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el Desarrollo de Honduras

Decentralization Enabling Environment (DEE)

SEMIANNUAL PERFORMANCE REPORT

Cooperative Agreement No. 522-A-11-00001

July - December 2014

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Acronyms

AMHON Honduran Municipal Association
COSUDE Swiss Cooperation
CSO Civil Society Organizations
CONADEH National Commissioner for Human Rights
DD Decentralization Office
DEE Decentralization Enabling Environment
FAI Fiscal Autonomy Indicator
FEDECAMARA Chamber of Commerce Federation of Honduras
FOPRIDEH Federation of non-Governmental Organizations for Honduran Development
GSC Civil Society Group
GOH Central Government of Honduras
IDB Interamerican Development Bank
LCAM Municipal Service Law
MANOFM (Francisco Morazán) Municipal association of the Northwest of Francisco Morazán
MANSUCOPA (La Paz & Comayagua) Municipal Association of the Southwest Valley of Comayagua and La Paz
MANVASEN (Ocotepeque) Municipal association of the Sensentí Valley
MUNASBAR (Santa Bárbara) Municipal association from the South Region of Santa Bárbara
MAMSA (Olancho) Municipal association of Municipalities Martyrs from the Sierra of Agalta
MANCURISJ Municipal association from the Cuenca del Rio San Juan
MAMLESIP Municipal association of Municipalities Lencas from la Sierra de La Paz
OMM Municipal Woman's Office (OMM)
PMP Performance Monitoring Plan
POA Annual Work plan
SAFT Tax and Finances Management System
SAMI Municipal Integrated Management System
SIGMA Municipal Management Information System
SDHJGD Ministry of Human Rights, Justice, Governance and Decentralization
SEFIN Ministry of Finance
SEPLAN Technical Ministry of Internal Cooperation
SETCAM Technical Ministry of Municipal Service
TSC Supreme Audit Institution
URSAC Registration and Tracking Unit of Civil Partnerships
UTD Decentralization Technical Unit
UTI Inter Municipal Technical Unit
UFIM Municipal Association Finance Unit
USG United States Government

*Acronyms in Spanish

I. Executive Summary

This document includes the methodology, significant achievements, and main obstacles identified within the Decentralization Enabling Environment Program during the period (July – December 2014).

This program provided support for advocacy within the National Congress for the passing of the Decentralization and the Municipal Law, and the Interinstitutional Commission for State Decentralization led by the SDHJGD Minister to create consensus on the Decentralization Law. The support was provided through technical assistance and workshops. The workshops were implemented by project employees, facilitators in coordination with other institutions such as AMHON, SDHJGD / DD (Decentralization Office), Supreme Audit Institution (TSC), and the UFIMs.

During this period, there have been advances in advocacy for approval of decentralization such as the presentation of the draft law to the SDHJGD Minister in accordance to the established draft with the Interinstitutional Commission for State Decentralization.

Advocacy and workshops were performed to strengthen local capacities to understand and draft public policies benefiting FOPRIDEH affiliates, CSOs and Local Governments. Proposals were produced in order to apply them in specific regions and people of influence. The first proposal is about Human Rights and Vulnerable Areas and the other on Intercultural Natural Medicine and indigenous people.

Regarding law implementation, two key results were achieved. The first result is the implementation of tax collection processes which legally collected through December 2014 the amount of **L 10,221,301.99**, of the identified debt, for a total amount of **L 3,009,608.87**. In addition, the consultation was successfully concluded this year, which aimed at developing job manuals and salaries according to the

Municipal Civil Service Law (L-CAM) in the municipalities of Vallecillo, Orica, El Porvenir and Marale belonging to the MANOFM, in addition to the six developed to benefit the MUNASBAR for a total of ten manuals according with the target PMP.

Workshops and technical assistance were provided benefiting municipal employees, officials and municipal association technical personnel. The application of the Tax and Finances Management System (SAFT) will expedite the access to the tax payers database, transparency, and improve own source revenue collection while strengthening the financial autonomy.

Finally, this summary references the actions undertaken in the area of communication, particularly to expand coverage of reporting to the public about the progress in decentralization.

II. Introduction

This Semi-Annual report for the period of July-December 2014 presents the accomplishments and areas for improvement for the Federation of Non-Governmental Organizations for Honduran Development (FOPRIDEH) Decentralization Enabling Environment Program (DEE), hereinafter referred to as DEE.

This document will show the most important activities implemented during this period, and the progress to achieve results as presented in the framework of the Cooperative Agreement No. 522-A-11-00001 signed between FOPRIDEH and the United States Agency for International Development (USAID).

General Objective

The general objective of the Project DEE is to strengthen national institutions, local governments and civil society's capacities to promote, ratify, and apply the legislative reforms that support decentralization. These goals are attained through the accompaniment of the Central Government, Local Government, Civil Society Organizations (CSOs), and other strategic partners associated with the project. Achieving a legal framework for decentralization involves the approval of new and/or reformed public policies and laws.

Specific Objectives

1. Train local people to promote decentralization laws skillfully and representatively.
2. Strengthen local government capacities through: 1) The adoption and implementation of the legal, fiscal and administrative reforms, 2) Monitor and report quarterly on national government transfers to local governments and verify the application of the law stated in the article 91 of the Municipal Law to citizens, 3) Increase capacity to finance municipal operative costs and invest with own source funds.
3. Advocate with fellow CSOs for legal framework that supports decentralization.

III. Performance Monitoring Plan Results Table

AO, IR or Sub-IR	Indicator	Unit of Measurement	Disaggregation	2014 Target	2014 Actual	Average
Result 1: Comprehensive legal framework for increased municipal autonomy strengthened						
IR 1.1	Indicator 1.1: Total resources managed by local government as percentage of total public resources	Percentage Points or Percentage Change	Municipalities	11%	6.73%	Below expectation
IR 1.2	Indicator 1.2 Percentage of laws and reforms passed by the GOH and drafted with USG assistance to promote decentralization compared to introduced initiatives.	Percentage		80%	83%	Beyond expectation
IR 1.3	Index of Implementation of the Municipal Administrative Career Law by Local Government to promote municipal autonomy	Scale	Municipalities	$(2/4 \times 100) = 50\%$	$(1/4 \times 100) = 25\%$	Below expectation
Result 2: Legal framework for municipal fiscal autonomy strengthened						
IR 2.1	Index of fiscal municipal autonomy of municipalities (own source revenue/total income)	Percentage of fiscal autonomy	Municipalities by quarter	5 % of index Increase	10.96%	Beyond expectation
IR 2.2	Percentage of laws and reforms passed by the GOH and drafted with USG assistance to promote fiscal autonomy compared to introduced initiatives	Percentage of laws or policies approved		75%	75%	Acceptable
IR 2.3	Score of implementation of legislation to promote fiscal autonomy, implemented by the municipalities	Percentage points (pp)	Municipalities by quarterly	10 pp increase	40.56 pp	Beyond expectation

AO, IR or Sub-IR	Indicator	Unit Measurement of	Disaggregation	2014Target	2014 Actual	Average
Result 3: Cross-cutting actions of civil society participation in the decentralization processes increased						
IR 3.1	Indicator 3.1 Number of representatives from civil society organizations who contribute to project activities.	Number	Number or exchange rate	500 Women = 270 Men = 230	489 Women = 217 Men = 272	Acceptable
IR 3.2	Percentage of civil society perception on decentralization and municipal autonomy	Percentage points or exchange rate	Perception Opinions	20% increase from previous year	TBD	
F INDICATOR						
F1	F Indicator 1: Number of laws or amendments promoting decentralization drafted with USG assistance	Number	None	12	10	Acceptable
F2	Indicator F2: Number of individuals who received USG assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization	Number of participants	Number of participants by gender	350 Women = 245 Men = 105	306 Women = 154 Men = 152	Acceptable

TABLE OF INDICATOR EVALUATION

Measurement Criteria	Ranks
Beyond expectation	>100%
Acceptable	≤ 100% ≥ 80%
At Risk	< 80% ≥ 70%
Below expectation	< 70%

3.1 Comments base on the PMP Results:

In accordance with article 29 of the Public Financial Management Law, Fee Exemptions and Anti Evasion Measures,: “Freezing the transfers: the budgetary allocation for fiscal year 2014 will be the same used in fiscal year 2013, adjusted accordingly to the availability in the public finances, maintaining the financial equilibrium (decree No. 278 – 2013)”; National Congress approved an amount of **L. 4,758,000,000.00** for Municipal Transfers to the 298 municipalities of Honduras. According to SEFIN, this represents **10%** of the General Income Budget. At the end of 2014, the Central Government has paid the municipalities **L. 3,200,859,403.84** which represents **6.73%** of the 10%.

Measurement Criteria	Rank	Actual
Below expectation	< 70%	✓ 6.73% of a target Of 10%

Source: Report payment transfers SDHJGD and SEFIN

In relation to indicators 1.2 and F1 the Project has promoted the approval of twelve tools or subjects concerning regulations achieving ten approvals

Promoted tools or subjects concerning regulations:	Number of regulations		% of approved regulations
	Expected value of approval (Target)	(Actual)	
Decentralization Law	1	-	-
Municipal Service Law	10	10	100%
Municipal Service ByLaw	1	-	-
Total	12	10	83%

Source: Own elaboration

Measurement Criteria	Rank	Actual
Acceptable	$\leq 100\% \geq 80\%$	✓ 10 of a target = 12 = 83%

For indicator 1.3 in relation to the implementation of the L-CAM, the enforcement of the project has been affected by a decree suspending the effective application of the law. However, during the period two out of four manuals were approved in application of the L- CAM, the manual of job

classifications and wages in 6 municipalities of MUNASBAR and 4 to benefit the same number of municipalities of MANOFM.

Measurement Criteria	Rank	Actual
Below expectation	< 70%	✓ 1 of a target Of 4 = 25%

Indicator 2.1 shows a **10.96%** increase in relation to the 2013 period exceeding the **5%** target. The progress of this indicator is due to a higher collection from own source revenue. **L 13,973,556.83** was collected corresponding to an **8%** increase in comparison to the 2013 period. However, the total income reports a decrease of **L 23,433,107.65**, representing a **3%**, decrease as a consequence of the non-compliance of the Central Government in the percentages of the transfers as well as the reduction of other capital inflows from asset sales, grants, and donations.

IAF COMPARISON OF JANUARY TO DECEMBER 2013 VRS JANUARY TO DECEMBER 2014				
Description	2013	2014	Variation Increase or decrease	
			Absolute (Final value 2014 – Initial value 2013)	Percentage (Final value 2014 – Initial value 2013) ÷ Initial value 2013
Own resources	181,062,919.32	195,036,476.15	13,973,556.83	8%
Total revenues	800,881,191.63	777,448,083.98	-23,433,107.65	-3%
FAI	22.61%	25.09%	2.48	10.96%

Source: Accountability Reports 2014 and municipalities income reports

Observations: The following formula was used to calculate the increase or decrease variations
 $(\text{Final value 2014} - \text{Initial value 2013}) \div \text{Initial value 2013}$

Measurement Criteria	Rank	Actual
Beyond expectation	> 100%	✓ 10.96% of a target Of 5% increase

For indicator 2.2 Approval of rules and regulations at municipal council level surpassed the goal with 39 regulations promoting Local Governments reports on accountability and 20 promoting municipal reporting on Investments and 12 municipal agreements were promoted for the implementation of the Fiscal Legal Mediations which was achieved. The indicator shows 90 tools or subjects concerning regulations were achieved versus the 52 promoted.

Promoted tools or subjects concerning regulations:	Number of regulations		% of approved regulations
	Promoted	(Actual)	
Local Governments Accountability Report	20	20	100%
Municipal Investment Reports	20	20	100%
Fiscal Legal Mediations	12	12	100%
Total	52	52	100%

Source: Accountability Reports 2014

Measurement Criteria	Rank	Actual
Beyond expectation	≤ 100% ≥ 80%%	✓ 52% of a 52%

Indicator 2.3 refers to the application of the law with respect to the recovery percentage of the tax arrears for the period of July – December 2014 with an increase of **40.56** perceptual points (pp) exceeding the **10** pp target for 2014 corresponding to **L 20,192,867.46** if compared to July – December 2013. The increase of this indicator is a result of the advocacy and technical assistance provided by the project to improve tax recovery activities.

Indicator of Law Implementation, comparative analysis, data from January to December							
2013			2014			Variations	
tax arrears at the beginning of year	Taxes recovered	% Recovery	tax arrears at the beginning of year	Taxes recovered	% Recovery	Absolute	Relative Percentage Points
29,186,903.32	29,395,184.21	100.71%	35,101,296.58	49,588,051.67	141.27%	20,192,867.46	40.56

Source: Accountability Reports 2014 and municipalities income reports

Measurement Criteria	Rank	Actual
Beyond expectation	> 100%	✓ 40.56 pp of a target of 10 pp increase

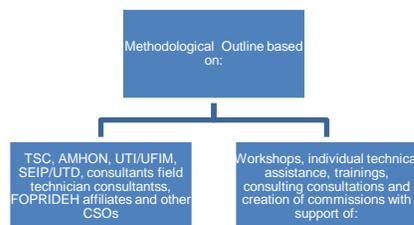
Indicator 3.1 Is reported to have an achievement acceptable due to the development of all scheduled activities with a number of 489 participants from civil society equivalent to 97% persons of a target of 500.

IV. Results

4.1 Methodology

The DEE program uses technical training, workshops, and advocacy strategies to achieve results. These include:

- a) Provision of Technical assistance in coordination with AMHON, TSC and SEFIN through workshops, , and trainings provided to employees and municipal officials who work in financial, accounting areas, and the UFIM.
- b) Training with the support of consultants and technical staff from result 2 to strengthen civil society organizations on issues related to decentralization and local autonomy, and contribute to the coordination between civil society organizations and local governments.
- c) Exchanging information on topics of interest for civil society in the area of decentralization, such as: climate change, non-formal education, forestry issues and Territorial Rural Development.
- d) Participation and technical analysis provided in the Interinstitutional Commission for State Decentralization which includes representatives from the SDHJGD, UTD, AMHON, MOF, GSC, SDC FOPRIDEH and the Donor Decentralization Table.
- e) Continued implementation of the Decentralization Observatory to inform about Decentralization and Municipal Autonomy.



4.2 Laws and Public Policies: Advocacy and Implementation

Highlighted results for the reported period are:

- a) Presentation to the SDHJGD of the draft Decentralization Law which was agreed upon by the Interinstitutional Commission for State Decentralization.
- b) Approved the Job Classification and Wage manuals for MUNASBAR and developed them in four municipalities of MANOFM according to the Municipal Service Law
- c) Twelve municipalities approved the administrative legal mediation according to the Municipal Law

Public Policies:

- a) Civil Society Organizations of West, Central, and Local Government Representatives trained in the formulation and implementation of Local Public Policies in their respective areas of influence.
- b) Processed two technical-financial proposals on Intercultural Natural Medicine and Indigenous Peoples and Human Rights and other vulnerable sectors, both are currently in negotiation, one in the IDB and another in the CONADEH.

Law implementation:

- a) Municipal authorities showed political will for the implementation of the administrative legal mediation and have collected the amount of **L10,221,301.99.**
- b) Approved laws and reforms on accountability and investment reports from 39 municipalities exceeded the 20 promoted at the beginning of the period.

4.3 Workshops and Technical Assistance:

During the second semester, workshops were performed on topics such as: Tributary Fiscal Policy, Accountability and Internal Controls, Municipal Service Law, Operation of the Social Observatory of Decentralization, Formulation of Public Policy, Conflict Resolution, Territorial Rural Development, Local Economic Development and Citizen Participation, Relationship between the Municipalities

Law and Law on Government Procurement, importance of parliamentary procedures in the operation of the Municipal Corporations and Civil Society.

These activities contribute to:

- a) Representatives of CSOs are informed about the new route of Forest System Protected Areas and Wildlife in the new institutional framework established by the current government and its relationship with the processes of decentralization.
- b) Representatives of CSOs and local governments have the minimum tools required to provide guidance on the tax issue, specifically for the improved collection of revenue.
- c) During the period 306 individuals have received USG assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization, which are 87.4% of the expected target.
- d) Local government's efficient and transparent financial management was promoted through the implementation of the SAFT system.
- e) Employees and municipal authorities of MUNASBAR and MANOFM were trained for implementation of the Job Classification and Wages manuals.
- f) Municipal sustainability was promoted by having the UFIMs provide requested assistance in financial management to member municipalities.
- g) Accountability and project execution reports were approved in 39 municipalities by TSC and SDHJGD respectively, for the third quarter 2014.
- h) Assistance has been provided to calculate tax debt and implement the legal mediation process in the administrative and judicial phases.
- i) Support was provided to municipalities to extended tax base by updating the Municipal Taxation Plan.
- j) Fiscal Autonomy exceeded expectations through the increased collection of own source resources.
- k) Tax collection exceeded expectations due to better collection management through the legal mediation.

4.4 Communications:

The main achievement related to the communications area is the overall operation of the Decentralization Observatory (www.observatoriodescentralizacion.org). The observatory allows reports, monitoring of municipal transfers from the Central Government to the Municipal Governments laws, decrees and others to be available to the public, promoting knowledge and access to information.

Activities during the reporting period have included:

- a) Strengthened the connections between strategic allies (AMHON, SDHJGD/DD, Municipalities and Municipal associations) through timely dissemination of valuable information on current subjects of interest through the webpage.
- b) Informed the general population about the progress of Decentralization in Honduras through news, videos, law initiatives, public policies, press releases, informative alerts of the legislative and executive agendas and newsletters.
- c) Processed quarterly reports with the information provided by the SDHJGD, SEFIN, Municipalities and AMHON, on payments made by the Central Government to Municipalities for Municipal Transfers according to Article 91 of the Municipalities Law and General Income budget 2014.
- d) The website has been currently under construction due to the new web portal dedicated to inform the population on financial indicators and municipal accountability 2014 of the DEE's municipalities.

Project Visibility Material:

- a) Developed and disseminated the quarterly newsletter in December 2014 that collects relevant information on achievements of DEE Project, interviews with binding to the process of decentralization and local autonomy actors.

V. Gender Strategy

During the period, actions were oriented towards motivating women's participation in different activities. Women Mayors, Vice-Mayors, Women in Municipal Commissions, Municipal Women's Office Coordinators (OMM), Municipal Women's Alliance of Honduras, and Women's Network of Transparency Commissions participated in different events, trainings, and discussions.

In communication, decentralization was visualized and sensitized with a gender focus through the distribution of promotional materials, such as newsletters distributed at events in training workshops conducted by the project at national and local levels.

In the process of promotion of the draft Law on Decentralization, there was participation of women from different regions of the country making comments and contributions that were taken into consideration for improving the draft law.

Local authorities promoted the participation of women during the processes to formulate the municipal budget implementation activities with a gender equity focus providing resources for women's issues in the 2014 municipal budget.

Year	Women	Men	Total
2013	234	192	426
2014	217	272	489

Training activities report to date 489 participants from January to December 2014; 217 women (44%) and 272 men (56%), in relation to 2013 there was an increase of 63 participants reported. Participation between women and men has been kept in the 40%-60% ranges as set by the program targets, this tendency is acceptable

VI. Obstacles

In the period following obstacles are reported:

- a) Weak participation of the UTI from MANOFM to support the consulting oriented toward developing the Job Classification and Wage manuals for four municipalities of this municipal association.
- b) Outdated records of the collection of revenue, and tax arrears in most of the municipalities make it difficult to update the indicators of result 2

VII. Main activities for next period

Important activities are foreseen for next period in 2015 in the POA approved by the donor agency. However the following highlights the main activities:

- Advocacy for the implementation of the L-CAM.
- Consulting for the implementation of fiscal legal mediation in at least one municipal association.
- Workshops about formulation of local and regional public policies, Social Auditing, Accountability, Municipal Law and Municipal Tax Regime aimed at FOPRIDEH affiliates and the CSOs and representatives or the Municipal associations.
- Training in developing local and regional public policies, Social Auditing, Accountability, Municipal Law and Municipal Tax Regime aimed at civil society organizations, FOPRIDEH affiliates and representatives of municipal governments, and members of the Municipal Associations.