethics improvements in 15 municipalities by end of FY 2005

Illustrative activities:

- Improve internal controls and promote a zero tolerance for unethical behavior discovered in the billing and collection of property taxes and or the commercial tax
- Endorse a campaign that explains the property commercial tax laws
- Prompt and appropriate action upon discovering fraud
- Prepare an ethics manual for municipal employees

C8. Sustainability activities

Expected results:

- Increased public awareness of the Finanzas Municipalities program in Paraguay
- Continued improvements in municipal performance after completion of the Chemonics consultancy
- NGOs and local organizations strengthened
- Income enhancement and good governance reform technical assistance offered by at least 3 institutions after the Finanzas Municipales project finishes in September 2006

Objectives:

- Sustained municipal performance
- Citizens and/or local groups actively participating in municipal government

Illustrative activities:

- Helping at least 2 governorships establish a Municipal Assistance Unit that emulates the successful Finanzas Municipales consultancies
- Consolidate the growing transference of the project consultancy techniques in Alter Vida
- Edit and finalize standard work programs by January 2005
- Conduct best practice seminars
 - For Municipal Councils
 - For Governorship Councils
 - For party regional associations
- Install a project web site of best practices by December 2004
- Continue the Finanzas Municipales communication strategy
- Promote selected NGO services at client municipalities
- Continue publishing a project newsletter
- Promote a Municipal Council information package ordinance
- Support to the project is developed among executive staff and council members
- Legal framework like municipal ordinances and resolutions needed for service implementation are approved
- The governing board incorporates good practice employee hiring guidelines into municipal resolutions
- Operations manuals formally adapted by the governing board
- Chemonics promotes dissemination of best practices learned during the project
- Periodic follow up visits by Chemonics consultants
- Chemonics trains local NGOs and organizations to train municipalities
- Chemonics trains municipal associations or interested departmental governments in the best Chemonics practices

- Citizens' demand for a service put pressure on local government to continue delivering the service with the same or improved quality.

C9. Replication of the Chemonics consultancies

Expected results:

- One replication organization taught by December 2004 (Alter Vida), and two more (the Governorships of Central and Caaguazú) substantially completed by the end of FY 2005
- At least 6 municipalities being helped by AlterVida and 6 more helped by the governorships

Objective: Local replication of Chemonics' consulting techniques

Illustrative activities:

- Complete activities needed to claim Alter Vida as the first successful example of replicability of the Chemonics consultancy in a local organization
- Complete the replication efforts at the governorships of Caaguazu and Central departments
- Explore replication efforts in NGOs and other organizations
- Pursue the possibilities of municipalities helping other municipalities

C10. Dissemination

Expected results

- A knowledge of the Finanzas Municipales project within the national government
- An awareness of the project within the local sectional party leadership organizations
- An awareness of project effectiveness among the governors and mayors of Paraguay
- An awareness of the project within the US Embassy and USAID Washington

Objective:

- A widespread awareness that Paraguayan municipalities can materially improve their financial health through their own efforts

Illustrative activities:

- Continue the publication of the Finanzas Municipales news letter
- Complete the preparations of the project web site
- Prepare special purpose presentations for
 - Governorship councils
 - Mayors and municipal councils

 - Associations of municipalities
 - National organizations
 - Local political leadership organizations

D. Other**D1. Quarterly reports**

Chemonics will continue reporting achievements in quarterly reports and is grateful for USAID's flexibility in granting an extra 15 days when required. The compilation of information becomes more complex each quarter as the roster of project clients grows toward an expected 38 local governments. Chemonics proposes the following rotation of Annexes for fiscal year 2005:

PROPOSAL FOR QUARTERLY REPORT ANNEXES FOR FY 2005

Annex	Title	Frequency
A	Quarterly Report Financial Information	I, II, III, IV
B	Municipal Finance Performance Monitoring Plan	I, II, III, IV
C	Collections from Project Consultancies	I, II, III, IV
D	Works and Services Promoted by the Project	I, II, III, IV
E	Participation and Transparency Events (one page summary)	II
F	Dissemination Activities	IV
G	Index of Financial Improvement by Municipality	I, III

D2. Follow up activities beginning October 2004

As the project expands, it is more and more evident that the municipalities need to report their accomplishments in a more standard manner and the municipalities that have "graduated" need to be monitored. The project needs to evaluate these municipalities on a regular basis, to identify what additional targeted technical assistance is necessary to maintain a positive and sustainable impact in the community. The consultants who worked in the select municipalities have been responsible for visiting the municipality, but the project has been lacking coordination of the follow up assistance. The project will be contracting a person to help prepare a program of activities designed to help assure the continuance of achievements obtained during the field work through the end of the Finanzas Municipales project currently scheduled to terminate in September 2006 with an eye on improving the prospects of maintaining good practices in the municipalities following elections in October 2006.

D3. Subcontracts identified

The project has worked diligently to identify subcontracts both to provide select technical assistance regarding good governance and income enhancement. The project recognizes the value in contracting local subcontractors, to promote sustainability and increase awareness and understanding of the proven methodologies within the local NGO community in Paraguay. To date, the project has subcontracted more than 8 local subcontractors and will continue to contact additional subcontractors as needed in the municipalities.

D4. Final edition of uniform work plans of consultancy activities

The detailed work programs prepared in December of 2003 are in use and will be edited and perfected by March 2005. These work programs will help implement consistent standards among the Chemonics consultants, serve as important guides for municipal internal auditors and local organizations wishing to replicate the Chemonics consultancy and will be available to anyone world wide on the project web site.

D5. Finanzas Municipales web site

The web site for the Finanzas Municipales project will be online by December 31, 2004.