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MIDTERM EVALUATION

PARAGUAY MUNICIPAL FINANCE PROJECT

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PARAGUAY MUNICIPAL FINANCE PROJECT

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Executive Summary

The objectives of the Municipal Finance Project (MFP) are to increase local revenues and investments in services, and to strengthen citizen participation, transparency, accountability, and integrity in municipal operations. Some of the results of the project are:

- *Improvement in local resources*. By focusing first on large delinquent taxpayers and setting up systems for improving cadastres and collections, the project has been able to show a quick flow of new resources. Municipalities have seen significant increases in revenues.
- *Improvement in services*. Seven municipalities have made improvements in solid waste and sewerage, compared with the goal of 25 by 2004. The MFP seems to have shifted its focus away from services to small community projects. Greater emphasis is needed on services.
- *Improvement in community participation.* This has been the weakest component of the MFP in many municipalities. The numbers of *audiencias públicas* held and community projects funded do not adequately measure progress in this area. More effective community participation may require additional efforts in a number of municipalities.
- *Replication*. Work is under way in the new *Unidad de Apoyo Municipal* (U.A.M.) in two *gobernaciones*. In Caagazu, both the governor and the MFP consultant are optimistic that the U.A.M. will operate independently within a year or two. There are still many obstacles to overcome, but the U.A.M. may by the best option for MFP replication.

Key Conclusions and Recommendations
The MFP should place much less emphasis on working fast. It should establish schedules for each municipality that reflects its realities. The beginning of the project in each municipality should be more collaborative with technical staff and the community than it now is.

The decentralized model of on-the-job training is good, but the MFP should establish checks and balances and quality control. Currently, there is no way for grievances or complaints to be voiced by municipal counterparts. Also, some consultants may short-change components because of lack of experience or interest.

The MFP and USAID should consider trade-offs in trying to reach all 38 municipalities, such as assisting fewer and providing additional assistance to municipalities that encounter problems during implementation.

The MFP should help develop indicators that are useful to municipalities (not just to the MFP) to measure progress over the medium and long term.

There should be a clearer set of objectives for national-level policy discussions.

Introduction

The original Municipal and Rural Finance project, approved in September 2001, was designed to assist financial institutions and increase the availability of new sources of financing for urban and rural municipalities and small businesses. Funds were never allocated for the rural component. Also, it shortly became clear that municipalities could not take advantage of private sources of financing until they were more financially solvent and lending institutions had more accessible loan terms.[1]

In August 2003, Modification No 5 substantially changed the scope of the renamed Municipal Finance Project (MFP), refocusing the project to work with municipalities on increasing local revenues and creditworthiness. This modification increased the number of target municipalities to 38 and the number of projects to be financed to 50. The project's initial completion date of June 30, 2003, was extended to September 30, 2006.

The objectives of the MFP are to strengthen the ability of municipalities to increase revenues; to ensure that increases in revenues are used to implement new or improved services; to implement new or improved mechanisms for citizen participation, transparency, accountability, and integrity in tax administration and service delivery; and to support management policies that will lead to sound financial bases for municipal operations and improved creditworthiness. Additionally, the project is expected to promote dissemination and replication of its model and to support policies that promote local government financial autonomy.

The terms of reference (TOR) for the midterm evaluation called for a review of the MFP's results to date, a sample survey of municipalities at different stages of project assistance, identification of problems and issues, a review of the strategy for replication and dissemination of results, and recommendations for the time remaining in the project.

Field work was carried out from October 18 to November 11, 2004, and included documentation review (see Annex A). Interviews were conducted with project staff, representatives of USAID and other institutions, and *intendentes*, municipal council members, technical staff, and representatives of community groups in participating municipalities. (See Annex B, Persons Interviewed.) Guidelines were developed for selecting 10 municipalities that were visited by a two-person team (Julie Otterbein and David Douglass) over six days. These municipalities ranged in size from less than 10,000 people (San Bernardino) to more than 200,000 (Ciudad del Este). The sample included municipalities that were more rural than urban (Emboscada) and others that are very urban (Limpio), and municipalities that were considered success stories and those that experienced problems in implementation. (See Annex C, Selection Guidelines and Characteristics of Sample Municipalities, and Annex D, Guía de Entrevista.) A visit was also made to one governor's office to learn about efforts to replicate the project model. Finally, briefings were held for USAID and project staff on the evaluation's findings and recommendations.

[1] Banks were lending at rates as high as 35 percent for only two- to four-year terms.

SECTION I

Review of Project Activities and Results

It should be noted upfront that the MFP has accomplished a great deal in its first three years, even though there are areas or components which need to be strengthened.

The MFP uses an approach that differs from other USAID-sponsored municipal projects. Other projects employ well-defined training modules, such as revenue collection and tax base; budgeting and accounting; urban planning and investment; public services; and community participation, governance, and transparency. Municipal staffs are brought together for training, usually for two weeks, followed by on-the-job training in each municipality. The same core group of trainers rotates among municipalities. Training and technical assistance typically lasts 20-24 months per municipality.

The MFP's approach is decentralized, intensive on-the-job training. It has a larger staff of consultants[2] working simultaneously in a large number of municipalities. The MFP advertises itself as providing help on finance, accounting, transparency, and community participation in "200 days"[3] — or about seven months. It expects to complete ambitious work on the financial component — i.e., data collection, property tax, reorganization of municipal tax unit, reassessment of values, new municipal ordinances, and collections from the largest taxpayers (*modulo contensioso*) — in just three months.[4] This timeframe is not realistic. Several issues stem from this desired timeframe, as well as from the project's decentralized approach.

The project has been under way for three years. For sample municipalities, technical assistance has been completed or is estimated to be completed shortly. Table 1 shows that technical assistance generally lasts considerably longer than seven months and in fact averages about 15 months.

Project consultants say that after an initial learning curve, they are able to provide technical assistance in new municipalities in much less time. While it may be possible to cut down on time per municipality, the desired seven-month timeframe is still unrealistic and could be counterproductive if assistance is curtailed too soon.

Municipalities in the sample that had completed the technical assistance showed very different levels of advancement. In some case, there seemed to be a real "graduation" from assistance. In others, there was progress but continuing problems as well, particularly in the community participation component. For example, Caagazu, which is scheduled to finish technical assistance this month, could still improve its organization of community groups and establish an outreach

[2] Currently 16 long-term consultants and a number of short-term consultants in specialized areas such as computer systems. Five of these long-term consultants are provided under subcontracts with Alter Vida, Mujeres Por la Democracia, and International Financial Services (IFS).
[3] Pamphlet for distribution, titled "Proyectos Finanzas Municipales, Municipios Creciendo," USAID/Chemonics.
[4] *Guía para Mejorar Las Finanzas Municipales*, Asunción, September 2004.

office. San Bernardino, which completed activities in June, is quite weak in community participation. Villeta, also scheduled to complete work this month, still has not finished reorganizing its tax office. The community participation component is not working in Presidente Franco, and is very weak in Emboscada.

The MFP and USAID should review project goals to decide if it is better to reach 38 municipalities with some sacrifice in the quality of assistance or to provide additional assistance to municipalities that encounter problems in implementation and not reach as many.

The evaluation's TOR called for a review of the project results. Sections A through G use 10 areas identified in USAID's performance monitoring plan as points of reference. In each area, USAID provided quantitative benchmarks and a number of illustrative ways to measure results.

Table 1:
Duration of Project Assistance in Sample Municipalities

	Months of Technical Assistance
Ciudad del Este	**11 (est.*)**
Presidente Franco	**19 (est.*)**
Caaguazu	**11**
Coronel Oviedo	**19**
Villarrica	**15 (est.*)**
Ñemby	**12**
Villeta	**14 (est.*)**
Emboscada	**20**
Limpio	**20**
San Bernardino	**16**

**Based on estimated completion dates*

A. Improvements in Local Resources

USAID's performance monitoring plan calls for financial improvements in 21 municipalities by 2004. The project is currently working in 24.

After signing a *convenio* with a mayor and city council, some of the first steps of the MFP are to identify large delinquent taxpayers, reassess and adjust the value of properties,[5] initiate the process of notification (three stages), and negotiate for payment of delinquent taxes or take court action. This is called the *componente contensioso* and can bring a municipality into conflict with wealthy constituents who often have avoided taxes for years. This component may be unique among USAID-sponsored municipal development programs in its successful use of legal suits against delinquent property owners.

Mayors reported that most of these large taxpayers have negotiated with the municipality and paid their taxes. However, about 200 property owners thus far have been taken to court in all MFP municipalities.[6] The court has ruled in favor of the municipality every time. This component helps the MFP show a relatively quick flow of new resources and sets an example that all citizens, no matter their position, must meet their obligations.

Project consultants work on a number of other fronts to improve the cadastre and collections systems for commercial license fees as well as property tax. All of the municipalities visited have seen significant changes in local revenue generation. Every mayor was very conscious of the impact the project's work on his operations and felt that the horizons of the municipality were expanding. Generally, municipalities that have participated longest in the project are in the strongest financial position.

[5] Article 216 of Law No. 125/91 (enacted January 9, 1992) allows authorities to revalue properties where construction has been made but not reported and apply that valuation retroactively for up to five years.
[6] Informe de Actividades Subcontrato AJE/Finanzas Municipales, por M.E. Radice, Noviembre de 2004.

USAID's performance monitoring plan provided several possible benchmarks to measure improvements in locally generated resources. The one used by the MFP is "property tax collections increase by 40 percent as compared to the same period of the prior years, starting 60 days after the consultancy begins. A minimum eight-month period will be used for comparison."

It is important for the MFP and municipalities to see this as just one of a number of indicators that can measure progress in developing a financial base for municipal operations over the medium to long term. Table 2 shows the percent change in property tax income and commercial business license income for 2002 and 2003. Since data are available for only nine months in 2004 (January to September), that period is compared with the same nine months in 2003.

The data show a lot of variability among municipalities. There were substantial ups and downs in property tax revenues even before the MFP began.[7] To see trends, these indicators should be tracked over a minimum of three to five years, rather than one to two years.

Table 2: MFP start dates; % Change in Property Tax/Commercial License Fees, by year; & % Change Income since MFP start

	MFP Start	Property Tax (% change)		Comm. License Fees (% change)		% Change Income since start*
		02-03	03-04 (9 mos)	02-03	03-04 (9 mos)	
Ciudad del Este	2/04	NA	23.9	NA	NA	42.1
Presidente Franco	4/03	59.8	30.0	46.3	11.6	70.2
Caaguazu	4/03	100.5	106.8	NA	17.8	98.9
Coronel Oviedo	3/02	94.0	8.3	22.1	15.2	96.9
Villarrica	3/02	67.7	-4.8	43.4	8.1	93.8
Villeta	5/03	43.7	36.5	-7.7	87.0	80.4
Ñemby	11/02	115.3	32.6	50.0	-2.2	111.9
Emboscada	11/02	3.4	88.7	51.9	-15.3	65.6
Limpio	5/02	34.4	29.0	NA	NA	121.0
San Bernardino	1/03	NA	32.3	NA	126.5	43.6

**** NOTE:** For reporting to USAID, the MFP calculates changes in income from project start-up. This figure includes municipal rental income, property taxes, and license fees.*

Another benchmark suggested in USAID's performance monitoring plan is "the number of properties on which tax is collected increases 20 percent as compared with the same period of the prior year." This would be an extremely interesting indicator, but it is not available from the data now being collected by the MFP. It was difficult to get even anecdotal information in interviews with technical staff. It is an indicator that is used in other municipal projects in the region and provides a measure of what share of the universe of taxpayers is actually paying.

The MFP and municipalities have a lot of information on changes in the database, such as the number of properties that could eventually become part of the municipality's tax collection system. With the help of project consultants, municipalities often doubled, tripled, or quadrupled the number of properties identified for the tax map. In Caaguazu, the original database had only

[7] For example, in Caaguazu, property tax collection increased by 21 percent in 2001 over the previous year.

about 2,500 entries, and now it contains more than 35,000 properties. Consultants have helped municipalities combine data from the Servicio Nacional de Catastro (SNC)[8], an Inter-American Development Bank project in the late 1990s that had excellent (although never used) data for a number of municipalities, satellite photographs, and many other sources.

This does not necessarily mean that municipalities are collecting from a much larger group of tax payers. Updating tax rolls is time-consuming and tedious. Most municipalities are still in the middle or early stages of updating their rolls; often they are still working on the properties that were in their original database. In Coronel Oviedo, for example, which is a very well organized municipality, staff said that they were only about half way through the process of updating their original cadastre and that they haven't even started work on properties added from new data sources. They made a proposal to the mayor for a program to speed up this work, which would cost about G200 million. It has not been approved.

B. Improvement in Services

In the area of services, the USAID performance monitoring plan called for improvement in 25 services by 2004. Illustrative indicators pertained to basic urban services, such as the number of hours with water service or percent of households with adequate solid waste collection.

The following table provides information on the seven municipalities that have made improvements in basic services — six in solid waste and one in sewerage.[9] In some places, there may be work on services that is not reflected in project documentation. For example, in Emboscada, collaboration among a Peace Corps volunteer, Alter Vida, the MFP, and the municipality was proposed for the development of a recycling program to reduce solid waste.

Five municipalities had projects funded with resources generated from tax collections and were tracked by the MFP. These projects were both physical, such as building a landfills, and theoretical, using studies to improve collections for these services. CEAMSO carried out preparatory studies where landfills were built. These studies compiled baseline data on the number of people benefiting from solid waste collection services. However, the MFP is not tracking changes on this indicator to see if there have been improvements in service or expansion in coverage. Neither does it track information on collections for services as part of its financial monitoring system.

The MFP is not now focusing on basic services. This may be due in part to the abilities or interests of project consultants. Some consultants have a professional background in municipal work and have tended to work more with municipalities on basic services.

[8] The SNC was charged with all cadastral work until 1992 when it was decentralized to municipalities.
[9] There may be additional cases where there was improvement, but there is not project documentation. For example, in Emboscada, we were told there was collaboration by a Peace Corps volunteer, Alter Vida, the Municipality and the MFP to set up a recycling program to help reduce solid waste.

Table 3: Basic Services Projects and Costs, where available (in millions)		
Coronel Oviedo	Solid waste study/data base	G35.0
	Landfill	G20.0
Limpio	Sewerage study/data base	G40.0
Villarrica	Solid waste study/data base	G200.0
	Landfill	G45.0
Caaguazu	Solid waste study/data base	G35.0
	Landfill	G20.0
Coronel Bogado	Landfill	G50.0
	Landfill	G56.0
Villeta	Landfill	NA
Villa Elisa	Landfill	NA

Municipalities are still financing projects which can be classified as municipal-wide, such as access roads and beautification of municipal buildings/parks, but not municipality-wide services such as solid-waste collection or water. The focus of both municipalities and the MFP seems to have shifted to small neighborhood projects such as road improvements, foot bridges, wells, and community centers. These community projects directly respond to felt needs and are seen as a way to increase acceptance of the tax collection component of the project. (Section C on Community Participation discusses community projects in greater detail.)

Every municipality is experiencing problems in services. These problems not only effect the health of citizens but also economic investment. One of the key roles of local government is to provide these services. Landfill projects are not always more expensive than community projects (see average cost of community projects in Table 4). Studies on collections and the database are costly but perhaps could be done in stages over more than one year.

A recommendation of the evaluation is that greater emphasis should be placed on basic services. If project consultants are unable to assist municipalities on this component because of time constraints or lack of knowledge or experience, perhaps another group could be subcontracted to work on improving services and collections.

C. Improvement in Community Participation

Whereas mayors, council members, and technical staff were generally satisfied with the MFP, community groups' satisfaction was far less consistent. The USAID performance monitoring plan calls for 21 municipalities "with at least one participating mechanism implemented for citizens and customers in financial administration and/or services." Included in the possible types of participation were: citizen participation in the decision-making process, citizen committees to help manage service delivery, committees for follow-up on *audiencias públicas,* and community auditors.

An important development for the MFP and community participation was the proposal to set up local municipal development funds with a percentage of the increased tax collections resulting

from project assistance. A minimum of 35 percent of the annual increases in collections is recommended for the municipal development funds.

Some municipalities have established a fund but are not always using the recommended formula. In Caagazu, the municipal council decided not to create a fund, but there is a budget line item for community projects. A few municipalities use both the proceeds from tax collections and royalties to fund community projects. In most cases, amounts being set aside for community projects seem significant by local standards, particularly in comparison with previous years and previous local government administrations.

The MFP uses the *audiencia pública* to bring together neighborhood groups, or *comisiones vecinales*, and civic organizations to present projects to be funded by municipal funds. The use of the *audiencia pública* is new in some municipalities. Others held *Audiencias* in years prior to the MFP; one has had six to date. Except for Ciudad del Este, municipalities in the sample held at least one *audiencia pública* during MFP assistance; six held two.

The MFP tracks the number of *audiencias públicas* and the number and cost of approved community projects in participating municipalities as its principal indicators for community participation. MFP data was supplemented in the following table with information on the number of people attending the meetings and the number of projects presented.[10]

Table 4: No. of *Audiencias Públicas Presupuestarias (APP),* Attendance, Proposed and Approved Projects, and Costs

	APPs		People Attend.		Proposed Projects		Approved Projects	Total Cost (in millions)	Average Cost
	'03	'04	'03	'04	'03	'04			
Ciudad del Este	---------- NA ----------								
Presidente Franco	X	X	NA		35		NA	NA	NA
Caaguazu	X	X	97	73	55	19	51	G601.2	G11.9
Coronel Oviedo	X	X	83	NA	23	29	19	G531.5	G28.0
Villarrica	X		350		44		35	G1,558.9	G44.5
Villeta	X	X	60	120	30	53	28	G227.5	G8.1
Ñemby	X	X	450	700	70	120	38	G901.6	G23.7
Emboscada		X		106		32	NA	NA	NA
Limpio	X	X*	120		68		67	G476.6	G10.4
San Bernardino		X		80		34	19	G148.9	G7.8

**Scheduled*

Needs identified by community groups far exceed the number of projects funded. The normal procedure is for a group to present a *carpeta* with a list of projects and an indication of priorities. In Presidente Franco, for example, each group presented an average of 10 proposals — or 350 potential projects — not just the 35 indicated in this table. Other municipalities might limit groups to three projects, but requests always exceed available resources. Where funding for projects has become more available, the number of *comisiones* participating in the *audiencia pública* and the number of requests have increased. Ñemby is a good example. In 2004, 120

[10] Edy Juvinel de Egea organized meetings with community representatives in sample municipalities. She also provided the evaluation team with additional background on community groups, *Audiencias Publicas*, and how the municipal is organized to deal with community groups.

projects were presented, compared with 70 in 2003. Conversely, where expectations are not met, frustration rises and the number of projects presented in later *audiencias públicas* falls.

One municipality, Villarrica, is reconsidering use of *audiencias públicas* for the purpose of identifying community projects. The mayor believes that expectations are getting too high and that there may be more effective ways to identify community projects. For Villarrica and perhaps other municipalities, community-based budgeting — i.e., allocating a specific amount of resources to a geographic area or coalition of groups that work together to develop priorities and to program funds — might be a useful approach.

The *audiencia pública* does not need to be used for identifying community projects. In most countries, it is used for presenting the municipality's annual budget and the works accomplished over the year. It can also be used to promote specific programs, such as environmental action.

There are a number of other indicators of community participation that shed light on relations between municipalities and community groups and the ability of citizens to affect decision-making. The existence of an office within the municipality for community outreach proves that importance is placed on this function. In one municipality, a council member said that he disagreed with creating such an office because it gave too much importance to neighborhood commissions while ignoring other members of the community such as businessmen. However, many municipalities see the establishment of such an office as a pressing need. Some have a paid employee (e.g. Villarrica, Ñemby, and Limpio), while others have a full-time volunteer (Coronel Oviedo) working out of a municipal office. The following table presents information on which municipalities have an office dedicated to community outreach; the number of commissions (not necessarily all active); and whether the commissions are organized into groups, for example, committees on education, health, etc. There seems to be active community participation in places with elected coordinating groups, such as Coronel Oviedo and Villarrica.

There are also less quantifiable indicators. Some municipalities have young mayors with good organizational skills who delegate authority, such as in Ñemby and Coronel Oviedo. In these places, community outreach offices are particularly effective. Other mayors are old-fashioned; they deal directly with the public on everything. In "*Intendente*-dominated" municipalities, a person who has not spoken to the mayor has not gotten an answer. In these municipalities, offices for community outreach are not very effective. The composition of selection committees for projects is also important. Only some have representatives of the community.

In Table 5, the last indicator is purely subjective, based on the satisfaction or frustration the evaluation team heard from community groups on the field trip. We did not meet community groups in Ciudad del Este; in Limpio, only two representatives of *comisiones* were available.

Table 5: Additional Indicators of Community Participation				
	Has Office / Community Outreach	**No. Commissions**	**Commissions Organized / Networks**	**Community Satisfaction with Municipality (& Project)**
Ciudad del Este	---------- NA ----------			
Presidente Franco	No	35	No	Poor
Caaguazu	No	65	partial	Average to Good
Coronel Oviedo	Yes	300	Yes	Very Good
Villarrica	Yes	225+15 groups	Yes	Very Good
Villeta	No	40	No	Good
Ñemby	Yes	284	?	Excellent
Emboscada	No	30 active	No	Poor
Limpio	Yes	102	No	NA
San Bernardino	No	34	No	Poor to Average

The importance of access and channels of communication cannot be overstressed enough. We heard a great deal of frustration in Presidente Franco with both the municipality and the project because almost no community projects have been built. ("Chemonics only wants to collect taxes.") In Emboscada, community groups are very positive about the project consultant (whom they all know) but are frustrated with the lack of agreement between the *Junta Comunal* and *Intendente* and lack of responsiveness to community needs. In San Bernardino, community groups had not seen much new investment and had other issues to discuss with the mayor, but they had few opportunities to meet with him. (They suggested setting specific times during the week for consultations with community groups.)

Dissatisfied community groups tend to feel that no one listens to them. They do not have a way to find out if and when their projects will be funded. A year after submitting a proposal, some do not know why their project was rejected. In several places there were complaints that the municipality only wants to construct roads and bridges and will not help them with health and education needs.

The subject of health and education projects came up in a number of municipalities where the administrations believe that the Ministries of Health and Education are responsible for requests in these sectors and that the municipality's job is to provide infrastructure, such as roads and bridges. Frustration levels are higher in these places because felt needs are not being addressed either by national institutions or the municipalities. Other municipalities take a much more pragmatic approach, i.e., "if it is important and we can't get the resources elsewhere, we will fund education and health projects." It would be better if all municipalities were this flexible. At a minimum, a better job should be done in some municipalities of communicating to the public what projects will be considered for funding.

The opposite end of the continuum can be found in Ñemby, where community groups feel that the *Intendente* and *Junta* are working together and are responsive to their needs. They have a coordinator within the municipality who can tell them the status of their projects. People in

Ñemby say that they are working with the municipality to get projects done and are willing to contribute a significant amount of counterpart resources to make projects happen.

Also in Ñemby, a pilot project was developed to see if community groups could help the municipality in tax collection. In two communities, *comisiones* pledged to help with notifications on property tax for a given period. In return, the municipality pledged to them an amount equal to 25 percent of the taxes collected during that period in project-related investment. This is seen as a kind of bonus program, since these groups are also eligible for municipal development funds for projects. The program worked well in pilot neighborhoods and will be expanded to others. A similar program was tested in Emboscada and may be expanded. An effort was also made in Limpio but did not prove fruitful.

The role of project consultants in community participation activities appears to vary quite a bit. In some places, consultants have advocated for coordinating groups and offices within municipalities and have given workshops to representatives of *comisiones* groups to help them prepare projects for an *audiencia pública*. In others, there was little advocacy for community participation. In addition, preparatory seminars for *audiencias públicas* were not accomplished, and *audiencias* were announced with very little lead time. In San Bernardino, we were told that Alter Vida had done a better job preparing the municipality and community groups for *audiencias públicas* in previous years than the MFP did for the most recent one.

The project might want to consider subcontracting some of the work on the community participation component in order to provide a more consistent approach and coverage. Also, training of trainers should be part of this component. In one municipality where project activities have been completed, we were asked if project consultants could come back and do another seminar for community groups in rural areas. This would be less likely to happen if locals are prepared as trainers. Given the good report from San Bernardino on Alter Vida's work on preparing *comisiones* for the *audiencia pública*, this might be an area in which Alter Vida could play a larger role in the project

D. Transparency, Accountability, and Integrity

Three of USAID's performance indicators are combined in this section because there is less information on results. Performance indicators call for 21 municipalities to have mechanisms implemented by 2004 in transparency, accountability, and integrity.

The audiencia pública is seen by many project staff as both a transparency and accountability activity since one of its purposes is to present the municipality's budget to the public. However, most community groups do not see this as the principal reason for the meetings. They focus instead on presenting their requests for projects. (The evaluation team was not able to attend an *Audiencia Pública* to see how much emphasis is given to the annual budget and how much discussion it generates.)

Mayors reported that the MFP helped them to improve the municipality's accounting. However, it was not possible to examine practices in each municipality to see how systems have changed.

Some municipalities have Web sites with the annual municipal budget. Villarrica's Web site also has the salary of every employee. This is one way to be transparent, but it may not be effective until more citizens have access to computers.

Mayors were asked if they have a system or office for internal auditing. Only some have such an operation. Mayors were also asked if there is a representative of *Controlaria Ciudana* to provide community oversight of municipal operations. Mayors were dismissive of this group. Only one municipality has a representative, and we were told that the person is not trained, does not understand the role, and is not effective.

It is not clear what a mechanism for integrity might be. However, the MFP produced two videos (CDs) which are shown in every municipality. The first, *Una Cuestión de Actitud*, targets technical staff. It addresses professionalism in treating the public, and the importance of work ethic in carrying out notifications, reassessing property values, and ensuring that data are correctly entered into the system. The second video, *Una Cuestión de Compromiso*, targets municipal councils. It addresses the importance of dialogue, knowing the legal bases for action, cooperation with the *Intendente*, and integrity in applying the law. It also touches on the differing roles of councils and *Intendentes* and community expectations.

E. Improvement in Financial Position

USAID's performance indicators call for 15 municipalities to show "a balanced financial position or at least substantial improvement" by 2004. One benchmark is a 10 percent operational surplus of expenditures over income. Data are not yet available for 2004, but this is an indicator that will need to be looked at more closely when the data do become available. Before the MFP began, the imbalance between income and expenditures had become so bad in a number of municipalities that they were unable to pay staff on a regular basis, sometimes for months at a time. Now municipalities are beginning to see improvement in a wide variety of income sources. None of the municipalities are currently having difficulty in meeting payroll, and most have channeled some current revenue into new investments.

Municipalities need to manage their expenses to have sustained surpluses. Project consultants have worked with them on this, and a number of officials said that they had made progress in reducing expenditures. At the same time, the need exists for additional computers and equipment, additional training for staff, more investment in improving the property tax base, and better pay for staff who have been trained. A number of MFP-trained staff have moved on to better paying jobs. Several mayors spoke of the need to adjust salaries across the board to retain staff. There is also, of course, the growing demand for funding for community projects. The MFP is designed to help municipalities create surpluses over the medium and long term. Over the short term, continuing pressures on expenditures make it difficult to make dramatic changes in operational surpluses.

Because of the continuing pressure on expenditures, it is likely that data on operational surpluses, like the data on tax collections, will show a lot of variability in the short term. As this is an extremely important indicator of the long-term financial health of municipalities, it should be tracked over five to eight years instead of used as a short-term indicator of results.

F. Replication and Dissemination of MFP Model

USAID's performance plan calls for 80 municipalities "outreached with dissemination and/or replicability activities" by 2004. From the viewpoint of the project, this benchmark was met and surpassed, as more than 500 people attended four meetings and seminars during 2003 and 2004 at which MFP activities were presented. However, it is not clear from available information how many different municipalities were represented in these meetings. Aspects of dissemination and replication are discussed below.

F1. Dissemination Meetings and Seminars

To date, the MFP has organized three meetings and participated in a congress organized by AJUMPA[11] at which two project consultants made a presentation.

Table 6: Dates and Attendance at Dissemination Meetings

	Meeting of 4 Mayors	AJUMPA Congress*	Training Workshop	Seminar on Municipal Finance
Date	November 2003	November 2003	July 2004	September 2004
Location	Asunción	Asunción	Oviedo	San Bernardino
Total number of municipalities	8	41	5	48
(Number from project)	(8)	NA	(5)	(15 est.)
Number of attendees	90	200	35	185

**Presentation was given by two project consultants.*

People who attended meetings were positive about opportunities to share experiences, and the meetings should continue if possible through 2006. Other, more permanent forms of information exchange also should be explored. For example, a Web site for technical staff could be a useful way to share information on laws, ordinances, etc., and to solve problems. Perhaps a municipality like Villarrica would be willing to host such a site.

F2. Best Practices, Manuals and other Written Material

The project has missed many opportunities to share best practices. It has not developed materials that can be used readily outside the project. It is important to produce these materials for non-participating municipalities, replicating organizations, national-level counterparts, and USAID and development agencies in other countries.

In-house PowerPoint training is developed by individual consultants (usually those with municipal experience) for other project consultants. This training may be excellent, but it is not packaged as anything resembling a training manual. The MFP uses a *Plan Maestro de Trabajo* as a guide. It is a long list of things to do in each municipality, but it is not a manual that could be used by anyone outside the project without a great deal more material.

[11] Asociación de Juntas Municipales de Paraguay.

Two of dissemination meetings listed above were in-house workshops. No written material is available from the "meeting of four mayors." The Oviedo workshop used material from the final report of the MFP consultant. The presentation at the AJUMPA congress was not written up.

The only meeting for which a written agenda could be found was the two-day San Bernardino seminar. Topics were wide-ranging. A speaker from the *Ministerio de Hacienda* talked about the vision of the national government on the current situation and future of municipal finance. Other speakers addressed the problems of small municipalities, the role of the private sector in municipal administration, and similar topics. There were small-group sessions to review issues and make recommendations. During field visits, a number of mayors referred to the San Bernardino meeting, mentioning, for example, discussions on the need for a municipal civil service. The only document available from this seminar was the *Guía Para Mejorar Las Finanzas Municipales*. There are no other papers, no summaries of meetings, and no recommendations.

There is no well-written baseline information on municipalities.[12] A lot of information is collected in the course of the technical assistance, but it is not compiled. A report called *Diagnóstico Financiero* was prepared for some municipalities. It reviewed surplus/deficit data and trends in collections and was used in part to convince mayors and councils of the urgency of their financial situation. It was discontinued because it was not useful to MFP staff.

A final report is prepared for each municipality at completion of project activities. The first one, for Coronel Oviedo, was lengthy but informative about the wide-ranging activities of the project there. Subsequent final reports have become much less informative. They follow a format that is based on the list of activities in the *Plan Maestro de Trabajo*. The MFP may wish to reconsider the purpose of the final report to see if it can be made more useful by focusing more on accomplishments, lessons learned, problem areas, actions taken, obstacles to success, areas of strength and weakness, and an assessment of overall progress made in the municipality.

The project relies exclusively on electronic files that are not well organized. Consultants use different protocols to name and file documents. Except for financial data, which is maintained on all municipalities on a regular basis, no performance indicators are kept for every municipality. It is difficult to find information on the same subject for all municipalities.

The MFP should consider hiring someone to document MFP activities, to prepare materials such as best practices and case studies for a larger audience, and even perhaps to better package project materials for internal use.

F3. Regional Models to Replicate MFP Work in Smaller Municipalities

The USAID performance plan calls for "three regional entities supported and strengthened in providing technical assistance to local governments as a means to replicate successful practices and ensure sustainability" by the end of the project. Work is under way in two offices of *Gobernación*, in the Departments of Central and Caaguazu. A visit was made to the *Gobernación*

[12] Many USAID projects prepare municipal assessments which include information on population size, urban/rural composition, economic situation, financial analyses, review of staffing, etc.

in Caaguazu to meet with the governor and with technical staff of the recently created U.A. M., or *Unidad de Apoyo Municipal.*

MFP consultants have been working with U.A.M staff members since May 2004 and plan to work with them for at least one year. MFP staff has been working on systems within the *Gobernación*, to ensure that income from municipalities (15 percent transfer), royalties, etc., are tracked and that U.A.M will have a more clearly defined and transparent operational budget. Equipment and a vehicle have taken time to procure but are now being provided. Currently, U.A.M staff are supported by a fixed amount reimbursement agreement (FARA).

Four municipalities have signed agreements with *Gobernación*. MFP consultants are working closely with U.A.M staff in Santa Rosa de Mbutuy, Repatriación, Juan Manuel Frutos, and J.E. Estigarribia. The governor sees the U.A.M as a new important role for *Gobernación*. The MFP consultant working in Caaguazu is also very optimistic about the future of the U.A.M. The most important question that remains to be answered is when U.A.M staff will be able to work alone in municipalities. This is the point at which replication begins.

The U.A.M may be the best avenue for replicating the MDP, though there are many obstacles to overcome. If the MDP decides to work in a third *Gobernación*, a larger upfront investment in equipment might be warranted, to help the unit become effective sooner.

F4. Replication of the Project by NGOs and Private Firms

The MFP has several subcontracts with local organizations to provide consultants to work with MFP consultants in designated municipalities. One consultant from International Financial Services (IFS), two from Mujeres Por La Democracia, and two from Alter Vida are now working with project consultants in five municipalities. Four of these consultants began working with the MFP in April of this year and one in September. The relationship is expected to last one year.

One of the purposes of these subcontracts is to develop capacity within local institutions that municipalities could access on a paid basis after the completion of the MFP. Time will tell whether a market for technical assistance will develop within municipalities, but a number of people believe it will not happen in the short run. Some of the obstacles are:

- *Unwillingness in municipalities to pay for technical assistance*. On the field visits, municipal staff were asked if they have ever paid for training and if they see this as a possibility in the future. It is probably not surprising that they indicated that municipalities are not in a financial position to pay for training. As municipalities complete intensive technical assistance, the MFP should consider promoting a municipal budget line item for staff development and training. Perhaps the MFP could begin to charge a nominal fee for project assistance after the first stage is over. The “monitoring” stage is viewed by most municipalities as less intensive assistance that they all expect to receive through the end of the project in 2006. The MFP consultant comes once a week instead of four or five times but is still there to help them. If some form of payment could be built into this stage, it might begin to accustom municipalities to pay for services.

- *Lack of affordable providers of municipal services*. MFP consultants and some of the consultants in the subcontracts are probably too highly paid to be readily accessible to municipalities on a full-cost basis. It is more likely that a cadre of locally available experts will become available through inter-municipal exchanges. (See Sub-section F5.)

- *Lack of institutional focus on municipal finance*. Representatives of Alter Vida say they are fully capable of developing the same components as the MFP. However they view themselves as a community development organization and not as a change agent for municipal finance. Therefore they are likely to market themselves differently than the MFP does. This is probably true with other subcontractors as well.

F5. Municipality-to-Municipality Training

Several collaborations between municipalities developed as a result of the project. The first agreement made available five technical staff from Ñemby to work with counterparts in Carapegua under the supervision of a MFP consultant. A FARA covered per diem, transportation, and a small stipend for Ñemby staff for the six months that the agreement lasted. The MFP consultant working in Carapegua believes that help from Ñemby staff shortened the length of time spent in Carapegua (less than nine months) and proved extremely beneficial to both staffs. Carapegua staff learned more quickly because their colleagues "spoke the same language," and Ñemby staff gained confidence and managerial experience. In the view of the MFP consultant, the Ñemby staff would be excellent advisors to municipalities in the department. He could envision them giving seminars and short-term training in the future.

Similar arrangements are under way or being initiated with staff from Villarrica and Coronel Oviedo and new municipalities. The MFP consultant for these municipalities also believes that this will improve technical assistance and will shorten the time it takes to complete components.

MFP consultants do not believe that municipality-to-municipality assistance is likely without FARA. This mechanism probably should be seen more as a way to strengthen assistance than to replicate assistance beyond the life of the MFP.

Only certain municipalities seem to be in a position to offer this assistance to others. First, staff size must be large enough so that a few individuals can be loaned without stopping all operations. From the sample of 10, Ñemby, Villarrica, and Coronel Oviedo have the most to offer other municipalities in almost every respect.

G. Sustainability of the Project

USAID's performance plan hopes to see 35 municipalities still running in "an effective, sustainable, participatory, transparent, accountable, and integrity-oriented matter at the end of the contract."

The problem of staff turnover was mentioned previously. In Coronel Oviedo, about half of the staff members we talked to were new. They would like to receive training similar to that which their predecessors received from the MFP. This may not be possible since project activities have ended and the municipality is in the monitoring stage.

Another problem that looms in 2006 is the possibility that many trained staff will be let go if new administrations are elected. A professional municipal career track that is more protected from political change should be one of the themes for national-level policy discussion.

SECTION II

Strengths and Weaknesses of the Partnerships between Municipalities and Project

The TOR called for an assessment of the strengths and weaknesses of the MFP model.

A. Strengths

On-the-job training is effective. Municipal staffs say that they learned more because consultants worked with them on a day-to-day basis for an extended period. This method compared favorably to assistance they had received previously from NGOs, which was described as "seminars lasting one or a few days and then the expert was gone."

Initial emphasis on large, delinquent taxpayers is good. This sets a tone that all citizens must fulfill their obligations and speeds the flow of resources. In a relatively short period of time, the MFP has been able to get staffs trained and equipped to work on this group of taxpayers and to begin the longer-term work on cadastre and collections.

Creative solutions emerge when consultants look at problems in new ways, e.g., Ñemby's model to involve community groups in tax collection.

Consultants are invested in the success of the municipalities where they work. They are passionate about "their" municipalities and want them to succeed.

B. Weaknesses

Time has become too much of a driving factor for the MFP. It may cause activities to be closed out in some places before they should be. (Presidente Franco might be one such case.) Consultants are trying very hard to shorten the timeframes for assistance, but each municipality will have factors that speed up or slow down the pace of assistance. The mayor of Limpio was clear that they are making changes at the municipality's own pace, which is much slower than the timeframe recommended by the project consultant. However, he said that 80 percent of MFP recommendations have been implemented, and they may get to all of them … eventually. The constant emphasis on time may account in part for the following issue.

Some consultants are too aggressive. One mayor called it a "lack of tact and diplomacy." Technical staff in one municipality felt that they were not consulted and that consultants were pushy and arrogant. In another, staff felt that a consultant threatened their jobs. One consultant described sending in a "SWAT team" where things were not happening fast enough. While the majority of consultants are very professional and extremely well-regarded in the municipalities where they work, the MFP needs a system of checks and balances. Municipal staff have no one to consult if they have complaints or grievances, and mayors or council members may fear that assistance will be terminated if they voice concerns about a consultant.

Individual consultants may not have sufficient experience in some components, e.g., community participation or basic services, and may not provide as much attention as these issues deserve.

To date, criteria have not been used for selecting municipalities. Resources outstripped demand, so municipalities were accepted on a first-come-first-serve basis. There might be greater progress today if it had been possible to apply selection criteria. A pre-project assessment is now being used to determine whether a municipality has potential from the standpoint of political will. It might be useful to apply other criteria as well, such as the financial base of the municipality. The MFP seems to have been more successful in larger, stronger municipalities.

SECTION III

Conclusions and Recommendations

A. Project Approach and Organization

The MFP should place much less emphasis on working quickly. It should establish schedules for each municipality that reflect their realities. In particular, it is important to ratchet down the pace at project start-up to make it more collaborative with technical staff and the community.

The MFP should establish mechanisms for quality control. Perhaps this can be accomplished by rethinking the role of the coordinator. Currently coordinators act as mentors to consultants and assist the chief of party. Coordinators are themselves consultants in municipalities, and therefore sometimes "oversee" their own work. The project needs checks and balances to ensure the quality of assistance in each municipality, to determine if remedial action is needed, and to intervene when problems arise. Also, the project might consider subcontracting work on community participation and basic services to specialized groups for more consistent coverage.

The MFP and USAID should consider whether it is more important to reach all 38 municipalities than to reach fewer with better assistance. The value of providing more assistance in municipalities that encounter problems in implementation vs. reaching all 38 municipalities must be considered carefully.

More attention should be given to producing case studies, best practices and materials that are useful to a wider audience. It is important to produce these materials for non-participating municipalities, national-level counterparts, and USAID and development agencies in other countries. The MFP should consider hiring someone to develop written training manuals and project documentation, as well as to organize the project's electronic files.

The MFP should assess overall progress of municipalities at the time of project completion. The term "graduation" may not be particularly useful. However, other ways can be found to describe the status of municipalities.

B. Replication and Sustainability

Gobernación's UAM may represent the best hope for replication of MFP activities; it should be given as much attention as it needs to succeed. The project should consider a larger upfront investment in these offices so that initial work is not delayed.

As municipalities complete intensive assistance, the MFP should consider promoting a line item in municipal budgets for staff development and training and perhaps begin to charge for project assistance after the completion of intensive assistance. This might accustom municipalities to paying for private sector services.

Training of trainers should be given greater emphasis in each municipality. This would better prepare people within the community to carry on training after the project ends.

Efforts should be made to increase exchanges between municipalities. The project should continue to promote cross-fertilization between mayors, council members, and technical staff. A municipal Web site for technical staff might be another avenue to increase exchanges.

C. System-Wide Indicators and Policy Agenda

The MFP should help develop indicators that are useful to municipalities, not just the project. MFP staff should help municipalities to develop a much broader-based system of indicators to measure their progress over time in financial and other areas of action. These might include coverage of basic services and measures of community participation.

There should be a clearer set of objectives for national-level discussions. The MFP has not stressed sector-wide policies, even though a policy agenda is an element of the MFP's scope of work.[13] Only one meeting has taken place between project staff and *Controlaria Nacional* and none with other national actors. A MFP policy dialogue should address topics such as cadastre, titling, accounting/reporting, and protecting municipal line employees when there are elections.

[13] In the 2003 work plan, a reference was made to progress on municipal policy reform by another USAID project (ARD). In its September 2003 quarterly report, "policy reform" was redefined to mean changes in local government policy.

ANNEX A

Documents Reviewed

Original contract scope of work, signed September 2001, and modification No. 5 (scope of work), signed August 2003.

Paraguay Municipal and Rural Finance (PMRF) project work plan, December 10, 2001, and four quarterly reports for 2002.

Work plan for Paraguay Municipal and Rural Finance project for January 1 – September 30, 2003, and four quarterly reports for 2003.

Municipal Finance Project work plan for fiscal year (FY) 2004 and three quarterly reports for 2004 through June 30.

Municipal Finance Project work plan, FY 2005.

Proposed project design and activities (Chemonics proposal for extension of contract through September 2006.)

Time and materials subcontracts II and III with International Financial Services (IFS) and Mujeres por la Democracia, effective April 28, 2004.

Guía para Mejorar Las Finanzas Municipales, September 2004.

Guía para el Manejo Integral de los Residuos Sólidos Urbanos en el Paraguay, The Urban Institute/Chemonics, April 2002.

Informe de Actividades Subcontrato AJE/Finanzas Municipales, por Abo. ME Radice, November 2004.

Evaluation of USAID/Paraguay's program for more effective and accountable local government, February 20, 2003.

Diagnóstico de la Situación, Relleno Sanitario de Residuos Sólidos Urbanos, Caaguazu, CEAMSO, 2003.

Diagnóstico Financiero, Municipalidad de Coronel Oviedo, May 2002.

Informe Consultoría de la Municipalidad de Coronel Oviedo (final report), Municipal Finance Project, Chemonics International Inc., Asunción, Paraguay, January 2004.

Diagnóstico de la Situación, Relleno Sanitario de Residuos Sólidos Urbanos, Coronel Oviedo, CEAMSO.

Diagnóstico Financiero, Municipalidad de Villarrica, Septiembre 2002.

Informe Consultoría Municipalidad de Villarrica (final report), Proyecto de Finanzas Municipales.

Diagnóstico de la Situación, Relleno Sanitario de Residuos Sólidos Urbanos, Villarrica, CEAMSO, March 18, 2004.

"Diagnóstico Preliminar," Municipalidad de Villeta, presentado a la Intendencia y Junta Municipal, por Lic. Fredy Gimenez M., June 2003.

Informe Consultoría Municipalidad de Ñemby (final report), Municipal Finance Project.

Diagnóstico Financiero, Municipalidad de Emboscada, December 2002.

Diagnóstico Financiero, Municipalidad de Limpio, June 2002.

Informe Consultoría Municipalidad de Limpio (final report), Municipal Finance Project.

ANNEX B

Persons Interviewed

USAID
Steve Marma, SO team leader for decentralization
Eduardo Bogado, local government project officer

Municipal Finance Project Office
Peter Doty, chief of party
Tracy Shanks, project manager
Venancio Leites, project consultant for San Bernardino, Villarrica
Mercedes Juvenil, coordinator for works and services
Ricardo Gaona, project consultant for Caagazu
Victor Sanabria, project consultant for Ñemby
Carlos Cubilla, project consultant for Emboscada
Victor Rivarola, project consultant for Limpio
Jorge Irala, project consultant for Ciudad del Este and Presidente Franco
Fredy Gimenez, project consultant for Villeta
Dimas Piris, project consultant for Coronel Oviedo
Dirma Franco, project consultant

Municipal Officials and Staff
Ciudad del Este
Alcides Ramirez: JM
Ing. Carlos Nuñez: concejal
Lic. Juan Angel Nuñez: concejal
I.E. de Alegre: Concejal
Javier Galeno Benitez: presidente
Zenen Chamorro: concejal
Ing. Nelson Aguinagalje: concejal
Eduardo Morales: concejal
José Demis Paredes: asesor jurídico
Carlos Avalos Flores: director de recaudaciones
Ireneo Franco: jefe de fiscalización
Ma. Angélica Melgarejo: asistente de liquidación de impuestos
Heriberto Molinas: encargado de notificaciones y cobranzas
Walter Feltes: jefe de División Liquidaciones
Denis Ledesma: asesor contable de fiscalización
Evelio Zarza: asesor jurídico
Ricardo Brizuela: jefe División Impuesto Inmobiliario.

Caaguazú
Abog. Juan Benitez Cañete: secretario general
Lic. Claudia Carolina Caballero: dirección de tributación
Lic. Felicita Meza de Legal: directora de administración y finanzas
Juan Ramón Piñanez: presidente de la junta
Milciades Paniagua: concejal
Felipe Nery Martinez Ramos: concejal
Osvaldo F. Rios: concejal
Francisco Medina Zárate: secretario de la junta municipal
Juan Quiñonez: concejal
Daniel Villalba: concejal
Lic. Maria Vilma Villamayor Mongelos: concejal
Dolly Duarte de Alvarenga: concejal
Miguel Angel Lesme: copncejal
Adolfo Montiel Brizuela: concejal
Augusto Figueredo Amarilla: concejal
Juan Armando Sandoval: concejal
Antonio Vera Ruiz Diaz: concejal
Lilian Noemi Villar: presidenta de la Coordinadora de Educadores Barriales
Celso Ramón Cañete: vicepresidente de la Coordinadora de Educadores Barriales
Mariano Mendoza Galeano: miembro de la Coordinadora de Educadores Barriales y Contraloría Ciudadana
Nilsa Machoqui Armoa: presidenta de la Comisión Vecinal del Barrio San Francisco.

Presidente Franco
Ruben Darío Benitez: director de recaudaciones
Bacilio Torales: concejal
Catalina Peña Ortega: concejal
César Dario Benitez: concejal
Juan Portillo: concejal
Feliciano Bogado Benitez: concejal
Representantes de Comisiones Vecinales

Coronel Oviedo
Roque Olmedo: concejal
Cristina Torales: notificación, liquidación y cobranzas
Gustavo Díaz: grandes contribuyentes
Lic. Mónica de Peña: dirección de recaudaciones
Lic. Antonio Collante: jefe de patente y obras
Lic. Elizabeth Delgado: inspectora del Departamento de Catastro
Mirna Bianciotto: auxiliar patente comercial
Fida Stanley de Nuñez
Fernando Hector Riveros
Anibal Mario Oviedo: junta de Potrero Cué
Obdulio Gonzales: coordinadora de Comisiones Vecinales
Catalina López de Martinez: comité de Taller de Costura

Alba Vda. de Mendoza: presidenta de la Comisión Ykua Kaaguy
Graciela de Gómez: secretaria de la Comisión Ykua Kaaguy
Gerardo Chavez: comisión vecinal de Ykua Sati
Edith Miriam Ojeda Medina: comisión de salud (diabética)

Villarrica
Lic. Juana de Boggino: jefe de grandes contribuyentes
Abog. Fernando Colman: concejal
Abog. Federico Alderete: intendente
Fermina Enciso: concejala
Gustavo Alvariza: concejal
Antonio Zorrilla: concejal
Diego Cano Giarala: dirección de cobranzas
Miguel Eduardo Samudio: jefe de la Dirección de Otros Tributos
Isaac Aguilar: director de administración y finanzas
Carlos René Viera: presidente de la Comisión Vecinal “Corrales”
Patrocinia de Ferreira: miembro de la comisión
Severiano Martinez: coordinadora vecinal
Mirta Benitez de Leguizamón: miembro de la comisión
Pedro Gustavo Ortiz: coordinadora vecinal
Gladys Romero: coordinadora de comisiones vecinales
Meneleo Alderete: presidente de la coordinadora
José Manuel Peralta: secretario de comisiones vecinales
Alcides Nicolicchia Kurth: concejal
Edwin Kaatz: comisión por Villarrica
Alejandrina Acosta de Verdecchia: comisión vecinal de San José Obrero
Verónica Escobar Gómez: comisión vecinal de Lomas Valentinas
Máxima Vega Fernandez: comisión vecinal de Lomas Valentinas
Presencia de Barreto: comisión Pro empedrado
Juana de Maidana: lomas valentinas.

Ñemby
Ever Daniel Ferreira: jefe de catastro
Angel Bobadilla: director de tributación
Herna A. Villamyor: directora de comisiones vecinales
Mary Garay de Fernandez: directora de administración y finanzas
Blas Lanzoni: intendente
José Rodríguez: jefe de impuesto inmobiliario.

Villeta
Hector Rotela: secretario general del municipio
Elisa de K.
Carlos Villalba
Luis Verón: Concejal
Venacio G. Soto
Samuel Martinez
Isabel Patiño
Manuel Aguilar
Paulina Ramirez
Mirta Oviedo
Mary Vega
Lourdes Pereira
Teresa Baez de Ruiz Díaz
Leticia de Tomáis
Miryam Fernández
Jose Gamarra
Carlos Arguello
Raúl Maciel
Petrona de Acosta
Hugo Noguera
Miryam Aguayo de Bonussi
Noelia Bareiro: administración de base de datos
Justo Ramirez: sección inmobiliario
Sinforiana Benitez: patente comercial (liquidación)
Eva Alvarenga: sección catastro
Blanca Rodríguez: notificadota
Delcira Espínola: encargada de notificaciones.

Emboscada
Jorge Ramón Quiñónez: secretario general
Patricia Zárate: Auxiliar de catastro
Gustavo Ramón Amarilla: Departamento de Hacienda
Crisaldo Mora Ortega: Departamento de Recaudación
Laura Cáceres: Departamento de Hacienda
Victor Ramón Perez Pereira: secretario de intendencia

Limpio
Roman Toñanez: secretario general
Alberto Coronel: secretario de recursos humanos
Adriana Vallejos Ibáñez: encargada de adquisiciones
Gloria Abreu: Departamento de Impuesto Inmobiliario
Julio Díaz Díaz: director del Departamento de Impuesto Inmobiliario
Blanca Aveiro de Pereira: directora del Departamento de Recaudaciones
Francisco Javier Machuca: director del Departamento de Catastro
Blanca Saralicia Ruiz: directora del Departamento de Desarrollo Local

Ramon Barboza: consejo inter-sectorial oñondivepa para el Desarrollo Sanitario (CIODECO)
Luis Gutierrez: consejo inter-sectorial oñondivepa para el Desarrollo Sanitario (CIODECO)/Asociación de Agua y Medioambiente (AMA)

San Bernardino
Vicenta Millot: asesoría presupuestaria
Isabelino Cañete: concejal
Manuel López: periodista
Maximi Fiorio Soto: presidente CSE
Luis Aguilar Rios: intendente
Francisco Aguilar Rios: concejal municipal
Adolfo Milllot: concejal
Pablo Alfredo Mora Vallejos
Felix Aguirre
Emilse Zoria Gómez
Limpia Ortiz
Nilda Martinez: presidenta Comisión Vecinal Barrio Colón
Elizabeth de Ramirez: tesorera de la comisión Vecinal P.E.
Maria Molinas de Villasanti: miembro por empleado
Nelly Maidana: presidenta de la Comisión Por Escuela
Maximiliano Soto: Departamento de Concejo Solidario
Blasida Vera Riquelme: Pro Tesorera Comisión Pro Capilla S.L.
Crispín Fleitas
Valentín Fleitas: presidente
Lorenzo Aguilera: auxiliar de cobranzas
Juan Soto: jefe del Departamento de Tránsito
Daniel Vera: auxiliar de informática
Julian Aguilar Rios: director Departamento Inmobiliario
Teresita Bobadilla: Hacienda / Tesorería
Luis Vargas: contador
Nicolás Britos: catastro
Eugenio Oehme: Departamento de Planificación Urbana

Gobernación de Caaguazú
Juan Ramón Samudio: UAM – Informática
Marisol Gauto: encargada de la UAM
Oscar Cardozo: asesor jurídico de la UAM
José Maria González: asistente de la UAM

Others

Robert Aselin, consultant to USAID on the strategic plan
Oscar Rodriquez, consultant to USAID on the strategic plan
Ing. Jorge Abbate C. Director Ejecutivo, Alter Vida
Arq. Romy Vaesken Tibucio, coordinación, Alter Vida
Ruben Dario Sanabria, técnico, Alter Vida

ANNEX C

Considerations and Criteria for Selecting Municipalities

A. Size and Financial Category of Municipality

The 22 municipalities that are currently involved in the project are generally medium to large, with some smaller municipalities. Most of the municipalities have fairly large budgets, but even some of the smaller municipalities may have higher than average income generated locally.[14] For example, San Bernardino is a resort community with high income, but a small permanent population. Sample selection took into account these factors.

B. Time in the Project

The sample took into account how long municipalities have been involved in the project. In five of the sample municipalities, technical assistance has been completed. In four it is ongoing, and in one it is just beginning.

C. Sample Characteristics

Municipality	Population[15]	Financial Category	Project Start
San Bernardino	9,550	Group I	01/22/03
Ciudad de Este	222,109	Group I	2/25/04
Presidente Franco	53,660	Group I	4/02/03
Caaguazu	100,132	Group I	4/01/03
Coronel Oviedo	85,499	Group I	3/07/02
Villarrica	55,000	Group I	8/05/02
Ñemby	71,000	Group II	11/11/02
Villeta	22,830	Group II	5/29/03
Emboscada	12,370	Group III	11/10/02
Limpio	72,510	Group I	5/31/02

D. Other Factors

We also wanted to take into account less quantifiable factors. For instance, if there was a municipality with a good example of citizen participation, one with noted excellence in revenue generation, or some with problems getting projects off the ground, we wanted to include these municipalities if at all possible. There was also interest in making sure that political affiliations were fairly represented. Additional notes provided by project staff on the sample are:

[14] A national decree ranked municipalities by groups as follows: Using the average budget of the 17 department capitals, Group I municipalities had budgets less than 50% of the average; Group II 12-50% of the average; Group III 3-12% of the average and Group IV less than 3%.
[15] According to the National Census of 2002.

The sample represents a good cross-section of political affiliations. Four municipalities have Colorado Party mayors or "intendentes" (Oviedo, Caaguazu, Presidente Franco, Ciudad del Este), and there are six liberals.

San Bernardino. This is one of the original 12 municipalities. Here we will see a broad cross-section of the different elements of tax collection along with elements from TAPES (program of accountability, transparency, participation, ethics). The project had a small setback some time ago because the municipality was providing inaccurate info about tax recovery, so a change of strategy was needed in 2004.

Ciudad del Este. One of the newer municipalities (the project started in February) and the largest city involved in the project. They have started to look at tax issues, but not other elements of the project. They have been reluctant to hold an *audiencia pública* but recently have warmed to the idea and may hold one in the near future.

Presidente Franco. Work on their municipal development fund is more advanced than elsewhere. They held an *audiencia pública* but there seems to be very little follow-on from it. They have not implemented many works or services.

Caaguazu. This municipality is not a stellar performer, specifically in terms of the democracy and governance TAPES components. Given its size and nice rural/urban mix, however, it is certainly compelling to include in the survey. The project has provided additional technical assistance to help with garbage collection services, including a new site and payment plan.

Coronel Oviedo. One of the very first municipalities assisted under the project. It has a great income-enhancement track record and good TAPES balance. There is also an interesting sustainability issue: income enhancement declined when project assistance was completed, then recovered somewhat.

Villarrica. This is a great success story for the project, all-around. Especially in the TAPES components.

Ñemby. This is considered an award-winning municipality and a success story for the project. It recently won an award in Miami as one of the five most innovative municipalities in Latin America. Also, there is successful work with a replication mechanism aimed at pairing Ñemby with another municipality, Carapegua, to teach best practices).

Villeta. Although Villeta is located in the urbanized Central Department, it has a large rural population. It experienced a significant increase in tax revenues and has had considerable success in TAPES as well as accounting reform.

Emboscada. There is strong community awareness and participation, in spite of serious problems with tax collection, management, and corruption issues. It is very rural.

Limpio. This was the first municipality in the project. Initially the project applied a user fees approach, helping with the sewage services. Then the project altered into its methodology, signed

a memorandum of understanding and began tax collection work. This approach was used in subsequent municipalities. However, Limpio is not an outstanding example. The municipality has had its share of problems, including falling tax revenues.

ANNEX D

Evaluación de Medio Tiempo del Proyecto Finanzas Municipales

Guía de Entrevistas

A.) Preguntas para los Intendentes / Concejales Municipales

1. ¿Cuándo escuchó por primera vez del Proyecto Finanzas Municipales?
2. ¿Cuándo fue firmado el Convenio entre Chemonics y Municipio?
3. ¿Cuáles son las responsabilidades de la Municipalidad bajo ese Convenio?
4. ¿La municipalidad cumplió totalmente esas responsabilidades?
5. ¿De cuánto tiempo fue la asistencia proveída por el Proyecto de Finanzas? (si todavía no se completó, ¿cuando está previsto que termine la asistencia?)
6. (Para el Ms. Original) ¿qué contactos Usted continúa teniendo con el equipo del proyecto?
7. ¿Cuáles fueron los mayores logros de la municipalidad y del equipo del proyecto?
8. ¿Qué problemas encontró al trabajar en temas de gerenciamiento y financieros con el equipo del proyecto?
9. ¿Cómo se resolvieron?
10. Además del trabajo de impuesto inmobiliario, ¿el equipo del proyecto le asistió en las siguientes áreas?
    - Contabilidad y reportes de la información financiera
    - Manejo de los gastos
    - Tecnología de la información
    - Cumplimiento de regulaciones ambientales para los proyectos de servicios
11. Antes de que el proyecto iniciara, ¿Cuáles eran las principales fuentes de ingreso de la municipalidad?

12. ¿Esto cambió desde que el proyecto inició su asistencia?, Si es así, ¿Cuáles son las principales fuentes de ingreso ahora?

13. ¿Qué porcentaje del total del ingreso de la municipalidad proviene del impuesto inmobiliario? ¿Porcentaje proveniente de patentes comerciales?

14. ¿Cuál considera Usted que será la tendencia de ingresos locales en los siguientes años?

15. ¿La municipalidad creó un fondo de desarrollo con los ingresos generados como resultado del proyecto?

16. ¿Cómo fue montado este fondo y cómo es administrado?

17. Entendemos que varios proyectos fueron presentados para la utilización de los recursos del fondo de desarrollo ¿Cómo se eligieron esos proyectos?

18. ¿Alguno de los proyectos de servicios fueron de beneficio para toda la municipalidad (comunidad) ej. Relleno sanitario, etc.

19. ¿Cómo reaccionó la comunidad al proyecto que se estaba llevando a cabo?

20. ¿Planea Usted seguir depositando un porcentaje de sus ingresos en el fondo de desarrollo para nuevos proyectos?

21. Cuando acabe la asistencia técnica de USAID, ¿dónde buscará asistencia en el futuro?

22. ¿Qué ONG´s están trabajando en esta municipalidad? (Alter Vida, Contraloría Ciudadana, Gestión Local, Transparencia Internacional, Geasa, First, Proena, Ceamso)?

23. ¿Qué relación tiene la municipalidad con la firma Asesoría Jurídica Empresarial?

24. ¿Tienen o tuvieron antes cualquier otro tipo de asistencia de otra organización sobre administración municipal?

25. ¿Alguna vez pagó por asistencia recibida?

26. ¿Está dispuesto a pagar para recibir asistencia del sector privado en el futuro? (explorar)

27. ¿Cuál es la relación entre esta municipalidad y la gobernación?

28. ¿Reciben apoyo técnico de la gobernación?, si es así explique que tipo de apoyo.

29. ¿Participa la municipalidad en algún tipo de asociación de municipalidades? Si es así, describa las actividades.

30. ¿Ha brindado asistencia técnica a Municipalidades vecinas en base a las experiencias del Proyecto?

31. ¿Ha participado en alguna actividad, como seminarios y conferencias, a fin de compartir sus experiencias con otras municipalidades?

32. En su experiencia ¿existen otras maneras de diseminar la información entre otras municipalidades? Ej. Publicaciones, páginas web, etc.

33. ¿Tiene Usted contacto directo con organizaciones a nivel nacional sobre temas municipales? ¿Usted reporta anualmente su presupuesto a la gobernación o a alguna organización a nivel nacional?

34. ¿Cambió Usted la organización de este gobierno municipal como resultado de la asistencia de este proyecto? Si es así ¿Cómo fue?

35. ¿Han cambiado las prácticas de gerenciamiento como resultado del proyecto?, si es así, Explique cómo.

36. ¿Cómo se comunica tradicionalmente el gobierno municipal con le público? ¿Las formas de comunicación han cambiado como resultado del proyecto?

37. ¿Hay algún tipo de conflicto con la comunidad como resultado de las actividades de recaudación de impuestos? Si es así ¿cómo fueron resueltos?

38. ¿Qué grupos comunicaros son los mas activos en temas municipales?

39. ¿Ha realizado audiencias públicas? Si así ¿cuántas ha realizado?

40. ¿Qué tipo de aceptación tuvieron las audiencias públicas? ¿Planea continuar con las audiencias públicas en el futuro?

41. ¿Usted tienen alguna manera formal de evaluar esos encuentros (audiencias públicas)?

42. ¿La Municipalidad tiene un departamento u oficina con la finalidad de relacionamiento con grupos comunitarios?

43. ¿Han Establecido un sistema de u oficina de contraloría interna?

44. ¿Qué podría recomendar al Proyecto para mejorar su trabajo con otras Municipalidades en el último periodo?

B.) Preguntas para el staff de Impuesto Inmobiliario

Obtener si está disponible:

Total de hogares en la municipalidad:			
Total de hogares relevados en el catastro:	2002	2003	2004
Total anual de impuestos inmobiliarios cargados:	2002	2003	2004
Total anual de recaudaciones de impuestos a la propiedad:	2002	2003	2004
Total de de morosos:	2002	2003	2004
% de morosos:	2002	2003	2004
Promedio de meses de atraso:			
Monto total de impuestos no pagados:	2002	2003	2004
Monto total de morosos recuperados luego de la asistencia del proyecto:	2002	2003	2004

1. ¿Cuál fue el primer paso tomado cuándo se inició la asistencia del proyecto?

2. ¿Podría describir las acciones realizadas en relación a los grandes contribuyentes que debían sus impuestos?

3. ¿Fue posible negociar un arreglo con la mayoría de estos propietarios?

4. ¿Qué resultados obtuvo con otros propietarios que debían impuestos?

5. ¿Fue capaz de reducir el total de propietarios morosos como resultado de esta asistencia? ¿De cuánto fue la reducción?

6. ¿Existen grupos de propietarios representativos de los impuestos que no pueden ser recaudados? Por ejemplo, hemos escuchado de propiedades que fueron distribuidas hace años, de acuerdo a la reforma agraria y estos no poseen títulos claros. ¿Qué pasa con las propiedades municipales?

7. ¿Qué porcentaje del total de propiedades estos grupos representan?

8. ¿El proyecto asiste en la actualización del catastro? Si es así, ¿qué se hizo?

9. Si no se actualizó el catastro, ¿De qué fecha es el último catastro realizado?

10. ¿Con que frecuencia se planean las actualizaciones?

11. ¿Podría explicar cómo trabaja la reliquidación? ¿Cuántas propiedades fueron sujetas a la reliquidación?

12. ¿Los valores fiscales están actualizados? (¿Qué bases se utilizan para este propósito?)

13. ¿La organización de su unidad ha cambiado como resultado de la asistencia proveída por el proyecto? Si es así ¿Cómo cambió?

14. ¿Tiene el software y el entrenamiento necesario para continuar reduciendo la morosidad y mantener actualizados las planillas de los impuestos?

15. Como resultado del Proyecto ¿hubo cambios en alguna de las siguientes áreas?
    - contabilidad y reportes sobre la información financiera.
    - Manejo de gastos.
    - Tecnología de la información.
    - Cumplimiento de regulaciones ambientales para los proyectos de servicios.

16. ¿Podría responder algunas preguntas generales acerca de las recaudaciones municipales de servicios como agua y recolección de basura? Si es así continúa con lo que sigue abajo:

Obtener si está disponible:

Servicios de agua y recolección de basura			
Total de propiedades cubiertas por el servicio	2002	2003	2004
Total de propiedades cargadas por el servicio (%de cobertura)	2002	2003	2004
Costo del servicio (mensual o anual) y % del costo cubierto por el costo	2002	2003	2004

17. ¿Los costos y la recaudación por servicios como agua y recolección de basura han cambiado como resultado de la asistencia técnica del proyecto?

18. ¿Ha habido algún cambio organizacionala en la manera en que la municipalidad maneja esos servicios?

19. ¿Qué obstáculos tiene la municipalidad en la recaudación de esos servicios?

C.) Preguntas para los grupos comunitarios (Comisiones Vecinales)

1. ¿Cómo se comunica normalmente la municipalidad con el público? Y ustedes con ellos?

2. ¿Alguna vez han participado en reuniones realizadas por la municipalidad? Si es así ¿cuándo fue y cuáles fueron los puntos tratados? ¿Qué tan informativas fueron estas reuniones?

3. ¿Planea continuar asistiendo a estas reuniones públicas?

4. ¿Están al tanto de los esfuerzos que realiza la municipalidad para recaudar los impuestos vencidos? Si es así ¿qué información tiene usted?

5. ¿Se planteó alguna inquietud referente a estos esfuerzos?

6. Si hay algún problema en la comunidad, ¿Cómo comunican ese problema a los oficiales municipales?

7. ¿Los gobiernos locales comparten la información con la comunidad sobre presupuesto y costos de proyectos?

8. ¿Están al tanto de los esfuerzos de la municipalidad para crear fondos de desarrollo para los proyectos comunitarios? ¿Participaron ustedes en la presentación , selección o construcción de algún proyecto municipal?

9. ¿Mejoraron los servicios en la municipalidad? Explorar mejoras y necesidades prioritarias.

10. ¿Con quienes tienen mas contacto dentro de la municipalidad?