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SUBJECT . NONCAPITAL PROJECT PAPER

REFERENCE .

Country: HONDURAS Project No.: 522-11-740-039.4  
Submission Date: Dec. 1970 Original X Revision No. 1  
Project Title: PUBLIC ADMINISTRATION (Organization & Methods)  
U. S. Obligation Span: FY-1966 through FY-1975  
Physical Implementation Span: FY-1966 through FY-1975

Gross Life-of-project Financial Requirements:

U. S. Dollars: \$ 809,000  
U. S. Owned Local Currency: --  
Cooperating Country Cash Contributions: 20,000  
Other Donor: --  
\$ 829,000

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DRAFTED BY: PA: Jesse W. Lee:eg PA 294 12/18/70 APPROVED BY: DIR: Walter G. Stoneman

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#### A. Summary Description of this Revision

This PROP represents a revision of the O & M PROP submitted with TOAID-A-375 May 28, 1968. In this modification the scope of the project will be expanded to include those activities which were previously covered under the Fiscal Management project. The Mission feels that the nucleus for meaningful future improvements in Public Administration will have to stem from the guidelines and recommendations which are currently being developed through the work being done under O & M and Fiscal Management.

Municipal development is suspended for the time being and may later be formally terminated, depending on future evaluation and circumstances after elections next spring.

In its present form, and at the present stage of our relationships with the GOH regarding improvement of the public administration, this project is not a well-integrated, comprehensive project in traditional terms. We envisage this PROP as a short-term revision to cover a transitional period. See setting below for more details.

This revised project then can be conceived as a continuation and expansion of the on-going activities which include:

1. A study of the present structure of PULPAPEL (Forest Office in the Ministry of Natural Resources) and recommendations on reorganization, procedures, accounting, etc., in preparation for PULPAPEL'S support of future pulp and paper industries and long term management of the nation's forestry resources.
2. A study and recommendations for the purchase of medicines and hospital supplies for the Ministry of Health.
3. A study and recommendations on the reorganization of the Ministry of Education so that it can better carry out its increased management responsibilities under the USAID financed secondary school loan for the expanded school construction program.
4. Assistance to the Ministry of Economy and Finance in resolving the ticklish question of retirement laws for teachers and GOH employees, advising on draft legislation and assisting in the actuarial work and calculations required.
5. A grantee contract with Brown and Root, inc., Construction Engineers, to provide the services of a consultant to assist the Ministry of Public Works and Communications in setting up a

modern system of care, repair, maintenance, and replacement of heavy construction equipment used in infrastructure projects and, importantly, road maintenance.

6. A study of ADP systems in the Ministry of Finance and the analysis of systems required to consolidate the two ADP systems now in use in the Ministry.

7. A study of the Dirección General de Migración and its procedures for control of migrants in order to expedite their registration, location, citizenship, etc. This information is now computerized.

8. Contract to assist the GOH in redesigning its accounting system and reorganizing the central accounting and budget offices.

#### REFERENCE TO EARLIER PROPS

The Summary Description and Setting sections of the May 28, 1968 Organization and Methods PROP, in TOAID A-375 are incorporated by reference. Also the "Summary Description", "Setting," and "Strategy" sections of the Fiscal Management PROP in TOAID A-298 of March 12, 1968, are incorporated by reference.

#### D. SETTING:

The continuation of these Public Administration activities represent a pragmatic approach and a calculated risk with respect to AID Public Administration activities in Honduras. Some of our Public Administration activities in the past have failed, most notably personnel administration because of lack of top-level political support of the Civil Service Law passed some time ago. Others, such as Municipal Development, have had only limited successes because of current political uncertainties associated with pending elections and with the uncertain resolve of the GOH to support further public administration improvements.

However, the transcendent considerations in continuing the public administration activities covered in this PROP flow from the fact that weak public administration and the lack of administrative skills are the major impediments to Honduras social and economic development. These, in turn, reduce the value and effectiveness of most of the A.I.D. and other foreign assistance projects. They have been repeatedly identified in earlier USAID Program Memoranda, Country Field Submissions, in Country Team CASPS, and in studies of various international agencies.

Hence the current approach to public administration is to (a) drop the personnel administration sub-project and suspend the municipal administration and economic development sub-projects pending clarification as to future opportunities, and (b) continue the previous efforts in tax improvement (subject of a separate PROP) and consolidate in this PROP under the heading ~~of~~ "Organization and Methods" the earlier "Organization and Methods" and "Fiscal Management" sub-projects. Our recent USAID reviews and evaluations indicate that tax improvement and O & M represent limited successes with considerable future pay-off likely. Our evaluation of fiscal management indicates that it has been quite successful and is especially worthy of continued support.

Several A.I.D. grant projects, such as Forestry Improvement critically need administrative improvements in the GOH counterpart agencies. Most of the loan projects, particularly Secondary Education, Farm-to-Market Roads, and Agriculture Marketing and Grain Storage, need administrative improvements within the implementing agencies to make them more effective. In each case, in varying degrees, there is a demand, or at least, a receptivity, for some of these needed administrative improvements. The proposed continuation of O & M and Fiscal Improvement activities represent a flexible supporting arm to these other AID-GOH projects.

We are not satisfied with the lack of a comprehensive and well integrated approach to public administration, but on the other hand, are convinced that (a) such an approach would not be realistic under present circumstances, and (b) spot improvements in several agencies now implementing developmental projects warrant continuation of the O & M and fiscal improvement assistance. Considering the great importance of such things as budgeting, accounting, procurement and equipment maintenance to the success of these projects, it is clear that even small improvements in some of these processes make a continuation of this assistance well worthwhile in dollars and cents terms.

In effect, then, this PROP represents a transitional period in which we have limited objectives and a flexible outlook - meaning that we may well be presented with targets of opportunity for improvements not specifically listed in this PROP which are of importance to our AID development projects or major lines of GOH development, and to which we would propose to respond.

We will continue to evaluate frequently and closely whether these activities continue to be worthwhile and will not hesitate to terminate those which may not be. On the other hand, we will be equally alert for the possibilities of accomplishing more fundamental reforms in public administration than now

appears to be realistic. If after elections next spring, the Government should want to undertake some of the fundamental administrative reforms which are badly needed, we would consider them as being of very high priority. However, it is more likely that <sup>only</sup> certain individual agencies or ministries might take initiatives which would affect our developmental interests and warrant support.

#### DISCUSSION:

The ADP assistance mentioned above is an extension of on-going operations in order to complete the automation and modernization of the accounting procedures within the Central Accounting Office, the Directorate of the Budget and the Treasury Department.

The conclusions of a contract study under reorganization of the Ministry of Education has been presented to the GOH but it requires additional rationalization, explanation, and refinement in order to further its consideration by the GOH.

One of the most highly successful operations in which USAID has participated was the contract assistance given the Minister of Economy and Finance on retirement laws for teachers and GOH employees and the actuarial analyses connected therewith. This work was conceded by both sides to have been the key element in averting a nation-wide teachers' <sup>strike</sup> at a critical time. Although this law is now in effect, the GOH needs additional assistance in implementing it and in extending its principles to other parts of the Government.

The grantee contractor advising on operation and maintenance of highway construction equipment has just begun his work. He deals with one of the most critical activities which is required to insure the effectiveness <sup>and</sup> economy of AID, IDB, IBRD, and CADEL-financed roads and equipment. The IDB is considering a loan for highway maintenance which will include some technical assistance. If and when this loan becomes operational, it is proposed to try to incorporate this contract advisor into the IDB operation. At a minimum his operations will be closely coordinated with this new loan.

~~The ADP assistance has been extended in order to complete~~

An important positive factor at present is that certain influential key personnel in the GOH are interested in giving priority to resolving problems such as poor organization, inadequate communication and lack of coordination which are causing serious bottlenecks in the development effort. The vigorous and reform-minded GOH Director of the Budget is heading this effort. He has relied heavily on AID assistance to date and works closely with the Mission in initiating modernization efforts in administration. His continued desire to introduce reform should be supported whenever feasible.

#### C. Strategy

The basic strategy of the project is to continue on request to identify jointly with the GOH problem areas which are considered to be bottlenecks to development. To the extent requested by the GOH, the Mission would then consider providing technical assistance to help increase the operational capability of the units identified as problem areas. The technical assistance would take the form of actual operational assistance or studies which would result in specific recommendations to remedy the bottlenecks. ;

In advance of providing technical assistance the Mission will seek to insure that the GOH provide (a) adequate counterparts for the USAID technicians (b) necessary budget support to implement the recommendations of the technicians and (c) assurance that recommendations requiring decrees and or legislation will be supported.

#### D. Target and Outputs

The targets for this project can be divided into short and mid range targets. The former are results expected from efforts in process or that are being planned to be undertaken in the near future. The mid range targets represent opportunity areas related to AID loan and grant projects for which the Mission will be asking for management improvements to make the projects better investments for both AID and the GOH.

##### 1. The principal short term targets are:

a) Improved operational efficiency and administrative support of joint AID/U.S. Forest Service/FAO/GOH programs for the development, utilization, and protection of Honduras's forest resources.

b) Partial reorganization of the Ministry of Education and

- Improvement of its operational effectiveness, especially the Office of School Construction and Maintenance which is charged with the AID loan-financed construction of secondary schools and the maintenance of previously AID-financed primary schools.
- c) Improved maintenance and repair of heavy equipment for road building and other public projects, to upgrade the inferior maintenance that now permits both new and old roads to deteriorate badly. This better maintenance will, in turn, bring savings to the GOH on its investment and benefit commercial traffic.
  - d) Accelerated system for the purchase and payment for GOH supplies and equipment - especially in Ministry of Health - to permit improved operations and greater economy in the agencies concerned.
  - e) Increased control of government vehicles and their use to foster increased economy and efficiency of GOH field operations.
  - f) Initiation of a unified pension system for teachers and government workers to avert strikes and to improve employee morale and effectiveness at a cost which is acceptable to the GOH in its current tight financial straits
  - g) Revised accounting procedures for the Treasury Department and reconciliation of GOH bank accounts, to enable better fund control and allocation, achieve financial savings and avoid curtailment of various agencies' operations due to occasion fund depletions.
  - h) Improved system of government property inventory and control to improve utilization of government equipment and enable controls to prevent its diversion or misuse.
  - i) Standardized accounting systems and records in the Central Accounting Office, Directorate of the Budget, and Treasury Department, Ministry of Economy and Finance to speed up accounting and reporting for the GOH, thus enabling more effective planning and management at top levels.
  - j) Extended ADP applications to process government accounts, payrolls and retirement payments in other GOH Ministries to speed up flow of essential data and reports, thus enabling more effective government management and decision making.

## 2. Mid Term Targets

a) Extension of improved accounting and records systems and ADP services to other ministries and government agencies beyond the Ministry of Economy and Finance where the fiscal and ADP work is now centered. This could greatly benefit project management in several AID-supported departments of government and semi-autonomous agencies.

b) To specifically assist Banco Nacional de Fomento, the recipient of \$8 million in loan funds from A.I.D., and \$ .15 million from IDB to improve its internal organization and administrative procedures, including accounting, reporting, fund control, and personnel management.

c) If two pending A.I.D. loans to Instituto Nacional Agrario (INA) are consummated, assist in strengthening the management aspects of INA, a dynamic and growing agency receiving assistance from several sources which is presently overloading its current administrative structure.

## 3. Benchmarks:

USAID is currently reviewing and attempting to refine basic data and statistics which would permit the setting of reasonably accurate benchmarks and suggesting a few credible quantitative measurements. Until basic benchmark data is further refined and verified and quantitative targets screened for credibility, we are not venturing to include them.

## E. Plan of Action

The basic inputs to this project will consist of US long and short term technicians and participant training.

### 1. U.S. Technicians

The major inputs have been and will continue to be contract consultants both long and short term as required by the nature of the area to be studied. Table I attached gives the type and number of consultants required to carry out the studies projected for FY71.

### 2. Participants

Table II provides an estimate of the required training which would be necessary to implement the recommendations made by consultants.

As local counterparts achieve a higher level of productivity the number of consultants will be gradually reduced. Returning participants trained in management areas will be expected to take an increasingly important role in modernization of the public administration of Honduras and it is expected that after 1972 they will begin to displace U.S. consultants.

NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)

Table 3  
Page 1 of 2

PROP DATE DEC. 18, 1970

Revision

Country: Honduras Project Title: Public Administration  
(O & M)

Project No. 522-11-790-039.4

Fiscal Years	Ap	L/G	Total	(1)			Participants		Commodities		Other Costs	
				Cont.	Personal Services		U.S.	CONT.	Dir	CONT.	Dir &	CONT.
					AID	PASA	CONT.	U.S. Agencies		U.S. Ag.		U.S. Ag
Prior through Act. FY 70			318	262			262	36			1	19
Oper. FY 71			141	52			52	88		1		
Budg. FY 72			150	50			50	75		5		20
B + 1 FY 73			100	25			25	75				
All subs. Years			100	25			25	75				
Total Life			809	414			414	349		6		21 19

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Table 1  
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Project No. 522-11-790-039.4

Fiscal Years	AID-controlled Local Currency		Other Cash Contribution	Other Donor Funds	Food for Freedom Commodities		
	U.S.-owned	Country-owned	Cooperating Country	(\$ Equiv.)	Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)
Prior Through Act. FY 70	--	--	20	--	--	--	--
Oper. FY 71	--	--	--	--	--	--	--
Budg. FY 72	--	--	--	--	--	--	--
B + 1 FY 73	--	--	--	--	--	--	--
B + 2 FY 74	--	--	--	--	--	--	--
B + 2 FY 75	--	--	--	--	--	--	--
All Subs.	--	--	--	--	--	--	--
Total Life	--	--	--	--	--	--	--

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TABLE I

CONTRACT CONSULTANTS REQUIRED FOR ORGANIZATION AND METHODS PROJECT

<u>TYPE</u>	<u>NUMBER</u>	<u>MAN-MONTHS</u>	<u>COST</u>
Organization and Methods	TWO	8	\$10,000
ADP Systems Analyst	ONE	12	24,000
Governmental Accounting Spec.	ONE	3	6,000
Property and Inventory control Specialist	ONE	4	4,600
Governmental Accounting Spec.	ONE	5	6,000
<b>TOTAL</b>	<b>SIX</b>	<b>32</b>	<b>\$50,600</b>

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