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Final Report

Development Administration Project
Contract No. 522-0174-C-00-3016-00
Technical Assistance to the Ministry of
Finance and Public Credit of the
Government of Honduras

February 1986

CLAPP AND MAYNE, INC.

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February 12 , 1986

Mr. Kenneth L. Martin
HRD Director
USAID HONDURAS

Dear Mr. Martin:

Submitted herewith is our final report of services provided to the Ministry of Finance and Public Credit under contract AID No. 522-0174-C-00-3016-00 dated September 29, 1982 funded by the Development Administration Project. Said contract had a completion date of September 30, 1985 and was subsequently extended to December 15, 1985.

This final report covers the services rendered during the contract period. These include: mobilization and project start-up; the status of completion of the various activities that comprise the project; brief review of the project accomplishments; and assessment of the extent to which the project has resolved or is resolving the original problem. Principal findings, conclusions and recommendations including external factors that precluded full project implementation are part of the report. A summary of contributions made by the project; lessons learned from the Project; recommendations toward the continuation of relevant activities and suggestions for further administrative assistance on the part of A.I.D. are also mentioned. Finally a schedule of the total cost incurred in the development of the project is included in Chapter IX.

Notwithstanding the different problems encountered as stated in Chapter IV of the enclosed report, it is our honest evaluation that the Development Administration Project made relevant and important contributions to the fiscal and administrative activities of the Ministry of Finance and Public Credit (MOF) and to the government in general. Among them are the following: Improvement in government performance and services; Savings in time and cost in activities in which implementation is taking place; Sensitization of MOF officers to the interaction that exist between the different activities; Provision of information to top MOF officers; Development of a sense of self-confidence to MOF officers; New awareness by the officers of the importance of their functions. In addition, approximately

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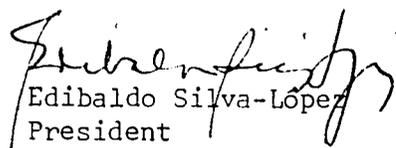
Mr. Kenneth L. Martin
February 12, 1986
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400 employees were trained during the development of the Project ensuring the best possible transfer of technology from the consulting team staff to the counterparts and national staff of GOH institutions that directly or indirectly became involved with Project activities. Furthermore, thousands of people receiving GOH payments and services also benefited from the execution of the Project.

The above could not be materialized without your day to day assistance, the assistance of Mr. Anthony Volbrecht and Mr. Vicente Díaz. We want to express our sincere thanks to all of you since your significant contribution made this Project a successful one.

It has been a distinct challenge to assist AID and the Government of Honduras in this important Project. We would be more than happy to offer our services again in any other project that you may consider we can be of assistance.

Cordially,


Edibaldo Silva-López
President

ESL/sm

Encl.

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First Part: Services Rendered During Contract Period

I. INTRODUCTION

The objective of the Development Administration Project was to strengthen the fiscal situation of the Government of Honduras (GOH) increasing the resources of the Central Government through improvements in fiscal receipts, reductions in operating costs and improvements in administrative efficiency. This Project was designed as a pilot effort in the Ministry of Finance (MOF) and incorporated the following eight (8) separate activities, referred to as administrative improvement projects (AIFs).

- Tax Administration
- Revenue Administration
- Treasury Administration
- Integrated Accounting System
- Public Employee Bonding System
- Government Procurement
- Central Transportation
- Computer Utilization

The Central Transportation Activity was later deleted at GOH request and instead four additional activities were added:

- Franchises and Exemptions System
- Records and Filing for the Directorate of General Taxation (DGT)
- Budgeting and Staffing for the DGT
- MOF/Donor Coordination

The Project agreement between A.I.D. and the GOH was signed in September 1982 and after due process of publication of RFP, evaluation

of proposals, best and finals, negotiations and final selection of firm, a contract was signed on June 4, 1983 between AID and Clapp and Mayne, Inc.

Mr. Edibaldo Silva and Dr. Consuelo Maldonado of our firm, traveled to Tegucigalpa and met with A.I.D. and GOH officials on June 15, 1983 to coordinate the initiation of the Project. Afterwards, the different team members assigned to work in Honduras arrived according to schedule to start the activities.

A number of long and short term specialists were utilized during the course of the work. A total of 136.5 persons months were provided in the contract as amended, of which 128.5 were utilized on the project work up to December 15, 1985. After a 30 month period all the activities the firm was instructed to work on were completed on December 15, 1985. In compliance with the contract conditions, fifteen volumes of work done in the different activities were delivered to the Secretary of Finance and Public Credit, Mr. Manuel Antonio Fontecha on December 15, 1985.

Important fiscal reforms were implemented and approximately 400 employees were trained during the development of the Project, ensuring the best possible transfer of technology from the consulting team-staff to the counterparts and national staff of GOH institutions that directly or indirectly became involved with the Project activities. In addition, thousands of people receiving GOH payments and services also benefited from the execution of the Project.

II. MOBILIZATION AND PROJECT START-UP

A. Activities Prior to the Arrival of Non-local Staff to Honduras

A series of meetings were held in our San Juan home offices between the Principal of the firm in charge of the project, Mr. Edibaldo Silva and Dr. Consuelo Maldonado, Project Director, to review contract terms and scope of work. Team members were brought together in the home office to jointly review the project scope of work and tasks which were considered necessary to carry out before departure. Copies of the scope of work, material and related literature about the project and specifically about Honduras, were handed out for their study. Logistics and allowances were discussed and preliminary dates of departure were agreed on based on the start-up date agreed with the Contracting Officer and the implementation schedule prepared as part of the proposal.

Our home office Administrative Assistant made the arrangements for medical examinations, passports, visas, vaccinations, shipment of household furniture, automobiles and storage etc. of project long term staff.

The Principal in charge, Mr. Silva and Project Director, Dr. Maldonado went to Honduras and met on June 15, 1983 with Mr. Ronald Witherell, then HRD Director and with the Liaison Officer, Mr. Vicente Díaz, to coordinate the initiation of the project and get acquainted with various changes to the work program and timetables as indicated

by Mr. Gerarld Gold, then Contracting Officer. They met also with Mrs. Cristiana N. de Figueroa, MOF Project Coordinator, and her assistants Mrs. Sagnaric Fú and Mrs. Guadalupe Vega, designated by Mrs. Figueroa as coordinators to this project. At these meetings we were informed of the activities carried out and of changes which had occurred since the Project Agreement was signed, their recommendation and work priorities.

Afterwards a meetings was held at home office with Project team staff to review methodology and schedule based on information collected and agreements reached in Honduras. Each team member prepared a draft of his/her suggested work plan based on A.I.D. document and the related proposal part.

B. Project Organization and Administrative Arrangements

The Project team staff started their travel to Honduras on July 1, 1983. The specialists in charge of the Bank Accounts Reccnciliation and Procurement activities arrived on July 1. Engineer Awilda Blanco, the DP coordinator of the firm, arrived a week later with two of the Computer Specialists. Each one of the specialists met with their counterparts and other MOF staff involved with their related activities to coordinate their work.

On February 1984 and after an internal evaluation of the project conducted by Dr. Consuelo Maldonado, it was agreed by the MOF and AID that Ms. Alida Guzmán should be appointed Resident Project Director to centralize the coordination and direction of all the activities in one person residing in Honduras for an efficient and effective develop-

ment of Project execution, since the project needed different highly specialized technicians. Weekly meetings were held by Ms. Guzmán each Friday with staff members for general work review, to coordinate activities, get acquainted with the details of every activity and to solve rapidly the problems encountered. At the same time, weekly meetings were carried out every Tuesday in HRD USAID between its Director, the Liaison Officer and Clapp and Mayne Resident Director.

Monthly meetings were to be called by the MOF Project Coordinator during the life of the Project to inform Project status and to state and find solutions to problems encountered. Meetings were held with a delegate of the Minister of Finance the MOF Project Coordinator, AID/HRD Director, A.I.D. Project Support Officer, A.I.D. Liaison Officer, Clapp and Mayne Project Director and Resident Project Director and staff members, and MOF related officers. Minutes were prepared of the meetings and conclusions and actions agreed to be taken and by whom were taken up. Copies of the minutes were handed to A.I.D., MOF and Clapp and Mayne, Inc.

Monthly reports were submitted to MOR Project Coordinator by Clapp and Mayne Resident Project Director including the status of every project activity and tasks. Copies of these reports were sent to HRD Director and A.I.D. Liaison Officer, to Mrs. Sagrario Fú of MOF and to our home office. English versions of these reports were prepared in our home office for HRD use. Likewise, semi-annual reports were prepared for A.I.D emphasizing the most important points of the monthly activities, progress achieved, problems encountered and plans for the coming six months.

Copies of these semi-annual reports were sent to AID/W. The implementation schedule was revised periodically according to the development of the project to help keep track of its performance.

III. WORK PERFORMED AND PROGRESS THROUGH DECEMBER 1985

A. Work Performed Against Planned Accomplishments

A total of 128.5 person months was used in the development of the Project and eight (8) activities were completed by the firm. On Annex 1 to this report we present a full detail of project outputs by activity and sub-activity. MOF progress by AIP can be categorized as follows:

<u>Category</u>	<u>AIP</u>
1. Almost completed (Systems designed by advisors and implemented by MOF).	- Treasury Administration (except for Central Bank contracting and idle funds investments). - DGT Records Administration - Computer Utilization
2. Work in Process (Systems designed and submitted by advisors, MOF implementation in process or pending).	- Revenue Administration - Integrated Accounting System. - Government Procurement - Franchises and Exemption System
3. Resistance Encountered (System designed by advisor but not implemented by MOF).	- Public Employee Bonding
4. Not designed at the request of MOF	- DGT Budget and Staffing - MOF/Donor Coordination

B. Progress Toward Achieving Project Purpose at End of Project

The Project has attained relevant progress toward achieving its established fiscal and administrative purposes as can be seen from Annex 2. Among its important achievements, the Treasury Administration, Integrated Accounting System, DGT Records Administration, Government Procurement and the Computer Utilization activities are highlighted.

In the Treasury Administration the capacity of the Treasury office to administer funds was improved with the centralization of 130 disbursing officers bank accounts; at the end of the project, the Treasurer was in the process of consolidating the remaining 170 accounts. A computerized check-writing system was designed and installed in the Treasury with the ability to maintain strict control over check issuance and to prepare a scientific reconciliation statement never before prepared. The quality of its staff was improved through an in service training during the design phase of the new system. As a result of the new system, 15 employees were relocated and are performing previously unattended functions.

As part of the Integrated Accounting System activity, a Governmental Accounting Course was prepared and offered during nine consecutive weeks to 50 employees of the Ministry of Finance. The course was designed to familiarize the employees with the modern principle of accounting, developments in fiscal reform in Honduras during the last 25 years and a virtual immersion on the newly designed systems.

With respect to the DGT Records Administration system, the files system was installed and the implementation of the new mail system was initiated. The DGT staff was trained in the implementation, operation and maintenance of the new system.

A modern and efficient Procurement System was designed and approved by the President of the Republic and is pending implementation. This system, when fully implemented and operational, will provide savings in purchasing operation costs, reduce procedural steps required for procurement, and above all improve the quality of all government operations and significantly increase productivity in all areas of government. It provides for an orderly delegation of authority providing centralization of norms, regulations, procedures and controls. The Procurement Office employees were trained during the design and discussion process. Two purchasing analysts received a one month on-site training in modern techniques in Puerto Rico.

In the Computer Utilization Activity the CENI improved its performance through the approval and implementation of the reconfiguration of computer equipment and of the recommendations of the reorganization of the MOF processing units. Significant savings were made by the cancellation of unused or obsolete rented equipment and by the cancellation of future orders for additional equipment found unneeded after the reconfiguration.

The details of the activities' progress at the end of the Project are found in Annex 2 of this report.

SECOND PART: PRINCIPAL FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

IV. EXTERNAL FACTORS THAT PRECLUDED FULL
PROJECT IMPLEMENTATION

Different factors have been identified as responsible for not permitting the full implementation of Project activities. Among them are the following:

- A. Period was not propitious for Project implementation. - The Project started on June 1983 with a two year duration. When at the end of all the effort, the activities were ready for implementation in 1985, the national elections were near and the period did not favor drastic administrative changes since government officers were solving other priority problems, notwithstanding their understanding of the Project importance for public administration.
- B. GOH budgetary constraints - The shortage of public funds impeded the necessary fund appropriations to implement Project recommendations, although AID/ESF financing tried to minimize this gap.
- C. Personnel turnover - The rapid turnover of GOH employees and officers affected Project implementation, since advisors had to start all over again discussing activities every time this occurred.
- D. Resistance from the MOF to implement some of the activities - This factor applies to such activities as Central Transportation, Public Employees Bonding, the MOF/Donor Coordination and the DGT Budget and Staffing.

OUTPUTS

PLANNEDACCOMPLISHMENTS AS OF DECEMBER 15, 1985I. ALMOST COMPLETEDDGT RECORDS ADMINISTRATION SYSTEMS

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|---|--|
| 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

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| 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

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| 1. Order the necessary equipment and establish the necessary linkages between two existing computers. Develop the capability to analyze computer needs and usage throughout Public Sector, and provide advise to all GOH 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. |
| 2. Design, develop and implement the computer routines necessary for full implementation of the following activities: | |
| a. Integrated Accounting | a. The design is finished. Its programming is MOF 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 MOF. | 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 executed 116 participants have been trained. |

II. WORK IN PROCESSPLANNEDACCOMPLISHMENTS AS OF DECEMBER 15, 1985REVENUE ADMINISTRATION

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| 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 smoothly 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 (CB) | |
| 3. Improve collection and reporting procedures in use by GOH collection agencies remaining in operation. | |

GOVERNMENT PROCUREMENT

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| 1. Reorganize government Procurement Office and have new functions implemented satisfactorily. | Reorganization submitted and approved by MOF and the Civil Service Office. Implementation initiated. |
| 2. Approve and put in effect new procurement procedures. | New procurement regulations as well as procedures were approved by MOF and are pending implementation. |
| 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 SYSTEM

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| 1. Regulations standardizing 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 by MOF is in process. |
| 5. Completely reorganize the Franchises Section based on new working procedures. | Reorganization submitted and approved by MOF. Pending implementation. |
| 6. Train staff properly for the implementation and administration of new system. | Counterparts trained during the system designed. |

INTEGRATED ACCOUNTING SYSTEM

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| 1. Establishment of a modern, efficient accounting system for all Public Property. | System designed and approved by Accounting Office. Implementation steps are being taken. |
| 2. Install a new uniform set of accounting reports that meets MOF critical information needs. | A set of accounting reports were recommended as part of the Integrated Accounting System designed. Implementation steps are being taken. |
| 3. Establish an Automated Accounting System to monitor and control all aspects of public debt. | Manual and automated system designed, being implemented partially. |
| 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 of programming in MOF. |

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.L.D. offered ESF funding for implementation. MOF did not accept funds arguing their disapproval to the system submitted.

IV. DROPPEDDGT BUDGET AND STAFFING

1. Draft a new DGT 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.

ANNEX 2

PROGRESS TOWARD ACHIEVING PROJECT PURPOSEPLANNEDACCOMPLISHMENTS AS OF DECEMBER 15, 1985I. ALMOST COMPLETEDDGT RECORDS ADMINISTRATION SYSTEM

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| 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 was pending when project finished. Counterparts trained during design process. |
| 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 MOF 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

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| 1. Improved capacity of Treasury Office to administer funds. | A centralized bank account for the disbursing officers established and operational. |
| 2. Reduce costs to MOF 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 were 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

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| 1. Improve utilization and performance of CENI | <p>Reconfiguration was approved. It is operational.</p> <p>Based on the evaluation of the Automated Processing Units (PAD's), the DP tasks in CENI and within the different MOF Directorates are being reorganized and a better coordination exists among them thus improving overall performance.</p> <p>A Training Plan was prepared and is being executed. 116 employees have been trained.</p> |
| 2. Improve functions of various MOF 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 PROCESSREVENUE ADMINISTRATION

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| 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 MOF 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

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| 1. Savings of approximately \$3 million per year in procurement costs. | A modern and effective system was designed. System pending implementation. 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 President. Pending implementation. |
| 3. Reduction in number of procedural steps required for procurement. | Needed system to introduce changes designed. Approved by President. Pending implementation. |
| 4. Improve quality of procurement operations and increase productivity. | Needed system to introduce changes designed. Approved by President. Pending implementation. |
| 5. Revise purchasing system with delegation of authority, effective centralize norms, regulations, procedures, information and control. | Needed system to introduce changes designed. Approved by President. Pending implementation. |
| 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 were trained during the process of design and discussion of the new system. Formal training pending. |

FRANCHISES AND EXEMPTIONS SYSTEM

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| 1. Reorganize the MOF Franchises Sections. | Pending MOF formal approval and implementation. |
| 2. Design and implement a Rules and Procedures Manual. | Pending MOF formal approval and implementation. |
| 3. Design and implement a filing system. | Pending MOF 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 MOF formal approval and implementation. |
| 5. Design and implement and 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 MOF counterparts. |

INTEGRATED ACCOUNTING SYSTEM

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|---|---|
| 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 MOF in process. |
| 3. Savings to GOB 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 MOF. |
| 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. |

IV. DROPPEDDGT 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.

HOF/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 HOF.

III. RESISTANCE ENCOUNTERED-DIFFICULT TO IMPLEMENTPUBLIC 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.

V. PROJECT CONTRIBUTIONS

Notwithstanding the above problems, the project in our opinion made very relevant and important contributions and improvements in the fiscal and administrative activities of the MOF. Following is a description of the most relevant contributions and improvements:

- A. Provision of information to top MOF officers - The project has increased top officers' awareness of the magnitude of the problems, facilitating decision-making and increasing their effectiveness by making valuable information available to them.
- B. Improvement in government performance and services - With the consolidation of accounts, mechanization of checks, bank reconciliations, etc. the MOF is now in a better position to give a more adequate service to its suppliers, projects develop faster and smoother savings are obtained and employees' moral and satisfaction is improving.
- C. Development of a sense of self-confidence to MOF officers - While they used to be isolated and tended to view problems within a narrow confine, interaction with the advisors has provided them with a valuable professional network, a sense of commitment to the project and an assurance that changes are possible after all.
- D. Savings in time and cost in activities in which implementation is taking place - In those cases, it allows a shifting of duties among numerous persons previously involved in the same activity. Some long-neglected operations and backlogs can now be taken care of.

E. A new awareness by the officers of the importance of their functions - This has happened even in those areas where implementation is not yet underway as officers are trained in similar systems abroad, and in so doing became convinced that proposed changes in their programs are absolutely necessary for performance improvement.

F. Sensitization of MOF officers to the interactions that exist between the different activities - The existing tendency for each unit to operate as a separate island and each officer 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.

VI. LESSONS LEARNED FROM THE PROJECT

A. Provide sufficient time for design and implementation.

Whenever possible, projects should be planned immediately after the new elected government takes oath to allow sufficient time to design and implement administrative changes before the end of its administration.

B. Appropriate counterparts funds

Counterparts funds should be earmarked as an appropriation in the government budget to assure prompt implementation of recommendations and avoid delays.

C. Serious government compromise

The government should make a serious compromise to overcome turnover of personnel directly related to the development of projects.

D. Designation of a Coordinator

A Technical Coordinator should be appointed by the assisted agency being his primary responsibilities the project activities.

VII. ACTIONS TO BE TAKEN ON ONGOING ACTIVITIES

The activities of the Development Administration Project that were almost completed and in process should have priority over any other activity of the project or any new request from the MOF for technical assistance because of their significant progress toward implementation. Of these activities the two more significant are Integrated Accounting, including Property Control and Accounting System, and Government Procurement. Another activity that was not implemented, but in our opinion is very important and has a serious effect on the others, is that of Public Employee Bonding. This one should have priority over others.

The activities we recommend to be continued and implemented as soon as possible will bring a tremendous positive improvement in the entire government administration in Honduras, will accelerate performance and services, increase efficiency and boost moral and satisfaction among the qualified staff.

VIII. RECOMMENDATIONS FOR FURTHER A.I.D. ADMINISTRATIVE ASSISTANCE

The Development Administration 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 and/or to provide assistance to other GOH units was to depend on the success of this project. As a result of the positive effect that the Development Administration Project left on MOF, the Ministry wants to continue with the technical assistance. A series of new activities have been identified that could be included if the Project were to be extended.

The most important ones are mentioned below:

A. Reorganization of GOH Executive Branch

An in-depth evaluation of the organizational structure of GOH Executive Branch at all administrative levels should be performed immediately in order to identify duplication and overlapping of functions between agencies, agencies that could be integrated with others to reduce duplication and costs and make recommendations toward an effective and efficient government performance.

B. Administrative and Fiscal Reform

A revision of all GOH administrative and fiscal procedures is imperative to improve public services. This should be obtained throughout the establishment of new procedures strengthening the fiscal situation by increasing the resources of the Central Government, reducing operational costs and upgrading government performance.

Among the possible areas to be covered are the following:

1. Civil Service System

The existing civil service administration is cumbersome and its procedures obsolete. For instance, the contracting procedure for temporary personnel requires that each appointment be renewed every year. It takes about three months to be completed and no actions can be taken on this matter in the last three months of the year. This contracting procedure affects the hiring of personnel for development projects funded with external financing. Most A.I.D. projects are affected by this situation. The position classification and salary plans are outdated and unrealistic.

2. Governmental Decentralization

The administrative function in the Government of Honduras is highly centralized, e.g. all the government appointments have to be signed by the President of the Republic. A delegation system should be established for a better government performance and to free the President's time for more important actions.

3. Reduction of Government Bureaucracy

The existing bureaucratic system is cumbersome and ever growing. The man in the street, when dealing with government offices, is forced to spend a lot of time and effort, and therefore money, waiting in long lines and going from desk to desk trying to get simple information or permits and even to pay for services or taxes. When this is applied to the productive sectors, it amounts to a gigantic waste of economic resources and public dissatisfaction with the government.

Actions in this field should go beyond the normal study-evalua-

tion-recommendation system for it will take too long. Alternatively a task force should be established with Congressional approval, integrated with high level representatives from the public and private sector with powers to identify and eliminate all unnecessary bureaucratic procedures and red tape.

4. RNP Institutionalization

Although of a very recent creation, the RNP has proven to be helpful in the electoral process. It is recognized, though, that its organization and systems need to be modernized. The prompt beginning of this endeavor will allow continuity of fair and democratic electoral process in the future.

5. Customs Administration

There is no need to emphasize the importance of this activity to increase GOH resources, A.I.D. would support its implementation provided a full commitment by civilian and military Honduran top authorities is obtained. In other countries where we have worked in Customs, we have obtained very positive results in the increase of collections. The mere presence of advisors reduces significantly malfeasance and contraband.

6. Public Debt

Existing central governmental institutions should be divested of non-related activities and provided with sufficient expertise to deal with matters inherent to loan, planning negotiation and contracting as well as loan preparation and loan allocation processes. Technical assistance should include both organizational and technical consultancy for institutional improvement.

7. Auditing Capability

A review should be performed of the organization and functions of the Controller General office for its updating including personnel training as well as its coordination with other governmental audit units.

8. Transportation

An economic, simple and efficient transportation system through centralized policy formulation, norms and rules; planning, negotiation and adjudication of contracts, and the establishment of controls and supervision systems should be established.

C. Final Comment

The formation of an administrative and fiscal commission is highly desirable for prompt identification of additional problems and areas to be covered. Said commission should be appointed and attached to the President of the Republic and may have the assistance of specialized consultants. The possible fiscal and administrative reforms should be based in the commission report once approved by the new elected President.