

PROJECT EVALUATION SUMMARY (PES - PART 1)

|   |  |  |   |
|---|--|--|---|
| 1. PROJECT TITLE<br><b>DEVELOPMENT ADMINISTRATION</b> |  | 2. PROJECT NUMBER<br><b>522-0174</b>   | 3. MISSION AID/W OFFICE<br><b>USAID/ HONDURAS</b> |
|   |  | 4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)<br><br><input type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION |   |

|  |  |   |   |   |
|--|--|---|---|---|
| 5. KEY PROJECT IMPLEMENTATION DATES          |  |   | 6. ESTIMATED PROJECT FUNDING                                | 7. PERIOD COVERED BY EVALUATION   |
| A. Firm Proc-AG or Equipment<br>FY <u>82</u> | B. Final Obligation Expected<br>FY <u>85</u> | C. Final Input Delivery<br>FY <u>86</u> | A. Total \$ <u>3,350,000</u><br>B. U.S. \$ <u>2,500,000</u> | From (month/yr.) <u>October 1982</u><br>To (month/yr.) <u>January 1985</u><br>Date of Evaluation Review: <u>July 1985</u> |

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document e.g., airgram, SPAR, PIO, which will present detailed request.)

B. NAME OF OFFICER RESPONSIBLE FOR ACTION

C. DATE ACTION TO BE COMPLETED

|   |                |                        |
|---|----------------|------------------------|
| 1. Expedite consideration and approval of reports, laws and procedures by GOH authorities.  | Ken Martin/HRD | Partially completed 11 |
| 2. Support the establishment at MOF of departmental systems and method units to implement and guarantee follow-up of the new procedures and systems proposed by the advisers. | Ken Martin/HRD | Completed 11/85        |
| 3. Promote provision of facilities to reduce isolation that some advisors have confronted.  | Ken Martin/HRD | Completed 04/85        |
| 4. Define clearly the role of CENI in the different computer activities of the project.   | Ken Martin/HRD | Completed 06/85        |
| 5. Insure continued involvement of project coordinators in different project activities, both at MOF and A.I.D.   | Ken Martin/HRD | Ongoing until PACD     |

8. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

|  |   |  |
|--|---|--|
| <input type="checkbox"/> Project Plan      | <input type="checkbox"/> Implementation Plan e.g. CPI Network | <input type="checkbox"/> Other (Specify) |
| <input type="checkbox"/> Financial Plan    | <input type="checkbox"/> FID/T                                |  |
| <input type="checkbox"/> Project Network   | <input type="checkbox"/> PIC/C                                | <input type="checkbox"/> Other (Specify) |
| <input type="checkbox"/> Project Agreement | <input type="checkbox"/> FID/A                                |  |

9. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

|   |
|---|
| A. <input type="checkbox"/> Continue Project Without Change |
| B. <input type="checkbox"/> Change Project Design and/or    |
| <input type="checkbox"/> Change Implementation Plan         |
| C. <input type="checkbox"/> Discontinue Project             |

10. MISSION OFFICERS AND HOST COUNTRY OR OTHER PARTNERING PARTS

Kenneth L. Martin, Anthony Vollbrecht, HRD - USAID/Honduras  
Vicente Diaz, Project Liaison Officer  
Cristiana de Figueroa, Project Coordinator, MOF  
John Magill, Evaluator, Development Alternatives  
Jean-Claude Garcia Zamor, Evaluator, Development Alternatives.

11. MISSION AID/W OFFICE DIRECTOR ADDRESS

*Anthony J. Cauterucci*  
Anthony J. Cauterucci

Date: 12/3/85

### 13. SUMMARY

Activities leading to the design and implementation of the Development Administration Project (522-0174) began in 1982 at the request of the Government of Honduras (GOH) to improve an inefficient and cumbersome administration. A.I.D. provided two teams of technical experts --one from the U.S. Internal Revenue Service (IRS) in tax administration, and the other from Clapp & Mayne in public administration-- to analyze current problems and plan a future long-term assistance program. The resulting A.I.D. project was designed as a pilot effort in the Ministry of Finance (MOF) and incorporated eight separate activities, referred to as administrative improvement projects (A.I.P.'s):

- Tax administration;
- Revenue administration;
- Treasury administration;
- Integrated government accounting system;
- Public employee bonding system;
- Government procurement;
- Central transportation; and
- Computer utilization.

The central transportation activity was later dropped at GOH request, and four additional activities were added:

- MOF/Donor Coordination;
- Records and filing for the directorate of taxation (DGT);
- Budgeting and staffing for the DGT;
- Franchises and exemptions system (to monitor and control customs tax exemptions).

The project began in September 1982 when the project agreement was signed with the GOH. The first IRS advisor provided through a PASA arrived in January 1983. The first Clapp & Mayne advisers arrived in June 1983.

The evaluation uncovered several areas in which the project has made a difference:

- a) Provision of information to top MOF officials. The project has increased top officials awareness of the magnitude of the problems, facilitating decision-making and increasing their effectiveness by making valuable information available to them.

- b) Development of a sense of self-confidence to some MOF officials. While they used to be isolated and tended to view problems within a narrow confine, interaction with the advisers has provided them with a valuable professional network, a sense of commitment to the project and a faith that changes are possible after all.
- c) Savings in time in activities in which implementation is taking place. In those cases, it allows a shifting of duties among numerous people previously involved in the same activity. Some long-neglected operations and backlogs can now be taken care of.
- d) A new awareness by the officials of the importance of their functions. This has happened even in those areas where implementation is not yet under way as officials are trained in similar systems abroad, and in so doing become convinced that proposed changes in their programs are absolutely necessary for performance improvement.
- e) Sensitization of MOF officials to the interactions that exist between the different activities. The existing tendency for each unit to operate as a separate island and each official wanting a full monopoly over his own information is changing to a better perception of the exact contribution of their tasks to the working of the entire MOF.

Progress by AIP can be categorized as follows:

| <u>AIP</u>  | <u>STATUS</u>   |
|---|---|
| Tax Administration  | Almost completed  |
| - DGT Records Administration System   | (Most activities have been performed by the advisors and implemented by the MOF.)                             |
| - Treasury Administration (except for Central Bank contracting and idle funds investment) |   |
| - Computer Utilization  |   |
| <br>  |   |
| - Revenue Administration  | Work in Process   |
| - Government Procurement  | (Systems designed and submitted by the advisors. Implementation by GOH either recently initiated or pending). |
| - Franchises and Exemptions System  |   |
| - Integrated Accounting System.   |   |
| <br>  |   |
| - Public Employee Bonding   | - Resistance Encountered. (Difficult to implement.)   |
| <br>  |   |
| - DGT Budget and Staffing.  | Dropped.  |
| - MOF/Donor Coordination.   |   |

Despite progress observed, the evaluators made the following criticisms of the project. First, although commendable in its aspirations to improve the capacity of the GOH to administer and finance the country's development efforts, they considered that the Development Administration Project was overambitious in its objectives and unrealistic in its time frame. Although initially (and perhaps appropriately) conceived of as a pilot project, it set goals for itself that were essentially unattainable within the planned life-of-project time frame. And second, in spite of the accomplishments of the project, concern exists with the prospects for long-term sustainability of these results, derived from specific conditions, both external to the immediate focus of the project and related to the nature and approach of the project itself. In the former category is the possibility that GOH civil service and personnel practices would lead to high employee turn over, low morale, and low productivity, regardless of the success or failure of the project. In the latter category, the absence of continuous GOH participation in problem analysis and the design and implementation of solutions could militate against the long term continuation of project-developed reforms.

#### 14. EVALUATION METHODOLOGY

The main objective of the evaluation was to assess the effectiveness of the technical assistance provided under the Project in introducing long lasting and priority administrative reforms. As stated in the Project Paper, Project Agreement and PIL No. 3 dated March 11, 1983, the evaluation was to be focused on the following issues:

- (1) The effectiveness of the technical assistance provided in producing institutional reforms and development.
- (2) The MOF's capacity to coordinate the technical assistance received.
- (3) The capacity of the recipient offices to absorb the technical assistance and training received, and their willingness to implement the changes recommended by the Project-funded advisors.
- (4) The role played by the assistance provided in increasing GOH revenues or decreasing GOH recurring costs.

The results of this evaluation were to be used to review the adequacy of project design and implementation and to introduce needed modifications particularly with respect to such Project related issues as: adequacy of the existing GOH legal and institutional framework for Project implementation, degree of GOH and A.I.D. involvement, role of counterparts, budgeting and staffing of recipient offices, future training requirements, timing of

implementating activities, adequacy of technical assistance (quantitative and qualitative), coordination with assistance received from non A.I.D. sources, and additional GOH administrative functions that the evaluators may recommend to be covered by the Project.

In conducting this evaluation, the team reviewed Project documentation, interviewed A.I.D., consultant and MOF personnel, and analyzed statistics and records kept by the various departments of the ministry. Personal interviews constituted the principal source of information for the evaluation. The list of officials contacted appears in Annex 1.

Project documentation reviewed during the evaluation included:

- Project Paper
- Original analysis reports
- Consultant memoranda
- Monthly, quarterly and semi-annual progress reports
- Project Manager reports
- First Year Mini Evaluation Report

#### 15. EXTERNAL FACTORS

- a) Shifting of priorities by top GOH officials. The continued deterioration of the economic situation of the country, and the progressive involvement of GOH officials in political-oriented issues as elections near, has had them increasingly focusing on more short-term tasks than the improvement of public administration, notwithstanding its importance for policy implementation.
- b) GOH funds shortage. The shortage of GOH funds and its efforts to cut budget deficit has impeded the provision of the necessary funding to implement project recommendations. ESF local currency financing has been used to narrow this gap.
- c) Personnel turnover. Dissatisfaction with wage levels and promotions has led to low productivity, low initiative, reluctance to pursue or support change, and rapid turnover of personnel. The absence of civil service job security will also lead to high personnel turnover. These factors have affected and are likely to continue affecting project implementation.
- d) Change of top officials. The generalized turnover of top GOH officials, from the Minister down, has unfavorably affected project implementation, for the new officials when arriving need some time to adapt to their new jobs and project activities are not high on their agenda of priorities. There are, however, a few exceptions that confirm the rule.

## 16. INPUTS

### a) Scheduling of Inputs

The inputs provided to the project have generally followed the schedule of the project paper. In those activities where the project is behind schedule, the original schedule of inputs has also slipped. This means that many of these activities may reach the introduction and approval stage shortly before the scheduled completion of the project, but that no time will remain in the project for supporting the implementation and institutionalization of the reforms.

### b) Additional Funding

The FY 1986 USAID budget includes additional funding for \$300,000 to extend the IRS/PASA and provide assistance for new activities in tax administration and training. It is pending Congressional Notification.

## 17. OUTPUTS

A checklist of project outputs appears in Annex 2.

## 18. PURPOSE

"To improve the performance of key GOH administrative units responsible for tax collections, budget execution and utilization of the resources obtained from international financing institutions."

A checklist of progress toward conditions expected at the end of Project appears in Annex 3.

## 19. GOAL/SUB-GOAL

"To help restore the GOH's capability to administer and finance the country's developmental efforts. Measures of goal accomplishment are: achieving and maintaining yearly current account savings of at least 5% of the Central Government budget, and realizing at least 90% of the GOH investment budget each year."

Even if it is not extended, the Project should contribute to the goal of improving the GOH's capacity to administer and finance the country's development efforts. Better administration of tax collections has produced increases in government revenues, and improvements in the disbursement and treasury functions have helped to reduce costs and improve performance. Conversations with certain MOF officials and staff indicate that there is both an awareness of the need for improving performance and a commitment to do so, in large part as a direct result of the activities of this Project.

Nonetheless, this Project will have little measurable impact on the specific stated Project goals of helping the GOH achieve and maintain yearly current account savings of at least 5 percent of the central government budget and realizing at least 90 percent of the investment budget. Other factors --such as massive government deficits, large amounts of Economic Support Funds, the completion of a single large hydroelectric project and goal-setting mechanisms-- overwhelm the limited contribution that even a successful project could make toward achieving those goals.

## 20. BENEFICIARIES

Direct beneficiaries are around 1,000 MOF staff members dealing with matters included in the Project, now having a more clear and scientific approach to their work; also directly benefiting are those thousands of people receiving GOH payments and all tax payers having a better and simpler way to fill out tax returns and pay taxes.

## 21. UNPLANNED EFFECTS

The project has helped administrative islands in the MOF come together to work towards targeted goals.

It has also enhanced MOF units capability to absorb technical assistance from other international donors. An IDB financed tax project is using project trained personnel for computer applications at the MOF's electronic data center (CENI).

## 22. LESSONS LEARNED

- 1) Whenever possible, units implementing projects of this sort should not only play an advisory role, but also have line authority to enforce decisions.
- 2) Responsibility for monitoring progress from onset to completion and testing of systems should rest with the A.I.D.-provided consultants. Their responsibility should not end when the initial systems are completed.
- 3) Combination of long-term resident advisors with TDYers has proven to be an effective mechanism to design solutions to problems. To increase efficiency both in the design and implementation of recommendations made, however, the duration of temporary assignments should not preclude the advisers from understanding the milieu in which suggestions will be implemented.
- 4) Counterpart funds should be earmarked, perhaps in the form of a global fund, to assure prompt implementation of recommendations and avoid delays originated in the annual approval of the national budget.

Special Remarks

The Development Assistance Project was intended to be a pilot project. Therefore, it was limited in scope and budget. A decision on whether to extend the project to include new activities or to provide assistance to other GOH units was to depend on the success in implementing the limited set of objectives in the MOF. Some new activities have been identified that could be covered if the project were to be extended:

1. Improvement of the Electronic Data Processing

Complete reprogramming of all Budget Directorate computer applications and a reorganization of MOF data processing activities. This includes the updating and mechanization of the system of public employees payroll so that MOF can expedite the payment process.

2. Integrated Government Accounting System

Establishment of an automated system for the recording of accounting entries in the general ledger in order to have timely accurate reliable financial statements for the GOH, investors, and the general public.

3. Public Credit Directorate

Technical assistance in both organizational and technical areas for an institutional improvement of Public Credit Directorate activities.

4. Insurance Program for the GOH

Design and implementation of a comprehensive insurance program for the GOH to include real property, employees and third persons on GOH premises.

5. Customs Administration

Technical assistance in both organizational and technical areas for institutional improvement of Customs Administration.

6. Superintendency of Decentralized Institutions of the Budget Directorate

Analysis of functions and institutional improvement.

7. Auditing Capability of the GOH

Reorganization of all auditing offices of the GOH with emphasis on the offices of the Controller General. Besides updating the GOH's auditing system, the new procedures would improve surveillance of AID-financed projects.

List of Annexes

|         |  |
|---------|--|
| Annex 1 | Persons Interviewed                          |
| Annex 2 | Status of Outputs                            |
| Annex 3 | Progress Toward Achieving<br>Project Purpose |
| Annex 4 | Logical Framework                            |
| Annex 5 | Scope of Work for the Evaluation             |

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ANNEX 1

LIST OF PERSONS INTERVIEWED

USAID/Honduras

Anthony J. Cauterucci, Mission Director  
Carl Leonard, Deputy Mission Director  
Kenneth L. Martin, Chief, Human Resources Division  
Jose Vicente Diaz, Project Liaison Officer  
Luis Arreaga, Economist

IRS Consultant Staff

C. Oakley Austin, IRS Chief of Party  
Luis Rodriguez, Audit Specialist

Clapp & Mayne Consultant Staff

Alida Guzman, Clapp & Mayne Chief of Party  
Minerva Liceaga, Systems Analyst  
Luis Rodriguez Cortes, Adviser\*  
Andres Medina Pena, Adviser\*  
Miguel Limardo, Adviser\*  
Carmen Davila, Adviser  
Hilda Nazario, Adviser

Office of the Controller General

Ludovico Hernandez, Controller General\*\*

Ministry of Finance and Public Credit (MOF)

Rodolfo Matamoros, Vice Minister of Administration and Public Credit  
Jorge Vasquez, Vice Minister of Income  
Rolando Bustillo, Director General of Taxation  
Urbano Castro, Director General of the Treasury  
Hector Medina, Director General of the Budget  
Gaelo Montenegro, Director of Centro Nacional de Informatica, (CENI)  
Maria Antonieta Dominguez, Director General of Public Credit  
Tomas Fuentes Venegas, Accountant General  
Walterio Barcenaz, Director of National Property, Office of the  
Accountant\*\*  
Agustin Quesada, Chief of Audit Department, Dept. of Taxation  
Sigfredo Bustillo, Assistant Chief of Audit Department, Dept. of Taxation  
Lourdes Lagos, Assistant Chief of Audit Section, Dept. of Taxation  
Ina Medrano, Chief of Collections, Dept. of Taxation  
Jorge Trochez, Chief of Appeals Section, Dept. of Taxation

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Flavia Romero, Chief of Archives, Dept. of Taxation\*\*  
Dagoberto Valeriano, Technical Adviser, Office of the Purveyor\*\*  
Armando Rivas Argenal, Office of the Budget\*\*  
Abraham Lozano, Deputy Chief for Purchases, Office of the Purveyor\*\*  
Cesar Carranza, Deputy Director of Public Credit  
Zoe Vasquez, Chief Accountant, Office of the Accountant  
Virgilio Cruz, Chief of Conciliation Accounts, Office of the Treasurer

Cristiana N. de Figueroa, Technical Adviser\* and Project Coordinator\*\*  
Sagrario de Fu, Assistant to the Technical Adviser\*  
(directly responsible for Project Coordination)

\* Interviewed more than once

\*\* Participated in training programs in Puerto Rico.

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### Interview Schedule

Interviews with consultant staff and MOF personnel were conducted as open-ended sessions. While a structured interview schedule was not used, questions were oriented toward obtaining the following information:

1. Respondent's perception of the accomplishments, impact and success of the project to date.
2. Respondent's perception of the ways in which the project had fallen short, or not accomplished major objectives.
3. Respondent's perception of the major reasons for the successes or shortcomings of the project.
4. Respondent's evaluation of the approach and implementation of the project.
5. Respondent's perception of steps that should be taken to improve the project.
6. Respondent's perception of additional actions or activities that need to be undertaken.

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PLANNED

ACCOMPLISHMENTS AS OF SEPTEMBER 30, 1985

1. ALMOST COMPLETED

TAX ADMINISTRATION

- |  |  |
|--|--|
| 1. Design and put into effect an organisational structure  | Establishment of Collection Department and removal of Regional Office Operations from Audit Department.  |
| 2. Develop and install computer-assisted methods of cross checking selective returns for audit. Reduce manual review of returns. | Manual reviewing reduced. Computerized audit selection implemented and in process of refinement.   |
| 3. Design and install simplified system for tax withholding and estimated taxes.   | Estimated taxes calculation simplified.  |
| 4. Improve tax appeal process.   | Suggestions made to improve the flow of work and control of documents.   |
| 5. Train auditors in tax audit techniques.   | Training accomplished.   |
| 6. Eliminate duplication of tax forms.   | Some forms eliminated, others re-designed.   |
| 7. Train DGT officials in INTAX seminar, observation programs, and formal audit training.  | Four INTAX participants in 1984 session. Five upper level officials visits IRS offices in Washington, D. C., Philadelphia (Service Center) St. Louis (District Office) and Chicago (Regional Office).  |
| 8. Develop techniques to identify returns most likely to yield revenues through Audit.   | Audit criteria modified and computer used to select returns.   |
| 9. Install mechanical or other counting or measuring device to correctly report volume of alcohol produced for sale.             | Alcohol & Tobacco Tax TDY advisor advised against this measure in favor of existing one.   |
| 10. Develop manuals and procedures for changes introduced by new computer procedures or by law.                                  | Manuals, procedures, forms, and other instructions developed for Field Collection Office and Central Collection Office. Also, completion of Audit Manual and instructions for the appropriate use of new forms designed (e.g., time reporting, personnel evaluation) for Audit Dept. |

DGT RECORDS ADMINISTRATION SYSTEMS

- |   |  |
|---|--|
| 1. Centralize DGT mailing and filing activities under one unit.   | System designed, submitted and approved by DGT Director. Implementation initiated.                                     |
| 2. Implement and make operational control and filing system for tax returns.  | System designed, submitted and approved by DGT Director. Implementation initiated.                                     |
| 3. Establish a modern system for the preservation and disposal of DGT documents.  | System designed, submitted and approved by DGT Director. In the process of being submitted for Congressional approval. |
| 4. Train staff to continue implementation and administration of systems, procedures and manuals designed during activity. | Counterparts trained during the design process.  |

TREASURY ADMINISTRATION

- |  |  |
|--|--|
| 1. Consolidate all Central Government bank accounts under the control of the Treasury Office in order to facilitate the determination of idle cash balance, automation of payment procedures and bank account reconciliations. | Around 130 special disbursing officer's bank accounts have been consolidated. An increase of about 170 additional accounts is expected before the end of this calendar year, including other Central Government bank accounts. |
| 2. Prepare an automated system to reconcile bank accounts on a monthly basis, monitor outstanding checks, and prepare daily cash reports.  | System designed and implemented.   |
| 3. Design and implement new disbursement procedures for payment of all Central Government including provision for payments by administrators and disbursement officers.  | System designed and implemented.   |
| 4. Prepare a draft of an overall contract to be used by MOF in the negotiations with CB to rationalize the charges and regulate the services.  | Dropped.   |
| 5. Develop and apply a cash flow methodology to forecast cash position of the Central Government and determine the type of financial information instruments in which idle balance should be invested.                         | Dropped.   |

COMPUTER UTILIZATION

- |  |   |
|--|---|
| 1. Order the necessary equipment and establish the necessary linkages between two existing computers. Develop the capability to analyse computer needs and usage throughout Public Sector, and provide advice to all GOM agencies on the development and organization of their data processing capabilities. | A Reconfiguration Plan was designed and submitted. It was approved by CENI Director and is operational. |
|--|---|

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2. Design, develop and implement the computer routines necessary for full implementation of the following activities:

a. Integrated Accounting

c. The design is finished. Its programming is MOP responsibility.

b. Procurement

b. Not yet started.

c. Property

c. The design was submitted and approved by CENI. Programming is being done by CENI.

d. Franchises

d. The system was designed and approved by CENI. Programming is in process by CENI.

3. Develop the necessary computer programs and operating routines for implementation of an Integrated Human Resources Information System for the Central Government.

Dropped.

4. Provide technical assistance and advise in the organization of Automated Data Processing Units (PAD's) to the Budget, Public Credit, Treasury, General Accounting, and Procurement of the MOP.

Analysis was made, discussed and approved by all Directors involved. Report was submitted and is operational.

5. Carry out a major staff training program, especially in system analysis and programming.

A training plan was prepared and is being executed. 116 participants have been trained.

PLANNED

II. WORK IN PROCESS

ACCOMPLISHMENTS AS OF SEPTEMBER 30, 1985

REVENUE ADMINISTRATION

- |  |  |
|--|--|
| 1. Reorganize revenue collection function at the MOF.  | Analysis made, report submitted and approved by Vice-Minister of Finance. Regulation and related procedures designed. An MOF Committee is studying a smooth way to transfer collections to Central Bank. System pending approval after C.B. and MOF negotiations are held. |
| 2. Collection of almost all Central Government revenue by the Central Bank of Honduras (BCH)             |  |
| 3. Improve collection and reporting procedures in use by COH collection agencies remaining in operation. |  |

GOVERNMENT PROCUREMENT

- |   |   |
|---|---|
| 1. Reorganize government Procurement Office and have new functions implemented satisfactorily.  | Reorganization submitted and approved by MOF. Pending of formal approval by the Civil Service Office.                       |
| 2. Approve and put in effect new procurement procedures.  | New procurement regulations as well as procedures were approved by the Procurement Office and are waiting for MOF approval. |
| 3. Return authority for most purchases to Government line agencies.   | Delegation was included in the new procurement system as a priority.  |
| 4. Procurement office efficiently providing commonly used materials and warehouse and supply services to all Central Government Agencies. | To be obtained when system is fully implemented since this is included in the new system.                                   |

FRANCHISES AND EXEMPTIONS SYTEM

- |   |   |
|---|---|
| 1. Regulations standarizing the necessary information for MOF processing of tax exemptions; all matters related to authorizations of exemptions; methods of requesting information related to utilization of exemptions granted to facilitate auditing. | Pending MOF formal approval and implementation.   |
| 2. Procedures with necessary controls to prevent customs evasion.   | Pending MOF formal approval and implementation.   |
| 3. Filing operations instructions with a coding system to facilitate orderly filing of official documents and their retrieval.  | Pending MOF formal approval and implementation.   |
| 4. A modern automated information system in place.  | Information system designed; programming to be started in the middle of October 1985 by MOF.    |
| 5. Completely reorganize the Franchises Section based on new working procedures.  | Information system designed; programming to be started in the middle of October 1985 by MOF.    |
| 6. Train staff properly for the implementation and administration of new system.  | Counterparts trained during the system designed. Formal training when ready for implementation. |

INTEGRATED ACCOUNTING SYSTEM

- |  |   |
|--|---|
| 1. Establishment of a modern, efficient accounting system for all Public Property.             | System designed and approved by Accounting Office. Implementation steps are being taken. Pending COH formal approval.   |
| 2. Install a new uniform set of accounting reports that meets MOF critical information needs.  | A set of accounting reports were recommended as parts of the Integrated Accounting System designed. Formal approval of MOF pending.   |
| 3. Establish an Automated Accounting System to monitor and control all aspects of public debt. | Manual and automated system designed, being implemented partially. Pending of formal MOF approval.  |
| 4. Create and use throughout MOF uniform accounting data base.                                 | Scope has been changed due to MOF technical implementation problems related to the data base system. Integration is going to be obtained through automatization of the Accounting module which is in process. |

III. RESISTANCE ENCOUNTERED-DIFFICULT TO IMPLEMENT

PUBLIC EMPLOYEE BONDING

1. Establish Directorate of Insurance and Bonding for the Public Sector to manage a Government wide bonding system to cover employees that authorize and/or handle Government funds or valuable documents.

System designed and approved by the Controller General. MOF is opposed to its establishment. GOH final decision pending.

2. Create a government self insurance trust fund to provide basic coverage with additional coverage purchased from private insurance companies.

According to analysis made, to implement a self insurance fund, GOH needs about a year of previous experience in handling the new bonding system. System has been designed. Design includes the necessary instructions so that necessary one-year experience was take place without difficulty.

3. Develop and implement operations handbooks governing the management of the bonding system.

Amendments and related procedures regarding regulations of the Controller's Office have been developed. Since Controller General belongs to the Legislative Branch said amendments must be approved by Congress. About \$100,000 are needed to implement new system. Because of GOH budgetary constraints, A.I.D. offered ESF funding for implementation. MOF did not accept funds arguing their disapproval to the system submitted.

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IV. DROPPED

DCT BUDGET AND STAFFING

1. Draft a new DCT budget for submission to MOF authorities, consistent with and ready to fit the National Budget.
2. Institutionalize the provision of documents needed, including cost/benefit ratios, to support approval of budget by decision makers.
3. Train counterparts in adequate preparation of draft budgets for future years.

MOF/DONOR COORDINATION

1. Clear identification of problems and situations that interfere with good Ministry/Donor Coordination and implementation.
2. Categorize proposals for solving coordination problems according to urgency and legal and/or administrative actions required.
3. Submit a proposed standard Procedure System for Ministry Donor Coordination.

PROGRESS TOWARD ACHIEVING PROJECT PURPOSEPLANNEDACCOMPLISHMENTS AS OF SEPTEMBER 30, 1985I. ALMOST COMPLETEDTAX ADMINISTRATION

- |   |   |
|---|---|
| 1. Increase tax collections by 10% per year in real terms.  | Revenues from income taxes increased by 16% in real terms between 1983 and 1984.  |
| 2. Increase the number of returns filed (after allowance for 1983 legislation that reduced number). | Regulations pertaining to income levels exempted from filing income tax returns were modified. The break point above which returns must be filed was increased. As a result, a higher percentage of the population was exempted from submitting income declarations. However, changes in regulations did not apply to business firms. The number of returns filed by businesses increased from 17,494 in 1982 to 44,071 in 1984. This represents a 152% increase.   |
| 3. Increase number of tax returns audited each year and improve quality of audits.                  | The number of audited tax returns has decreased from 13,641 in 1982 to 9,895 in 1984, as a result of several extraneous factors, including personnel turnover and budget cutbacks.<br><br>Nevertheless, despite a reduction in the number of audits performed, auditing of tax returns prepared by filers generated an increase of \$700,000 in government revenues between 1982 and 1984. This change can be attributed to improvements in the quality of audits made. Such qualitative improvements have also allowed for many appeals presented by filers to be considered unjustified. The value of accepted claims for which appeals were presented decreased from 31% in 1982 to 24.8% in 1984. |
| 4. Reduce number and amount of delinquent accounts.   | Experience of the new Collections Department has been positive. However, no records are kept. Thus, accurate data are not available on the number and amount of delinquent accounts.  |

DGT RECORDS ADMINISTRATION SYSTEM

- |  |  |
|--|--|
| 1. Centralize the receipt, control, dispatch and   | System designed and approved. Implementation initiated.  |
| 2. Prepare an inventory of all documents in the tax return files.  | System designed and approved. Implementation initiated.  |
| 3. Develop a system for the filing of tax returns and preparation of procedures manual for classification and filing of documents and for the storage of inactive records. | System designed and approved. Implementation initiated.  |
| 4. Develop a Norms and Procedures Manual for the use of the DGT staff.   | System designed and approved. Implementation initiated.  |
| 5. Study the DGT requirements for microfilming of documents and, if applicable, develop a microfilming plan.   | Dropped.   |
| 6. Guide the implementation of the mail and files system.  | System designed. Implementation not yet initiated.   |
| 7. Draft bills and regulations for the establishment of a records preservation disposal system and for microfilming documents.   | Documents approved and passed by DGT Director to the MOP for submission of the bill to Congress. |
| 8. Train the staff of the DGT in the implementation, operation and maintenance of the system.  | Counterparts trained during the design process.  |

TREASURY ADMINISTRATION

- |   |  |
|---|--|
| 1. Improved capacity of Treasury Office to administer funds.                              | A centralized bank account for the disbursing officers established and operational.  |
| 2. Reduce costs to MOP of interest on overdraft.  | Accurate data to report status are not available.  |
| 3. Increase central government revenues through short-term investment of idle cash funds. | Dropped.   |
| 4. Improve quality of staff.  | In-service training for staff during the design phase of the new system.   |
| 5. Install and operate an efficient GOH disbursement system.                              | A new computerized check-writing system has been installed in the Treasury. A system for special disbursing officers has been implemented. |
| 6. Increased savings to GOH through reduction of personnel in check-writing function.     | Savings in Treasury Office Dept. observed as 15 employees relocated and are performing previously unattended functions.                    |
| 7. Ability to maintain strict control over check issuance.                                | Check issuance is strictly controlled by the new computerized system.  |

COMPUTER UTILIZATION

1. Improve utilization and performance of CENI

Reconfiguration was approved. It is operational.

Based on the evaluation of the Automated Processing Units (PAD's), the DP tasks in CENI and within the different MOP Directorates are being reorganised and a better coordination exists among them thus improving overall performance.

A Training Plan was prepared and is being executed. 116 employees have been trained.

2. Improve functions of various MOP agencies by improving their data processing support.

Improvements have been noticed in the performance of the Treasury through the automated check issuance and disbursement systems.

3. Increase GOH revenues by automating revenue collection administration.

Not done.

4. Achieve savings through reduction of personnel in areas that have been automated.

15 employees of the Treasury have been relocated due to new check issuance system.

**II. WORK IN PROCESS**

**REVENUE ADMINISTRATION**

- |   |  |
|---|--|
| 1. Increase financial savings of an estimated \$1 million per year by transferring collections to the Central Bank. | The transfer of collections to the Central Bank was approved by the Vice-Minister of Finance. An MOP Committee is studying a smooth way to realize such transfer. Savings will be realized after implementation process. |
| 2. Increase financial savings by mechanizing all reporting work.  | Procedures have not yet been implemented so no progress has been made on automating procedures. Too early to determine savings.  |

**GOVERNMENT PROCUREMENT**

- |   |   |
|---|---|
| 1. Savings of approximately \$3 million per year in procurement costs.  | A modern and effective system was designed. System pending approval. This too early to see any impact.  |
| 2. Reduce losses from poor quality products, rough handling of materials and theft.   | Needed system to introduce changes designed. Approved by the Purveyor's office. Presidential approval pending.  |
| 3. Reduction in number of procedural steps required for procurement.  | Needed system to introduce changes designed. Approved by the Purveyor's office. Presidential approval pending.  |
| 4. Improve quality of procurement operations and increase productivity.   | Needed system to introduce changes designed. Approved by the Purveyor's office. Presidential approval pending.  |
| 5. Revise purchasing system with delegation of authority, effective centralize norms, regulations, procedures, information and control. | Needed system to introduce changes designed. Approved by the Purveyor's office. Presidential approval pending.  |
| 6. Improve purchasing capabilities and technical knowledge of employees.  | Two purchasing analysts were sent for one month to Puerto Rico for an on-site training in modern techniques. Procurement Office employees are being trained during the process of design and discussion of the new system. Formal training to be held before 12/85. |

**FRANCHISES AND EXEMPTIONS SYSTEM**

- |  |  |
|--|--|
| 1. Reorganize the MOP Franchises Sections.   | Pending MOP formal approval and implementation.          |
| 2. Design and implement a Rules and Procedures Manual.   | Pending MOP formal approval and implementation.          |
| 3. Design and implement a filing system.   | Pending MOP formal approval and implementation.          |
| 4. Develop regulations for the control of custom franchises, and establish an Investigation Unit, if a determination is made that the Franchises Section is responsible to follow up on customs. | Pending MOP formal approval and implementation.          |
| 5. Design and implement an Electronic Data Processing System.  | The system was designed, submitted and approved by CENI. |
| 6. Train the staff of the Franchises Section.  | To be implemented by MOP counterparts.                   |

**INTEGRATED ACCOUNTING SYSTEM**

- |   |   |
|---|---|
| 1. Operation of an integrated payment and accounting system.  | Automated check issuance sub-system is operational.   |
| 2. Operation of a simplified centralized property accounting system.                                      | System was already designed as well as its automated module. Programming by MOP in process. |
| 3. Savings to GOH through the mechanization of manual accounting procedures.                              | System was designed and is being implemented. Too early to determine savings.               |
| 4. Savings of \$330,000 per year through improved public property management.                             | The system was designed and approved by MOP.  |
| 5. Operation of improved fiscal accounting, financial management, and public property information system. | All steps are being taken so that implementation can take place on January 1986.            |

III. RESISTANCE ENCOUNTERED-DIFFICULT TO IMPLEMENT

PUBLIC EMPLOYEE BONDING

1. Improve protection of GOH funds and assets from criminal and negligent acts. Recommendations have not been acted on; no improvement to date.
2. Improve personnel because of elimination of personal cost and liability for bond.
3. Operation of modern cost saving methods of risk administration.
4. Office of Public Insurance and Bonding established, and operating efficiently.

IV. DROPPEDDOT BUDGET AND STAFFING

1. Prepare a draft budget for the DGT based on the DGT based on a study of its current organization, to include changes originated in the recommendations of the IRS team and any reallocation of personnel deemed necessary and determine its cost/benefit ratio.
2. Determine the consistency between the qualifications required by the positions and the corresponding salaries in the Civil Service Job and Salaries Classification System as related to the labor market.
3. Train DGT personnel in the drafting of budgets.

MOP/DONOR COORDINATION

1. Identify the several channels of communication between the GOH, AID and other donors with offices in Honduras.
2. Determine the different problems and prepare solutions for both the donors and MOP.

Development Administration Project - Logical Framework

Narrative

Objectively Verifiable Indicators

Means of Verification

Assumptions

Goal:

Restore the GOH's capability to administer and finance the country's development efforts

GOH meeting IMF targets Current Account Savings 5% or better beginning in CY85. GOH realizing over 90% of investment budget each year by CY85.

Central Bank Reports  
Ministry of Finance records

GOH enthusiasm for reform remains high

Purpose:

Improve performance of key GOH units responsible for tax collection, budget execution and utilization of IFI financing.

Targets set in Administrative Improvement Project Descriptions reached.

Project Evaluation  
Project Advisers Progress reports

No further deterioration in economic situation  
GOH Congressional cooperation obtained in passing required laws.

Outputs:

Improvements in GOH administrative and financial procedures

At least 8 major Administrative Improvement Projects implemented  
Approximately 200 person months of TA provided  
200 GOH employees receive short term training

Project evaluation  
USAID/H Controllers records

GOH executives accept and support advisers recommendations

Inputs:

A.I.D. Funds  
GOH contributions

\$2.5 million Grant  
\$850,000 in kind

Project Advisers Progress reports

USAID/H Controllers Off. Funds available  
Ministry of Finance

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STATEMENT OF WORK

Background

The Honduran public sector has grown tremendously over the last decades. In the 1960-81 period alone, the public sector's participation in the country's GDP rose from 10% to 17%. Public sector growth, however, has not necessarily implied the creation of efficient institutions. Many of those institutions either organized or expanded during the sector's most recent expansionary period and have proven to be inefficient and ineffective. Poor performance has existed both in times of economic growth (e.g., late 70's) and in times of economic crisis (e.g., from 1981 on).

The Suazo administration, which took office in January 1982, recognized these deficiencies and requested A.I.D. to provide technical assistance to make specific immediate improvements in the GOH's administration and to design a longer range technical assistance program.

A.I.D. responded by performing an analysis of needs and, subsequently, by providing both short and long term technical assistance in Tax Administration, Revenue Administration, Treasury Management, Integrated Accounting, Public Employee Bonding, Government Procurement, Transportation Management and Computer Utilization. An agreement was signed between A.I.D. and the GOH in September 1982 to improve the performance of the key GOH administrative units responsible for the above. Technical assistance to these units is being provided by the IRS under a PASA and by Clapp & Mayne under a Technical Assistance contract.

Article I - Title

Mid-term evaluation of the Development Administration Project (522-0174).

Article II - Objective

The main objective of this evaluation is to assess the effectiveness of the technical assistance provided under the Project in introducing long lasting and priority administrative reforms. It will focus on the following issues:

- (1) The effectiveness of the technical assistance provided in producing institutional reforms and development.
- (2) The Ministry of Finance's (MOF) capacity to coordinate the technical assistance received.

(3) The capacity of the recipient offices to absorb the technical assistance and training received, and their willingness to implement the changes recommend by the Project funded advisors.

(4) The role played by the assistance provided in increasing GOH revenues or decreasing GOH recurring costs.

The results of this evaluation will be used to review the adequacy of project design and implementation and to introduce needed modifications particularly with respect to such Project related issues as: adequacy of the existing GOH legal and institutional framework for Project implementation, degree of GOH and A.I.D. involvement, role of counterparts, budgeting and staffing of recipient offices, future training requirements, timing of implementing actions, adequacy of technical assistance (quantitative and qualitative), coordination with assistance received from non-A.I.D. sources, and additional GOH administrative functions that the evaluators may recommend to be covered by the Project.

#### Article III - Statement of Work

The evaluators will be expected to review A.I.D.'s and MOF's files and records to get a general picture of the Project and to determine the extent to which anticipated outputs, as defined by the logical framework, are being accomplished. The evaluators also will be expected to interview GOH counterparts for the several Project activities and analyze records (1) to evaluate the capacity, acquired under the Project, of implementing units to implement the Project, (2) to evaluate the quality of improvements, (3) to determine the effect of improvements on Public Administration, including cost savings, and (4) to assess Project satisfaction on the part of the beneficiaries.

The evaluators will be expected to provide an overall picture of the number and types of improvements made and the amount of additional revenues collected. Data should be classified in terms of, e.g., checks issued by day, steps and time saved on issuing purchasing orders, revenue collected by month, personnel trained, etc. In addition, the evaluators will be expected to analyze the administrative improvements facilitated by the Project with respect to:

- 1) quality of personnel, including the impact of training in developing the technical skills of beneficiaries;
- 2) cost of the improved services being provided by implementing agencies; and

- 3) the effect of improvements in the MOF on general GOH administration.

MOF

Specifically, with respect to the Office of the Minister, the evaluators should determine/assess:

- (1) Past and present political support, as well as high level MOF commitment to the Project;
- (2) Adequacy of the MOF's institutional and organizational arrangements and efforts to manage Project activities (e.g., organization and adequate staffing of the MOF's Project Coordinating Office [PCO]);
- (3) Functioning and effectiveness of the MOF's PCO in promoting, assisting and sustaining the participation of implementing offices and agencies in Project implementation; and
- (4) Funding by the MOF to implement the consultant's recommendations.

In addition, the evaluators will:

1. Analyze the strengths and weaknesses of the Development Administration Project in order to make recommendations for Project design should the Project be extended to other areas of the GOH; and
2. Identify further studies that should be conducted prior to expanding the coverage of the Project, as well as the estimated levels of funding that should be considered.

Implementing Agencies (includes MOF administrative units and the Controller General's Office for Public Employee Bonding purposes)

The evaluators are expected to analyze/assess the activities of implementing agencies and the degree to which they are successful in effectively implementing the suggested changes. Specifically, the evaluators will analyze:

- 1) the degree of involvement of the implementing agency in the Project;
- 2) the degree to which the implementing agency has received assistance and personnel training relevant to reaching targeted changes;
- 3) the adequacy and/or timing of legal changes, funding, staffing, equipment and space assignment for prompt compliance with the consultants recommendations;

- 4) the agency's satisfaction with the system employed by the Project of short-term rather than long term advisors; and
- 5) the satisfaction of the agencies with their participation in the Project, their willingness to continue and expand their efforts, including their suggestions for improving any Project element.

#### Satisfaction of Beneficiaries

The evaluators will be expected to analyze:

- a) The degree to which implementing units planned and participated in the selection of the areas to be covered by the Project in their particular areas;
- b) Their satisfaction with recommendations for administrative improvements made by the consultants;
- c) Their satisfaction with training under the Project (making specific recommendations for any training needs encountered); and
- d) Their intention to continue improving their agencies.

#### Recommendations

Based on the above, the contractors will prepare an overall assessment of the Project and make recommendations to A.I.D. and the MOF regarding future implementation and expansion of the Project. The assessment shall, among other things, comment on:

- 1) Whether the presently identified areas should continue to be stressed;
- 2) What additional areas should receive technical assistance in order to deal with priority needs in improving GOH public administration; and
- 3) What changes, if any, should be made in existing coordinating systems to improve Project implementation.

#### Article IV - Reports

The evaluators will be responsible for providing the AID/HRD Office in Honduras a draft of the evaluation report prior to departure from Honduras and, NLT January 15, 1985, 10 copies in English and 10 copies in Spanish of the final evaluation report. The final report should include an Executive Summary which is to be prepared using the following format:

1. Summary of Findings
2. Methodology Utilized
3. External Factors Affecting Project Implementation, if any.
4. Status of Inputs
5. Status of Outputs
6. Status of Project Purpose Achievement
7. Status of Goal/Subgoal Achievement
8. Beneficiaries (who and how have they benefitted)
9. Lessons Learned
10. Recommendations

Further instructions regarding the preparation of the Executive Summary will be provided to the evaluators upon arrival in Honduras.

Article V - Relationships and Responsibilities

The evaluators will receive technical direction from Kenneth L. Martin and Vicente Díaz from the Human Resources Development Office of USAID/Honduras and Cristiana de Figueroa and Sagrario de Fú of the MOF.

Article VI - Term of Performance

Beginning NLT November 19, 1984 and ending NLT mid December 1984.

Article VII - Work Days Ordered

Two contractors contracted for a total of 40 work days.