

**Document of
The World Bank**

Report No.: 40114

PROJECT PERFORMANCE ASSESSMENT REPORT

CHILE

**SECOND MUNICIPAL DEVELOPMENT PROJECT
(LOAN 4429-CH)**

June 20, 2007

*Sector, Thematic and Global Evaluations
Independent Evaluation Group (World Bank)*

Currency Equivalents (annual averages)

Currency Unit = Chilean Peso

Year	US\$	Peso	Year	US\$	Peso
1997	1.00	419	2002	1.00	689
1998	1.00	460	2003	1.00	691
1999	1.00	509	2004	1.00	609
2000	1.00	540	2005	1.00	560
2001	1.00	635	2006	1.00	530

Abbreviations and Acronyms

ACM	Chilean Association of Municipalities (<i>Asociación Chilena de Municipalidades</i>)
CAS	Country Assistance Strategy
FCM	Common Municipal Fund (<i>Fondo Común Municipal</i>)
FNDR	National Fund for Regional Development (<i>Fondo Nacional de Desarrollo Regional</i>)
HDI	Human Development Indicator
IADB	Inter-American Development Bank
ICR	Implementation Completion Report
IEG	Independent Evaluation Group
IEGWB	Independent Evaluation Group (World Bank)
INE	National Statistical Institute (<i>Instituto Nacional de Estadística</i>)
ISAR	Regionally Allocated Sectoral Investment (<i>Inversión Sectoral de Asignación Regional</i>)
M&E	Monitoring and Evaluation
MDG	Millenium Development Goal
MDP	Municipal Development Project
MIDEPLAN	Ministry of Planning (<i>Ministerio de Planificación y Cooperación</i>)
MOI	Ministry of Interior
PLADECO	Municipal Development Plan (<i>Plano de Desarrollo Comunal</i>)
PPAR	Project Performance Assessment Report
PROFIM-I	Chile Municipal Development Pilot Project – Loan 3668-CH (<i>Programa Piloto de Fortalecimiento Insitucional Municipal</i>)
PROFIM-II	Chile: Second Municipal Development Project – Loan 4429-CH (<i>Programa de Fortalecimiento Institucional Municipal</i>)
QAG	Quality Assurance Group
SINIM	National Municipal Information System (<i>Sistema Nacional de Información Municipal</i>)
SUBDERE	Regional Development Sub-Secretariat of Ministry of Interior (<i>Subsecretaria de Desarrollo Regional y administrativa</i>)

Fiscal Year

Government: January 1 – December 31

Director-General, Independent Evaluation	: Mr. Vinod Thomas
Director, Independent Evaluation Group (World Bank)	: Mr. Ajay Chhibber
Manager, Sector, Thematic and Global Evaluations	: Mr. Alain Barbu
Task Manager	: Mr. Roy Gilbert

IEGWB Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examine project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEGWB Rating System

IEGWB's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEGWB evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEGWB website: <http://worldbank.org/ieg>).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Contents

PRINCIPAL RATINGS.....	v
KEY STAFF RESPONSIBLE.....	v
PREFACE.....	vii
SUMMARY	ix
1. BACKGROUND AND CONTEXT.....	1
2. OBJECTIVES AND DESIGN	2
3. IMPLEMENTATION AND COSTS	4
4. MONITORING AND EVALUATION	6
5. A BROADER ISSUE: INFORMATION FOR DECENTRALIZATION.....	6
6. PROJECT OUTCOMES BY OBJECTIVE	7
Better Governance and More Efficiency in Municipal Service Provision.....	7
Central Government Capacity to Decentralize.....	8
Municipal Capacity Building.....	9
7. RATINGS	9
8. FINDINGS AND LESSONS.....	10
BIBLIOGRAPHY	11
ANNEX A. BASIC DATA SHEET	13
ANNEX B. MUNICIPAL IMPACT ASSESSMENT	16
Attachment to Annex B. Chilean Municipal Indicators	18
ANNEX C. BORROWER COMMENTS.....	22

<p>This report was prepared by Roy Gilbert, who assessed the project in December 2006. Anna Amato and Anju Vajja provided research assistance and Romayne Pereira administrative support.</p>

Boxes

BOX 1. SUMMARY OF PROJECT OBJECTIVES AND COMPONENTS	2
--	----------

Tables

TABLE B.1: OWN SOURCE MUNICIPAL REVENUES: PROFIM-II AND MATCHING MUNICIPALITIES	16
--	-----------

TABLE B.2: LOCAL PROFESSIONAL STAFF: PROFIM-II AND MATCHING MUNICIPALITIES	17
---	-----------

TABLE B.3: STUDENTS' UNIVERSITY ENTRANCE PASSES: PROFIM-II AND OTHER MUNICIPALITIES.....	17
---	-----------

TABLE B.4: MATCHING INDICATORS - 2000 - PROFIM-II MUNICIPALITIES.....	18
--	-----------

TABLE B.5: MATCHING INDICATORS – 2000 – NON-PROFIM-II MUNICIPALITIES	19
---	-----------

TABLE B.6: PERFORMANCE INDICATORS – 2000/2005 CHANGES - MATCHED PROFIM-II MUNICIPALITIES	20
---	-----------

TABLE B.7: PERFORMANCE INDICATORS – 2000/2005 CHANGES - MATCHED NON-PROFIM-II MUNICIPALITIES	21
---	-----------

Principal Ratings

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	High	Substantial	——
Risk to Development Outcome	——	——	Negligible to Low
Sustainability***	Highly Likely	Highly Likely	——
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

**As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.

***As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

Key Staff Responsible

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Division Chief/ Sector Director</i>	<i>Country Director</i>
Appraisal	Miguel Mercado Diaz	Geoffrey Shepherd	Myrna Alexander
Completion	Miguel Mercado Diaz	Ronald Myers	Axel van Trotsenburg

Preface

This is a Project Performance Assessment Report (PPAR) for the Chile: Second Municipal Development Project (Ln4429-CH), for which the World Bank approved a loan in an amount of US\$10 million equivalent on December 22, 1998. The loan was closed on December 30, 2004, two and a half years later than planned, when US\$0.1 million equivalent was cancelled.

The report is based on a review of project documents, including the Implementation Completion Report, Staff Appraisal Report, Memorandum to the President, legal documents and project files, and on discussions held with Bank staff involved in the projects. An IEG mission visited Chile in December 2006 to review project results and met with national and local officials and project staff. The IEG mission made field visits to three municipalities to examine the results of the project at the local level. IEG gratefully acknowledges the courtesies and attention freely given by these interlocutors in Chile.

This project was chosen for assessment in part to serve as an input into IEG's ongoing work on decentralization.

Following standard IEG procedures, copies of the draft PPAR were sent to government officials and agencies for their review. The comments received are attached in Annex C.

Summary

Always with fiscal constraint, Chile has been cautiously decentralizing power to the country's 345 municipalities, giving them more responsibilities and functions. Mayors were first elected in 1992, and the 2000 Organic Law of Municipalities, updated in 2006, confirmed municipal responsibilities in the areas of basic infrastructure, health and education. The principal central government agency for dealing with municipalities, the Sub-Secretariat for Regional Development (SUBDERE) of the Ministry of Interior was the executing agency for the Chile: Second Municipal Development Project (PROFIM-II) reviewed here. This operation followed the earlier 1993-98 pilot First Municipal Development Project (PROFIM-I), also in the charge of SUBDERE, whose outcome was rated satisfactory.

PROFIM-II's objectives were to: (i) improve governance and efficiency of municipal service provision; (ii) strengthen central government decentralization policy formulation and execution; and (iii) strengthen municipal management, especially for health and education services. Focused upon technical assistance alone, the PROFIM-II's design was consistent with Chilean government priorities. Through their own capacity building, municipalities themselves did not see the need for the project to provide funding for popular physical investments that they could obtain elsewhere. The design made PROFIM-II distinct from other Bank financed municipal development projects.

The project objectives remain all highly relevant to Chile's development priorities today and to the 2002 CAS's priority for better service provision and improved public sector management at the local level in particular. Given their importance for Chile, PROFIM-II's education and health objectives could have been more clearly articulated and supported by baseline data and indicators to monitor progress—not features of this project design.

SUBDERE chose 25 (willing) municipalities to participate in the project—generally larger ones in need of strengthening. Beyond them, PROFIM-II broadened its reach by assisting municipal associations that served smaller jurisdictions. Later, in the final year of implementation, 100 more small municipalities were given a small package of support in the form of computing equipment.

PROFIM-II provided municipalities with technical assistance (TA) through three successive “modules”. TA started with help for strategic planning, and human resource and financial planning, later moving on to community participation and innovation. The channels for providing this support had already been established in SUBDERE for the PROFIM-I project. For receiving TA, each participating municipality had to set up its own project executing unit. Start up was delayed and implementation initially slow, as SUBDERE overcame a period of uneven project direction. Nevertheless, Bank supervision missions continued to report satisfactory implementation progress. Municipalities reported the best support from SUBDERE concerned project procurement that they found challenging.

PROFIM-II did provide substantial technical assistance to participant municipalities, albeit more slowly than planned, on strategic planning, human resource and financial management and internal information systems. Altogether 1,550 municipal employees were trained. National level components were mostly implemented successfully, although

on a smaller scale than planned. Nonetheless the project helped to consolidate what became the best practice National Information System for Municipalities (SINIM), now operating extremely well in the public domain Internet. Also on the web, SUBDERE held a successful Good Practice Fair that attracted some 150 submissions from municipalities.

As an instrument for assessing outcomes, the project's monitoring and evaluation (M&E) was not well designed. It lacked the necessary performance indicators and their target and baseline values. Outcomes were not monitored during implementation, nor fully reported in the ICR. While IEG rates project M&E itself as *negligible*, it recognizes that SINIM, although not developed with M&E in mind, can help fill this evaluation gap.

The project's achievements in governance and efficiency improvements to municipal service provision were mixed. The best was through SINIM that increased accountability and public scrutiny of municipal activities and finances. More still needs to be done in Chile to facilitate access to credit and to making municipalities credit worthy, but PROFIM-II alone could not be expected to sway official caution in this regard.

SINIM was also PROFIM-II's best result in strengthening the central government's capacity to decentralize. In other areas, there has been less progress by central government. Ad hoc programs by sectoral ministries beyond the purview of PROFIM-II continue to proliferate. Despite SUBDERE plans to reform and simplify it, Chile's Common Municipal Fund (FCM) and its complexity remains unchanged.

The PROFIM-II provided substantial assistance to strengthen municipal planning and management capacities to enable them to deliver better services. Altogether, 65 percent of the original 25 project municipalities reported that they were satisfied with the technical assistance support received, but the majority of them still felt that they lacked the capacity to respond to the demands made upon them. Given the lack of project M&E, IEG looked for evidence of outcomes in SINIM. An initial IEG assessment of municipal revenue, human resource quality and education results did not point to a significant difference over the 2000-2005 period between PROFIM-II municipalities and a matching group of non-project municipalities. Future evaluation and greater care with M&E might lead to findings that differentiate the performance of PROFIM-II municipalities from others as we would expect. In the meantime, it is encouraging to learn that nearly all municipalities in Chile made progress, and SINIM is an excellent tool to monitor it.

On balance, the overall outcome of the project is rated **moderately satisfactory**, since it achieved its objectives, but with some shortcomings. Chile's stable economic and political climate helps assure that the **risk to development outcomes** can be rated **modest**. **Bank performance** is rated **moderately satisfactory**, with a weak start up mitigated by better supervision later. **Borrower performance** is rated **moderately satisfactory** owing to implementation delays and the slow central government response to key aspects of decentralization reform.

The project experience confirms the following IEG lessons:

- Whenever a multisector project singles out one particular sector for special attention, it needs to make the intended sectoral outcomes clear and monitorable, as well as ensuring that they are consistent with sector priorities.

- As for any operation, M&E of a municipal development project should explore the use of existing databases to help identify measurable baselines, indicators, and targets whose achievement can be monitored easily and cheaply.
- The Bank should encourage borrowers and local agencies to develop and maintain customized databases on sub national development that are not available in many countries. When in the public domain they also contribute to increased transparency, accountability and, through these, to strengthening democratic institutions (in this case SINIM: <http://www.sinim.cl/>).
- The Bank needs to develop a clearer and more precisely formulated framework for improving local governance—a framework that can readily be translated into operational objectives.

Ajay Chhibber
Acting Director General,
Evaluation

1. Background and Context

1.1 Chile represents a challenge for municipal development. The geography of a country 4,500 kms from an arid desert north to the forests and fjords of the south, while barely 200 kms wide from east to west. The majority of the country's 16 million people, 86 percent of whom resides in urban areas, lives in the central zone around the capital Santiago (population 5.6 million). The country's 345 Municipalities, the second tier in Chile's unitary system of government, thus have important and varied contributions to make to national development. In recent years Chile has been transferring some responsibilities to local government, but its public administration remains centralized in many respects. In 2000 local government still accounted for only 8.6 percent of all tax revenues, against 30.6 percent in Brazil. Central:local transfers were just 0.7 percent of GDP in Chile, against 5.0 percent in Colombia (Wiesner 2003). In Chile's municipal governments are forbidden to borrow: a prohibition found in few other countries in the world, with China and Indonesia among them (Shah ed. 2006 p.40).

1.2 Decentralization, understood as the transfer of power and responsibilities to local government, has proceeded in a noteworthy context of a tight budget constraint. Thus mayors—directly elected for the first time only in 1992—have been weaned on a diet of fiscal profligacy (Wiesner 2003, p.14). Still, municipalities have acquired a wide range of responsibilities. Today, they have an important political and public service function as “the face of the state” for poorer citizens especially (SUBDERE 2006 p.47).

1.3 By 2000, Chile's Organic Law of Municipalities defined municipal functions to include: urban street and feeder road paving, drainage, solid waste collection and disposal, street lighting, open space and recreation and cemeteries. The 2006 revision of this Law 18.695 confers increasing municipal sharing of responsibilities within central government programs for basic health and education. A more recent municipal responsibility in Chile, as in many other countries, is helping national governments administer key social protection programs, especially identifying beneficiaries of them.

1.4 Chile's central government uses a wide range of instruments to interact with local government. They have been criticized for being ad hoc and too many, making coordination all but impossible (Letelier 2006). The Ministry of Interior's Regional Development Sub-Secretariat (SUBDERE – *Subsecretaria de Desarrollo Regional y Administrativa*) is the principal government department for dealing with municipalities. It also was the executing agency for the PROFIM-II project. One important instrument is the US\$700 million Common Municipal Fund – FCM (*Fondo Comun Municipal*) established in 1979 to redistribute resources from richer to poorer municipalities. FCM succeeds in reducing the revenue differential between the richest and poorest decile of municipalities from a factor of 18.7 to 7.8. Apart from this, each sectoral ministry independently administers its own programs with municipalities

1.5 As is evident from its name, the *Second* Municipal Development Project (Ln4429-CH) called by its Chilean acronym PROFIM-II in this report, itself followed an earlier but similar pilot project, PROFIM-I. IEG's review of the ICR of the earlier PROFIM-I

project rated the outcome of the 1993-98 operation among 24 municipalities as satisfactory. IEG did not carry out a PPAR review of PROFIM-I. The US\$10 million Bank loan for it was 90 percent disbursed at project closing. One important PROFIM-I lesson, namely ensuring project ownership by municipalities, was well heeded by PROFIM-II, but another, about the need for a results-focused M&E, was not.

2. Objectives and Design

BOX 1. SUMMARY OF PROJECT OBJECTIVES AND COMPONENTS

Chile: Second Municipal Development Project (Ln.4429-CH)	
Objectives	Components (with costs in US\$ million)
<p>To improve the governance and efficiency in the provision of municipal services</p> <p>To strengthen central government capacity to formulate, implement and monitor decentralization policies and programs.</p> <p>To strengthen the capacity of municipalities in areas such as municipal planning, financial and human resources management, and the management of health and education services.</p> <p>Final cost: US\$23.1m. (equal to appraisal estimate) Financing: 43% IBRD; 43% Govt.; 13% Municipalities</p>	<p>National institutional strengthening—incl. national municipal information system; municipal budgeting improvement program; streamlining access to social programs; disseminating best practice and lessons; monitoring and evaluation; studies and action plans (appraisal cost US\$1.8m./actual cost US\$0.6m.).</p> <p>Municipal strengthening—incl: basic TA and training modules for municipal management in 25 cities; complementary module focused on community participation; and flexible module focused upon innovative sub-projects. Also, there was an extension sub-component at a cost of US\$2.8m. of 719 sub-projects in planning, budgeting, human resource planning and customer service in 100 of Chile's poorest municipalities (appraisal cost US\$18.2m./actual cost US\$19.4m.).</p> <p>Project administration and training (appraisal cost US\$2.8m./actual cost US\$3.0m.). <small>(Actual cost figures here are SUBDERE updates that revise those reported in the ICR)</small></p>

2.1 For an operation to strengthen central and local governance, the PROFIM-II project design, like its predecessor PROFIM-I chose technical assistance components to improve policymaking and management capacities at the central and local levels. There was no direct financing of urban services themselves. But it was not such a departure from the approach of Bank financed municipal development projects (MDP) elsewhere. They financed popular physical investments as a 'reward' for progress with less popular institutional development. Under PROFIM-II municipal officials told the IEG mission that in pursuing capacity building through the project, they believed they might gain access to additional funds to finance physical investments from other sources. The key difference of PROFIM-II's design, therefore, was that the project itself did not internalize the incentive as traditional MDPs had done. There were sanctions too, for failing to strengthen governance. Municipalities risked forfeiting one percent of the transfers due to them through FCM, if they did not provide information needed by the project and the successful National Municipal Information System (SINIM discussed throughout this report), for instance. This might help explain the strong municipal participation in SINIM.

2.2 Project objectives could have been more clearly and precisely formulated. This made it uncertain what criteria would help determine whether 'governance' or 'efficiency' in local service provision had improved. M&E did not have explicit targets, indicators or baselines to monitor and measure progress toward achieving the objectives. As Borrower comments on this PPAR confirmed, SUBDERE considered that M&E was

to measure processes of the PROFIM-II project, not its impact (Annex C). The design did ensure the objective of strengthening municipal administrations in specific areas was more readily evaluable, however. Overall, IEG still concludes that the project objectives were and remain substantially relevant to Chile's development priorities today. They were also substantially relevant to the priorities of the 1995 CAS highlighting the importance of better education services and improving infrastructure maintenance and the more recent 2002 CAS, with its continuing push for better service provision at the local level especially, as well as more general improvements in public sector management as a whole.

2.3 Among municipal services, education and health were mentioned specifically by the project objectives, probably reflecting Chilean authorities' efforts to strengthen these sectors at the time of the PROFIM-II appraisal. But, as formulated, the objectives did not spell out precisely the education and health service improvements intended. Nor were there any specific targets or indicators, not to mention the lack of a baseline starting point. In its comments, the Region reiterated that the PROFIM-II did not intend to deal with policy issues in these sectors. The PPAR's view is that a multisector project like PROFIM-II cannot delve into specific sectors without considering the respective sector policy and reform implications. Obviously, municipalities could play a big role in improving these services. Municipal health centers, for instance, provide health care to 80 percent of Chile's population (ICR p. 18). But PROFIM-II's efforts on behalf of health and education were not effectively incorporated with other Bank work in these sectors.. In its comments, the Region accepted that this aspect needed strengthening and has been incorporated in newer projects in the region.

2.4 From among those showing interest, SUBDERE chose 25 municipalities to participate in the project. The selection was to ensure a good coverage of Chile's population, and be representative of municipalities with low revenues that had the potential to improve their tax administration and service delivery. PROFIM-I municipalities were not eligible. Using SINIM municipal-level data for 2000, IEG could confirm that PROFIM-II participants were indeed selected according to the agreed eligibility criteria. They were more populous. The 25 were home to one quarter of the country's inhabitants, having an average population of 152,000, more than three times higher than the 44,600 for the average Chilean municipality. The 25 PROFIM-II municipalities were also financially weaker. Their own source revenues were only 18,200 pesos per capita, versus 28,800 pesos per capita for Chile's municipalities as a whole. They also invested less, just 5,600 pesos per capita, against 8,200 pesos per capita by other municipalities. Thus PROFIM-II successfully chose the kinds of beneficiary municipalities that it had planned to.

2.5 The design also tried to reach beyond the initial 25 participants. The Project Appraisal Document (PAD) pointed out that all municipalities would benefit from the national level studies sponsored by the project. The project also provided assistance to 26 municipal associations, bringing project support indirectly to many more smaller municipalities too. The greatest increase in coverage occurred unexpectedly, however. Slow disbursements for the original 25 municipalities and the 26 municipal associations led PROFIM-II to provide small scale assistance to one hundred more small municipalities in the final year of implementation (details para. 3.2).

2.6 Technical assistance (TA) was provided to municipalities in successive “modules”. A Basic Module focused upon municipal strategic planning, human resource and financial management. A Complementary Module emphasized community participation and a Flexible Module focused upon innovation. The design built around technical assistance components was substantially relevant for achieving the declared objectives. As part of its national policy, the Government of Chile was reluctant to incur foreign debt to finance local infrastructure that did not require foreign exchange, a policy acknowledged by the CAS.

2.7 The project design made good use of implementing arrangements at the national level that had existed for the earlier PROFIM-I pilot project, especially in SUBDERE. At the local level, however, participating municipalities were new to the operation and had to set up their own executing units to implement the project.

3. Implementation and Costs

3.1 Start-up was delayed and initial implementation slow, as SUBDERE overcame a period of difficult management with poor communication between the project coordinator and authorities. New project coordinators brought different approaches, challenging the morale of the project team. Bank disbursements got underway and picked up speed, but only eighteen months after loan effectiveness in January 2001, by which time nearly half the original loan should have been disbursed. The requirement that all municipal strategic plans being in place prior to any project disbursement delayed the start-up. Despite these initial difficulties, Bank supervision missions continued to report satisfactory progress with implementation.

3.2 Procurement proved challenging for both SUBDERE and the municipalities during implementation. Municipal officials told IEG that they appreciated the assistance SUBDERE gave them with this. Although it went well for the most part, there were cases of misprocurement, when a first placed bid for the national study of subnational transfer was disqualified without the agreement of the Bank and when one municipality unbundled a larger contract to be competitively procured into smaller ones requiring less scrutiny—all awarded single source to the same supplier. The Borrower completion report informs that the procurement challenges were underestimated (SUBDERE ICR p. 21), something that IEG could confirm from its discussions with local officials.

3.3 In spite of these difficulties, PROFIM-II did deliver substantial assistance to its municipal beneficiaries. Most received project support to update their strategic plans. Through the complementary module, PROFIM-II gave municipalities advice on enhancing community participation in their planning through surveys, public meetings, one stop comment/complaints desks and telephone hot lines. The project helped more than half the municipalities to improve their human resource management. In particular, the computerization of payroll and benefits, meant more accurate and regular salary payments for local staff. Altogether, 1,550 municipal staff, some 80 percent of all employees of the participating municipalities, was trained under the project in basic skills of financial management, accounting and the use of information technology. PROFIM-II

accelerated the introduction of information technology into the beneficiary municipalities, mostly in the form of extending local area computer networks to all municipal departments, giving them better access to information, as well as the Internet and e-mail services. This enabled, for instance, municipal budgeting and human resource management to be unified for the first time in most municipalities. On the financial management front, municipalities were helped by the project especially in developing action plans to collect unpaid taxes and fees due, but actual data on the results obtained was not readily available.

3.4 For strengthening the management of health and education services, however, it is not clear exactly what the project achieved. Completion reporting refers to the “streamlining” and “rationalization” of these services. From municipal officials it met, the IEG mission learned how PROFIM-II did help incorporate local health and education services into overall budgeting and planning of the municipality. Other large Bank supported education operations, under way at the same time as PROFIM-II, provided more substantive assistance. These included, the Primary Education Improvement Project (Ln3410-CH) rated highly satisfactory by IEG, and the Secondary Education Project (Ln3883-CH) whose outcome was also satisfactory. At this time, the Bank was not providing support specifically to the health sector in Chile.

3.5 PROFIM-II implemented its national level component successfully, but on a smaller scale than intended, spending only US\$0.6 million, one third the amount expected. It seems that initial cost estimates had been too high. Within this small envelope, very significant progress was made in consolidating SINIM. Thanks to PROFIM-II, SINIM became more interactive for municipalities. It also increased its coverage throughout Chile and is now readily accessible in the public domain Internet. The web was also used by SUBDERE to organize a successful Good Practice Fair in 2004. Out of nearly 150 submissions by municipalities, SUBDERE selected 65 examples of good practice ranging from “e-government” to community participation and many others that featured in a publication after the event. Implementation of the national component was on a smaller scale on other fronts, however, particularly updating the Municipal Budgetary System (GPM), reforming the Common Municipal Fund (FCM) and the study on the equity and efficiency of fiscal transfers. The GPM is to be replaced by a more effective MOF model. For FCM, the authorities opted for the status quo after proposed reforms were not adopted. The study on fiscal transfers was not financed by PROFIM-II because of misprocurement.

3.6 To fully disburse the US\$4 million loan balance still outstanding after one year’s extension of loan closing, the Bank and Borrower agreed to broaden the scope of the project by supporting an additional 100 small municipalities and their 19 municipal associations. Each one received a package worth US\$25,000-US\$50,000 of assistance consisting mostly for computer equipment. With just 12.8 pesos per capita of own source revenues these 100 municipalities, called “extension” municipalities by the project, were indeed among Chile’s poorest as intended, and it was worthwhile for PROFIM-II to provide a small aid package for these needy communities.

3.7 By completion, PROFIM-II had invested US\$1.4 million in Chile’s 26 municipal associations. Although a modest US\$54,000 on average per association, it did help each

one acquire some computing equipment and set up a permanent place in which to function. Prior to PROFIM-II, they had used office lent to them by one of their associated municipalities. From its involvement in the implementation of this component, the national level Chilean Association of Municipalities also gained stature as an interlocutor for decentralization in the country.

4. Monitoring and Evaluation

4.1 Although the appraisal mentioned the importance of monitoring and evaluation (M&E), PROFIM-II did not offer explicit performance indicators to measure whether project objectives were being achieved or not. Their absence made it impossible to ensure that each municipality's participatory agreement include useful baseline data as the PAD intended (p.7). Project design could have selected a few indicators to monitor progress toward, in hindsight, what could have been more tightly defined intended outcomes. The project logframe reported in the ICR does not directly address the project's three main objectives.

4.2 Instead of addressing the achievement of the objectives themselves, project appraisal and completion documents focused upon 14-18 targets and indicators that reflect the delivery of components, such as the number of municipalities completing each mode of TA or the amount of training completed. The two indicators that came closest to monitoring the achievement of objectives were those that considered municipal own source revenues and municipal operational surpluses. Thus, in its quality at entry assessment that was otherwise satisfactory, an internal review had rightly criticized the ambiguity of the monitoring indicators and their lack of focus upon outcomes. Operationalizing its objectives remained a challenge for PROFIM-II (SUBDERE 2003 p. 12). Despite persistent efforts to improve it during project implementation, as comments by the Region mention, the actual results were still weak so that IEG rates project M&E with respect to design, implementation and utilization, as *negligible*.

4.3 On the other hand, IEG has demonstrated (Annex B) that SINIM, whose success owes a lot to PROFIM-II, can help compensate the project's M&E weaknesses, even if project evaluation was not SINIM's intended purpose. Among other things, SINIM today allows a comparative assessment of the performance of participating municipalities and non-participating municipalities, something the ICR itself called for. IEG commends the use of (and adaptation) of SINIM as a tool for this kind of evaluation. In its comments, the Region accepts that existing databases can be used for M&E, but recommends that participating municipalities be only those that used specific project instruments to achieve a particular result, such as increased revenue. IEG's own use of SINIM for evaluation, with some preliminary findings are reported in Annex B. of this PPAR.

5. A Broader Issue: Information for Decentralization

5.1 Perhaps PROFIM-II's greatest contribution to understanding subnational development and decentralization in Chile better was through the consolidation of the

best practice municipal information system, SINIM. Although created under the predecessor PROFIM-I project, SINIM came into its own under PROFIM-II. Today, its annual reporting of more than 250 reaches the local level for all 345 municipalities in Chile. Despite some data gaps and concerns about data quality of earlier years, this is a notable achievement. Municipalities themselves input most of the data. This information is then checked and cleaned by SUBDERE. The entire data set of annual time series running from 2000 to 2005 is now in the public domain through the Internet <http://www.sinim.cl/>. Currently, all but two municipalities have direct access SINIM on-line. For municipalities and other users, SINIM is a veritable mine of information on local finances, administration, health and education services, spatial planning, poverty, other social indicators, and geographical characteristics of all of Chile's municipalities.

5.2 Through using and analyzing this data, we can gain ready insights into the progress being made by municipalities, or groups of municipalities in the economic and social development of Chile at the subnational level. SINIM also has an important function of informing policy and lawmakers in Santiago in charge of the country's own decentralization process. Thus, SINIM can inform them about the progress being made in implementing national programs and in developing municipalities' own initiatives. Additionally, SINIM allows a municipality to measure itself against other local administrations and to learn which the better performers are and where to seek advice. Competition and collaboration in improve governance can only be beneficial. Finally, citizens themselves, as users of municipal services and as electors too, can readily learn through SINIM about how well their own local administration is doing.

5.3 For IEG, SINIM proved to be a valuable tool for evaluation, even if this was not its explicit purpose. Its panel data (of time series and cross sectional information) can show evaluators *before-project* and *after-project* conditions through specific indicators. Its broad coverage of all Chile's municipalities can allow the design and conduct of quasi control experiments, by comparing the performance over time of *project municipalities* and *non-project municipalities*. SINIM could thus be emulated by other countries that still do not have such an instrument. Through helping identify successes and shortcomings SINIM can help policymakers know what works and where improvements need to be made. The Region commented that it is encouraging a similar approach as SINIM's in some provinces in Argentina.

6. Project Outcomes by Objective

BETTER GOVERNANCE AND MORE EFFICIENCY IN MUNICIPAL SERVICE PROVISION

6.1 Governance is a very broad concept, and PROFIM-II hoped to see it improved at both the national and local levels. Recently, in order to monitor governance at the national level to start with, the Bank chose six indicators, namely: (i) voice and accountability; (ii) political stability and absence of violence; (iii) government effectiveness; (iv) regulatory quality; (v) rule of law; and (vi) control of corruption (Kaufman et al. 2006). While some of these apply to local government, the Bank is far from developing a framework for the evaluation of governance at that level, which has recently been defined as: "the formulation and execution of collective action at the local

level.” (Shah 2006). IEG sought evidence of project achievements in such areas as voice and accountability that feature in the new Bank framework. The IEG mission saw evidence of local authorities holding public meetings to discuss proposed investment projects, giving voice to the directly affected communities in particular. More generally, SINIM itself makes municipalities more accountable to their constituents, giving them voice and also informing the choice of voters in local elections.

6.2 Greater efficiency in service provision is a more focused concept, but still not readily monitored by PROFIM-II’s M&E. The IEG mission did, nevertheless, encounter examples of municipalities that had succeeded in improving the internal efficiency of their own administrations. In Ancud for instance, a 42,000 population PROFIM-II municipality remotely located on an island some 1,000 kms south of Santiago, local officials explained how their organization had become more efficient thanks to PROFIM-II. Project technical assistance had helped them establish a single Local Development Directorate to take care of all the agriculture related services of this predominantly rural municipality. More generally, a local area computer network installed with project assistance had helped several municipalities function more efficiently. The IEG mission was able to witness them still fully operational, including an older one in the PROFIM-I municipalities of Castro and Puerto Montt located near to Ancud itself.

6.3 Gains at the local level need to be complemented by efficiency at the national level, however. A recent study found that Chile’s many ad hoc programs for helping municipalities—4 types of investment grants, 35 education programs, and 22 others for primary health care—makes efficient coordination and service delivery difficult (Letelier 2006 p. 444). Also, Chile’s unusual prohibition of borrowing by local authorities can stymie service delivery in two ways. It may stunt the development of local credit markets that might help financed investment in municipal services and it encourages municipalities to accumulate de facto debt by delaying payments to contractors and even salaries of teachers and health workers (Letelier 2006 p. 424). Overall, IEG rates the achievement of this objective as *Modest*.

CENTRAL GOVERNMENT CAPACITY TO DECENTRALIZE

6.4 PROFIM-II succeeded in helping the central government through SUBDERE to development a consistent framework for its approach to decentralization. The positive impact went beyond the project itself, since SUBDERE is also responsible for managing the key National Fund for Regional Development – FNDR (supported by the Inter-American Development Bank - IADB). Other smaller funds for decentralization, such as the regional and local investment funds (ISAR and IRAL, respectively) remain outside the scope of PROFIM-II (Wiesner 2003 p.106).

6.5 PROFIM-II’s completion was shortly followed by the 2006 update of Chile’s milestone Organic Law of Municipalities of 2000 that defined municipal responsibilities more clearly. The revision of the Law that benefited from PROFIM-II inputs decentralizes Chile further by conferring greater responsibilities and power on municipalities to decide how to organize their own departments. In some areas, however, such as fixing ceilings on some municipal expenditure and salary scales, it constrained decentralization. Whichever way it went, PROFIM-II’s input into the revision of this Law

helped intensify engagement and interaction between the central government and municipalities in Chile, and broaden the understanding of decentralization itself.

6.6 Of course, the most successful government tool for decentralization was the best practice SINIM itself. Less successfully, there was slow progress with FCM. Despite SUBDERE's plan to reform it, FCM kept its status quo ante. Considering the mixed results obtained such as these, IEG rates the overall achievement of this objective as *Modest*.

MUNICIPAL CAPACITY BUILDING

6.7 PROFIM-II made important efforts to strengthen municipal planning, financial and human resource management, as well as municipal management of health and education services. Through their responses to a SUBDERE implementation completion survey, 65 percent of PROFIM-II municipalities reportedly being satisfied with technical assistance (TA) received through the project, the more so for strategic planning and information technology, but less so with TA for revenue enhancement (SUBDERE ICR). But the same survey pointed to low self-confidence among PROFIM-II municipalities, more than half of which still felt they lacked capacity to respond adequately to demands made upon them (Ibid. p. 23). Thus, it is not surprising that the Bank's ICR reckons that the achievement of this objective was modest, although there was no systematic M&E to reach this conclusion. To begin searching for more evidence of the results of PROFIM-II's capacity building, IEG conducted an impact assessment of municipal performance using SINIM data that was readily available to construct PROFIM-II outcome performance indicators (details Annex B). Over the 2000-2005 project this assessment compared the results obtained by two groups: PROFIM-II municipalities and non-project municipalities matched by having similar demographic, geographic, human development index (HDI) and Millennium Development Goal related characteristics. From what must be considered a preliminary analysis, IEG findings did not point to PROFIM-II municipalities performing significantly better than similar non-project municipalities with respect to: (i) own municipal revenues; (ii) human resource quality of municipal staff; and (iii) educational results measured by exam passes. While we would have expected to see a better revenue performance by PROFIM-II municipalities especially, it is important to acknowledge that all municipalities in Chile did indeed perform well. Future evaluation with greater care over M&E might lead to findings that differentiate between the performance of project and non-project municipalities. Meanwhile, considering the evidence available at this writing, IEG rates the achievement of this objective as *Modest*. Through this PPAR, IEG therefore agrees with the Region's later comments, that this objective had been achieved, but only to a modest extent when outcome indicators are considered.

7. Ratings

7.1 The **overall outcome** of the project is rated *Moderately Satisfactory*, there being modest achievements of all its relevant objectives. The **relevance** of the project

objectives and design is rated overall *Substantial*, especially the more precisely formulated objectives aimed at strengthening internal municipal management, but less so with less focused intentions, such as improved governance, or health and education services management. **Efficacy** is rated *Modest*, in view of the shortcomings of achieving the objectives mentioned above. **Efficiency** is rated *Substantial*, however, in view of the relatively low cost of the initiative taken by the project. The **Risk to the Development Outcome** is rated *Modest*, given the stable political and economic climate in which municipalities and decentralization can continue to make progress in Chile. IEG ranks **Bank Performance** as *Moderately Satisfactory*; an uneven objective statement and weak M&E, was mitigated by improved performance later during supervision. **Borrower Performance** is rated *Moderately Satisfactory*, a higher rating precluded by the delayed implementation, modest progress with project M&E and more success in broadening an understanding of decentralization than in actually implementing planned changes (such as to the FCM).

8. Findings and Lessons

8.1 The findings of this assessment endorse the following IEG lessons:

- Whenever a multisector project singles out one particular sector for special attention, it needs to make the intended sectoral outcomes clear and monitorable, as well as ensuring that they are consistent with sector priorities.
- As for any operation, M&E of a municipal development project should explore the use of existing databases (SINIM in this case) to help identify measurable baselines, indicators, and targets whose achievement can be monitored easily and cheaply.
- The Bank should encourage borrowers and local agencies to develop and maintain customized databases on sub national development that are in short supply in many countries. When in the public domain they also contribute to increased transparency, accountability and, through these, to democracy (in this case SINIM: <http://www.sinim.cl/>).
- The Bank needs to develop a clearer and more precisely formulated framework for improving local governance—a framework that can readily be translated into operational objectives.

Bibliography

- Kaufmann, Daniel; Kraay, Aart and Mastruzzi, Massimo 2006. Governance Matters V: Governance Indicators for 1996-2005 Washington DC, The World Bank, September 2006.
- Letelier, Leonardo 2006 "Local Government Organization and Finance: Chile: in (Shah ed. 2006)
- Shah, Anwar 2006 (ed) *Local Governance in Development Countries* Washington DC, The World Bank Public Sector Governance and Accountability Series.
- SUBDERE 2003. *Evaluación Ex Post PROFIM II* Santiago, December 2003
- SUBDERE 2005. *Evaluación del Desempeño Municipal: ¿Como ordenar a los municipios según sus resultados?* Santiago, Documento preparado por el Departamento de Estudios Municipales de la Division de Politicas y Estudios. Investigador Principal: Carlos Caro.
- SUBDERE 2006. *Memoria de la Descentralización 2000-2006* Santiago, Subsecretaria de Desarrollo Regional y Administrativo
- Wiesner, Eduardo 2003 *Fiscal Federalism in Latin America: from Entitlements to Markets* Washington DC, Inter-American Development Bank.

Annex A. Basic Data Sheet

MUNICIPAL DEVELOPMENT II PROJECT (LOAN 4429-CHL)

Key Project Data *(amounts in US\$ million)*

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	23.1	23.1	100%
Loan amount	10.0	9.9	99%
Cofinancing	-	-	-

Project Dates

	<i>Original</i>	<i>Actual</i>
Negotiations	-	11/10/1998
Appraisal	-	12/22/1998
Board approval	-	12/22/1998
Signing	-	04/13/1999
Effectiveness	11/30/1998	07/01/1999
Closing date	06/30/2002	12/30/2004

Staff Inputs *(staff weeks)*

	<i>Planned</i>		<i>Revised</i>		<i>Actual</i>	
	<i>Weeks</i>	<i>US\$</i>	<i>Weeks</i>	<i>US\$</i>	<i>Weeks</i>	<i>US\$</i>
Identification/Preparation	-	-	-	-	23.5	53.8
Appraisal/Negotiation	-	-	-	-	23.7	44.3
Supervision	-	-	-	-	105.3	97.7
ICR	-	-	-	-	8.5	22.6
Total	-	-	-	-	161.2	218.4

Mission Data

	<i>Month /year</i>	<i>No. of persons</i>	<i>Staff days in field</i>	<i>Specializations represented</i>	<i>Performance Rating</i>	
					<i>Implementation Status</i>	<i>Development Objective</i>
Identification/ Preparation	1/1998	3	-	Task Manager (1); Municipal Finance Specialist (1); Sector Leader (1)		
Appraisal/ Negotiation	3/1998	3	-	Task Manager (1); Municipal Finance Specialist (1); Sector Leader (1)		
Supervision	5/1998	4	-	Task Manager (1); Municipal Finance Specialist(1); Sector Leader (1); Sr. Urban Specialist		
	6/1998	3	-	Task Manager (1); Municipal Finance Specialist (1); Sr. Urban Specialist (1)		
Supervision	10/1999	1	-	Task Manager (1)	S	S
	01/2000	4	-	Task Manager (1); Procurement Specialist (1); Urban Dev. Specialist Gender Specialist (1)	S	S
	02/2000	1	-	Task Manager (1)	S	S
	05/2000	1	-	Task Manager (1)	S	S
	07/2000	1	-	Task Manager (1);	S	S
	01/2001	4	-	Task Manager (1); Sr. Economist (1); Municipal Dev. Specialist (1); Operations Consultant (1)	U	U
	04/2001	4	-	Task Manager (1); Sr. Economist (1); Municipal Dev. Specialist (1); Operations Consultant (1)	S	S
	09/2001	4	-	Task Manager (1); Sr. Economist (1); Municipal Dev. Specialist (1); Operations Consultant (1)	S	S
	02/2002	2	-	Task Manager (1); Operations Consultant (1)	S	S
	03/2002	8	-	Task Manager (1); Gender Specialist (2); Procurement Specialist (3); Municipal Dev. Specialist (1); Operations Consultant (1)	S	S
	06/2002	5	-	Task Manager (1); Procurement Specialists (2); Municipal Dev. Specialist (1); Operations Consultant (1)	S	S
	11/2002	4	-	Task Manager (1); Procurement Specialist (1); Municipal Dev. Specialist (1); Operations Consultant (1)	S	S

Performance Rating						
	Month /year	No. of persons	Staff days in field	Specializations represented	Implementation Status	Development Objective
	03/2003	5	-	Task Manager (1); Procurement Specialist (2); Financial Management Specialist (1); Operations Consultant (1)	S	S
	08/2003	5	-	Task Manager (1); Procurement Specialists (1); Municipal Dev. Specialist (1); Operations Consultant (1)	S	S
	01/2004	4	-	Task Manager (1); Procurement Specialists (1); Financial Management Specialist (1); Operations Consultant (1)	S	S
	05/2004	1	-	Task Manager	S	S
	08/2004	3	-	Task Manager (1); Municipal Dev. Specialist (1); Operations Consultant (1)	S	S

Annex B. Municipal Impact Assessment

Any success of PROFIM-II in building the capacity of municipalities as intended would be reflected in a better performance by PROFIM-II project municipalities than comparable municipalities that not benefiting from the project. To test this hypothesis, IEG first identified one group of project and another of non-project groups of municipalities, matching them according to their values for the Human Development Index (HDI), the share of poor people, the share of female employment, population densities, and forest cover in 2000, the start-up year of the project. As well as covering basic demographic and geographical characteristics, these “matching indicators” also addressed some of the Millennium Development Goals (MDGs) concerned with poverty, gender and the environment. Then IEG selected municipal level variables from SINIM to serve as proxy performance indicators to evaluate the project impact in terms of municipal planning, financial management, human resource management and health and education service provision. If project municipalities reported significantly better progress with these indicators than others over the 2000-2005 period, it would point to the successful impact of the project. For this comparative assessment, IEG excluded PROFIM-I and PROFIM-II “extension” municipalities. As project beneficiaries, the extension municipalities had to be truncated from the list of non-project municipalities. This Annex reports the findings of the assessment.

TABLE B.1: OWN SOURCE MUNICIPAL REVENUES: PROFIM-II AND MATCHING MUNICIPALITIES

Municipal own revenues as:	<i>changes over 2000-2005 period:</i>		<i>t-statistic</i>
	PROFIM-II Municipalities	Matching Group of Other Municipalities	
- % change in pesos per capita	32.8%	21.5%	1.3107
- pesos per capita	\$4.72	\$3.61	0.1806
- % change in own source share of total revenues	7.6%	4.0%	0.6334

Source: SINIM.

Notes: PROFIM-II municipalities consist of 20 that exclude Arica, Valdivia, Quilpue, Punta Arenas and Aisen that could not be matched with others. Matching group also consists of 20. Own revenues are defined in SINIM as 'permanent own income'. Reported changes here refer to the differences in the values of the selected indicators in 2000 at project start-up and in 2005, the first year after project completion. T-statistics are estimated on the basis of two-tail distributions, assuming equal variance.

As indicators of municipal financial management, we would expect own revenues to show a better performance by PROFIM-II municipalities than others, especially as the project provided TA to project beneficiaries specifically to help them increase revenue collection. IEG’s assessment, however, did not find significant differences—that would require a t-statistic higher than 2.09—between the performance of the PROFIM-II municipalities and others (Table B.1). The lack of evidence of a strong project impact on municipal own revenues is reflected in the findings of SUBDERE’s survey that municipalities were least satisfied with project assistance in this area. On the positive side, however, it is important to recognize the improved revenue performance of all Chilean municipalities, even by those not benefiting from the project.

TABLE B.2: LOCAL PROFESSIONAL STAFF: PROFIM-II AND MATCHING MUNICIPALITIES

	<i>changes over 2000-2005 period:</i>		<i>t-statistic</i>
	PROFIM-II Municipalities	Matching Group of Other Municipalities	
Share of all staff in professional grades	64.5%	29.8%	0.7301
Share of all staff with professional diploma	9.7%	11.6%	0.1850

Source: SINIM.

Notes: PROFIM-II municipalities consist of 20 that exclude Arica, Valdivia, Quilpue, Punta Arenas and Aisen that could not be matched with others. Matching group also consists of 20. Reported changes here refer to the differences in the values of the selected indicators in 2000 at project start-up and in 2005, the first year after project completion. T-statistics are estimated on the basis of two-tail distributions, assuming equal variance.

We could expect municipalities with the stronger human resource management intended by PROFIM-II to achieve a higher professional quality staff. Considering both grading and diplomas as indicators of professionalism of human resources, this assessment found no significant difference between the project and non-project group of municipalities (Table B.2). The high variance across non-project municipalities undermines the significance of the apparently large differences in the reported means. Thus, the training and TA offered by PROFIM-II to strengthen human resource management did not succeed in making project municipalities better than others at least as far as their professional cadres are concerned. Municipal staff interviewed by the IEG mission did, on the other hand, appreciate more regular salary payments that came with the PROFIM-II's computerization of payrolls, for instance. But data on this is not available to show differences between project and non-project municipalities.

TABLE B.3: STUDENTS' UNIVERSITY ENTRANCE PASSES: PROFIM-II AND OTHER MUNICIPALITIES

	<i>changes over 2000-2005 period:</i>		<i>t-statistic</i>
	PROFIM-II Municipalities	Matching Group of Other Municipalities	
Students enrolled in municipal schools:			
Share of total passing PAA	24.7%	13.5%	1.6157

Source: SINIM.

Notes: PROFIM-II municipalities consist of 20 that exclude Arica, Valdivia, Quilpue, Punta Arenas and Aisen that could not be matched with others. Matching group also consists of 20. Reported changes here refer to the differences in the values of the selected indicators in 2000 at project start-up and in 2005, the first year after project completion. All enrolled students refers to those matriculated in municipal schools. T-statistics are estimated on the basis of two-tail distributions, assuming equal variance.

Without systematically formulated objectives and indicators for health and education results by PROFIM-II, IEG look for evidence elsewhere. From SINIM, IEG found appropriate outcome data only for education, not for health. Specifically, the PPAR looked at improved exam results for students enrolled at municipal schools as evidence of a better managed municipal education service. Again, the difference between the performance of the project and non-projects groups of municipalities was not found to be significant. Of course, PROFIM-II did not intend to improve these examination results in particular. Additional assessments using other indicators might point to more positive evidence than that found here. Even so, objectives more clearly focused upon precise education (and health) results would have helped. *Integrating* or *streamlining* education and health management, as reported in the project documents is not precise enough a formulation to allow an unambiguous assessment. If integrating health expenditures fully into the general municipal budgeting process results in a reduction of health expenditure for instance, can we conclude that the result is a good or bad one for municipal health services?

ATTACHMENT TO ANNEX B. CHILEAN MUNICIPAL INDICATORS

TABLE B.4: MATCHING INDICATORS - 2000 - PROFIM-II MUNICIPALITIES

Municipality	Population	HDI	% of Poor	% Female Mun Emp	Pop per Km2	% forest cover	pscore
La Florida	436,763	0.803	8.5	43.6%	6,169	0.3%	0.306
Valparaiso	295,203	0.721	25.0	22.9%	735	3.2%	0.277
Antofagasta	257,976	0.761	13.0	37.3%	8	0.0%	0.243
San Bernardo	257,253	0.731	19.5	27.1%	1,659	0.1%	0.241
Los Angeles	162,984	0.72	25.9	29.2%	93	2.8%	0.238
La Serena	142,267	0.776	16.5	47.3%	75	0.0%	0.226
Chillán	173,011	0.727	22.4	33.7%	338	2.4%	0.216
Talcahuano	285,492	0.725	16.2	34.5%	1,958	1.5%	0.201
Quillota	74,324	0.724	17.9	35.3%	246	0.9%	0.188
Puente Alto	427,465	0.751	18.0	46.1%	4,847	0.0%	0.184
Copiapó	125,373	0.726	22.3	44.4%	8	0.0%	0.147
Linares	87,133	0.694	29.0	39.5%	59	3.9%	0.146
San Vicente	37,781	0.7	19.8	35.9%	79	0.7%	0.142
Pucón	16,414	0.667	33.3	35.4%	13	6.5%	0.135
Angol	54,003	0.659	39.4	36.3%	45	7.4%	0.131
Pedro Aguirre Cerda	115,913	0.719	15.7	45.9%	11,950	0.0%	0.128
Ancud	46,581	0.693	21.4	51.5%	27	5.6%	0.104
Cerro Navia	170,235	0.695	24.0	49.2%	15,336	0.0%	0.091
Mostazal	20,464	0.69	28.9	51.4%	39	0.6%	0.083
Río Claro	13,379	0.653	26.4	38.5%	31	1.4%	0.075

Sources: MIDEPLAN and SINIM <http://www.sinim.cl/>

Notes: pscore estimates the propensity score (pscore) of the treatment on the control variables using a probit (or logit) model and stratifies individuals in blocks according to the pscore. IEG chose these indicators because they cover population and HDI and relate to Millennium Development Goals (MDG) concerned with poverty, gender and the environment. Values for 2000 were chosen for analysis as they represent the situation at the start up of PROFIM-II, in the last year before project impacts could be expected to be observed.

TABLE B.5: MATCHING INDICATORS – 2000 – NON-PROFIM-II MUNICIPALITIES

Municipality	Population	HDI	% Poor	% Female Mun Emp	Pop/Km2	% Forest cover	pscore
San José de Maipo	12,680	0.763	18.5%	28.8%	3	0.03%	0.309
Limache	39,507	0.726	22.1%	24.5%	134	2.66%	0.276
Los Andes	58,691	0.749	18.2%	32.9%	47	0.00%	0.248
San Miguel	78,074	0.776	7.8%	42.3%	8,218	0.00%	0.247
San Felipe	65,034	0.737	19.2%	31.3%	350	0.00%	0.231
Rancagua	220,477	0.746	15.4%	38.2%	847	1.52%	0.225
Pica	2,761	0.726	18.2%	29.4%	0	0.00%	0.217
Peñalolén	214,002	0.746	15.6%	42.3%	3,948	1.36%	0.197
Puerto Varas	30,865	0.702	20.3%	33.3%	8	5.49%	0.188
Sierra Gorda	1,450	0.771	2.1%	50.0%	0	0.00%	0.185
Los Muermos	17,988	0.671	23.8%	28.6%	14	3.84%	0.148
Calera	50,104	0.705	16.4%	37.8%	828	1.88%	0.147
Conchalí	149,302	0.726	18.4%	46.0%	13,953	0.00%	0.142
Melipilla	93,918	0.701	15.3%	37.2%	70	1.15%	0.135
Salamanca	25,101	0.667	36.5%	28.2%	7	0.00%	0.131
Chonchi	11,896	0.695	15.4%	45.5%	9	6.65%	0.13
Colina	82,651	0.712	27.8%	51.9%	85	0.06%	0.104
Nogales	21,145	0.694	28.8%	50.0%	52	1.21%	0.091
Litueche	5,631	0.659	22.5%	38.9%	9	2.42%	0.082
Panguipulli	30,130	0.605	29.5%	27.7%	9	6.30%	0.075

Sources and notes: see Table A.1

TABLE B.6: PERFORMANCE INDICATORS – 2000/2005 CHANGES - MATCHED PROFIM-II MUNICIPALITIES

Municipality:	Own revenues per capita (%)	Own revenues per capita (pesos)	Own revenues share of total revenues (%)	Share of municipal staff in professional grade (%)	Share of municipal staff with professional diploma (%)	Share of students in municipal schools passing university entrance exam (%)	pscore
La Florida	60.0%	6.7	10.4%	419.6%	-8.9%	15.0%	0.306
Valparaíso	32.1%	9.6	59.3%	38.7%	28.0%	0.1%	0.277
Antofagasta	22.7%	6.7	-18.7%			8.4%	0.243
San Bernardo	30.0%	5.4	17.0%		-2.5%	-2.7%	0.241
Los Angeles	24.9%	4.5	-8.6%	328.7%	9.6%	10.7%	0.238
La Serena	-4.7%	-1.6	-8.4%	23.1%	26.4%	3.5%	0.226
Chillán	58.2%	9.6	9.8%	18.4%	21.3%	46.9%	0.216
Talcahuano	83.9%	17.5	15.5%	209.1%	-2.1%	44.8%	0.201
Quillota	6.0%	1.2	-3.7%	-0.8%	15.7%	5.8%	0.188
Puente Alto	57.7%	3.3	34.0%	1.9%	9.0%	-9.7%	0.184
Copiapó	23.7%	4.7	11.7%	136.6%	82.4%	47.8%	0.147
Linares	11.7%	2.3	-19.0%	-44.9%	49.4%	58.9%	0.146
San Vicente	17.4%	3.4	-6.9%	-28.9%	14.3%	51.7%	0.142
Pucón	15.5%	4.7	21.8%	-31.9%	2.1%	182.6%	0.135
Angol	46.0%	4.5	-4.8%	-20.5%	2.2%	12.4%	0.131
Pedro Aguirre Cerda	56.5%	5.4	23.8%	-11.0%	-80.2%	-36.6%	0.128
Ancud	80.6%	8.2	3.3%	27.7%	10.5%	-21.4%	0.104
Cerro Navia	38.0%	2.3	4.7%	18.5%	17.2%	151.9%	0.091
Mostazal	-26.2%	-6.8	-30.8%	126.5%	-9.4%	-82.7%	0.083
Río Claro	21.8%	3.1	51.7%	-50.0%	0.0%		0.075
mean:	32.8%	4.7	8.1%	64.5%	9.7%	25.7%	
standard deviation:	27.0%	4.7	22.2%	128.7%	29.9%	58.9%	

Source: SINIM <http://www.sinim.cl/>

Notes: IEG chose the indicators that help monitor progress toward achieving the PROFIM-II objectives. They were selected from among those whose data was readily available from SINIM. Values of standard deviations for these indicators are given here to illustrate how the wide variance undermines the significance of the apparent differences of the means between the two groups of municipalities. This is demonstrated by the t-test statistics as discussed in the PPAR.

TABLE B.7: PERFORMANCE INDICATORS – 2000/2005 CHANGES - MATCHED NON-PROFIM-II MUNICIPALITIES

Municipality:	Own revenues per capita (%)	Own revenues per capita (pesos)	Own revenues share of total revenues (%)	Share of municipal staff in professional grade (%)	Share of municipal staff with professional diploma (%)	Share of students in municipal schools passing university entrance exam (%)	pscore
San José de Maipo	2.1%	0.8	-8.0%	-72.2%	-13.4%	-81.3%	0.309
Limache	20.0%	4.1	1.4%	-5.4%	9.2%	-35.1%	0.276
Los Andes	27.3%	5.4	0.6%	-10.6%	19.2%	51.1%	0.248
San Miguel	-20.9%	-10.1	-29.3%	-12.9%	-5.0%	25.4%	0.247
San Felipe	13.3%	3.0	7.0%	-13.2%	28.3%	8.9%	0.231
Rancagua	26.8%	7.4	11.3%	124.2%	21.7%	13.4%	0.225
Pica	-49.8%	-86.4	31.5%	142.9%	-2.9%	1.1%	0.217
Peñalolén	35.6%	5.1	6.9%	0.0%	74.9%	-35.5%	0.197
Puerto Varas	44.7%	18.8	4.9%	37.5%	3.1%	-52.0%	0.188
Sierra Gorda	39.0%	66.9	27.5%	0.0%	-25.0%		0.185
Los Muermos	22.1%	2.3	-5.9%	-3.4%	-3.4%	-60.7%	0.148
Calera	46.1%	6.2	13.0%	13.9%	80.8%	-25.0%	0.147
Conchalí	48.3%	9.3	3.7%	44.3%	12.6%	24.6%	0.142
Melipilla	16.7%	3.0	-15.9%	172.6%	9.1%	52.7%	0.135
Salamanca	-3.5%	-0.8	-2.2%	20.9%	-14.6%	55.0%	0.131
Chonchi	13.4%	2.0	-1.7%	76.0%	-12.0%	25.1%	0.130
Colina	81.5%	23.4	6.9%	107.9%	3.9%	91.7%	0.104
Nogales	36.1%	5.7	34.8%	-2.2%	30.4%	131.5%	0.091
Litueche	4.8%	1.5	-16.2%	-5.3%	26.3%		0.082
Panguipulli	27.2%	4.4	9.0%	-20.1%	-11.5%	55.5%	0.075
<i>mean:</i>	21.5%	3.6	4.0%	29.8%	11.6%	13.7%	
<i>standard deviation:</i>	27.0%	25.5	15.3%	61.4%	26.8%	53.8%	

Source and notes* see Table A.3

Annex C. Borrower Comments

Carolina Hurtado
 <carolina.hurtado@
 subdere.gov.cl>

06/15/2007 10:08 AM

Please respond to
 carolina.hurtado@subdere.gov.cl

To rgilbert@worldbank.org
 cc abarbu@worldbank.org, Victor Hugo Miranda
 <victorhugo.miranda@subdere.gov.cl>
 Subje Comments on PPAR
 ct

Dear Mr. Gilbert

We appreciate the review and evaluation made by the Independent Evaluation Group (IEG) concerning the Project Performance Assessment Report on PROFIM-II.

Even though the indicators chosen and evaluation made might be considered ambiguous and out of focus, we would like to point out that from the beginning the Monitoring and Evaluation wasn't considered to measure the impact of PROFIM-II but to measure processes. On measuring processes, the purpose has being accomplished.

Something to point out on the text are some minor errors like

- 1.1 – Chile has 345 municipalities and 346 communes (comunas). **[corrected]**
- 2.4 – *miles de pesos per capita* instead of *pesos per capita*. **[corrected]**
- 3.6 - *miles de pesos per capita* instead of *pesos per capita*. **[corrected]**

We are always willing to assist you on anything regarding this Division in the SUBDERE, and also appreciate the references made on SINIM (Sistema Nacional de Indicadores Municipales) as a valuable tool.

Sincerely yours,

Victor Hugo Miranda

Head of Municipal Financial Department

Division of Municipalities



SUBDERE carolina.hurtado.vcf