Report Number : ICRR0021045

1. Project Data

Project ID P095863	**Project Name** DO Municipal Development	
Country Dominican Republic	**Practice Area(Lead)** Social, Urban, Rural and Resilience Global Practice	
L/C/TF Number(s) IBRD-78360	**Closing Date (Original)** 15-Feb-2016	**Total Project Cost (USD)** 21,470,000.00
Bank Approval Date 21-Jan-2010	**Closing Date (Actual)** 15-Jun-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	20,000,000.00	0.00
Revised Commitment	17,000,000.00	0.00
Actual	16,717,428.72	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Loan Agreement (LA, Schedule 1, page 5) and in the Project Appraisal Document (PAD, page 4) was: **"To improve the technical and financial capacity of the Participating Municipalities to program, finance and deliver Minimum Municipality Services."**
The revised PDO as stated in the Project Restructuring Paper (page 6) was: "**To improve the technical and financial capacity of the Participating Local Governments to program, finance and deliver Minimum Municipality Services."**
For the IEG review, the revised PDO is parsed into two sub-objectives: (i) To improve the technical capacity

of the Participating Local Governments to program, finance and deliver Minimum Municipality Services. (ii) To improve the financial capacity of the Participating Local Governments to program, finance and deliver Minimum Municipality Services.
According to the LA (page 17) "Minimum Municipality Services" meant the services that every municipality must be able to provide, according to article 20 of the Government's Municipal Law 176-07 of July 2007, including: (i) cemeteries and funerary services: (ii) collection, processing and disposal of urban and rural solid waste: (iii) street cleaning: (iv) access to populated areas, repair and maintenance of streets, sidewalks, curbs and rural paths: (v) squares and public parks: (vi) public libraries: (vii) sport facilities: (viii) slaughterhouses: (ix) civil protection: (x) fire prevention and extinction: (xi) environmental protection: and (xii) basic social services.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

08-Jan-2014

c. Will a split evaluation be undertaken?

Yes

d. Components

There were three components. The revised estimate of the project costs following project restructuring are from the project restructuring paper (page 10).
One. Institutional Strengthening. *Appraisal estimate US$5.45 million. Revised estimate after restructuring US$5.75 million. Actual cost at closure US$5.70 million*. This component provided support for the institutional strengthening of the municipal governments. Activities included: (i) implementing the new organizational structure and establishing organizational units and planning systems, creating Municipal Development Councils and strengthening their capacity for managing basic services: (ii) strengthening the national level institutional support system for municipal governments, providing assistance to strengthen the capacity of the relevant agencies (Sub-secretariat of Planning General-General, Directorate of Territorial Planning, General Directorate of Public Investment and General Directorate of Economic and Social Development) to implement the new municipal planning systems: and, (iii) providing support for formulating Municipal Development Plans, including developing Institutional Action Plans, local investment programs and assistance for preparing Municipal Sub project Agreements.
Two. Municipal Investments. *Appraisal estimate US$11.20 million. Revised estimate after restructuring US$7.30 million. Actual cost at closure US$7.30 million*. This component provided support for financing investments in up to 30 municipalities. Activities included: (i) support for municipal investments aimed at improving the coverage, quality and management of Minimum Municipal Services through Matching Grants to participating municipalities for implementing municipal sub-projects (Matching grants mean financial transfer from the government to the participating municipality, on a periodic basis, for

implementing the sub-projects): and, (ii) providing technical assistance and training to participating municipalities. Actual cost of this component was revised downwards as an amount of US$3.00 million was cancelled from this component, following a reduction in the project area and decrease in the number of beneficiaries, after the Level 1 restructuring (discussed below).

Three. Project Administration, Monitoring and Evaluation. *Appraisal estimate US$1.00 million. Revised estimate after restructuring US$3.20 million. Actual cost at closure US$3.20 million*. This component provided implementation support. Activities included: (i) project coordination support and technical assistance and training the staff of the General Directorate of Territorial Development (DGODT) and financing the cost of goods, equipment and incremental operating costs: (ii) support for Monitoring and Evaluation (M&E): and, (iii) support for preparing studies relevant to project activities (including the social and institutional assessments for including new municipalities in the project). Actual cost of this component was revised upwards as the DGODT was not able to cover an increasing percentage of the project cost, as envisaged in the original PAD.

The following changes were made through the Level 1 restructuring on January 8, 2014. (Project Restructuring Paper): (i) The PDO was revised to "participating local governments", due to a constitutional change on January 26, 2010. Prior to the change, municipal districts fell under the jurisdiction of municipal governments. After the change, the municipal districts acquired financial and electoral autonomy and became separate jurisdictions with functions identical to that of municipalities. The designation "participating local governments" in the revised PDO includes both municipalities and municipal districts. (ii) The PDO, outcome and intermediate indicators were adjusted to include municipal districts. The component two activities which were envisaged at appraisal to be implemented in up to 30 municipalities, were to now be implemented in 31 participating local governments (including 11 municipalities and 20 autonomous municipal districts): (iii) The target for project beneficiaries was reduced from 335,952 to 266,396 people, corresponding to the total population of the 31 local governments. According to the information provided by the team, the revised number of beneficiaries was based on more precise numbers, that were updated after the specific projects and municipal districts had been clearly defined: (iv) The project loan was reduced from US$20.00 million to US$17.00 million, in view of the reduced number of expected project beneficiaries (calculated on the basis of a formula of the number of inhabitants below the poverty line): (v) A new component "unallocated" was added with an estimate of US$0.75 million: (vi) The loan proceeds were reallocated: and (vi) The designations of some government institutions were modified (The Finance Secretariat was replaced by the Ministry of Finance and the Secretariat of Planning was replaced by the Ministry of Planning).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. Appraisal estimate US$20.00 million. US$3.00 million was cancelled for reasons described above. With this the estimated project cost was US$17.00 million. Actual project cost US$16.20 million. Actual cost of component three activities were 5% higher than the appraisal estimate for reasons discussed in section 2d.

Project Financing: This project was funded through a specific investment IBRD loan of US$20.00 million. Amount disbursed at closure US$16.20 million. There was parallel financing for complementary activities aimed at reform of the public administration from the European Union (EU) and from the Food and Agricultural Organization (FAO) for activities associated with M&E support and capacity building support

for the implementing agencies during the implementation phase (ICR, page 20).
Borrower contribution. Appraisal estimate US$1.47 million (PAD, page vi). According to the information provided by the team, their contribution at closure was estimated at US$1.34 million (including US$0.88 by way of National counterpart funding and US$0.46 million by way of local counterpart funding.
Dates. In addition to the Level 1 restructuring January 8, 2014 described above, there were two Level 2 restructuring. The first on February 6, 2016 reallocated funding between project components and extended the closing date by nine months from February 15th, 2016 to November 15, 2016. The second restructuring on October 12,2016 extended the closing date by an additional seven months, for completing ongoing activities in 26 of the 31 municipalities. The project closed 16 months behind schedule on June 15, 2017.
Restructuring and Split rating. The assessment of the project's outcome will be based on a split rating of achievements under the original and revised objectives, weighted by disbursement of 14% before restructuring when the PDO was revised and 86% after restructuring.

3. Relevance of Objectives

Rationale

Before restructuring. Substantial. In the years before appraisal, the Dominican Republic was highly centralized, with most public services managed directly by the National Government and local governments playing a minimal role in delivering public services. The original concept was a community driven project. At appraisal, the government strategy identified good governance, strong public institutions and decentralization as key areas for addressing poverty reduction and improving social cohesion. The government strategy, though fluid, was backed through a new legal framework for local governments, which assigned new responsibilities to municipalities to improve service delivery in rural and peri- urban areas. Among the laws enacted before appraisal was the Municipal Law 176-07 (2007) which made the municipalities responsible for providing minimum municipal services. The Government strategy articulated in the 2013-2016 National Development Strategy focused on institutional development with medium term goals for social development.
The PDO was well-aligned with the Bank strategy for the Dominican Republic at appraisal. A strategic objective of the Country Partnership Strategy (CPS) for the 2009-2012 period was " *enhancing the quality of public expenditures and institutional development*." The PDO was consistent with the Bank's recommendations to the Government in January 2009 (*Dominican Republic Territorial Development Policy Note*) of supporting local governments for increasing transparency in decision-making and using public resources and providing tools to engage society in local planning. The PDO was aligned with the Bank's CPS for the 2015-2018 period. The CPS included a pillar on "*improving service delivery for the poor*" and also specifically included focus on municipal development services. Outcome no 8 and indicator number 8.1 of the CPS focuses on "*basic services in the poorest municipalities of the country"*. (ICR, page 12, paragraph 24). **After restructuring. Substantial.**
The PDO was revised to "participating local governments" following the constitutional change, which disaggregated the local governments to municipalities and municipal districts, and made the latter as autonomous. Given that the municipal districts had lower capacities than the municipalities and that

inadequate initial allocations were received from national government for the pilot projects, the revised PDO is rated as Substantial.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
To improve the technical and financial capacity of the Participating Municipalities to program, finance and deliver Minimum Municipality Services.

Rationale
Before restructuring, the focus of the project activities was only on pilots in "municipalities." After restructuring, the PDO was changed to "participating local governments (including both municipalities and municipal districts)". Although some targets were modified and the scope of the project was narrowed, the PDO indicators before restructuring were similar to the indicators after restructuring, although changed to reflect the change in PDO to "participating local governments."
Before restructuring.
Outputs. (ICR, page 22).

- Initial pilot interventions were implemented in five municipalities to develop a tailored institutional program to be scaled to the other municipalities. A model for Institutional strengthening was piloted in five municipalities.

Outcomes.

- The activities were not outcome-oriented.

Rating
Modest

Objective 1 Revision 1

Revised Objective

To improve the technical capacity of the Participating Local Governments to program, finance and deliver Minimum Municipality Services.

Revised Rationale

Outputs. (ICR, pages 12- 17 and pages 31-41).

- 31 local governments adopted the Municipal Development Plans (MDPs) produced by the Municipal Development Council with civil society participation. The governments also adopted the Institutional Action Plans (IAP), as targeted. Municipal contracts were signed with 31 local governments, based on the institutional targets and priorities established in the MDPs and IAPs, as targeted.
- 84% of the local governments implemented the IAPs with core elements. This exceeded both the original and revised targets of 60% (appraisal) and 80% (restructuring) respectively.
- 28 governments benefitted from works based on their level of advancement in institutional strengthening. This exceeded the target of 25.
- 84 small civil works sub projects were completed at project closure. This included 39 sidewalks, 20 parks, 13 sports areas, six cemeteries, three funeral homes, three fire stations and one cultural house. These investments were financed with 10% of counterpart funds which increased ownership of the works. 98% of the facilities that were built/ rehabilitated were effectively used at project closure. This exceeded the target of 75%.
- The following procedures manuals were developed under the aegis of this project: (i) Municipal Management Manual: (ii) Manual of Procedures for the Management of Municipal Human Resources: (iii) Manual of Procedures for Municipal Planning: (iv) Manual of Procedures for Municipal Financial Management: (v) Manual of Procedures for Management of Municipal Services: (vi) Manual of Procedures for the Management of Purchases and Municipal Contracts: and, (vii) Manual of Procedures for Environmental Management.
- Technical training was provided for managing investments in municipality services. 2,588 people participated in project activities (such as in training workshops, seminars and developing Municipal Action Plans). Of this, approximately 39% (1,016) were women (ICR, page 20). 432 people (including 168 women) were trained in 31 local governments (ICR, page 20).
- A Municipal Monitoring System for Public Administration (SISMAP) was adopted to measure the quality of municipal management, through organization and management indicators (ICR, page 69). Only the municipalities involved in the project (and not the municipal districts) were used for this comparative evaluation as the SISMAP tool was developed to measure the institutional management of municipalities, with larger capacities.

Outcomes.

- 202,378 beneficiaries directly benefited from the works executed under the aegis of this project, as compared to the target of 194,229. 44% of the beneficiaries were females as targeted. 266,396 indirectly benefited from the project activities associated with institutional strengthening activities, as compared to the target of 194,229.
- Using the SISMAP system, six project municipalities were compared with other national municipalities in project non-intervened areas. The six project municipalities surpassed the national averages in Human Resources, municipal development planning, procurement and contract management, access to public information and participatory budgeting.

A household survey was conducted and meetings with focus groups were held at closure in April and May 2017 on a sample of 16 local governments (including municipalities and municipal districts), to assess the impact of the project on beneficiaries (ICR, pages 67-68). The area of territorial influence spanned 43 works developed in the selected local governments which encompassed 45,241 beneficiaries. 1,032 households located near the works developed by the project were surveyed. The main conclusions of the survey with respect to this PDO were: (i) 70% of the respondents indicated improvements in the last three years in the way local governments were providing the minimum municipal services. The focus group participants highlighted the positive change on the part of stakeholders, due to having an active role in the planning and programming of investments in the local government.

Revised Rating

Substantial

Objective 2

Objective

To improve the financial capacity of the Participating Local Governments to program, finance and deliver Minimum Municipality Services.

Rationale

Outputs.

The outputs discussed above were also relevant to this objective. In addition to the outputs discussed above, the following outputs were produced.

- A proposal for the creation of a Municipal Development Unit (including budget, procedures and post structure) was submitted to the Ministry of Public Administration.
- The DGODT developed a strategy for financing municipal investments. The General Directorate of Territorial Development (DGODT) was expected to create a unit to continue provision for strengthening municipal services. Although the structure of this unit had been ratified by the Ministry of Public Administration, the unit had not yet been created at project closure, due to delays outside the control of the project. According to the information provided by the team, this unit was created within the Ministry of Public Administration on 29 December, 2017.
- The General Directorate of Territorial Development (DGODT) developed contractual mechanisms for supporting local government development. DGODT set up a system to monitor local government institutional development
- The Ministry of Finance's Integrated Financial Management System (SIGEM) was installed in all of the 31 participating local governments and implemented in 26. The reason for this shortfall pertaining to implementation was the change of personnel trained in the system following the presidential and local government elections in August 2016, (The ICR (page 17) notes that before the project, SIGEM was limited to central government agencies, which created bottlenecks for full budget integration of the public sector in accordance with the National Plan for Public Financial Management). The SIGEM system enabled systematized Municipal Financial Management and made it easier for users to carry out administrative and financial transactions in a transparent, efficient and, reliable and timely manner in

compliance with legislated budget and accounting standards.

Outcomes.

- The financial reports of 26 participating local governments (out of the 31 local governments that participated in the project) were in accordance with acceptable accounting standards. This exceeded the target of 25.
- 65% of the participating local governments devoted about 40% of their budgets to the priorities (capital investments and municipal works) established in the Municipal Development Plans (MDPs), as mandated by the Participatory Planning Law. This was slightly short of the target of 70%.
- 28 participating local governments (out of the 31) adopted and were using transparent, standardized and efficient Financial Management, procurement, Human Resource Management procedures as specified in procedures manual, and producing budgets. This exceeded the target of 28.

The main conclusions of the survey with respect to this objective were: (i) 85% of the respondents indicated that they were aware of the works built by the project and of the minimum services that municipalities were expected to provide: (ii) 87% of the respondents directly used the works built by the project and for 85% of them the works fulfilled the functions for which they were built and for 80% of them the works contributed to improving their living conditions. (iii) For 54% of the respondents the works built under the project represented time savings and, (iv) 66% of the respondents, the works represented an improvement in living conditions.

Rating
Substantial

Rationale
Given that most of the revised targets were realized, there is adequate evidence that PDOs pertaining to participating local governments were realized after the project was restructured.

Overall Efficacy Rating
Substantial

5. Efficiency

Economic Analysis.
The economic analysis conducted at appraisal is not comparable to the analysis conducted at closure, given that municipal investments were yet to be determined at appraisal. An ex-post economic (cost-benefit) analysis was conducted to assess whether the incremental benefits generated by the municipal infrastructure

investments were greater than their incurred costs. The project benefits were assumed to come from the time savings for households and the economic value of the willingness to pay for new services. Other benefits such as the social benefits associated with enhanced municipal services such as improvement in public health (due to improved cemeteries and solid waste management), positive effects on children education due to better access to playgrounds and the increased value of the properties and private businesses where the streets and parks were located were not converted to their economic value. The economic analysis was conducted for only three types of selected investments: construction of sidewalks and street improvements (which accounted for about a third of the cost of the municipal investment component,
constructing playgrounds (accounting for about 19% of the cost of the municipal investment cost and solid waste management (project activities did not include investment in assets but provided technial assistance). The economic Internal Rate of Return (EIRR) for these selected investments were 28%, 16% and 43% respectively.

Administrative and Operational Issues.
Project implementation was slow in the initial years due to delays in project effectiveness and the project became effective 11 months after Board approval (mainly due to the delays associated with getting congressional approval). There were delays associated with the initial pilot interventions which were to be scaled to other local governments and these interventions were completed about two and half years after effectiveness. Implementation of planned investments was impeded due to the inadequate allocation in the national budget in the initial years. It took more than *four years* from approval to Mid-Term Review before the major restructuring took place. However, once the pilot interventions were completed internally with in-house capacity, the capacity building program was replicated across the remaining local governments and all project activities were completed, albeit with slight extensions of the project closing time (of about 16 months).

Efficiency Rating
Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of both the original and the revised PDO to the Government strategy and the Bank strategy is rated as Substantial. Overall efficacy of the original PDO is rated as Modest, and the revised PDO as Substantial after project restructuring. Efficiency is rated as Substantial. Weighting by the shares of disbursements before and after the Level one restructuring (0.14 *2 +0.86*4) = 3.72. Thus, the overall outcome rating is Moderately Satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Technical risk. There was uncertainty regarding the sustainability of a national program for municipal management at project closure, given that the unit that was to be created within the General Directorate of Territorial Development (DGDOT) for providing capacity support to municipalities was yet to ratified by the Ministry Of Public Administration. According to the information provided by the team, the Resolution No 13-17 signed by the Minister of Public Information on 29th December 2017 authorized the creation of this unit and related organizational restructuring with immediate effect. Given this, the technical risk is rated as Modest.
Institutional risk. Maintenance costs of the municipal assets created under the project in the 31 local governments are estimated at US$215,000/ year. These costs are funded through direct transfers from the central government. Direct transfers from the central government estimated at around 12 million year, had remained steady during the project implementation period, with a slight downward trend from 2014. Given that maintenance costs are typically low during the early years with the central government not needing to increase its contribution, it is not clear if there will be adequate financing to cover the future maintenance costs of the assets created under this project. The institutional risk is considered as Significant (ICR, paragraph 53, page 18-19).

8. Assessment of Bank Performance

a. Quality-at-Entry

This project was originally envisioned as a community-driven project and later changed during preparation to support the implementation of the newly enacted legislation on decentralization and local development, in accordance with government priorities. This project was prepared, based on the lessons from prior Bank-financed projects in Dominican Republic (Promotion of Community Initiatives, Program of Support for the Reform and Modernization of the State, Project for Small Producers in the Southeast Region, Program for Water Supply and Sanitation in Rural Areas and the Transport Infrastructure program for the uplands). The project preparation also drew on the experience of prior project work on decentralization and local development in Latin America (Nicaragua, Mexico, Peru and Chile), Asia (Philippines), and Africa (Senegal, Rwanda and Guinea). Lessons incorporated at design included, providing support for developing a new institutional framework, supporting rural investments based on community participation and limited project entry criteria for municipalities for reducing complexity. Several risks were identified including Substantial risks associated with the low implementation capacity of the General Directorate of Territorial Development DGODT) and municipalities, ensuring sustainability of post-project operations and procurement risks. The

mitigation measures included, hiring qualified municipal engineers for assisting DGODT, establishing institutional arrangements within the DGODT to provide ongoing technical assistance support for post-project operations and measures incorporated for minimizing procurement risks. Appropriate arrangements were made at preparation for compliance with safeguards that were triggered at appraisal and for fiduciary compliance (discussed in section 10a and b).
There were some minor shortcomings. The project design underestimated the impact of the proposed constitutional change, given that although this change came into effect in January 2010, it had been presented to the National Congress earlier during project preparation (ICR, page 26). It is also unclear if adequate preparations were made for addressing the issues of capacity differences between very small municipal districts and municipalities (ICR, page 22).

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision
Supervision missions (two or three) were carried out annually. The supervision mission also included coordination with the Food and Agricultural Organization (FAO) which provided staff to assist in the M&E work and capacity building activities. After the first year of the project when there was more clarity on the implications of the constitutional change, the supervision team more clearly articulated the process for achieving the PDO indicators. This process entailed a sequencing of project activities, with activities aimed at institutional strengthening of local governments preceding activities aimed at financing municipal investments. Appropriate arrangements were made for compliance with safeguards that was triggered following the restructuring of the project (discussed in section 10a). Support provided by the supervision team aided in compliance with procurement issues (discussed in section 10b). Following the recommendations of the Mid term review, supervision missions provided pro active support for addressing fiduciary challenges and took corrective action such as extending the project closing date to accommodate to completion of small municipal works and this contributed to the completion of project activities, despite the delays experienced in the first year of project implementation.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The key monitoring indicators for monitoring project performance were appropriate. These indicators were the percentage of municipalities that reflected the priorities established in the Municipal Development Plans, the General Directorate of Territorial Development (DGODT) creates a unit to continue provision of municipal

strengthening services, the financial reports of local governments were in accordance with acceptable auditing standards and the adoption of transparent, standardized and efficient budgets and the percentage of direct sub-project beneficiaries who were satisfied with the minimum municipal services at project closure. The design of the indicators had baseline figures and targets. The monitoring department of the existing General Directorate of Territorial Development (DGODT) was in change of M&E. Support provided by the Food and Agricultural Organization (FAO) staff aided in the design of the M&E system and data collection.

b. M&E Implementation

The indicators were revised in the wake of the constitutional change which disaggregated municipalities and municipal districts. The indicators were revised to monitor performance of participating local governments. There were delays in submission of data which impeded the tracking of data in the first years of the project. This was however rectified through time and M&E data collection and analysis became more systematized. This enabled better tracking of PDO and overall implementation progress.

c. M&E Utilization

The M&E system as designed aided in assessing the achievement of the objectives and of testing the links in the results chain.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as a Category B project for environmental purposes. Other than environmental assessment (OP/BP 4.01), these social safeguard policies were triggered: (i) Natural Habitats (OP/BP 4.04): (ii) Physical Cultural Resources (OP/BP 4.11): and, (iii) Involuntary Resettlement.
Environmental Assessment, Natural Habitats and Physical Cultural Resources. The PAD (page 21) notes that the works envisaged were not expected to have socio-environmental impacts. An Environmental and Social Management Framework (ESMF), Environmental Assessment Report and Municipal Environmental Analysis were conducted at appraisal. Environmental Management Plan was to be developed once the sub project investments had been determined. Natural Habitats safeguards was triggered in view of the location of many of the participating municipalities proximity to protected areas. Physical Cultural Resources safeguards was triggered in view of the potential for "chance find discovery". The PAD (page 22) reports that the proposed works were to be reviewed for their potential impacts and procedures were to be provided in the Project Operations Manual for compliance with Natural Habitats and Physical Cultural Resources safeguards during implementation.
The ICR (page 25) records that during project implementation, the project unit within the Directorate of

Territorial Development (DGODT) included an environmental specialist to oversee the application of environmental policies and the specialist coordinated with environmental staff at the municipal level. The ICR (page 25) notes that compliance with environmental safeguards was deemed to be satisfactory during implementation.

Involuntary Resettlement. In addition to the environmental safeguards described above, Involuntary Resettlement (Op/BP 4.10) was triggered in view of the range of investment sub-projects that were eligible for financing under the Municipal Development Plans (Restructuring Paper, page 6). Financing of such activities was expected to require either land acquisition (such as due to road rehabilitation or bridge reconstruction) or temporary resettlement of concession holders or vendors (for example, either in markets or other municipal facilities). A Resettlement Policy Framework (RPF) was prepared by the DGODT and publicly disclosed in-country and on the Bank's external website in June, 2013 (ICR, page 25). The RPF included the legal and institutional framework for resettlement and land acquisition, rules for voluntary donation of land, measures for providing compensation and guidance for preparing a Resettlement Action Plan (RAP).

The ICR (page 25) reports that specific RAPs were prepared for five sites and in some cases, limited land acquisition was required for the works associated with construction of sidewalks, retrofitting of community centers, recreational parks, local government building and public buildings. The ICR (page 25) notes that compliance was deemed to be satisfactory during implementation. All landowners were fairly compensated and project-affected persons were provided with options to mitigate the impact, including temporary dislocation of their businesses or compensation during project execution and that there was no permanent resettlement as the lands acquired were either unoccupied or unused.

b. Fiduciary Compliance

Financial Management. An assessment of the General Directorate of Territorial Development (DGODT) was conducted at appraisal. The assessment concluded that the financial management arrangements met the Bank's financial management requirements and a Financial Management Action Plan was developed at appraisal (PAD, pages 72-73).

The ICR (page 25) reports that there were delays associated with submission of integrated projects reports with unaudited financial information during the first three years of project implementation. This was rectified during the second half of project implementation. External audits of good quality were submitted in a timely fashion and financial management was satisfactory during implementation.

Procurement. An assessment of the procurement capacity of the implementing agency was carried out at appraisal. The assessment concluded that the procurement risk was substantial in view of factors such as the limited prior experience of the implementing agency with Bank procurement procedures and overall weak procurement environment at the local level. An Action Plan was developed at appraisal to address procurement issues (PAD, page 19).

The ICR (pages 25 and 26) notes that weakness in procurement capacity of the implementing agency contributed to delays in disbursement of resources, some procedural errors, and incorrect application of guidelines were noted during the Mid-Term Review. These matters were however rectified with direct support from the Bank's Procurement Department and through capacity building support to the procurement specialist. Compliance with procurements was satisfactory during the execution period.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Bank Performance	Satisfactory	Satisfactory	---
Quality of M&E	Substantial	Substantial	---
Quality of ICR		Substantial	---

12. Lessons

Based on the ICR, draws three main lessons can be drawn from this project:
(1) A community participation approach can enhance municipal service delivery with increased community-participation. The preparation of Municipal Development Plans and prioritization of municipal investments based on community-expressed needs fostered a high degree of ownership at design. The ownership that was fostered at design continued during implementation due to the involvement of the local communities in the technical, social and environmental aspects of ongoing works in their area. This aided in addressing concerns both on site and in the community.
(2) Establishing a mechanism for financing investments following successful achievement of institutional strengthening targets can yield positive results. In this project, activities were sequenced, with institutional strengthening project activities preceding activities aimed at investment in municipal works.
(**3) Maintaining small project teams and employing third parties for institutional strengthening actions can help in executing local government project**. The team in this project was kept small and consultants and firms were used for activities aimed at institutional strengthening across 31 local governments.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a sound overview of the project and is well-written. It also provides a detailed and candid account of the issues that arose in the wake of the constitutional changes. The quality of evidence and analysis is fairly well aligned to the messages outlined in the ICR.
There was no explicit explanation of why there was no split rating in assessment of overall outcomes.

a. Quality of ICR Rating
Substantial