

ICR Review
Operations Evaluation Department

1. Project Data :

OEDID :
OEDID: L2972
Project ID : P007200
Project Name : Municipal Development Project
Country : Guatemala
Sector : Urban Management
L/C Number : Loan 2972-GU
Partners involved : UNICEF
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Date Posted : 08/14/1998

2. Project Objectives, Financing, Costs and Components :

The objectives were to: (i) improve municipal finance and administration of the Guatemala City government; and (ii) provide and rehabilitate basic urban infrastructure and services for low -income and squatter communities. These objectives were to be achieved by three components : (a) improving institutional capacity of the Guatemala City government by introducing a cadastre system, and better budget management and financial planning; (b) upgrading low-income areas by providing urban services and improving road maintenance; and (c) producing a metropolitan development plan for a medium-term investment program. The loan amount was US\$29.0 million, of which US\$19.1 million was canceled at the request of the government . The project cost was US\$14.0 million versus an appraisal estimate of US\$44.8 million.

3. Achievement of Relevant Objectives :

Only the second objective was achieved . The first and the third components (a and c above) were canceled at the request of the Government due to counterpart financing problems, delays in implementation after a change of the municipal government, and the Bank's suspension of disbursements to Guatemala during 1989-1992. Only the second component (b above) was satisfactorily completed.

4. Significant Achievements :

The most significant achievement was the intense beneficiary participation at the community level in planning , financing, and executing the upgrading programs on a large scale . Benefits from street paving, water supply, sewage collection and treatment, led to a substantially improved urban environment and better living conditions in the project areas. At the initiative of the communities, cost recovery mechanisms are in place and actual

collections already began. This achievement became a good example of demand -driven community participation in urban improvements in Guatemala.

5. Significant Shortcomings :

It took 19 months after its approval for the loan to become effective because of the lack of creditworthiness of the government during 1986-1988, and the Bank's suspension of disbursements to Guatemala during the following three years. Subsequently, the project suffered from uneven government commitment and the lack of counterpart funds .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Marginally Satisfactory	The project objectives were partially achieved as major components (accounting for 70 percent of original project cost and loan amount) were not implemented due to weak government commitment and lack of counterpart funds. Outcome of the one component that was implemented following de facto project restructuring was satisfactory .
<input type="checkbox"/> Institutional Dev .:	Partial	Modest	"Partial" is equivalent to "modest".
Sustainability :	Likely	Likely	Refers only to the part of the original project that was implemented.
Bank Performance :	Satisfactory	Satisfactory	On balance, satisfactory, albeit marginally so, largely on account of the Bank's proactive approach to project restructuring which more than offset initial problems in project design.
Borrower Perf .:	Deficient	Unsatisfactory	Table 1 in ICR rated implementation and covenant compliance as deficient .
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

Participatory development requires intensive supervision and should be viewed as complementary to the long -term pursuit of municipal reform, not as a substitute for local government responsibilities .

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

Generally satisfactory, but the ICR could have discussed how the three project components were intended to achieve the broad project objectives .