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UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

HONDURAS

PROJECT PAPER

POLICY ANALYSIS AND IMPLEMENTATION

AID/LAC/P-386

Project Number: 522-0325

UNCLASSIFIED

APPENDIX 3A, Attachment 1
Chapter 3, Handbook 3 (TM 3:43)

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number: —

DOCUMENT CODE: 3

COUNTRY/ENTITY: HONDURAS

3. PROJECT NUMBER: 522-0325

4. BUREAU/OFFICE: LAC 05

5. PROJECT TITLE (maximum 40 characters): Policy Analysis and Implementation

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 08 DD 31 YY 94

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 87 B. Quarter 4 C. Final FY 92

8. COSTS ($000 OR EQUIVALENT $1 = L2)

A. FUNDING SOURCE	FIRST FY 87 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						12,000
(Grant)	(3,000)	(500)	(3,500)	(9,670)	(2,330)	(12,000)
(Loan)	(--)	(--)	(--)	(--)	(--)	(--)
Other U.S. 1						
Other U.S. 2						
Host Country	--	200	200	--	2450	2450
Other Donor(s) Private Sector	--	150	100	--	950	950
TOTALS	3,000	850	3,800	9670	5,730	15,400

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ESF	910	710		--	--	3,300	--	7,000	--
(2) SDA	760	720		--	--	100	--	4,000	
(3) ARDN	730			--	--	100	--	1,000	
(4)									
TOTALS						3,500		12,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 930 | 650 | 920

11. SECONDARY PURPOSE CODE:

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To strengthen the Honduran capacity to formulate and implement economic policies and administrative reforms.

14. SCHEDULED EVALUATIONS

Interim MM 09 YY 89 | MM YY | Final MM 11 YY 94

15. SOURCE/ORIGIN OF GOODS AND SERVICES: [X] 000 [ ] 941 [X] Local [ ] Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment)

17. APPROVED BY

Signature: [signature]

Title: Carl Leonard
Acting Mission Director

Date Signed: MM 03 DD 28 YY 87

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM 10 DD 20 YY 87

Project Authorization

Name of Country/Entity: Honduras/COHEP
Name of the Project: Policy Analysis and Implementation
Number of the Project: 522-0325

1. Pursuant to Sections 103, 106, 531 and 534 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Policy Analysis and Implementation Project ("Project") for Honduras and the Honduran Council for Private Enterprise (COHEP) involving planned obligations of not to exceed Twelve Million United States Dollars in grant funds ("Grant") over a six-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is seven years from the date of initial obligation.

2. The Project includes both a public sector component and a private sector component. It consists of providing technical assistance, commodities and training: (1) to the Government of Honduras represented by the Central Bank of Honduras, the Ministry of Finance and Public Credit, and other public sector institutions involved in the formation of economic policy; and (2) to the Honduran Council for Private Enterprise.

3. The Project Agreements, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. Regulations and Delegations of Authority, shall be subject to the following essential terms, together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in the United States (A.I.D. Geographic Code 000) or in the Cooperating Country or in other Central American Common Market Countries, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the U.S., the Cooperating Country, or other countries included in the Central American Common Market as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Carl H. Leonard
Acting Mission Director

Date

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I. SUMMARY AND RECOMMENDATIONS

A. Background and Rationale

After a period of financial stability and rapid economic growth during the late 1970s, the economic situation in Honduras sharply deteriorated during the 1980-83 period. The growth rate of real GDP fell from seven percent in the late 1970s to about two percent in 1980-81, and turned negative in 1982-83. Real national income during this time period (adjusted for the terms of trade) fell by more than three percent.

Since 1984, the Honduran economy has experienced limited economic recovery. However, in spite of these improvements, Honduras' underlying economic position remains bleak and prospects for the 1987-90 period are not good. Real private sector investment, while registering limited growth in 1985-86, continues to be significantly below levels recorded in the mid-1970s, while the growth rate of overall real investment has been negative in recent years. Unemployment remains high and is considered a serious economic and social problem by Hondurans at large.

Moreover, while some of the causes of Honduras' economic stagnation may be attributed to external factors, serious structural deficiencies serve as additional impediments to high and sustained economic growth. Problems such as an anti-export tax structure and an overextended and inefficient public sector are only a few of the myriad of constraints which hinder the economy from being able to move forward in a sustained manner. The economy is further inhibited in its development of an effective macroeconomic and sectoral policy program by a series of related constraints -- deficiencies in the human resource base necessary for policy development and implementation, inconsistent Honduran perceptions concerning economic policy development and implemetation, and the limited capacity of the Honduran private sector to participate in an effective policy dialogue with the Government of Honduras.

The specific problem to be addressed by this Project is how to move Honduras out of economic stagnation and improve standards of living in a sustainable fashion. The Economic Support Fund (ESF) program has been highly successful in assisting the GOH to develop and implement a coherent and mutually supportive macro stabilization and structural reform program. The latter is of key importance if the medium- and long-term economic prospects for the country are to be attractive. To successfully undertake such a program, however, the technical/human resource capacity of the GOH must clearly be complemented and strengthened. In addition, effective mechanisms need to be developed to create a greater understanding and awareness of key economic issues and the relationship among policy measures and resolution of the issues. This is true not only in the public sector, but among business, labor, the media, and other sectors that influence Honduran public opinion.

The Project strategy is to support the capability of Honduran public sector institutions to formulate and implement a sound policy environment for investment and sustainable economic growth. On a parallel train, an

important tenet of the strategy is to increase the ability of the private sector to analyze economic policies and issues and establish an effective policy dialogue with the Government, thereby enhancing the prospects for a market-oriented policy framework.

The Mission has chosen the Honduran Council for Private Enterprise (COHEP), a national umbrella organization of private sector organizations, as the lead institution in expanding the role of private enterprise in policy analysis. The GOH regards COHEP as the legitimate representative of the private sector on national economic policy issues. The Honduran private sector supports COHEP and argues that its functions, services and advocacy role should be expanded and strengthened. The project will, in fact, assist COHEP in this institutional strengthening process.

B. Project Description

The purpose of the Project is to strengthen the Honduran capacity to formulate and implement economic policies and administrative reforms. The Project will directly strengthen the GOH's macroeconomic program and the A.I.D.-sponsored Economic Support Facility program, especially its objectives of establishing an appropriate environment for investment and employment creation. Successful implementation will result in an improved capacity by the GOH to undertake policy analysis and administrative reform.

The Project will comprise the following two interrelated components:

1. Public Sector Policy Analysis and Implementation. This component will provide short-, medium- and long-term foreign and Honduran technical assistance (TA) and training. The TA will be designed to supplement, over the short-term, the existing capacity of Honduran officials in policy planning and implementation. To strengthen Honduras' human resource base with respect to policy planning and implementation, advanced degree training, mainly in economics, will be provided to approximately thirty-five individuals whose institutions have the need for high-level economic and other technical analysis. Component activities will support the GOH's macroeconomic program and structural reform measures and include assistance in the areas of, inter alia, foreign trade taxes and customs administration, statistical and information base, macro and structural economic analysis, exchange rate regimes, promotion of investment incentives and agricultural policy formulation.

2. Strengthening of Private Sector Policy Analysis. This component will enhance the capacity of the private sector, through COHEP and other private sector institutions, to understand economic issues, analyze GOH policy proposals and educate the public at large to policy issues of importance to the nation and the private sector. One component activity is strengthening the capacity of the private sector to undertake economic analysis of selected issues in order to better understand the implications of government policies on the private sector. An Economic and Policy Analysis Division within COHEP will be established to undertake technical, highly competent analyses of key problems affecting the private sector. In addition, the Project will provide assistance to COHEP to expand its efforts to establish appropriate linkages and undertake consensus-building efforts on economic matters within the private sector and between the public and private sectors. COHEP will set up a series of meetings,

seminars and conferences designed to develop a sense of common identity and purpose among businessmen, disseminate its research results and strengthen linkages with the public sector as well as undertake an expansion of its dialogue/lobbying efforts with the public sector. Finally, the grant will assist COHEP's consolidation efforts.

C. Estimated Project Budget

The total estimated cost of the Project is $15,400,000, comprised of a $12 million A.I.D. contribution ($5 million in Development Assistance grant funds and $7 million in projectized ESF) and a GOH/private sector contribution of the U.S. dollar equivalent of $3,400,000. The A.I.D. Development Assistance funds will cover costs associated with the private sector component. Projectized ESF funds will finance the public sector component.

ESTIMATED PROJECT BUDGET
(US $000)

	SOURCE OF FINANCING				
	A.I.D.		GOH	PRIVATE SECTOR	TOTAL
	FX	LC	LC	LC	
I. PUBLIC SECTOR POLICY ANALYSIS AND IMPLEMENTATION					
A. Technical Advisors	3,000	-	1,000	-	4,000
B. Equipment and Commodities	100	-	100	-	200
C. Training	3,000	-	-	-	3,000
D. Salaries and Adm. Exp.	-	-	1,000	-	1,000
E. Project Management/Project Liaison Officer	700	100	300	-	1,100
F. Evaluation	100	-	-	-	100
G. Audits	-	-	50	-	50
SUBTOTAL	6,900	100	2,450	-	9,450
II. PRIVATE SECTOR INSTITUTIONAL AND POLICY ANALYSIS STRENGTHENING					
A. Technical Advisor	525	130	-	-	655
B. Policy Analysis Strengthening	2,035	1,703	-	789	4,527
C. Administrative Support		210	-	161	371
D. Project Management	-	160	-	-	160
E. Commodities	60	-	-	-	60
F. Evaluation and Financial Reviews	150	27	-	-	177
SUBTOTAL	2,770	2,230		950	5,950
TOTAL PROJECT COSTS	9,670	2,330			
	$12,000		2,450	950	15,400

D. Project Issues

Several important issues surfaced during intensive review which were discussed and analyzed at length by the Project Design Committee and Mission management (see Annex II.B, "Project Paper Approval Memorandum"). Summary responses to these issues are provided below.

1. Issue: The Project aims to strengthen the capacity of the private sector to understand, present, articulate, and lobby for an effective policy environment. Is COHEP the most appropiate institution to lead this effort? Are there not stronger private sector organizations in the country such as regional chambers of commerce and industry? Can COHEP, and therefore project activities in this area, become the captive of narrow private interests?

Response: While there are indeed several private sector organizations which are stronger than COHEP at this time, COHEP is the most representative Honduran private sector organization. In fact, the strongest chambers of commerce are COHEP members. COHEP is seen by both the Honduran private sector and by the government as the legitimate representative of the private sector, as evidenced most recently by the appointment of COHEP to numerous government consultatory bodies. Its representative nature and its legitimacy in the eyes of Hondurans at large make it ideally appropriate to lead private sector efforts to present, articulate, and lobby for an effective policy environment. Moreover, the large number of COHEP member organizations (32) with varying interests, and an increased capacity for independent technical competence, provides a built in system of checks and balances against the organization, and Project activities, becoming a captive of any one group.

2. Issue: A Government of Honduras Project Committee will play a key role in implementing the public sector component, particularly in channeling all requests for technical assistance to A.I.D. Is this approach by committee likely to result in implementation bottlenecks? Is it the most appropriate institutional arrangement?

Response: While there is a recognition that the committee arrangement could be cumbersome, this mechanism was found to be the most appropriate after extensive review of alternatives which included direct A.I.D. management or placing responsibility for Project implementation in one GOH institution. First, it is necessary to actively involve key GOH institutions such as the Ministry of Finance and Public Credit, and the Central Bank in project implementation. The committee approach is an effective way to accomplish this objective. Second, the selection of one institution over the other, or putting Project management at a level above key Ministries, would have resulted in institutional rivalries that would have been detrimental to the Project. Third, the Project Committee is small and composed of individuals who are responsible for the implementation of the GOH economic program and for overseeing conditional structural reform measures related to the ESF program. These individuals fully understand the importance of Project-financed technical expertise to assist the GOH in meeting the program's objectives.

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3. Issue: The Project aims to strengthen Honduras' human resource base for policy analysis through long-term graduate level training. Should the training program be more ambitious? Will the number of trainees under the Project affect the human resource base? The Project Paper indicates that the Mission will directly manage this component. Would it not be more efficient to have a contractor do this, selected through formal competition? Is the Mission's approach appropriate for the program's objectives of ensuring cohesiveness and creation of a sense of fraternity among trainees?

Response: This Project represents only one part of a major Mission thrust to strengthen Honduras' human resource base. Over the last year, for example, over 200 Hondurans received university-level training under the Central America Peace Scholarship Program and other efforts. Training efforts under this Project are geared to meeting more specific objectives, in particular increasing technical expertise in economics. Placed in a relatively small number of institutions, the number of long-term trainees under the Project will have a significant impact on GOH economic analysis capabilities. Yet it is conservative enough to ensure that there will not be disruptions in GOH institutions that temporarily lose valuable talent to training.

The Mission has discussed numerous alternatives to management of the training component, including management by a contractor. Given the level of training contemplated, however, A.I.D. direct management through the Bureau of Science and Technology's (S&T) Office of International Training appears to be the most cost effective means of implementing the program. The system will be further enhanced by a contract through a university or firm to provide advisory and follow-up service beyond those offered by S&T and special summer programs related to specific economic policy issues. This approach will ensure cohesiveness and the sense of fraternity among trainees that is desired by the program.

E. Recommendations

The proposed Project fully supports the USAID commitment to promote sound economic policies to establish sustained, economic growth and development. Moreover, as articulated by the GOH, the need for more appropriate economic policies and crucial administrative reforms is of key importance to sustained economic growth and development in Honduras. It is the Project Design Committee's opinion that the project is technically, financially, socially and economically sound. Therefore, the Committee recommends that the USAID/Honduras Mission Director authorize the Project Paper.

II. BACKGROUND AND JUSTIFICATION

A. Background

1. Macroeconomic Overview

After a period of financial stability and rapid economic growth during the late 1970s--augmented by high world prices for traditional commodities and the ready availability of external loans--the economic situation in Honduras sharply deteriorated during the 1980-83 period. Limited external demand for exports and declining terms of trade reduced export income. Political instability and the weak economic position of its Central American neighbors diminished intra-regional trade, private investment, and domestic savings. As noted in a report by the International Monetary Fund (IMF), these pressures on the external sector were aggravated by Honduras' expansionary fiscal and monetary policies, intended to counteract the adverse impact of external factors on the economy.*

The growth rate of real GDP fell from seven percent in the late 1970s to about two percent in 1980-81, and turned negative in 1982-83. Real national income during this time period (adjusted for the terms of trade) fell by more than three percent. Moreover, the combined effect of rapid population growth and weak economic expansion resulted in a 1979-83 fall in per capita income of about 25.5 percent.

Since 1984, the Honduran economy has experienced limited economic recovery. Bolstered by the effects of significant public sector investment related to the completion of the El Cajon hydroelectric project (1984-85), significant levels of U.S. balance-of-payments assistance (averaging in excess of $100 million per annum from 1983-86), and by the positive effects of foreign exchange availability stemming from higher prices for coffee and lower prices for petroleum products, real GDP growth during 1984-86 averaged approximately 3.0 percent (a significant improvement although not sufficient to increase per capita income). Inflation, which reached 20 percent in 1980, has averaged a modest 5 percent from 1981-86.

In spite of these improvements, Honduras' underlying economic position remains bleak and prospects for the 1987-90 period are not good. Real private sector investment, while registering limited growth in 1985-86, continues to be significantly below levels recorded in the mid-1970s, while the growth rate of overall real investment has been negative in recent years. Indeed, in the context of the poor overall economic performance of the past decade, it is important to note the high level of public sector participation in the economy. In 1986, for example, expenditures of the consolidated non-financial public sector amounted to about 30 percent of the GDP.

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* IMF, "Honduras - Recent Economic Developments", January 28, 1985.

In general terms, the commodity producing sectors (agriculture, mining, and manufacturing) have performed less well than the service sectors (government, construction, transport, finance, and others) over the past decade. According to figures for 1982 and 1983, 71.5 percent of investment went to the construction sector, particularly public infrastructure.

Honduras' economic stagnation and high unemployment have been associated with low levels of savings and investment. As illustrated in Table 1, with the exception of 1980, gross fixed capital formation has declined every year in the 1978-86 period. Investment in 1986 was only 73.2 percent of the level of 1978, in constant terms. Moreover, despite the low levels of investment, domestic savings have been inadequate to finance this activity, resulting in increased foreign borrowing.

Unemployment remains high and is considered a serious economic and social problem by Hondurans at large. Moreover, given net projected external capital inflows and the real import requirements for achieving growth in the 4-5 percent range in the 1987-90 period (which would permit increases in per capita income), export earnings would probably have to rise at an average annual rate of 10-15 percent. Yet on the basis of projected trends in Honduras' commodity export prices, such an increase would require export volume growth significantly higher than that achieved over the recent past. Long-term, sustainable growth will require overcoming important structural deficiencies which hamper the Honduran economy.

Table 1
Honduras: Selected Indicators of Savings and Investment 1978-86

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Gross Fixed Capital Formation (Thousands of 1978 Lempiras)	941	915	1009	771	631	726	854	785	689
- Government (%)	37.8	36.9	37.6	41.5	54.4	54.8	61.1	57.3	48.2
- Private Sector (%)	62.2	63.1	62.4	58.5	45.6	45.2	38.9	42.7	51.8
Investment/GDP (%)	14.7	13.4	6.9	4.7	2.2	3.4	4.4	6.1	6.5
Internal Savings/GDP (%)	27.2	26.4	25.0	20.5	12.3	15.0	20.2	18.5	16.3
Difference	12.5	13.0	18.1	15.8	10.1	11.6	15.8	12.4	9.8
Net External Financing (Millions US$)	N.D	N.D	281.6	227.9	127.0	194.1	324.1	256.2	149.2

SOURCE: Central Bank

2. Structural Deficiencies

While some of the causes of Honduras' economic stagnation may be attributed to external factors (e.g., the political crisis in Central America, fluctuations in commodity prices), serious structural deficiencies are

additional impediments to the economy's ability to achieve high and sustained growth. In brief these include: an overextended and inefficient public sector involved in economic activities best managed by private enterprise, as reflected by the growth of state-owned enterprises involved in the production of goods and services; a tax structure that discriminates against exports while promoting imports and which is riddled with tax incentives that are economically inefficient, unequitable and costly to administer; the increasing dependence of the economy on public sector investment, consumption, and transfers; and an export sector still dependent on a few traditional agricultural products. In addition, private investment and production are constrained by an extraordinarily pervasive web of often contradictory policies and regulations which increase operating costs by business and act as a disincentive to private sector investment and job creation; by the capricious and arbitrary fashion in which the state acts in regard to the application of law and respect for private property; and by a financial intermediation system that discriminates against the private sector by a series of preferences accorded to the government in access, cost, and volume of credit. These include, inter alia, automatic repurchase guarantees of government debt, exemptions from income taxes on interest earned on government bonds, and eligibility of government debt for inclusion in legal reserves all which coalesce to impede the development of private capital markets.

While there is a growing recognition among Honduran society at large that private enterprise must be the catalyst of economic growth in the country, these structural deficiencies reduce the ability of the private sector to respond to the most critical challenges facing Honduras: the generation of productive investment and job creation.

3. Stabilization, Recuperation, and Structural Reform Efforts

The GOH has begun to address these structural constraints and to improve the overall economic policy environment. Since 1982, the Economic Support Fund (ESF) program has played a key role in supporting the development of a macroeconomic and structural reform program designed to provide the basis for sustainable improvements in economic performance. The GOH and A.I.D. have maintained an ongoing economic policy dialogue geared to assisting the GOH in defining policy options consistent with achieving improved economic performance. The resource transfers produced by the ESF program have been highly successful in raising the GDP over and above the level that would have been attained without the additional import financing provided by ESF transfers. The ESF program has also been successful in establishing a monetary and fiscal framework for the GOH stabilization efforts, and in supporting GOH efforts to implement a package of structural reforms designed to produce significant mid-term improvements in long-term growth, employment, and investment by enhancing the efficiency with which resources are allocated in Honduras.

The GOH's structural reform component of the economic program has been directed at four principal objectives: (1) the rationalization of public sector operations; (2) the expansion of investment; (3) the improvement of

export competitiveness; and (4) the restoration of internal and external confidence in the Honduran economy. Annex II.C. lists the specific measures included in the FY87 ESF agreement under these categories.

Progress has been achieved in some areas of the structural reform program as evidenced by the enactment of legislation (and concrete steps to implement the legislation) to promote exports and privatize state-owned enterprises, to increase the self-financing foreign exchange market, to provide greater incentives for exporters, and to initiate efforts to streamline the red tape and conflicting regulations faced by exporters. Nonetheless, the GOH and the Mission recognize that, while accomplishments to date should not be minimized and have contributed to the prospects for long-term growth, the structural reform component can only be considered partially successful. This can be attributed to various factors, including the to-be-expected lag between implementation of reforms and their impact. However, numerous constraints inhibit the establishment of a more adequate policy framework for the Honduran economy, and these must be addressed if long-term, sustainable growth is to be achieved.

B. Constraints to Effective Policy Reform

A related series of constraints inhibit the development of an effective macroeconomic and sectoral policy program. Principal among the impediments are the lack of depth and breadth in the human resource base relative to the demands imposed on it for policy development and implementation, and Honduran attitudes regarding economic policies and the nature of needed reforms. In addition, the limited capacity of the Honduran private sector to participate in an effective policy dialogue with the government has hampered policy reform initiatives.

1. Human Resource and Technical Constraints

The public sector bureaucracy faces budget limitations, job instability, political patronage, and salary scales that are not competitive with the private sector. As a consequence, public sector decision-makers generally do not have the staff support required to undertake an adequate analysis of key policy issues and select the most appropriate course of action. Nor are there adequate cadres of qualified personnel to follow up and supervise the implementation of policies. While there are a number of highly trained, experienced and committed individuals in policy planning positions, their number is inadequate for the design and implementation of the kind of comprehensive economic program that the GOH is committed to pursue. Thus, GOH institutions are ill-equipped to undertake policy analysis on a sound and sustained basis. This deficiency can be noted in the GOH's current efforts to execute the structural reform measures of its economic stabilization program. The broad array of measures involves analysis and/or implementation actions by key GOH institutions (e.g., the Ministry of Finance and Public Credit, the Ministry of Economy and Commerce, and the Central Bank of Honduras). In many cases, the same small core of competent individuals in each institution are working on numerous measures, in addition to their normal responsibilities. It is clear that the administrative and human resource capabilities of many key institutions such as the Ministry of Finance and the Central Bank are severely strained. Moreover, the understanding and use of macroeconomic

modeling and empirical data analysis could very usefully be strengthened. The Ministry of Economy and the Ministry of Finance and Public Credit suffer even more from shortages of qualified staff in critical areas such as investment and tax policy and administration.

Human resource constraints also affect the private sector. This is the case not only in terms of managerial capabilities and entrepreneurial initiative, which affect business operations, but also in terms of a general lack of understanding of the relationship between private sector financial interests and the overall economic policy environment which clearly affects the long-term well-being of the sector. As noted below, the private sector in Honduras has often lacked the technical qualifications to engage in a meaningful dialogue with government and to present viable alternative policy measures for promoting production, investment, exports and employment.

2. Popular Attitudes Toward Development

Efforts to establish a coherent policy environment in Honduras are constrained by attitudes and perceptions toward economic policies and development ingrained in the thinking of the country's principal groups, i.e., government, politicians, the press, private enterprise, armed forces, and labor. A series of workshops conducted under the auspices of the Central American Business Institute (INCAE) with USAID financing, revealed broad agreement on the principal economic problems facing the country (low employment; low economic growth and lack of investment; deterioration of social conditions). There was also general agreement on the principal vehicles that should be used to resolve these problems (promotion of exports, particularly nontraditional; economic stabilization; support of local industry, particularly small- and medium-scale enterprises and agroindustry). Yet there exists a considerable divergence among groups and inconsistencies in their opinions with regard to specific policy measures that ought to be employed to achieve gains in stabilization and growth. For example, while all advocate promotion of nontraditional exports, they also strongly endorse the maintenance of the current Lempira-Dollar parity. Likewise, all support containment of inflation, but simultaneously advocate a more expansionary monetary policy with lower interest rates. To a large extent, these inconsistencies can be found in most countries and certainly in one in which some hard economic decisions need to be made. But the INCAE team, which has conducted similar workshops in Guatemala, Costa Rica, and El Salvador, found the overall consensus on what needs to be done, and the general inconsistencies regarding options, to be unusual in Honduras. The inconsistencies identified reveal a lack of understanding of and consensus on economic issues that, if reduced, would significantly improve policy making and, more important, economic performance.

These divergencies and inconsistencies are reinforced by Honduran attitudes regarding the nature of the development process. For example, there reportedly exists a perception in Honduran society at large, including many segments of the private sector, that the State is and will continue to be the final arbiter of economic power in the country and that, consequently, the policy formulation process is the exclusive responsibility of the government. This perception has been reinforced by the extensive use by the State of

special privileges, incentives and other "deals" as a basic approach to encourage growth and/or maintain political alliances.

In turn, however, the State has often asked individuals or groups to whom these privileges have been accorded to accept other policies that are not necessarily in their interest or those of private enterprise at large. As is the case in many other countries, the principal implications of this approach are a high level of dependence on the special "privileges" provided by government and a generalized perception in the private sector that the "decision-making" process is a zero-sum game where one group's gains come at the expense of another. Under these conditions, establishing a consensus about economic policies is extremely difficult.

The economic policy analysis and formulation process has also been influenced by a general belief among the Honduran populace that the private sector, and private sector organizations, consist primarily of selected elites who already have direct access to, if not control of, decision-makers. In this context, the State's role in policy-making is perceived as that of protector of the interests of the Honduran population from a small and entrenched elite.

3. Private Sector Ineffectiveness vis-a-vis Establishing a More Appropriate Policy Framework

Through individual participation in government, personal contacts, or through the efforts of associations, Chambers of Commerce, and similar organizations, the Honduran private sector has traditionally had access to government policy-makers. Nonetheless, this access has not been conducive to establishing an effective demand for a sound policy environment. It has been geared not to demonstrate the benefits of proposed policies through sound analysis, but to make individual "deals" that obtain special privileges through different channels. While some form of this behavior may be expected in most societies, it appears to be endemic in Honduras. In large part, this may be attributed to the "zero-sum" or "me first" attitude prevailing in Honduran society. The creation of temporary alliances between groups in conflict, rather than consensus-building among these groups, has characterized the behavior of the private sector. It also reflects numerous other weaknesses related to the ability of the private sector to mobilize behind key issues. One of these is the multiplicity of private sector institutions which represent particular skill trades and geographic regions, and which lobby for economic policies beneficial to their constituents without concern for coordination among them. Another is the deep divisions existing within Honduras along ethnic lines--primarily the resentment against a dynamic and aggressive Palestinian and Arab business class (derogatorily called "Turcos" by "native" Hondurans). Strong divisions also exists between San Pedro Sula and Tegucigalpa business associations. The resultant inability of the private sector to establish effective communication within the business community itself, and hence to government policy-makers, has sharply weakened the private sector's ability to influence policy-making.

Another factor limiting private sector participation in policy formulation has been the lack of a systematic effort to analyze and formulate policy options. An important contributing factor to this situation is the limited technical capacity of most private sector institutions to carry out serious policy analysis. Where the private sector becomes involved in policy analysis, it is usually reactive, i.e., in reaction to government initiatives which in some cases are a fait accompli or to defend individual interests which often do not stand up to rigorous analysis. The capacity of the private sector to initiate the review of policy options and proposed initiatives is extremely weak.

C. Summary Problem Statement and Project Rationale

The specific problem to be addressed by the Project is how to stimulate the savings and investment required to move Honduras out of economic stagnation and to improve standards of living in a sustainable fashion. While progress has been made during the last three years in achieving growth (albeit limited), checking inflation, and improving or maintaining other economic aggregates, the Honduran economy continues to be affected by macroeconomic and structural problems which continue to hinder the prospects for long-term, sustainable growth. The ESF program is assisting the GOH in developing and implementing a coherent and mutually supportive macro stabilization and structural reform program. Establishing a policy framework that will nurture this process has been the principal objective of the program. It is clear to the Mission, and to many Hondurans, that this process is the key if the medium- and long-term economic prospects for the country are to be attractive. This process must be significantly bolstered with complementary technical assistance, training resources and other support designed to overcome the constraints to creating an effective policy and administrative environment.

To this end, the technical/human resource capacity of the GOH must clearly be upgraded and strengthened. Effective mechanisms need to be developed to create a greater understanding and awareness of key economic issues and the relationship among policy measures and resolution of the issues. This is true not only in the public sector, but among business, labor, the media, and other sectors that influence Honduran public opinion.

This, in turn, implies that emphasis be placed on enhancing the capacity of the private sector to interact with government to influence the policy formulation process, a capacity which has been seriously lacking. USAID/Honduras has designed the proposed Project with these needs in mind, to strengthen and complement its economic policy reform dialogue and to achieve the objectives established under the ESF agreements. In analyzing the level of effort needed to overcome the constraints, it is apparent that what is required in a multi-targeted approach that will, first, provide the technical and human resource know-how for public sector officials to undertake the necessary analysis--a traditional approach to policy deficiencies. Secondly, this effort should strengthen mechanism to establish a greater understanding of the economic issues of the day among Honduran society, resulting in a greater appreciation of the role that market forces should play in overcoming the structural constraints affecting the economy.

D. **Project Strategy**

The Project is conceptualized within the context of a supply/demand paradigm. Economic development in Honduras has been adversely affected by the relatively poor "supply" of policies, owing to constraints faced by public sector institutions which generate these policies, and the inability of the private sector to promote a policy framework based on technical analysis and rational decision-making, i.e., effective demand for an appropriate policy environment. In this context, the private sector has been constrained by its limited capacity to understand, present, articulate, and lobby for an effective policy environment. Accordingly, the Project will simultaneously improve the supply of and increase the effective demand for sound economic policies.

This will be accomplished by enhancing the quality of policy analysis, formulation and implementation carried out by selected public sector institutions under the GOH-ESF program, and, on a parallel basis, by providing assistance to the private sector to enable it to better understand government policy proposals and to initiate and propose policies reflective of a market-oriented economy. Leadership by the private sector in the establishment of a consensus-building process on important economic issues will be a key part of this latter effort. An important element of this strategy is the selection of the Honduran Council for Private Enterprise (COHEP) as the lead institution in expanding the role of private enterprise in policy formulation and articulation. This selection has been made during intensive review based on the representitiveness of COHEP, its potential, and other factors discussed in Section IV.B.3.

Given the wide range of potential areas for policy formulation and reform, Project efforts will be concentrated on providing technical assistance, institutional support and training to entities directly involved in key GOH-ESF policy and administrative reform issues related to both the macro stabilization and growth objectives as well as structural reform objectives of: (1) expanding domestic and international investment; (2) promoting export competitiveness; and (3) rationalizing public sector operations. The fourth objective of the GOH/ESF program, restoring internal and external confidence in the Honduran economy is implicit in the first three objectives and will be met by successful implementation of Project activities. Accordingly, the Project will establish a flexible mechanism to provide assistance in areas that are necessary for developing and/or implementing policy or administrative reform measures that have direct or indirect impact upon the GOH stabilization growth and structural reform program.

The two Project-supported initiatives--a public sector/executive branch thrust, and private sector policy initiatives are part of a USAID-sponsored triad to establish a more effective policy framework in Honduras. The third leg of this triad is support to the Honduran Congress for its growing role as an initiator of economic policy and for its review and approval of economic legislation. Given traditional sensitivities regarding executive and legislative prerogatives, the Congressional effort will be supported through the USAID-supported Strengthening of Democratic Institutions Project (522-0296) which will be obligated in FY 87. While it is a separate activity,

the executive, private sector, and legislative policy programs have been designed and will be implemented by the respective Honduran institutions as a coordinated strategy for policy reform. Likewise, Project-specific policy initiatives such as those being undertaken in the Export Development Services Project (522-0207) will complement and strengthen general policy efforts.

III. PROGRAM FACTORS

A. Relationship to Host Country Programs

The GOH recognizes the dire need for more appropriate economic policies and significant administrative reforms. The Azcona Administration has moved the GOH bureaucracy to design and implement a comprehensive policy reform program reflected in the FY 86 and FY 87 ESF programs. The GOH commitment to these reforms, however, has made it all the more aware of the human resource and institutional/managerial constraints to analyzing and implementing these policies. Consequently, various levels of the GOH have requested A.I.D. assistance to strengthen the policy dialogue and analysis process and the efficient implementation of these policies.

B. Relationship to A.I.D. and USAID/Honduras Strategy and Action Plan

The proposed Project is fully in line with one of A.I.D.'s most important objectives, promoting sound economic policies for sustained economic growth and development. As stated in A.I.D.'s Policy Paper on policy dialogue, "the soundness of domestic and social policies is in general the dominant long-term influence on development...economic assistance in support of ill-conceived policies would be a poor investment indeed." Through its private sector component, the Project also supports the Agency's private sector initiatives and market-oriented growth objectives. The proposed Project supports LAC and USAID/H stabilization goals and is an integral component of the Mission's goals of achieving short-term stabilization and sustained economic growth as indicated in the FY 89 Action Plan recently presented to A.I.D./Washington.

Several ongoing and planned USAID projects carry out activities that, together with the Project herein described, form integral elements of the Mission's global policy strategy and agenda. For example, the Export Development and Services project (522-0207) is leading USAID efforts to assist the GOH to develop nontraditional exports. Through the Strategic Planning and Technical Support project (522-0269), several important policy-related studies have been initiated. The proposed FY 87 Strengthening Democratic Institutions Project (522-0296) will fill an important gap in the policy formulation process not met by the Project herein presented: strengthening the policy formulation and analytical capability of the Honduran Congress--a key player in the policy process, currently lacking minimal access to the kind of expertise required to make rational policy choices.

C. Relationship to Other Donor Programs

The ESF Concept Paper presented to A.I.D./Washington January 1987 indicated that "the objective of the Mission macro-economic policy dialogue with the GOH will be to produce a GOH economic program that is sufficiently

credible to merit support from the IMF. This, in turn, would pave the way for a World Bank structural adjustment loan." The proposed Project fully supports that objective by strengthening the GOH capacity to develop and implement a credible program. Policy and administrative reforms contemplated will be developed with sufficient speed to convince these key donors of Honduras' commitment to structural reforms.

There are currently several donor agencies (the Inter-American Development Bank--IDB, Organization of American States--OAS, the UN Development Program--UNDP, and several others) which are carrying out administrative and/or policy-related programs. For example, the UNDP is providing some specific assistance in the area of customs administration while the IDB has provided short-term technical assistance related to tax administration. The Project will carefully coordinate its activities with these institutions.

IV. PROJECT DESCRIPTION

A. Project Goal and Purpose

The goal of the Project is to promote sustained economic growth and stability. The Project purpose is to strengthen the Honduran capacity to formulate and implement economic policies and administrative reforms. The Project will directly strengthen the GOH's capacity to implement its macroeconomic program and the A.I.D.-sponsored Economic Support Fund program, particularly its objectives of establishing an appropriate environment for investment and employment creation. Key assumptions linking the purpose and goal statements are: (1) a political climate favorable to private sector investment; (2) that the GOH will have sustained interest in formulating and executing sound policy and administrative reforms; (3) that the private sector will continue to support COHEP as its leading representative; and (4) that the productive policy dialogue between the GOH and A.I.D. will continue and that it will facilitate expanded GOH dialogue with the IMF and the IBRD, leading to the signing of comprehensive programs with these organizations.

B. Project Components

The Project will be composed of two inter-related components: (1) Public Sector Policy Analysis and Implementation and (2) Strengthening of Private Sector Policy Analysis.

The public sector component will provide short, medium and long-term foreign and Honduran technical assistance (TA) and training. The TA will be designed to supplement the existing capacity of Honduran officials in policy planning and implementation. Advanced degree training in economics and other areas of specialization will be provided for selected officials whose institutions have the need for high-level economic and other technical analysis. In the private sector, the emphasis will be placed upon enhancing the capacity of private enterprise to understand economic issues, analyze policy proposals of the GOH, and educate the public at large to policy issues of importance to the nation and private initiative.

Given traditional Honduran public sector sensitivities about the role of the private sector in policy formulation, there is no formal institutional linkage between the two components. Nonetheless, there will be significant linkage and coordination between the two components in the course of implementation through the selection of issues to be analyzed, conferences and publications, and expanded dialogue between the public and private sectors.

1. Public Sector Policy Analysis and Implementation

Public sector activities will facilitate the implementation of specific measures and general objectives of the GOH-ESF economic and structural reform program. A key tenet of all technical assistance provided will be close collaboration between Project-financed technical experts and Honduran counterparts. All technical assistance requests from the GOH will require the identification of individuals and GOH entities responsible for working hand-in-hand with Project-financed technical experts. Assistance will be provided to several GOH institutions.

Because of their predominant role in the implementation of the ESF program, the Ministry of Finance and Public Credit (MHCP) and the Central Bank of Honduras (BCH) will be the component's core institutions. Nonetheless, other GOH institutions such as the Ministry of Planning (SECPLAN), the Ministry of Natural Resources, the Ministry of Economy and Commerce, and the National Directorate of Statistics and Census will participate in Project efforts. Component activities will be divided into two broad categories: support for structural reform measures, and training.

a. Support for Structural Reform Measures and Macroeconomic Policy

The current (1987) structural reform program consists of twenty-seven measures supporting the broad objectives of rationalizing public sector operations, enhancing export competitiveness, promoting private investment and restoring internal and external confidence in the Honduran economy. Annex II.C lists the measures and provides a brief economic rationale for their incorporation in the program. Emphasis is currently placed on the completion of concrete steps to implement reforms initiated in previous years. Also, a limited set of additional structural measures will be initiated in 1988 and future GOH Economic Programs. Some new measures in 1987 are keyed to explicit World Bank and IMF recommendations, while future measures will flow from GOH dialogue with the private sector, A.I.D., and international financial institutions.

Both long-term and short-term technical expertise will be provided to assist the GOH to implement these measures and to improve their economic analysis capabilities. Project assistance will provide for the diagnostic analysis of the policy issues in question, for the development of specific recommendations, and for the implementation of adopted policy and administrative reform measures.

Presented below is an illustrative listing of areas and measures that will receive attention under the Project. These are areas for which the GOH has specifically requested assistance and for which preliminary analysis has

been undertaken. Some preliminary scopes of works for these activities appear in Annex II.D. They should, however, be considered illustrative. It is of strategic importance to maintain flexibility in the provision of technical assistance to ensure that, in the course of implementation, the Project is able to respond effectively to requests for assistance for ongoing and new measures for which significant payoffs may be expected. Another reason for maintaining flexibility in the ultimate selection of areas targeted under the Project is the involvement of other donors in technical cooperation with the GOH. For example, the IDB is currently providing assistance to the GOH in tax policy and administration and plans to expand this cooperation in the future. Based on the results of GOH-IDB discussions, a determination will be made on the level of Project-supported assistance to be provided in this key area.

These illustrative areas for project activities are presented below to give an indication of the types of activities that will be supported by the Project. They are presented under the broad GOH-ESF categories of rationalizing public sector operations; increasing export competitiveness; and investment promotion.

Rationalize Public Sector Operations

To date, eleven measures to rationalize public sector operations have been incorporated into the GOH-ESF program. They deal with the budgeting and financial efficiency of GOH institutions (4 measures); tax policy and tax administration (2); tariffs and customs administration (3); and two measures associated with efficient use of resources. The Project will assist the GOH in the implementation of these measures, including efforts to enhance fiscal policy and adopt measures to reduce the fiscal deficit, improve the efficiency of the GOH budget and financial management processes, and upgrade the customs regulation and control system. It will also provide assistance in other areas which, although not specifically covered under the ESF-GOH program, will help rationalize overall public sector operations; e.g. macroeconomic analysis and upgrading Honduras' statistical system and information base. It is recognized that in the course of Project implementation and in providing assistance in some of these areas, program activities may be identified which will require resources beyond those contemplated in the Project. In that case, the Mission will consider amendments to the Project which will permit it to provide the required resources.

i. Foreign Trade Taxes and Customs Administration

Honduras' foreign trade tax system reflects a historical emphasis on import substitution policies in combination with administratively simple ways to obtain government revenues. The GOH has recognized that the resulting tax structure, inclusive of a host of special laws providing exemptions to these taxes, has led to an allocation of resources which has reduced real income significantly below potential through the shifting of resources to production for the domestic market at the expense of international markets. Moreover, there is wide recognition that the customs administration system is inefficient and antiquated. As a result, the GOH-ESF program incorporated measures in its economic program to reduce the anti-export bias in its tax

system, including inter alia, reducing effective rates of protection. It also incorporates three measures dealing exclusively with tariff nomenclature and customs laws and procedures (measures 7-9). These measures aimed to: replace the current tariff nomenclature with the Customs Co-operation Council Nomenclature (CCCN) and convert the present mixed rates to their ad valorem equivalent; and improve customs valuation to ensure greater objectivity, predictability, and transparency in valuation and classification rules.

The GOH submitted to Congress legislation during the past year on the adoption of the CCCN and on reform of the Customs Valuation and Customs Procedures Law. At this time, the GOH has requested assistance to further analyze the adoption of the CCCN in Honduras, including the formulation of implementing by-laws, as well as to design and implement an efficient customs structure consistent with the new tariff structure. This request calls for two levels of assistance under the Project: short-term technical assistance which will be required for specific analysis of tariff policies; and a longer-term effort which will be initiated emphasizing overall customs reform, including assistance in organizational development, establishment of uniform procedures, and upgrading of the data collection and processing systems. The GOH and the Mission estimate that approximately twelve person months of short-term technical assistance will be required. A more comprehensive customs reform program will require approximately twenty-four person months of technical expertise.

ii. Operational Rationalization of Decentralized Public Institutions

One of the primary causes for the deterioration of GOH finances and the large public sector deficit has been the financial management of public sector decentralized institutions. These institutions have tended to operate with inadequate financial controls on expenditures and deficient financial and other information. The result has been significant deficits, financed by extensive borrowing and central government transfers. Significant losses in savings have occurred which could be reduced through improvements in the quality, timeliness and reliability of the information flow essential for discussion making. Furthermore, there has been little relationship between budgets and financial operations.

In recognition of this problem, the GOH-ESF program adopted five measures (1-4, including 2a and 2b) to rationalize their operations. These measures deal with: the introduction of a zero-base budgeting system; development of budget control and reporting systems; more timely financial reporting to heads of decentralized institutions, their Board of Directors, and the Executive and Legislative branches of the GOH; and undertaking annual audits. The Mission has received technical assistance requests from the GOH to implement the measures. Assistance in the adoption of a zero-based budgeting system for three GOH institutions on a pilot basis is currently being provided: the National Agrarian Institute; the National Housing Institute; and the National Autonomous Water and Sewer Service (measure No. 1). There are also likely to be requests for TA from the Ministry of Finance and Public Credit and from decentralized institutions in the preparation of manuals, regulations and procedures, accounting systems, financial operations, and other activities to rationalize the GOH budgeting and public expenditure process. The principal

objective is to ensure that the process results in improved financial and economic efficiency in the decentralized public sector. Based on GOH estimates of technical assistance requirements, approximately twelve person months of short-term technical assistance are contemplated under the Project.

iii. Statistical and Information Base

While the upgrading of Honduras' statistical and information base system has not been included as an ESF policy measure per se, it is implicit that sound policy analysis cannot take place in the absence of a reliable and current data base. As may be expected, the lack of such has been described as a major constraint to policy analysis. On the whole, Honduran social and economic information is spotty, out-of-date, and suffers from serious gaps in coverage. This situation makes it difficult to monitor or evaluate recent changes in key economic variables. Moreover, the General Directorate of Statistics and Census (DGEC), a key agency for providing the GOH with population, trade, labor, social, agricultural, and other economic policy-relevant data, is for many reasons ineffective.

The DGEC has requested cooperation from A.I.D. to improve its operations. Under the Project, assistance will be provided to improve its census and survey activities, as well as assistance directed toward specific modules, e.g., for developing a permanent program of labor market statistics and analysis and agricultural statistics. In addition to efforts directed at the DGEC, the Project will also help individual GOH entities which collect and analyze data relevant to policy decisions, including the Central Bank and the Ministry of Natural Resources. Attention will be paid to ensuring that these data collection efforts are efficiently coordinated. Based on discussions with SECPLAN and the DGEC, the Project has budgetted for ten person months of short-term TA and for twenty-four person months of long-term technical expertise. This level of effort is deemed sufficient to focus on the statistical requirements of the DGEC and to assist in the development of selected modules. Nonetheless, the GOH may also request an expanded effort based on an ongoing assessment of its statistical system. Should it be needed, a Project amendment will be undertaken to provide required resources.

iv. Macro and Structural Economic Analysis

GOH efforts to construct a favorable economic policy environment conducive to sustainable economic growth are constrained by the limited number of people that are adequately trained in the use of applied macroeconomic and sectoral analysis. As a result, the technical base of many economic decision is questionable.

For example, there is a shortage of trained technicians in various areas of monetary theory and in policy. Similarly, the use of macroeconomic and financial modeling as a technique to design and test economic policies is limited.

Under the Project, short- and long-term assistance will be provided to carry out macro- and microeconomic analysis. At the macro level, for example, long-term technical experts will work with the Central Bank to improve the

analysis and implementation of monetary policy. Long-term TA will also be furnished to the Central Bank in developing, maintaining, and utilizing flow-of-funds accounts, which it currently lacks. This will help establish an analytical framework to relate developments in the financial system to those in real activity, including investment, and to developments in domestic monetary policy and international financial flows. Similarly, there is currently little empirical knowledge of the input-output structure of the Honduran economy and how the structure relates to either final demand aggregates or to the distribution of factor income among households and other institutions. International TA will be provided to a group of Honduran economists to develop an input-output model for the Honduran economy to provide an essential base for macroeconomic policy analyses. Based on estimates of similar efforts, approximately sixteen person months of short-term TA are estimated in this area. A long-term economic advisor to assist the GOH in macro and sectoral analysis is also contemplated, for which thirty-six person months have been budgetted.

v. Other Areas

Other areas that may receive support under the general category of rationalizing public sector operations include: tax policy and administration,and other, new measures under consideration, such as public utility pricing and analyses of the financial intermediary and social security system.

Enhance Export Competitiveness

The GOH has developed an explicit policy of reducing the strong anti-export bias contained in the existing structure of taxation, and more generally, in the overall policy/regulatory framework. Its reliance on import-substitution-led growth in favor of a more open, dynamic economic model based on export growth, particularly of nontraditional exports. To implement this, however, it will be necessary to remove serious policy, regulatory, and administrative obstacles which have hampered (and in some cases continue to hamper) Honduras' export potential. This will include modification of tariff and import structures, removing disincentives and providing incentives to exporters to make exports profitable. Measures 12-17 of the GOH-ESF program have initiated this effort by exempting from import duties imports destined as inputs for nontraditional exports; by providing tax credits equal to indirect taxes paid for producers of nontraditional exports; by promoting increased investment in the production of nontraditional exports through export processing zones; by reducing key export taxes; by encouraging public and private sector officials to focus more closely on the importance of export development; and by reviewing the competitiveness of Honduran exports.

Considerable progress has been made, but there are still serious policy, regulatory and administrative practices that continue to limit Honduras' export potential. One critical area of concern to the GOH and A.I.D. is the establishment of sound foreign exchange and trade regimes. For example, given the high dependence of the economy on foreign trade, trends in exports, import and producer prices are essential inputs for policy formulation and analysis. Yet the GOH's statistical base in this area is severely limited. And, given

the inadequacy of foreign exchange policy analysis, criteria to determine appropriate policies are strongly skewed towards noneconomic considerations. Administrative barriers to enhancing exports also exist, including foreign exchange controls, licensing and other approvals.

In addition to the ESF program policy dialogue, the Mission's principal mechanism for improving the export policy environment has been and will continue to be the Export Promotion and Services Project (522-0207). Technical assistance made available through this project has been instrumental in the implementation of the measures noted above. The project is also helping to streamline GOH administrative procedures regarding exports and investments such as the establishment of a "one-stop" export and investment documentation center. This Project proposes to complement those policy and analytical efforts that do not fall directly under the 0207 mandate as described below.

i. Foreign Trade and Exchange Rate Regimes

Project TA will support the GOH, particularly the Central Bank and the Ministry of Economy, in analyzing the competitiveness of Honduran exports and in adopting sound export promotion policies. It will finance expertise to develop price indices for producer, exporter, and importer prices at the aggregate level and for important subgroups of these aggregates. The technicians will work with Honduran officials in using these indices to conduct comparative advantage analysis of local export products. Studies supported by project assistance will also by undertaken to determine the possible impact of exchange rate fiscal and monetary policies on Honduras' international competitiveness. These studies will provide a basis for policy dialogue and formulation within senior levels of government and between the public and private sectors. TA teams will ensure that the capacity to construct, update, and effectively analyze these indices is permanently established within the GOH.

Technical experts will also work with the GOH in the evaluation of foreign exchange policies. For example, the Project will explore ways to improve the foreign exchange regime as it affects the flexibility of the effective exchange rate governing international trade, service and capital account transactions. Also, assistance will be directed at further institutionalizing the system of licensing reports of transactions financed with foreign exchange obtained privately. Short-term technical assistance requirements in this area are estimated at twelve person months.

ii. Other Areas

Other topics of concern to the Project include but are not limited to: further analysis and implementation of recommendations to overcome in-country and international transportation constraints to Honduran exports; the financing and marketing system for Honduran coffee exports; and the current system of financial and administrative incentives and disincentives to exporting.

Promote Private Investment

Policy-related inefficiencies work against the GOH objective of expanding domestic and international investment. The increased role of the state as an investor and economic actor has crowded out the private sector from financial markets and has hindered private sector investment (while the public sector accounted for about a third of gross fixed capital formation in 1978, in 1986 it accounted for almost half and actually surpassed private investment from 1982-85; see Table 1, page 2). Exacerbating the problem, public sector investments have regularly been made without adequate consideration of economic or financial consequences. Moreover, the government has opted in many cases to promote private investment through fiscal and monetary interventions that are sector specific, often with inadequate macroeconomic justification.

Measures supported by the GOH-ESF program (Nos. 18-24) have aimed to rationalize the system of preferences accorded to the public sector in fiscal and monetary matters (measure No. 18) and to the analysis and introduction of legislation to stimulate private investment (measures 19, 20, and 24). The Project will support the continuation of this analysis and the implementation of specific measures for which preliminary action has already begun. Support will also be given in other areas geared to meeting the broader objective of stimulating investment.

i. Public Sector Preferences/Investment Rationalization

Under measure 18, an important first step has been to get GOH policy-makers to review carefully the real costs, in terms of private sector investment, of the system of preferences accorded to the public sector in fiscal and monetary matters. For example, there is a growing recognition among both the public and private sectors that to the extent GOH tax free bonds provide real returns considerably higher than inflation, efforts to mobilize riskier private sector investment are discouraged. A detailed report on the disincentives caused by public sector preferences has been completed by the GOH and submitted to the Economic Cabinet for policy actions as a result of this measure. The Project will support additional analyses and the development of specific policy recommendations. It will also provide follow-up assistance to ensure that the policies are effectively implemented. Approximately five person months of short-term TA are estimated.

ii. Investment Incentives

Through measures 19 and 20 (investment tax credit and tax loss carry overs, respectively) the GOH-ESF economic program has initiated necessary steps to provide transparent investment incentives that will have a long-term impact on the expansion and modernization of Honduras' capital stock. The investment tax credit law will provide stimulus to private investment by permitting a portion of eligible investment costs to be deducted from income tax liabilities. Similarly, the tax loss carryover legislation recently introduced in Congress will properly enable losses in one year to be deducted against future profits. This incentive is an important element in overcoming

a critical constraint to economic growth in Honduras: the unwillingness by investors to make long-term investment commitments. At the present time, the sizeable losses often expected over the first few years make investment in ventures with long-term gestation periods prohibitive. The Project will provide assistance to the GOH in the continued analysis and implementation of these important measures. Moreover, it will assist the Ministry of Economy and other GOH entities in the review of other policies to enhance investment opportunities. Five person months of short-term technical expertise will be provided.

iii. Economic Analysis of Public Sector Investments

As previously noted, public sector investments in Honduras, including the selection of projects supported by bilateral and international donors, are often negotiated and implemented without the benefit of sound economic and financial analysis. This not only results in an unproductive use of domestic and external resources, but can result in investments which are actually detrimental to the country over the long run. Assistance under the Project, complemented by training, will be provided to the Ministry of Planning and other GOH institutions involved in review and approval of public sector investments. Criteria will be developed for the review of these projects, including cost/benefit, internal rate of return, and other determinants. It is estimated that approximately six person months of technical expertise will be provided in this area.

iv. Agricultural Policy Formulation

Project support will be given to address policy-related sectoral concerns, particularly in agriculture. The Ministry of Natural Resources (MNR) lacks the professional and organizational capacity to identify the key medium-term policy issues and the ability to conduct economic analysis of alternative policy options. As a result, MNR is ineffective in dealing with the other participants in the policy process, (e.g., the BCH and the MHCP). The result is a lack of coherence between sectoral and macro policies and an inability to form an inter-institutional consensus on agricultural policy issues. Given this failure, implementation of policy reforms, which require concerted efforts, is stymied.

In response to this interrelated set of constraints, an objective of the Project is to develop within the MNR a cadre of professionals trained in the application of policy analysis methodologies in key policy issues. This will be accomplished through combining training and policy analysis on a few key issues.

In conjunction with A.I.D., the GOH will identify a set of key policy issues for analysis (these could include, for example, effect of exchange rate on agricultural sector, policy alternatives for land tenure, and the costs and benefits of subsidies). The focus will be on medium-term issues, not fire-fighting daily issues. The methodology will focus on economic impact and the distribution of costs and benefits. It is anticipated that some of the work will be conducted in the U.S. to build linkages to external researchers

and develop familiarity with computers. A joint working group of four to six professionals will be established for each study, consisting of representatives from MNR, the Central Bank, MHCP, and from SECPLAN. The principal findings and recommendations will be reviewed through a series of high level seminars. This approach, which has been accepted by MNR, will result in a greater understanding of agricultural policy issues and in the formulation of specific legislation on the issues analyzed.

Project funds will be utilized to fund a senior level agricultural policy analyst who will serve as advisor to the GOH and to the Mission. In this capacity, he will also serve as Project Liaison Officer for this activity. Thirty-six person months are budgetted for this individual. To provide a flexible support mechanism to the Sr. Policy Analyst/Liaison Officer, and to provide direct support to GOH requests, sixteen person months of short-term technical assistance are budgetted. It is anticipated that a significant portion of this will be used to execute a buy-in to the centrally funded Agricultural Policy Project.

v. Other Areas

Other potential areas for Project intervention include foreign investment; export processing zones; small- and micro-business development; and capital markets and credit and financial intermediation.

Figure 1 on page 20 summarizes the areas listed above that may receive assistance under the Project.

2. Training

Graduate level academic training (Ph.D. and M.A.) will be the principal Project mechanism to upgrade the weak human and technical resource base identified as a major constraint to policy formulation and implementation. It will complement technical assistance efforts described above. In addition to meeting specifically identified human resource gaps related to the ESF program, an important objective of the training sub-component is to create a cadre of highly qualified, technically-oriented professionals who can serve in key economic positions in the current and future Honduran administrations. Consequently, while the thrust of the training effort will be directed at the public sector and, specifically, at institutions involved in the implementation of the ESF program, private sector participants will also be eligible for training under the Project. Leadership potential, particularly the potential to assume high level technical and/or decision-making positions will be an important qualification for all candidates.

Within the public sector, it is likely that the Ministry of Finance and Public Credit and the Central Bank of Honduras, as the Project's and the ESF program's core institutions, will contribute the bulk of candidates for training. An analysis of the human resources and professional academic training of these institutions carried out during intensive review (See Annex II. E.) reveals a low level of officials with graduate degrees (particularly in the MHCP) and the virtual non-existence of Ph.D. level talent. The latter

is most notable in the Central Bank where one would expect to find Ph.D. economists in key positions. In practice, there is not a single Ph.D. economist among the 80 professional employees of the BCH's Economic Studies Division--regarded as one of the most important GOH units for economic policy analysis and from which senior management has traditionally been selected. Only eleven of these employees had a graduate degree of any kind. In fact, with the return of a newly graduated trainee in the summer of 1987, the BCH will have its first Ph.D. economist. Undoubtedly, an enhanced level of academic preparation will have favorable results on the ability of the GOH to analyze, discuss, and implement economic policies.

FIGURE 1

SUMMARY LISTING OF ILLUSTRATIVE
AREAS ASSISTED THROUGH THE PROJECT
PUBLIC SECTOR COMPONENT

Activity	ESF Measures(*) SUPPORTED
A. Rationalize Public Sector Operations	1-11
1. foreign trade taxes & customs administration	7-9, 11
2. financial rationalization of decentralized institutions	1-4
3. statistical & information base	2a., 3
4. economic analysis	1,5,10,18,21, economic program
5. other actions	5, new measures
B. Enhance Export Competitiveness	12 - 17
1. foreign trade & exchange rate regimes	12, 13, 16
2. other actions	15, new measures
C. Promote Private Investment	18 - 24
1. public sector preferences/investment rationalization	18 - 25
2. investment incentives	19 - 21
3. economic analysis of public sector investment	new measures
4. agricultural policy formulation	overall economic program
5. other actions	new measures

(*) Number keyed to measures as presented in ESF Program Agreement.

In addition to the MHCP and the BCH, trainees may also be selected from other GOH institutions. The Ministry of Planning, the Ministry of Economy, and the Ministry of Natural Resources are likely candidates. The GOH will continue to finance salaries for trainees and make a commitment to place candidates in positions in their present institutions that are comensurate with their training. This commitment will be reaffirmed as a covenant in the Project Agreement.

While it is essential to create a cadre of highly trained professionals and while given the critical shortage of Ph.D.-level economic talent, the Mission would like to train as many Ph.Ds as possible, it is recognized that Ph.D. training may be limited by the availability of eligible Honduran candidates. This limitation stems not only from academic and language requirements, but to the negative cost of removing a large group of "the best and the brightest" from their current positions in institutions with very limited human resources. Nonetheless, analysis during intensive review indicates that the Project can train approximately ten Ph.D.s and twenty-five M.A. candidates, without disruption to GOH institutions. An additional fifteen professionals will also receive short-term international training to meet specific technical requirements associated with GOH-ESF structural reform measures and to complement the "hands on" training provided through Project-related technical experts.

The Project also contemplates M.A. training in economics, which in some cases will be supplemented by an additional semester or year in a specific field of interest to the GOH sponsoring institution. An example of such an alternative is training under the recently developed MBA/Economics M.S. program offered by INCAE, followed by a year at Harvard's Mason Fellows Program (Public Administration) with an emphasis on economics. Similar arrangements are available through other institutions.

A cadre of staff workers trained under such a program, as well as a number of Ph.D.s from top schools, would serve to create not only a core group of competent professionals, but to establish a sense of fraternity around these individuals who could serve future GOH administrations when called upon and which would enhance the prestige of technocrats in general in the GOH policy formulation process.

To establish this sense of fraternity and given the fact that training is likely to occur at various universities, the Project will provide funding for an institutional contractor to monitor the progress of trainees, provide guidance beyond that provided through the S&T international training mechanism (see discussion in Sections IV.A.1), and bring together trainees during summers and other opportunities. Special programs will be developed at these times, including seminars and workshops on Central American and Honduras-specific economic issues.

In addition to economics, other areas to be strengthened would include public administration, finance and business administration, agricultural economics, computer science, and statistics.

3. Private Sector Policy Analysis Strengthening

a. Introduction

The Honduran private sector is fragmented and lacks the ability to analyze policy alternatives and present them in a coherent fashion to the GOH and the general public. Its access to and influence upon the policy-making process has been ad-hoc and highly personalistic, rather than through institutions with the capacity to formulate and promote economic policy reform. Most business associations lack funds, trained staff, and fail to provide even minimal services to their members. Effective presentation to government decision-makers and the public of their proposals based on sound analysis lie far beyond their competence.

In response to this concern, numerous private sector associations established the Honduran Council for Private Enterprise (COHEP) in 1968 to advocate the broader interests of private enterprise. COHEP currently has a membership of thirty-two private sector organizations, representing the industrial, commercial, financial, and agricultural sectors. In recent years, COHEP has played an increasingly important role representing the private sector before the government. It has scored a number of successes in the policy arena, such as recently facilitating the passage of Honduras' Export Processing Zones Legislation through Congress. Nevertheless, there is agreement in the private sector that COHEP has not achieved its objectives of strengthening private sector associations, building private sector consensus on policy issues, or significantly contributing to market-oriented reforms.

In part, this reflects the characteristics of the Honduran private sector (see Section II.B.), especially under the impact of the expansion of the state in all sectors of the economy. But it also reflects in large part the institutional deficiencies of COHEP: its lack of financial resources and trained staff; inappropriate organization; and membership weaknesses. Section VII.B., Institutional Analysis, provides further discussion of COHEP's institutional capabilities). Nonetheless, it should be noted that COHEP has two major strengths which can be built upon to assist it to achieve its goals:

(1) The Honduran government regards COHEP as the legitimate representative of the private sector on national economic policy issues. Recent examples of the representational stature of COHEP include its role in the Tripartite Commission (established by the GOH to develop dialogue and consensus on key economic issues and composed of representatives of the government, labor and the private sector), its participation in various governmental bodies, its role as the private sector's representative in international discussions of the Central American Development Organization, and the attendance at a COHEP Board meeting of the President of the Republic.

(2) Despite the recognized inability of COHEP to achieve its major objectives, Honduran private sector leaders continue to support COHEP and argue that its functions, services, and advocacy role should be expanded and strengthened. Virtually all private sector leaders consulted during intensive review supported the concept of a second-tier organization like COHEP to represent private sector views and to lobby for more effective economic policies.

The current economic, political and social situation in Honduras confronts COHEP with an opportunity and a dilemma. The opportunity is that the historically fragmented, personalistic and privilege-seeking Honduran business class is seeking to unite and form a consensus for policy measures to create a more favorable business environment, one conducive to increased private investment and job creation. Moreover, a critical mass of private sector leaders seems to look to COHEP for the leadership to build a stronger business association movement, to develop persuasive economic policy positions, and to communicate to public sector officials and the larger public the key role private enterprise could play in leading Honduras out of economic stagnation given an improved business environment. The dilemma is that traditional behavior patterns and rivalries within the private sector still remain strong, while COHEP lacks the money, trained people and structure to overcome these divisions.

Accordingly, the strategic thrust of this Project component is threefold: (1) to develop within the private sector, through a stronger, more dynamic COHEP, the capacity to study, analyze, and lobby effectively for policy reforms, particularly as additional support for those issues is included in the ESF structural reform program; (2) to build understanding and consensus within the private sector on needed economic reforms to encourage increased private investment and employment; and (3) to strengthen the financial and technical capacity of COHEP and member associations as a means to accomplish these objectives.

b. Activities

In accordance with the objectives indicated above, this Project component, to be obligated as a Cooperative Agreement with COHEP, will include the following components: Strengthening Policy and Economic Analysis; Policy Dialogue and Consensus-Building; and Consolidation of COHEP and Member Associations.

(1) Policy and Economic Analysis Strengthening

To play a stronger and more dynamic role in the policy formulation process, the private sector must develop its own capacity to perform independent economic policy analysis. This Project component will assist COHEP to lead in this role through the establishment of an Economic and Policy Analysis Division (EPAD) within COHEP to direct policy formulation efforts on a sustained basis.

The EPAD will carry out technical, highly competent analyses of key problems affecting the private sector. To add support to the ESF-GOH structural reform program, study topics will be selected on the basis of potential impact on investment and export promotion, and the potential to induce more appropriate GOH policy affecting private enterprise. These topics and issues will cut across sectoral and group interests. Based on interviews and discussions with COHEP and private sector representatives, likely topics include: the competitiveness of Honduran exports; incentives and constraints to private investment; the current social security system and how it affects the private sector; trade and tariff policies (including the nature and impact of contraband trade); and labor productivity and employment, among other

issues. Criteria for the selection studies will be outlined in the grant agreement with COHEP based on these parameters.

COHEP will carry out 3-4 studies a year. They will consist of a clear and concise statement of the problem, an analysis of the issues and, where appropriate and feasible, policy recommendations to solve the problem. To ensure the greatest possible involvement of private sector representatives as possible, COHEP, through the EPAD, will establish special working groups of leading businessmen (including a select group of those who do not regularly participate in private sector associations). These working groups may be established on a permanent (investment, export promotion, etc.) or ad hoc basis to deal with specific issues (the social security crisis). The studies will provide the analytical support for a carefully structured series of meetings and seminars as well as contribute to policy dialogue with the government.

The EPAD will also direct legal and administrative analyses of important new laws and administrative regulations which affect private sector interests. This activity would not be limited to new or existing laws or regulations, but would also aim at policy initiatives early in the executive or legislative process. This will enable COHEP and the private sector to participate in the evolution of government policy in an effective and timely fashion, assuring consideration of alternative options as appropriate.

The EPAD will be led by a senior economist with broad knowledge of economic policy issues acquired through professional experience assisted by a junior researcher. Additional assistance, such as legal counsel, will be contracted as required. While some studies will be conducted "in-house," most will be contracted out to local organizations (including COHEP members) or carried out through short-term international technical assistance financed by the Project. The senior economist will be responsible for securing COHEP management approval of a study agenda and for managing the conduct of the economic studies.

(2) Policy Dialogue, Consensus-Building, and Public Education

COHEP's expanded efforts to establish appropriate linkages and undertake consensus-building efforts on economic matters within the private sector and between the private and public sectors will derive from two broad inter-related programs: (1) seminars, conferences, and publications to disseminate the results of COHEP's actions and findings resulting from economic policy analyses, and public relations and education efforts to enhance COHEP's prestige and increase public understanding of the importance of private initiative and market-led economic growth; and (2) a well-orchestrated lobbying and policy dialogue program directed at the executive and legislative arms of the government.

(a) Seminars, Conferences, Publications, Public Education

A carefully structured series of meetings, seminars, and conferences with broad national participation will be instrumental in assisting COHEP develop a sense of common identity and purpose among businessmen, to disseminate its

research results, strengthen linkages with the public sector, and build the prestige of the organization. Three major forums will be utilized: an annual assembly; major conferences on specific themes; and economic policy seminars.

Through Project-assisted efforts, COHEP's annual assembly will become an event of national importance, in which private sector associations gather to assess the national economy, propose and ratify specific policy recommendations on economic issues affecting the development of the private sector, engage in open and active dialogue with members of the economic policy cabinet and representatives from labor, Congress, and other key groups. It will feature panel discussions and working group sessions in which COHEP members consider and debate policy resolutions proposed by member associations. The annual assembly will conclude with a plenary session to adopt policy resolutions and elect officers.

Every other year (1988, 1990, 1992 during the life of Project) COHEP will organize a three-day conference on a topic of major national and regional importance to the development of the private sector. While the themes of the conferences have yet to be defined, two likely subjects are "The Role of the Private Sector in Development in Honduras and Central America" and "Administrative Reforms and Policies Necessary for Investment Promotion and Economic Growth." The conferences will bring together leading private sector representatives from the Central American region to discuss these themes. COHEP would organize and finance conference participation, and be responsible for preparing/contracting studies on Honduras-specific issues. Other Central American business associations will prepare similar materials on their countries. The comparative nature of this approach will permit both public and private sector officials from countries represented to gain a greater understanding of the policy environment required to promote investment and economic growth.

The results of the economic policy studies carried out by the EPAD, described above, will be disseminated and formally presented to a cross-section of Honduran opinion leaders at half-day seminars. Participants from the executive branch, Congress, labor, armed forces, and communications media will be invited to discuss and debate the policy recommendations contained in COHEP's studies. In this effort, COHEP will contract the Central American Business Administration Institute (INCAE) to provide analytical assistance and to coordinate the seminars. INCAE participation will increase the prestige of the seminars, attract a broader audience, and serve as a continuation of the USAID/H-financed seminars that INCAE has carried out in Honduras with government, political parties, the private sector, communication services and other groups to build a consensus as to the principal economic problems facing Honduras and appropriate solutions.

Through the Project, COHEP will also expand and improve the quality of its publications to facilitate the dialogue process. This will consist of a monthly newsletter, economic studies, legal and administrative analyses, and an expanded Annual Report. The monthly newsletter and the revised annual report are, in particular, essential instruments of internal communication to unite the private sector. These publications will provide information on

COHEP activities, meetings and conferences, present the association's views on and efforts in behalf of economic policy reforms, and short articles on private enterprise and national development. In addition, all economic policy studies carried out will be widely distributed to public sector officials and private sector representatives, as well as the media.

Along with these efforts, COHEP will carry out under the Project a public education/consciousness-raising campaign. There is little awareness in Honduras--either within the private sector or among the population at large--of the role that a responsible private sector can and should play in national development. As a first step in designing a comprehensive public education campaign, COHEP will carry out a national survey (through Gallup or a similar organization) of public opinion to learn the attitudes, perceptions, level of knowledge, and concerns of a cross-section of the population regarding the private enterprise system and the Honduran private sector. Based on this information, a carefully defined and targeted multi-media public education campaign will be developed to modify attitudes toward and understanding of private enterprise and the entrepreneur. Potential target audiences include the business community, students, the middle class, workers, the public sector, and politicians. Illustrative mechanisms to carry out the campaign include: radio and television spots; full-page newspaper advertisements; creation of a Junior Achievement Award for young businesspersons/entrepreneurs; publications and distribution of texts and materials on the free enterprise system--particularly to schools; and a weekly newspaper column published under the name of COHEP.

To implement the communications/public relations effort described above, COHEP will establish a small but highly competent Communications Division (CD). This unit will be headed by an experienced communications specialist responsible for planning and supervising the public affairs and communications activities of COHEP, including the organization of conferences, seminars, publications (special studies and monthly newsletter), public education campaigns, and media relations. The individual heading the CD will have considerable experience and an advanced degree in the field. Project-financed technical expertise will also be provided.

(b) Government Relations

Through Project assistance, COHEP will expand its dialogue/lobbying efforts with the public sector. Without supplanting traditional Honduran private sector direct contacts with the executive branch, special emphasis will be placed on efforts to establish an ongoing, productive dialogue with the legislature. The National Congress has significantly increased its role in the policy formulation process, a trend that is expected to accelerate. At the present time, however, the Congress does not have the technical capacity to analyze policy options effectively. Under the USAID/Honduras-supported Strengthening of Democratic Institutions Project (522-0296), assistance will be provided to the Congress to strengthen this capacity, including the establishment of a technical staff committee system. It is quite likely, however, that COHEP, under this Cooperative Agreement, will have the capacity to work with the Congress and to establish a solid working relationship with key Congressional committees before the latter is able to take advantage of the SDI project.

As part of the Congressional relations effort, COHEP will organize structured meetings 3-4 times a year with a bi-partisan group of Congressional leaders to discuss issues pending in Congress or the Executive branch which affect private sector interests and Honduras' development. The purpose of these meetings will be to present COHEP's ideas (based on thorough research and analysis) on how bottlenecks to increased private investment and job creation might be eliminated.

To head this effort, COHEP will create the position of Government Affairs Liaison Director. The person acting in this capacity will be responsible for coordinating the activities of COHEP vis-à-vis executive agencies and Congress, of monitoring administrative and legislative regulations affecting the private sector, and of initiating and supervising brief analyses of laws and executive decrees. The Liaison Director will also organize the congressional luncheon series, in coordination with EPAD and CD, and provide staff support to COHEP representatives' services on governmental boards.

(3) **Institutional Consolidation**

To carry out a significantly expanded role representing private sector interests before the government, COHEP will need to consolidate itself as an institution and to strengthen the institutional base of its member organizations. For the former, COHEP will carry out a number of internal reforms (regarding statutes, by-laws, etc. which are articulated in Section VI.B., Institutional Analysis) and financial viability/fund raising programs (described in the aforementioned Section as well Section VI.A.). Through the implementation of these reforms and financial plans, COHEP will emerge as a stronger, more dynamic organization able to carry out the activities supported by the Project on a sustainable basis.

As previously noted, Honduras' private sector associations are at a very low level of institutional development, providing few member services and incorporating only a small percentage of potential members as active participants. For COHEP to play an important role in economic policy formulation, it will undertake a campaign to strengthen its member organizations. COHEP will provide assistance to these organizations through a small grant fund to be established under the Project. Criteria for the allocation of funds will include: activities designed to strengthen the institutional and service capacities of financially weaker organizations (e.g., membership drives, information, training, limited amounts of essential commodities); activities designed to benefit the private sector as a whole; and economic studies/seminars on issues directly related to COHEP's emphasis on development issues.

To implement these efforts, a Membership Affairs Division will be established responsible for membership drives, donation and other fund-raising efforts, and for working with member associations to strengthen their membership services and broaden their reach. This Division will be staffed by a membership promoter (an organizational specialist) who will recommend to the Board the uses of grant funds for training, materials, meetings or seminars, or publications by existing and potential COHEP members. This individual will also coordinate Project-funded technical assistance efforts in the areas of

organizational/institutional improvement (assistance in the modification of statutes, organizational structure, etc.) and financial/fund-raising activities.

In sum, activities under this component will assist COHEP to strengthen and promote the Honduran private sector and the concept of market-oriented growth, promote consensus on national economic policy issues, and contribute to an improved business climate and policy environment without becoming the captive voice of any special interest within the private sector.

COHEP believes that it has an essential task for Honduran development. Moreover, it has adopted the view that, given the magnitude and challenge of its mandate, the tasks to be undertaken in this endeavor are the same as those required to win a national campaign and it must plan accordingly. These tasks include:

-- a well-defined and integrated national COHEP platform (the importance of private enterprise and market-led growth);

-- professionally analyzed, thoroughly debated and persuasively stated planks to that platform (the economic policy issues);

-- a highly competent communications unit, including sound relations with the media (a developed capacity to get views across to the populace);

-- a corps of talented and committed staff who understand how to work with volunteers and with business leaders;

-- the largest possible number of informed, stimulated and intelligently used volunteers at all levels nationwide; and

-- dependable and adequate funding spent for priority items.

C. PROJECT OUTPUTS

The Project will result in an improved capacity by the GOH to design and implement a stabilization/economic growth and structural reform program. The GOH capacity to undertake policy analysis and administrative reforms in areas of crucial importance to the Honduran economy will be strengthened. While immediate beneficiaries are the public and private sector institutions directly receiving Project assistance, benefits will accrue to the Honduran economy and people in general through a policy environment conducive to investment and growth. The Project will produce the following results:

1. Significantly increased capacity on the part of the GOH to undertake economic analysis and implement policies consistent with sound analytical criteria, including a stronger human resource base to carry out these initiatives;

2. An improved human resource base for policy formulation with approximately 10 Hondurans receiving Ph.D.s in economics; 25 masters in economics, public administration and other areas; and 15 receiving short-term international training.

3. A strengthened private sector umbrella organization, COHEP, as evidenced by substantially increased membership; increased financial support from members; development of a professional economic research capability; and greater national recognition of COHEP's role as private sector representative.

4. An improved national understanding of the need for private investment and sound economic policies in order to stimulate economic growth, including greater understanding, within and outside the private sector, of the meaning and role of private enterprise.

5. A constructive private-public policy dialogue focused on how to stimulate investment, exports and economic growth.

D. PROJECT INPUTS

1. Public Sector Component

The primary inputs of the public sector component are technical assistance and training resources. A combination of long-term and short-term technical assistance will be provided. Other inputs include a limited amount of commodities, and technical support for Project management.

a. Technical Assistance

As described in Section IV.B.1 above, a combination of long-term technical expertise will be provided to supplement GOH technical expertise in the formulation and implementation of economic policies and administrative reforms. Based on the type of assistance requested by the GOH to date and an analysis of the level of effort required to provide effective assistance in these areas, the Project will provide approximately 120 and 100 person months of long-term and short-term technical assistance, respectively. (Annex F provides an illustrative breakdown of the assistance by activity.)

In addition to technical expertise, the Project will fund the services of a Project Coordinator. He/she will be an economist with experience in the formulation of economic policies and in the management of large and diverse technical assistant teams. The Project Coordinator will advise the USAID and the GOH on technical issues related to the Project, draft scopes of work, and arrange the procurement of short-term TA, review work performance of these individuals, and ensure the high quality of their work. In these tasks, he/she will be assisted by a local assistant(s). Thirty-six person months have been budgeted for each of these individuals.

b. Commodities

A limited amount of commodities will be required under the Project, particularly data processing hardware and software needed for policy analysis

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and implementation. The Project management team will need some basic software to facilitate the efficient execution of activities. Likewise, data processing equipment will be necessary to complement policy initiatives in participating GOH institutions.

The Project will also finance a small amount of furniture and office supplies for the offices of the Project Management team which will set up outside of the A.I.D. Mission and GOH ministries.

c. **GOH Salaries and Administrative Expenses**

The GOH will provide for the salaries and other administrative expenses of trainees in relation to the training component.

d. **Project Liaison Officers**

The Project will finance a project liaison officer to support USAID and GOH Project implementation efforts. He/she will work closely with the GOH, USAID, the Project Offices in the development of scopes of work, internal documentation, preparation of PIO/Ts and other administrative arrangements. He/she will also serve as liaison between the Mission and participating GOH institutions. The Project will also finance the services of an agricultural Policy Advisor as described on Section IV.B.1.a.

2. **Private Sector Component**

Technical assistance is also one of the primary inputs of this component. The Project will also fund salaries for new positions to be established in COHEP (see Section VI.A.) and some commodities.

a. **Technical Assistance**

A long-term technical advisor will work with COHEP in carrying out its policy analysis and expanded policy dialogue mandate. The advisor will be a highly respected individual with a strong economic background and thoroughly at ease with, and have knowledge of, the Latin American political and social milieu. The advisor will also guide the work of short-term technical expertise in the areas of economic policy analysis, organizational management and financial consolidation, public relations, and other areas which support Project activities. He/she will be contracted for a 36 month period, at which time COHEP's program should be established and operational.

b. **Staff Support**

In addition to the Executive Director (an existing position within COHEP), the Project will finance additional staff as noted below:

i. **Senior Economist**

This individual will be responsible for initiating and supervising all economic studies (contracted or in-house), and coordinating and providing assistance to the work of permanent and special commissions. The senior economist will have a graduate degree in economics, preferably both private and public sector experience, and be able to communicate effectively. He/she will be supported by a research assistant.

ii. Communications Specialist

The communication specialist will be responsible for planning and supervising the public affairs and communications activities of COHEP, including the organization of conferences and seminars, publications, public education campaigns, and media relations. He/she should be a senior public affairs/communications professional with an advanced degree and considerable relevant experience. He/she will be supported by an assistant.

iii. Government Affairs Liaison

This individual will be responsible for coordinating the activities of COHEP vis-a-vis executive agencies and Congress, of lobbying for COHEP and private sector interests with the Congress, of monitoring administrative and legislative regulations affecting the private sector, and of initiating and supervising brief analyses of laws and executive decrees. He/she will also organize a congressional luncheon series, in coordination with the Economic Policy Analysis and Communication Divisions, and provide staff support to COHEP representatives on governmental boards. The government affairs director will most likely be a lawyer by training, with public and private sector experience.

iv. Membership Promoter

He/she will be responsible for promoting the creation of new business associations and of working with existing associations to strengthen their membership services and broaden their reach. This promotor will recommend to the Board uses of grant funds for training, materials, meetings or seminars, or publications by existing and potential COHEP members. He/she will be an organizational specialist, possessing experience in institutional development activities.

v. Political Liaison

This person will serve as the liaison between the COHEP membership and COHEP technical staff. He/she will also serve as COHEP's spokesperson and main link with the media and press.

b. Commodities

Three computers and related hardware will be purchased, in addition to necessary software (e.g., word processing, spreadsheet, project management packages). In addition, a limited number of office purchases will be necessary such as additional desks, calculators, and copying machines.

3. Other Inputs

Project funds will finance evaluations, financial reviews, as well as miscellaneous activities and contingencies.

IV. PROJECT MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS

A. Project Administration

The Project's public sector and training component will be obligated through a bilateral agreement signed with the Ministry of Finance and Public Credit and the Central Bank. The private sector component will be obligated separately through a Cooperative Grant Agreement with COHEP.

1. Public Sector Policy Analysis and Implementation Component

a. Project Management and Procurement

The public sector structural reform and economic analysis sub-component will be administered by an institutional contractor, although approximately twenty-five person months of short-term technical assistance and thirty-six months of long-term technical expertise will be managed directly by the Mission, primarily to provide a bridge TA mechanism while the procurement of the institutional contractor is being undertaken. To tap local expertise, counterpart funds will be utilized to contract Honduran firms to provide technical assistance for selected activities.

The training sub-component will be managed directly by the Mission. This sub-component will be managed by a Chief of Party (Ph.D. level economist with experience in macroeconomic policy reform analysis and implementation), and a local administrative assistant to carry out day-to-day administrative functions. The Chief of Party, who will be contracted for a forty-eight month period, will be responsible for providing technical assistance to the Project's core institutions. He/she will also manage the short-term consultants, both Honduran and international, that will be provided through the institutional contract. This individual will be responsible for interacting with the GOH Project representatives, reviewing the work of all short- and long-term contractors, and acting as liaison between A.I.D. and the institutional contractor.

The institutional contractor will be selected through an A.I.D.-direct contract, with GOH participation in the selection, through normal A.I.D. Request for Proposals (RFP) procedures. This RFP will describe in detail the scope of work for the Chief of Party and a local administrative assistant and will describe illustrative areas of support that will also be required, both for short-term assistance and long-term efforts. In the course of Project implementation, the Mission will make specific requests for this assistance. In essence, the short-term technical assistance component of the contract will function similarly to a Mission Indefinite Quantity Contract (IQC). Although the long-term contractors will work closely with GOH counterparts and work under their guidance, they will report directly to A.I.D. Support for local costs related to rent, office equipment, supplies, and similar costs will be provided directly by the Mission through ESF local currency generation. Procurement will be carried out directly by A.I.D.

The training sub-component will be managed directly by USAID/Honduras through the Mission's training division, in conjunction with the Bureau of Science and Technology's International Training Division as described below.

b. Institutional Arrangements/Activity Selection

Project activities will be selected by the GOH and A.I.D. The GOH will establish a three-person Project Committee (PC) composed of the Minister of Finance and Public Credit, the President of the Central Bank, and, at the invitation of these two members, of the chief executive officer of any GOH institution making a specific request for assistance and/or another

institution chosen by the GOH. These individuals may delegate this authority, but delegation will be limited to individuals of senior rank who are actively involved in the programming and negotiations of the ESF program. All requests for assistance under the public sector component will be made through the PC (except for training). An A.I.D. official will be represented in the Committee to ensure that requests are fully in line with ESF program objectives and to advise the PC on technical/administrative aspects of the technical assistance program. Requests for assistance will be made from the PC to A.I.D., which will give final approval to specific requests and will carry out procurement arrangements.

Training proposals will be made directly to A.I.D. through the Committee, through line ministries or by the private sector. The A.I.D. Project Committee will select training candidates. All training requests will be assessed on the following criteria, inter alia: potential of candidate to assume a leadership role (as decision-maker and/or analyst in the GOH or in private sector organizations); demonstrated analytical need for the training requested; agreement between candidate and sponsoring institution on his/her return to the organization at the completion of training; and demonstration of sufficient academic or other experience to qualify for the proposed training.

Once final selections for training have been made by the USAID Project Committee, the Mission's Training Division will prepare a PIO/P for each participant. The PIO/P will be forwarded to the Office of International Training (S&T/OIT) in AID/W which will process it, and, along with its contractor, be responsible for carrying out all arrangements such as placement and monitoring of students. Upon receipt of a firm call forward notice from OIT, travel arrangements will be made, arrival notices sent, and participants will depart. Some orientation/remedial training is expected to be required by the participants, and some students will require English language refresher training, in which case OIT will identify the appropriate institution for each participant. If possible, English language training will be done locally.

The Mission will also prepare a PIO/P for each participant selected for regional training at INCAE. Following already established procedures for INCAE training, the PIO/P will be sent to USAID/Costa Rica which will handle all placement and monitoring of the students.

As noted in Section IV.B.2 above, to establish a sense of fraternity among trainees, and given the fact that training is likely to occur at various universities, the Project will provide funding for an institutional contractor to monitor the progress of trainees, provide guidance beyond that provided through the S&T international training mechanism, and bring together trainees during summers and other opportunities. Special programs will be developed at these times, including seminars and workshops on Central American and Honduras-specific economic issues (e.g., economic issues affecting export promotion in Central America). It is expected that this contractor will be a U.S. university.

Within USAID Honduras, the Office of Economic Policy Analysis (EPA) will have primary responsibility for Project implementation of the public sector component and overall responsibility for ensuring policy coordination within

the Project as a whole. A Project Committee will be established representative of USAID offices participating in Project implementation. On issues related to the public sector component, the Committee will be chaired by the EPA Project Officer. As noted in Section IV. D.1.d., the Project will also finance the services of a Project Liaison Officer to assist EPA in project implementation and coordination with the GOH. Activities specific to USAID technical offices will be managed directly by those offices with the policy coordination of EPA. For example, while working out of the Office of Agriculture and Rural Development, the Agricultural Policy Analyst/Liaison Officer will coordinate with the EPA Project Officer on, inter-alia, annual operating plans, joint analytic studies, overall agricultural policy agenda, and the utilization of short-term technical assistance.

2. Private Sector Policy Analysis and Formulation Component

a. Management

Activities under the private sector component will be managed directly by COHEP. To assist COHEP in implementation, an institutional contractor will be selected which will be procured by the Mission with the participation of COHEP. Similar to the public sector component, this institutional contractor will provide the services of a long-term project advisor and short-term expertise. Because COHEP does not have duty-free import privileges, procurement of required overseas commodities will be undertaken directly by A.I.D. COHEP will contract the services of a project officer to assist in project implementation. COHEP will be responsible for the contracting of additional staff members required under project activities and for any local procurement.

b. Institutional Arrangements

In addition to the Project Officer mentioned above, COHEP will establish an executive committee to oversee project implementation. The purpose of this committee will be to act as a liaison between the long-term advisor and other COHEP Project staff, and the COHEP Board of Directors and Management. COHEP will also contract for a project manager to oversee project activities. Within USAID/Honduras, the Office of Private Sector Programs will have overall responsibility for this component. Its assigned project officer will chair the standing Mission Project Committee on issues related to the COHEP component. Coordination of policy issues between the public and private sector components will be carried out through this Mission Committee as previously noted.

B. Methods of Implementation and Financing

Payment methods are well defined and follow the traditional approaches used by A.I.D. For the public sector component, all dollars will be disbursed directly by A.I.D. based on A.I.D.-issued contracts, including the institutional contract for technical assistance, and other documentation such as purchase orders. For the private sector component, A.I.D. will contract directly for the institutional contractor, with direct payment being made by A.I.D. No deviation from established A.I.D. disbursement procedures is anticipated. The following table indicates the implementation and financing method for each major type of assistance.

Table 2

METHODS OF FINANCING

1. TYPE OF ASSISTANCE	METHODS OF IMPLEMENTATION	METHOD OF PAYMENT	APP AMOUNT OF ASSISTANCE ($000)
PUBLIC SECTOR			
TA-Inst. Cont.	Direct AID Contract	Direct Payment	$3,000
TA-PSC	Direct AID Contract	Direct Payment	800
Commodities	Direct Purchase	Direct Payment	100
Training	Direct AID Contract	Direct Payment	3,000
Evaluation	Direct AID Contract	Direct Payment	100
		Subtotal	$7,000
PRIVATE SECTOR			
TA-Inst. Cont.	Direct AID Contract	Direct Payment	$1,408
TA-PSC	Direct AID Contract	Direct Payment	655
Salaries & Adm.Sup.	Grantee Contract	Direct Payment	1,720
Activities & Events	Grantee/Purchase	Direct Payment	980
Commodities	AID/Grantee Purchase	Direct Payment	60
Eval/Financial Rev.	Direct AID Contract	Direct Payment	177
		Subtotal	5,000
TOTAL PROJECT			$12,000

While audit coverage is best provided by the Inspector General, funds for financial reviews of both components have been budgeted in the event the IG cannot devote its staff resources at needed stages of Project implementation.

C. Implementation Plan

An implementation plan appears in Annex II.I

D. Evaluation

Approximately two formal evaluations will be undertaken for each component. The first will be carried out approximately in year two of the Project and will focus on administrative, project implementation issues and preliminary observations on Project impact. The second evaluation , to be carried out in year six, will focus more exclusively on the overall impact on project interventions. In addition, it is expected that more informal

stocktaking exercises will be carried out on a regular basis to examine both administrative and impact-related issues. Special attention will be focused on COHEP's fund-raising activities and overall movement towards self-sufficiency.

E. **Gray Amendment Considerations**

The Mission will take fully into account Gray Amendment considerations in the procurement of goods and services. Particular attention will be paid to 8a firms as a bridging mechanism between Project obligation and the arrival of the institutional contractor team under both components. Equal weight will be given to minority and disadvantaged firms in the selection of the institutional contractors.

VI. PROJECT ANALYSES

A. Financial Analysis

1. Project Budget

As illustrated in Table 3, the total Project budget is estimated at $15.4 million, of which A.I.D. will contribute $12.0 million and the host country (GOH and the private sector) will contribute $3.4 million. The A.I.D. contribution is divided as follows: the public sector component will consist of a $7.0 million grant financed through ESF resources, while the private sector component will consist of a $5.0 million Development Assistance grant (of which $4 million and $1 million will be funded from the Special Development Activities and Agriculture and Rural Development accounts, respectively). The GOH will contribute the approximate equivalent of $2.4 million while the Honduran private sector will contribute approximately $950,000. These estimates do not include in-kind contributions for the GOH (except salaries for GOH trainees) or volunteer hours for the private sector component. Nor does it include contributions toward the establishment of an endowment fund for COHEP (see discussion below). Estimated GOH/Private Sector contributions approximate 25% of total Project costs. However, even the most conservative estimates of in-kind, volunteer, or endowment contributions places the host country counterpart significantly above the 25% level. Annex II presents a breakdown of disbursement by year.

As can be observed from Table 3, technical assistance and training comprise the major budget items in the public sector component. Technical assistance has been estimated at $15,000 and $12,000 per person month for long-term and short-term technical assistance, respectively, fully-loaded under an institutional contract. Training costs have been based on the Mission's considerable experience to date. Costs estimates include $26,000 per annum for Ph.D. training (X 4 years) and $24,000 per annum for M.A. training (X 2 years). These costs include allowances for English language and remedial training. Detailed calculations for the Project are presented in Annexes II.G and II.K for the private sector and public sector components, respectively.

Technical assistance also comprises the major budget item under the private sector component. This includes not only the long-term technical advisor highlighted in Table 3, but also short-term technical assistance included under the component's activities in the Table. Including Project

management, approximately $2.0 million will be expended on technical assistance. Salaries and wages for COHEP's expanded professional staff also constitute an important budget allocation. Approximately $1.3 million are budgeted for salary expenses. The Project will finance technical assistance and salaries for new professional staff. COHEP contributions will cover operating expenses and administrative support. COHEP will also finance an increasing percentage of conferences, publications, and other planned events during the life of the project. As many of the components costs will be local expenses, a 5% inflation factor has been built in the budget estimates. Annex II.6 contains a detailed breakdown of estimates used to arrive at projected costs, including year by year estimates of expenses, and breakdowns by project activities as well as general funding categories. Contingency costs have been included in individual line items.

Table 3

ESTIMATED PROJECT BUDGET
(US $000)

	SOURCE OF FINANCING				
	A.I.D.		GOH	PRIVATE SECTOR	TOTAL
	FX	LC	LC	LC	
I. PUBLIC SECTOR POLICY ANALYSIS AND IMPLEMENTATION					
A. Technical Advisors	3,000	-	1,000	-	4,000
B. Equipment and Commodities	100	-	100	-	200
C. Training	3,000	-	-	-	3,000
D. Salaries and Adm. Exp.	-	-	1,000	-	1,000
E. Project Management	450	100	300	-	850
F. Project Liaison Officer	250	-	-	-	250
G. Evaluations	100	-	-	-	100
H. Audits			50	-	50
SUBTOTAL	6,900	100	2,450	-	9,450
II. PRIVATE SECTOR INSTITUTIONAL AND POLICY ANALYSIS STRENGTHENING					
A. Technical Advisor	525	130	-	-	655
B. Policy and Economic Analysis Strengthening	835	145	-	230	1,210
C. Policy Dialogue, Consensus-Building & Public Education	600	750	-	184	1,534
D. Institutional Consolidation	600	808	-	375	1,783
E. Administrative Support	-	210	-	161	371
F. Project Management	-	160	-	-	160
G. Evaluation and Financial Reviews	150	27	-	-	177
H. Endowment Trust Fund *	-	-	(1,000)	(1,000)	(2,000)
I. Commodities	60	-	-	-	60
SUBTOTAL	2,770	2,230	(1,000)	950	5,950
TOTAL PROJECT COSTS	9,670	2,330			
	$12,000		2,450	950	15,400

(*) will be obligated under separate Memorandum of Understanding with COHEP

2. Ability of COHEP to Sustain the Program

An important financial issue considered in Project design has been the ability of COHEP to support the program at the expiration of the grant, i.e., the financial viability of COHEP to continue a program of the type envisioned, in the absence of continued funding by A.I.D. COHEP's current financial resources are limited. In 1986-87, COHEP had a total income of just over $100,000 and expenses of approximately $85,000. The major sources of income were membership dues (75%) and donations (10%). The largest category of expenditures was salary (40%), followed by office rent and supplies (25%).

It is estimated that, to continue the program proposed by the Project, not including external technical assistance, project management and other A.I.D. Project-specific costs, COHEP's operating budget will be approximately $600,000 per annum by the end of the Project. Table 6 lists projected income and expenses in 1993, the planned grant expiration date.

TABLE 4
ILLUSTRATIVE 1993 BUDGET - COHEP

INCOME	
Membership Dues	$250,000
Services	40,000
Conference Fees	35,000
Donations	40,000
Capital Endowment Fund (interest income)	240,000
TOTAL INCOME	$605,000
EXPENSES	
Salaries	452,000
Office Space	73,000
Publications	40,000
Meetings and Conferences	18,000
Public Relations	4,000
Membership Support	10,000
Contingency	8,000
TOTAL EXPENSES	$605,000

For COHEP to match income with projected expenditures in 1993 it will require a significant income-generation initiative which will see income increase 500% from the current level of approximately $100,000. It will require positive confirmation of various key assumptions which are best discussed in the context of reviewing specific income line items included in Table 4.

The two major sources of income projected for 1993 are membership dues and the capital fund (endowment) interest. Membership dues are expected to increase to approximately $250,000 per annum from their current level of $75,000. This represents approximately a 28% increase per annum. COHEP will undertake, beginning in year one of the Project, a major fund-raising/donation campaign to increase membership income and capitalize the fund. Project-financed technical assistance will assist in its implementation. Using local currency resources generated from the ESF program (private sector component) USAID/H will agree, through a Memorandum of Understanding (MOU), to match COHEP's contributions on a pari pasu basis (or some other arrangement as agreed upon in the MOU) up to a specific amount of approximately $1,000,000 in local currency equivalent.(1) A.I.D., however, will not make these funds available until the end of the Project (and then only on a matching basis as previously agreed to with COHEP), at which time they will be combined with COHEP's capital fund to form an endowment of approximately $2.0 million in local currency equivalent. Generating approximately 12% per annum, the fund will provide COHEP with an operating income considerably above present levels. Including interest income, it is expected that COHEP will have to raise $500-750,000 in the five-year Project period to meet its matching contribution.

These projections--a 28% per annum increase in dues and a significant level of contributions for the capital endowment program are recognized as optimistic. Yet COHEP, and the consultants which reviewed budget and income plans, feel that they are attainable for several reasons. The private sector is eager for COHEP to carry out a dynamic, aggressive program as envisioned by the Project. There is also a strong consensus that the private sector will support this program--if COHEP can demonstrate that it is capable of implementing the program. While the legitimacy of COHEP is not questioned by the private sector at large, its ability to evolve from a relatively weak organization to that of a truly effective private sector representative is of concern to many businesspersons interviewed. Consequently, the key assumption of the fund-raising strategy is that the activities to be carried out by the Project will result in both a greater willingness on the part of existing association members to finance COHEP's core activities and that it will attract a larger and stronger membership base. More importantly, if COHEP can achieve its objectives, it is also assumed that it will be able to attract financial support from wealthy Honduran entrepreneurs who support its philosophy and goals, but prefer to remain outside of the formal structure of private business organizations. Several such individuals have stated privately that they would seriously consider such a possibility, as have several large Honduran and multinational enterprises.

It is in fact somewhat surprising that COHEP, given its recognized weakness, has been able to attract contributions of approximately $100,000 per year. Moreover, this has been accomplished with a passive income strategy. COHEP does not collect dues from many of its members, while others have informal arrangements by which payments are made based on their "ability to pay" rather than through established dues. Given COHEP's relative success in

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(1) A.I.D. recognizes that at the end of this Project Component, ESF local currency generations may not be available --or available in limited amounts. As a result, A.I.D. will review on a year by year basis the status of ESF local currencies to determine if the matching grant will be made on an annual basis subject to COHEP's raising of funds rather than provide a lump sum at the Project end.

generating income under these circumstances, there is room for optimism regarding its ability to increase income from existing and new members.

Another source of income is conference fees. The Project will finance most of the costs related to conferences and seminars. It is expected, however, that fees and contributions will finance an increasingly larger percentage of costs for these activities after year one. This is a reasonable assumption which should be attainable. COHEP also estimates that it will be able to generate approximately $40,000 through services provided to member organizations (it presently generates approximately $10,000 from services). The preparation of industry-specific feasibility studies and other analyses will contribute to this effort.

While COHEP is optimistic about its ability to generate sufficient revenues to sustain the proposed program, neither the Mission nor COHEP is naive about the difficulties involved in meeting this objective. Our experience with other USAID-assisted private sector organizations indicates that self-sufficiency is an illusive objective for which constraints have often been underestimated. COHEP, however, could possibly be in a better position than other private sector organizations. It is an existing institution whose legitimacy is already established. Its primary source of funding is not the sale of services to a narrow target group or an appeal to primarily altruistic interests. It will be soliciting revenues from a broad target audience (the Honduran private sector and multinationals that have invested in Honduras) which has the income capacity to generate the required revenue and which understands the economic and political impact that COHEP can bear. Nonetheless, it is clear that COHEP's objective of raising the required revenue to maintain a full-scale program will be a difficult undertaking which can be further complicated by a down turn in economic conditions in the country among other factors.

In analyzing the difficulty of the task ahead regarding self-sufficiency, several options were reviewed by COHEP and the Mission. One involved scaling back the program to an end-of-project operating level that might be more achievable. However, this option would compromise the opportunity that currently exists to generate significant policy reforms in Honduras as a result of the private sector's recent assertiveness in promoting private enterprise and in establishing a more market-oriented economy. It would further weaken the overall project objective of establishing greater effective demand for important policy and administrative reform measures that are associated with the ESF program. Another option considered was the establishment of a substantive endowment with A.I.D. financing at the beginning of the Project to ensure sustainability of planned COHEP operations. Yet, if COHEP becomes a truly effective institution, the business community should bear the financial responsibility of COHEP operations and not A.I.D. Hence, it has been decided to provide an endowment only on a matching basis at the PACD or on a year-by-year basis subject to the availability of ESF local currency generations (see footnote previous page). Finally, another option considered was to request a significant private sector contribution "upfront". It was generally agreed, however, that (as noted above) significant private sector financing is unlikely at this time in the absence of a demonstrable institutional turnaround by COHEP.

As a result of these considerations, the Project strategy with respect to the financial viability of COHEP operations is to provide seed capital (the A.I.D. grant) to turn COHEP into an effective institution that the private

sector will be eager to support financially. A.I.D. will further contribute to this effort through the capital endowment matching contribution of up to $1.0 million equivalent. During this time, COHEP will have to "sell" its programs to attract the needed income. A five year time frame appears to be reasonable for this objective. If COHEP has not managed to sell its programs to the private sector during this time frame, it will have to scale back its operation to match its revenues. Further USAID financial support would appear to be unwarranted at that time. However, even assuming a worse case scenario where COHEP falls short of its fundraising objectives, the Project will be successful if, in conjunction with the ESF program, significant policy reforms are undertaken during this time period. Furthermore, the Mission is confident that, again, even if COHEP falls short of its revenue goals, it will have a more efficient operation and in all likelihood a better funded one than at the present time.

B. Institutional Analyses Summary

1. Public Sector Component

During intensive review, institutional profiles were carried out on the public sector component's core institutions, the Ministry of Finance and Public Credit (MHCP) and the Central Bank (BCH). Summary reports appear in Annex II.E. The methodology used established separate working teams for each institution composed of three officials from the MHCP and the BCH and three USAID Project Committee members. Profile emphasis was on human resource and technical constraints. Perhaps more important than the written reports were frank discussions on these and other institutional concerns between USAID and GOH team members. The report and discussion findings are summarized as follows:

-- Both institutions have been relatively successful at implementing their (considerable) components of the ESF program to date. Nonetheless, staff is stretched quite thin in meeting assigned tasks and there is considerable concern about the introduction of new measures (and a greater workload), particularly at the MHCP.

-- One of the principal factors that reduces the ability of these institutions to conduct serious economic policy analyses is the relative scarcity of properly trained personnel (see Section IV.B.2, Training Component Description).

-- The MHCP (and to a lesser extent the BCH) suffer from organizational/analytical deficiencies. For example, only a handful of MHCP dependencies possess organizational and functional manuals, which clearly define their responsibilities, organizational linkages, and operating procedures. Because of this, operating procedures tend to vary between offices, there is a lack of inter-office coordination and collaboration, insufficient delegation of authority, and oftentimes a duplication of efforts. Moreover, there is a feeling among MHCP personnel that each office tends to act as an island, and responds only to directives radiating from the Minister.

-- One of the most often-cited problems by personnel from these institutions is the inadequacy of existing information services. Complaints range from the inadequacy or unavailability of data to carry out policy analyses, to its untimeliness when it is available.

-- Chronic underbudgeting results in limited resources for information collection/processing, research, training, observational travel, and other support functions for personnel and the policy formulation process.

-- There is a low degree of personnel turnover in these institutions. For example, 73% of the BCH' staff have been with the bank for over 5 years while 35% have been employed by the BCH for 10 years or more. While data provided by the MHCP are estimates, it appears that MHCP professional personnel also have an equally high longevity rates. Indeed, one indication that this is the case was demonstrated in the low turnover of staff at the MHCP following a new administration in 1986.

-- While the availability of financing has been a major constraint, both institutions have attempted to give priority to training. For example, the BCH currently has 30 trainees (10 in-country and 20 abroad) receiving some form of professional training. Both appear to have adequate policies regarding career mobility with respect to trainees.

Most of these institutional limitations within the BCH and the MHCP are known to the Mission. Indeed, the limited human resource base and similar constraints are the reasons for undertaking the proposed Project and will be addressed through Project interventions such as training. In spite of several debilitating features, the MHCP and the BCH are, as may be expected, the most cohesive, technically capable, and efficient entities in the Honduran government. There is a consensus within the GOH and USAID/H that they will effectively absorb Project technical assistance, training, and other interventions. With respect to MCHP activities, there is an important conclusion from the institutional profile and from the USAID-supported Development Administration Project that will be taken into account: given the lack of coordination and cooperation between offices, Project technical assistance must respond to the highest levels of the MHCP that command decision-making authority. In addition, while Project assistance has not been focused on specific institutional/administrative strengthening of these organizations per se, consideration will be given during Project implementation to discrete interventions that strengthen the operations of these key institutions.

The Project will be also work with other GOH institutions which are much weaker than the MHCP and the BCH and which suffer many of the constraints associated with the public sector: personnel turnover, politicization, low technical capacities. As noted in Section VI.D below, institutional profiles will be undertaken prior to the initiation of each activity to ensure that institutional issues and constraints are addressed and/or fully considered in the planned activity.

2. COHEP Institutional Analysis Summary

COHEP presently consists of 32 member associations which are listed in Annex II.H. Approximately 23 of these associations are active, dues-paying members. These associations encompass a diversity of economic and business interests (5 in agriculture, 8 in industry, 16 in commerce and services) and there is considerable differentiation among members. While some are strong (both in terms of finances, membership base, and activities), others are mere shells. The most powerful members of COHEP are the Chambers of Commerce of Industry of Tegucigalpa and its counterpart in the Department of Cortes (San Pedro Sula), and the National Association of Industrialists. As noted in Section VI.A, COHEP's financial resources are limited.

Several independent institutional analyses of COHEP have been prepared in recent years at the request of COHEP and, more recently, as part of the intensive review process.* Their conclusions may be summarized as follows:

-- COHEP is currently an extremely weak organization. Yet as previously noted, it is blessed with two important assets: (1) recognition by the GOH as representative of private sector interests on national economic issues, and (2) a general consensus among the private sector that COHEP should play an important role in promoting the interests of private enterprise and that COHEP must be diametrically turned around from existing as a mildly reactive force to a skilled, pro-active modernizing change agent.

-- COHEP needs to define carefully its objectives and overall mission. The stated goal of COHEP is the defense and promotion of the free enterprise system, insuring the democratic system and social well-being, and the economic development of Honduras. The current statutes authorize a wide array of objectives in support of this goal. It has been consistently observed by consultants, as well as COHEP members, that the current list of 12 objectives is too broad, and dilutes COHEP's mandate.

-- COHEP has a very elaborate and cumbersome organizational structure. While COHEP's organizational structure is probably adequate to its present level of activities, it might well prove unsuitable to a larger, financially stronger, more pro-active organization.

One of the first tasks for COHEP is to redefine its objectives and functions to delineate clearly its scope of activities. A new policy statement is needed which differentiates the purpose and role of COHEP from that of its member associations, and which limits COHEP's sphere of

* Presented as unattached Annexes III.A, III.B, and III.C. They include an analysis of COHEP carried out by David Miller in 1985 at COHEP's request (through the IESC) and intensive review analyses carried out by Jack Vaughn of Development Associates and Robert Bond and H. Estevez of ISTI and Arthur D. Little, respectively.

involvement to crosscutting economic policy issues which affect all sectors. The new statement should emphasize COHEP's role as the primary representative of the private sector on national economic policy issues, (such as constraints to savings and investment, foreign commerce, fiscal and monetary policy, and labor productivity). This will allow COHEP to establish a framework for its activities, prevent its possible misuse by member associations in pursuit of narrow sectoral interests, and assuage some members' concerns about unwanted intrusion by COHEP in sectoral problems. COHEP's redefined "mission" will also enable its leadership to identify critical economic policy issues a year or so in advance to guide more effectively research and studies, and to propose policy recommendations on governmental actions which might prove prejudicial to legitimate private sector interests. In effect, a clear statement of COHEP's goals and purposes will assist it in becoming an organization capable of setting the policy agenda and initiating dialogue, rather than reacting to government actions.

The second institutional requirement for COHEP is to reform its organizational and decision-making structure. The current decision-making structure is cumbersome, and will become more so as COHEP expands its activities. COHEP's leaders need to examine critically the authority and composition of the Board of Directors, the possible formation of a small executive committee to assist in the management of the organization, and the creation of Permanent and Special Commissions to address key economic policy issues in a systematic manner. Other issues that should be reviewed include the tenure of the President, and the current voting system (weighted on the basis of member contributions).

As part of pre-implementation activities, the Mission has provided COHEP with technical expertise to assist it in defining the institutional issues. As noted in Section VII below, definition of these institutional issues will be a condition precedent to disbursement under this component. One possible reformed organizational structure (currently being reviewed by the COHEP leadership) appears in Annex II.J.

C. Social Analysis

Public Sector - The public sector component does not affect present socio-cultural practices. Nor will implementation of the component activities introduce in any new, social-cultural practices. Therefore, it is the judgement of the Project Design Team that the public sector component of the Project is socially sound.

Given previous GOH emphasis on social development through direct public investment, activities supported under this component will seek to maximize recent social gains. The Project will support the strengthening of public sector entities which deal most closely with the development of economic policies that in turn directly benefit the whole of the Honduran population. While the bulk of the Project assistance to this specific component will be in

the form of technical assistance for studies, management and training, the impact of these activities, if successful, will be of great importance to the average Honduran. The Project will promote a policy environment conducive to investment and growth within Honduras that will, in the long-term, establish dynamic economic growth, create new employment opportunities and lower the cost of living.

Private Sector - In reviewing the social viability of the Project, the Project Design Team has attempted to answer a crucial question: is it likely that the Honduran private sector is ready and willing to assume a more dynamic leadership role in promoting market-oriented growth, given its traditional weaknesses? Indeed, the Honduran private sector's role in the policy analysis and subsequent dialogue with the public sector has been hampered by many constraints and institutional weaknesses*. These include regional and ethnic divisions, the "zero-sum" mentality shared by many in the private sector regarding economic policy formation, and an ingrained belief that the state must protect the private sector at large, and individual businessmen specifically through special "deals" and other incentives. Is there any evidence that this mentality is changing or can change in the near future? The answer is yes and appears to be influenced by several factors.

Foremost, the experience of import-substitution industrialization and the role of the state in promoting investment in the 1970s has left a bitter taste among many entrepreneurs not only for direct state intervention in the economy but for the system of backroom deals and business-public sector collusion which characterized those efforts. For example, the technical bankruptcy of the National Investment Corporation (CONADI)--holding company for most state-owned productive enterprises--and the subsequent scandal which played to front page headlines for weeks in 1986, indicated to many businessmen the danger of the old system. While only a handful of businessmen profited from questionable business practices related to CONADI investments, the entire private sector came under considerable attack for exploiting the Honduran people. The political implications of these and similar events have not been lost on most businessmen. Moreover, the economic stagnation of the 1980's contrast sharply with the boom of the 1970s -- led by statist policies and the old deal system. Indeed, there is a growing recognition that fundamental economic changes must be made.

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* Unattached Annex III.C, available in USAID/H project files, provides a concise analysis of the Honduran private sector.

Analysts have also observed a growing maturity on the part of the private sector as a result of the return to democracy earlier in the decade. The process of mutual adjustment and accomodation--the private sector to the government and the government to the private sector--has had many difficulties. In particular, it became apparent to many business leaders that effective economic management, within the context of growing pluralism and democracy, necessarily would involve a dialogue including an expanded set of actors. The actual reality of civilian governance fostered a growing realization among business elites of: the costs associated with leaving their affairs in the hands of traditional politicians and inept military officers; and the need for more systematic and direct participation in business-related government decision-making. As a result, the private sector has emerged to play an increasingly active role in the country's democratic political life. This is evidenced in an explicit choice by numerous successful business leaders to become openly involved in the country's politics through the traditional political parties--something which most had previously rejected.*

Another important indication of the growing assertiveness of the private sector in influencing economic decisions through the political system has been the growing importance of business associations such as COHEP and the Chamber of Commerce of Cortes in economic and political dialogue with the GOH, labor, and the military.

The shift to a more open nontraditional export-oriented economy has also added greater weight to the need to influence economic policy systematically. As private sector leaders examine investment decisions and options, it is increasingly clear that establishing an appropriate policy framework is necessary for these investments and to obtain a satisfactory return when they have been made.

The emergence of a growing private sector interest in systematically influencing the policy analysis and formulation process was confirmed in an intensive interview campaign with Honduran businessmen (interviews were also conducted with labor leaders and other groups). These interviews indicated a growing maturity about the need for the state to provide the proper working environment for investment to occur. The interviews suggest that this environment should have two dimensions:

-- better public sector efforts to understand and support the business environment through legislation and incentives conducive to the promotion of investor confidence; and

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* Many of these businessmen, while supporting their parties, readily identify themselves as representatives of business in a broad sense.

-- better and more skillful management of the affairs of the state relating to fiscal and monetary policy.

This growing perception on the part of the private sector does not mean that cultural and social barriers no longer exist with respect to establishing greater consensus within the private sector on major economic policy issues. Nor does it mean that the traditional attitudes affecting market-oriented growth are likely to disappear soon. The reality of the situation is that cultural and social barriers will likely affect the establishment of a more effective policy environment as envisioned by the Project. But they are not a limiting factor to achieving Project objectives. Moreover, the Project incorporates many elements designed to overcome these constraints. These include a public education campaign on the role of private enterprise; overall efforts to establish greater communication and dialogue not only between the private and public sectors but within the private sector itself; and the preparation of technical studies as a vehicle to discuss issues and achieve consensus on economic issues.

A final point regarding the social feasibility of the Project is that labor leaders interviewed, as well as public sector officials and representatives of the political parties, generally endorsed the idea of a strengthened COHEP. This endorsement was made within the context of employment promotion which is characterized as the leading problem affecting Honduras. In the opinion of labor leaders, if a strengthened COHEP can result in additional jobs over the medium-term, so much the better. But in addition to these and other concerns, the interviews with representatives of different sectors revealed an acceptance of COHEP's role as private sector representative that will well serve the sector in implementing the program.

D. Economic Analysis

The Project aims to establish a stable macroeconomic setting which includes an efficient allocation of productive resources which will increase the returns to existing resources, help increase domestic savings, contribute to detering the flight of capital overseas, and constitute a stimulus for attracting direct foreign investment and the return of Honduran capital abroad. An enhancement of the stock of economic expertise available to Honduras will help achieve such a macroeconomic setting by strengthening the country's capacity to analyze economic events and prospects, eliminate policy related constraints that inhibit or misallocate investment, and design and implement better economic policies.

To ascertain the potential impact of improving the economic policy setting it is useful to take into account that, four years ago, an assessment of policy-induced economic distortions in developing countries showed that, in the 1970's, countries with higher government induced distortions grew more slowly. It also showed that serious distortions lead to slower growth of exports and a greater likelihood of debt-servicing difficulties. In Honduras'

case, a recent assessment indicates that a policy reform package that involves changes in foreign exchange and trade policies has the potential of leading, throughout the five-year period following the adoption of the reforms, to average yearly export and real GDP growth rates more than double those achieved without the changes. Moreover, other studies have demonstrated that countries that have experienced an effective policy dialogue between the public and private sectors have experienced much greater growth than those that have not. Indeed, the transparent "partnership" (i.e., effective policies not just benefiting cronies of the political leadership) between the public and private sector has been identified as perhaps the leading element in the rapid growth of South Korea, Taiwan, Malaysia, Indonesia and other countries associated with the "Asian miracle."

While calculations of economy-wide production forgone as a result of resource misallocation are very difficult, scarce and subject to wide errors, studies of specific developing countries suggest that, if resource misallocation were corrected, the rise in GDP would range from no less than 2% to considerably over 20%. The wide range of forgone GDP estimates reflects the assumptions and methodologies used in different studies and, of course, conditions in specific countries.

Given the general acceptance of the importance of an effective policy environment on economic growth, an extensive economic analysis was not considered necessary. Nonetheless, to explore whether investing Mission resources in this Project meets conventional criteria used in the economic evaluation of projects, one has only to reason as follows. For 1986 Honduran GDP is calculated at approximately L7,237 billion. If one takes the extremely conservative estimate of 2% of production lost in 1986 because of resource misallocation, one could estimate that, if all misallocations had been corrected, GDP would have been higher by some L 144.7 million. Assume, moreover, that only 25% of that amount could be corrected in the medium-term through more appropriate economic policy advice. That would mean an increase in GDP of L 36 million. If all project resources, say the equivalent to L 24.0 million, were invested in a single year, and it took five years of training, analysis, policy advice and implementation to achieve the L 36 million rise in (1985 equivalent) GDP, the internal rate of return to the project would be at least 20%. Clearly, a very attractive return in spite of what amounts to a static and worst case scenario regarding the real impact of improved economic policies.

E. Technical Analysis

The need for sound policy reform measures in Honduras has been amply demonstrated in studies carried out by the GOH, A.I.D., and international organizations such as the IMF and the IBRD. It is from such analyses that the ESF program goals and objectives and structural reform measures have been generated. From this perspective, given the serious deficiencies affecting the policy-making process in the country, the need to respond in a flexible and timely manner to undertake necessary policy studies and administrative reforms is generally accepted and requires no further technical justification.

Each proposed activity under the Project's public sector component, however, will be reviewed for technical appropriateness, including proper identification of the precise problems affecting policy reforms, and an evaluation of the appropriateness and sustainability of the proposed Project interventions. Analysis of these issues will permit specification of the critical analytical, administrative, legislative and regulatory constraints affecting policy reforms, and judge the adequacy of the proposed Project strategy and interventions.

VII. NEGOTIATION STATUS, CONDITIONS, AND COVENANTS

A. Negotiation Status

The GOH and the Mission have carried out an extensive economic policy dialogue in recent years, primarily through the ESF program. Through the structural reform measures incorporated in the GOH economic program and adopted by ESF conditionality, a clear understanding exists between the GOH and A.I.D. on priority measures and on the need for technical assistance to assist the GOH implement the program. Discussions have also been carried out at various levels (i.e., Mission Director and Ministers, as well as at a technical level) regarding the implementation mechanisms herein described. Accordingly, the Mission expects that the public sector component will be obligated shortly after the Project is authorized.

The Mission has also established a productive dialogue with COHEP regarding its plans and projections. Discussions have been carried out through a period of several months and have led to a mutual understanding of the organization's requirements and the responsibilities of the parties in the course of project implementation. The COHEP Board of Directors formally approved the COHEP proposal which includes the principal elements described in the private sector component of this PP. Accordingly, we also expect prompt obligation of the cooperative agreement with COHEP shortly after authorization.

B. Conditions Precedent to Disbursement and Covenants

Given the existing level of dialogue between the GOH and A.I.D. on the ESF program, the public sector component will include only the standard conditions of legal opinion and representatives, including members of the Coordinating Committee.

The private sector component will include, except for technical assistance financed directly by A.I.D.:

- -- conditions related to COHEP's internal management systems, particularly accounting and procurement procedures; and
- -- a detailed first year budget and operational plan.

C. Covenants

The GOH will covenant to provide financial support for public sector trainees and ensure that they return to jobs in their existing institutions comensurate with their training. COHEP will covenant to:

-- promulgate a concise revised statement of its objectives, focussing on representation of the private sector, building consensus on national economic policy issues, and strengthening private sector associations;

-- establish a major fund-raising drive with the objective of increasing operating income and the establishment of a capital endowment program; and

-- undertake organizational reform measures necessary to streamline its organizational structure and improve its efficiency.

ANNEX I
Exhibit A

Certification Pursuant To Section 611(e) Of The Foreign Assistance Act Of 1961, As Amended

I, Carl H. Leonard, the acting principal officer of the Agency for International Developmer' in Honduras, having taken into account among other factors the maintenance and utilization of projects in Honduras previously financed or assisted by the United States, do hereby certify that in my judgement Honduras has both the financial capability and human resources capability to effectively maintain and utilize the capital assistance project: Policy Analysis and Implementation.

Carl H. Leonard
Acting Mission Director
USAID/Honduras

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5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded from Development Assistance loans; and B(3) applies to projects funded from ESF.

The country checklist for FY87 is included in the Forestry Development Project.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1987 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project.

   A Congressional Notification was submitted by A.I.D. on July 27, 1987.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

   Items 2(a) and 2(b) have been completed.

3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

   No further legislative actions required.

4. FAA Sec. 611(b); FY 1987 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

   N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	The project will encourage 7(b); will be neutral on 7(a), (c), (e) and (f); and take measures to prevent 7(d).
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	A major portion of the technical assistance will be procured from U.S. source. Also, the project will encourage increased private sector investment (U.S. and domestic) through policy reform efforts.
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	Honduras has agreed to provide counterpart financing to the extent possible.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No

11. FY 1987 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity — N/A

12. FY 1987 Continuing Resolution Sec. 558 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers? — N/A

13. FY 1987 Continuing Resolution Sec. 559. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? — No

14. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded, by helping to increase production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of

A.I.D. Environmental regulations have been followed. The Project received a negative determination for the Threshold Decision.

U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

15. FAA Sec. 119(g)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? — No

16. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate sysem for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? — N/A

17. FY 1987 Continuing Resolution Sec. 532. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? — No

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and

The project will result in increased private sector participation in economic policy analysis and implementation. The poor will be encouraged to actively participate, to the extent desired; by promoting economic structural reform efforts, the project will support Honduran self-help measures.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used? — Yes

c. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? — N/A

d. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to whch the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? — Yes

e. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? — Yes

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	The project will include a private and public sector training component that will seek to strengthen not only individuals' capabilities, but also create a professional cadre within their respective private/public sector institutions where they work.
g. FY 1987 Continuing Resolution Sec. 540. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?	No
Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?	No
Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No
h. FY 1987 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?	No
If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?	N/A
i. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes

j. FY 1987 Continuing Resolution. How much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

Competitive procedures will encourage participation of these groups.

k. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

l. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

N/A

m. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water

N/A

control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.	The assistance is in the form of a grant.
b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?	No assistance will be provided for production purposes.
c. FY 1987 Continuing Resolution. If for a loan to a private sector institution funds made available to carry out the provisions of FAA Sections 103 through 106, will loan be provided, to the maximum extent practicable, at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds?	N/A
d. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?	The project will enhance the quality of policy analysis and formulation and implementation carried out by selected public sector institutions and, provide assistance to the private sector to enable it to seek a more coherent policy agenda.

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?	Yes
b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?	No
c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction, operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlateloico"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?	No
d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?	N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Yes, normal A.I.D. procedures will be followed.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?	Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	Honduras does not practice such discrimination.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those	N/A

countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? — No

7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? — Yes

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? — Yes

9. FY 1987 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? — Yes

10. FY 1987 Continuing Resolution Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? — Yes

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? — N/A

   FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — N/A

   FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? — N/A

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? — N/A

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? — N/A

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? — Yes

4. Will arrangements preclude use of financing:

	FAA Sec. 104(f); FY 1987 Continuing Resolution Secs. 525, 540. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion?	Yes
b.	FAA Sec. 483. To make reimburse-bursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?	Yes
c.	FAA Sec. 620(q). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?	Yes
d.	FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes
e.	FAA Sec. 662. For CIA activities?	Yes
f.	FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	Yes
g.	FY 1987 Continuing Resolution Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?	Yes

h.	FY 1987 Continuing Resolution Sec. 505. To pay U.N. assessments, arrearages or dues?	Yes
i.	FY 1987 Continuing Resolution Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?	Yes
j.	FY 1987 Continuing Resolution Sec. 510. To finance the export of nuclear equipment, fuel, or technology?	Yes
k.	FY 1987 Continuing Resolution Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	Yes
l.	FY 1986 Continuing Resolution Sec. 516. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?	Yes

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ANNEX I
Exhibit C

CONSEJO HONDUREÑO DE LA EMPRESA PRIVADA

Edif. San Miguel, 5o. piso, Barrio La Plazuela
Tels.: 22-4371 — 22-4367 Apdo. 133 C, Cable COHEP
Tegucigalpa, Honduras, C. A

COHEP/TGU/135/87.

27 DE AGOSTO, 1987.

OFFICE	ACTION	INFO
DD		/
DAD		/
MGT		/
M/CTR		
M/CM		
M/FS		
DP		/
DF		/
CONT		/
RD		
[illegible]		
H[illegible]/[illegible]		
H[illegible]/I		
H[illegible]/P		
HRD/FI[illegible]		
PSP	PSP	
EPA		
ENCR		
RIG		
HHUCO		
CP ON		/
REA[illegible]		/
OTHER		
C&R		
DUE DATE 9/7		
ACTION TAKEN		
ATTACHMENTS YES/NO		
INITIALS		

Señor
John Sanbrailo
Director de la Misión
A.I.D.
SU DESPACHO
Tegucigalpa.

Estimado Señor Sanbrailo:

Me complace entregar a Usted la propuesta del Consejo Hondureño de la Empresa Privada (COHEP) mediante el cual nos comprometemos a llevar a cabo un programa para fortalecer la capacidad del sector privado de Honduras para analizar la política económica nacional, dinamizar el liderazgo del sector empresarial para realizar un diálogo más a fondo con el sector público, y concientizar al pueblo hondureño de la vital importancia del sector privado empresarial en el desarrollo nacional.

En el contexto del referido programa, nos proponemos desarrollar tres actividades nuevas dentro del COHEP con el apoyo financiero de la A.I.D.- La primera será el fortalecimiento de la capacidad del COHEP para identificar y analizar aspectos de la economía nacional y las políticas económicas emitidas por el Gobierno de la República, de manera tal que se facilite tanto el entendimiento de las mismas, como el reconocimiento del importante impacto de estos aspectos y políticas en el desarrollo económico y social del país.- La segunda actividad será para reforzar el papel del COHEP como de vocero del sector pribado empresarial del país, consolidar el apoyo de la opinión pública, y buscar medios efectivos de comunicación entre el sector privado y el gobierno; propiciando un diálogo entre los dos sectores en forma bien sistemática y organizada.- La tercera será para realizar una reestructuración y fortalecimiento del Consejo mismo y de los miembros del COHEP, con el objeto

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Tegucigalpa, Honduras, C. A.

de incrementar su representatividad y efectividad como asociaciones aglutinantes de los intereses del sector privado empresarial hondureño.

Para efectos de la ejecución del programa, deseo expresarle que mantendremos presente la necesidad de seleccionar aspectos y areas de análisis, considerando cuidadosamente los intereses generales de las distintas organizaciones que constituyen la membresía del COHEP, de modo que siempre se traten tópicos de interés nacional que contribuyan a la consecución de los objetivos del desarrollo del país y del sector privado empresarial de Honduras.

Para los mismos efectos, deseo también manifestarle que estamos de acuerdo en establecer y mantener un sistema de contabilidad y administración presupuestaria que cumpla con los requisitos de la A.I.D.- Asimismo, nos comprometemos a preparar un plan de trabajo y presupuesto para el primer año del programa como requisito previo para que este programa entre en vigor.

Por otra parte, como una previsión especial para la ejecución del programa, el Consejo Hondureño de la Empresa Privada se compromete a revisar dentro de un año de la firma del acuerdo de cooperación con la A.I.D., los estatutos de la institución y a modificarlos de ser necesario para adecuarlos a los objetivos del programa.- Asimismo, en el plazo de los primeros seis meses a partir de la firma del acuerdo, el COHEP realizará cualquier reforma estructural u organizacional considerada necesaria para la operación efectiva del Consejo; también el Consejo incrementará sus esfuerzos para reunir un fondo de contrapartida antes del fin del año 1992 por la cantidad en Lempiras equivalente a un millón de dólares de los Estados Unidos.

En nombre del Consejo Directivo y de los miembros del COHEP en general, quisiera asegurarle que estamos conscientes de la responsabilidad que asumiremos con la firma del acuerdo de cooperación con la A.I.D., y que solamente lograremos las

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metas establecidas en el programa mediante la dedicación al trabajo con voluntad y esfuerzo constante.- Tengo la plena confianza que trabajando conjuntamente y con la valiosa colaboración de esa Misión de la A.I.D., lograremos los objetivos trazados.

Muy atentamente,

DR. JORGE GOMEZ ANDINO.
Presidente.

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COHEP
Tegucigalpa, Honduras, C.A.

cc: Archivo.
DJGA:lded.

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ANNEX 1
Exhibit D

INITIAL ENVIRONMENTAL EXAMINATION

PROJECT LOCATION:	Honduras
PROJECT TITLE:	Policy Analysis and Implementation (522-0325)
FUNDING:	$15,500,000
LIFE OF PROJECT:	Seven Years: FY 1987 through FY 1994
IEE PREPARED BY:	Lynn Sheldon, USAID/Honduras Environmental Officer
DATE:	March 28, 1987

ENVIRONMENTAL ACTION RECOMMENDED:

It is recommended that a negative determination be made for this Project. Since the Project will only provide technical assistance, training and small commodity procurement, in agreement with Environmental Procedures, Regulation 16, Section 216.3 (a), no further Environmental Examination is required.

CONCURRENCE: _____ _____ 8/87
Carl H. Leonard — Date
Acting Mission Director
USAID/Honduras

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM : LAC/DR, Terrence J. Brown

SUBJECT: Delegation of PID Approval Authority to USAID Honduras Policy Planning and Institutional Development (522-0325)

Action Requested: USAID/Honduras requests a delegation of authority to approve a Project Identification Document (PID) and authorize the Policy Planning and Institutional Development Project (522-0325) planned for obligation in FY 1987.

Background: A project description for the subject project was included in the Honduras FY 1987 ESF Program Concepts Paper reviewed on January 23, 1987.

The project is directed towards solving the difficult problem of a limited number of adequately trained personnel capable of formulating short- and long-term economic policies. It will also facilitate improved use of existing and newly developed human resources. Presently within the Government of Honduras (GOH), a variety of disparate policy units (e.g., the Superior Council of Economic Planning -- CONSUPLANE, the Central Bank, and the Economic Cabinet) are involved in policy planning and analysis. Without a formal mechanism to coordinate the activities of these entities, macro-economic and sectoral specific issues are addressed in a piecemeal fashion with little attention given to overall policy coherence.

Within the private sector, several organizations (e.g., the Honduran Council for Private Enterprise -- COHEP, and the National Association of Industrialists -- ANDI) lobby for the implementation of economic policies beneficial to their members. However, none of these organizations have adequate technical capability, staff, or resources to properly research and analyze alternative policy options, lobby effectively for the private sector with the GOH, or coordinate among the different private sector institutions and organizations. Hence, the private sector's participation in the country's policy analysis and formulation process is minimal, and there is little coordination between the public and private sectors in the development of a coherent economic development strategy.

Discussion: The project purpose is to build a capacity within both the public and private sectors to analyze, develop, and implement coherent and consistent short- and long-term economic policies.

The project will fund three integrally related components: (1) the establishment of policy planning capacity within the public and private sectors; (2) the carrying out of discrete research studies on key policy questions in a coordinated and effective manner; and (3) training and professional development.

Policy analyses will be conducted on issues which have macro-economic importance as well as matters which have sectoral-specific implications. The studies will be designed to provide decision makers with options for action on critical economic issues.

The research studies will focus on analyses of issues related to the macro-economic problems facing the economy as well as questions which have a sector specific focus, inter alia, public utility pricing, the foreign investment environment, the role of the private sector in the investment selection process, interest rate policy, and labor laws. Training and professional development activities will be directed towards formation of a corps of Honduran economists trained at the Ph.D. level and capable of understanding and implementing the short and long term policy options chosen by decision-makers.

The three-year project will be funded at the $5 million level with a combination of projectized Economic Support Funds and Development Assistance resources.

Authority: - In accordance with Section III, Delegation of Authority No. 753, USAID Honduras has the authority to authorize projects not exceeding $20 million over the approved life of project. However, the Bureau policy has been to include project descriptions in annual Action Plans for AID/W review prior to authorization of PID approval in the field. A project description for this project was not included in the Mission's FY 87-88 Action Plan.

In accordance with Section 6 of Delegation of AUthority No. 400, you may redelegate to Mission Directors the authority to authorize a project at your discretion and in accordance with criteria established by the Bureau.

Recommendation: - That you approve the USAID Honduras request for delegation of authority to approve a PID and authorize the Policy Planning and Institutional Development Project (522-0325)

Approval _____

Disapproval _____

Date FEB 2 - 1987

POLICY ANALYSIS AND IMPLEMENTATION
Logical Framework

Life of Project Funding
From FY87 to FY94
Total U.S. Funding $12 million

	Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
A.1	Goal	A.2 Measurement of Goal Achievement	A.3 (As related to goal)	A.4 (As related to goal)
	To promote sustained economic growth and stability.	Improved economic and fiscal performance as measured by, inter alia: a. Higher real GDP growth rates over the medium-term. b. Lower fiscal deficit as a percentage of GDP. c. Lower current account deficit in balance of payments as a percentage of GDP.	- Central Bank - Project monitoring - GOH reports - IMF/IBRD reports - Economic indicators	- Continued economic, social political stability in Honduras and Central America. - Productive policy dialogue between A.I.D. and GOH continues. - Political climate favorable to private sector investment.
B.1	Purpose	B.2 End of Project Status	B.3 (As related to purpose)	B.4 (As related to purpose
	To strengthen Honduran capacity to formulate and implement economic policies and administrative reforms.	Significantly increased capacity on the part of the GOH to undertake economic analysis and implement policies as evidenced by policy studies and policy changes in the areas of foreign trade, customs administration, public sector expenditures, and export competitivenes.	- Project monitoring - Project evaluation - Consultants reports - Economic reports	- Leadership stability within the GOH. - GOH continues to implement economic reform package.
		Strengthened private sector organization, COHEP, with increased membership, increased financial support from members, development of professional economic research capacity, published information and conferences establishing COHEP's position on economic policy issues and visible efforts by COHEP to influence national economic policy.	- Copies of Reports - Attendance at conferences	- Continued efforts by COHEP to revitalize its organization and construct private public dialogue on economic growth. - Continued private sector willingness to participate in policy reform process.

POLICY ANALYSIS AND IMPLEMENTATION
Logical Framework

Life of Project Funding
From FY87 to FY94
Total U.S. Funding $12 million

Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
C.1 Outputs	C.2 Output Indicators	C.3 (As related to outputs)	C.4 (As related to outputs)
Enhanced human resource base	10 Ph.D.s in economics 25 MA/MS in economics/public admin. 15 international short-term training	- S&T/HRD progress reports - Project monitoring	- Trainee nomination, selection and placement proceeds in timely fashion.
Analyses of key problems affecting the private sector	3-4 studies per year	- Copies of analyses	- Continued private sector participation - Identification of key problems in a timely manner.
Analyses of key problems areas affecting the national economy	Policy studies in the areas of public sector finance, export competitivenes, customs administration, and foreign trade.	- Copies of studies	- Contracting of T.A. in timely fashion, good coordination between A.I.D., the GOH, and contractor team
Improvements in public sector operations	Reduction of expenditures in public sector operations, Increased productivity in public sector operations.	Independent annual audits of public sector agencies presentation of annual reports on efficiency of public sector. Semesterly production of financial operation statements by decentralized agencies in accordance with accounting standards used by IFIs.	- Continued GOH efforts to rationalize public sector operations
Public dissemination of information regarding the need for private savings and investment for economic growth, the role and meaning of private enterprise and private sector views on public policy	Conferences and published reports from COHEP on economic and fiscal policy, pamphlets, newspaper articles or radio coverage on the role of private enterprise in the economy.	- Copies of reports. - Attendance at conferences	- COHEP efforts to revitalize its organizations and lead public private dialogue on economic growth.

D.1 Inputs

(See Project Budget page 37)

ACTION MEMORANDUM FOR THE ACTING MISSION DIRECTOR

FROM: Danilo Cruz-DePaula, DF
Kevin Sanderson, DF

THROUGH: Lars Klassen, DF

SUBJECT: Authorization for the Policy Analysis and Implementation Project (522-0325)

DATE: August 27, 1987

Action Required: Authorization of $12.0 million in grant funds ($7.0 million ESF and $5.0 million D.A.) over a seven year period for the Policy Analysis and Implementation Project.

Discussion: The purpose of the project is to strengthen the Honduran capacity to formulate and implement economic policies and administrative reforms. Specifically, the Project will positively impact on the Government of Honduras' (GOH) ability to design and implement its macroeconomic program and structural reform measures included in the Economic Support Fund Program. Successful implementation will result in an improved capacity by the GOH to undertake policy analysis and administrative reforms in areas of crucial importance to the Honduran economy. The Project will also increase the capability of the Honduran private sector to establish an effective policy dialogue with the GOH, and promote more efficient market-oriented policies. Accordingly, the Project will consist of two interrelated components.

The first is the Public Sector Policy Analysis and Implementation Component. This component will address the human and technical resource gaps inhibiting effective policy analysis and formulation by financing technical expertise to assist policy analysts already working in the GOH. It will also include graduate level and short-term training in economics and other related disciplines to strengthen the Government entities supporting policy formulation and implementation.

The second component is called Private Sector Policy Analysis, Consensus-Building and Education. This component will focus on improving the capacity of the private sector, through the Honduran Private Enterprise Council (COHEP) and other private sector institutions, to formulate and lobby for market-oriented policies which stimulate private enterprise activities and promote economic growth. Activities under this component will be geared to overcoming the principal private sector constraints to effective participation in the policy process, inter alia, increasing private sector input in policy formulation, and realizing greater private sector coordination. This will be accomplished through the provision of TA which will work with COHEP in carrying out its policy analysis and expanded policy dialogue mandate.

The public sector component will consist of a $7.0 million bilateral grant financed with ESF resources, while the private sector component will consist of a $5.0 million Cooperative Agreement financed with a Development Assistance grant. The GOH and the private sector will provide $3.4 million in counterpart resources (See below for discussion on counterpart contribution).

Project Paper Review: The Project Paper was reviewed on July 31, 1987 and on August 4, 1987. The Mission Director approved the PP in principle subject to changes in a number of areas as discussed below. The key issues centered around four areas including the private sector component, resource levels for several project activities, project management, and issues related to training.

1. Private Sector Component: One of the issues raised during the review was the appropriateness of COHEP as the lead institution in implementing the private sector component and whether it was indeed the primary representative of the private sector in policy-related issues. The Project Committee (PC) pointed out that COHEP, while not the strongest of private sector institutions, was the most representative and, as such, was already seen by both the private sector and the GOH as the legitimate representative of the private sector. Hence, the PC determined that COEHP is an appropriate vehicle under this project for private sector involvement in policy formulation.

A related issue was whether sufficient resources were being reserved to strengthen COHEP's member organizations through the project, and the possibility of encouraging organizations other than business associations to become members of COHEP. On the first point, it was decided that sufficient resources were being assigned for organizational strengthening. Numerous associations affiliated to COHEP are very strong (i.e., CCIC, ANDI). Others would require assistance, but the project envisioned this type of effort. Finally, there was a consensus that neither the project, nor COHEP, should try to salvage organizations which indeed may have little support from members. On the second point, the review committee decided that we should not encourage membership status for corporations because of the danger of COHEP competing with its member organizations, and the possibility of several strong companies dominating the organization. (Corporations could join either COHEP or the various business associations which comprise COHEP's membership, therefore, a risk of conflict between COHEP and its members would exist.)

An important issue was raised regarding the possibility that the private sector might use the project to exact special privileges from the government rather than promoting market-oriented policies. The problem of building a private sector consensus on policy issues was also raised. On the special privileges, it was pointed out that the number of COHEP

member organizations (32) and their varied interests, as well as an increased capacity for independent technical competence, provided checks and balances against this danger. It has been and will be difficult for COHEP to support the special interest of only a few members. On the consensus issue, it was argued that there are numerous broad economic issues that COHEP will be able to analyze. While consensus may not be possible on all issues, more important is establishing an understanding of the issues involved in economic policies by Honduran society at large. The enhanced debate and greater understanding of economic issues will be extremely important in Honduras' future economic growth.

The issue was also raised as to whether COHEP is in fact likely to achieve financial self-sufficiency by the end of the project. It was agreed that the COHEP and consultant projections discussed in the Project Paper are optimistic. But the consensus was that the primary objective of the project is to achieve policy reform over the next six years. If that is accomplished, and COHEP becomes a more efficient institution, as is expected, the project will be a success even if COHEP must eventually scale back its operations to bring them in line with generated income.

A final related issue was the substantive administrative and policy changes that needed to be made in COHEP (such as the voting rules) and whether these should be Conditions Precedent. It was decided that this was a delicate area and that these would be put into the agreement as covenants, while continuing to maintain a productive dialogue with COHEP on these issues.

2. Management of the Public Sector Component. Issues related to project management have a number of facets. First discussed was the management of the institutional contractor/TA team by the Mission instead of the GOH. The PC indicated that, even though from political and institution-building considerations it might be desirable to have the GOH manage the team, it was more appropriate to have the team managed by A.I.D. but emphasizing GOH participation at all levels. During intensive review it was felt that, given GOH desires to have the project implemented as part of the ESF program, and given the fact that the ESF program is coordinated from the President's Office, this was not a practical level from which to manage a TA team. Moreover, since there are a number of ministries involved in the program, it was felt that placing the management responsibility in any one ministry might cause institutional rivalries and make management of the project more difficult. It was agreed that the team would be managed by the Mission with close coordination with the GOH through a Project Committee composed of representativies of the Central Bank, Ministry of Finance and Public Credit and A.I.D. The Project Committee will approve all contractor scopes of work and advisors under the contract and will also work closely with the Chief of Party of the contractor team to coordinate the provision of technical assistance.

A second issue discussed was whether or not the proposed committee system might be cumbersome and difficult to manage. It was agreed that the committee system was likely to be more problematic than other implementation mechanisms, but that it was necessary because of the need for the Central Bank (BCH) and the Ministry of Finance and Public Credit to view the policy issues being analyzed from the same perspective. Moreover, given direct management of the TA team by A.I.D., it is a useful mechanism to ensure GOH involvement in implementation. It was decided that the Project Agreement should clarify the delegation of authority within the committee and limit this to delegation by the Ministers to Vice-Ministers (or other appropriate high level officials) in order to get the highest level political support to the project and make the system run smoother.

Finally, issues were raised regarding overall management and policy coordination within the Mission. It was agreed that while PSP, RD, and other technical offices were responsible for day-to-day operation of their sector components, EPA will be responsible for overall policy coordination. The mission project committee will be chaired by PSP, EPA or other offices depending on whether the issue deals with the public sector component or the private sector component. EPA will coordinate all policy studies and provide guidance on issues concerning economic policy.

3. Agricultural Policy Analysis. The major issue here was whether or not the planned level of effort in the agricultural policy area is sufficient. It was decided that adequate resources were budgeted to permit analysis of numerous important policy issues. Nonetheless, there was a consensus in the PC that the Mission may wish to go beyond the current level of effort in the future. Should this prove to be the case, the PP and its budget will be amended accordingly. Wording to this effect has been incorporated in the PP. At the suggestion of the Mission Director, it was also decided to finance under the project a position for an agricultural policy planning advisor. This person could be a PSC or someone from the Joint Career Corps (JCC) outside of the institutional contract, and will serve as an advisor to both the GOH and the Mission on agricultural policy matters and serve as a Liaison Officer for agricultural policy issues.

4. Training. The salient issue here was the management of the graduate level trainees. Specifically, what would be the best approach to ensure cohesiveness and create a sense of fraternity among trainees as was done, for example, by Arnold Harberger of the University of Chicago with students from Chile and other countries that became leading economic policy makers? It was felt that the best way to accomplish this was to have a single university manage the group (even though the students could go to different universities), plan seminars and summer programs, help

them with thesis subjects, and sponsor other activities which will create a bond between the students. It was made clear, however, that because of ceilings on administrative costs and the high cost of university management of such programs, the Mission might have to use a regular trainee management firm that could not provide the special kind of services we are looking for. After a thorough review of alternatives, it was decided that we will use A.I.D.'s existing training programs through S&T/IT. This system will be further strengthened by a contract with a university or firm to provide the special services of managing the trainees as a group to create the cohesiveness and group "mystique" for which we are looking. This contractor will provide special summer programs, initiate seminars and workshops related to Honduras-specific economic issues, and provide other types of services. It was also decided that the project should be extended to a seventh year to accommodate Ph.D. training.

5. Counterpart Contributions. Subsequent to the PC review, the Mission further considered the question of overall counterpart contribution which jointly (i.e., public and private sectors) equals twenty-two percent rather than twenty-five percent. Given the separation of the project into two distinct activities, the Mission decided that, in fact, public and private sector contributions should not be counted together. With this understanding, the public sector meets its twenty-five percent contribution required by A.I.D. policy. However, the private sector contribution (i.e., COHEP) is less than this.

The private sector component will be signed with COHEP using a Cooperative Agreement. Handbook 13 does not discuss counterpart requirements under such an agreement. However, general Mission policy has been to require all recipients to contribute twenty-five percent to the total life of project cost with no distinction being made for a Grant or a Cooperative Agreement. COHEP has demonstrated a commitment to participate fully in the project and to commit, as possible, all their sources of funding to support the project. Even though COHEP falls short of the twenty-five percent requirement, we recognize that it is not possible in all cases to get a full counterpart contribution. Constraints such as they are within Honduras make it extremely difficult for private sector organizations to be able to meet the counterpart requirement -- sources of funds simply do not exist. Given COHEP's stated commitment and, an understanding by COHEP that it will raise approximately $1 million over the life of the project as a measure of self-sufficiency, Mission management concurred with the exception that COHEP not be required to meet the twenty-five percent counterpart contribution.

Congressional Notification: The Notification was sent to Congress on July 27, 1987 and expired on August 10, 1987.

Authority: The USAID/Honduras Director may authorize a project under $20 million pursuant to Delegation of Authority No. 753 dated September 1, 1986, provided that the project does not present any significant policy issues, does not require issuance of waivers that may only be approved by the Administrator or Assistant Administrator, or does not have a life of project in excess of seven years. As the Cooperative Agreement with COHEP exceeds $100,000, an ad-hoc redelegation of authority is required from AID/Washington to obligate the Cooperative Agreement. In addition, a waiver of competition for Cooperative Agreements is also required from the AA/LAC. This delegation of authority was received August 22, 1987, and a waiver has been requested.

Obligation of the private sector agreement will be postponed until a favorable reply is received. Per consultations with the RLA, however, you may authorize the project prior to receipt of the requested waiver from AID/W.

Recommendations: That you sign the attached document authorizing $12,000,000 in grant funds over a seven year period for the Policy Analysis and Implementation Project.

Approve: _____

Disapprove: _____

Date: 8/28/87

ECONOMIC RATIONALE FOR FY 1987 STRUCTURAL REFORM MEASURES

MEASURE BY MAJOR CATEGORY	EXPLANATION/DISCUSSION
A. Rationalize Public Sector Operations.	
1. Introduction of zero base budgeting by the GOH including decentralized institutions.	- Attempt by the GOH to implement a budget technique that may be promising from the perspective of profitably prioritizing budget goals and requirements. As such could eliminate waste in expenditure decisions.
2a. Develop and implement a budget control system in each decentralized institution.	- Budget control systems designed to insure that expenditures conform to the line items and amounts reserved in the budget throughout the year. In effect, forces executors of the budget to conform to the priorities in the budget.
2b. Submission to the Central Government by decentralized institutions of quarterly financial operation statements in accordance with generally accepted accounting practices.	- Provision of fundamental financial information required to assess operations, particularly from the perspective of taking such remedial action as may be required on an anticipatory basis. Such information would include, inter alia, operational income, adequacy of the revenue to cover operating costs, external and internal financing, overall composition of expenditures and revenues, and current savings. Reports of individual agencies will be in a format which would facilitate their use in the development of a consolidated financial statement of the nonfinancial public sector.

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3.	Development and submission to the Central Government by decentralized institutions of quarterly reports on economic efficiency.	- Development and submission of quarterly reports providing information on the economic efficiency with which public sector operations are performed, i.e., rate of return on invested capital and a variety of measures covering the real resource cost per unit of output. Reports would provide the basis for taking action to reduce inefficient use of resources.
4.	Independent annual audits of decentralized institutions.	- Facilitate rational decision-making process through assuring the timely availability of financial and management audits. Reduce possibilities for waste and abuse of public sector funds through public dissemination of financial and management information.
5.	Expansion of municipal tax base.	- Permit decentralized decision-making both with respect to the generation of local tax revenue and the programming of that revenue for public services that are desired locally.
6.	Transfer to the private sector of state participation in activities that can be run by the private sector.	- Place enterprises under more efficient management contriubting to expanded income, more efficient production and increased productive employment opportunities. Reduce the current drain on limited fiscal resources required to keep inefficient firms in operation.

7.	Replacement of the current tariff nomenclature with the Customs Co-operation Council Nomenclature (CCCN) and the conversion of the present mix of specific and ad valorem tariff rates to their ad valorem equivalents.	- Adoption of a tariff nomenclature uniformly and throughout the world and which clearly defines the classification of imported merchandise. Conversion to ad valorem rates will prevent the loss of fiscal revenues as the result of inflation. Adoption of CCCN and conversion to ad valorem rates represents a necessary first step toward the subsequent reform of the existing tariff structure, i.e., the reduction in averages and rates of effective tariff protection and the dispersion about the average rates.
8.	Customs Valuation Law.	- In sum, these two measures, along with measure 7, will serve to minimize fraud, waste and abuse associated with lack of clear rules with respect to tariff classification, valuation and regime under which goods enter the country. These measures will insure greater objectivity and consistency in the valuation and classification rules that are applied by customs personnel, and by doing so will significantly reduce the high degree of uncertainty that is currently associated with importing goods into the country.
9.	Customs Procedures Law.	
10.	Introduction of tolls on improved roads.	- Establish principle of fees for services where such fees can be effectively charged; also insure source of financing for the maintenance of an important part of Honduras' transportation system infrastructure.

11.	Continue with the improvement in tax administration system.	- Improve revenue collection without changing the existing legal tax rates or tax base.

B. Enhance Export Competitiveness.

12.	Temporary Import Law.	- Establishes exemption from import duties of imports destined to be imputs into the production of nontraditional exports, mainly of Section 807 drawback industries. Reduces bureaucratic impediments to the production of nontraditional exports.
13.	Export Promotion Law.	- Provides tax credits for producers of nontraditional exports in amounts equal to the import taxes paid on imported inputs used in production.
14.	Industrial Export Processing Zone Law.	- Promotes increased foreign and domestic investment in the production of nontraditional exports through establishing geographic locations where legal framework covering operations in Honduras does not contain provisions which inefficiently preclude such investment.
15.	Banana Export Incentives Law.	- Contributes to expanded investment and production in Honduras through moving toward the elimination of inefficient taxes on exports. Designed to reduce the marginal tax rate on an individual firm basis for exports over specific amounts for each firm.

16.	Submit to the Economic Cabinet periodic evaluations of export performance and price competitiveness.	- Provides a key part of the information base required for intelligent policy making; keep the issue of export competitiveness and export policy under consideration at the highest levels of decision making.
17.	"Year of the Exporter - 1987."	- Encourage public and private sector leaders to focus more closely on the importance of export development. Provide for a private sector group to effectively lobby GOH for improved economic policies aimed at enhancing export competitiveness and expanding exports.

C. Promote Private Investment.

18.	Reduce preferences accorded to the public sector in fiscal and monetary matters.	- Develop information base and calendar for elimination of exemptions from income tax of income earned on government bonds.
19.	Investment tax credit.	- Contributes to the expansion and modernization of Honduras' existing capital stock through providing a specific stimulus to private sector investment by permitting a percent of eligible investment costs to be deducted from income tax liabilities. Designed as a temporary offset to the high risk perceived by the private sector.

20.	Tax loss carry-overs.	- Avoidance of the arbitrariness of a year in determining losses, and, thus, properly enables losses in one year to be deducted against future profits. Should provide strong stimulus to firms and individuals seeking to invest in activities which require especially long gestation periods. Presently, the sizeable losses expected over the first few years make investment in such activities prohibitive.
21.	Development of a capital market.	- Expand supply of both debt and equity funds that would be available for private sector investment in the commodity producing and services sector of the economy. Expands menu of financial investments which may be purchased by private domestic investors, and should result in increased domestic savings.
22.	Enhance private sector participation in export marketing of lumber through transparent and objective rules.	- Elimination of inefficient public sector participation in the export marketing of lumber, particularly with respect to price regulation. Also helps minimize incidence of fraud, waste and abuse in the lumber industry.
23.	Final study on effective tariff protection; reduction in the average rates of effective tariff protection and in the dispersion about the average rate.	- Lays out parameters for an effective tariff system which would reduce the anti-export bias present in the existing system; would lower levels of protection accorded inefficient industries and thereby reduce misallocation of scarce resources.

24.	Foreign direct investment in seacoast tourism.	- Promote private investment through elimination of current prohibition against foreign equity participation in tourism and other industries located within 40 kilometers of the Honduran seacoast/national boundary.
D.	Restore Internal and External Confidence to the Honduran Economy.	
25.	Consolidation, elimination and rationalization of the current system of tax exemptions.	- Provide the data base required to effectively assess the economic benefits and cost of the existing system of tax exemptions. Should result in improving the economic efficiency of the current system of exemptions by eliminating a number of anti-export, pro-import biases in the existing tax system. Also should enhance administrative ease and equity of current systems.
26.	Establishment of a career judicial system.	Measure will provide greater assurances on the protection of human and property rights. This will reduce the perceived risk of private sector investment in Honduras leading to expanded foreign and domestic investment in Honduras.
27.	Renegotiation of external debt.	Successful renegotiation of Honduras' publicly guaranteed private external debt will measurably enhance Honduras' creditworthiness in the eyes of the international financial community. As a result, Honduras would be eligible to receive additional loans on more favorable terms.

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ECONOMIC STUDIES AND CONSULTANT SERVICES

The ability of the Honduran economy to achieve Jackson Plan targets by 1990 is constrained by deficiencies in the analytic information base required for effective policy formation and wide gaps in the depth and breadth of the economic talent that is currently available in the country to develop the required knowledge base. Over the long run, the solution to this problem lies in education and training programs that will broaden and deepen human capital in economic analysis and policy formation. As such the Mission is developing such training programs. Given the 1990 time frame of the Jackson plan targets, the problem must also be addressed in the immediate term. In the short run, the Mission believes the most effective solution is to supplement, with foreign economic expertise, the available Honduran talent to develop the required base for policy formation on a timely basis.

In recognition of these immediate problems, the GOH has requested that A.I.D. finance the participation of foreign economic experts in a series of studies, listed below, that are designed to enhance the bases for timely policy formation:

STRUCTURE AND LEVEL OF FOREIGN TRADE TAXES

Honduras system of foreign trade taxes reflects a historical emphasis on imports substitution policies in combination with administratively simple ways to obtain government revenues. The GOH now recognizes that the resulting tax structure, inclusive of a host of special law providing exemptions for many of these taxes, may have led to an allocation of resources that, through shifting resources to production for the domestic and regional market at the expense of production for international markets, has reduced real income significantly below potential. To evaluate this hypothesis, the GOH has requested technical assistance for a detailed study of the structure of foreign trade taxes. The study, inter alia, would calculate effective rates of protection, estimate the revenue losses that would result from a reduction in the overall level of protection and suggest the efficiency gains that would result from the introduction of a more efficient structure of foreign trade taxes.

THE OVERALL STRUCTURE OF TAXATION

The overall structure of taxation in Honduras has been built up less on the basis of efficiency and equity considerations than on the base of immediate revenue considerations. As a result, the tax structure may be a significant constraint to achieving potential gains in real income. The tax system encompasses a host of exemptions that, while designed to achieve certain purposes, may neither achieve these purposes nor achieve them as well as other instruments. The purpose of this study is to evaluate the efficiency, equity and elasticity of the tax system and to suggest emphases on sources of taxation that promise to provide revenue at lowest costs in terms of equity, efficiency and administrative simplicity considerations. The study should present estimates of the incidence of taxation.

CAPITAL MARKET AND DIVESTITURE

Investment in Honduras is mainly self-financed and/or dependent upon debt rather than equity sources of finance. Given the risks of investing in the commodity and service producing sectors and the often, high up front costs involved, it may be the case that the absence of a capital market has resulted in investment levels that are significantly below potential levels. The purpose of this study is to develop the legal, institutional and, perhaps, social bases that have precluded the development of a market for the purchase and sale of equity/debt claims. The study should lay out how the divestiture of publicly owned forms might be facilitated through a capital market. The study should assure the usefulness of attempting to develop a capital market and lay out the requirements for institutionalizing such a market in Honduras.

PRODUCER, EXPORT AND IMPORT PRICE INDICES

Given the high dependence of the economy on foreign trade, both from the perspective of final demand for exports and from the perspective of intermediate import requirements, trends in exports, import and producers prices are essential inputs into policy formulation and analysis. Price indices of these types either do not exist or suffer from methodological deficiencies which call into question their accuracy in calling into attention real trends. The purpose of this study is to assist the GOH in developing such price indices at the aggregate level and for important subgroups of these aggregates. The study should also show how such indices can be used to evaluate comparisons of Honduras' production costs with those of countries that compete with Honduras in the domestic and international market. It should also show how such indices can be used to estimate the impact on production costs of changes in the exchange rate and other factors that might raise domestic production costs.

THE INPUT-OUTPUT STRUCTURE OF THE HONDURAN ECONOMY

There is little empirical knowledge of the input-output structure of the Honduran economy and how that input-output structure relates to either final demand aggregates or the distribution of factor income among households and other institutions. In consequence, much of policy making takes place without the kind of comprehensive frame of reference that is desirable and, in some cases, even essential for policy decisions. The development of such a frame of reference in Honduras is hindered by lack of in-depth Hondurans expertise in developing an input-output structure and relating that structure to the rest of the economy. As such, the GOH has requested that the USAID finance the participation of foreign experts in a group of Honduran technicians that would develop this frame of reference. The output would initially consist of an input-output structure of the Honduran ec

FLOW OF FUNDS ACCOUNTS

Honduras does not have flow of funds accounts and thus does not have an analytical framework that can relate developments in the financing system to developments in real activity and to developments in domestic monetary policy and international financial flows. The purpose of this study is to assist the GOH (The Central Bank) in developing, maintaining and utilizing these accounts as a tool of analysis and policy formulations.

PRICING OF INFRASTRUCTURAL SERVICES

Many services in Honduras are provided by publicly owned firms. These include telecommunications, electricity, water/sewer and ports. As a result of public ownership pricing policies to provide revenue sufficient to cover O+M costs and provide a reasonable basis for meeting investment requirements for service expansion are often deficient. The purpose of this study is to review current pricing policies from the twin vantage point of economic and financial viability and to recommend such improvements as may be required.

BUDGET

STUDY	FOREIGN EXPERTS TIME	AMOUNT
Capital Markets and divestiture	6 person months	$45,000
Input-Output Structure	12 person months	$90,000
Price Indices	3 person months	$22,500
Structure/Level of Foreign Trade Taxes	6 person months	$45,000
Overall Tax Structure	6 person months	$45,000
Pricing of Infra-structural Services	3 person months	$22,500
Flow of Funds Accounts	3 person months	$22,500
Travel		$20,000
TOTAL		$312,500

BACKGROUND

In order for the GOH to perform effectively in the areas of policy formulation and implementation, it is essential that they have access to timely and reliable social and economic data and information. One of the principal agencies responsible for providing the GOH with population, labor, social, agricultural, and other social and economic data is the Dirección General de Estadísticas y Censos (DGEC). In discussions with DGEC officials, it has been established that DGEC clearly lacks the technical abilities and facilities to perform effectively in several areas of data collection tabulation, automation, processing, analysis and reporting.

WORK TO BE ACCOMPLISHED BY THE CONTRACTOR

Conduct an assessment of DGEC's capacity in:

- Developing appropriate survey methodologies.
- Conducting surveys.
- Collecting, tabulating, and processing data.
- Analyzing and reporting survey and statistical results.
- With special attention to DGEC's potential to collect and process specialized statistics, labor market information, for example.

Provide an analysis of the demand for official social and economic statistics, and identify and evaluate the major source of such statistics in Honduras.

Provide an inventory on DGEC's needs in the areas of:

- Computer hardware and accessories.
- Computer programs and specialty packages.
- Upgrading computer, analytical and statistical skills of technical staff.
- Management.
- Funding.
- Vehicles.
- Buildings.
- Equipment.

Provide recommendations to: 1) improve the overall system of social and economic statistics; 2) on alternative approaches to address DGEC's needs and enable DGEC to establish a sound and viable mechanism to collect, analyze and report statistics on a regular and continuing basis.

Provide to USAID/Honduras, Office of Economic and Program Analysis a written report no later than two months after signing the contract which covers all of the above.

Términos de Referencia para el Estudio del
Sistema de Exenciones de Impuestos

1) Hacer una evaluación del costo-beneficio de las diferentes leyes de incentivos fiscales que se aplican en el país para estimular la inversión y la producción.

a) Ley de Fomento Agropecuario.
b) Ley de Caza y Pesca.
c) Ley de Petróleo.
d) Ley de Minería
e) Convenio Centroamericano de Incentivos Fiscales al Desarrollo Industrial.
f) Ley de Fomento de la Pequeña y Mediana Empresa Industria y la Artesanía.
g) Ley de Importación Temporal.
h) Ley de Fomento a las Exportaciones.
i) Ley de Incentivos a las Empresas de Alto Valor Incorporado de Origen Nacional.
j) Ley de Transporte.
k) Ley de Asociaciones Cooperativas.
l) Ley de Empesas Aéreas.
m) Ley de Fomento al Turismo.
n) Ley de Impuesto sobre la Renta.
o) Arancel de Aduanas.
p) Tratados Bilaterales.
q) Ley de Incentivos a la Industria Bananera.

2) Al examinar el costo de los incentivos se considerará el alto precio que tiene que pagar el consumidor por la distorsión artificial que ha habido en el uso de los factores de la producción y la disminución de los ingresos tributarios por las exenciones del impuesto sobre la renta, del impuesto sobre ventas y de los impuestos sobre el comercio exterior. En el caso específico de los impuestos de importación se analizará el verdadero sacrificio fiscal, el cual no está constituído exactamente por las franquicias aduaneras para la importación de maquinaria y materias primas, sino que más bien por la pérdida de ingresos tributarios que ha habido en las Aduanas como resultado de la alta protección arancelaria Centroamericana que ha obligado a sustituir en gran proporción la importación de productos terminados con bienes nacionales o regionales que gozan de exención o reducción de impuestos.

3) El análisis del beneficio de los incentivos fiscales para la economía o sea de su eficacia en cuanto a su efecto en la producción deberá hacerse por sectores económicos: agrícola, manufacturero, turismo, transporte, etc., investigando el impacto que ha habido en el nivel y composición de la inversión, valor agregado, valor incorporado de origen nacional, ahorro de divisas y generación de empleo.

4) Identificar las leyes que son inoperantes y que no se aplican, así como las que duplican en forma excesiva los incentivos fiscales. Respecto a las primeras, es necesario mencionar la Ley de Alto Valor Incorporado de Origen Nacional y respecto a las segundas hay que tener presente por ejemplo, la duplicidad de los incentivos del Artículo 18 de la Ley del Impuesto sobre la Renta y los establecidos en el Artículo 9 del Convenio Centroamericano de Incentivos Fiscales al Desarrollo Industrial.

5) Investigar la política pasada y actual de los incentivos fiscales en los demás países de Centroamérica para hacer un análisis comparativo con la que se aplica en Honduras.

6) También hay que cuantificar el sacrificio fiscal de las exenciones de impuestos que se otorgan al amparo de ciertas leyes que, aunque no son para fomento de la producción, ha habido necesidad de emitirlas con fines sociales, políticos, reciprocidad internacional, etc.

Términos de Referencia (muy preliminares) para la Introducción de la Técnica de Presupuesto Base Cero

En su nivel operacional, la introducción del Presupuesto Base Cero estará a cargo de:

La Dirección General de Presupuesto, dependiente del Ministerio de Hacienda y Crédito Público

II. Se han seleccionado las siguientes instituciones piloto para la introducción de PBC:

1. Instituto Nacional de la Vivienda (INVA)
2. Servicio Autónomo Nacional de Acueductos y Alcantarillados (SANAA)
3. Instituto Nacional Agrario (INA)

III. Mediante Acuerdo Nº 1489 que se acompaña, se ha designado un Comité Coordinador para supervisar los trabajos de introducción de la técnica de PBC y recomendar la metodología para su generalización a todas las Unidades del Gobierno de la República. El Comité está integrado por:

1. La Secretaría de Hacienda y Crédito Público, quién la coordinará
2. La Secretaría de Economía y Comercio
3. La Secretaría de Planificación Económica
4. El Banco Central de Honduras

IV. La Unidad ejecutora tendrá a su cargo un plan de trabajo, aprobado por el Comité Coordinador, que contendrá al menos los siguientes puntos:

1. Revisión del proceso de presupuestación en vigor en las tres instituciones descentralizadas y recomendación de las reformas necesarias para su fortalecimiento y adaptación a la técnica de PBC.

2. Establecimiento de mecanismos que permitan convertir las prioridades de estrategia de desarrollo en asignaciones presupuestarias mediante:

   (a) Selección de los elementos de las técnicas de PBC a implantarse en las diferentes fases del proceso:

   - Fase de Planificación - Establecimiento conforme a las normas y órganos que regulan su funcionamiento, de prácticas, estrategicas, objetivos y prioridades generales de desarrollo económico y social para las instituciones seleccionadas, en el marco de los planes del Gobierno. Esbozo de planes y programas generales de acción y de guías para los distintos sectores programáticos; formulación de objetivos, planes y programas específicos, así como las estrategias para ejecutarlos, establecimiento de objetivos y metas especificas de los programas, subprogramas, y actividades a todos los niveles de su estructura conforme a los planes trazados.

   - Fase de Presupuestación - Revisión y/o preparación del listado de programas, subprogramas y actividades en cada institución descentralizada seleccionada, que servirá de base para la determinación de las unidades y los conjuntos decisionales, determinación y definición de las unidades y conjuntos decisionales. Las unidades serán la base decisional más pequeña

que sea conveniente y factible establecer. Varias unidades integrarán un conjunto decisional. Las unidades y conjuntos decisionales deben armonizar o coincidir lo más posible con los programas, subprogramas, actividades o funciones y subfunciones. Desarrollar alternativas para decidir la metodología, estrategias o formas en que se pueden desarrollar los programas o conjuntos decisionales, el nivel de asignaciones o fondos que se le adjudicarán a los conjuntos decisionales y a los organismos. Aquí se deberá proveer para explicar los efectos o consecuencias de determinada alternativa de nivel de fondos.

(b) Revisión del Manual de Formulación presupuestaria de las instituciones descentralizadas seleccionadas, incluyendo el diseño y revisión de los formularios y la redacción de directrices y normas requeridas para la instrumentación de las técnicas de presupuestación base cero.

(c) Desarrollo del proceso presupuestario anual a tono con nuevas técnicas.

- Preparación de las peticiones presupuestarias por los organismos descentralizados seleccionados que incluya: la preparación de conjuntos decisionales a nivel organizacional y de programas o subprogramas y unidades con los diferentes niveles de esfuerzo para realizar las funciones presupuestarias (nivel corriente, mínimo y óptimo o mejorado) utilizando los formatos previamente diseñados en el Manual de Presupuesto; clasificación y consolidación de los conjuntos decisionales basado en un análisis exhaustivo de los mismos dentro de cada organismo y a nivel central; preparación del

documento presupuestario consolidado a ser enviado a la consideración del órgano decisorio correspondiente previo su conocimiento por el Comité Coordinador.

3. Medición de los resultados de la experiencia en las instituciones seleccionadas, y presentación al Comité Coordinador con recomendaciones para su extensión a las demás instituciones descentralizadas y al Gobierno Central.

IV. Por no haber experiebcua en PBC en el país, se requerirá asistencia técnica en términos de dos Especialistas en técnicas de presupuestación base cero por el término de un año. Esto incluiría el impartimiento formal por parte de uno de ellos de enseñanza sobre las nuevas técnicas por el término de un mes.

SOLICITUD DE ASISTENCIA A LA AGENCIA INTERNACIONAL PARA EL DESARROLLO (AID)

Fortalecimiento Institucional de la
Superintendencia de Instituciones Decentralizadas
de la Direccion General de
Presupuesto de la Secretaria
de MHCP

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I. INSTITUCION SOLICITANTE

Secretaria de Hacienda y Crédito Público de la República de Honduras

II. INSTITUCION EJECUTORA

1. Dirección General de Presupuesto

2. La Dirección General de Presupuesto depende jerarquicamente de la Secretaria de Hacienda y Crédito Público y sus funciones y atribuciones están reguladas por la Ley Orgánica de Presupuesto (Decreto # 407 del 13 de diciembre de 1976).

3. Las funciones principales de la Dirección General de Presupuesto, son las siguientes:

- Formular el presupuesto anual de ingresos y gastos del Gobierno Central.
- Efectuar el control previo de ingresos y gastos del Gobierno Central.
- Emitir y conformar los libramientos de pago
- Llevar la contabilidad de ejecución de los ingresos y gastos del Gobierno Central
- Efectuar la programación por ruta crítica y el seguimiento de los principales proyectos de inversión del sector público.
- Analizar y dictaminar sobre los presupuestos de las instituciones descentralizadas (empresas públicas y organismos autónomos); efectuando el seguimiento de la gestión de los mismos.
- Supervisar y evaluar la gestión económico-financiera de las instituciones descentralizadas.

III. OBJETIVOS DEL PROYECTO

Los objetivos del Proyecto son:

a) Fortalecimiento institucional de la Superintendencia de Instituciones Descentralizadas de la Dirección General de Presupuesto de la Secretaria de Hacienda y Crédito Público.

b) Suministrar a los funcionarios de la Superintendencia los instrumentos y criterios técnicos básicos necesarios para la formulación, análisis y evaluación de Presupuesto base Cero, para aplicarlos en las Empresas Públicas y Organismos Autónomos.

c) Mejorar la gestión presupuestaria/financiera de las Empresas Públicas y Organismos Autónomos, a través del perfeccionamiento de los sistemas administrativos que coadyuvan al proceso de toma de decisiones gerenciales.

d) Suministrar a las Autoridades Superiores del Gobierno Central y de las Instituciones Descentralizadas información sobre los programas con que cuentan las empresas y el costo-beneficio de cada uno de ellas para tomar decisiones adecuadas y oportunas.

IV. JUSTIFICACION

El deterioro de las finanzas públicas de Honduras, producido hasta 1981, fue originado fundamentalmente por un comportamiento irracional y anárquico de empresas públicas y organismos autónomos. Esta situación derivó en que las instituciones descentralizadas funcionaran con altos déficit estructurales y realizaran inversiones reales y financieras desproporcionadas respecto a su propia capacidad de pagos, con alto nivel de riesgo e improductivas. Como consecuencia de esta situación las instituciones recurrieron al financiamiento por medio de préstamos o por transferencias del Gobierno Central, perdiendo rápidamente su capacidad de afrontar el pago de los préstamos tomados y haciendo recaer la cancelación de los servicios de

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su deuda en el Presupuesto de la Administración Central.

En el período 1982 a 1984 se logro contener los déficit de tipo financiero del sector descentralizado, disminuir los niveles de endeudamiento y aumentar la participación de las instituciones en la atención de sus propios servicios de deuda. Todo esto, debido a las políticas gubernamentales orientadas en este sentido y a la implantación de un sistema que regulara las fases de aprobación y ejecución del presupuesto.

Pese a los logros alcanzados en el sector descentralizado, se han evidenciado deficiencias que han impedido el saneamiento integral del sector.

En este marco es fundamental destacar los problemas existentes en las instituciones descentralizadas en materia de organización de sus sistemas de información, como son los de contabilidad, control presupuestario y de gestión, almacenes, tesorería, etc., que han dificultado una eficiente acción gerencial en las mismas y no permiten alimentar con efectividad a los sistemas centrales de control y evaluación.

La situación descrita anteriormente significa un estrangulamiento real del avance del proceso de saneamiento financiero de las entidades lo que puede hacerlas recaer nuevamente en falta de capacidad de pago de sus obligaciones.

El Estado, consciente de la problemática planteada en materia de toma de decisiones de la gestión de las Instituciones Descentralizadas, en el Programa Económico del Gobierno de Honduras presentado a la Agencia Internacional para el Desarrollo (AID) contempla la introducción de la Técnica de Presupuesto Base Cero para las Instituciones Autónomas con el objeto de hacer que las administraciones puedan usar indicadores administrativos y financieros en beneficio de la Administración Públi

ca.

a. INDICADORES ADMINISTRATIVOS

a.1 Realizar un autoanalisis del organismo, sobre el cumplimiento de los objetivos para la cual fue creada la empresa.

a.2 Visualizar la bondad o beneficio que trae consigo las actividades que realiza la empresa o una nueva actividad.

a.3 Permitir a la administración seleccionar las actividades mas atractivas y rentables para la empresa.

a.4 Utilizar herramientas para evaluar el desempeño de los ejecutivos de la empresa.

b. INDICADORES FINANCIEROS

b.1 Que los recursos asignados tengan rentabilidad

b.2 Incrementar las ventas

b.3 Mantener un comportamiento adecuado en la estructura de costos de la empresa.

Esta nueva actividad encomendada al Ministerio de Hacienda y Crédito Público a través de la Dirección General de Presupuesto en sus funciones de Superintendencia de Instituciones Descentralizadas, se adiciona a las que viene desarrollando desde 1982 en materia de ordenamiento financiero y presupuestario de las Empresas Públicas y Organismos Autónomo

Ante las situaciones expresadas anteriormente la Dirección General de Presupuesto está obligada a incrementar su capacidad técnica con la siguiente finalidad:

Prestar asistencia técnica a las Instituciones Descentralizadas en la Formulación de Presupuesto utilizando la Técnica Presupuesto Base Cero, así como para superar los problemas que presentan los sistemas administrativos, contables y financieros que impiden el mejoramiento de su gestión gerencial y dificultan el funcionamiento del sistema de control de gestión presupuestaria, este último aspecto (control de gestión) la Superintendencia lo ha venido implantando desde 1983.

V. AREA DE INFORMACION Y CONTROL DE GESTION

Con motivo de la implantación del Sistema de Control de Gestión Presupuestaria, se detectaron dificultades tanto del funcionamiento de los sistemas administrativos y contables (los cuales son de mucha importancia para la implantación de la Técnica de Presupuesto Base Cero).

Entre los obstaculos detectados podemos citar:

a. Escasa integración entre los sistemas presupuestarios, y sus sistemas contables-financieros. Por un lado existe la formulación presupuestaria anual que cumple su ciclo y se estanca hasta la próxima formulación, y por otro lado existen los registros contables que hasta ahora no se comparan con lo presupuestado, y lo que es peor, no se informa a las autoridades superiores. Todo esto hace que el presupuesto sea un instrumento de validez parcial; solo ordenador de ideas y programas, pero no llega a cerrar su ciclo y cumplir su misión de ser un instrumento de análisis para la toma de decisiones y de la evaluación de la gestión gerencial total.

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b. Por otro lado, dentro de los mismos sistemas contables existen inconsistencias y omisiones técnicas importantes tales como las "conciliaciones" entre auxiliares y cuentas del Balance que casi nunca se efectúan, no cumpliendose así con uno de los sanos principios contables universalmente aceptados.

Las rutinas o procedimientos administrativos no están claramente definidos, ni tampoco diseñados como para observar sus "espacios vacios" en materia de control y poder analizar así las causas por la cual la información no llega a tiempo y no es confiable.

c. En algunos organismos no existen manuales de organización, procedimientos y funciones, planes de cuentas y organigramas actualizados, que orienten a los cuadros técnicos y al personal de las instituciones en cuanto a la rutina a seguir con las operaciones; y que además esas rutinas vayan reflejando los hechos contables y presupuestarios que simultáneamente van ocasionando, identificando su registro y efectuando su control concomitante. En los casos que tales manuales e instructivos existen, éstos algunas veces no se aplican en absoluto, guardándose en bibliotecas como fruto de asesorías infructuosas.

d. No se observa en las autoridades superiores de los organismos una idea clara de la conducción total o global de la actividad del ente, por la misma razón señalada ausencia de un sistema administrativo funcional y coherente. En algunos casos de instituciones descentralizadas con grandes compromisos financieros internacionales, la gerencia general no cuenta ni siquiera con un elemental Presupuesto de Caja que le permita observar un panorama simple del cronograma de vencimientos y de los "estrangulamientos" financieros que ocasionaran en el transcurso del ejercicio fiscal.

VI. SOLICITUD DE ASISTENCIA A LA AGENCIA INTERNACIONAL PARA EL DESARROLLO

De acuerdo con los problemas planteados se solicita a la Agencia Internacional para el Desarrollo (AID) un programa de capacitación y entrenamiento para el personal de la Dirección General de Presupuesto a desarrollarse en el país y/o en el exterior, consistente en:

a. CURSOS

a.1 OBJETIVO

La Dirección General de Presupuesto espera incrementar los conocimientos y bases teoricas de su personal en las diversas disciplinas relacionadas con la Administración Pública, especificamente para lograr la eficiencia y eficacia en las Empresas Públicas del Sector Descentralizado.

a.2 RESULTADOS

El personal de la Superintendencia de Instituciones Descentralizadas de la Dirección General de Presupuesto, estara - lo suficientemente capacitado para poder brindar asistencia a los funcionarios y empleados de las Instituciones Descentralizadas, en lo referente a las areas siguientes:

- Planeación de Empresas Públicas
- Formulación del Presupuesto Base Cero
- Ejecución del Presupuesto Base Cero
- Organización de Empresas Públicas
- Seguimiento y Gestión de Empresas
- Marketing en Empresas Públicas
- Administración de la Producción

- Gerencia de Empresas
- Contabilidad y financiamiento de Empresas
- Economia de la empresa
- Informática
- Informática Gerencial

b. SEMINARIOS

b.1 OBJETIVO

Intercambio de conocimientos y experiencias de otros paises en cuanto a la administración del Sector Descentralizado.

b.2 RESULTADOS

Aumentar los conocimientos del personal de la Dirección General de Presupuesto en lo referente al desenvolvimiento de las Empresas Públicas en Honduras y de otros paises.

c. PASANTIAS

c.1 OBJETIVO

Conocer en el campo de trabajo, la aplicación de las diferentes técnicas usadas por otros países a través de organismos y/o instituciones similares a las funciones que realiza la Superintendencia de Instituciones Descentralizadas.

VII. RESULTADOS A OBTENER

Los resultados que se espran obtener con el proyecto, son los siguientes:

a. Contar con personal capacitado para brindar asistencia a las Instituciones Descentralizadas, en lo referente a sistemas administrativos, contables, financieros, productivos, mercadeo y otros que permitan una mejor toma de decisiones por sus niveles gerenciales, así como la generación de información a las Autoridades - del Gobierno Central para que tome las acciones correspondientes.

b. Implementar la Técnica de Presupuesto Base Cero y un Sistema de Control de Gestión en las Instituciones Descentralizadas.

c. Buscar eficiencia y eficacia de las Instituciones Descentralizadas, induciendolas a un proceso de saneamiento financiero.

ANNEX II
EXHIBIT E

INSTITUTIONAL REVIEWS OF MHCP AND BCH

ANNEX II
EXHIBIT E.1

Institutional Review of Banco Central de Honduras

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A N E X O S

ORGANIGRAMA GENERAL DEL BANCO.

NIVEL ACADEMICO DEL PERSONAL DE LOS SIGUIENTES DEPARTAMENTOS:

- Cambios e Inversiones en el Exterior.
- Crédito y Valores.
- Regulador del Financiamiento Externo.
- Estudios Económicos.
- Superintendencia de Bancos y Seguros.

BANCO CENTRAL DE HONDURAS: Descripción requerida para el proyecto de análisis e implementación de politicas

I. ASPECTOS GENERALES DE LA INSTITUCION

El BANCO CENTRAL DE HONDURAS fue creado mediante Decreto Nº 53 del 3 de febrero de 1950.

De conformidad al Artículo 2º de dicho Decreto, el BANCO CENTRAL DE HONDURAS tiene por objeto promover las condiciones monetarias, crediticias y cambiarias que sean mas favorables para el desarrollo de la economía nacional.

Esta facultad del BANCO CENTRAL se encuentra reconocida en la actual Constitución de la República en los Artículos 342 y 343.

La máxima autoridad de la Institución está constituida por el Directorio, quien determina la política monetaria, crediticia y cambiaria y fija las líneas generales de la administración de la Institución.

El Directorio está integrado de la manera siguiente:

1) El Presidente del Banco, que es miembro titular y preside las reuniones. En su ausencia lo sustituye el Vicepresidente del Banco;

2) El Secretario de Hacienda, quien tiene por suplente el funcionario superior que él designe en cada caso para que lo reemplace;

3) Un representante titular y un suplente del Banco Nacional de Desarrollo Agrícola;

4) Un representante titular y un suplente, nombrados por los bancos establecidos en el país; y,

5) Un titular y un suplente, en representación de las Fuerzas Vivas del país integradas por las Asociaciones Agrícolas, Ganaderas, Industriales y Comerciales, debidamente organizadas.

En la actualidad concurren a las sesiones del Directorio los Ministros titulares del Ministerio de Economía y Comercio y de la Secretaría de Planificación; estos altos Funcionarios tienen derecho a voz pero no a voto.

Los miembros del Directorio se consideran funcionarios públicos y empleados principales de la Nación; deben ser personas de reconocida honorabilidad y competencia en las materias concernientes a las funciones a su cargo y los representantes de los bancos deben ser de preferencia los Presidentes, Directores, Gerentes o Funcionarios de alta jerarquía o experiencia en los mismos.

El Presidente de la Institución dura en sus funciones cuatro (4) años de conformidad a lo establecido en el Artículo 264 de la Constitución

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de la República, pero puede ser nombrado para períodos subsiguientes. Es relevante señalar que los Presidentes de la Institución han desempeñado esa función durante largos períodos, por ejemplo, el primer Presidente permaneció en el cargo durante más de veinte (20) años y el actual Presidente lleva en el cargo alrededor de seis (6) años. Esto es importante, puesto que esta característica de la Institución ha permitido la continuidad de las políticas adoptadas y ha evitado la improvisación en la adopción de medidas relacionadas con los campos financiero, crediticio o cambiario.

La Administración inmediata y directa de la Institución le corresponde al Gerente, el cual es responsable ante el Presidente y ante el Directorio del funcionamiento correcto y eficaz de la Institución, en la aplicación de la política fijada por éstos.

El Gerente es el superior del personal; es nombrado por el Directorio, debe ser hondureño y debe contar con reconocida experiencia bancaria y financiera y debe dedicar su mayor actividad al servicio del Banco.

Al igual que el caso del Presidente del Banco, los Gerentes de la Institución han desempeñado esa función por largos períodos en consonancia con la política de estabilidad institucional seguida por las altas autoridades de la Institución y, generalmente, se han escogido Funcionarios formados dentro de la Institución. El Gerente es auxiliado en sus funciones por dos (2) Subgerentes, por los Jefes de Departamento y por los Gerentes de Sucursales. En la actualidad el

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Banco cuenta con veinticinco (25) Departamentos, cuatro (4) Sucursales y tres (3) Dependencias o Departamentos adscritos según Convenios Intergubernamentales que desempeñan funciones específicas.

Los Departamentos están bajo la responsabilidad de los Jefes y Asistentes correspondientes, los cuales son seleccionados dentro del personal mas experimentado del Banco, procurándose que conozcan el campo en el cual se va a desenvolver y que por su capacidad, responsabilidad e iniciativa, constituyan un verdadero apoyo para la Gerencia. La estructura administrativa bajo la jerarquía de los Jefes, está organizada por Secciones y cada Sección dividida en Puestos. Los Puestos están clasifiodos en categorías que dependen del grado de complejidad de los mismos.

En total existen quince (15) categorías clasificadas de la uno (1) a la quince (15), correspondiendo las categorías iniciales (1, 2, 3, etc.) a los empleados de apoyo, tales como Ordenanzas, Motoristas, Clasificadores,etc., y las categorías mas altas a los puestos con requerimientos más especializados. Generalmente, a partir de la categoría siete (7) el empleado debe tener estudios universitarios y a partir de la Categoría diez (10), debe poseer el grado de Licenciatura. A partir de esta categoría, entra el proceso de capacitación del personal en las áreas técnicas propias del Banco, lo cual a su vez produce el movimiento de los empleados hacia las categorías superiores.

En algunos Departamentos, tales como Estudios Económicos y Superintendencia de Bancos, existe un nivel intermedio entre la categoría

quince (15) y la Jefatura del Departamento, constituído por núcleos de asesoría. También es importante señalar que hay un núcleo de Asesores en distintas áreas, (Economía, Derecho, etc.), que brindan sus servicios directamente a la Presidencia del Banco y al Directorio.

En general, los Departamentos pueden ser clasificados de la manera siguiente: Departamentos Técnicos, Departamentos Operativos y Departamentos de Apoyo, aunque con el crecimiento de la Institución y con la complejidad que en la actualidad manifiestan las actividades del Banco, algunos Departamentos presentan una pronunciada combinación de trabajo técnico y operativo.

En el área de la formulación y seguimiento de políticas, el principal auxilio de las altas autoridades de la Institución es el Departamento de Estudios Económicos, el cual actúa como organismo coordinador de la información generada por los demás Departamentos involucrados en el proceso de aplicación de políticas de la Institución.

El Artículo 25 de la Ley del Banco establece que "El Departamento de Estudios Económicos estará encargado de obtener los datos y de realizar las investigaciones que sean convenientes para la dirección de la política monetaria y cambiaria", y que "Tendrá como funciones especiales la preparación de las estimaciones sobre ingresos y egresos de divisas al principio de cada ejercicio y de los cálculos de la balanza de pagos al término del mismo; la compilación de estadísticas sobre el medio circulante, los precios y las finanzas públicas; la organización de la biblioteca y la publicación de la Revista

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de la institución. Tendrá, además, a su cargo la formación y preparación de un personal técnico en ciencias económicas, particularmente en análisis monetario y prácticas bancarias".

Para el cumplimiento de su cometido el Departamento de Estudios Económicos cuenta con las siguientes áreas de trabajo, cuyas funciones se detallan así:

Sección Monetaria: Transformar las informaciones primarias en estadísticas útiles para la realización de estudios y análisis de la situación monetaria, crediticia y cambiaria del país;

Sección de Balanza de Pagos: Recopilar, estimar y analizar las estadísticas que permiten la formulación de los esquemas de balanza de pagos, y preparar las proyecciones sobre el desenvolvimiento de las transacciones internacionales del país;

Sección de Cuentas Nacionales: Recopilar, tabular, revisar y evaluar información recolectada, calcular cifras y variables del Sistema de Cuentas Nacionales, elaborar indices de: Concentración, precios, quantum, valor y producción, analizar evolución histórica de sectores productivos y variables económicas; y determinar la producción real generada por las distintas actividades económicas;

Sección de Finanzas Públicas: Compilar y derivar las cifras fiscales y realizar los estudios necesarios para colaborar con el Gobierno en la orientación de la política fiscal;

Sección de Investigación y Análisis: Establecer bases metodológicas adecuadas para el análisis monetario, cambiario y fiscal; preparar el informe económico anual y efectuar investigaciones y estudios de mas largo alcance sobre sectores de la economía nacional;

Sección de Programación Financiera: Preparar el presupuesto monetario y cambiario, analizar y evaluar los resultados de la política financiera y la compatibilidad de las metas e instrumentos entre sí y examinar la oportunidad y eficiencia de los instrumentos de control monetario;

Sección de Integración Económica: Elaborar estudios y dictámenes sobre los efectos de la integración económica centroamericana en la economía nacional, realizar investigaciones y recopilación de estadísticas necesarias para llevar a cabo los estudios;

Sección de Organismos Internacionales: Coordinar y elaborar los trabajos que requieren los organismos internacionales, manejar los documentos emitidos por esos organismos, estudiar y recomendar la posición económica y jurídica mas conveniente a adoptar por los representantes del país en las reuniones internacionales y proporcionar las informaciones que se soliciten.

En general los Departamentos que participan en la aplicación y vigilancia de políticas son los siguientes: Superintendencia de Bancos, Crédito y Valores, Regulador del Financiamiento Externo y Cambios.

La Superintendencia de Bancos tiene por objeto la supervigilancia e inspección de las Instituciones Bancarias, en lo que se refiere a la aplicación de la Ley y de las Resoluciones emitidas por el Directorio de la Institución. Al mismo tiempo compila estadísticas bancarias y cambiarias del país que sirven de base para la información de los agregados monetarios preparados por el Departamento de Estudios Económicos.

La función del Departamento de Crédito y Valores, es llevar a cabo las operaciones de crédito con las Instituciones Bancarias del país, por medio de adelantos y redescuentos de documentos. Asimismo, le corresponde la clasificación de los documentos del caso, llevando los registros pertinentes; realiza operaciones en valores por cuenta de su propia cartera o del fondo de valores, así como operaciones en fideicomiso, relacionadas con programas específicos.

El Departamento Regulador del Financiamiento Externo es el encargado de implementar la política cambiaria establecida por el Directorio de la Institución, para tal efecto debe llevar los registros correspondientes a autorizaciones de importaciones, exportaciones, y endeudamiento externo y debe mantener información sobre precios de referencia en el mercado internacional de los productos objeto del comercio exterior en el país.

El Departamento de Cambios además de atender las demandas y de ofertas de cambio extranjero hechas por el Estado, las entidades públicas y los bancos, debe manejar los créditos documentados irrevocables y cobranzas del Estado, preparar las informaciones cambiarias y la posición neta de cambios que se presentan al Directorio y debe estar informado del estado de las inversiones y obligaciones en el exterior, y llevar el registro de los convenios especiales de pago firmados con distintos paises. Al mismo tiempo participa en la aplicación de la política cambiaria, en coordinación con el Departamento Regulador del Financiamiento Externo.

II. POLITICA DE EMPLEO Y SELECCION DE PERSONAL DE LA INSTITUCION.

El Banco Central cuenta en la actualidad con aproximadamente un mil (1.000) empleados.

El proceso de selección del personal del Banco es extremadamente riguroso, y se basa en el principio de competencia; el aspirante debe aprobar examen de conocimientos, examen psicométrico y un examen físico (médico).

La selección se hace dentro de las personas que cumplen los requisitos exigidos por la Institución.

Tal política ha sido cuidadosamente preservada a lo largo de la vida institucional, con el objeto de que el empleado del Banco pueda desarrollarse dentro de la Institución y realizar una verdadera carrera bancaria.

Para garantizar la estabilidad, el Banco propició desde sus primeros años, una politica de jubilaciones. Dentro de esta politica, la edad voluntaria de retiro es sesenta (60) años, y la edad obligatoria de retiro es sesenta y cinco (65) años.

Como resultado de estas condiciones existe un promedio de antigüedad dentro del Banco de dieciseis (16) años, el cual es sumamente alto comparado con los promedios de antigüedad de otras instituciones. Asimismo, la política asegura el proceso de formación de funcionarios dentro de la Institución. Se puede decir que en un 100% los funcionarios de la Institución, comenzando por el Presidente del Banco, han surgido de la propia Institución. Es también de hacer notar, que para alcanzar posiciones de dirección en cualquiera de los Departamentos, tales funcionarios tienen como característica general el haber egresado de una carrera universitaria.

TABLA DE ANTIGUEDAD DEL PERSONAL DEL BANCO CENTRAL DE HONDURAS
(A diciembre de 1986)

Menos de 1 año:	1
De 1 a 5 años:	232
De más de 5 años hasta 10 años:	323
De más de 10 años:	302
TOTAL	858

No incluye Proyectos administrados por el Banco.

A diciembre de 1986, el Banco Central contaba con un total de ochocientos cuarenta (840) empleados profesionales de los cuales aproximadamen-

te seiscientos (600) son profesionales universitarios en distintas áreas, tales como Economía, Administración de Empresas, Contaduría, Ingeniería, Química y Farmacia, Derecho, etc. En especial se puede señalar el caso del Departamento de Estudios Económicos, en el cual, salvo el personal de Apoyo en el área de Secretaría, todos los empleados poseen por lo menos, Licenciatura en el área de economía.

La política salarial se estructura de la siguiente manera:

1) Sueldo ordinario;
2) Suma adicional por vacaciones;
3) Aguinaldo.

Además, dentro de la política de retribución al personal, el Banco contempla los siguientes beneficios:

1) Servicio Médico-hospitalario;
2) Pensión por jubilación;
3) Pensión por invalidez;
4) Seguro de vida;
5) Auxilio funerario;
6) Bonificación por servicios prestados;
7) Préstamos para vivienda;
8) Préstamos personales.

III. CAPACITACION

Tal como se señaló en el acápite anterior, ha sido una política perma-

nente del Banco Central, crear las condiciones para la capacitación del personal.

En ese sentido el Banco ha propiciado los estudios a nivel de Maestría de un considerable número de empleados de la Institución. Ha aprovechado extensivamente los programas de capacitación en el área monetaria y de política de banca central impartidos por el Centro de Estudios Monetarios Latinoamericanos (CEMLA), Institución financiada por los Bancos Centrales de América, incluyendo el Federal Reserve Bank, y los programas de estudio del Instituto del Fondo Monetario Internacional (FMI).

Asimismo, ha aprovechado los programas impartidos por distintas Instituciones de estudios superiores reconocidas en América Latina, tales como el Ilpes, Cienes y Sicom.

La asignación de becas por parte del Banco Central se hace tomando en cuenta, especialmente, la capacidad, el rendimiento y el destino de los estudios. Asimismo, se toma en cuenta el tiempo de servicio y el comportamiento de los aspirantes.

Las becas han consistido generalmente en permiso con goce de sueldo y una asignación complementaria ara gastos de estadía. Asimismo se le garantiza al empleado la conservación del empleo.

La obligación del empleado se circunscribe generalmente, a la prestación de servicios a la Institución por el doble del tiempo de la beca

y a la obligación de obtener buenos rendimientos durante la vigencia de la misma.

En la actualidad hay empleados de la Institución realizando estudios superiores en las siguientes áreas:

Doctor en Ciencias Económicas	1
MA. en Economía	9
MA. en Banca y Finanzas	3
MA. en Moneda y Banca	1
MA. en Administración de Empresas	2
Lic. en Actuaría	1
Lic. Sistema y Computación Administrativa	1
B.S. Banca y Finanza	1
B.S. Administración de Empresas y Finanzas	1
Técnico en Cuentas Nacionales	1
Tecnología en Electrónica	1
Postgrado Técnicas de Gestión Bancaria	1
Diplomado en Comercio Internacional	2
Procesamiento de Datos	5
TOTAL	30

Del total de empleados becados, veinte (20) realizan estudios fuera del país y diez (10) en centros de estudios nacionales.

Las personas que regresan con sus estudios terminados son escogidos, de preferencia, para ocupar cargos superiores en sus respectivas áreas.

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En los últimos años el Banco se ha encaminado a un proceso de automatización de las operaciones de la Institución. Para tal efecto, el Banco optó por la opción de la contratación de personal ya formado; sin embargo, en la actualidad la Institución se encamina hacia un proceso de formación de sus propios cuadros en esta área, con el objeto de aprovechar mas eficientemente la actual tecnología de Procesamiento Electrónico de Datos.

En términos generales, se puede decir, que esta es una de las áreas más débiles de la Institución, sobre todo en lo que se refiere a los Departamentos Técnicos, especialmente al Departamento de Estudios Económicos. En ese sentido el Banco consideraría como muy oportuna la ayuda que se pueda recibir para delinear una política de capacitación en el área de Procesamiento Electrónico de Datos y en la utilización de sistemas computarizados de cálculo.

IV. ALGUNAS LIMITACIONES INSTITUCIONALES Y AREAS QUE PUEDEN SER REFORZADAS A TRAVES DEL PROYECTO DE ANALISIS E IMPLEMENTACION DE POLITICAS.

El Banco Central de Honduras con el objeto de poder cumplir con las funciones que la Ley le establece y con los requerimientos que se derivan de los Convenios Internacionales suscritos por el país, permanentemente revisa su metodología de trabajo, sus instrumentos de análisis macroeconómicos, sus fuentes de información, etc.

Congruente con lo anterior, y para efectos de lo establecido en el pro-

yecto de análisis e implementación de políticas se han seleccionado las siguientes áreas en las cuales sería conveniente para el Banco, recibir apoyo técnico, equipo o cualquier ayuda que eleve la calidad del trabajo:

1) **Monitoreo de las metas Cuantitativas.**

Los programas de ayuda económica de la Agencia para el Desarrollo Internacional (AID), exigen el cumplimiento por parte del Banco Central de Honduras, de ciertas metas cuantitativas en el campo económico, que es necesario evaluar con determinada periodicidad.

Para dar cumplimiento a lo anterior, el Banco Central, a través del Departamento de Estudios Económicos, compila mensualmente estadísticas monetarias, fiscales y de comercio exterior con el objeto de evaluar el comportamiento de las principales variables económicas, y así poder llevarle seguimiento a las metas cuantitativas contempladas en el Programa Monetario y Financiero del Banco Central, instrumento que sirve de base para la suscripción de los convenios de ayuda económica. Dicho Programa establece límites a ciertas variables claves de la economía, como ser el crédito a los sectores público, bancario y privado. Asimismo, fija metas en el cambio de las reservas monetarias internacionales y dicta otras medidas de orden económico que es necesario cumplir para poder alcanzar las metas cuantitativas programadas.

La labor que realiza el Departamento de Estudios Económicos depende de la información suministrada por otras dependencias. Sobre este aspecto, es importante destacar que con cierta frecuencia la infor-

mación se retrasa o presenta problemas de confiabilidad, lo que puede atribuirse, a veces, a la falta de preparación técnica de dicho personal. El problema puede también radicar en el personal de Estudios Económicos que tiene a su cargo la preparación de las estadísticas, ya sea por el reducido número de personas capacitadas para su elaboración o por el hecho de que mucha de la información estadística que produce el personal de Estudios Económicos aún se procesa en forma manual y no se le da el uso adecuado a las facilidades de computación existentes, tanto por la falta de personal capacitado en este campo como por la limitada disponibilidad de equipo. En la actualidad, el Departamento cuenta con una terminal de la IBM-PC-AT, que es la que se destina exclusivamente a procesamiento de datos y tres (3) terminales WANG-PC que se utilizan tanto para procesamiento de datos como de palabras, y generalmente no se encuentran disponibles. Otra dificultad que se presenta a menudo, es que la responsabilidad de recopilar las cifras mensuales para luego analizarlas y hacerlas llegar a las autoridades superiores, recae siempre en personas diferentes, lo que en parte entorpece la labor de monitoreo de las metas a cumplir y dificulta el seguimiento del programa económico.

Con el objeto de contribuir a solucionar los problemas que se plantean anteriormente, podrían tomarse las siguientes metas:

1.1) Capacitar en una mejor forma al personal que directa o indirectamente tiene a su cargo la compilación y elaboración de las cifras estadísticas. Lo anterior podría lograrse a través de charlas periódicas, seminarios técnicos o cursos de actua-

lización de corta duración;

1.2) Incrementar el número de personas que conocen a fondo como se le lleva seguimiento a los indicadores económicos mensuales que se utilizan para evaluar el comportamiento de las principales variables económicas y el cumplimiento de las metas programadas. Asimismo, habría que concientizar a dicho personal sobre la importancia de la labor que ellos realizan.

1.3) Tecnificar, mediante el uso más generalizado de las computadoras, el proceso de compilación y producción de datos estadísticos. Para lograr ese objetivo, sería necesario incrementar la red de microcomputadoras IBM a un número mínimo de cuatro (4) terminales. Consecuentemente, habría que capacitar al personal sobre el uso y manejo de las computadoras, para así lograr la mecanización de las actividades en el menor tiempo posible.

1.4) Encargar a una, o hasta dos personas, de la recopilación, análisis y evaluación periódica de las estadísticas económicas, con el objeto de darle un mejor seguimiento al programa económico y al cumplimiento de las metas, sin perjuicio de que varias personas estén en capacidad de realizar esta tarea.

2) **Mejoramiento de los instrumentos macroeconómicos.**

En vista de que el monitoreo de las metas cuantitativas requieren

del acopio de un gran volúmen de información, y de un apropiado instrumental macroeconómico, el Departamento de Estudios Económicos está interesado en desarrollar las siguientes actividades:

2.1) Cálculo de las Cuentas de Producción, Gastos de Consumo y Formación de Capital por actividades económicas, sectores y subsectores institucionales:

- Empresas no financieras (privadas y públicas).
- Instituciones financieras (Banco Central, otras instituciones monetarias, compañías de seguros y cajas de pensiones, otras instituciones financieras).
- Administraciones públicas (Administración del Gobierno Central, Gobierno Locales, Seguridad Social).
- Instituciones privadas sin fines de lucro que sirven a los hogares.
- Los hogares, incluso las empresas privadas no financieras y no constituidas en sociedades.

2.2) Regionalización del Producto Interno Bruto.

2.3) Trimestralización del Producto Interno Bruto.

2.4) Armonización de los cálculos de las Secciones de Cuentas, Balanza de Pagos, Fiscal y Monetaria.

2.5) Las cuentas para integrar el Sistema de flujo de fondos por sectores institucionales de la economía nacional.

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2.6) Matriz de Insumo-Producto

Para poder llevar a buen término las nuevas funciones anteriormente anotadas, el personal disponible actualmente en la Sección de Cuentas Nacionales del Departamento de Estudios Económicos no es suficiente, por tener su programa de trabajo tradicional que se ejecuta anualmente.

Es preciso hacer notar, que para la realización eficiente del programa enunciado se sugiere de ser posible, la contratación de uno o dos técnicos, aumentar la capacitación del personal y mejorar nuestro sistema de cómputo.

Además es necesario la contratación de un programador y disponibilidad del tipo de computarizado para el procesamiento de todo el material estadístico que resulte de las encuestas y otros datos existentes en la Sección de Cuentas Nacionales, por un lapso mínimo de tres (3) años.

También sería necesaria la contratación de asesoría técnica con experiencia en elaboración de matrices de insumo-producto, en países latinoamericanos, con fondos no reembolsables, por carecer en la actualidad de personal capacitado en la confección de tablas económicas de tal naturaleza. Al mismo tiempo se necesita la formación académica de personal del Banco para que pueda analizar y conformar la matriz de insumo- producto.

Finalmente se necesita la elaboración gradual de las cuentas de

producción de las actividades primarias, secundarias y terciarias, desglosadas para el sector privado y público, con el objeto de disponer de información en cuanto a sus ingresos y gastos, lo que sería un avance en la elaboración de la matriz de insumo-producto y consecuentemente para establecer el flujo de fondos, por sectores y subsectores institucionales.

3) **Seguimiento de la evolución de la competitividad de las exportaciones.**

Una actividad que puede ser desarrollada a través del Departamento Regulador del Financiamiento Externo, es el seguimiento del comportamiento de la competitividad de las exportaciones.

Esta actividad puede desarrollarse haciendo un seguimiento de las operaciones reales que se derivan de la aplicación de las siguientes Leyes: Ley de Fomento a las Exportaciones, Ley del Régimen de Importación Temporal, Ley de Incentivos a la Industria Bananera y Ley Constitutiva de las zonas industriales de procesamiento para exportaciones (ZIP); además, se puede efectuar un seguimiento de las operaciones del Centro Unico de Trámite de las Exportaciones (CENTREX).

Para tal efecto, este Departamento cuenta con los registros que se manejan a través del Sistema de Procesamiento Electrónico de Datos, pero requeriría el apoyo de personal adicional que se encargaría de la actividad.

El seguimiento puede hacerse trimestral o mensual, dependiendo de la experiencia que se adquiera en tal actividad.

V. CONCLUSIONES

1) En términos generales, el Banco Central de Honduras cuenta con los recursos técnicos y humanos para efectuar el seguimiento requerido de las medidas de política contenidas en el Programa de Reformas Estructurales;

2) Hay, sin embargo, ciertas áreas que pueden ser fortalecidas o complementadas con el objeto de que el Banco Central de Honduras pueda desarrollar más apropiadamente su función.

   Como ya se señaló, estas áreas serían la de Monitoreo de las Metas Cuantitativas, Mejoramiento de los instrumentos macroeconómicos y Seguimiento de la evolución de la Competitividad de las Exportaciones.

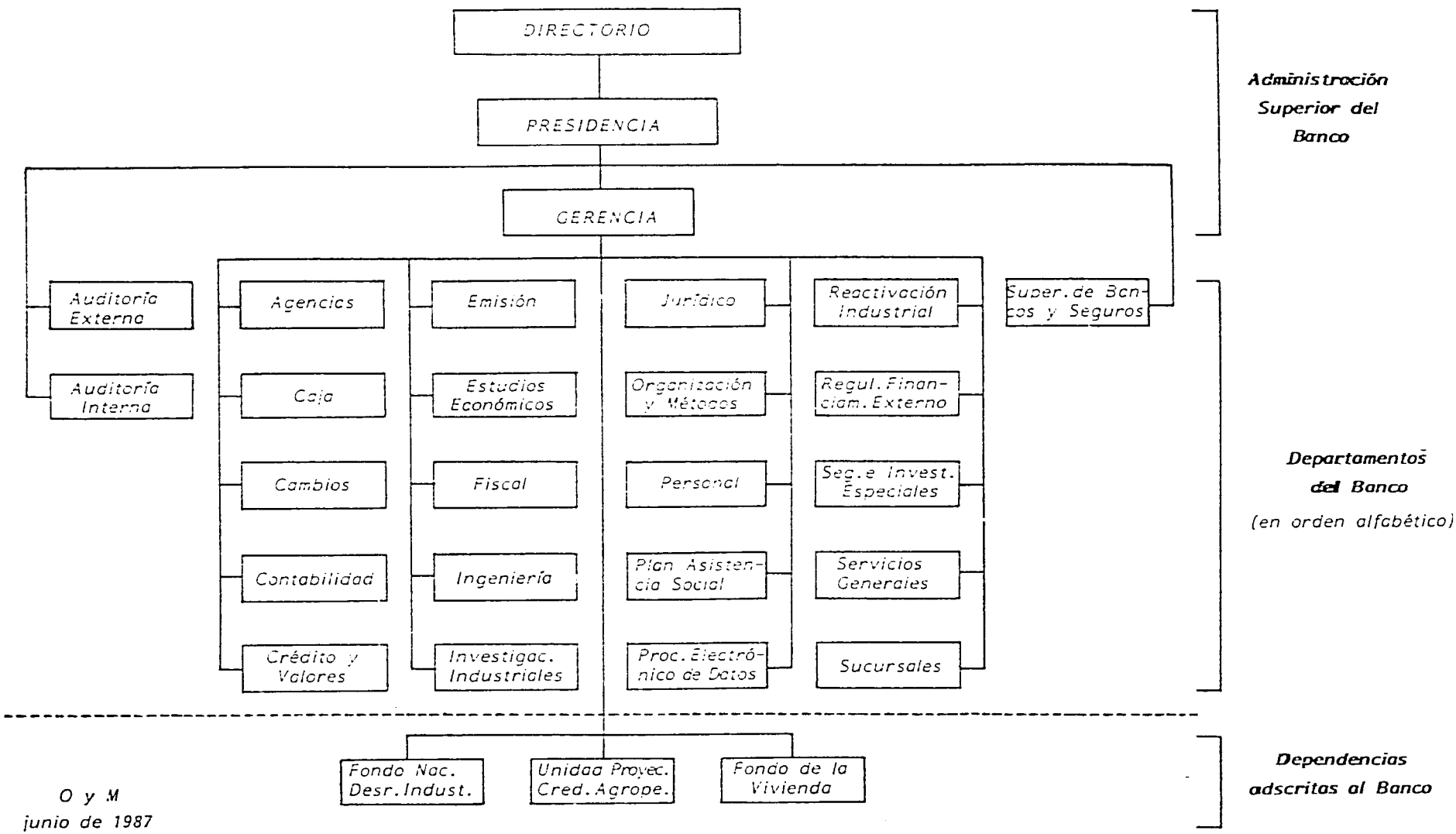
   Para tal efecto, las necesidades más importantes que se han detectado serían las de Asesoría Técnica, dotación de equipo y posiblemente, contratación de personal adicional;

3) Una necesidad que se manifiesta en las actividades del Banco, es la de fortalecer el Sistema de Procesamiento Electrónico de Datos con el objeto de lograr una mejor utilización de la tecnología actual. Esto se traduciría en información mas oportuna y de mejor

calidad, que a su vez permitiría una utilización más amplia de los modelos econométricos desarrollados por la ciencia económica.

BANCO CENTRAL DE HONDURAS

ORGANIGRAMA GENERAL DEL BANCO



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CAMBIOS E INVERSIONES EN EL EXTERIOR

NIVEL ACADEMICO DEL PERSONAL

EDUCACION UNIVERSITARIA			MAESTRIA			OTROS ESTUDIOS (1)	
AREA DE ESTUDIO	COMPLETA	INCOMPLETA	AREA DE ESTUDIO	COMPLETA	INCOMPLETA	AREA	No.
Economía	4	4	Economía	-	1	Financiera	12
Administración Empresas	1	1				Contable	12
Administración Bancaria	-	1	-			Informática	5
Contaduría Pública	1	2				Formación General	35
Técnico Bancario	1	-					
TOTALES	-	8		-	1		64 (2)

(1) Comprenden básicamente los siguientes aspectos:

- Cambio Externo y Mercados Monetarios
- Financiamiento al Desarrollo
- Análisis Financiero
- Banca y Finanzas
- Evaluación de Inversiones
- Prácticas Operativas Bancarias
- Programación de Computadoras
- Cartas de Crédito

(2) Resulta mayor que el total del personal de este Departamento, en vista que existen empleados que han cursado estudios en diferentes áreas.

Departamento de Personal

Junio, 1987

/mldp.

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C R E D I T O Y V A L O R E S

NIVEL ACADEMICO DEL PERSONAL

EDUCACION UNIVERSITARIA			MAESTRIA			OTROS ESTUDIOS (1)	
AREA DE ESTUDIO	COMPLETA	INCOMPLETA	AREA DE ESTUDIO	COMPLETA	INCOMPLETA	A R E A	No.
Economía	6	1	Economía	1	-	Financiera	8
Administración Empresas	-	1				Contable	9
Contaduría Pública	1	2				Informática	4
Agronomía	1	-				Económica	8
Técnico Bancario	2	-				Formación General	16
T O T A L E S	10	4		1	-		45 (2)

1) Comprenden básicamente los siguientes aspectos:
- Análisis y Política Financiera
- Evaluación de Proyectos e Inversiones
- Análisis Financiero
- Desarrollo de Mercados de Capital
- Programación y Política Financiera
- Programación de Computadoras
- Prácticas Bancarias
- Cuentas Nacionales
- Principios de Informática

(2) Resulta mayor que el total del personal, en vista que existen empleados que han cursados estudios en diferentes áreas.

Departamento de Personal

/mldp.

Junio, 1987

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E S T U D I O S E C O N O M I C O S

NIVEL ACADEMICO DEL PERSONAL

EDUCACION UNIVERSITARIA			M A E S T R I A			OTROS ESTUDIOS (1)	
AREA DE ESTUDIO	COMPLETA	INCOMPLETA	AREA DE ESTUDIO	COMPLETA	INCOMPLETA	A R E A	No.
Ciencias Económicas	62	1	Economía y Finanzas	11	9	Financiera	33
			Administración Empresas	2	1	Economía	35
			Moneda y Banca	-	1	Administrativa	11
						Estadíst. y Mat.	25
	-					Informática	16
						Formación General	60
T O T A L E S	62	1		13	11		180 (2)

(1) Comprenden básicamente los siguientes aspectos:

- Política y Programación Financiera
- Banca Central y Políticas Financieras
- Análisis Financiero
- Análisis y Política Monetaria
- Mercados de Capital
- Comercio Internacional y Balanza de Pagos
- Finanzas Públicas
- Evaluación de Inversiones
- Análisis Cuantitativo
- Técnicas de Muestreo y Encuestas
- Programación de Computadoras e Informática
- Deuda Externa
- Integración Económica y Tratados

(2) Resulta mayor que el total del personal en vista que existen empleados que han cursado estudios en diferentes áreas.

Departamento de Personal

Junio, 1987

DEPARTAMENTO REGULADOR DE FINANCIAMIENTO EXTERNO

NIVEL ACADEMICO DEL PERSONAL

EDUCACION UNIVERSITARIA			MAESTRIA			OTROS ESTUDIOS (1)	
AREA DE ESTUDIO	COMPLETA	INCOMPLETA	AREA DE ESTUDIO	COMPLETA	INCOMPLETA	AREA	No.
Economía	15	9	Economía	3	-	Contable	8
Administración Empresas	2	-	Administración Empresas	2	-	Financiera	16
Contaduría Pública	-	1	Banca y Finanzas	-	2	Económica	20
Técnico Bancario	2	-				Informática	7
						Formación General	36
TOTALES	19	10		5	2		87 (2)

(1) Comprenden básicamente los siguientes aspectos:
- Política y Programación Financiera
- Política Monetaria
- Técnicas Aduaneras
- Banca Central y Políticas Financieras
- Comercio Internacional
- Prácticas Bancarias
- Financiamiento al Desarrollo
- Computación p' Ejecutivos e Informática
- Evaluación de Proyectos e Inversiones
- Análisis Pinancieros
- Estrategias p' exportación

2) Resulta mayor que el total de empleados del Departamento, debido a que existen empleados que han sido capacitados en diferentes áreas .

Departamento de Personal

Junio, 1987

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SUPERINTENDENCIA DE BANCOS Y SEGUROS

NIVEL ACADEMICO DEL PERSONAL

EDUCACION MEDIA		EDUCACION UNIVERSITARIA			POST-GRADO		OTROS ESTUDIOS (1)	
Area de Estudio	No.	Area de Estudio	Completa	Incompleta	Area	No.	Area	No.
Contable	96	Economía	13	7	Economía	1	Contable	60
Bachillerato	5	Admón de Empresas	5	2	Admón de Empr.	1	Financiera	45
Secretarial	7	Contaduría Pública	13	18	-	-	Administrativa	21
-	-	Admón Bancaria	-	1	-	-	Est. y Mat.	25
-	-						Informática	12
-	-	Actuaría	2	1	-	-	Seguros	18
-	-	Ing. de Sistemas	1	1	-	-	Formac.Gen.	70
-	-	Técnico Bancario	7	-	-	-		
TOTALES	108		41	30		2		251 (2)

(1) Comprenden básicamente los siguientes aspectos:
- Técnicas de Inspección Bancarias y de Seguros
- Análisis Financiero
- Actualización Contable
- Auditoría Administrativa y de Sistemas
- Relaciones Humanas y Motivación
- Reaseguros
- Programación de Computadoras
- Dirección y Mandos Intermedios
- Política y Programación Financiera
- Escuela Superior Bancaria
- Regulación, Supervisión y Admón Bancaria
- Seminarios y Cursos de Informática
- Evaluación de Inversiones
- Redacción de Informes
- Técnicas Secretariales

(2) Resulta mayor que el total del personal en vista que existen empleados que han cursado estudios en diferentes áreas.

Institutional Review of MHCP

Institutional/Administrative Analysis

1. Ministry of Finance and Public Credit

The Ministry of Finance and Public Credit (MFPC) was established in 1971 to carry a variety of important functions in the financial administration and management of the country. It is one of the largest entities in the Honduran government, having approximately two thousand employees. As shown in Fig. 1, the MFPC is divided in two major areas under the Vice-Minister of Revenues, and Vice-Minister of Public Credit and Administration. The Vice-Minister of Revenues has control over the Directorates of Taxation and Customs. The Vice-Minister of Public Credit and Administration has management responsibilities over the Directorates of Public Credit and Budget, the General Accounting and Procurement Offices, the General Treasury, and the National Information Center (CENI). Finally, there exists a Technical Advisory Unit to provide advice to the principal Ministry executives in matters pertaining to economic/financial policy and administration.

a. Principal Functions and Offices

The MFPC prepares the national budget for approval by the executive and legislative government branches. Once the budget is approved, the Ministry is entrusted with the task of supervising its correct execution. Other functions performed by the MFPC include the negotiation of loans for the central government and the decentralized entities,, the administration of the internal and external debt, and the management of the customs system in ports outside the jurisdiction of the National Ports Enterprise.

Within the MFPC, the offices considered to play a greater role in the field of economic/administrative policy analysis and implementation - within the framework of the GOH's Economic Recovery Program - include the following

(i) Technical Support Unit

The Technical Support Unit functions as an advisory body to the principal decision-makers and authorities in the MFPC. It is composed of three sections: Economic and Financial Policy, Sectoral and Financial Policy Monitoring, and Administrative Analysis. The first two sections undertake specialized technical analyses and formulate policy recommendations to the Minister and Vice-Ministers of Finance and Public Credit. Areas covered by these two sections are associated to the appraisal of investments requiring the provision of government guarantees or funding, financial assessments of autonomous and decentralized entities, and evaluation of fiscal incentives for different sectors in the economy. The Administrative Analysis Section supervises all agreements and contracts entered into by the Ministry, monitors all projects and agreements subscribed by the Ministry with national and international organizations, and performs administrative analyses and assessments leading to the design of more efficient operating procedures.

(ii) General Directorate of Taxation

The General Directorate of Taxation performs a variety of important

functions. It directs and supervises the correct application of all taxes entrusted to the Directorate. It has power to sanction all infringements to national tax laws and regulations, and also formulates recommendations for improvin the application and fiscalization of tax laws.

(iii) General Customs Directorate

The General Customs Directorate has the responsibility of controlling and fiscalizing customs activity. It formulates recommendations for customs policies, and is in charge of policy implementation and monitoring of all imports and exports.

(iv) General Directorate of Public Credit

All Ministerial functions associated to the negotiation, contracting, and readjustment or rescheduling of public sector loans are headed by the General Directorate of Public Credit. Other functions performed by this unit are associated to the mechanization of public credit administration, indemnification for property expropiations, supervision of public bond issuances, as well as the monitoring of grants provided to Honduras by other countries and international oganizations.

(v) General Budget Directorate

The General Budget Directorate (GBD) has been assigned the responsibilities of studying and elaborating projections of current public sector revenues; executing, monitoring, and evaluating the yearly budgets; fiscalizing and auditing the expenditures of centralized and decentralized public entities; and elaborating periodical reports of the financial and economic status of the country. One of the principal GBD dependencies is the Superintendency of Decentralized Entities, which is entrusted with the responsibility of conducting financial and administrative analyses of thirty-four decentralized entities in the public sector.

(vi) General Treasury

The General Treasury is in charge of public funds management, through a centralized system for controlling revenues and expenses. This unit negotiates treasury letters with the Central Bank, amortizes internal credit and issues check for paying central government accounts.

(vii) General Accounting Office

The General Accounting Office is estrusted with the task of administering the accounting functions of the central goverment. Every year, this Office prepares a consolidated financial analysis of central government accounts, based on an integral balance sheet. It also approves the accounting procedures carried out by GOH dependencies, coordinates the internal audit

services that function in the central government, and controls all fixed and nonfixed public assets.

(viii) General Procurement Office

The General Procurement Office is in charge of all functions connected to the procurement of material, equipment and fixed assets needed by any government entity. For this, it establishes specifications for the purchase of supplies, and determines procedures for classifying, identifying and taking care of public assets. When necessary, it also supervises the sale/disposal of such assets.

(ix) National Information Center

The National Information Center has been assigned the function of providing technical services in automated data processing to all MFPC dependencies. It has the responsibility of planning, directing and controlling the use of peripheral data processing equipment in the Ministry. Finally, the Center also assists in the formulation of information policy and plans.

b. Participation in Policy Analysis and Implementation

The MFPC plays one of the most important roles in the implementation of the Economic Recovery program. Specifically, the Ministry has been assigned the responsibility of coordinating the multi-institutional committees formed to direct execution of measures 2, 3 and 4 (budget control); 7, 8, 9, and 23 (customs and effective protection); 10 (road use fees); 11 (tax administration); and 20 and 25 (tax rationalization). Furthermore, in addition to these responsibilities, the MFPC participates in the committees formed to emplement measures 1 (zero base budgeting); 5 (municipal taxation); 12, 13, 14, 15, and 17 (export promotion); 18 (reduction of public sector preferences); 19 (investment tax credit); and 27 (renegotiation of the foreign debt).

Within the context of the Economic Recovery Program, several MFPC units are involved in tasks connected to policy analysis and implementation. Specifically, the General Budget Directorate (GBD) has been assigned a key function in the analysis and implementation of measures 2a, 2b, and 2c of the ESF program. For this, the GBD has been given the lead role in establishing pilot budget control programs in the public water, electricity, and telephone entities and the national ports authority (SANAA, ENEE, HONDUTEL, and ENP, respectively). Additionally, the GBD is responsible for implementing measure 4 of the ESF program, which entails the elaborations of independent audits of decentralized public entities.

The General Customs Directorate (GCD) has been playing the principal role in the formulation of the new Customs Law, Customs Valuation Law and the General Customs Tariff System. These laws have already been presented to Congress,

and approval is expected for the month of August, 1987. More recently, the GCD has also been elaborating the reglament to enable implementation of the new Customs Law, once it is aproved by Congress.

Other MFPC offices have also served in the implementation of activities directed to support overall implementation of the ESF program. For example, the Technical Support Unit has performed a valuable coordinating role in the execution and monitoring of the Development Administration Project sponsored by USAID/Honduras. It has also contributed to rationalize administrative procedures in several MFPC dependencies, by elaborating organizational/functional manuals. The National Directorate of Public Credit (NDPC) has been in charge of elaborating draft decrees, which are reviewed by the Technical Support Unit and cleared by the Minister of Finance for presentation to the Economic Cabinet or the Council of Ministers. After decrees are approved by the Executive, the NDPC has the responsibility of monitoring the process until the decree is evaluated by the Central Bank and approved by Congress. During recent years, the NDPC has played an important role in programming and monitoring the use of ESF assistance provided by USAID/Honduras. The General Treasury has been involved in the mechanization of the check issuance system, and is currently involved in further improving and refining the process. The National Information Center (CENI) has assisted different Ministry dependencies to improve their operating performance by implanting mechanized data processing mechanisms. These dependencies include the General Procurement Office and the National Directorate of Taxation. Even though CENI does not precisely coordinate the activities of other data processing centers in the Ministry, it provides technical support when needed.

The most important activity performed by the General Accounting Office in recent years has been associated to the control of national assets, in colaboration with the Technical Support Unit. The Superintendency of Decentralized Entities has participated as a member of the Tripartite Commission to appraise the value of state owned enterprises undergoing privatization proceedings.

c. Human Resource Status

To assess the status of human resources in the MFPC, within the context of policy analysis and implementation, the Project design team -in colaboration with staff from the Technical Support Unit- performed a survey in the principal MFPC dependencies. This survey consisted in the distribution of questionnaires to fifty-one selected MFPC executives and technical staff.

As shown in Tables 1 through 8, results obtained from the survey reveal that about two-thirds of MFPC personnel in analytical areas connected to policy-making are younger than 41 years (Table 1); slightly over one half of the personnel has been working with the Ministry for a period of less than ten years and has less than five years performing the same functions (Tables 2 and 3). In terms of educational status, only six persons reported to have either

M.Sc. degrees or have carried out two-year long post-graduate studies, for periods of two or more years. Almost two-thirds of the staff indicated to have diplomas of "Peritos Mercantiles"(a three-year pre-university program in Honduras). More than one half of the MFPC's technical staff does not have a university degree (Table 6). With respect to the specific policy areas in which the Ministry's technical staff indicated to be most capable, about two-thirds selected fiscal policy, followed by administrative and tax policy (Table 4). In association to the precise type of activity performed in the policy analysis and implementation process (Table 5), more than one-half of those interviewed indicated to carry out information collection and/or analysis/processing activities, while much lesser numbers reported to be at the stage of formulating recommendations, executing policy decisions, and monitoring and evaluation. Interestingly, the smallest number of people mentioned to be involved in the category of policy monitoring.

d. Institutional/Operational Problems Identified

In the course of the intensive review, the design team conducted interviews with most of the principal Ministry executives and decision-makers, as well as with office directors and section chiefs, to obtain their insights concerning the entity's institutional and operational problems. The results from these interviews were complemented by responses provided by senior level analysts and technical staff responding to the questionnaire used in the survey. Additionally, the conclusions and recommendations formulated by Development Alternatives, Inc. when evaluating the Development Administration Project, did also provide useful insights into the operation and characteristics of the MFPC.

In general, it is considered that the MFPC -in spite of several debilitating features- is one of the most cohesive, technically able, and efficient entities in the Honduran central government structure. With the purpose of focusing on areas requiring to be strenghtened or needing the implementation of remedial measures, in order to enhance the institutional efficiency of the MFPC to carry out ESF program measures, the design team identified the following aspects:

(i) Organizational/Analytical Deficiencies

Only a handful of MFPC dependencies posses organizational and functional manuals, which clearly define their institutional responsibilities, organizational linkages, and operating procedures. Because of this, operating procedures tend to vary between offices in the same Ministry, there is a lack of inter-office coordination and colaboration, insufficient delegation of authority, and oftentimes there is duplication of efforts and improperly defined responsibilities. It has been stated that -within the Ministry- each office tends to act as an island, and responds only to directives radiating from the Minister. If this occurs among offices inside the same Ministry, the situation is more serious when consideration is given to the relationships

between MFPC dependencies and other public sector Ministries or decentralized entities.

As a result of independent efforts carried out by office chiefs, and the lack of a uniform policy, a heterogeneous set of personnel management practices has emerged. Application of these practices has in many cases resulted in inadequate personnel decisions, arbitrary actions, and in some cases inequitable treatment of employees. Nevertheless, it is necessary to point out that, to date, no systematic analysis has been conducted concerning the status of MFPC personnel. Specifically, no office in the Ministry has information with respect to the aggregate number of employees, salary levels, educational status, training needs, and performance. It was precisely due to this lack of information that the design team was required to perform a survey.

(ii) Technical and Personnel Deficiencies

One of the principal factors that reduce the Ministry's ability to conduct serious economic policy analyses is connected to the relative scarcity of properly trained personnel. Even though there are significant variations in the technical composition of different offices within the Ministry, as observed in Table 6, the offices included in the survey have only a handful of individuals with post-graduate studies. This is connected to the well ingrained inability of public sector entities to hire, train, and retain qualified technical and administrative personnel. The factors explaining this situation are varied and include inadequate salary, promotion, and advancement policies. Reportedly, these problems emerge from the fact that, so far, the MFPC has been unwilling to enforce compliance to the Civil Service Law.

(iii) Inadequate Information Services

One of the most often mentioned problems mentioned by MFPC staff, which inhibits the policy analysis process, is associated to the inadequacy of existing information services. Complaints in this respect range from unavailability, to inaccuracy and untimeliness of information required by MFPC policy analysts and executives. Of all the problems indicated by respondents to the survey, inadequate information services was considered to be the most critical.

(iv) Other Aspects

MFPC dependencies are also inhibited by chronic underbudgeting, which leaves limited resources for information collection/processing, research, training and observational travel. Low budgets also translate in low salaries, which make extremely dificult to retain highly qualified, trained and experienced, personnel.

In the past, political changes have decimated the ranks of public entities such as the MFPC. As can be observed in Table 9, during the years 1982-83,

the MFPC was one of the state entities experiencing the highest number of personnel turnover (surpassed only by the Ministry of Health). Even tough it is evident that such changes have little impact upon higher level technical staff, they cause major changes among lower staff levels.

e. Suggested Remedial Actions

The following actions are seen as necessary to remedy the problem situations described in Section (d) above:

To tackle organizational/administrative problems, it is advised that as assessment of MFPC be conducted, to establish a mechanism for monitoring personnel and administrative matters. This assessment would also evaluate the status of the Civil Service Law, including an analysis of its principal features and its implementation, in order to determine any actions to reduce personnel rotation in the MFPC.

Technical and personnel deficiencies observed in the MFPC can only be solved by a combination of devoting increased resources to training of the existing personnel, and providing specialized technical assistance in policy analysis and implementation. As presented in Table 7, few MFPC personnel are proficient in English. Morover, the majority prefers the provision of training through short courses and observational travel, rather than graduate programs.

Based on questionnaire responses in each office and advice provided by persons well acquainted with the implementation of specific ESF program measures, the preferred areas for the provision of technical assistance and training are:

(i) General Customs Directorate: technical level training in organizations such as the UNCTAD and GATT, plus 2-4 individuals selcted to pursue M.Sc. degrees in international commerce;

(ii) General Directorate of Public Credit: technical assistance in the collection of information, negotiation, and administration of external funds;

(iii) General Budget Directorate: technical assistance and training in fiscal policy, budget execution and control, zero base budgeting, cost accounting, statistical analysis, and Taxation. The Superintendency of Decentralized Entities indicated a need for technical assistance/training in : budget control, production and marketing economics, financial management and investment programming;

(iv) General Treasury: technical assistance and training in public finance and taxation and automated data processing;

(v) General Accounting Office: technical assistance and training in public sector accounting, auditing of public entities, asset valuation.

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Additionally, this MFPC dependency needs support for diseminating the new system af national asset control, by providing short-term (two weeks) training to personnel in a large number of state agencies and decentralized entities; and

(vi) National Information Center: Technical assistance in personnel training and the use of modern software and hardware.

TABLE 1
AGE BREAKDOWN OF MHPC PERSONNEL (YEARS)

OFFICE	20-30	31-40	41-50	MAYOR DE 51
CENI	3	3	1	-
Public Credit	1	1	-	-
Accounting	3	2	4	3
Treasury	-	2	1	1
Customs	1	5	2	-
Budget	1	6	5	-
Superintendency	2	4	-	-
TOTAL	11	23	13	4

TABLE 2
YEARS WORKING IN THE MHCP

OFFICE	1-5	6-10	11-15	16-20	+ 20
CENI	4	3	-	-	-
Public Credit	2	1	1	-	-
Accounting	4	3	1	-	4
Treasury	-	-	1	-	3
Customs	2	1	4	-	1
Budget	-	4	6	1	1
Superintendency	3	3	-	-	-
TOTAL	15	14	12	1	9

TABLE 3
YEARS PERFORMING THE SAME OFFICE FUNCTIONS

OFFICE	1-5	6-10	11-15	MAYOR DE 15
CENI	1	1	1	4
Public Credit	2	-	-	-
Accounting	6	6	-	-
Treasury	1	3	-	-
Customs	6	1	1	-
Budget	9	3	-	-
Superintendency	4	2	-	-
TOTAL	29	16	2	4

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TABLE 4
PERSONS REPORTING COMPETENCE IN SPECIFIC POLICY AREAS (NO.)

OFFICE	MONETARY	SECTORIAL	FISCAL	PUBLIC CREDIT	TAXATION	ADMINISTRATIVE	OTHER
CENI	-	-	2	1	4	3	4
Public Credit	1	1	-	2	-	-	1
Accounting	-	-	6	-	2	2	1
Treasury	-	-	4	2	1	-	-
Customs	-	-	6	-	7	3	-
Budget	-	7	12	2	3	10	-
Superintendency		2	2	-	2	5	6
TOTAL	1	10	32	7	19	23	12

TABLE 5
PERSONS REPORTING ACTIVITY

OFFICE	COLLECTION OF INFORMATION	INFORMATION PROC./ ANALYSIS	FORMULATION OF RECOMMENDATIONS	EXEC.	MONITORING & EVALUATION
CENI	1	-	-	1	-
Public Credit	1	2	2	2	1
Accounting	9	7	-	4	2
Treasury	2	4	-	-	-
Customs	6	7	5	3	4
Budget	10	11	10	8	7
Superintendency	-	-	-	1	-
TOTAL	29	31	17	19	14

TABLE 6
EDUCATIONAL STATUS OF MHCP PERSONNEL

OFFICE	HIGH SCHOOL	TEACHER'S SCHOOL	COMMERCIAL DEGREE	VOCATIONAL TRAINING	UNIV. STUDY	UNIV. DEGREE	GRADUATE DEGREE
CENI	3	1	3	-	3	1	1
Public Credit	2	-	-	-	-	1	1
Accounting	-	-	11	1	3	3	-
Treasury	-	-	4	-	1	-	
Customs	1	1	6	-	2	4	3
Budget	3	-	9	-	4	7	1
Superintendency	2	-	4	-	-	6	-
TOTAL	11	2	37	1	13	22	6

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TABLE 7
ENGLISH PROFICIENCY OF MHPC PERSONNEL (NO. OF PERSONS)

OFFICE	SPEAKS	READ	WRITE	UNDERSTAND
CENI	1	4	2	3
Public Credit	1	2	1	1
Accounting	-	2	-	1
Treasury	-	-	-	-
Customs	1	1	1	3
Budget	1	2	2	1
Superintendency	1	3	1	4
TOTAL	5	14	7	14

TABLE 8
PREFERED TRAINING SUGGESTED

OFFICE	SHORT COURSES AND SEMINARS	OBSERVATIONAL TRIPS	M.S. PROGRAMS	PH.D. PROGRAMS
CENI	40	24	8	2
Public Credit	6	4	10	0
Accounting	56	46	10	0
Treasury	26	20	10	0
Customs	68	39	18	7
Budget	108	76	23	8
Superintendency	42	24	46	3
TOTAL	346	233	125	20

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TABLE 9
GOH PERSONNEL CHANGES (1982 AND 1983)

EMPLOYEES	NATURAL RESOURCES	PUBLIC HEALTH	TOURISM & CULTURE	ECONOMY	FINANCE & PUBLIC CREDIT	LABOR	FOREIGN AFFAIRS	JUSTICE	TRANSPORT	PLANNING	OTHER	TOTAL
Fired w/ compensation	71	11	-	4	258	-	1	7	-	9	-	301
Fired w/o compensation	175	109	179	142	452	47	23	55	-	6	-	1,188
Promoted	134	240	53	42	300	47	9	46	-	37	-	908
Transfered	4	114	-	-	28	20	10	17	-	2	-	195
Temporary	42	192	-	-	-	-	-	7	-	1	-	242
Hired	-	855	98	157	756	146	46	137	-	34	-	2,229
Discharged for disability	-	4	-	-	-	1	-	-	-	-	-	5
Discharged due to death	-	15	-	-	-	4	-	2	-	1	-	22
Retired	-	19	-	1	-	4	-	1	-	-	-	25
Resigned	-	407	54	29	66	34	5	54	-	37	-	686
Leave w/o pay	-	104	-	11	-	12	-	6	-	12	-	145
Leave w/ pay	-	21	-	4	-	-	-	4	-	3	-	32
Rehired	-	51	-	14	50	20	-	10	-	9	-	154
TOTAL	366	2,142	384	404	1,910	335	94	346	-	151	-	6,132

Fired w/ compensation	-	-	-	96	-	-	1	-	-	1	-	98
Fired w/o compensation	-	113	18	31	120	16	6	56	-	5	-	365
Promoted	-	152	13	14	128	44	16	78	-	19	-	464
Transfered	-	16	1	-	17	5	6	15	-	2	-	62
Temporary	-	104	-	-	-	-	-	4	-	-	-	108
Hired	-	580	56	42	280	148	21	159	-	25	-	1,311
Discharged for disability	-	2	-	1	-	1	-	-	-	-	-	4
Discharged due to death	-	14	-	1	-	1	-	2	-	1	-	19
Retired	-	10	-	1	-	2	-	-	-	-	-	13
Resigned	-	138	33	20	80	56	7	67	-	19	-	420
Leave w/o pay	-	111	-	9	-	17	-	6	-	9	-	152
Leave w/ pay	-	9	-	6	-	-	-	10	-	1	-	26
Rehired	-	159	-	5	36	12	-	30	-	6	-	248
TOTAL	-	1,408	121	757	302	57	427	-	88	-	-	3,290

ANNEX II
EXHIBIT F

ESTIMATED TECHNICAL ASSISTANCE REQUIREMENT

Public Sector Component (*)

ACTIVITY	PERSON MONTHS SHORT-TERM	PERSON MONTHS LONG-TERM
1. Foreign Trade and Customs Administration	12	24
2. Decentralized Institutions Rationalization	12	-
3. Statistical and Information Base	10	24
4. Macro and Sectoral Economic Analysis	16	36
5. Foreign Trade and Tax Regimes	12	-
6. Reduction in Public Sector Preferences/ Investment Rationalization	5	-
7. Investment Policy	5	-
8. Economic Analysis of Public Sector Investments	6	-
9. Agricultural Polices	16	36
10. Other Not here classified (e.g. Public Utility Pricing, Social Security System)	6	-
	100	120

(*) Based on estimates of level of effort required for each activity

Best Available Document

ANNEX II
Exhibit G

[illegible]															
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Secretaria			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asistente			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Secretaria			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gerente [illegible]			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Secretaria Asist.Tecn.			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subtotal Gest.Econ.Fi.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Esfera Politica/Rel.Pub.															
Director [illegible]			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Miembros Congreso [illegible]			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conferencia Gestion [illegible]			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cabilderos/Rel.Publicas			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Experto en Rel.Publicas			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asistente			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Secretaria			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cabilderos/Enlace con Gob.			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mecanografa			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Benef.Personal a .1662			15080.41	1701.67	16674.43	1786.65	17503.19	1875.87	18393.56	1969.67	19302.74	2068.15	877.27	9401.71	
Conferencia Asist.Tecn.			40104.00	0.00	16160.00	0.00	30249.00	0.00	17168.00	0.00	17021.00	0.00	140720.00	0.00	
Rel.Publicas Asist.Tecn.	[illegible]	[illegible]	34920.00	0.00	44124.00	0.00	24601.00	0.00	0.00	0.00	0.00	0.00	177377.00	[illegible]	
Subtotal Esfera Pol./Rel.	[illegible]	[illegible]	306741.91	88311.97	324100.33	45361.18	230252.03	97625.31	150362.62	25979.31	168165.36	64919.05	[illegible]	[illegible]	[illegible]
Consolidacion Institut.															
Boletin Mensual			0.00	4902.00	0.00	5147.10	0.00	5404.46	0.00	5674.68	0.00	6000.00	0.00	27128.24	
Junta Directiva Mensual			0.00	2835.00	0.00	2976.75	0.00	3125.85	0.00	3282.25	0.00	3446.10	0.00	15649.95	
Asamblea Anual			15187.50	8600.00	15657.30	10678.50	15975.85	15845.93	15910.40	19936.70	13213.60	26129.40	75944.65	81190.00	
Membresia			25000.00	0.00	22000.00	0.00	23000.00	0.00	16000.00	0.00	12000.00	0.00	95000.00	0.00	
Donaciones			50000.00	0.00	50000.00	0.00	50000.00	0.00	50000.00	0.00	50000.00	0.00	200000.00	0.00	
Entrenamiento			20000.00	0.00	20000.00	0.00	15000.00	0.00	10000.00	0.00	5000.00	0.00	70000.00	0.00	
Director Ejecutivo			34000.00	0.00	35800.00	0.00	37600.00	0.00	39500.00	0.00	41100.00	0.00	188000.00	0.00	
Director Tecnico			47775.00	0.00	50163.75	0.00	52671.94	0.00	55305.53	0.00	58070.81	0.00	263997.03	0.00	
Experto Membresia/Org.			40950.00	0.00	42997.50	0.00	45147.38	0.00	47404.74	0.00	49774.98	0.00	224274.60	0.00	
Secretaria			0.00	5460.00	0.00	5733.00	0.00	6019.65	0.00	6320.63	0.00	6636.66	0.00	30169.94	
Contador (medio tiempo)			4725.00	0.00	4961.25	0.00	5229.31	0.00	5469.78	0.00	5743.27	0.00	26108.61	0.00	
1 Mecanografa			0.00	3412.50	0.00	3583.13	0.00	3762.29	0.00	3950.40	0.00	4147.92	0.00	18856.23	
2 Conserjes			0.00	4095.00	0.00	4299.75	0.00	4514.74	0.00	4740.47	0.00	4977.50	0.00	22627.46	
Benef.Personal a .1662			15031.39	3956.67	16307.96	4049.51	17123.36	4251.98	17979.52	4464.56	18878.50	4687.81	85620.73	21310.54	
Asist.Tecn.Membresia/Org.	41860.00		124572.00	0.00	99212.00	0.00	23075.00	0.00	24890.00	0.00	0.00	0.00	322609.00	0.00	
Subtotal Consol.Inst.	41860.00	50000.00	377740.89	33161.17	347099.76	36467.74	291002.84	42924.86	282459.97	49369.71	253781.16	56025.39	1684744.62	266948.87	[illegible]

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Subtotal Tecnico															
Capital de Riesgo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Otros	0.00	0.00	60350.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	[illegible]	0.00	
Subtotal Subsidio Personal	0.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asistencia Tecnica															
Gerente de Proyecto	0.00	0.00	176400.00	0.00	[illegible]	0.00	[illegible]	0.00	0.00	0.00	0.00	0.00	[illegible]	0.00	
Oficial de Proyecto	[illegible]	0.00	45000.00	0.00	[illegible]	0.00	[illegible]	0.00	0.00	0.00	0.00	0.00	[illegible]	0.00	
Evaluacion			0.00	0.00	0.00	0.00	[illegible]	0.00	0.00	0.00	[illegible]	0.00	[illegible]	0.00	
Subtotal Asist.Tecnica	10000.00	0.00	221400.00	0.00	232470.00	0.00	297750.00	0.00	0.00	0.00	60000.00	0.00	[illegible]	0.00	[illegible]
Subtotal	62860.00	70000.00	1244378.95	143432.45	1036574.36	121426.70	980998.24	192959.61	608056.26	149745.92	628984.48	229447.79	4361850.49	890010.67	[illegible]
Contingencia a 12%	7543.20	8760.00	149325.47	17211.89	124388.95	14571.20	117719.79	23155.18	72966.75	17969.51	75478.14	25133.73	567420.32	106801.20	[illegible]
TOTAL AND	70403.20	61760.00	1393704.42	160644.34	1160963.31	135997.90	1098718.03	216114.99	681023.01	167715.43	704462.62	224581.52	5129274.79	996814.17	[illegible]
TOTAL COMBINADO		152163.20		1554343.77		1294961.41		1314833.02		848738.44		929244.14		6126088.96	

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ANNEX II
Exhibit G

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Estera Pol./Rel. Pub.															
Estudios Pol./Rel. Pub.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Estrategia/Adm. [illegible]			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Director			[illegible]	0.00	50160.75	0.00	52671.94	0.00	55305.53	0.00	58070.81	0.00	263987.03	0.00	
Asistente			22475.00	0.00	23493.75	0.00	22573.69	0.00	23702.37	0.00	24887.49	0.00	113137.30	0.00	
Secretaria			0.00	[illegible]	0.00	7188.00	0.00	7524.36	0.00	7920.79	0.00	8295.83	0.00	37712.47	
Benef. a .1662			11343.19	1134.31	[illegible]	[illegible]	[illegible]	[illegible]	13131.11	1313.11	13707.67	1379.77	45478.02	6747.10	
Economista Asist.Tecn.			124010.00	0.00	37010.00	0.00	[illegible]	0.00	24173.00	0.00	0.00	0.00	244000.00	0.00	
Subtotal Est./Eval./Pl.	10000.00	3000.00	230000.19	7707.31	[illegible]	2607.75	[illegible]	41407.64	126742.01	58376.70	102221.72	63502.85	805934.42	197145.10	[illegible]
Estera Pol./Rel. Pub.															
Seminarios			4207.00	0.00	3123.40	0.00	0.00	3000.60	0.00	3653.45	0.00	5943.90	10019.90	16957.95	
Alquileres Congresos Oficiales			600.00	1000.00	1000.00	2000.00	500.00	2000.00	1200.00	1500.00	500.00	1169.75	4000.00	10000.00	
Conferencia Sector Privado			200000.00	44568.00	0.00	0.00	10000.00	54374.00	0.00	0.00	10000.00	38297.00	45000.75	126939.00	
Capacidad/Rel. Publicas			20000.00	30000.00	20000.00	30000.00	10000.00	15000.00	5000.00	5000.00	5000.00	5000.00	60000.00	85000.00	
Experto en Rel. Publicas			42900.00	0.00	42777.50	0.00	45147.38	0.00	47404.74	0.00	49774.98	0.00	226274.60	0.00	
Asistente			22475.00	0.00	23493.75	0.00	22573.69	0.00	23702.37	0.00	24887.49	0.00	113137.30	0.00	
Secretaria			0.00	6000.00	0.00	7188.00	0.00	7524.36	0.00	7920.79	0.00	8295.83	0.00	37712.47	
Capacidad/Educacion Cos.			34175.00	0.00	37031.25	0.00	37622.81	0.00	37033.95	0.00	41479.15	0.00	180342.16	0.00	
Mecanografia			0.00	3412.50	0.00	3583.13	0.00	3762.28	0.00	3950.40	0.00	4147.92	0.00	18856.23	
Benef. Personal a .1662			15080.41	1701.47	16674.43	1786.55	17500.15	1875.87	18393.56	1969.67	19302.74	2068.15	87749.27	9401.71	
Conferencia Asist.Tecn.			60104.00	0.00	16162.00	0.00	32049.00	0.00	17168.00	0.00	17221.00	0.00	142702.00	0.00	
Rel.Publicas Asist.Tecn.	1000.00	3000.00	84700.00	0.00	44626.00	0.00	24851.00	0.00	0.00	0.00	0.00	0.00	155377.00	3000.00	
Subtotal Estera Pol./Rel. Pub.	1000.00	3000.00	306741.91	88311.97	204100.33	45061.18	208252.03	90625.31	152362.62	25979.31	168165.36	64919.55	1020603.00	317597.00	[illegible]
Consolidacion Institucional															
Boletin Mensual			0.00	4902.00	0.00	5147.10	0.00	5424.46	0.00	5674.68	0.00	6000.00	0.00	27128.24	
Junta Directiva Mensual			0.00	2835.00	0.00	2976.75	0.00	3125.85	0.00	3282.25	0.00	3446.10	0.00	15665.95	
Asamblea Anual			15187.50	6600.00	15657.30	10678.50	15975.85	15645.90	15910.40	19936.70	13213.60	26129.40	75944.65	81192.50	
Membresia			25000.00	0.00	22000.00	0.00	20000.00	0.00	16000.00	0.00	12000.00	0.00	95000.00	0.00	
Donaciones			50000.00	0.00	50000.00	0.00	50000.00	0.00	50000.00	0.00	50000.00	0.00	250000.00	0.00	
Entrenamiento			20000.00	0.00	20000.00	0.00	15000.00	0.00	10000.00	0.00	5000.00	0.00	70000.00	0.00	
Director Ejecutivo			34000.00	0.00	35800.00	0.00	37600.00	0.00	39500.00	0.00	41100.00	0.00	188000.00	0.00	
Director Tecnico			47775.00	0.00	50163.75	0.00	52671.94	0.00	55305.53	0.00	58070.81	0.00	263987.03	0.00	
Experto Membresia/Org.			40950.00	0.00	42997.50	0.00	45147.38	0.00	47404.74	0.00	49774.98	0.00	226274.60	0.00	
Secretaria			0.00	5460.00	0.00	5733.00	0.00	6019.65	0.00	6320.63	0.00	6636.66	0.00	30169.94	
Contador (medio tiempo)			4725.00	0.00	4961.25	0.00	5209.31	0.00	5469.78	0.00	5743.27	0.00	26108.61	0.00	
1 Mecanografa			0.00	3412.50	0.00	3583.13	0.00	3762.28	0.00	3950.40	0.00	4147.92	0.00	18856.23	
2 Conserjes			0.00	4095.00	0.00	4299.75	0.00	4514.74	0.00	4740.47	0.00	4977.50	0.00	22627.46	
Benef.Personal a .1662			15531.39	3956.67	16307.96	4049.51	17123.36	4251.98	17979.52	4464.58	18878.50	4687.81	85820.73	21310.54	
Asist.Tecn.Membresia/Org.	41860.00		124572.00	0.00	89212.00	0.00	23075.00	0.00	24890.00	0.00	0.00	0.00	303609.00	0.00	
Subtotal Consol.Inst.	41860.00	50000.00	377740.89	33161.17	347099.76	36467.74	281602.64	42924.86	282459.97	48369.71	253781.16	56025.39	1584744.62	266948.87	1851673.49

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1988 INCOME/EXPENSES SUMMARY	AID	COHEP	TOTAL
INCOME			
Membership Dues	$0.00	$100,000.00	$100,000.00
Services	$0.00	$372.60	$372.60
Conference Fees	$0.00	$3,000.00	$3,000.00
Donations	$0.00	$0.00	$0.00
AID Contribution	$1,424,362.91	$0.00	$1,424,362.91
Total Income	$1,424,362.91	$103,372.60	$1,527,735.51
EXPENSES			
Policy/Economic Studies	$232,508.15	$7,959.32	$240,467.47
Policy Dialogue/Government Rel	$373,315.56	$21,938.97	$395,254.53
Institutional Consolidation	$343,740.89	$43,398.67	$387,139.56
Staff Support	$100,788.00	$19,000.00	$119,788.00
External TA	$221,400.00	$0.00	$221,400.00
Total Expenses	$1,271,752.60	$92,296.96	$1,364,049.56
Contingency @ 12%	$152,610.31	$11,075.64	$163,685.95
Total Expenses	$1,424,362.91	$103,372.60	$1,527,735.51

1989 INCOME/EXPENSES SUMMARY	AID	COHEP	TOTAL
INCOME			
Membership Dues	$0.00	$100,000.00	$100,000.00
Services	$0.00	$5,000.00	$5,000.00
Conferences Fees	$0.00	$5,000.00	$5,000.00
Donations	$0.00	$10,000.00	$10,000.00
Misc Income	$0.00	$37.00	$37.00
AID Contribution	$1,147,523.51	$0.00	$1,147,523.51
Total Income	$1,147,523.51	$120,037.00	$1,267,560.51
EXPENSES			
Policy/Economis Studies	$208,594.57	$23,897.78	$232,492.35
Policy Dialogue/Govt Relations	$232,900.33	$15,061.18	$247,961.51
Institutional Consolidation	$311,299.76	$47,217.12	$358,516.88
Staff Support	$39,309.90	$21,000.00	$60,309.90
External TA	$232,470.00	$0.00	$232,470.00
Subtotal Expenses	$1,024,574.56	$107,176.08	$1,131,750.64
Contingency @ 12%	$122,948.95	$12,861.13	$135,810.08
Total Expenses	$1,147,523.51	$120,037.21	$1,267,560.72

1990 INCOME/EXPENSE SUMMARY	AID	COHEP	TOTAL
INCOME			
Membership Dues	$0.00	$100,000.00	$100,000.00
Services	$0.00	$15,000.00	$15,000.00
Conference Fees	$0.00	$30,000.00	$30,000.00
Donations	$0.00	$35,000.00	$35,000.00
Misc Income	$0.00	$97.00	$97.00
AID Contribution	$1,104,314.67	$0.00	$1,104,314.67
Total Income	$1,104,314.67	$180,097.00	$1,284,411.67
EXPENSES			
Policy/Economic Studies	$155,867.97	$41,409.64	$197,277.61
Policy Dialogue/Govt Relations	$247,849.03	$42,179.56	$290,028.59
Instituional Consolidation	$244,202.84	$54,211.70	$298,414.54
Staff Support	$40,325.40	$23,000.00	$63,325.40
External TA	$297,750.00	$0.00	$297,750.00
Subtotal Expenses	$985,995.24	$160,800.90	$1,146,796.14
Contingency 12%	$118,319.43	$19,296.11	$137,615.54
Total Expenses	$1,104,314.67	$180,097.01	$1,284,411.68

1991 INCOME/EXPENSE SUMMARY	AID	COHEP	TOTAL
INCOME			
Membership Dues	$0.00	$100,000.00	$100,000.00
Services	$0.00	$20,000.00	$20,000.00
Conference Fees	$0.00	$22,000.00	$22,000.00
Donations	$0.00	$40,000.00	$40,000.00
Misc. Income	0	426.34	426.34
AID Contribution	$635,439.01	$0.00	$635,439.01
Total Income	$635,439.01	$182,426.34	$817,865.35
EXPENSES			
Policy/Economic Studies	$126,742.01	$55,396.90	$182,138.91
Policy Dialogue/Govt relations	$156,162.62	$22,262.86	$178,425.48
Instituional Consolidation	$242,959.97	$60,220.90	$303,180.87
Staff Support	$41,491.66	$25,000.00	$66,491.66
External TA	$0.00	$0.00	$0.00
Subtotal Expenses	$567,356.26	$162,880.66	$730,236.92
Contingency @ 12%	$68,082.75	$19,545.68	$87,628.43
Total Expenses	$635,439.01	$182,426.34	$817,865.35

1992 INCOME/EXPENSES SUMMARY

INCOME

Membership Dues	$0.00	$100,000.00	$100,000.00
Services	$0.00	$30,000.00	$30,000.00
Conference Fees	$0.00	$55,000.00	$55,000.00
Donations	$0.00	$55,000.00	$55,000.00
Misc. Income	$0.00	$5,875.83	$5,875.83
AID Contribution	$662,477.18	$0.00	$662,477.18
Total Income	$662,477.18	$245,875.83	$908,353.01

EXPENSES

Policy/Economic Studies	$102,221.72	$63,502.85	$165,724.57
Policy dialogue/Govt Relations	$176,778.36	$57,560.00	$234,338.36
Institutional Consolidation	$212,681.16	$68,469.14	$281,150.30
Staff Support	$39,816.24	$30,000.00	$69,816.24
External TA	$60,000.00	$0.00	$60,000.00
Total Expenses	$591,497.48	$219,531.99	$811,029.47
Contingency @ 12%	$70,979.70	$26,343.84	$97,323.54
Total 1992	$662,477.18	$245,875.83	$908,353.01

ILLUSTRATIVE 1993 BUDGET

INCOME

Membership Dues	$250,000.00
Services	$50,000.00
Conference Fees	$35,000.00
Donations	$50,000.00
Misc. Income	$10,000.00
Capital Fund(interest income)	$250,000.00
Total Income	$645,000.00

EXPENSES

	Activities	Salaries	Subtotal
Policy/Economic Studies	$62,268.00	$111,738.00	$174,006.00
Policy Dialogue/Govt Relations	$9,306.00	$157,733.00	$167,039.00
Institutional Consolidation	$51,228.00	$173,645.00	$224,873.00
Staff Support	$0.00	$74,000.00	$0.00
Subtotal	$122,802.00	$517,116.00	$639,918.00
Contingency @ 5%	$6,140.10	$25,855.80	$31,995.90
Totals	$128,942.10	$542,971.80	$671,913.90

COHEP PROJECT
Basic Costs Year 1
Inflation 5% each yr hereafter

SALARIES & WAGES

Executive Director	$47,775.00	L 7350/mo	All salaries 13 months to
Economist PhD	$47,775.00	L 7350/mo	include "aguinaldo"
Public Relations MA	$40,950.00	L 6300/mo	
Organization Specialist MA	$40,950.00	L 6300/mo	
Lobbyist MA	$34,125.00	L 5250/mo	
Accountant/Auditor	$4,725.00	L 3150/mo one wk/mo	
Research Assistants (2)	$40,950.00	L 3150/mo	
Executive Secretary	$10,237.50	L 1575/mo	
Senior Secretaries	$13,650.00	L 2 @ 1050/mo	
Junior Secretary	$5,460.00	L 840/mo	
Typists (2)	$6,825.00	L 525/mo	
Messengers (2)	$4,095.00	L 315/mo	
Subtotal Wages Unloaded	$297,517.50	subtotal salaries & wages	
Social Security	$8,640.00	L600 x 16 people x 7.5% x 12mo	(Benefits combined
Severance Pay	$24,793.13	One mo/employee	(approximate 16.62% and
INFOP	$2,975.18	1% salaries	(are calculated as such in
Vacaciones/Temp Assist	$13,731.58	318727/260 x 12	(5-year project budget
Subtotal Wages	$347,657.38		

OFFICE SPACE

Office Space Rental	$27,000.00	
Office Supplies	$9,000.00	L100/pers/mo x 15pers x 12 mo
Phone	$19,038.00	Six times current expense
Postage	$2,400.00	$200/month
Subtotal Office Space	$57,438.00	

PUBLICATIONS

Monthly Newsletter	$4,722.00	8pp,2fotos,1000cc=L787 x 12
	$180.00	Postage to outside Teguc
Subtotal Newsletter	$4,902.00	
Contract Studies (3)	$23,625.00	9 pm prof @ L5250
	$420.00	1.5 pm secy @ L840
	$6,540.00	1000 cc (40pp)@ L4.36/copy x 3
	$300.00	postage to outside Teguc
Subtotal Contract Studies	$30,885.00	
Legal Analyses (4)	$16,000.00	4 prof pwks @ L200/hr
	$420.00	One pm secy @ L840
	$1,200.00	xerox 12pp x .10 x 500cc x4
	$400.00	postage for outside Teguc
Subtotal Legal Analyses	$18,020.00	

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Subtotal Studies	$53,807.00	
MEETINGS & CONFERENCES	(COHEP covers costs associated with lunches and drinks.)	
Monthly Board Meeting	$1,830.00	Lunch L21 x 15 members
	$945.00	Drinks L 10.5 x 15 members
Subtotal Monthly Board Mtgs	$2,835.00	
Seminars/Workshops (3)	$1,575.00	Lunch L21 x 50 people
	$787.50	Drinks L10.5 x 50 people
	$450.00	Cafe L3 x 50 people x 2day
	$2,075.00	1 in-house study xeros (other 2 covered Contract St)
Subtotal Seminars	$4,887.50	
Congressional Lunches (4)	$1,470.00	Lunch L21 x 35 people
	$735.00	Drinks L10.5 x 35 people
	$200.00	Bocas
Subtotal Congressional Lunches	$2,405.00	subtotal congress lunches
Subtotal Lunches/Seminars	$10,127.50	
Annual Assembly (3days,150 par		Assumes:partic pay own travel, po;k regis 150=food/drinks200 1000boca/hr=L925x2hrx2quant/$2
Opening Cocktail (200)	$1,850.00	200 people,3drinks,L8
	$2,400.00	
	$4,250.00	subtotal opening cocktail
Opening Dinner (200)	$3,500.00	app,meat,vege,dess,tax,200peop
	$1,200.00	drinks 200,L6,2drinks
	$4,700.00	subtotal opening dinner
Coffee breaks (150)	$1,462.50	3days,2/day,L3.25,150 peop
Lunch	$5,175.00	3days,L23,150 people
Subtotal Food	$15,587.50	
Publicity	$3,000.00	
AV Equipment	$30.00	OH proj,4days;mikes,flips free
Secretaries/Support		Assum:COHEPexec,2sr,2typ,2mess OT COHEP stf 10days,5hrs,1.5 5days 2typ,4host, OT 5days,5hrs,1.5,2typ,4host
Subtotal Secy Support		
Materials	$500.00	Annual Report check price
	$2,000.00	Chamber Reports check price
	$500.00	Misc.
	$200.00	Final Assembly Report
	$400.00	Conference Packet

Subtotal Materials	$3,600.00	
Subtotal Annual Assembl	$23,787.50	
PS Conference (3days,250 part)	(COHEP covers costs associated with drinks, et.al.)	
Opening Cocktail (300)	$2,775.00	1000boca/hr=L925x2hrx3quant/$2
	$3,600.00	300 people,3drinks,L8
	$6,375.00	subtotal opening cocktail
Opening Dinner (300)	$5,250.00	app,meat,vege,dess,tax,300peop
	$1,800.00	drinks 300,L6,2drinks
	$7,050.00	subtotal opening dinner
Coffee Breaks (250)	$2,437.50	3days,2/day,L3.25,250 peop
Lunch	$5,750.00	2days,L23,250 people
	$3,450.00	1day,L23,300 people
Subtotal Food	$25,062.50	
Publicity	$162.00	newspaper full page 3 days
	$72.00	newspaper half page,2days
	$90.00	tv 15 seconds 3 days
Subtotal Publicity	$3,000.00	
AV Equipment	$30.00	OH proj,4days;mikes,flips free
Secretaries/Support		Assum:COHEPexec,2sr,2typ,2mess
	$1,012.50	OT COHEP stf 10days,5hrs,1.5
	$397.50	5days 3typ,5host,
	$356.25	OT 5days,5hrs,1.5,3typ,5host
Subtotal Secy Support	$1,766.25	
Materials	$6,000.00	Studies CA/SA role ps dev
	$0.00	Comparative study,lpm,ser,trav
	$2,000.00	Other materials,copies,distrib
	$2,000.00	Final Conference Report
	$400.00	Conference Packet
Subtotal Materials	$10,400.00	
Travel		
Airfares		
	$695.00	5 RT Guatemala
	$615.00	5 RT El Salvador
	$1,815.00	5 RT Panama
	$1,025.00	5 RT Costa Rica
	$4,085.00	5 RT Colombia
	$4,085.00	5 RT Venezuela
	$1,500.00	3 RT USA partic
	$14,130.00	Subtotal airfares
Per Diem	$13,800.00	PD 30 Latins 5 days
	$1,230.00	PD 3 US Partic 5 days

	$15,180.00	Subtotal Per Diem
Subtotal PS Conference	$69,568.75	
Subtotal Meetings & Conf	$103,483.75	

PUBLIC RELATIONS

Targeted Educational Campaigns	$50,000.00	Private,pub, univ,labor,JA

ORGANIZATION/MEMBERSHIP DRIVE

	$25,000.00	Membership Drive
	$50,000.00	Grants to Gremiales Training, Commod, Mtgs.etc
	$75,000.00	Subtototal Membership
TRAINING	$20,000.00	

EXTERNAL TECHNICAL ASSISTANCE

USAID Project Officer	$45,000.00	30000 x 1.5 multiplier
Long-Term Advisor	$176,400.00	Fully loaded @ 14,700/mo
Economists	$22,280.00	5 pm at 269/day, 6daywk/4wk/mo
	$56,490.00	Multiplier at 175%
	$4,200.00	Airfares 7 RT
	$11,040.00	Per Diem
	$104,010.00	Subtotal Economist ST TA
Organization/Process	$38,736.00	6 pm @ 269/day,6dayvk,4vk/mo
	$67,788.00	Multiplier @ 175%
	$4,800.00	Airfares 8 RT
	$13,248.00	Per Diem
	$124,572.00	Subtotal Organization/Process
Conference/Meetings	$16,800.00	4 pm @ 175/day,6day/vk,4vk/mo
	$29,400.00	Multiplier @ 175%
	$3,600.00	Airfares 6 RT @ 600
	$10,304.00	Per Diem
	$60,104.00	Subtotal Conference Asssistance
Public Relations	$25,824.00	4 pm @ 269/day
	$45,192.00	Multiplier @ 1.75 %
	$3,600.00	Airfares 6 RT

	$10,304.00	Per Diem
	$84,920.00	Subtotal Public Relations
Subtotal External TA	$595,006.00	
COMMODITIES		
Furniture	$3,500.00	10 Professional Desks @ L700
	$2,100.00	7 Secretary desks @ L 600
	$2,125.00	17 chairs @ L 250
	$5,625.00	5 IBM Typewriters @ L 2250
	$42,000.00	3 IBM Computers @ L 28000
	$5,000.00	1 xerox machine
	$2,000.00	Misc supplies
Subtotal Commodities	$62,350.00	Subtotal Office furniture

LISTA DE ORGANIZACIONES AFILIADAS AL "COHEP". 28 / Jul / 87.

1. **ASOCIACION NACIONAL DE INDUSTRIALES (ANDI)**
Presidente: P.M. Héctor Bulnes
Tel: 31-3520 - 32-2221 - 32-5731 -Ofc.Bulnes 22-0510 .
Edif. La Interamericana 5to. Piso
Boulevar Morazán. TEGUCIGALPA.

2. **ASOCIACION DE EMPRESAS PESQUERAS DEL MAR**
Representante en Tegucigalpa: Lic. Orlando Gómez Cisneros.
Edif. I.S.P. 2º Piso No. 201
Fte. al Cine Clámer
Tegucigalpa.

3. **ASOCIACION DE EXPORTADORES DE CAFE DE HONDURAS**
Presidente: Lic. Osmond maduro h.
Apartado No. 213 Tel: 32-6548.
Tegucigalpa.

4. **ASOCIACION DE PRODUCTORES DE AZUCAR DE HONDURAS**
Presidente: Lic. Gilberto Golstein
Apartado No. 1481
Tegucigalpa. Tel: 32-3334

5. **ASOCIACION DE PROPIETARIOS DE FARMACIAS**
Presidente: Dra. Laura Fléfil de Miranda
Farmacia Fléfil 9a. calle, 6 y 7 Avenida. Tel: 22-9033
Comayaguela.

6. **ASOCIACION DE TOSTADORES DE CAFE DE HONDURAS**
Presidente: Sr. Miguel Oscar Kafatti
Edificio Midence Soto 6o. Piso No. 603
Tegucigalpa. Tel: 22-1637

7. **ASOCIACION HONDUREÑA DE COMPAÑIAS Y REPRESENTANTES NAVIEROS**
Presidente: Lic. Lisandro Flores Guillen
Edificio AHPROCAFE, Colonia Lara
Apartado 142-C. Tel: 32-2342 - 32-5004 - 32-2568
TESORERA: LIC. NUVIA MARTINEZ Tel: 32-8930/8926.

8. **ASOCIACION HONDUREÑA DE DISTRIBUIDORES DE VEHICULOS (AHDIVA).**
Presidente: Epaminondas Marinakys
Secretario: Sr. Francisco Caparroz
Edificio Monserrat (Pl.Baja) Apartado No. 1160 Tel: 33-4355
COMAYAGUELA.

9. **ASOCIACION HONDUREÑA DE INSTITUCIONES BANCARIAS (AHIBA)**
Presidente: General Oswaldo López Arellano
Edificio BANCAHSA - 5º Piso
Tel: 33-2777 (Reinita)

10. **ASOCIACION HONDUREÑA DE PRODUCTORES DE CAFE (AHPROCAFE)**
Presidente: Sr. Catarino Montoya
Edificio Ahprocafé Colonia Lara Apdo. No. 959.
Tel: 32-3287
Tegucigalpa.

11. **ASOCIACION NACIONAL DE AVICULTORES DE HONDURAS (ANAVIH)**
Presidente: Sr. Pompeyo Bonilla Reyes
Apartado No. T-152 Tegucigalpa. Tel: 22-8480
COMAYAGUELA.

12. **ASOCIACION NACIONAL DE EMPACADORAS DE CARNE (ANEDEC)**
Presidente: P.M. Armando Erazo
Representante: Sra. Gloria Erazo de Guzman. Tel: 32-5231.
III Nivel de Plaza Miraflores. Tegucigalpa.

13. **ASOCIACION NACIONAL DE EXPORTADORES DE HONDURAS (ANEXHON)**
Presidente: Dr. Richard Zablah Tel: 33-1368/1369
Nacional de Envases Apdo. No. 11 Comayaguela.

14. **ASOCIACION NACIONAL DE LA MEDIANA Y PEQUEÑA INDUSTRIA (ANMPI)**
Presidente: Sr. Ramon Argueta
Apdo. No. 692 . Tel: 32-5767.
Tegucigalpa.

15. **ASOCIACION NACIONAL DE MOLINEROS DE HONDURAS**
Representante/ Sr. José Adrian Velásquez
Beneficio Cielito Lindo. Col. Santa Fé. Tel: 22-6177
Comayaguela.

16. **ASOCIACION DE MADEROS DE HONDURAS (AMADHO).**
Presidente: Lic. Manuel Zelaya Rosales
Edificio Centroamérica
Tel: ----------Boul. Miraflores
Tegucigalpa.

17. **CAMARA DE COMERCIO E INDUSTRIAS DE ATLANTIDA.**
Presidente: Miguel Kawas
Edificio Atlántida 2º Piso Ave. La República Fte. al Parque Central LA CEIBA, ATLANTIDA.
Tel: 42-0069 (en la Ferreteria 42-2283/2417.

18 **CAMARA DE COMERCIO E INDUSTRIAS DE CORTES.**
Presidente: Ing. Felipe Arguello Carazo
Apartado No. 14 San Pedro Sula.
Tel: 53-2490 52-5840/6207.
SAN PEDRO SULA.

19. **CAMARA DE COMERCIO HONDUREÑO - AMERICANA**
Presidente: Sr. Eduardo Aragón Tel: 32-7043/32-3191
Tegucigalpa,D.C.

20. **CAMARA DE REPRESENTANTES DE CASAS NACIONALES Y EXTRANJERAS**
Presidente: Sr. Raul Torres Lazo Tel: 22-8210/8433.
Salida carr. del norte (DERIVADOS DE MAIZ Apartado 240 COMAYAGUEL.

21. **CAMARA DE TURISMO DE HONDURAS**
Presidente: Sr. Alberto Galeano

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22. **CAMARA DE COMRCIO E IND.DE**
Presidente: Lic. José Ma. l
tancourt. Tel: 32-1082./8
Ofc. Su Venta: 32-1586.

23. **CAMARA HONDUREÑA DE ASOCIACIONES DE AHORRO Y PRESTAMO (CAHDEAP)**
Presidente: Ing. Vicente Williams A.
Bco. Centroamericano/Edif. Larach . Tel: 22-4822.
Tegucigalpa.

24. **CAMARA HONDUREÑA DE LA INDUSTRIA DE LA CONSTRUCCION (CHICO)**
Presidente: Ing. Cristóbal Sierra
Secretario: Lic. Francisco Membreño Tel: 32-1756
Edif. Simon. Fte. Quimicas Dinant
Tegucigalpa.

25. **FEDERACION NACIONAL DE AGENTES ADUANALES DE HONDURAS (FENADUANAH)**
Presidente: Sr. Gilberto Díaz del Valle
Edificio FENADUANAH, Cont. Clínicas Viera
Tegucigalpa,D.C. Tel: 22-3201/5993/5440

26. **FEDERACION NACIONAL DE AGRICULTORES Y GANADEROS DE HONDURAS (FENAGH)**
Presidente: Sr. Miguel Angel García Tel: 53-3342 SAN PEDRO SULA.. CAMPO AGAS.

27. **FUNDACION PARA LA INVESTIGACION Y EL DESARROLLO EMPRESARIAL (FIDE) Apdo. # 2029 Tegucigalpa. Tel: 32-9345/32-0568.**
Presidente: DR. RICHARD ZABLAH

28. GERENTES Y EMPRESARIOS ASOCIADOS DE HONDURAS (GEMAH)
Presidente: Lic. René martínez
Sr. Teofilo Castillo - Director Ejecutivo.
Tel: en Tegucigalpa 32--1200 - 33-2364. 33-8097 Sr. Carlos Avila.

Farmacia Nayo 2º Piso
El Prado. COMAYAGUELA.

29. ASOCIACION DE FABRICANTES DE PRODUCTOS FARMACEUTICOS DE HONDURAS (ANAPROHFAR)
Presidente: Sr. Elías Asfura Tel: 22-8866/33-1758
Secretario: Sr. Jesús Darío Colindres.
Farmacia Karnel.
Tegucigalpa.

ASOCIACIONES EN TRAMITE DE AFILIACION

1. CAMARA HONDUREÑA DE EMPRESAS DE CONSULTORIA (CHEC)
Presidente: Presidente: Mauro Membreño Tosta.
Apartado No. 206-C.
Tel: ----------
Tegucigalpa.

2. ASOCIACION HONDUREÑA DE CAÑEROS INDEPENDIENTES
Presidente: Ing. Fuad C. Abufele S.
Apartado No. 1146.-
Tel: 54-3326 /54-4358
SAN PEDRO SULA.

3. CENTRO ASESOR PARA EL DESARROLLO DE RECURSOS HUMANOS DE HONDURAS (CADERH)
Director Ejecutivo: Lic. Ricardo Castillo Callejas
Tel: 22-5181 / 22-2283
Edif. Quinchon Leon 5to. Piso
Tegucigalpa.

4. ASOCIACION NACIONAL DE IMPORTADORES Y COMERCIANTES DE TEXTILES
Presidente: Sr. Julio César Enríquez
Tel: 22-7149
Ofc. Cortitelas
Comayaguela.

5. ASOCIACION HONDUREÑA DE LINEAS AEREAS
Presidente: Sr. Victor Manuel Castro Ch.
Tegucigalpa.

6. ASOCIACION DE DISTRIBUIDORES, IMPORTADORES Y VENDEDORES DE PRODUCTOS AGROPECUARIOS.
C.H. EYL. Tegucigalpa.

PROJECT IMPLEMENTATION PLAN
Year One *

I. Public Sector Component

Activity	Target Date
- PROAG Signed	August 1987
- PIL No. 1 Issued	September 1987
- GOH Project Committee Established	September 1987
- RFP for Technical Assistance Issued	September 1987
- Project Liaison Officer Contracted	September 1987
- Agricultural Project Liaison Officer Search Initiated	September 1987
- Ag. Liaison Officer Contracted	October-November 1987
- RFP for Training Contractor Issued	October 1987
- Initial Buy-in to S&T Ag. Policy Project	October 1987
- Short-Term Technical Assistance on Select Issues Contracted	October 1987**
- Begin Identification of Trainees	October 1987
- Trainees for First Academic Year Selected	January 1987
- Institutional Contractor Selected	January 1987
- Institutional Contractor Contracted	March 1988
- Training Contract Signed	April 1988
- Chief of Party Arrives in Country	April 1988
- Short-Term Assistance in Place for Selected Activities	May 1988
- Long-Term Technical Assistance in Place for Selected Activities	June 1988
- Trainees Begin English Language Training	June 1988
- Trainees Begin Academic Year	August 1988

* The Implementation Plan will be updated on a bi-annual basis.

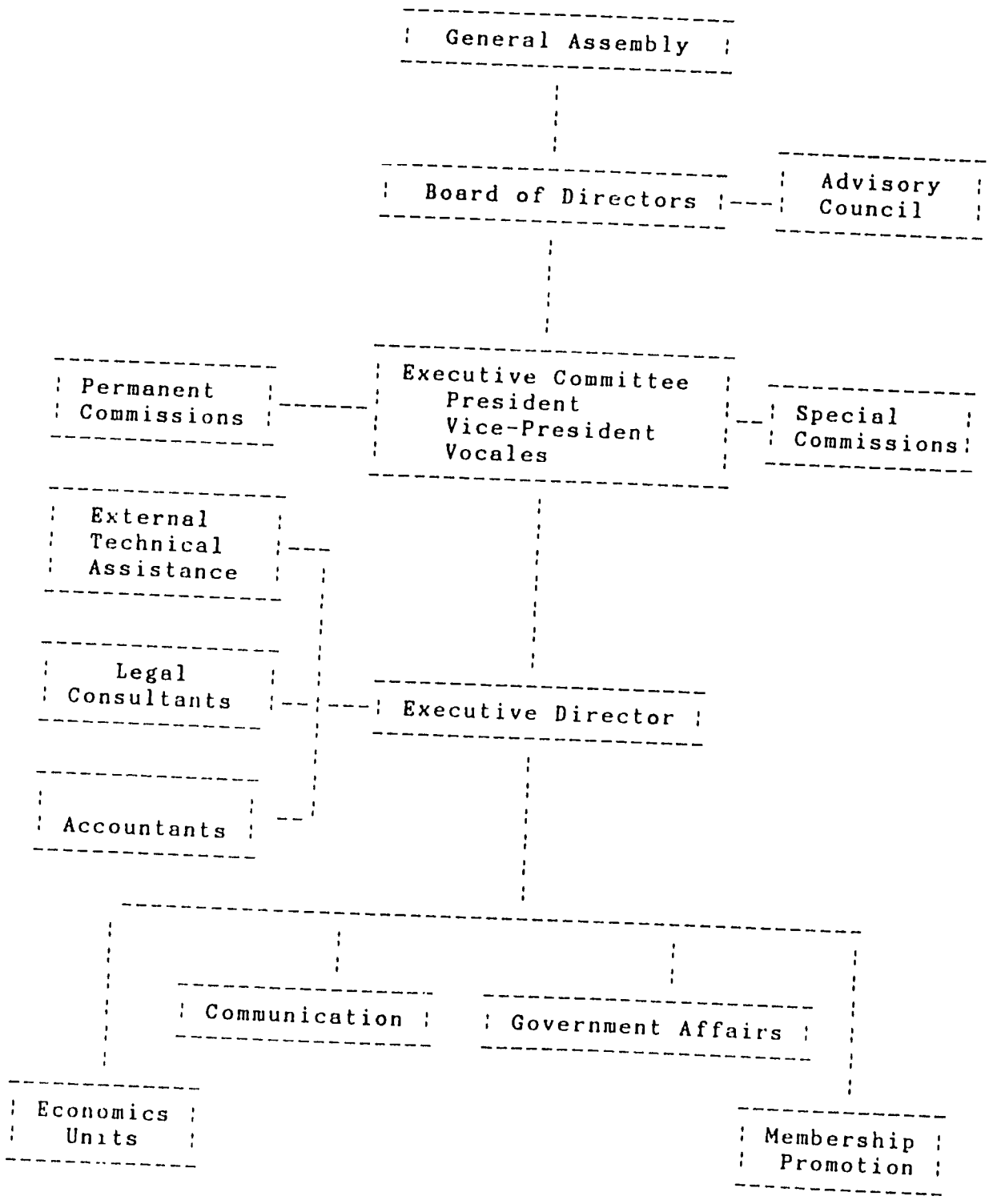
** Short-term TA outside institutional contract will be procured primarily during first year, particularly before procurement of institutional contractor.

II. Private Sector Component

- Cooperative Agreement Signed	September 1987
- RFP for Institutional Contractor Issued and/or Search for PSC Initiated	September 1987
-Project Officer Contracted (three month A.I.D. Contract)	September 1987
-Conditions Precedent Met	October 1987
-Short-Term Institutional Assistance Contracted Through IQC	October 1987
- Public Opinion Poll Contracted and Carried Out	October 1987
- Long-term Advisor Contracted (if PSC)	October 1987
- First Economic Policy Issue Selected	October 1987
- Chief Economist Contracted by COHEP	November 1987
- Org. Committee Established on 1988 Private Sector Conference	November 1987
- Public Relations Director Contracted	November 1987
- Fund Raising Strategy and Program Developed/ Endowment M.O.U. Signed	November 1987
- First Economic Policy Study Completed	December 1987
- Workshop to Disseminate Findings of First Study and Gallup Poll	January 1988
- Govt. Liaison Specialist Contracted	January 1988
- Monthly Newsletter Initiated	January 1988
- Grant Program to Member Organizations Initiated	January 1988
- Second Economic Policy Study Undertaken	January-Feb. 1988
- Congressional Meetings Initiated	February 1988
- Organizational/Membership Promoter Contracted	February 1988
- Workshop to Disseminate Study Findings	March 1988
- Institutional Contractor Contracted (if this Option is Chosen)	March 1988
- Public Education Campaign Initiated	March 1988
- Formal Review with A.I.D. of Fund Raising Efforts	March 1988
- Private Sector Conference	May 1988
- Third Economic Study Initiated	May 1988
- Workshop on Study Findings	July 1988
- Annual Assembly	August 1988

Chart III

COHEP -- Possible Organizational Structure



POLICY ANALYSIS AND IMPLEMENTATION
PROJECT DISBURSEMENT

(US 000)

	CALENDAR YEARS 1	2	3	4	Total
PROJECT ACTIVITIES					
AID Contributions					
Public Sector Policy Analysis and Implementation					
Technical Advisor	100	500	1,200	1,200	3,000
Equipment and Commodities	25	50	25	-	100
Training	100	500	1,200	1,200	3,000
Project Management	15	180	180	175	550
Project Liaison Officer	10	80	80	80	250
Evaluations	-	139	-	138	277
Private Sector Institutional and Policy Analysis Strengthening					
Technical Advisors	50	150	255	200	655
Policy and Economic Analysis Strengthening	200	300	300	180	980
Policy Dialogue, Consensus Building and Public Education	200	400	400	350	1,350
Institutional Consolidation	280	375	375	378	1,408
Administrative Support	10	70	70	60	210
Project Management	10	50	50	50	160
Commodities	15	30	15	-	60
Total A.I.D.	,015	2,824	4,150	4,011	12,000
GOH Contributions					
Public Sector Policy Analysis and Implementation					
Technical Advisors	70	300	330	300	1000
Equipment and Commodities	25	50	25	0	100
Salaries and Administrative Expenses	100	300	300	300	1000
Project Management	12	96	96	96	300
Audits	-	25	-	25	50
Total GOH	207	771	751	721	2,450

	CALENDAR YEARS				
	1	2	3	4	Total
Private Sector Contributions					
Private Sector Institutional and Policy Analysis Strengthening					
Policy and Economic Analysis Strengthening	50	60	60	60	230
Policy Dialogue, Consensus Building and Public Education	40	50	50	44	184
Institutional Consolidation	75	100	100	100	375
Administrative Support	31	50	50	30	161
Total PRIVATE SECTOR	196	260	260	234	950
TOTAL PROJECT	1,418	3,855	5,161	4,966	15,400