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THRID SEMI-ANNUAL REPORT:
HONDURAS DEVELOPMENT ADMINISTRATION
PROJECT
JULY - DECEMBER 1984

CONTRACT No. AID/522-0174-C-00-3016-00

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CLAPP AND MAYNE, INC.

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CONSULTANTS TO MANAGEMENT

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Mr. James Corley
Contracting Officer
USAID
USA Embassy
Tegucigalpa, Honduras

Subject: Semi-Annual Report
July to December 1984
Contract No. AID/522-0174-C-00-3016-00

Dear Mr. Corley:

We are pleased to submit for your consideration our Semi-Annual Report on the Honduras Development Administration Project in accordance with Clause 17 (a) (1) and (a) (2) of the General Provisions of the above mentioned contract.

The report consists of two (2) parts: a Status Report indicating the objective of each AIP, progress made, plans for next period, consultant in charge and recommendations, when needed; and an Administrative Report covering expenditures under the contract.

The original contract scope of work was composed of six (6) principal activities or AIPs with a total of seventeen (17) tasks. At the request of the GOH and as approved by AID, four (4) new activities (Franchises, DGT Budget and Staffing, DGT Records Administration and AID/GOH working procedures) have been added, two of which are being executed now and the other two will be started in the coming semester. These ten (10) activities consist of 21 tasks. To date, we have finished five; we are working in ten and six are scheduled to be started during the coming period.

The principal constraint encountered during the period has been the MOF delay in the decision making process. It can be observed from the enclosed report that the MOF officials have been very slow in the process of reviewing, approving and taking the necessary actions needed from them prior to implementation.

In our opinion the MOF officials involved in this project, are fully convinced of the benefits this project will bring to the MOF and to the GOH. However the reason for the delays has its roots in the political and administrative environment - extremely slow bureaucratic

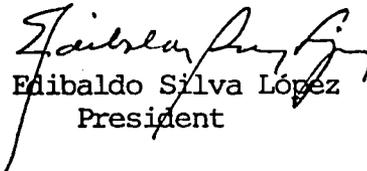
processesses where everyone has to review and approve the most elemental action. These delays affect the normal development of other activities and tasks.

On various occasions we have met with the MOF Coordinator Mrs. Cristiana Nufio de Figueroa and other MOF officials trying to expedite actions and on December 27, 1984 our Resident Project Director, Ms. Alida Guzmán, sent a memorandum to her stating the urgent need to take actions on the pending matters. Accordingly a meeting was scheduled with the Vice-Minister, Mr. Rodolfo Matamoros for January 4, 1985.

As of the end of this period we estimate that we are on schedule and if we succeed in obtaining the MOF approvals on the activities and tasks that have been submitted to them, the project will achieve its goals in the time scheduled.

We should mention here that whatever progress and success we have been able to achieve on this project has been due to the excellent support and efforts from the HRD Division, particularly from the Monitor of the Project, Mr. Vicente Díaz. Without his daily participation and diligent dialogue with the MOF officials of the project, and his understanding of the political environment, we would not be able to present this optimistic view.

Cordially,


Edibaldo Silva López
President

Enclosures.

STATUS REPORT

I. Revenue Collection Administration

The primary objective of this activity is to improve the GOH revenue administration control system through the issue of the proper rules and procedures thus increasing the GOH fiscal receipts. Development of the activity requires an analysis of the functions of the Government Collection Offices in order to advise the Ministry of Finance (MOF) which activities should be transferred to the Central Bank if any, which activities will have to remain in the MOF, which offices can be phased out and those that will remain to determine to where in the MOF they will respond, reorganize the offices and improve the procedures of those activities that will remain in the MOF. Another important matter to consider would be to determine what will be done with the employees assigned to those activities that will be transferred to the CB.

Originally, this activity contemplated 12 person months effort. Due to budgetary constraint, the activity was reduced to eight person months.

This activity started in September 1984 and as of December 1984 Mr. Luis Rodríguez Cortés, the consultant in charge, has drafted the report on the related analysis and recommendations. To this date we have used three (3) person months in this activity.

It is expected that in the month of January 1985 the report will be submitted for comments to the MOF. Based on MOF approval, the expert will design the related regulations and procedures.

II. Treasury Administration

A. Bank Accounts Reconciliation

The objective of this task is to improve the capacity of the General Treasury to assist the MOF in the formulation of financial

policy, allowing the Treasurer to maintain a strict control over his bank account cash flows. The AIP proposed an automated system for the issuance of checks, bank account reconciliations and the preparation of daily cash reports.

This new system was designed by the consultant Mrs. Hilda Nazario and implemented on January 1, 1984. Some operational problems arose in its implementation but they were solved and presently the system is working normally, although the bank account reconciliation has been delayed in the year ended 1984 because of EDP problems in the Data Processing Unit of the Budget Directorate. In order that the bank account reconciliation for the fiscal year 1985 is not delayed, we recommended that a reconciliation difference as of December 1984, be established to be carried on until the same is cleared.

To this date we have used 4 1/2 person months in this task.

B. Consolidation of Special Disbursing Officers and Administrators Accounts.

The objective of this task is to consolidate in one account, approximately 300 bank accounts maintained in the Central Bank by the different special disbursing officers and administrators in the GOH Ministries and government institutions. The system was designed including a new set of rules, regulations and the necessary procedures to be followed by the special disbursing officers and administrators.

This new system was approved by the MOF and implemented during the month of June and July 1984 within the MOF. Three extra training sessions were held during the month of November by MOF officials so that the rest of the agencies could implement the system as of Janua

ry 1985.

Since the GOH Public Bonding System designed as part of this project is still pending implementation by the Controller General, many of the Special Disbursing Officers could or did not want to pay for the fidelity bond required by the GOH when a person handles more than L. 2,000. To solve this problem and until the Public Bonding System is implemented, on October 1984 we recommended an amendment to the MOF Resolution No. 7. As of the period covered by this report, the amendment has not been approved.

The Advisor responsible for the design and implementation of this task has been Mr. Andrés Medina Peña. To this date we have used 3 3/4 person months in this task

C. Revision of the Contractual Relations Between the Central Bank (CB) and the Ministry of Finance (MOF)

This task involves an analysis of all services rendered by the Central Bank to the MOF. It contemplates the preparation of an all inclusive contract to be negotiated between the two government institutions with the primary objective of rationalizing and regulating the different services.

During the month of July 1984 the expert in bank services, Mr. Juan Labadie Eurite, conducted an overall analysis of the MOF relations with the CB and on August 1, 1984 submitted his report for comments jointly with a draft of the proposed overall contract. As of December 31, 1984 the MOF had not commented on Mr. Labadie's report. To this date we have used 3/4 person months in this task.

D. Bank Accounts Consolidation

This task contemplates the consolidation in the Central

Bank of all Government Bank Accounts that are or shall be under the control of the General Treasurer, in order to facilitate the administration of public funds, the determination of the real amount of funds under control of the Treasurer, the determination of idle cash balances, the automation of payment procedures and the bank accounts reconciliations.

Our specialist, Mr. Andrés Medina Peña, prepared and submitted on July 3, 1984 to MOF officials a draft of the proposed new system. According to comments of the MOF officials the report was amended and submitted again on October 8 for final approval and implementation. As of December 31, 1984 the new bank accounts consolidation system has not been implemented.

To this date we have used 1 1/4 person months in this task.

E. Idle Cash Investment

The objective of this task is to develop and apply a cash flow methodology to forecast the cash position of the Central Treasury and to determine the type of financial instruments in which idle balances could safely be invested.

The initiation of this task depends on the development of the tasks related to the consolidation of bank accounts and the revision of the contractual relations between the CB and the MOF.

III. Integrated Accounting System

Under this activity a computer based integrated accounting and reporting system will be developed to fill information needs throughout the MOF, particularly those of the Minister, the Budget Directorate, the Office of the Treasurer, the General Accounting Office, and the Public Credit Directorate. The system will provide consistent reporting, serving as a basis for most accounting entries and will eliminate manually performed accounting functions and the existing problem that the figures produced by Budget, Treasury, General Accounting, Public Credit and the CB never balance.

Basically, this activity is subdivided in three tasks:

- 1) Procedure for the Integration of the Accounting
- 2) Procedure for the Control and Accounting of Public Debt
- 3) System for the Control and Accounting of National Property

The procedure for the Integration of the Accounting was drafted by Mrs. Hilda Nazario, consultant in charge, and submitted for MOF comments on November 1984. No comments have been received as of December 1984.

The task related with the Procedure for the Control and Accounting of Public Debt was drafted by Mrs. Hilda Nazario and presented to the Public Directorate Officials. It comprises, among others; internal and external debt, records mechanization and the Trust Fund control for the payment of Public Debt. We have programmed to finish the system during the coming period once we have the comments from the Public Credit Officials.

A new System for the Control and Accounting of National Property was prepared and submitted to the MOF for their comments. We have met on various occasions with the counterparts and the Legal Advisor of the MOF and still it is pending approval.

As of the date of this report the MOF has not submitted the new set of rules for the approval of the President of the Republic nor the three procedures that form part of this System have been approved by the MOF. This System was developed by Ms. Carmen Vendrell, consultant in charge.

To this date we have used 6 1/2 person months in this activity.

IV. Public Employee Bonding

The purpose of this activity is to establish a blanket position

bond system for all GOH employees with the alternative of a trust fund as a self government insurance plan. This system, among other things, will diminish government losses due to malfeasance by increasing real coverage and will encourage greater delegation of responsibilities and authority, speeding up decision making and government programs execution.

As it is now, only very few government officials have a bond and in all cases they have to place it on their own account by buying a bond from an insurer or pledging some property as valuable. The Office of the Controller General is the office in the GOH that by law requires and keep record of the bonded officials.

The advisor in charge of this activity, Mr. Gregorio del Valle, prepared the system consisting of a draft of amendments to the regulation of the Controller General Office law and the procedures for contracting the blanket position bond. The expert prepared also an estimate of the budget and staffing for the unit that will be in charge of this activity in the Controller General Office and a listing with the name and addresses of all authorized underwriters in the Republic. In addition, he drafted specifications for bidding and a letter of invitation to bid.

All these documents and a special memorandum explaining in detail the advantages of the system and how it operates, were handed for comments during the month of August, 1984 to the Controller General, Mr. Ludovico Hernández and to MOF Officials.

In a meeting held on December 28, 1984, the Controller General approved the proposed system subject to the availability of funds. To these effects, the Controller will request to the Ministry of Finance thru the President of Congress, the necessary funds for the implementation of this activity. We suggested a meeting with the Budget Director to explore the possibility that the funds may be assigned within the budget in force, in order to accelerate the implementation of the recommended system.

To this date we have used 1 1/4 person months in this activity.

V. Procurement

The main purpose of this activity is to improve and accelerate the purchasing function throughout the Central Government of Honduras with the establishment of centralized controls and coupled with decentralized authority and responsibility. It contemplates the analysis of the Procurement law and, if necessary, preparation of an amendment, the organization of the Procurement Office and the design of new regulations and procedures and the training of staff.

The advisors in charge of this activity Mrs. Carmen Maria Dávila and Mr. Manuel Armaiz prepared the regulation, as well as the proposed amendments to the present law. These documents were discussed with the Procurement Officials. Their comments were incorporated into the documents and in the coming month will be submitted to the MOF Officials for their review and approval.

The preliminary drafts of the Procurement Procedures, were developed and the organization of the Procurement Office was being revised as well.

To facilitate the implementation of the warehouse bids to supply next year 1985 Agencies Procurement needs, a form was designed and implemented to gather said information.

For the next period we expected to continue working in the new procedures as well as in the reorganization of the Office. Once we are ready for implementation we will start the training of the personnel involved.

On a separate action from this project, the Ministry of Public Works and Communications drafted a new GOH contracting law and submitted

it to Congress. The bill ignores completely the new Procurement Policy that we are trying to establish and in effect regulates the operations of the Procurement Office. We discussed this situation with the MOF Officials and requested them to try to delay any action in Congress until they have the opportunity to submit their formal opinion on the bill.

To this date we have used 12 person months in this activity.

VI. Franchises and Exemptions System

This is one of the new additional activities requested by the MOF and approved by AID under this contract. The activity's main purpose is to improve significantly the administration of franchises in order to assure that import exemptions are granted only for the desired objective and are properly utilized. Control of exemptions will begin from the time applications are received for processing and continue through their approval or denial. To that end, it will be necessary to provide the Franchises Sections of the MOF with the organization and the systems and procedures that will allow more efficient and effective control of the entire process and to train the necessary personnel.

A report on finding and recommendations was prepared by our Specialist Mr. Miguel Limardo, and submitted to the MOF for comments.

If the consultant's recommendations are approved, we would go ahead and design the system. Our Specialist is scheduled to return to Tegucigalpa in early January 1985.

To this date we have used 1 1/2 person months in this activity.

VII. DGT Records Administration System

This is also a new activity under our present contract. The main purpose of this activity is to provide the DGT with a modern and efficient records management system.

Work was started during the period and by the end of the period Ms. Julia Esther Ortiz, consultant in charge was working in the design of the revised procedures for a centralized filing system, control and dispatch of correspondence, including the necessary forms and estimations of personnel and equipment needs.

We expect to finish this activity in the coming period.

To this date we have used 3/4 person months in this activity.

VIII. DGT Budget and Staffing

This is also a new activity. This activity contemplates advice and assistance to the personnel of the DGT in the drafting of their budget and to make it more comprehensive and related to real DGT requirements. It also covers a review of key office (units) workloads, staff assigned, key positions qualifications and the corresponding salaries.

We expected to begin this activity in the coming period.

IX. Ministry/Donor Coordination

This is also a new activity. The objective of this activity is to examine the AID/GOH working relations, particularly those that affect or delay the execution of programs or projects financed by AID and to recommend actions that will help accelerate or improve the performance of these programs or projects.

We expect to begin this activity in the coming period.

IX. Electronic Data Processing

A. Equipment Reconfiguration and Communications

The objective of this task is to provide for the maximum utilization of the existing equipment and for the planned expansion of the EDP services to absorb the manual processes that are being mechanized as a result of this Development Administration Project, and the elimination of peripheral equipment with no utility for MOF.

This task was finished in the previous period and the reconfiguration is taking place on a planned schedule.

This task was conducted by Eng. Sergio Miranda and Eng. Alfonso Golderos under the direction of Eng. Awilda Blanco. The tuning of the equipment was made by Eng. José Abarcá.

B. Educational Plan

The objective of this task is to conduct an evaluation of training needs of the EDP staff of the MOF and to design a training program to fill those needs and also to be used in the training of new staff.

The Educational Plan was prepared and the first course was offered during November and December of 1983. A group of other courses were offered from August to December, 1984. The program will continue as scheduled until June 1985. Up to now the courses are being offered in Tegucigalpa but for the most specialized ones we will have to send the staff outside of Honduras.

This task was performed by Eng. Awilda Blanco with the assistance of Eng. Alfonso Golderos and Eng. Julio Nigaglioni.

C. Integrated Accounting System

This task is to define and establish a common data base with

all elements required for the Integrated Accounting System. The programming is of the responsibility of MOF personnel.

The common data base will be established once all the systems are implemented.

D. National Property System

The project contemplates that a mechanized inventory control system be designed and implemented at the "Contaduría General de la República" to record, control, account for and supervise the acquisition, transfers and disposition of all Public Property.

The conceptualization of said system has been completed by Mrs. Minerva Liceaga, consultant in charge, and handed to MOF for programming.

To this date we have used 1 3/4 person months in this task.

E. Human Resources System

The objective of this task is to design a computerized information system in the Budget Directorate, whereby all government positions and employees salary history is accumulated to facilitate budgetary analysis.

The actual Payroll System of the Budget Directorate and the Human Resources Information System in use in the Civil Service Office were analyzed. The analysis demonstrated that part of the information required by the Budget Director regarding this activity was included in the latter mentioned System. To those effects the advisor, Mrs. Minerva Liceaga, recommended that the MOF be able to access the files of the Civil Service System in order to avoid duplication of efforts and to accelerate

the design of the system. We requested MOF counterparts to explore this possibility. At the end of this period we were working in the fiscal side (Budget) of this activity.

To this date we have used 6 person months in this task.

F. Evaluation of PADs

This task includes the evaluation of the staff, organization, functions and technical supervision of the different Automatic Data Processing Units (PADs) of the MOF. It also includes the preparation of standard guidelines for the documentation, the definition of program languages to be used and the preparation and organization of program and documentation libraries.

This evaluation was carried out by Eng. Franklin Vázquez and the document with the advisor's recommendations is being drafted.

To this date we have used 3/4 person months in this task.

G. Purchasing System

This task contemplates the design and implementation of a mechanized system for purchases and inventory control centralized at the General Procurement Office and decentralized at the Ministry's level, based on the new regulations and procedures recommended under Activity V, Procurement, of this project.

This task will be started as soon as Activity V is finished.

H. Franchises Information System

Pending to be started and developed within next period.

I. Training Visit of MOF, Controller General and Attorney General Officials to Puerto Rico

In October 1984 a group of 12 MOF officials headed by Lic. Cristiana N. de Figueroa, GOH Project Coordinator, three Office of the Controller officials headed by Lic. Ludovico Hernández, Controller General of the Republica and one official of the Attorney General visited for two weeks different Commonwealth of Puerto Rico - Treasury, Controller Office, GSA, Government Development Bank, Planning Board, Bureau of the Budget, University of Puerto Rico, among others, to observe the functioning of the equivalent activities to those being designed and implemented under this project. Because of her knowledge of the Government of Puerto Rico fiscal operations and functioning, Mrs. Alida Guzmán, the Project Director, was authorized by AID to accompany the group and to serve as Visit Coordinator and Guide.

In order to make the most of their short visit, the group was subdivided into tasks groups based on their particular interests and areas of work in their GOH positions. Where possible, the C&M Advisor of the activity or task accompanied the subgroups.

This was not an easy task to organize this visit. The principal office of interest for the group, the Department of the Treasury, on various occasions that we and the Commonwealth of Puerto Rico Department of State requested their permission for the group to visit their premises, rejected the request on the basis that they were very busy. The last time we visited them, they turned us down because it was too near to the Government Elections and they were too busy. Because of the lack of cooperation of the Department of the Treasury we worked out a different set up and, with the excellent assistance of Ms. Olga Rodriguez from the Department of State, the group came to Puerto Rico to visit the other institutions mentioned. Later and after the group was in

Puerto Rico, Ms. Olga Rodriguez was able to work out some visits to the Treasury Department.

In our opinion and in the opinion of members of the GOH that visited Puerto Rico, the observation and training visit was a complete success.

On a previous occasion, the General Treasurer of the GOH, Lic. Urbano Castro also visited the Department of the Treasury of Puerto Rico.

These visits have proven very helpful to show the GOH officials how the systems (or similar ones), we are designing in Honduras, work and how they help expedite the collection of funds. When they return to Honduras their doubts have been answered and they accept the systems without fear or doubts.

ADMINISTRATIVE REPORT

CLAPP AND MAYNE, INC.

Honduras Development Administration Project
AID 522-0174-C-00-3016-00

Breakdown of Costs
Six Month Period-July 1, 1984 thru December 31, 1984

Salaries

A. Guzmán	\$ 15,217.50	
H. Nazario	9,940.00	
C. Vendrell	2,000.00	
J. Labadie	3,360.00	
A. Medina	5,550.00	
P. Zavala	450.00	
G. del Valle	3,200.00	
E. Silva	2,724.93	
L. Rodríguez	8,673.00	
C. M. Dávila	10,500.00	
M. Liceaga	9,800.00	
Franklin Vázquez	3,330.00	
Miguel Limardo	4,050.00	
J. Nigaglioni	369.20	
J. Esther Ortiz	1,432.00	\$ 80,596.63

Fringe Benefits on Above Salaries

11,136.67

Overhead - 45%

41,279.97

Travel and Transportation

A. Guzmán and dependents	\$ 2,709.01	
H. Nazario	765.50	
C. Vendrell	7.50	
J. Labadie	752.00	
A. Medina	810.00	
G. del Valle	802.50	
E. Silva	1,355.20	
L. Rodríguez	828.50	
C. M. Dávila	799.00	
M. Liceaga	806.00	
F. Vázquez	813.00	
M. Limardo	842.00	
J. Esther Ortiz	7.50	
J. Nigaglioni - June	45.00	
Deliveries	333.00	
Car rental for use of MOF Officials	701.38	12,377.09

(continue)

ADMINISTRATIVE REPORT

CLAPP AND MAYNE, INC.

Honduras Development Administration Project
AID 522-0174-C-00-3016-00

Breakdown of Costs (cont.)

Allowances:

Quarters Allowance-		
Alida Guzmán		\$ 4,500.00
School Allowance -		
Children of Alida Guzmán		1,946.92
Post Differentials (20% of salaries)		
A. Guzmán	\$3,043.50	
C. Vendrell	725.00	
J. Vega (Feb.84)	60.45	
H. Nazario	252.00	
M. Liceaga	1,092.00	
L. Rodríguez	981.53	
C. M. Dávila	180.00	6,334.48

Per Diems:

A. Guzmán (In P.R.)	490.50	
H. Nazario	9,582.00	
C. Vendrell	2,304.00	
J. Labadie	1,614.25	
A. Medina	3,925.50	
G. del Valle	2,354.40	
E. Silva	1,206.00	
L. Rodríguez	9,388.50	
C. M. Dávila	9,745.50	
M. Liceaga	9,294.00	
F. Vázquez	2,308.50	
M. Limardo	3,604.50	
J. Esther Ortiz	2,089.50	57,907.15
		70,600.55

Other Direct Costs:

Salary - Project Secretary		
in Honduras	2,601.00	
Communications	2,640.74	
Airport taxes and other expenses	274.84	5,516.58

GRAND TOTAL

\$221,595.49

ADMINISTRATIVE REPORT

CLAPP AND MAYNE, INC.

Honduras Development Administration Project
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Summary of Expenditures
Six Month Period-July 1, 1984 thru December 31, 1984
and Beginning of Contract to Date

<u>Category</u>	<u>Budget</u>	<u>C o s t s</u>	
		<u>To Date</u>	<u>July 1, 1984 to December 31, 1984</u>
1. Salaries	\$ 366,262	\$ 267,131.07	\$ 80,596.63
2. Fringe Benefits	60,678	40,993.50	11,136.67
3. Overhead	192,123	138,656.04	41,279.97
4. Transportation	74,170	53,202.83	12,377.09
5. Allowances	227,566	210,708.37	70,698.55
6. Other Direct Costs	<u>5,140</u>	<u>17,827.20</u>	<u>5,516.58</u>
7. Total Estimated Costs	\$ 925,939	\$ 728,519.01	\$221,595.49
8. Fixed Fee	<u>74,076</u>	<u>58,281.57</u>	<u>17,727.69</u>
9. Grand Total	<u>\$1,000,015</u>	<u>\$ 786,800.58</u>	<u>\$239,323.18</u>

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