



1. Project Data:		Date Posted : 08/01/2001	
PROJ ID: P006852		Appraisal	Actual
Project Name: Municipal Development Project	Project Costs (US\$M)	188.2	208.3
Country: Colombia	Loan/Credit (US\$M)	60.0	60.0
Sector(s): Board: UD - Telecommunications (28%), General water sanitation and flood protection sec (28%), General transportation sector (28%), Sub-national government administration (14%), Banking (2%)	Cofinancing (US\$M)	122.9	143.3
L/C Number: L3336			
	Board Approval (FY)		91
Partners involved : Inter-American Development Bank	Closing Date	12/31/1997	12/31/2000

Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

(a) remove infrastructure bottlenecks and improve the coverage and operation of local government services, especially for low-income groups; (b) improve the coverage and operation of services provided by project entities; (c) improve the financial performance of project entities; (d) strengthen the institutional capabilities at the national and regional level to provide technical support to project entities; (e) improve the skills of personnel of project entities in areas such as revenue administration, expenditure management, and planning and delivery of local services; and (f) improve the municipal resource base by strengthening the capability for cadastre definition and update . [for the most part 'project entities' refer to municipalities and their agencies]

b. Components

(a) line of credit administered by Colombia's Municipal Finance Agency (FINDETER) for subloans to local governments and their agencies for investments in urban infrastructure and services and institution building .
 (b) Strengthening FINDETER's operating capacity (this component was financed by the Inter-American Development Bank).
 (c) Training and institutional support to strengthen municipalities and their agencies .
 (d) Technical assistance to Colombia's National Geographic Institute (IGAC) to enable it to complete an ongoing program of updating about 4.3 million municipal cadastres nationwide .
 By formal amendment of the Loan Agreement in January 1998, a fifth component was added: (e) Institutional Improvement of the water and sanitation sector companies .

c. Comments on Project Cost, Financing and Dates

Final costs were 11% higher than planned, due to greater investments in municipal projects than expected . By completion, a Bank loan of US\$60m. had financed 29% of the project. The project was approved on 05/30/1991. Twelve months elapsed between approval and effectiveness, twice as long as planned .

3. Achievement of Relevant Objectives:

- Data on project impact indicators is not provided in the ICR, which does not explicitly address the achievement or otherwise of each of the project's six objectives . With respect to these six objectives :
 (a) 'Infrastructure bottlenecks' were not explicitly defined at appraisal, and hence their removal was not assessed at completion. Furthermore, the ICR does not provide evidence of the type of services provided by local government, nor their coverage.
 (b) Greater coverage of services appeared to have been achieved through the project's attention to about 179 municipalities with a total population of 7.5 million, but no evidence is cited of how much more service coverage was

achieved through the project.

(c) The ICR states that the project helped improve the fiscal and technical performance of municipalities, although it does not provide indicators showing what was achieved .

(d) The project helped hone skills at the national level, especially to personnel of FINDETER, IGAC and DNP, allowing them to provide technical support to municipalities in the areas of revenue administration, expenditure management, and the planning and delivery of local services . The ICR is silent about the amount of technical assistance provided and whether this was an innovation in terms or level or type that could be attributed to the project.

(e) Skills levels in municipalities were improved through project training of 7,219 staff in 632 municipalities.

(f) While, the *potential* resource base for municipalities was increased through 6.9 million cadastres established or updated by the project, explicit evidence of improved municipal revenues through local governments exploiting this as a resource base is still wanting .

4. Significant Outcomes/Impacts:

- Some 179 municipalities with a total population of 7.5 million benefited from FINDETER component (a).
- Low income populations in semi-rural areas benefited from an increased coverage of basic municipal services .
- The project provided private sector participation support to 28 utilities, more than three times the number originally planned.
- The cadastre component (d) led to nearly twice as many property register updates as planned (5.2 million achieved versus 2.8 million planned) and also considerably exceeded plans for the cadastre of new properties .

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Project design was unduly ambitious, expecting a quick fix to a wide range of problems confronting municipal development in Colombia.
- Quantitative indicators for assessing the degree of development impact and achievement were not provided in the project design.
- Cost overruns on individual sub-projects--from an average of US\$500,000 per sub-project to US\$709,000 per sub-project--and hence a reduction in the physical scope of the project .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	(i) important issues, such as tariffs, property taxation and operations and maintenance) have yet to be addressed by the project; (ii) damage to infrastructure and disruption to property tax reforms and cost recovery measures by ongoing conflict and illegal drug trade; and (iii) shortfalls in physical scope owing to cost increases.
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	Even so, there were disruptions to project supervision and staffing discontinuities while the Bank conducted an internal reorganization.
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- from the Bank ICR:

- Private sector lenders understandably seek strong guarantees when lending to municipalities, but higher level government should not grant such guarantees wantonly and without careful analysis . Doing so can make investors over-dependent upon them . At the same time these guarantees can be a disincentive for municipalities to consolidate their own credit-worthiness in the market.
- Consideration should be given to low-cost "appropriate technology" solutions, especially in the provision of water supply services to the poor .
- In a cofinanced project--with IDB in this case--the Bank has to do more at the outset to reconcile the management of each partner's procurement, sub-project evaluation and other procedures in order to avoid confusion for the borrower in particular .

- from the Borrower ICR:

- Unrestricted and determined political will by higher authorities --especially in respecting local autonomy--is a necessary ingredient for a municipal development operation to succeed .

8. Assessment Recommended? Yes No

Why? Project lessons are particularly relevant for future operations . A more detailed assessment can

feed into OED ongoing work on post-conflict. Colombia is an under-audited country in the urban sector.

9. Comments on Quality of ICR:

Satisfactory overall, although the evaluation would have been more complete with an explicit treatment of the achievement or other wise of each of the project's six objectives and reference to values of impact indicators (should have been included in log frame matrix of Annex 1) that would provide supporting evidence for the results claimed . The evaluation would have be more complete with comments from IDB, a key partner in this operation (should have been included in ICR section 9).