Project Completion Report

PCR

Project Name: Urban Development Program

Country: Republic of Guyana

Sector/Sub-sector: Urban Development and Housing–Integrated Urban Development

Original Project Team: IDB and GOG

Project Number: GY 0041

Loan Number (s), TC(s): LO-1021 SF/GY

QRR Date: November 14, 2007

Final Approval Date of PCR:

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DEV
DEVELOPMENT EFFECTIVENESS
AND STRATEGIC PLANNING DEPARTMENT

Acronyms and Abbreviations

ACGI	Alta Canadian Geomatics Inc.
CAMA	Computer Assisted Mass Appraisal
CIDA	Canadian International Development Agency
FCM	Federation of Canadian Municipalities
GIS	Geographic Information System
GOG	Government of Guyana
IDB	Inter-American Development Bank
LGD	Local Government Division
MDP	Municipal Development Plan
MGMP	Municipal Governance and Management Program
MIS	Management Information System
MLGRD	Ministry of Local Government and Regional Development
MPWC&RD	Ministry of Public Works and Regional Development
MSD	Municipal Service Division of the MLGRD
PEU	Program Executing Unit
UDP	Urban Development Program
URP	Urban Rehabilitation Program

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I. Basic Information

BASIC DATA (25.000.000)	
PROJECT NO: GY 0041	**TITLE: URBAN DEVELOPMENT PROGRAM**
Borrower: Cooperative Republic of Guyana **Executing Agency (EA): Ministry of Local Government and Regional Development** **Loan(s): LO-1021 SF/GY** **Sector: Urban Development and Housing – Integrated Urban Development** **Lending Instrument: Investment Specific**	**Date of Board Approval: 11-Nov–1998** **Date of Loan Contract Effectiveness: 13– Mar-1999** **Date of Eligibility for First Disbursement: 02 – Aug - 2000** **Months in Execution** *** From Approval: 103 months** *** From Contract Effectiveness: 99 months** **Disbursement Periods** **Original Date of Final Disbursement: 13 – Mar - 2004** **Current Date of Final Disbursement: 30 –Jun - 2007** **Cumulative Extension (Months): 39.5** **Special Extensions (Months): 3.5** **Loan Amount(s)** *** Original Amount: 20.000.000** *** Current Amount: 20.000.000** *** Pari Passu (if applicable): 5.000.000**
Poverty Targeted Investment (PTI): Yes **Social Equity (SEQ): Yes** **Environmental Classification: C**	**Disbursements** *** Amount to date: 19,499,102.56 (99.99%)** **Total Project Cost (Original Estimate):25.000.000** **Redirectioning** **Has this Project?** **Received funds from another Project [ ]** **Sent funds to another Project [ ]** **N/A [X]**

To/From Project Number	From Sub-Loan Number	Amount

*** Current amount (adjusted for redirectioning):**

On Alert Status
Is project currently designated "on alert" by PAIS: No
If yes then why is the project on alert (DO , IP Ratings and/or relevant PAIS indicators):

Comments on relevance of "on alert" status for this project (if applicable):

Summary Performance Ratings				
DO	[ ] Highly Probable (HP)	[ ] Probable (P)	[**LP**] Low Probability (LP)	[ ] Improbable (I)
IP	[ ] Very Satisfactory (VS)	[ ] Satisfactory (S)	[**US**] Unsatisfactory (US)	[ ] Very Unsatisfactory (VU)
SU	[ ] Highly Probable (HP)	[ ] Probable (P)	[**LP**] Low Probability (LP)	[ ] Improbable (I)

II. Executive Summary

The objectives of the Project were to support reforms to address the institutional constraints affecting Guyana's capacity to finance, operate, maintain and expand urban infrastructure and services on a sustainable basis and; finance the rehabilitation of infrastructure and the reestablishment of municipal services in the country's six urban municipalities. These objectives were unchanged during the project, notwithstanding, during the second year of implementation, it was determined that in order to launch key reforms, three (3) laws had to be passed by Parliament, which had not been foreseen during project preparation. At the end of the programme two of these three laws were not passed into law mainly due to political considerations (see page 11) and this had a negative impact on the achievement of project objectives. The programme also experienced significant delays in implementation resulting in its completion in six years rather than the planned four.

Despite the implementation difficulties the programme was still able to lay the foundation for the required policy and regulatory framework needed to launch the necessary reforms. The objectives of the programme were therefore partially achieved but some critical factors remain outstanding.
In relation to the rehabilitation of the infrastructure the objectives were entirely met, although two years after the deadline. The delay was mainly due to problems with establishing the initial structure for the Program Executing Unit, and the absence of a sufficient number of consulting and construction firms to carry out the projects in tandem. This delay accounted for eighteen months of the two years extension. The additional six months delay were as a result of the slowness in the implementation of the reform component of the project. This included the reform in the tax system, the financing of the operations of the municipalities with funds from central government through a budget transfer mechanism and the restructuring of the valuation office.

The notable achievements in relation to the reforms are:

1. Municipalities were provided with the tools required to implement and comply with their municipal development plans
2. The project has put in place the basic elements required to ensure some level of sustainable development in the future—both concerning MLGRD and the municipalities.
3. With respect to institutional strengthening of the MLGRD, the Municipal Services Division (MSD) was set up within the MLGRD in 2004 and has been operational since. However, the MSD still lacks the necessary equipment needed to effectively carry out its work.
4. All 6 municipalities had designed municipal developmental plans, new financial systems were in place, persons were trained in the preparation and implementation of projects, and MIS for tax management was implemented.
5. The proposed comprehensive bylaws were approved for 4 of the 6 municipalities.
6. Municipal revenues were increased in five municipalities in real terms as a result of efforts made by the municipalities using the rental mode system. The increase was however below the required level.
7. A budget category for maintenance of projects was established in the municipal budgets.

The issues that remain outstanding are:

1. The strengthening of the Valuation Office. The plan was designed but not implemented.
2. The appointment of an international consultant as the chief valuation officer to coordinate reforms in the office. This did not gain the approval of cabinet.
3. The passing of a law to introduce a transfer mechanism for the release of funds by government to the municipalities. This bill was still in the drafting stage.
4. The reduction of tax delinquency to the degree planned and greater increase in tax revenues. One reason for the poor results was the non-implementation of the modernized tax system. This system was not completed at the close of the project because it took 6 years to modernize the system rather than the 2 years originally anticipated.
5. The improvement in the operations of the rehabilitated markets despite the fact that this aspect was included in the strengthening plans. FCM did not complete the plans for the

restructuring and improvement of the operation of these markets early enough to allow for implementation.

III. The Project

a. Project Context

In the early 1990s, administration in urban councils were characterized as being in a state of disarray with broken down operations and management systems, high levels of staff turnover and absenteeism, high vacancy rates and under qualified staff. Councils lacked modern technology, had little or no equipment, and the physical premises of most council offices were dilapidated and in a state of disrepair. This was the result of a national crisis that emerged from years of economic stagnation, recession and high levels of inflation that prevailed throughout the 1980's. This state of affairs continued in the municipalities during the early 1990's and beyond, in spite of the renewed growth seen at the national level around this period.

The Ministry responsible for overseeing local government at the national level was the Ministry of Public Works, Communications and Regional Development (MPWC&RD). The Local Government Division (LGD) operated as a part of the Ministry's Department of Regional Development and Co-operatives. Although the objective of this Division was to oversee the functioning of local governments, it had very few staff members, little funding, and no equipment. Ultimately, this situation actually made things worse for the municipalities (PADCO, 1994).

In addition, since municipal revenue was barely covering recurrent expenditure, the principal sources of funds used for major maintenance and capital works projects were capital grants or budget subventions from the Ministry. There was no source of funds dedicated specifically for the municipalities nor was there any formula for allocating grants based on council performance. The municipalities therefore had to depend almost entirely on the revenues from the collection of property taxes. The Ministry of Finance's Valuation Division bore the responsibility for property assessment and this provided the basis for the determination of quantum of the property taxes. This system was not functioning well and as a result, the amounts collected were insufficient to provide for the needs of the municipalities. As a consequence, the roads and drains from all municipalities, with the exception of Georgetown, were in a state of disrepair. Potholes, eroded and broken asphalt surfaces rendered many roads nearly impassible. In addition, lack of solid waste collection and disposal in urban areas was becoming a much-disputed topic between local governments and the Ministry.

In 1993 the Government of Guyana in agreement with the Bank, hired PADCO Inc. to prepare a comprehensive assessment of the situation and a detailed URP proposal. It was agreed that the municipalities needed to improve their operations and the provision of their services, and national growth had to spill over into the cities. The reports submitted by PADCO in 1994 actually shaped the Urban Development Program. The report at that time saw the need to combine a policy of reform and institutional development with a component of infrastructure rehabilitation and investment. In 1996 a social sector strategy for Guyana was formulated, discussed and endorsed by the Government of Guyana (GOG.) The focus was on the improvement of the quality and efficiency of social services in a sustainable manner. This paved the way for the UDP and on May 15, 1998, the loan committee approved the profile II of the project. The project preparation team was urged to identify an alternative institutional arrangement rather than the traditional one, in order to build *in-house institutional capacity at all levels,* in light of the severe constraints of human resources.

Within this context, the Inter-American Development Bank and the Government of Guyana signed on March 13, 1999 a loan agreement GY0041, the "Urban Development Program", thereby providing the finances for the rehabilitation of primary infrastructure and urban services for the cities of Georgetown, New Amsterdam, Linden, Rose Hall and Corriverton initially, and later Anna Regina, a recently developed town. The program was designed to have the municipalities strike a balance in the long run

between tax revenues and infrastructure maintenance and improvement, while providing sustainable basic services. The project had resources in the amount of US$25 million, of which the Bank provided US$20 million as a loan.

The launching of the program was significantly delayed and, it was finally declared eligible on August 9, 2000. The Government, and more specifically MLGRD took almost 15 months in fulfilling the eligibility conditions, which included the engagement of a management consulting firm, the formation of the Program Execution Unit (PEU), and the presentation of a final draft of the program's operating regulations. In order to meet these conditions, the IDB approved a Program Preparation Facility on July 7, 1998 for an amount of US$ 300,000 dollars. Program implementation would take nearly 8 years, to June 30, 2007, from the signing of the agreement; or 6.5 years from the moment in which the project was declared eligible.

During the execution of the project in the year 2005, the Government reported to the Bank that a grant agreement had been signed with CIDA for an amount of approximately US$ 6 million dollars for the implementation of the Municipal Governance and Management Program (MGMP) with the purpose of strengthening the municipalities. CIDA engaged the Federation of Canadian Municipalities (FCM) to manage the implementation of the program, which involved the drafting of development agendas that were similar to UDP business plans, albeit developed through the application of a different methodology. Other activities planned under the program include the design of financial systems for municipalities and the training of personnel for the preparation and implementation of projects. It was found that the approach used by FCM for working with municipalities in the strengthening processes was well accepted by the municipalities and seemed to significantly contribute to the successful implementation of the project.

Based on these facts, the IDB met with CIDA to coordinate actions under the two projects and in May 2005, the two donor agencies along with the GOG agreed on measures for close coordination between the two programs. In October 2005, a contract was signed between the GoG and FCM to carry out activities to achieve the agreed upon objectives in institutional strengthening under the supervision of the PEU. The services were initiated in early 2006 and included the provision of technical assistance to municipalities in the preparation of the Municipal Development Plans (MDP), the evaluation of alternative tax rate systems and the management of markets, and the provision of training for the MLGRD's Municipal Service Division and the 6 municipalities in financial management, the project preparation cycle, organizational structure, planning and monitoring. The contribution of CIDA through the MGMP was therefore significant in the achievement of project objectives under the UDP.

b. Project Description

i. Development Objective(s)

The main objective of the Project was to improve infrastructure and basic services provision for the urban population of Guyana. Specifically, the project was designed to: (a) support reforms to address the institutional constraints affecting Guyana's capacity to finance, operate, maintain and expand urban infrastructure and services on a sustainable basis; and, (b) finance the rehabilitation of infrastructure and the reestablishment of municipal services in the country's six urban municipalities.

These objectives remained throughout the project and were not changed, notwithstanding, during the second year of implementation, it was determined that in order to launch key reforms, three (3) laws had to be passed by Parliament, which had not been foreseen during project preparation. However, the intermediate and final benchmarks for facilitating the advancement of project activities were changed. Moreover, a series of intermediate benchmarks were identified to help monitor the program.

ii. Components

The project consisted of two components: (a) technical assistance and institutional strengthening of the six urban municipalities, as well as of the Ministry of Local Government and Regional Development (MLGRD), the Valuation Office of the Ministry of Finance and the Program Executing Unit (PEU); and, (b) investments in the rehabilitation of urban infrastructure and services.

(a) The first component had 4 four subcomponents:

Technical Assistance and training for the municipalities: Through this subcomponent, the Project was designed to provide technical assistance and training for: improving municipal financial management and planning; modernizing local administrative procedures; and developing local revenue generation. Areas of activity under this component included: a) development of basic financial administration, planning and budgeting skills in the respective town councils; b) strengthening tax collection and enforcement mechanisms; c) implementing a social marketing program to enhance citizen's information about and participation in local government; d) revising the organizational structure, operational procedures and human resources management of the six municipalities; and e) improving communication and mutual learning among these urban centers.

Technical assistance for policy changes and institutional strengthening of central government agencies: This subcomponent was designed to strengthen Central Government capacities, which directly affect local government revenues and autonomy. It included providing financing for improving the property tax systems, building capacity at the MLGRD to better support municipal development, and encouraging dialogue and decision-making regarding central transfers to municipalities and defining responsibilities of central and local governments in relation to each other. In addition, the Municipal Service Division was to be established at the MLGRD and the recruited officers trained by the PEU and FCM.

Property tax assessment reform: The project through this subcomponent, was designed to support the modernization of the property tax system and complete a comprehensive revaluation of property in the six municipalities. Working with the Valuation Division of the Ministry of Finance, the UDP was tasked with creating a self-sustaining assessment organization that could provide fairly, economically and timely assessments for the collection of rates for the six target cities. Activities to be financed included: a) restructuring the valuation division; b) developing and adopting standards of practice to guide the administration of property tax assessments; c) selecting and adapting an appraisal system; e) developing a data collection manual and a program for quality control; f) selecting, contracting and training a small number of local staff in mass appraisal methods and for carrying out data collection and data entry; and g) developing a taxpayer education and information system.

Strengthening the MLGRD and mechanisms for central-local transfers: This subcomponent was planned to finance the contracting of consulting services to assist in further defining responsibilities at the central, regional and municipal levels of government, as well as designing and adopting predictable and transparent mechanisms for central government transfer to municipalities, such as formulas for revenue-sharing, transfers and co-financing.

(b) Investments in the rehabilitation of urban infrastructure and services:
The second component of infrastructure and service rehabilitation was designed to finance eligible subprojects in the six municipalities. Investments included rehabilitation and maintenance of the municipal roads and drainage networks, the reconstruction of commercial municipal facilities such as markets, abattoirs and stellings, as well as the rehabilitation of street lighting systems and the upgrading of municipal facilities. In addition, limited financing was to be provided for selected

investments in the upgrading of solid waste collection and disposal facilities, mainly through the rehabilitation and provision of equipment. However, these were later excluded and the list of projects selected for construction/rehabilitation only included roads, markets, town halls and abattoirs.

IV. Results

a. Outcomes

Institutional strengthening outcomes

From the beginning, the management firm identified major impediments that limited the consultant's ability to complete the Project as scheduled. These included lack of suitable working space, appropriate transportation and telephones. The most significant of these problems was the lack of funding by the Ministry for office expenses. These issues took sometime to resolve; and it was not until 2002 that the Ministry was able to provide suitable office space to the PEU managed by the consulting firm Alta Canadian Geomatics Inc., (ACGI). As a consequence, the strategy to use an external management firm to accelerate the rate of implementation of the project, did not realize the anticipated benefits.

With respect to institutional strengthening of the MLGRD, the Cabinet approved the establishment of the Municipal Services Division (MSD) within the MLGRD in 2004. Officials were recruited and trained by personnel from the PEU and later assisted in the development of business plans for the 6 towns. However, the MSD still lacks the necessary equipment needed to effectively carryout its work.

In 2005, taking advantage of the CIDA program carrying out institutional strengthening for the same municipalities, MLGRD and PEU decided to join forces with FCM to undertake a comprehensive municipal strengthening plan. By project completion, all 6 municipalities had municipal developmental plans (MDP), financial systems in place, person trained in the preparation and implementation of projects, the implementation of a MIS for tax management, and the development of municipal guidelines.

However the strengthening of the Valuation Office was not carried out. Despite the fact that the strengthening plan had been completed, it was not implemented. In addition, Cabinet did not approve the appointment of an international consultant to coordinate reform activities in the office.

Policy Reform outcomes

During the operation of the management firm it was found that in order to meet the mid-term and project benchmarks (that is the launching of standardized municipal bylaws, the establishment of a new capital-mode-based tax system and a simplified and transparent mechanism for transfers from Central Government to municipalities) laws 28:01 and 28:04 needed to be amended, and a new law needed to be enacted in order to enable the transfer. PADCO's initial assessment had not foreseen the need to introduce these legal changes. Nonetheless, during the initial year of implementation, the PEU realized that these laws had to be enacted by Parliament before the mid-term benchmarks could be met by the project. Parliament passed two of these laws in 2006, but the President only signed one – the change from rental to capital mode. The other was sent back to the Parliament for amendment.

In early 2007, the MLGRD approved four of the proposed comprehensive bylaws despite the law 28:04 not being approved. The approval of these bylaws, which were prepared in 2002, had been delayed by the MLGRD based on the thinking at the time that law 28:04 had to be amended first. Municipal officers indicated, in the exit workshop, that most of the changes proposed in the bylaws were already being applied in their municipalities because practical operational needs forced them to make the changes even in the absence of the related approved bylaws.

The third major reform was to pass a law to introduce a transfer mechanism. A proposal was prepared by the Ministry of Finance between 2004 and 2005, and was approved by the Cabinet in 2006. At the

time of the closure of the project, the Bill was at the Attorney General's Office for drafting without a scheduled date for it to be submitted to Parliament however the matter is before the parliamentary committee with the oversight for local government affairs and therefore could still be brought before parliament and approved during 2008.

Tax reforms outcomes

Outcomes were mixed under this category. None of the indicators established to measure the institutional reforms at the mid-term were achieved. Municipal revenues were not increased as expected and the tax delinquency was not reduced to the degree planned ***(see annex 2 for more details)*** at the time of the mid-term evaluation. However, by the end of the project, which was two years later than originally expected, municipal revenue had finally increased, not because the new capital mode tax system was implemented, but as a result of efforts made by the municipalities using the rental mode system. The contingent strategies aimed at reducing delinquent tax collections and extending tax collection coverage using the rental mode were only put in place in 2003. They had, however, yielded some results by project completion.

Municipal revenues in 5 municipalities (Corriverton, Rose Hall, Anna Regina, New Amsterdam, and Georgetown) were increased but not by a large margin in real terms (***see annex 2***). Mention must be made of two municipalities, Rose Hall and Anna Regina, which stood out in this process. Their collection of taxes increased significantly during 2004 and 2006. Both municipalities made great efforts to increase their revenues following a process agreed with the PEU.

One reason for the poor results was the non-implementation of the modernized tax system. This system was not completed at the close of the project because it took 6 years to modernize the system rather than the 2 years originally anticipated. Contributing factors were- (a) the modernizing of the tax system was a much more complicated process than initially foreseen and (b) the appraisal of properties took much longer than anticipated due to the lack of trained local personnel. In the end only 4 municipalities completed this exercise by project completion while activities in the remaining two were still ongoing.

Infrastructure outcomes

The infrastructure outcomes were entirely met, albeit with a significant two-year delay. The established benchmarks for the first half of the projects targeted to be met by 2002, were achieved two years later, in 2004. This delay was mainly due to problems with establishing the initial structure for the Program Executing Unit, and the absence of a sufficient number of consulting and construction firms to carry out the projects in tandem. Nonetheless, project implementation for the second stage of the project was much faster and was executed according to the mid-term plans.

A major achievement was that finally a budget category for maintenance of projects was established in the municipal budgets. Although the amounts are not close to being sufficient, municipalities starting for the first time in 2006, set aside resources for this activity. On the other hand, it was not possible to improve the operations of the rehabilitated markets despite the fact that this aspect was included in the strengthening plans. FCM did not complete the plans for the restructuring and improvement of the operation of these markets early enough to allow for implementation.

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)

Development Objective(s) (Purpose)	Key Outcome Indicators

1. Support reforms to address the institutional constraints affecting Guyana's capacity to finance, operate, maintain and expand urban infrastructure and services on a sustainable basis.

Classification: HP,P,LP,I

Planned Outcomes

Baseline
1.1B Municipal income from revenue earning activities and service charges were not covering the cost of service delivery (2000).
1.2B Income from property taxes in the six municipalities were G$ 774.9 millions (2000).
1.3B Tax delinquency was at G$ 92.0 millions (2000).

Intermediate
1.1I Municipal income from revenue earning activities and service charges increased to reflect cost of service delivery (2002).
1.2I Income from property taxes in the six municipalities increased through a reduction in delinquency rate by 50% and through implementation of effective valuation and tax administration systems.
1.3I Tax delinquency reduced by 50%.

End of Project
1.1E Municipal budgets are efficiently managed, and provide adequate funding to operate, maintain and expand infrastructure and basic services (2005).
1.2E Municipal resources, through fees, service charges, taxes, and government transfers, are increased by 50% and municipal revenues dedicated to infrastructure and service delivery are expanded (2005).
1.3E Property tax system reformed and modernized. Property valuations updated in all municipalities and tax based expanded (2005).

Outcomes Achieved

Intermediate (2004)
1.1I Municipal revenue of 4 municipalities (Corriverton, Rose Hall, Anna Regina and New Amsterdam) increased by 4.7% (-12.8% in real terms).
1.2I Income from property taxes of 4 municipalities did not increase (decreased by 17.5% in real terms).
1.3I Tax delinquency was reduced by 21.4% in current terms (34.6% in real terms).

End of the project (2006)
1.1E Municipal budgets are adequately prepared and municipal officers are trained to manage them. However, budgets are not enough to provide appropriate funding to operate and expand infrastructure and basic services (2007).
1.2E Income revenue of the 4 municipalities increased by 26.5% (decreased by 8.5% in real terms).
1.3E Capital mode law signed by president in 2006. Property tax system modernized in 4 towns in 2007.

2. Finance the rehabilitation of infrastructure and the reestablishment of municipal services in the country's six urban municipalities.

Classification: HP,P,LP, I

Planned Outcomes

Baseline
2.1B No projects (2000).
2.2B No maintenance programs.

Intermediate
2.1I 75% of first phase development projects initiated; 100% of second phase investments projects identified, designed and prepared for tendering (2002).
2.2I Maintenance programs for all initiated investments are presented and funded through specific budget allocation (2002).

End of Project
2.1E 100% of planned investment projects completed including road and drainage rehabilitation and improvement of municipal commercial infrastructure (2005).
2.2E Municipalities have established approved maintenance programs for all investments and budgeted dedicated resources.

Outcomes Achieved

Intermediate
2.1I 75% of first phase projects initiated (2004).
2.2I Maintenance plans and guidelines prepared, but not funded.

End of Project
2.1E 100% of projects completed (2007).
2.2E Municipalities have allocated funds in budget for maintenance programs, officials have been trained, but resources are not enough to properly carry out an effective maintenance program (2007).

Reformulation. [ ] N/A

PPMR Retrofitting. Indicate if and when the PPMR was retrofitted and explain any changes resulting from this exercise.

[X] N/A

Summary Development Objective(s) Classification (DO):			
[ ] Highly Probable (HP)	[ ] Probable (P)	[**LP**] Low Probability (LP)	[ ] Improbable (I)

Briefly justify DO classification, based on degree to which planned targets were met, explaining the differences between planned and achieved outcomes as well as any other relevant factors. Include references to evidence that can support these results.

While the second development objective to finance the rehabilitation of infrastructure and the reestablishment of municipal services in the country's six urban municipalities was fully met with all projects planned being executed, the first objective to support reforms to address the institutional constraints affecting Guyana's capacity to finance, operate, maintain and expand urban infrastructure and services on a sustainable basis was not met. This was due to the failure of the GoG to approve the implementation of the tax collection system based on the capital mode and the bill dealing with the transfer of funds from central government to municipalities. Since this first objective addresses the issue of sustainability of the outputs of the project and this objective was not achieved a low probability rating is given. This rating was changed from the rating previously given in the PPMRs as up until the final stages the Government was proceeding with the implementation of the measures, however with the winning of the elections in September 2006 the priorities of the Government changed and this was reflected in the non-implementation of the measures previously agreed on. This change of priority was not foreseen and therefore no mitigating action was planned.

Country Strategy. Given the results described above, briefly discuss how the project contributed to the Bank's strategy in the country. The Bank's 1998-2001 strategy for Guyana, expressed in the Country Paper (GN-2014-1) and reiterated in the Country Programming Memorandum (CP-1148-2), includes among its objectives the strengthening of municipalities to improve the quality of services provided to urban dwellers. The Urban Development Program significantly contributed to the achievement of this objective through the implementation of an institutional strengthening program, which included the designing of the development, plans for the municipalities, the provision of training in financial management, and budget preparation and execution.

b. Externalities

The formation of the association of municipalities to share development experiences can be counted among the positive external benefits of the project. Municipalities have joined efforts with the Central Government and the MLGRG to achieve development at the local level. Notwithstanding the fact that processing and implementation of this project has been slow and long delayed, members of the Government have pointed out at several stages that this process has been positive for the municipalities and that significant results have been accomplished. This position helped, in part, to accelerate the creation of another 10 municipalities by the Government. These municipalities now expect to receive technical assistance similar to that received by the initial 6 municipalities in order to further their local development.

This project also showed the benefit of international agencies working in coordination with each other. The institutional strengthening component was financed by both the IDB and CIDA. There is no doubt that this sort of coordination must continue if the second IDB/CIDA financed project becomes a reality. Municipalities immediately felt the benefits derived from this cooperative effort, and they all pointed out their satisfaction with the program and their wish that the same cooperation would be seen in the future.

In the preparation stage of this project, it was not recognized that new laws would be needed. The reality was different, three laws that were conditions to the implementation and achievement of key goals in the project, were needed to be enacted by Parliament. This situation presented a negative externality for the project, but brought to light reforms needed in the long term. Despite the fact that the President signed only one of the three laws into law by project completion, indications are the remaining two may be presented to parliament in 2008.

Another externality was the lost of initial enthusiasm for the program by the municipalities. The municipalities had initial expectations that their revenues were going to be significantly increased within a short time; that the de-centralization process of decision-making would be attained in the short run; and that their municipal development plans would have an early launching. These expectations were not met as implementation exceeded 6 years and only 2 of the 6 municipalities saw tangible results in terms of increased revenues, which could eventually be translated into better services for their inhabitants. This situation caused the municipalities to lose their initial enthusiasm, making the work of the PEU more difficult. As a result, some of the goals established under the project were not attained especially the strengthening of the operations of the markets and the reduction in the level of delinquency in the payment of taxes.

c. Outputs

Achieving the project outputs in a timely manner was a significant challenge. From the inception, the risks involved in not meeting the planned dates were high because some conditions precedent that had to be met were outside the control of the PEU. This was further compounded during implementation when it was seen that the achievement of project outputs required a series of activities, some of which fell outside the responsibility of the implementing agency. In the end, not all outputs were satisfactorily accomplished. The table in page 11-12 summarizes the logical framework when the mid-term evaluation was completed. It clearly shows that the key activities planned for execution during project implementation were not totally accomplished.

Institutional outputs

The ***first output***—improved financial and administrative management at municipalities— was mostly fulfilled, although its key activities were completed in the last year of the project. The municipal development plans were only completed in 2007 and are expected to take effect from the later half of 2007 or the beginning of 2008. Likewise, bylaws required to benefit the administrative management of municipalities were only approved during early 2007. Therefore, the resulting impact will be felt over the next few years with the implementation of the development plans during 2008 by the newly trained officials in municipalities. The same applies to the new financial system. It was only by late 2006 that installation of the required hardware / software was completed. It will be up to the municipalities to apply the new system after project completion.

In the case of the ***second output*** –new tax system in place- much of the work was implemented. Out of 7 key benchmarks identified which had to be met during project implementation, 4 were fulfilled and another 3 were partially complied with or are still pending. However, no appeals committee was established, no modified and improved valuation office was functioning and the municipalities were not using new tax rolls. On the other hand, assessment of properties using the new system was completed in 4 towns and more than 50% in Georgetown and Linden, law 28:01 was passed by Parliament and signed by the President, tax teams were established and special mechanisms were implemented to increase the revenue from taxes using the rental mode system. As can be seen, most of the work was done, but this output could not be accomplished by the time this project closed as a result of the decision taken by GoG not to approve the implementation of the new tax system.

Although the strengthening of the valuation office did not follow the proposed strengthening plan, the tax assessment personnel who worked for the PEU were transferred to the valuation office. In addition, the entire CAMA system, hardware and software utilized by the PEU for data collection and assessment was also transferred to the Valuation Office. It is expected that with the new personnel and equipment, the Valuation Office would be in a better position to perform its duties. It was argued in the exit workshop that municipalities still have properties, over 5%, which need to be assessed and be included in the tax roll system. This should be addressed urgently since municipalities require all properties to be assessed in order to increase their revenues overtime.

The ***third output***, was fulfilled within the term of the project. The Municipal Service Division was created and 4 municipal service officers have been engaged. FCM worked on strengthening efforts directed at this division throughout most of 2006. This MLGRD division will be responsible for furthering the municipal strengthening process beginning in 2008. The first phase of the MGMP program will be completed by late 2007, and a second phase is being prepared by CIDA to commence in 2008. It is therefore expected that the MSD will continue its process of strengthening, which will eventually benefit all six municipalities.

The ***fourth output, the development of a*** resource transfer mechanism was not accomplished. In the beginning it was not foreseen that the implementation of the new mechanism was dependent on a law being passed by Parliament. Nevertheless, a concrete proposal was prepared between 2003 and 2004 and forwarded to the Ministry of Finance. To date the bill has not be forwarded to parliament for

approval, but at the close of the project there was an indication from the parliamentary committee with oversight for local government affairs that the matter is on their agenda for consideration.

Infrastructure outputs

Regarding the infrastructure component, two outputs were established: provision of infrastructure and the launching of appropriate maintenance and operation systems. The ***first output*** was accomplished; however the second output was only partially achieved. A maintenance line item was included in the budget; but the amount allocated was not adequate to carry out the required level of maintenance.

With respect to the restructuring of operations, two pilot activities were coordinated by FCM and launched to improve operations in the markets. Plans were implemented but FCM failed to complete the process in a timely manner. As a result, lessons learnt could not be used as a basis for incorporating practical changes in the operations of the markets in the other municipalities. With the project completed, the responsibility to improve the operation of markets is left to the municipalities with the assistance of the Municipal Service Division. Most likely, this process will need the support of MGMP.

In brief, the program has progressed in all components with major outputs achieved, however, a significant portion of the work relating to the sustainability of the outputs was not accomplished by the project completion date. Commencement of work on these interventions is still pending. If these activities are not carried out much of the progress made under the project may be lost.

d. Project Costs

Total Project Cost - Planned (US$000)	Total Project Cost - Actual (US$000)	% Difference
20,000,000	19,909,827.53	0.45

The total project resources were committed, however, an amount of 90,172.47 that was requested to be transferred from the technical assistance and institutional strengthening category to be spent under the infrastructure rehabilitation investments category was disallowed. This amount was eventually cancelled.

V. Project Implementation

a. Analysis of Critical Factors

At the time the project was designed, the following risk factors were identified: weak institutional structures, lack of development in the private sector, lack of capacity of municipalities to effectively operate and maintain rehabilitated infrastructure, politically sensitivity/rejection towards any increase in taxes and lack of willingness of the central government to transfer resources to municipalities. All of these risks were present during the project implementation and created barriers for implementation according to the original plans. The limited capacity of the private sector delayed infrastructure works while the recognition of the limited capacity of the MLGRD resulted in the decision to engage an international firm to manage the project. Generally the GoG response was untimely and resulted in additional delays to the project. This is evident in that it took more than 2 years to carry out a transparent transfer of resources to the municipalities and this process is still incomplete.

The need for Parliament to pass three laws, one concerning the change in the tax system; the other concerning the de-centralization project and the delivery of greater responsibilities to municipalities, and a third one regarding the transfer of resources from the Government to municipalities changed the project dynamics. Without these laws, a new tax collection system could not be implemented; MLGRD

could not have enacted the required bylaws for the municipalities to be able to improve their finances and the administration of the services they provide, and the fiscal transfers based on a transparent mechanism could not take place. It was only in 2006 that one of the three laws was passed. It is still not clear when the remaining two laws will be passed even though indications are from the parliamentary oversight committee on local government that they will be considered. Under such circumstances, outcomes anticipated in terms of launching the new tax system, improved municipal revenues and administrative processes could not be achieved within the life of the project. There is hope however that they will still be achieved.

During the preparation of the project three options for the institutional organization of the PEU were analyzed. The option chosen was the contracting out of the first period of the project execution (i.e., two years) to an international management firm since the Ministry of Local Government and Regional Development (MLGRD) did not possess the ability to administer the program. The Ministry at the time had been recently created as a result of the upgrading of the Government Division of the Ministry of Public Works. The management-consulting firm was therefore responsible for overall project administration, preparation of tendering documents, contracting of works and services, supervision, and report preparation. However, problems arose with the firm from the onset since its expertise was in the area of tax rather than institutional reform. Even if the firm had a team of experienced consultants on issues surrounding the project, the persons had no previous experience working as a team. Eventually, this had a negative impact on the firm's overall performance.

As a consequence, sufficient expertise was not available at the implementing unit to coordinate institutional strengthening activities planned for the municipalities. Several activities were carried out through the engagement of external consultants, however by 2004, the process was not progressing satisfactorily. The MLGRD therefore signed an agreement with CIDA for a grant of approximately 6 million US dollars aimed at strengthening the municipalities. This eventually improved the performance of the institutional reform component. CIDA's decision to contract the Federation of Canadian Municipalities (FCM) to carry out the institutional strengthening component of their project further aided the municipal strengthening process. FCM is a non-profit institution that is financed by Canadian municipalities, with a large number of professionals available from among the participating municipalities.

FCM, as part of the MGMP, initiated a much stronger institutional strengthening process by assigning members of staff to each municipality and providing incentives through management training for the pertinent officials. Recognizing the benefits to be derived from the involvement of the FCM, the Bank decided to join forces. It requested MLGRD to have FCM carry out institutional strengthening activities under the UDP. After 6 months of negotiations, an agreement was reached among CIDA, IDB and MLGRD for FCM to assume full responsibility for the municipal and MLGRD strengthening processes under both CIDA and UDP. This agreement was so beneficial to the project that before project completion, almost all institutional strengthening activities assigned to FCM were completed, including preparation of municipal development plans, municipal operational guidelines, revised bylaws, and administrative improvement pilot projects at two markets.

b. Borrower/Executing Agency Performance

Executing Agency			
[ ] Highly Satisfactory (HS)	[**S**] Satisfactory (S)	[ ] Unsatisfactory (U)	[ ] Very Unsatisfactory (VU)

Borrower			
[ ] Highly Satisfactory (HS)	[ ] Satisfactory (S)	[**U**] Unsatisfactory (U)	[ ] Very Unsatisfactory (VU)

The Executing Agency is given a satisfactory rating because the activities not completed were all above the level of authority of the executing agency level and under the control of the GoG as the borrower. The rating for the GoG is therefore given as unsatisfactory

c. Bank Performance

Bank Performance			
[ ] Highly Satisfactory (HS)	[**S**] Satisfactory (S)	[ ] Unsatisfactory (U)	[ ] Very Unsatisfactory (VU)

The Bank was very proactive in an effort to see the objectives realized. It closely monitored the project through administrative missions twice yearly in some years and more in others. As a result of these missions intermediate benchmarks were introduced, close collaboration was developed between COF and Washington, and open and frank dialogue with was held with GoG. These played a major role in the achievements made under the project.

VI. Sustainability

a. Analysis of Critical Factors

Despite the difficulties that the project confronted during implementation, the program was still able to lay the foundation for the required policy and regulatory framework needed to launch the necessary reforms. The objective of the program was partially achieved however some critical factors remain outstanding. Likewise, the preparatory technical work has been initiated but not completed under this project. In addition, municipalities were provided with the tools required to implement and comply with their municipal development plans however the GoG support must be provided to ensure that these plans are executed. The project has put in place the basic elements required to ensure some level of sustainable development in the future—both concerning MLGRD and the municipalities. The MLGRD officials have indicated their willingness in ensuring the implementation of outstanding activities. They have expressed their intention to continue with the IDB and CIDA partnership in the following years in order to ascertain that the outcomes originally envisaged for the project are finally achieved. If these commitments are kept this program could achieve all objectives.

b. Potential Risks

As mentioned before in previous sections, because the last 6 years have been devoted to preparatory activities, the municipalities have not yet seen entirely the benefits to be derived from this process as a whole. Their municipal revenues have not yet increased significantly; management of their services has not yet benefited from radical changes; user fees and other cost recovery measures have not yet taken place. It is up to MLGRD and the municipalities to complete the activities and bring about the changes originally planned.

At the project completion, municipalities are still relatively weak institutionally; the staff is not well remunerated and still lack professionalism, in addition, the new Valuation Division has not yet been established. It is hoped that the strengthening process would be completed in 2008.

The actual risk lies with the lack of capacity at municipalities and MLGRD to continue to incorporate pertinent reforms as part of their operations. These reforms are critical to determining project success. These include the reform of marketplaces and abattoirs in order to achieve efficient operations; implementing new tax tariffs; collecting taxes from owners in a timely manner through the use of strategies that have been proven effective elsewhere; performing maintenance on infrastructure through the use of resources made available in the budget; completing the strengthening process at the Valuation Division; and ensuring that the outstanding laws are passed as anticipated, during 2008.

c. Institutional Capacity

Sustainability Classification SU:			
[ ] Highly Probable (HP)	[ ] Probable (P)	[**LP**] Low Probability (LP)	[ ] Improbable (I)

VII. Monitoring and Evaluation

a. Information on Results

The systematic gathering of information and development of indicators was not effectively carried out under this project. The responsibilities of the international firm, which initially managed the project, included the development of a system of progress indicators under the project. This was not accomplished and eventually neither was it accomplished by the PEU. In order to review progress achieved under the project, except for the infrastructure component, special arrangements had to be made to obtain the information needed. This was the case especially in relation to institutional reform and modernization of the tax system. ***Annex 1*** shows progress attained regarding municipal revenues and tax collection at 4 out of the 6 municipalities.

Likewise, another weakness detected in this project was the absence of a systematic evaluation exercise vis-à-vis a specific set of baselines. However, as part of the project's final actions, the PEU carried out a beneficiary assessment to determine the levels of satisfaction of the stakeholders in relation to the project. These stakeholders were drawn from the Government of Guyana, the Project Executing Unit, representatives of the administration and the citizens of the six municipalities and representatives of the contractors, The main findings are that while stakeholders are generally satisfied with the infrastructural works carried out, they are dissatisfied with the lack of approval of GoG in relation to the various measures to increase revenues for the municipalities.

b. Future Monitoring and Ex-Post Evaluation

In order to have continuity to the program, the Bank and the GoG commenced discussions on a follow up program in 2007, however arising out of the conditions attached to the debt cancellation this program was put on hold. The follow-up program was conceptualized to combine the introduction of reforms in the 6 municipalities with strengthening the operational procedures in newly established municipalities. In relation to the execution of the program, CIDA has indicated its interest in entering another agreement with MLGRD to continue the work of strengthening the municipalities beginning in 2008. To facilitate this, it was planned that as part of the new program, an evaluation system would be established initially at the PEU and later at the Municipal Service Division.

It is important to design the project evaluation system early during the second program to allow for the measuring of the impact made by the IDB and CIDA financed projects. This evaluation would look at the actual effects that the institutional reform actions have had on the management and administration of municipalities; on the provision of municipal services; on the management and operation of marketplaces and abattoirs; on municipal revenues; and, on the actual implementation of municipal development plans.

VIII. Lessons Learned

The project has rendered the main lessons that the project designed was comprehensive, but too complex for implementation over the originally planned 4-year period. Also, the design did not envisage the need for the three laws to be passed by Parliament before the reforms could be launched. The project has also shown that there are no readily available firms in the market that can offer specialized

services on the management of urban development projects. Finally in relation to improvement in the collection of taxes attention should be devoted to the collection system that exist in order to attain immediate results, which would eventually assist municipalities in becoming more flexible and open concerning all other interventions under the project.

In dealing with the design, the project could have been divided into two phases. The first stage could involve developing benchmarks that could have been easily complied without having to rely on changes to laws. In other words, the first 4-year stage could be used for passing the respective laws and carrying out the activities leading to improved collection of taxes through the use of the rental-mode based collection system; strengthening the ministry and the municipalities, including the preparation of municipal development plans, the provision of hardware and software for the purpose of modernizing their financial and tax revenue systems; training of municipal personnel; conducting studies required to adjust bylaws, modernizing the valuation division and rehabilitating a set of infrastructure projects. A second 4-year stage could include implementation of reforms, development of the new tax collection system (data collection, assessment, definition of rates and launching) and implementation and rehabilitation of additional infrastructure projects.

The lesson relating to the engagement of an international firm to manage the first two years of the project is that the project has shown that there are no readily available firms in the market that can offer specialized services on the management of urban development projects. The option that should be pursued is the engagement of an international manager with expertise in the issues dealt with in the project who will develop and train the staff of the PEU to address the issues.

On the issue of institutional reform the strategy that was adopted was to carry out parallel strengthening activities at both the municipalities and MLGRD. However, priority should have been given to initially establishing the Municipal Services Division and strengthening the capacity of the members of staff prior to initiating the activities at the municipalities. Once the central team had been duly trained, the next step should have been to jointly prepare the development plans for each one of the municipalities.

On the issue of taxes, initial emphasis was placed on implementing the new tax collection system immediately, the impact of which is not yet apparent 6 years after the project was initiated. Measures adopted to reduce delinquency and improve revenues were not well supported despite the expectations that existed within the municipalities that there would be increased revenues in the short run. In retrospect, attention should have been devoted to the collection system that existed in order to attain immediate results which would have eventually assisted municipalities in becoming more flexible and open concerning all other interventions under the project.

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ANNEX 1: MINUTES FROM THE EXIT WORKSHOP

Group 1 – Strengthening for the Municipalities and Ministry MLGRD

Group 1 from the Exit Workshop was charged with the task of analyzing "Strengthening for the municipalities and Ministry MLGRD". The group produced three *"Main Results"* in respect to the topic. The first result stressed the importance of establishing a Municipal Budget process that is both informed by the business plan and, at the same time, emphasizes community involvement. Second, the group came out in support of the continued strengthening of the recently established Municipal Services Division. And, finally, it was determined that the training, provided by the program that has achieved the strengthened capacity of the Municipal Managers, should continue

With respect to *"Sustainability"*, the first suggestion was that municipalities maintain levels of community involvement in the planning and implementation of projects. In addition, the group suggested strengthening the application of guidebooks produced so that the MSD could better oversee projects. And, finally, they stressed the importance of being able to replicate all the appropriate training for the new townships.

In the section, *"Lessons Learned"*, it was said that community involvement was critical and has had several beneficial effects for the municipalities, for example, improved tax collection, improved council–community relations, just to name a few. It was also mentioned that the "Feedback Mechanism" was critical in keeping the constituents informed. And, finally, it was learned that the volume of training over a short period of time was very strenuous for a staff to adequately assimilate the information.

The final section of the group's analysis was *"Recommendations"*. It was suggested to continue the implementation of tax rolls and to ensure their maintenance and updating on a regular basis. It was also suggested that it should be ensured that the Municipal public is involved in municipal planning and the implementation of any new initiative. The third and final recommendation from Group 1 was that the MSD should be strengthened and expanded to include a legal officer and an engineer.

Group 2 – Laws and Policies

Group 2 addressed the topic of "Laws and Policies". The group came up with four *"Main Results"*. They first stated that the laws and policies as set out originally in the project have been implemented to some extent. It then followed, that if they had been implemented fully they would have resulted in improved administration and management of all municipalities. Also, if implemented properly they would have established a mechanism for transparent central government budget transfers. And, finally, it was determined that this plan was not fully implemented because of the partisan amendments that were made to act 28:01.

In regards to *"Sustainability"*, the group was critical in pointing out that the implementation of aforementioned laws and policies has not significantly improved the revenue base or the financial management of the municipalities. In addition, the lack of apparent sustainability has resulted in the municipalities not being able to fulfill their program goals, and therefore has produced the current dependency syndrome.

Of the *"Lessons Learned"*, this Workshop Group restated the need for total commitment and support from the central administration at every stage of the implementation process. And, that any changes must be done in a timely manner so that necessary adjustments also can be made in a timely manner.

Finally, Group 2 made several *"Recommendations"*, the first of which was that the monitoring and evaluation of the project should be done at the central and local levels in a timely manner. Secondly, it was said that there is a need for stable effective leadership in order to assure continuity. Next the

group mentioned the need for a firm commitment on policies from the administration at the central level. Additionally, other agencies should have the commitment from the government on policy issues. The final recommendation made by the group was that funds to municipalities should be transferred based on performance benchmarks.

Group 3 – Taxes

The *"Main Results"* from Group 3`s analysis of "Taxes" were as follows: first, the existence of a basis for a new taxation system; second, the ability to prepare an assessment map; third, the training of staff from UDP to compliment existing staff from the Valuation Division; and, finally, that laws, regulations, and procedures are in place for a new valuation system.

The one suggestion made by the group in reference to the section on *"Sustainability"* was for the Valuation Division to adopt recommendations made in the transition plan.

The first of the *"Lessons Learned"* by Group 3 was that consultants should be screened to deliver contractual services. Next, it was proposed that the improved roll system be used and that the current system (value system) be upgraded and gradually transitioned to the new system.

One of the *"Recommendations"* put forward by the group was that aerial photos be made available to the municipalities and local government ministries. Another was the setting up of the appeals committee. And finally, Group 3 recommended the continuing training of middle and upper management in order to sustain the pool of workers for the valuation system.

Group 4 – Infrastructure

The last of the Workshop groups analyzed the project "Infrastructure". The first of the *"Main Results"* mentioned was that the project resulted in the successful construction or rehabilitation of roads, markets, bridges, drains, and town halls. Next, the group mentioned several "spin-off" effects, for example, the improved aesthetics as a result of the new infrastructure, an increase in property values, facilitation of investment funds, and the increased willingness to pay property taxes by residents.

In order to assure *"Sustainability"* of the project, Group 4 stated that the council should enact bylaws or enforce existing bylaws in order to protect roads built for light-duty vehicles. Also, the Maintenance Manual should be in the possession of engineers. Additionally, expenses should depend heavily on property taxes for funding. And, finally, residents and utility companies should be educated on the care and maintenance of the aforementioned infrastructures.

The first *"Lessons Learned"* for the group on infrastructure was that much closer attention should be paid to the institutional strengthening component to support infrastructure development. It was also determined that the idea of a "1st floor market" was not feasible. Their analysis also concluded that poor coordination between agencies (utility companies) could be a serious setback. Next, it was stated that the municipal officials were fully involved in the initial and planning stages of the project. Lastly, it was learned that the public relations and community aspect were not satisfactorily addressed.

Similar to other groups, Group 4 finished their analysis by making several *"Recommendations"*, the first of which was the need to pay more attention to the institutional strengthening component of the project. Next, it was suggested that municipal officials should be actively involved in the initial and planning stages of the project. The P.R. aspect of the project should be improved to ensure better dissemination of information to the relative stakeholders. And, the final recommendation was that the council should carefully monitor these infrastructures to prevent wanton destruction by residents and utility companies.

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ANNEX 2: BORROWER´S EVALUATION

Inter-American Development Bank Project Completion Report –2006 PCR Borrower Evaluation	
Project Name: Urban Development Program	
Executing Agency(ies) Ministry of Local Government and Regional Development :	
Borrower: Government of Guyana	
Date of Project Approval:	Date of Contract Effectiveness:
Date of Borrower Evaluation: 7 June 2007	Expected Date of Exit Workshop: 14 June 2007

Borrower Project Performance Ratings
Probability on Achieving its Development Objective(s):
[ ] Highly Probable (HP) [X] Probable (P) [ ] Low Probability (LP) [ ] Improbable (I)
Project Implementation:
[ ] Highly Satisfactory (HS) [X] Satisfactory (S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)
Sustainability of Project Results:
[ ] Highly Probable (HP) [X] Probable(P) [ ] Low Probability (LP) [ ] Improbable (I)
Comments:

Borrower Performance During Project Execution

Borrower Performance During Project Preparation

Please rate your own performance during Project Preparation:

[ ] Highly Satisfactory (HS) [X] Satisfactory(S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)

<u>Comments</u>:

Please rate your own performance during Project Execution:

[ ] Highly Satisfactory (HS) [X] Satisfactory(S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)

<u>Comments</u>:

Bank Performance During Project Preparation
Please rate the Bank's performance during project preparation. Factors to be considered include the extent to which the Bank facilitated a participatory project design, proposed adequate technical solutions to the problems identified, and responded to the needs of the Borrower (timeliness, selection of instrument type). [ ] Highly Satisfactory (HS) [X] Satisfactory(S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU) Comments:

Bank Performance During Project Supervision
Please rate the Bank's overall performance during project supervision. Factors to be considered include technical assistance (including informal and formal training) to Executing Agency, timeliness of Bank response and the Bank's flexibility to respond to emergency situations during project implementation. [ ] Highly Satisfactory (HS) [X] Satisfactory(S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU) Comments:

Additional Suggestions for Improving Bank Performance
Additional comments/suggestions for improving Bank performance in the future.

ANNEX 3: TOTAL MUNICIPAL REVENUES IN CURRENT AND REAL TERMS

TOTAL MUNICIPAL REVENUES IN CURRENT AND REAL TERMS										
	YEAR	2000	2001	2002	2003	2004	2005	2006	Total change 2000 to 2004	Total change 2000 to 2006
CORRIVERTON	current G$	60,122,980	62,875,540	50,215,951	52,689,573	75,914,719	60,101,367	74,637,987	26.27%	24.14%
	% change		4.58%	-20.13%	4.93%	44.08%	-20.83%	24.19%		
	real G$	60,122,980	61,222,532	46,410,306	45,936,855	63,209,591	46,807,918	54,046,334	5.13%	-10.11%
	% change		1.83%	-24.19%	-1.02%	37.60%	-25.95%	15.46%		
NEW AMSTERDAM	current G$	97,082,447	107,479,844	75,463,540	79,439,031	70,654,952	79,032,248	106,204,649	-27.22%	9.40%
	% change		10.71%	-29.79%	5.27%	-11.06%	11.86%	34.38%		
	real G$	97,082,447	104,654,181	69,744,492	69,258,092	58,830,102	61,551,595	76,904,163	-39.40%	-20.78%
	% change		7.80%	-33.36%	-0.70%	-15.06%	4.63%	24.94%		
ROSE HALL	current G$	22,877,118	25,059,190	27,887,969	30,279,523	30,598,225	43,619,354	47,138,353	33.75%	106.05%
	% change		9.54%	11.29%	8.58%	1.05%	42.56%	8.07%		
	real G$	22,877,118	24,400,380	25,774,463	26,398,887	25,477,290	33,971,460	34,133,492	11.37%	49.20%
	% change		6.66%	5.63%	2.42%	-3.49%	33.34%	0.48%		
GEORGETOWN	current G$	1,690,379,448	1,961,702,830	1,652,715,719	1,719,790,742	1,736,221,513	1,819,774,129	-	2.71%	N/A
	% change		16.05%	-15.75%	4.06%	0.96%	4.81%	-		
	real G$	1,690,379,448	1,910,129,338	1,527,463,696	1,499,381,641	1,445,646,555	1,417,269,571	-	-14.48%	N/A
	% change		13.00%	-20.03%	-1.84%	-3.58%	-1.96%	-		
ANNA REGINA	current G$	29,488,983	29,488,983	33,527,903	35,831,682	42,355,822	38,887,914	37,111,583	43.63%	25.85%
	% change		0.00%	13.70%	6.87%	18.21%	-8.19%	-4.57%		
	real G$	29,488,983	28,713,713	30,986,971	31,239,479	35,267,129	30,286,537	26,872,978	19.59%	-6.41%
	% change		-2.63%	7.92%	0.81%	12.89%	-14.12%	-11.27%		
TOTAL	current G$	1,899,950,976	2,186,606,387	1,839,811,082	1,918,030,551	1,955,745,231	2,041,415,012	265,092,572	2.94%	-86.05%
	% change		15.09%	-15.86%	4.25%	1.97%	4.38%	-87.01%		
	real G$	1,899,950,976	2,129,120,143	1,700,379,928	1,672,214,953	1,628,430,667	1,589,887,081	191,956,967	-14.29%	-89.90%
	% change		12.06%	-20.14%	-1.66%	-2.62%	-2.37%	-87.93%		

MUNICIPAL REVENUES

Outcomes are mixed for this program; municipal revenues neither increased as expected nor was tax delinquency reduced by the mid-term evaluation. However, by the end of the project, which was two years later than originally expected, municipal revenues showed various results:

Municipal Revenues: Variation in Current Terms

Municipality	2000 - 2004	2000 - 2006	Increase or Decrease	Change
Corriverton	26,27	24,14	-2,13	↓
New Amsterdam	-27,22	9,4	-17,82	↓
Rose Hall	33,75	106,05	72,3	↑
Anna Regina	46,63	25,85	-20,78	↓
Total	2,94	-86,05	-83,11	↓

Municipal Revenues: Variation in Real Terms

Municipality	2000 - 2004	2000 - 2006	Increase or Decrease	Change
Corriverton	5,13	10,11	4,98	↓
New Amsterdam	-39,40	-20,78	18,62	↓
Rose Hall	11,37	49,20	37,83	↑
Anna Regina	19,59	-6,41	-26	↓
Total	-14,29	-89,90	-104,19	↓

Municipal Revenues: Variation - Georgetown

Municipality	2000 - 2004	2000 - 2006	Increase or Decrease	Change
Georgetown	2,71	7,65	4,94	↑
	-14,48	-16,20	-1,72	↓

If we analyze total municipal revenues, the numbers show an 86.05% decrease during the 2000-2006 period as compared to the results obtained from the 2000-2004 period, which showed a 2.94% decrease, in current terms. This dramatic loss can be attributed to the significant delays in the time it took to modernize the tax system, approximately 6 years instead of the originally anticipated 2.

ANNEX IV: PROGRESS REPORT

	PROCESS BENCHMARKS	FINAL
Outcome/Purpose 1: Municipal institutional capacity to finance, operate, maintain and expand urban infrastructure and basic services on a sustainable level enhanced	Municipal budgets preparation is participatory, based upon business plans and using modernized financial tools.	***Achieved** . Social development plans were prepared with the assistance of FCM in 2006*
	Law amendments of 2801 and 2804 passed by Parliament	***Achieved** . The two laws passed the Parliament and signed by the President in 2006*
	Related by-laws approved by MLGRD	***Achieved** . Bylaws prepared and enacted by the MLGRD in November-December 2006*
	Property valuations updated and tax base expanded	***Achieved** . Assessment of properties using capital mode completed in 2006 .*
	Property tax system approved	***Partially achieved** . 4 municipalities approved new assessments. The other two -Linden and Georgetown- will approve them in the first semester of 2007*
	Municipal own resources, through fees and taxes, and Gvt transfers are increased by 50%	***Partially achieved** . Property taxes have increased by 23.4% between 2000 and 2005. It is expected benchmark will be achieved at the end of 2007 once new tax system is implemented*
Output 1.1: Municipal financial management and administration improved	**1.1.1** Business plans completed and budgets prepared based upon business plans for all municipalities	***Achieved** . Social development plans were completed with the assistance of FCM at the end of 2006. Budget of 2007 will be prepared according to these plans*
	1.1.2 Financial reports according to standardized financial administration and reporting tools with adequate MIS system	***Partially Achieved** . Financial reports were standarized following Georgetown model, but MIS system will only be installed in 2007*
	1.1.3. Amendement of the law needed to put in place bylaws that would allow to make changes in the administration of services passed the Parliament and enacted by President	***Achieved.** Law passed in 2006 and was enacted by President at the end of 2006*
	1.1.4. Financial regulations, and reformed organizational structure and operational procedures approved by MLGRD	***Partially achieved** . Bylaws were approved at the end of 2006, financial regulations will be implemented in 2007*
Output 1.2: Property tax assessment reform in place	**1.2.1** CAMA's adequate support service in place	***Achieved** . PEU's trained personnel manages CAMA's system and have a support service contract completed in 2004*
	1.2.2 Data collection, entry and reappraisal of lots for 6 towns using either rental or capital mode	***Achieved** . Appraisal of properties using rental mode was completed in 2005 and using capital mode in 2006. Tax base of 2006 using rental mode was expanded*
	1.2.3 Appeals Committees appointed for 6 towns	***Not Achieved** . Appeals committees will be formed once the new system is enacted in all towns for 2007*
	1.2.4 Special property tax collection mechanisms implemented for all towns	***Achieved** .Itinerary committeess to collect taxes were created in all towns in 2004, but in only 2 of them worked very well and still are going.*
	1.2.5 Transition plan to move into new valuation system initiated: new managerial staff hired and trained	***Not achieved*** . Comprehensive proposal was completed and approved by Cabinet. Consultant to coordinate the implementation of the plan will be hired early 2007.
	1.2.6 Amendment of the law to move from rental mode to capital mode passed the Parliament and enacted by President	***Achieved** .Law passed in mid 2006 and enacted by President before the end of the same year*
	1.2.7 Implementation of the new tax system -capital mode- in all municipalities	***Not achieved.** Municipalities are in the process of approving the nuew systems and is expected to have them approved in mid 2007*
Output 1.3: MLGRD's Municipal Service Division established and strengthened	**1.3.1** Municipal Service Division created and strengthened	***Achieved** . Municipal Service Division staff was created by MLGRD in 2004 and UDP has provided equipment and training in 2006*
	1.3.2 Municipal Division staff hired and properly trained in job basis	***Achieved** . Staff trained by PEU and FCM and has been assisting municipalities since 2005*
Output 1.4: Mechanism for transparent central-government budget transfers developed	**1.4.1** Mechanism for predictable budget transfers approved and implemented by GOG by Ministry of Finance and approved by Cabinet	***Achieved** . Proposal for transfers prepared by Ministry of Finance and approved by Cabinet in 2006*
	1.4.2 Law passed in Parliament and enacted by President	***Not achieved.** It is expected to introduce the bill in Parliament early 2007 to be passed later that year*
INFRASTRUCTURE REHABILITATION INVESTMENTS		
Outcome/purpose 2: Rehabilitation and expansion of municipal services financed and sustainable	**2.1**. Civil works of phase I and II invested projects completed	***Achieved.** Although phase I projects had significant delays, phase II projects were completed according to schedule*
	2.2 Municipalities have approved maintenance and operation programs for all investment projects and budgeted dedicated resources	***Achieved.** Budget allocated for maintenance in all 6 municipalities in 2005, personnel was trained by FCM in 2006, and maintanance guidelines approved in 2006*
	2.3. Works being effectively maintained and abbatoirs, markets properly functioning	***Not achieved.** Pilot experiencies were carried out for markets, but full implementation of changes are not contemplated*
Output 2.1: Infrastructure and service rehabilitation executed	**2.1.1** 100% of phase I projects completed and handed over to municipalities after 2 years of implementation	***Achieved.** Phase I projects had significant delays,about 18 months, but they were completed in 2005*
	2.1.2 100% of phase II projects completed and handed over to municipalities at the end of the project	***Achieved.** Phase II projects were completed according to schedule in 2007*
Output 2.2: Infrastructure and service projects properly maintained and/or operated	**2.2.1** Markets operation and fees are adequate and sustainable	***Partially achieved*** . Operation proposals for markets were prepared and two pilots implemented, but operations are not yet adequate
	2.2.2 Adequate operation arrangements for abattoirs are approved by municipalities	***Not Achieved .*** Plans prepared, but still pending implementation
	2.2.3 Maintenance costs of projects included in municipal budgets and work executed	***Partially achieved*** . Budgets were allocated for maintenance, but not sufficient to carry out a proper maintenance programme

BENCHMARKS VERIFIED THROUGHOUT THE EXECUTION OF THE PROJECT

KEY OBJECTIVES	BENCHMARK	DATES OF VERIFICATION						
		PHASE I OF THE PROJECT			MID TERM	PHASE II OF THE PROJECT		
		APRIL 2003	DECEMBER 2003	SEPTEMBER 2004		APRIL 2005	MARCH 2006	JUNE 2007
Municipal strengthening	Bylaws			Bylaws prepared by the municipalities with PEU support were submitted to MLGRD. All of those were already analysed and revised.	Standardized municipal bylaws and operating procedures prepared and adopted.			Related bylaws enacted
	Transfer mechanism			Prepared by Ministry of Finance		Submitted to Cabinet for approval	Submitted to Attorney General	
	Municipal Budgets				All municipalities report directly to the MLGRD		2005 municipal budgets prepared in accordance to business plans	2006 municipal budgets prepared in accordance to municipal development plans
	2801 and 2804 Laws		Bills prepared and submitted to Cabinet	Bills submitted to Attorney General		Bills submitted to Parliament	Reviewed laws passed by Parliament	Only 2801 sanctioned by President, 2804 returned to Parliament
	Municipal business and operational plans		Consultants identified and contracted to develop business plans	Business plans developed by PEU and approved by municipalities	Standardizes draft business plan for each municipality submitted to MLGRD.		Development plans in process of preparation to replace business plans	Municipal Development plans completed
	Training, manuals, MIS, equipment for municipalities					MIS, equipment provided to municipalities	MIS with accounting, financial and property tax accounts fully implemented and training to officers in progress	MIS with accounting, financial and property tax accounts fully implemented and training to officers completed
Property tax reform	Valuation system			Detailed proposal of the valuation system approved by Cabinet (institutional structure, administration and funding)			Transitional plan completed, but international consultant not hired yet, Cabinet delaying approval	
	Tax information	Aerial photographs completed	Data collection in the field of properties underway	Reclassified tax rolls for at least 4 towns using rental mode	Data collections on GIS, tax maps and for the CAMA completed for three towns, including Georgetown; assessment of all properties in the three towns completed	Assessment of properties underway	Assesment of properties completed and 2 towns underway	Tax rolls using capital mode completed for 4 towns, but not approved by President
	Tax revenues		Revenue from at least 50% of tax notices of new and modified properties collected	Tax collection increased for all towns by a 10% average with respect to budget 2002 data base	Draft proposals for revenue sharing mechanism developed, discussed with central authorities		Tax collection increased for 2 towns over 50% with respect to budget 2004 data base, others no significant increase	Members of appeals panels to be appointed by the Minister
MLGRD Institutional strengthening	Proposal for a sustainable municipal support entity	The Proposal for a municipal development Division is underway	The Proposal approved by Cabinet	The proposal has been revised and the new proposal for the organization structure and roles is now ready	Minimum staff has been selected and contracted to participate in training.	New entity in place and enacted with 4 officers	4 municipal service officers supporting the PEU preparation of budgets 2005 and being trained in accordance to plan for the entire year of 2005.	
Infrastructure	Operation and maintenance			Phase I markets with approved fees to cover operation, maintenance and a sustainable managerial operation prepared	100% of phase II projects identified, analyzed and prepared for tender.	The process has not been completed; new fees oriented toward organized segments of the markets have not yet been approved	Municipal budgets included the maintenance category for roads, but amounts not appropriate	Market and abattoir permits and penalties approved and enacted
	Construction contracts	First stage of phase I consulting contracts awarded	Second stage of phase I consulting contracts awarded	Second phase consulting contracts awarded	100% of phase I projects contracted			
	Civil works		All civil works of phase I contracted and in progress		75% of phase I civil works initiated	All civil works of phase II contracted and in progress	Civil works in progress	All civil works completed, but one.