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PERFORMANCE AUDIT REPORT

ARGENTINA

FIRST MUNICIPAL DEVELOPMENT PROJECT
(LOAN 2920-AR)

June 16, 2000

Operations Evaluation Department

Currency Equivalents (Annual Averages)

Currency Unit = Country Currency:Peso(Arg$)

US$1	=	Arg$1 Peso

Abbreviations and Acronyms

CCU	Central Coordinating Unit
GDP	Gross Domestic Product
ICR	Implementation Completion Report
IDB	Inter-American Development Bank
IERR	Internal Economic Rate of Return
MDF	Municipal Development Fund
OED	Operations Evaluation Department
PEU	Provincial Executing Unit
PAR	Performance Audit Report
SDS	Secretariat of Social Development of the Presidency
MDPs	Municipal Development Projects
MIS	Management Information System
MDP-I	First Municipal Development Project
MDP-II	Second Municipal Development Project

Fiscal Year

Government:	January 1 – December 31

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Washington, D.C. 20433
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Office of the Director-General
Operations Evaluation

June 16, 2000

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Performance Audit Report on Argentina First Municipal Development Project (Loan 2920-AR)

The Argentina First Municipal Development Project (Loan 2920-AR, US$120 million) was the first operation of its kind in Argentina. The project was approved March 22, 1988, and closed on March 31, 1996, five and half years after Board approval and nine months beyond the original closing date of June 30, 1995.

The aim of the project was to rebuild basic public management skills (in five provinces) that had been lost over years of high inflation. The project had three objectives: (i) to mobilize external and internal resources to finance municipal investments with positive economic and social impacts; (ii) to strengthen municipalities' capacity to plan, finance, and execute cost-effective capital investment programs; and (iii) to promote structured, periodic consultations between municipal and provincial authorities for the formulation and evaluation of investment plans. The project financed components in the two traditional MDP categories: *physical investments* (representing at least 90 percent of total project costs) and *technical assistance and training* on financial management (between 5 and 10 percent of total project costs in each province). Each province was assigned an initial allocation of funds for the first three years of the project's implementation. Unused funds were then reallocated based on a performance review.

Immediately following the approval of the project, Argentina suffered a near total macroeconomic collapse. Only a very small percentage of participating municipalities achieved significant reform out of their experience with MDP I. Project staff, who were not really ready to implement the project when it finally became effective found it challenging to advise municipal officials in the smallest cities, especially in distant and hard-to-visit areas. The MDP I was conceptually ahead of its time in Argentina, and it was hobbled by the fact that (at least at the outset) there were few incentives for municipalities to commit to improved management practices.

As the Bank's first attempt in the areas of municipal development and more effective intergovernmental financial management in Argentina, the project was a commendable first effort. MDP was able to support the efforts of already reform-minded municipalities, but it did little to induce reforms in unreceptive municipalities. OED rates project outcome as marginally satisfactory, sustainability as uncertain, and institutional development impact as substantial. This differs from the ICR only in the outcome rating—the ICR rated overall outcome as satisfactory. In the view of the audit, highly significant institutional development impact took place in a few municipalities under MDP, but in many more under MDP II. Lessons learned identified by the audit include the importance of using monitoring indicators in order to detect implementation problems in a more timely fashion; and the need to use those municipalities that achieved outstanding results as schools and consultants for their peers.

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This report was prepared by Ronald Parker. William Hurlbut edited the report. Helen Phillip provided administrative support.

Principal Ratings

	ICR	*ICR review*	*Audit*
Outcome	Satisfactory		Marginally Satisfactory
Sustainability	Uncertain		Uncertain
Institutional Development	Substantial		Substantial
Borrower Performance	Satisfactory		Satisfactory
Bank Performance	Satisfactory		Satisfactory

Key Staff Responsible

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Preface

This is a Performance Audit Report (PAR) on the Argentina First Municipal Development Project (Loan 2920-AR, approved March 22, 1988, for US$120 million). The loan was closed on March 31, 1996, five and half years after Board approval and nine months beyond the original closing date of June 30, 1995. The final project cost was US$189.3 million (appraisal estimate, US$240 million). Final disbursement took place on June 5, 1996, when US$205,344 was canceled.

This Operations Evaluation Department (OED) report is based on the Staff Appraisal Report, President's Report, sector and economic reports, special studies, Country Assistance Strategy, loan documents, review of the project files, and discussions with Bank staff. An Implementation Completion Report (ICR, Report No. 16641, dated May 30, 1997) was prepared by Public Sector Modernization and Private Sector Development Division, Latin America and Caribbean Region. An OED mission visited Argentina in November1999 and discussed the effectiveness of the Bank's assistance with national, provincial, and local government officials; development organizations; and other stakeholders. Their kind cooperation and invaluable assistance in the preparation of this report are gratefully acknowledged.

The ICR provides an account of the project experience and achievements. It covers project design issues and the relationship of the Bank with the borrower. The PAR discusses a number of problems that constrained the achievement of project objectives and identifies a few new lessons learned. It assesses the quality of the intervention design, including its consistency with the problems identified. It considers the effectiveness of the Bank and borrower dialogue; reflects on the borrower's ownership, consensus, and commitment; and determines the effectiveness of the project subcomponents.

Copies of the draft PAR were sent to the relevant government officials and agencies concerned for their review and comments. Comments from the Borrower have attached as Annex B.

1. Introduction

Country Context

1.1 Most of Argentina's population has been urban since the first decade of this century, with the majority clustering close to Buenos Aires. At the time of the project, the country was experiencing rising demands for urban services as a result of a new spurt of urban growth.[1] Coping with the service demands of city dwellers is complicated by the legal relationships that tie the relevant governing bodies together.

1.2 The Argentine State is organized into central, provincial, and municipal levels, but within the federal structure, the provinces hold most of the governmental power. The provinces are largely autonomous entities—they were sovereign states until 1853—and are governed by their individual constitutions. Municipalities, defined by Argentine law as settlements of 2,000 or more inhabitants, are organized as subdivisions of each province's system of government.[2] The primary municipal-owned source of revenue is the user charge (for public services, frequently tied to the property tax).

1.3 Improved urban sector management is vitally dependent on the financial and service-delivery relationships between the provinces and municipalities. As the economy slowed in the 1980s, revenue sharing transfers decreased. To help take up the slack in budgetary resources at the provincial level, the central government increased its support to provinces through ad hoc, discretionary transfers. In return, provincial transfers to municipalities became increasingly discretionary, this resulted in total transfers varying widely from year to year. Even well-managed municipalities that make a strong fiscal effort under existing legislation are not assured of sufficient provincial transfers to support capital improvements. As the provinces shared revenues with their municipalities, instability at the highest level was transferred down to the local level, making it quite difficult for local officials to plan for capital expenditures. Local borrowing has been unable to fill the revenue gap as it is very expensive and seldom used. To complicate matters, by the start of the project, five decades of heavy state interventionism, inward-looking trade orientation, and disregard for macroeconomic equilibrium had resulted in high inflation, widespread economic stagnation, and massive public sector deficits.

Sector Context

1.4 The move toward a more efficient, equitable, and fiscally responsible federalism in Argentina is based on a policy of decentralization. During the 1960s and 1970s the fiscal significance of Argentina's 23 provinces and territories had grown rapidly: real expenditures increased, both in per capita terms and relative to total economic activity. Where doing so optimized efficiency gains, the provinces had decentralized services to municipalities. Per capita provincial municipal expenditures during the same period grew

1. Government officials estimate that 88 percent of the total population now lives in urban areas.

2. Although the National Constitution establishes that municipalities should be independent from other levels of Government, it also requires each province to establish a Municipal Code in which specific responsibilities and authorities are delegated from province to municipality.

twice as fast as central government outlays.[3] This trend continued into the 1980s with provincial/municipal expenditures representing 11 percent of GDP for the 1984–85 period, as compared to the central government's average of 8.8 percent of GDP for the same period (excluding public enterprises and social security). Legislation establishes municipal responsibility for a number of services, including the paving and maintenance of streets and local roads, water and sewerage, refuse collection, and some health, education and other community facilities, but finding ways to finance needed infrastructure is increasingly difficult.

1.5 At the time the project was under preparation, the Argentine government faced a difficult challenge: how to mobilize the resources needed for public investment and recurrent costs in a way that would reduce deficit financing and inflationary pressures. As long as municipalities depend on highly irregular formula-driven and discretionary revenue transfers, they face practically insurmountable barriers in carrying out effective capital investment programs.

The Role of the Bank

1.6 Since the 1980s, municipal development projects (MDPs) have been the preferred mode for Bank urban lending. MDPs potentially have a greater impact—a larger number of municipalities become involved—because they encourage competition among cities, so even the losers learn from the experience. Under an MDP, municipalities that win the competition gain access to credit to finance their own investment projects. Cities that fail to win are sometimes given technical assistance to upgrade their capacity so they can better compete in the future. MDPs typically consist of two components: a line of credit to fund municipal investments in infrastructure, and services and technical assistance to encourage greater fiscal effort at the municipal level.

1.7 MDP I was the first operation of its kind in Argentina, although it built upon MDP experience within the region (two MDPs were being implemented in Brazil[4]). The aim of the project was to rebuild basic public management skills that had been lost over years of high inflation. The Country Economic Memorandum[5] identified three key issues: (a) how to increase the predictability of the volume of annual transfers to the provinces and municipalities; (b) how to achieve better public accountability for the resources transferred; and (c) how to encourage provincial and local government reforms in planning, budgeting, and financial programming.

1.8 A follow-on project, MDP II, has been under implementation since 1995, and prospects for an MDP III have been discussed between the Bank and the borrower. MDP II covers 13 provinces, and the IDB, in parallel, works with municipalities in the other 10

3. Provincial municipal expenditures nearly doubled from 5.4 percent of GDP in 1960 to an average of 10.2 percent in 1977-80. By 1980, provincial expenditures on health and general administrative overhead not only exceeded central government expenditures, municipal expenditures were growing while central government's was decreasing. Central expenditures decreased from 6.1 percent of GDP in 1960 to 4.2 percent in by the end of the 1970s relative to those of provincial and municipal governments (1.4 percent of GDP in 1960 to 2.4 percent in the latter 1970s).

4. Evaluated in the 1999 OED publication, *Developing Towns and Cities: Lessons from Brazil and the Philippines* (ISBN 0-8213-4532-X).

5. 1985, p. 95.

provinces. The IDB also covers all the municipal investments above US$2 million in the four larger provinces served by the Bank.

The Project

1.9 The project had three objectives:

- To mobilize external and internal resources in a non-deficit, non-inflationary way to finance municipal investments with positive economic and social impacts
- To strengthen municipalities' capacity to plan, finance, and execute cost-effective capital investment programs
- To promote structured, periodic consultations between municipal and provincial authorities for the formulation and evaluation of investment plans.

1.10 The project financed components in the two traditional MDP categories:

- *Physical investments* (representing at least 90 percent of total project costs), including construction and rehabilitation of public infrastructure (usually water, sewerage, street paving, storm drainage), construction of new community facilities (bus terminals, health posts), and purchase of vehicles and equipment. Eligible civil works subprojects were limited to US$500,000 equivalent, and all elements had to be fully functional, either on their own or in conjunction with existing works once disbursement was over.

- *Technical assistance and training* on financial management, accounting procedures, cadastres, maintenance procedures, computers, and supervision of vehicles (between 5 and 10 percent of total project costs in each province).

1.11 Each province was assigned an initial allocation of funds for the first three years of the project's implementation. After that period, a province would lose guaranteed access to its initial allocation. Unused funds were then reallocated based on a performance review. Municipalities were responsible for identifying and selecting individual subprojects according to their own needs assessment. Thus, the portfolio of subprojects was not defined at appraisal but evolved over time in response to demand at the municipal level.

Issues During Project Preparation

1.12 *Moving Beyond the Betterment Levy.* Cost recovery criteria for the project were supposed to guarantee that municipalities would recover a minimum percentage of the cost of physical investments from direct beneficiaries: each annual investment plan presented by each municipality had at least 65 percent of total proposed physical investments allocated to components for which 100 percent of total investment costs would be fully recovered from final beneficiaries. (Institutional strengthening under MDP I was subsidized.) This "beneficiary pays" approach was clearly intended to meet the first objective of the project. Historically, municipalities had relied almost exclusively on the betterment levy when attempting to recover the costs of infrastructure investment. This is a agreement under which beneficiaries (sometimes the entire citizenry) voluntarily agree to pay all of the capital cost of a predetermined municipal infrastructure improvement. The Memorandum of the President noted that financing through the betterment levy leads to overly-small municipal works financed over a period which is too short (generally a maximum of 24 months). Another criticism from the same document is directed at the manner in which (with betterment levies) a large proportion of beneficiary payments are required before construction even begins, which almost inevitably results in problems being solved piecemeal. The MOP concludes that with betterment levies, projects are implemented at a pace which is too slow, and, ultimately, little is financed that benefits the cities' poorer residents. To the extent that direct cost-recovery mechanisms could be improved and expanded, municipal governments had the potential to substantially increase their efficiency, self-sufficiency, and service to the poor. Indeed, increasing the capacity of local governments to make use of non-governmental sources of credit was an important project goal. As an interim measure, special funds, targeted to provide credit after the loan closed to municipalities that were ready to technically plan for infrastructure investments (see next paragraph) were created by the project.

1.13 *Creation of a Municipal Development Fund.* The provinces were expected to onlend to participating municipalities with an interest rate spread of at least 1.5 percentage points in order to capitalize a municipal development fund within each province. Sustainable financial benefits were to be achieved from the creation of such permanent self-financing funds (a condition of effectiveness) that would continue to lend to participating municipalities at positive real interest rates. Project documents estimated that the funds in each participating province would capitalize 33 percent of the initial loan after a period of 20 years.

1.14 *Eligibility Criteria.* Municipalities were not allowed to borrow for "intermediary" projects, only physical investments that were purely municipal in nature could be financed. This meant that the municipality had to be responsible for operation and maintenance once the investment was complete; investments had to be planned under municipal authority and supervision, and the municipality had to be able to set fees or tariffs and change them as necessary. Municipalities also had to be creditworthy to be eligible for physical investments. [6]

2. Implementation and Results

2.1 Immediately following the approval of the project, Argentina suffered a near total macroeconomic collapse. *Monthly* inflation reached as high as 200 percent during several months. Under these conditions, being fiscally responsible was not a rational behavior. Careful financial planning and cost recovery of physical investments made no sense to mayors in an environment of total uncertainty. As a result, the first three years of the project disbursements were slow. Once the Convertibility Law was passed (April 1991) and price stability was finally achieved, fiscal responsibility and public management efficiency once again became rational at all levels of government. When borrowing with an element of currency risk was a sensible option, the demand for municipal subproject financing mushroomed, and over 700 subprojects were finally completed. Still, it took the highly autonomous provinces between one and two years to pass legislation ratifying subsidiary agreements. The project closing date was extended nine months to complete disbursements.

6. Municipal creditworthiness criteria for physical investments required that municipalities had: a) current revenues (excluding discretionary grants) that exceeded current expenditures; b) debt obligations within adequate limits as defined by the following criteria: i) total debt not to exceed 60 percent of total municipal revenues; and ii) total debt service of outstanding and proposed loans not to exceed 15 percent of total budgeted revenues for the year of the proposed project.

2.2 The cost of managing the project (with a central project implementing unit and the five provincial units) came to nearly 10 percent of total project costs (over twice the appraisal estimate of 4.6 percent). The Bank increased its share of the project's financing from 50 percent to 75 percent in 1992 when the lack of municipal counterpart funds became one of major causes of slow disbursement. This action resulted in a lower total project cost (US$189 million compared to the estimated US$240 million) distributed as follows: IBRD, 63.3 percent; provinces, 8.5 percent, and municipalities, 28.3 percent.

ICR Findings

2.3 Arguably the most important lesson from the ICR is that the Bank should not lend for urban development during periods of hyperinflation and general macroeconomic chaos. The project outcome would have been poor indeed had not the Convertibility Law been passed and macroeconomic stability restored. The ICR noted that of the 650 eligible municipalities in the five provinces 322 managed to finance subprojects. By the time of the ICR mission, about 80 percent of municipal debt resulting from these early loans had already been repaid in four of the five participating provinces, and more than 2 million people benefited from infrastructure works. The largest demand was for pavement, curbs, and sidewalks, which accounted for roughly half of all project costs. Although municipalities that were not eligible for physical investments could still get financing for technical assistance and training, almost no municipality took advantage of this option. Technical assistance subprojects were only 2 percent of total project costs compared to the 4 percent that was anticipated at appraisal.

2.4 The ICR argued that the most significant achievement of MDP-I was that it provided a flexible framework that allowed municipalities to assess their individual needs over time, prepare and implement specific subprojects, and adopt cost-recovery arrangements tailored to these needs. The ICR found that the project achieved substantial results with regard to sector policy, institutional development, and physical objectives. Among its conclusions were the following:

- The project was an effective tool for promoting municipal reform because it rewarded fiscal responsibility.
- The project increased the dialogue between provincial governments and municipalities, and contributed to the collection of data on municipal finances at the provincial level.
- The municipal and subproject eligibility criteria provided a good approximation of market conditions, which will help municipal governments to eventually obtain access to private financial markets.

Audit Findings

2.5 While field visits generally support the history of the project achievements presented in the ICR, conversations held in the field with stakeholders lead inexorably to the conclusion that the project did not fully achieve its objectives. The pavement, curbs, and sidewalks financed under the project generally were repaid by betterment levies, the type of financing the project was trying to replace, or at least supplement with more efficient mechanisms.[7] In the view of most knowledgeable informants, only a very small percentage of participating municipalities achieved significant reform out of their experience with MDP I. [8] Project staff, who were not really ready to implement the project when it finally became effective found it challenging to advise municipal officials in the smallest cities, especially in distant and hard-to-visit areas—by all accounts, for example, little was accomplished in the province of La Pampa. Project staff, who were intended to be advisors, instead did the bulk of the project preparation work. Many of the municipalities were so small (it will be recalled that a population of 2,000 legally transforms a small town into a municipality) that their over-burdened staff were incapable of taking the time to plan projects in the manner intended. Consequently, the well-trained provincial project staff wound up doing the project preparation activities that could have been most instructive for the municipal staff.

2.6 Since individual subprojects were generally small, it could be argued that full enforcement of the project requirements would only have increased the cost of borrowing by obligating municipalities to employ private consultants to handle project preparation details. On the other hand, the project experience prepared the municipalities to participate in the follow-on MDP II, which has even tougher requirements for subproject preparation. To date, MDP II has a record of important and sustainable achievements, in part because of the lessons learned during the implementation MDP I.

2.7 The MDP I was conceptually ahead of its time in Argentina. Project designers hoped that the project would walk on two legs—managerial assistance and infrastructure finance—but it was hobbled by the fact that (at least at the outset) there were few incentives for municipalities to commit to improved management practices (see discussion in *para.* 2.9 on transfers to the municipalities). Mayors, particularly the more traditional, felt that their time in office would be judged by their friends and neighbors in terms of what they managed to *build*. Therefore, they were highly interested in paving streets, building sidewalks, upgrading cemeteries, constructing markets, and otherwise leaving behind visible infrastructure. Bank and project staff note that during project implementation very few mayors even understood why it might be in the best interest of their municipality to invest in training, computers, software, and improved administration generally. This is reflected in the fact that actual investments in technical assistance subprojects were only about half of appraisal estimates. Mayors were loath to collect money for things that their constituents formerly enjoyed for free—it did not lead to increased mayoral popularity and was therefore generally eschewed.

2.8 The project was also ahead of its time in addressing environmental concerns. For instance, some subprojects promoted the recycling of solid waste. Project experience revealed that the market for recycled wastes was largely limited to Buenos Aires. Only cities that were close enough to the metropolitan area could keep transport costs low enough to sustain recycling activities.

2.9 In 1995, as the project was on the verge of closing, interest on the part of local political leaders in institutional improvements began to increase radically. The national

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7. Argument against pre-project municipal financing practices developed in *paras. 2-3* in the Memorandum and Recommendation of the President.

8. At the time of the audit mission, per capita provincial debt was: Buenos Aires (the lowest of all provinces with $116), Cordoba ($402), La Pampa ($278), Neuquen ($778), and Santa Fe ($297). To put these figures in perspective, the province with the largest per capita debt is La Rioja with ($1,769). Source: CCU.

government became financially constrained by the Tequila crisis;[9] provincial governments began to feel the squeeze a year later (1996). Although the severity of cuts in financial flows and their timing varied by municipality and province, in general, transfers to municipalities continued to fall steadily in real terms for at least two years. When the audit visited mayors in the provinces of Santa Fe and Buenos Aires who had participated in the project, their interest in improving the management of their cities and increasing locally generated revenues was great and growing rapidly. A few mayors lamented letting the opportunity presented by MDP slip away.

Examples of Highly Successful Subprojects

2.10 The experience of two cities illustrates what more participating cities might have done had their interest in improving management been piqued earlier. The small but politically important town of Llambi Cambell in the province of Santa Fe accomplished important infrastructure and city management improvements during the loan period. Among the infrastructure made possible by MDP loan financing were new paved roads in the city center, street lighting for three major avenues, and a complete reconditioning of the park in the city's central square (including a platform for school graduations and other public events, benches, paths, walkways, trees, shrubs and other ornamental plantings). The cost of these items is being fully recovered from the beneficiaries. The municipality imposed a temporary surcharge on each family's land tax equivalent to US$1/month until the full amount borrowed has been repaid.

2.11 A revolution in municipal management has taken place in Llambi Cambell. Under the guidance of two different mayors, the city employees developed an accounting and management information system for all town affairs. It is the only fully computerized municipal system in the province. Even more impressive is the way in which the system was developed and the spirit with which its developers approached the design problems they faced. None of the responsible city employees has ever attended university, and the entire system runs on off-the-shelf software purchased locally and modified in-house. When the employees began the project, none of them was even computer literate. Now nearly all of them are enthusiastic experts within their area of responsibility and fully able to handle their computerized management information system (MIS). Municipal employees from around the province visit Llambi Cambell to observe the use of the system and to learn about how it was developed. The mayor mentioned the possibility of the town providing consulting services and system support in the region on a money-making basis but, as of the audit visit, advisory services are still provided gratis.

2.12 Avellaneda, a city of about 350,000 inhabitants in the province of Buenos Aires, is another city that significantly improved its systems and advanced its management practices. According to the mayor and his staff, at the start of the project everything that could be wrong with the municipal administration was. False bills and receipts for city services were in wide circulation. Higher-level employees could (and did) forgive debts or give discounts without authorization. In order to clear the books of unrecoverable debt, past mayors often declared debt moratoriums—these only created further incentives for local citizens not to pay for municipal services. The city used the single largest loan the project made for institutional strengthening to purchase a state-of-the-art computer system and technical

9. Argentina was hit hard by the Mexican crisis of 1994-95. The Argentine peso came under attack and there was a run on bank deposits. Argentina successfully announced a series of policies to mitigate the spillover effects, without abandoning its currency board.

support for the (fully integrated) computerization of all municipal activities. Although it was projected that the system would be fully functional in 13 months, it actually took 39 months before all the bugs were ironed out to the municipality's satisfaction and the system functioned totally as designed. Once it was up and running, however, the city declared that there would be no more debt moratoriums, and that non-payment would lead to service cuts and financial penalties.

2.13 As of the audit visit in November 1999, the functioning of the Avellaneda accounting and financial management system was state of the art. Information needed by municipal managers was available with a few key strokes—a sharp contrast with the past when requests for information could lead to days of work and back-of-the-envelop estimates. The mayor noted that managing and planning with real-time information (embodied in colorful charts and graphs) has greatly simplified his life, and enabled the city to provide more and better services. The quality of the data that the city has on its operating costs and cash flow is so good that it was possible for the mayor to see that buying a new car every month and holding a drawing for those who were up to date with their accounts would earn the city a profit—this lottery more than pays for itself, and it has proved very popular with taxpayers. More transparent procurement has reportedly led to huge operating economies in the town-owned hospital as well as in other major activities.

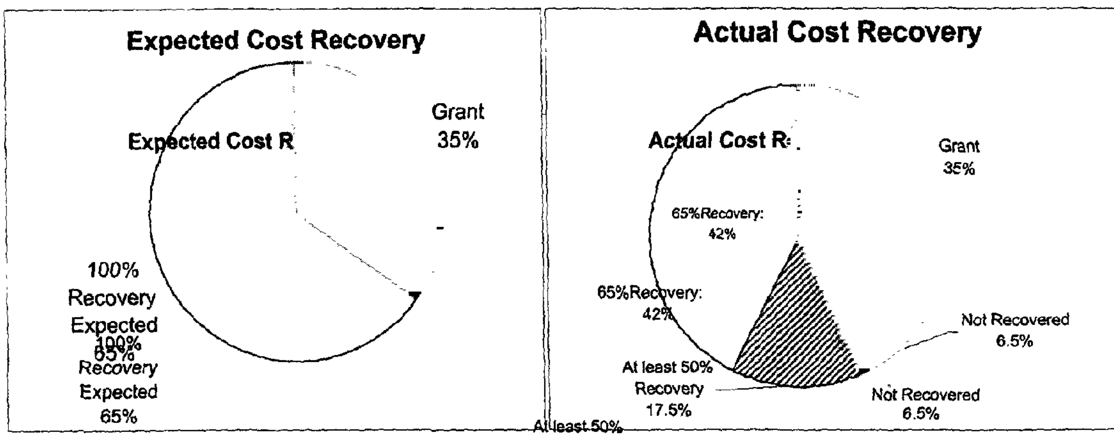
2.14 As these municipalities (and the few others like them) continue to demonstrate the feasibility of cost recovery and the benefits from sound municipal management practices, reform is likely to slowly extend to other municipalities. The challenge is finding a way to speed up the dissemination process.

Productive Use of Infrastructure Investments

2.15 The city of Santo Tome in Santa Fe province participated in three Bank-financed projects (MDP I, MDP II, and Flood Rehabilitation). It generally achieved the type of success on both the management and infrastructure aspects which was supposed to be typical, but was not. Under MDP, the municipality borrowed to expand a functioning water system (62 percent of the amount borrowed) to cover un-served neighborhoods. In addition to the system expansion and the purchase of water treatment equipment, two large water storage towers were built. Newly connected families committed themselves to repaying US$148 per household, and they were able to select payback periods of between one and three years. At the time of the audit visit, about 60 percent of those households had repaid in full, and 20 percent had been unable to pay in the time allotted but had been allowed to refinance and they were up to date with their new payment plan. The town had cut off service to the remaining 20 percent, and was dealing with their debts through the court system. In all, 95 percent of the original cost of the water component had been paid in. The balance of the original loan's proceeds went for vehicles and equipment which generated no revenues. Water user tariffs more than cover the operating water system operating costs, and the overall system is a money maker for the town. Under MDP II the city borrowed for a wastewater treatment facility. When asked to compare the two projects, town officials were unanimous in stating the economic analysis required for subproject preparation was far more rigorous under MDP II than under MDP I. The city's experience with the construction of levees is described in the PAR of Loan 3521-AR. In terms of municipal management, the city has computerized some of its bill collecting and accounting, but not by any means in a fully integrated fashion, so that finding information for long-term planning or other management decisions is still a challenge. Santo Tome is located within sight of Santa Fe, one of the country's more important cities. In recent years it has become something of a "bedroom community" for the better-off who work in Santa Fe and commute.

Cities Found It Hard to Reach Cost Recovery Targets from Beneficiaries

2.16 As was noted above, the project required each municipality to recover the full investment costs directly from beneficiaries for at least 65 percent of the physical investments (see left graph). This never happened to the degree anticipated. Most municipalities failed to recover the required percentage of costs directly from beneficiaries, and the adoption of mechanisms other than the betterment levy (which they had traditionally relied upon) was not widespread. Some municipalities never charged for small sidewalk and paving improvements, so they acquired more debt but no additional revenues.



Lower than expected cost recovery levels were attained for most of money on-lent. Nearly 59 percent (or about 90 percent of the funds where full cost recovery was expected) were recovered by at least 50 percent, and 63 percent of the loan proceeds had a cost recovery greater than 65 percent (see graph on right). In other words, of the 65 percent for which total cost recovery was expected, 90 percent of the funds saw a return of at least half, and 63% saw even more—with at least a 65 percent cost recovery level.

2.17 As the political jurisdiction closest to popular pressures for improved public infrastructure and services, municipalities sometimes wound up providing services that they are not mandated to provide. In these cases subsidized activities financed under the project worsened municipal finances. To give just one example, in the city of Nelson (a town of 3,200 inhabitants visited by the audit mission) the loan financed *inter alia* the conversion of a van into an ambulance. Although the municipality devised an appropriate mechanism on paper for a user charge, it failed to implement it because there were almost no medical services available locally it became politically impossible not to take the city's poorer residents (and even passers-by on the nearby highway) to a distant clinic or the hospital following auto accidents and chronic illnesses. Once some people did not have to pay, no one wanted to pay. In a very short time no further effort was spent trying to collect from anyone. Thus, because of the failure to recover costs at over the life of the vehicle, the ambulance project has been the source of an additional municipal deficit while firmly establishing a tacit obligation on the part of the town to continue to provide free ambulance service as the vehicle approaches the end of its useful life. Few cities "invested" in ambulances, but many chose projects where immediate cost recovery was a challenge, such as disinterment in cases where families had ceased paying cemetery fees.

2.18 Many municipalities opted to purchase vehicles and heavy equipment under the project. While they generally do not recover the cost of this equipment from users, officials at several municipalities asserted that forgone maintenance expenditures on the worn-out units they had before more than covered their loan payments.

Inadequate Monitoring and Evaluation

2.19 All projects need to carefully balance input, process, and impact indicators because at different times in the project cycle each will become important. The national and provincial units focused entirely on input indicators, however. The result of this decision was that careful control of disbursements revealed nothing about the progress of work on the ground. Now that the project is complete, nothing can be said with authority about its impact. The SAR estimated that project activities would create about 58,000 person/years of decently paid construction work. It proved impossible to determine whether this in fact transpired. Although project staff knew how much had been spent on pavement, data on the length and location of specific subprojects was not available. A similar situation prevailed for each type of activity. During the audit field visits it was necessary to ask each municipality what work had been done and where the infrastructure was located. As a result of inadequate attention to process and impact indicators, the ICR is vague on what was accomplished by the 700 infrastructure subprojects implemented by participating municipalities, noting only the level of resource use and an estimated number of beneficiaries. The lack of better data is explained in the ICR text as follows: "A set of performance indicators should be developed to monitor the achievement of the project's objectives. Performance indicators are particularly important in this type of project, which takes a long time to implement and whose impact is highly related to other variables..." PEU staff wound up spending so much of their time developing standardized forms/procedures and doing project preparation work that they had little left over for serious monitoring—which strongly indicates that quality at entry was poor.

Institution Building and Institutional Strengthening Achievements

2.20 The Municipal Development Funds (MDFs) were intended to ensure that a sustainable and expanding source of finance for municipal investments would remain after the project. The ICR mission found that only one out of the five provinces that participated in the project had a functioning MDF. The audit mission found that there were now two MDFs functioning (Santa Fe and Cordobá). The follow-on project is expected to support the creation of MDFs in each province, and to assist them as necessary. Using private auditing firms during supervision enhanced provincial focus on financial control, which partially explains why monitoring was so centered on inputs. Oversight by project staff improved municipal accounting and contracting mechanisms, and increased the municipalities' capacity to manage civil works. Technical assistance components had little impact. They were generally not well received and few municipalities borrowed to finance such assistance. Informal exchanges of information and good practice that municipal employees had with project staff during their visits had a salutary effect and improved some municipal practices.

3. Assessment of Performance

3.1 Why did participating municipalities not improve their creditworthiness and general financial condition as much as had been hoped? According to provincial and municipal staff involved with the MDP, the project started out with requirements that were so rigid that few projects could qualify. In response to a lack of demand in the early years, however, standards were relaxed too much as pressure to move the money overcame cost/benefit thinking. Municipalities preferred to build infrastructure such as curbs where recovering costs from direct users was difficult or impossible. When a municipality's badly designed project was rejected by the Provincial Executing Unit (PEU), the next project it presented tended to be little better. Project staff asked rhetorically, "how often can you say no?" This resulted in the construction of many small infrastructure projects but little financial or managerial improvement. They often either had inefficient financing mechanisms like the betterment charge used by Llambi Cambell, or they just amortized their (higher level of) debt with revenues which had not increased. Thus, better cost recovery performance took place where collection practices were unchanged. Similarly, municipal management skills (some notable exceptions were reviewed in the previous chapter) improved only in a small fraction of participating municipalities. In Neuquen and Santa Fe provinces, only about a fifth of all municipalities participated. As the ICR also noted, the financial management capacity of the more capable municipalities increased, but those cities with the most problems remained in much the same condition. The achievement of the project's fundamental purpose—increasing municipal own-source revenues— was left to the follow-on project.

3.2 There were too many cities and too little time, especially considering that the staff were developing procedures on an ad hoc basis. Given the general lack of municipal capacity to prepare projects, staff simply could not spend the time required to prepare an adequate proposal with each municipality. Project staff admitted that the selection of municipalities to participate in the project was arbitrary in some cases, especially in the more remote provinces. Cities farthest from the project office tended to be out of the communication loop and therefore were often left out.

Ratings

3.3 The MDP project only partly achieved its objectives. National and provincial staff regularly visited municipalities, which did promote structured consultations between municipal and provincial authorities for the formulation and evaluation of investment plans. External and internal resources were mobilized to finance municipal investments, but although they usually had positive social outcomes, they often did not have a positive economic outcomes. In sum, cost-recovery considerations, partly the result of over-promising during appraisal, constrained the achievement of the most important project goals dealing with financial management improvements. Only the very best run municipalities increased their capacity to plan, finance, and execute cost-effective capital investment programs; the weaker ones, which needed it the most, gained little in these areas.

3.4 The audit rates **project outcome** as **marginally satisfactory**, **sustainability** as **uncertain**, and **institutional development impact** as **substantial**. This differs from the ICR only in the outcome rating—the ICR rated overall outcome as satisfactory. In the view of the audit, highly significant institutional development impact took place in a few municipalities under MDP, but in many more under MDP II. This performance pattern suggests that activities should have commenced on a smaller scale. Getting the formula right, that is, getting the forms and procedures developed and the message out might have occurred more seamlessly in a pilot endeavor that covered a smaller number of municipalities. The fact that only two out of five provinces were able to establish Municipal Development Funds is one sustainability risk factor. Although the pavement and other physical investments financed under the project are likely to be adequately maintained by those municipalities that can afford it, the lack of user charges and the fact that betterment levies expire when the initial cost is covered make their longer term survival of project built infrastructure uncertain. With a few notable exceptions, institutional improvements made under the project are ephemeral and their survival is also uncertain. Nevertheless, the loan helped the government begin establishing an appropriate system to implement subprojects in urban areas and, ultimately (under MDP II), to extend the concepts nationally Other achievements taken into account in the institutional development rating include: the positive impact of private sector auditing and the potential of those few municipalities that made great strides to be catalysts as municipal development activities funded by the Bank continue.

Bank Performance

3.5 The Bank's performance was **satisfactory**. Although the quality at entry was poor because macroeconomic conditions had not been adequately taken into account, staff were committed to doing a project that confronted the country's most intractable urban problems. Bank staff worked closely with the borrower during appraisal and in implementation, reportedly visiting more than 50 municipalities to better understand their problems. During the early years when the project was disbursing slowly, Bank staff did whatever was necessary to bring loan-financed activities to a somewhat acceptable conclusion. Even more important, the follow-on project adequately takes into account many of the lessons taught by project experience—particularly that institutional development is appreciated more when its full cost is charged. More could have been done to make the project better support the country's decentralization plans beyond the paving streets and sidewalks. The country's decentralization efforts confronted the municipalities with a range of unfunded mandates (such as sewerage, refuse collection, health, education and community facilities). Bank staff in the project were not as supportive of the country's intentions for the municipalities in these areas as they might have been. This could be because many of these other areas do not fall within the remit of the infrastructure department of the Bank.

Borrower Performance

3.6 Despite the slow start of the project, which primarily was due to difficult economic circumstances, the borrower's performance was ultimately **satisfactory**. The PEU staff promoted consultations between municipal and provincial authorities in relation to investment plans, and developed a close working relationship with the municipalities. Visits by selected national and provincial staff to the best project sites should be encouraged so that all involved field personnel recognize success and are familiar with how much it is possible to do. Provincial units were proactive, developing procedures as needed and writing a Provincial Project Manual including relevant procurement documents. Performance reports were not always prepared in a timely fashion. Monitoring was overly focused on inputs, but the Bank should have provided better assistance in this area. Over the life of the project, covenant compliance on reporting and audits met with significant delays. The ICR suggests that deficiencies in compliance (provincial performance audits and the consolidated reports of such audits after all the loan proceeds had been committed) were due to inadequately documented agreements with the Bank. These agreements, of course, should have been formalized. All other covenants (there were numerous covenants on the relending of loan proceeds to the provinces, the terms and conditions of each provinces use of the monies, and their relationship with the municipalities) were satisfactorily complied with.

4. Conclusions and Lessons Learned

4.1 As the Bank's first attempt in the areas of municipal development and more effective intergovernmental financial management in Argentina, the project was a commendable first effort. MDP was able to support the efforts of already reform-minded municipalities, but it did little to induce reforms in unreceptive municipalities. The challenges faced by the project as it attempted to serve a diverse group of municipalities across a broad band of activities were daunting. Some of the participating cities were cities in name only, having more characteristics of a rural village than an urban area, and improving services to urban levels was not a high priority of local government (given thin settlement). The project was most effective in those municipalities that needed it the least: they were already were most fiscally responsible and prone to reform. Developing the procedural manual and procurement documents and preparing for repeated audits prevented staff from spending the necessary time on field visits with municipalities that had a low administrative capacity. Learning how to prepare projects and perform financial analysis was a big step forward for the weaker municipalities, and it was too big a step for many to take at one go. Stated differently, many municipalities felt no need for the services they were being offered, although some of those may have changed their perspective in the interim. Having a procedures manual and forms ready at the outset of MDP II has meant that more time can be spent on project preparation and the impact of that project has been greater as a result.

Lessons Learned

4.2 Changing economic conditions and the passage of time make new ways of doing business more attractive. Mayors desperate for higher revenues have little patience with municipal cashiers that abrogate mayoral decision-making authority, giving discounts and forgiving debts at a whim. The tenor of the time favors the achievement of the objectives of MDP II. Because of their participation in this project, provincial entities are functioning far better now than they did at the beginning of MDP I. Provincial offices have developed training courses, standardized forms and procedures which lower transaction costs and enable them to attend more clients effectively. Municipalities have a better understanding of project objectives and procedures now than they did before, and their local situation usually makes reform more attractive. And the resistance to cost recovery has diminished considerably.

Institutional Strengthening

4.3 The age and educational backgrounds of local mayors and their key staff made a significant difference—the young and the more educated were far more inclined to be receptive to new ideas and practices. In general, younger mayors with some university training, and municipalities close to one of the country's major cities were ready to attempt a new and more transparent way of doing business, which included electronic data processing and detailed financial planning. Older mayors (who had grown up in an era when personal favors and connections were the basis of political power) and municipal staffs in more remote and/or smaller cities resisted the introduction of new ways of doing business, which made it difficult for them to continue to make important decisions based on personal preferences and favoritism. With hindsight many staff believe that offering technical assistance on a subsidized basis was a mistake. It was intended to whet the municipalities appetite for institutional strengthening, but it prevented them from seeing that changing administrative practices involved tough decisions and real costs. The audit noted that now the subsidies have been taken away in the follow-on project, the skepticism of many mayors has also gone away: cities are now far more interested in technical support. There is no causal relationship—municipalities do not desire higher levels of institutional support when it costs more—but unless a municipality is convinced of the need to strengthen its management practices, it will not be interested in doing so at any price. One provincial office reports that under MDP II about 12 percent of total project lending is going for institutional strengthening even though it is no longer subsidized, noting that its allocations under the project are all spoken for, and the cities that did not manage to participate are clamoring for MDP III. Another improvement in MDP II based on the experience in this project has been the convening of thematic workshops: all the municipalities in the province are invited to specialized training, and these events are held for a range of project types. Having municipal employees participate in these events collectively means that project team visits to each city can grapple with more advanced issues because the basic concepts are understood.

Use of Project Champions

4.4 Those few municipalities which made major strides in terms of improved administrative practices and institutional strengthening remain an under-exploited resource. Without any effort on the part of project staff, municipal employees from a few distant cities are visiting Avellaneda and Llambi Cambell. These cities and key staff should be used as catalysts in MDP II and III, and their experiences should be documented and systematically disseminated. No course which can be taught can have the impact of seeing how another similar institution in the same situation overcame the challenges which your own institution is facing. No consultant who hasn't worked in an Argentine municipality can ever have the credibility that (carefully selected) municipal employees from these cities would have with their peers. Clearly, small towns would benefit from the Llambi Cambell example and larger ones from Avellaneda. Project staff should actively promote the sharing of this experience, and staff who worked in system design and modification should be used as consultants and paid by the project to do outreach.

Develop Balanced Indicators

4.5 In order to create benchmarks with which to monitor implementation, and to clearly establish project impacts and achievements, process and impact indicators need to be developed at the outset, and data collection should prioritize them as highly as those documenting inputs. MDP II has opted to maintain the monitoring focus on inputs of its predecessor (see table entitled "Key Indicators" in Annex G of the SAR). Better project monitoring indicators would have helped identify cost recovery for curbs or ambulances as issues requiring more intensive supervision during this project, for example. While there is still time, a more useful system can still be developed for the follow-on, or the quote "a set of performance indicators should be developed to monitor the achievement of the project's objectives" (a longer excerpt from the ICR was in *para. 2.19* of this report) will have to appear again in the ICR of MDP II.

Should Subproject Mix Be Entirely Demand-driven?

4.6 Partly as a result of not having adequate data, project staff found it challenging to advise municipal officials, especially in distant and hard-to-visit areas. It was surprising that staff promoted recycling in areas where there was no market for recycled waste, for example. In general, there was not enough analysis of alternatives to proposed subprojects. Municipalities were very partial to paving, but project staff asserted that the purchase of specialized equipment for opening and the maintaining dirt roads proved to be far more economically beneficial. This aspect is far less of a problem under MDP II because project preparation is taking place earlier, and better alternatives are being identified.

Large Changes Engender Large Resistance

4.7 One of the reasons given in the ICR for the fact that most municipalities failed to recover costs directly from beneficiaries was that the Loan Agreement did not deal adequately with the topic leaving Bank staff without recourse to covenant enforcement. National and provincial staff, however, were quite committed to the principle of cost recovery, but the required change in practice was too great, so the political resistance engendered was also great. Municipalities tended to prefer projects where recovering costs from direct users was difficult. The construction of many small infrastructure projects without any municipal financial or administrative improvement was the way things had been done for many decades. In an environment where almost all the participating municipalities had never attained full cost recovery before, project cost recovery figures (in the 50-63 percent range, see discussion in *para.2.16*) do not look all that bad. With greater financial management capacity in the more capable municipalities, these cities can help others gradually improve their own collection rates.

The Right Incentives are Crucial

4.8 Tequila Crisis-related and subsequent reductions in provincial financial transfers to municipalities motivated mayors to improve local administration and subproject cost recovery in a way that the availability of investment loans under MDP did not (see discussion in *para. 2.9*). In the absence of incentives—whether they be economic or policy in nature—municipalities have no reason to reform. Still, some municipalities are so small that their problems may be better solved in ways more appropriate to a village than a city.

Basic Data Sheet

ARGENTINA FIRST MUNICIPAL DEVELOPMENT PROJECT (LOAN 2920-AR)

Key Project Data *(Amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of Appraisal estimate*
Total project costs	240.0	189.3	78.8

Cumulative Estimated and Actual Disbursements

	FY88	*FY89*	*FY90*	*FY91*	*FY92*	*FY93*	*FY94*	*FY95*	*FY96*
Appraisal estimate (US$M)	5	14.7	33	58.8	81.8	100.8	116.9	120	
Actual (US$M)	0	5	5	5.95	17.65	47.82	95.74	115.07	119.78
Actual as % of appraisal		34	15	10	22	47	82	96	
Date of final disbursement: June 5, 1996									

Project Dates

	Actual
Identification	10/17/86
Preparation	Seven months
Appraisal	11/10/87
Negotiations	2/8/88
Board Presentation	3/22/88
Effectiveness	11/29/88
Closing date	3/31/96

Staff Inputs (staff weeks)

	Actual Weeks	*Actual US$000*
Through appraisal	101.2	178.2
Appraisal - Board	11.4	22.0
Board-effectiveness	10.9	19.6
Supervision	128.0	367.2
Completion	9.6	19.6
Total	261.1	610.0

Mission Data

	Date (month/year)	No. of persons	Staff days in field	Specialization represented [10]	Performance rating [11]: Implementation Status	Performance rating [11]: Development objectives	Types of Problems
Through Appraisal	10/85 10/86 3/87 8/87	2 4 3 4 4	17 14 14	D,L A,B,L,M A,B,C,J A,B,C,J			
Appraisal Through Board Approval	11/97	1	5	A			
Board approval through Effectiveness	8/88	3	10	A,B			
Supervision 1	12/88	2	10	A,B	1	1	None
Supervision 2	4/91	3		B,C,D	2	1	None
Supervision 3	7/91	2	3	C,D	2	1	None
Supervision 4	5/92	4	5	C,D,E,F	1	2	None
Supervision 5	11/92	3	10	C,D,E	1	1	None
Supervision 6	9/93	2	5	C,D	1	1	None
Supervision 7	5/95	2	2	D,G	S	S	None
Supervision 8	6/95	5	10	GH,I,J,K	S	S	None
Supervision 9	12/95	2	10	D,H	S	S	None
Completion	12/96	1	15	J			

Other Project Data

FOLLOW-ON OPERATIONS

Operation	*Loan no.*	*Amount (US$ million)*	*Board date*
Provincial Reform	3836	300	1/24/95

10. Key to specialization: A = Mission leader, B = Institutional Specialist; C = Municipal Prov. Specialist. D = Sr. Urban Specialist, E = Implementation Specialist; F = Procurement Specialist; G = Transport Specialist; H = Operations Analyst; I = Civil Engineer; J = Urban/Financial Specialist; K = Accountant/Financial Analyst; L = Principal Planner; M = Sr. Financial Planning Specialist.

11. 1 = No significant problems, 2 = Moderate problems

Annex B

COMMENTS FROM THE BORROWER

NOTA SU 1610

Ministerio de Infraestructura y Vivienda
Secretaría de Obras Públicas
Subsecretaría de Desarrollo Urbano y Vivienda

BUENOS AIRES, 16 JUN 2000

SEÑOR JEFE

Ref.: Programa de Desarrollo Municipal – PDM I -
Préstamo: 2920-AR
Informe de Evaluación Ex-Post

Tengo el agrado de dirigirme a Ud. con relación al asunto de la referencia.

Hemos procedido a la lectura del Informe que nos enviara y, en términos generales coincidimos con las conclusiones.

No obstante, consideramos propicia la oportunidad que nos brinda para hacerle llegar los siguientes comentarios:

- En el párrafo 1.12 *Más allá de los gravámenes por mejoras:* se hace mención a que el componente de fortalecimiento institucional estaba *subvencionado.* Es de señalar que, si bien el destinatario final de las acciones municipales es el vecino, el sujeto del crédito en el PDM I es el municipio. Por tanto, éste no recibió subsidio alguno por la implementación de los proyectos de fortalecimiento institucional que le fueron financiados. Sí podemos argüir que a los contribuyentes no les era exigido un pago adicional para solventar estos costos. No obstante, los proyectos tenían por objetivo general mejorar el balance fiscal a partir de hacer más eficiente y eficaz la administración, lo que se traduce, entre otras cosas, en una mejor y mayor cobrabilidad de los tributos.

  Con relación a la contribución de mejoras, es de señalar que en el país y en particular sobre su aplicación en el recupero de costos del PDM I, el cobro no es anticipado sino que la primera cuota la pagan una vez que el proyecto entra en operación. Asimismo, los plazos otorgados eran coincidentes, o levemente inferiores, al período de recupero de los subpréstamos. Sólo en algunos casos se trabajó con la constitución de un fondo inicial. El PDM I no proponía explícitamente la sustitución de la contribución de mejoras como mecanismo de recupero de costos de inversión (párrafo 2.5 del informe). Ello obedeció a que la contribución de mejoras es la práctica más usual para el recupero de los costos de inversión de los proyectos de infraestructura municipal (sistema de agua potable, cloacas, pavimentos, gas) siendo recuperados los gastos de operación y mantenimiento por tasas y tarifas. Más que el instrumento, la administración de la cobranza no fue en todos los casos adecuada.

  Por otra parte, el tamaño máximo de la obra estaba determinado por el monto máximo de los proyectos elegibles para su financiamiento (originalmente U$S 500.000 luego elevado a U$S 1.500.000) y el ritmo de ejecución no se ataba a la posibilidad de pago

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del vecino, ya que los fondos provenían del subpréstamo otorgado (75%) y del tesoro municipal (25%). En relación a esto es de señalar que la operatoria, con excepción de los períodos de alta inflación, no registró atrasos en los planes de ejecución, más allá de los que habitualmente pueden presentarse. Evidencia de ello es que, como bien lo señala el informe, la prórroga de la fecha de cierre fue de solo nueve meses, cuando la situación económica y la ratificación de los convenios de subpréstamo por parte de las provincias, impuso una demora de casi dos años hasta alcanzar la normal ejecución del programa.

- Punto 2.16 *Las ciudades tuvieron dificultades para cumplir las metas de recupero de costos:* en este apartado recomendamos hacer más clara la redacción del mismo, ya que se hace difícil su interpretación (quizá se deba a la traducción al español). El PDM I a la fecha del informe registraba una cobrabilidad promedio del 56.9%.
- Punto 2.19 *Seguimiento y evaluación inadecuados*: coincidimos con las apreciaciones del informe. No obstante creemos conveniente señalar que en el diseño del PDM I no se previó la implementación de un sistema de información en las Unidades Ejecutoras Provinciales que recogiera los datos necesarios. Asimismo, la unidad nacional cumplía sólo funciones de Unidad de Enlace, por tanto, por su dimensión, acorde con su misión, tampoco estaba en condiciones de producirla. Esta es una enseñanza importante que deja el PDM I: definir un sistema de seguimiento y evaluación y asignar los recursos necesarios para su diseño , implementación y operación.
- Punto 2.20 *Fondos de Desarrollo Municipal – FDM* -: es de señalar que el PDM I cerró en marzo de 1996 y que la primera cuota de amortización de capital del Préstamo 2920-AR se pagó el 15/11/91. Este cronograma hizo que los fondos en las provincias comenzaran a tener saldos de una dimensión aceptable para financiar nuevos proyectos en este último año. Los primeros años las amortizaciones e intereses cobrados por los subpréstamos municipales fueron aplicados por las provincias a la cancelación del servicio de deuda de su convenio de préstamo subsidiario. Buenos Aires, Córdoba y Santa Fe están hoy financiando nuevos proyectos con los recursos del FDM. Neuquén con menor disponibilidad de recursos debido al monto original de su crédito, está en vías de hacerlo. La excepción la constituye la provincia de La Pampa que no recuperó adecuadamente los servicios de la deuda municipal.
- Punto 3.1 *Evaluación de resultados*: el informe hace referencia a que en muy pocos municipios se mejoró la capacidad de gestión municipal, asimismo señala que el objetivo fundamental del proyecto era aumentar los ingresos propios de los municipios y esto no fue logrado. Debemos señalar que si bien la mejora en la capacidad de gestión no se vio reflejada en la mayoría de las cuentas municipales, sobre las que inciden numerosas variables externas al PDM I, sí se fortaleció en el proceso la adopción de tecnologías de identificación, formulación, ejecución y, también, administración de proyectos. Asimismo, el propósito del programa era *movilizar recursos externos e internos de manera no deficitaria ni inflacionaria para financiar inversiones municipales*, lo que no necesariamente se debe reflejar en un incremento de los ingresos globales del municipio sino los asociados a los proyectos. Si bien la cobrabilidad del recupero (56,9% a la fecha

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del informe) no alcanzó los niveles requeridos, esto no comprometió las finanzas municipales. Prueba de ello es que muchos municipios que habían participado del PDM I han podido cumplir con las condiciones de elegibilidad para financiar proyectos por el PDM II.

- Punto 3.2 El informe hace mención a que *en algunos casos la selección de los municipios se hizo de manera arbitraria.* Entendemos que esto puede derivar de un error de interpretación: los municipios participantes en cada provincia no fueron *seleccionados*. Al inicio del PDM I se hizo una campaña de difusión a fin de que todos los municipios de las provincias tomaran conocimiento de la operatoria y de cuáles eran los pasos a seguir para obtener el financiamiento. Se realizaron reuniones en cada provincia, en muchos casos por el numero de municipios estas eran regionales, con la participación de las UEP y la Unidad Nacional de Enlace. Estas actividades informativas no fueron abandonadas en toda la ejecución del programa. A partir de allí los municipios espontáneamente presentaban sus solicitudes, las que eran analizadas por lo cuerpos técnicos. Es decir que el PDM I atendía la demanda de todos los municipios interesados en participar, sin selección previa alguna de postulantes. Sólo se requería el cumplimiento de las condiciones de elegibilidad exigidas en los documentos del Programa. La cantidad y características de los participantes responde a la capacidad de endeudamiento que registraban los municipios en esos momentos y a la priorización que hicieron de sus necesidades. Asimismo, la disponibilidad de fondos no alcanzó a financiar todas las solicitudes recibidas, las que en un inicio fueron atendidas con el PDM II.
- Punto 3.4 En este párrafo se comete el mismo error de interpretación sobre la contribución de mejoras (alcance y resultado) La contribución de mejoras sólo es un instrumento para recuperar los costos de inversión. Las gastos de operación y mantenimiento se cobran al vecino por tasa de servicio (alumbrado, barrido y limpieza en el caso de pavimentos, recolección de residuos etc.) o tarifa (gas, agua, etc) entre otros instrumentos. Asimismo, no coincidimos con la aseveración sobre que las reformas institucionales son transitorias y su supervivencia incierta. Los municipios que implementaron nuevos sistemas administrativos (los señalados en el informe y también otros como los de las provincia de Buenos Aires que participaron del Sistema de Información Municipal SIFIM) como así también los resultados secundarios de capacitación del personal que participó del proceso, no creemos que se pierdan con el paso del tiempo. Lo que si deberá hacerse es tomar los recaudos que permitan la actualización de los mismos, a fin de que no caigan en la obsolescencia.
- Punto 4.2 La referencia a la actitud independiente y arbitraria de los cajeros municipales toma como base un caso particular que no puede generalizarse. El proceder señalado constituye un delito y por tanto creemos más conveniente hacer mención al interés de los alcaldes de contar con información aceptable para la toma de decisiones.
- Punto 4.3 Cuando se hace mención a la *asistencia técnica subvencionada* sería conveniente aclarar que se refiere a la dada por el personal profesional y técnico de las UEP a fin de no confundir con los proyectos específicos del componente de

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fortalecimiento institucional. La referencia al PDM II no se corresponde con este tipo de asistencia mencionada anteriormente sino a un proyecto específico de administración financiera municipal. Es probable que esos mismos municipios sean asistidos por la UEP en la formulación y gestión del financiamiento de sus proyectos. Ese mismo proyecto de administración financiera ha sido formulado por la UEP, quien coordinará su ejecución a fin de superar las falencias municipales que pudieran presentarse, además de capturar las economías de escala que se producen.

- Punto 4.4 Si bien en el PDM I la difusión de experiencias exitosas no fue práctica habitual las reuniones con todas las UEP era el ámbito en que ello se hacía. Dicha práctica hoy se complementa con la publicación de un boletín informativo que llega a los municipios directamente. Asimismo, resulta interesante la propuesta de poder remunerar a los funcionarios municipales que desarrollaron proyectos satisfactorios en actividades de extensión.

- Punto 4.5 *Indicadores equilibrados*: coincidimos totalmente con la observación de que los indicadores deben ser definidos desde el principio, a lo que agregamos que debe preverse también el financiamiento de la actividad.

Como ya mencionáramos, la opinión general sobre el PDM I es coincidente, ya que el mismo ha constituido una importante herramienta para dar satisfacción a una gran demanda insatisfecha de servicios y también para la introducción de técnicas de gestión hasta ese momento fuera del alcance municipal.

Sin otro particular, lo saludo muy atentamente.

Ing. NORBERTO WALTER PAZOS
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