

A.I.D. EVALUATION SUMMARY - PART I

1 BEFORE FILLING OUT THIS FORM READ THE ATTACHED INSTRUCTIONS
 2 USE LETTER QUALITY TYPE, NOT 'DOT MATRIX' TYPE

IDENTIFICATION DATA

| | | | | | |
|--|--|---|--|---------------------------------|---|
| A. Reporting A.I.D. Unit: Mission or AID/W Office <u>AID/Honduras</u> (ES# <u>FY 91-2</u>) | | B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input type="checkbox"/> Slipped <input checked="" type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>90 Q 2</u> | C. Evaluation Timing Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/> | | |
| D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated. If not applicable, list title and date of the evaluation report.) | | | | | |
| Project No. 522-0325.01 | Project /Program Title Policy Analysis and Implementation COHEP (The Honduran Council for Private Enterprise) | First PROAG or Equivalent (FY) 1987 | Most Recent PACD (Mo/Yr) 09/92 | Planned LOP Cost (000) 5,000 | Amount Obligated to Date (000) 5,000 |

ACTIONS

| | | |
|--|--|-----------------------------|
| E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required | Name of Officer Responsible for Action | Date Action to be Completed |
| 1. Design a Communications Strategy and Workplan to: a) target key groups; b) develop new products for an outreach program; c) improve press relations; d) improve internal and external communications; and e) develop a new slogan. | COHEP | August 91 |
| 2. Design an Economic Workplan and Mechanisms to: a) develop an Economic Agenda of the Private Sector by consensus; b) develop an integrated data base; c) develop a consumer price index; and d) translation of more economic studies and research papers for members and public. | COHEP | August 91 |
| 3. Develop an Institutional Development Strategy and Workplan to: a) reform bylaws to strengthen representative nature of COHEP; b) increase membership and dues; c) improve level of services to members; d) develop a new financial plan and strategy to build Capital Fund for self-sufficiency; and e) complete key staff reorganization with the hiring of qualified professionals. | COHEP | August 91 |
| 4. Create the position of Government Relations and develop a system to strengthen lobbying efforts to affect Legislation. | COHEP | March 92 |

(Attach extra sheet if necessary)

APPROVALS

| | | | | | |
|---|---|---|--|---|--|
| F. Date Of Mission Or AID/W Office Review Of Evaluation: | | | | | |
| (Month) | | (Day) | | (Year) | |
| G. Approvals of Evaluation Summary And Action Decisions: | | | | | |
| | Project/Program Officer Reese Moyers | Representative of Borrower/Grantee Carlos Avila Molina | Evaluation Officer Donald Soules Carmen Zambrana | Mission or AID/W Office Director B. Loc Eckersley Deputy Mission Dir. | |
| Name (Typed) | Signature | | Date | | |
| | Michael Kennedy 5/2/91 | Carlos Avila Molina 5/4/91 | Donald Soules 5/3/91 | B. Loc Eckersley 5/3/91 | |

A B S T R A C T

H. Evaluation Abstract (Do not exceed the space provided)

The Honduran Council for Private Enterprise (COHEP) started in 1966 as an association of private sector organizations to serve as a focal point in representing the interests of the private sector vis-a-vis the government. In September 1987, USAID/Honduras entered into a five-year Cooperative Agreement (CA) funded by a \$5 million grant. The purpose of the CA was to bolster COHEP's ability to serve as an umbrella organization for the private sector, conduct economic policy analysis and carry out a public dialogue and educational campaign to promote economic reform, institutional consolidation and self-sufficiency. The purpose of the evaluation was to review progress achieved by COHEP as compared to the objectives of the CA, and to develop conclusions and recommendations to assist COHEP and A.I.D. in making adjustments to fulfill project objectives by the PACD. The methodology included review of project documents, personal interviews with COHEP's staff and board members and Honduran businessmen. Consultants who assisted in the design of the project also were contacted.

A midterm evaluation, in May 1990, found that COHEP had met its commitments under the CA for economic policy analysis, by carrying out the publicizing 18 studies and issuing 10 position papers and playing an important role in shaping the economic policy of the new government which took office in January 1990. Its policy dialogue and public education efforts also were rated well. The general lack of public comprehension either of economic issues or of private enterprise indicates that it will be difficult to change the attitude of the public regarding these two areas in the time frame of this project. Achievements in strengthening legislative liaison and its member association were behind the targets set in the CA. Little progress was noted in financial planning to achieve self-sufficiency.

Major Lessons Learned:

- More effort should have been made during the negotiation of the CA to secure in-depth understanding of the full implications of the agreement.
- The idea that strengthening COHEP would lead necessarily to united private sector support for an opening up of the Honduran economy to external and internal market forces may take longer than anticipated. If the policy objective is economic modernization, a broadly based membership organization may take considerable time to gain consensus.
- Educating the Honduran public to the values and advantages of the free enterprise system means changing deeply held social attitudes, not only of the public but of the entrepreneurial sector as well. To expect measurable changes of attitude in the short run is not realistic.
- COHEP illustrates again the great importance to project implementation of the quality of available human resources.

C O S T S

1. Evaluation Costs

1. Evaluation Team

| Name | Affiliation | Contract Number OR TDY Person Days | Contract Cost OR TDY Cost (U.S. \$) | Source of Funds |
|--|--------------------|---------------------------------------|--|--|
| Wesley Boles Kathleen Vickland Jaime Alvarez | Ernst & Young " | PDC-2028-Z-00- 7186-00 | \$34,000 | Policy Ana- lysis and Implementa- tion COHEP Cooperative Agreement 522-0325.01 |

2. Mission/Office Professional Staff

Person-Days (Estimate) 15

3. Borrower/Grantee Professional

Staff Person-Days (Estimate) 30

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Purpose of evaluation and methodology used • Purpose of activity(ies) evaluated • Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> • Principal recommendations • Lessons learned |
|--|--|

| | | |
|---|--|---|
| Mission or Office: USAID/HONDURAS | Date This Summary Prepared: February, 1991 | Title And Date Of Full Evaluation Report: Midterm Evaluation of Consejo Hondureño de la Empresa Privada. Sept. 1990 |
|---|--|---|

1. Purpose of Evaluation and Methodology Used: The primary purpose of the evaluation was to examine progress made in implementing the Private Sector Component of the Policy Analysis and Implementation Project (522-0325), by looking at the degree to which the Honduran Council for Private Enterprise (COHEP) has been strengthened to do policy and economic analysis, policy dialogue, consensus building, public education and effective lobbying. The degree of institutional consolidation achieved so far to reach COHEP's self-sufficiency, the increase in membership, dues and representation, modification of its bylaws and structural reorganization also were assessed as was the public perception of COHEP and how this affects project implementation.

The methodology used: a) a review of project documentation such as the Project Paper, Cooperative Agreement (CA), annual reports, workplans, financial reports, publications and audiovisual presentations; b) personal interviews with individuals inside COHEP, A.I.D. and the Honduran business community; c) attendance at COHEP work meetings with professional staff of member organizations; and d) exchange of views with consultants involved in the design stage of the project.

2. Purpose of Activities Evaluated: A.I.D. and COHEP entered into a five year CA in September 1987. The CA called for COHEP, as the umbrella organization of the Honduran private sector, to develop a capacity to conduct economic policy analysis, carry out a public dialogue and an educational campaign all designed to promote policy changes in favor of economic growth and development. COHEP also was to strengthen its government relations ability as well as its own internal organization and that of its member organizations. Finally, COHEP was to undertake a fund raising program which would lead to financial self-sufficiency by the end of the agreement period.

3. Findings and Conclusions: In summary, COHEP has more than met the expectations of the CA in terms of developing the capacity to undertake and carry out economic policy analyses. Substantial efforts also have been made in mounting a policy dialogue and in starting a program of public education favoring private enterprise. COHEP's efforts in the area of government relations have remained relatively constant. Efforts at institutional consolidation have not kept pace with the objectives of the CA, and there has been no framework or strategy directing COHEP's overall activities. The organization has expanded and strengthened although at present it is very understaffed. No financial plan has been put together or acted upon which could lead to COHEP's ultimate financial self-sufficiency.

The conditions precedent, to establish satisfactory accounting systems, operational plans and personnel standards were fulfilled on schedule. Special covenants calling for reform of the bylaws, as necessary, structural reorganization to carry out the CA objectives and development of a financial plan have not been satisfied in full. Possible reform of the bylaws is still at issue. COHEP's staff was expanded and organized to handle the increased activities, but a financial plan has yet to be fully approved and put into operation.

COHEP's Economic and Policy Analysis division has more than met the CA goals in terms of economic studies. Using outside consultants, some 18 studies were carried out and from these data a series of 10 position papers prepared. Areas studied included agriculture, credit, trade and constraints to investment. A major effort was centered on the need for

S U M M A R Y (Continued)

macroeconomic reform, the key product of which was a proposal for restructuring the Honduran economy. The impact of these studies included bringing to full public attention a number of key economic issues and, most importantly, in supplying what should be the analytical framework for the to-be-elected government's new economic program. COHEP's positions, however, have not necessarily reflected the views of its membership. No economic policy strategy has been developed. At present COHEP lacks the capacity to develop a data base and price index to provide reliable economic data for private sector use and analysis.

COHEP's communications program goal was to enhance its reputation as the lead private sector organization, to seek changes in government policy, to improve the image of the private sector and to promote understanding of free enterprise. Its program included public relations, conferences and publications and was well designed and carried out. The public relations campaign raised COHEP's visibility and that of many economic issues, but at times resulted in negative responses. The program needs to be improved by revising the current communications strategy. An impressive number of conferences and meetings were held which served to carry COHEP's message. The Publication "Empresarios", a monthly, has been developed into an effective communications tool for opinion leaders. A Gallup poll has indicated that the need for information and image enhancement is not evenly distributed across the population. For example, in most cases, younger Hondurans, and less educated Hondurans with lower earnings, possessed the most negative views toward the private sector, and the least information. Therefore, targeting the promotional campaign to distinct population groups may be a more efficient use of resources.

As to government relations, member associations still go directly to government to resolve problems. Key private sector leaders are not active in COHEP and have direct and close relationships with senior levels of government. COHEP is recognized as the private sector's lead institution for representing broad issues, which it does as member of government boards and commissions. COHEP maintains access with the Congress and executive branches, but needs to increase its in-house expertise to deal with legislative or regulatory reform, contracting out such services when necessary. No Government Affairs advisor as envisaged in the CA has been appointed. Liaison with the government, especially the Congress, has been left the responsibility of COHEP's General Secretary.

COHEP has underspent its overall budget and with the change in exchange rate will probably not use the full amount of grant funds by the PACD. Its expenditures have been heavily weighted towards economic analysis and public dialogue with little spent on institutional consolidation or government relations. Although thought has been given to issuance of special bonds, there is no agreed financial plan in place through which to achieve financial self-sufficiency and collection of a capital fund has barely started. Current income from nongrant sources covers around 13% of the budget. To date there has been no substantial increase in the dues charged each member, but there has been a sharp improvement in collection and some increase in the number of members. Since membership is limited by the bylaws to associations representative of the private sector, there is a limit to the number of potential members and especially a limit to the number of associations in Honduras with significant financial resources. The most financially solvent of Honduras' private sector associations already are members. A further constraint to increased dues lies in the limited services provided by COHEP to its members.

Membership relations have recently been improved. There is a basic problem of balanced representation with most COHEP members representing merchant interests located in Tegucigalpa and San Pedro Sula. The need for further outreach programs and mechanisms to include members in the policy formation process is recognized and steps are underway to improve in this area. The value of representation to individual member groups is not clear. A sense of ownership within the membership is limited, but has increased over the past 2 years.

Despite inclusion in workplan objectives since 1988, COHEP has yet to establish a data bank or any continuing statistical or qualitative analyses of the Honduran economy. If

presented well and on a periodic basis, this sort of business information would be well received by the membership, COHEP's most serious deficiencies in communication are internal, within the organization and its membership, rather than external. Internal communication could be greatly improved if the president and senior directors of COHEP would travel outside Tegucigalpa consistently to present the COHEP program and its key people to private sector organizations in scattered and often rarely visited parts of the country. Technical assistance is needed to advise on legal or regulatory constraints of concern to COHEP's membership or in new initiatives of value to the private sector. Only with a higher level of service to and an enhanced sense of ownership by its membership can COHEP hope to engage in a successful fund-raising campaign to secure the means to maintain its current level of activity.

Reform of the bylaws has not taken place but remains under study. COHEP's original set up was ineffective. It was reorganized and expanded in 1987 to carry out the terms of the CA. Further organizational improvements took place in late 1988 and are again in process at present.

A.I.D. involvement has been limited. Administrative back-up has been good, but provisions in the CA for an institutional contract and/or a long-term advisor have not been implemented. Short-term technical assistance is now being provided in areas of organizational and economic policy development.

The public perception of COHEP has been heightened. COHEP receives substantial press coverage but its basic image as a group of well to do merchants, based in Tegucigalpa and in support of the Nationalist Party has not changed substantially.

4. Principal Recommendations: Develop a strategy and mechanisms to build in membership support, develop data base, price index and more translation of economic research into form understandable by members and the public; develop a strategy which targets key groups; develop new products for use in outreach program to nonmembers; work to improve press relations and improve internal communications; create a department of government relations and strengthen efforts to affect legislation; reform bylaws to strengthen representative nature of COHEP; look for new members outside Tegucigalpa; complete planned reorganization and make every effort to fill current vacancies with qualified professionals; in close consultation with membership, develop financial plan to build capital fund.

For Mission response to recommendations, please refer to Attachment II and Actions on face sheet of this Evaluation Summary.

5. Lessons Learned:

- More effort should have been made during the negotiation of the CA to secure in-depth understanding of the full implications of the agreement.
- The idea that strengthening COHEP would lead necessarily to united private sector support for an opening up of the Honduran economy to external and internal market forces may take longer than anticipated. If the policy objective is economic modernization, a broadly based membership organization may take considerable time to gain consensus.
- COHEP illustrates again the great importance to project implementation of the quality of available human resources. The CA calls for a multifaceted, integrated program requiring a high degree of professional skills and solid leadership. That this is difficult to achieve in Honduras is shown by COHEP's failure over two and one-half years to develop a stable, trained professional staff.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary, always attach copy of full evaluation report, even if one was submitted earlier, attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Attachment I: Basic Project Identification Data
Attachment II: Complete List of Recommendations
Attachment III: Final Report title Midterm Evaluation, Consejo Hondureño de la Empresa Privada. Please note that this report was forwarded to AID/W on December 11, 1990.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The midterm evaluation report has proven to be an immensely valuable document, especially for the new COHEP technical staff. The report provided a good understanding of the current situation and nature of the project and provided well thoughtout and founded actions and recommendations necessary to guarantee full achievement of project goals, purpose and outputs. Overall, the report addressed the most important and relevant issues of the project in a very professional and objective manner.

During the life of the project, COHEP's Board of Directors has changed three times due to yearly elections according to its statutes. Also, COHEP has had three Executive Directors during the same time frame, who have moved on to key positions in the government. This situation has made it difficult for COHEP's leadership and management to focus and fully understand, in detail and in-depth, the Cooperative Agreement (CA) and its different components and covenants.

Due to this and other reasons, COHEP has experienced delays in implementing a workable financial self-sufficiency strategy and workplan. In light of this situation, COHEP agreed to review and develop with A.I.D. and expatriate technical assistance a new plan and strategy for achieving financial self-sufficiency. As part of this plan, COHEP has agreed to raise a minimum of L500,000 by September 30, 1991.

This new plan and strategy for financial self-sufficiency will permit A.I.D. and COHEP determine the feasibility of reaching this goal and by when. Therefore, funds that could still be available by the end of the original PACD are expected to be used for an extension of the project in order to successfully continue implementing the different project activities, while at the same time reaching financial self-sufficiency.

The CA calls for reform of bylaws, as necessary. As a result of the midterm evaluation, COHEP has contracted expatriate technical assistance in order to help it determine, through various mechanisms, why and how its bylaws should be revised. To date COHEP has increased its membership base from 32 to 38 members. COHEP feels it is reaching its optimum size in order to perform and carry out its mandate efficiently. The CA does not specifically set a given number of members to be reached, but mainly to increase membership dues, which is being considered as part of the new financial self-sufficiency strategy.

ATTACHMENT I

1. Country: Honduras
2. Project Title: Cooperative Agreement, Policy Analysis and Implementation
3. Project Number: 522-0325.01
4. Project Dates:
 - a. First Project Agreement: 09/10/87
 - b. Final Obligation Date: 04/12/89
 - c. Most recent Project Assistance Completion Date (PACD): 09/30/92
5. Project Funding: (amounts obligated to date in dollars)
 - a. A.I.D. Bilateral Funding (grant and/or loan) US\$5,000
 - b. Other Major Donors US\$ -
 - c. Host Country Counterpart Funds \$ 950
 - Total US\$5,950
6. Mode of Implementation: Local PVO called Consejo Hondureño de la Empresa Privada (COHEP)
7. Project Designers: Development Associates, IESC and ISTI
8. Responsible Mission Officials:
 - a. Mission Director(s): John Sanbrailo
 - b. Project Officer(s): James Grossmann (09/87 to 09/88)
Kermit Moh (08/88 to 01/90)
Reese Moyers (02/90 to date)
9. Previous Evaluation(s): None

1'

ATTACHMENT II

RECOMMENDATIONS

A. RELATED TO ECONOMIC POLICY ANALYSIS

1. That COHEP develop a strategy by October 1990, covering its economic policy approach and priorities over the remainder of the Agreement period, and that this process take into account the views of the membership whenever possible and appropriate. This strategy could also have a proactive stance through, for example, the development of an annual paper commenting on the year's events and proposing an action plan for government for the upcoming year. Other analysis should be confined to small, clearly defined studies undertaken with local talent to develop the capabilities of the Private Sector in policy analysis and economic reform.
 - 2.a. d.
2. That COHEP build a data base and develop statistical information by November 1990, possibly with the assistance of an outside consultant experienced in price index construction, to support its efforts in public education.
 - 2.b. c.

B. RELATED TO COMMUNICATIONS AND PUBLIC RELATIONS

1. That COHEP develop by December 1990, a communications strategy at the national level identifying themes and targeting efforts to specific groups rather than to the public at large. These groups could include secondary and university student populations, organizations representing lower socioeconomic groups and opinion leaders, including press, government, professional and business representatives.
 - 1.a.
 - 1.b. As part of this strategy, COHEP could develop an outreach program using specifically designed materials to target these groups through meetings, seminars, etc. Additionally, COHEP could hold social functions once or twice a year for the press or offer monthly lectures for press members directed at policy questions. Also, a "Source Book" on private enterprise in Honduras, containing statistics, graphics, motivational stories, definitions of key terms and other background material especially designed for the press could prove useful.
 - 1.c.
 - 1.d. Other aspects of this strategy that COHEP could address are:
 - a) To start drafting immediately, easy-to-understand press releases on COHEP economic positions, and to diminish spontaneous, unscripted press contact. Press statements need to be more carefully worded, and need to include the following characteristics:

4

- i. Show more compassion.
 - ii. Use less technical language.
 - iii. Adopt a less strident tone.
- b) To adopt popular issues when possible. For example, by recommending an anti-corruption drive, COHEP could reestablish itself as sharing the interest of ordinary Hondurans.
 - c) To depoliticize press contact by using an official spokesperson when feasible. One responsibility of the new Communications Director could be to act as COHEP's official press spokesperson. The spokesperson would read COHEP's prepared statement and answer questions. The successful candidate for this position would exhibit composure before the press and knowledge of economics and economic issues.
- 1.e d) To consider adopting a new slogan. The current slogan generally is regarded detrimental to COHEP's efforts to improve the public image of the private sector.
- 2. That COHEP undertake by November 1990 an internal communications program within the business community, perhaps in the form of a conference stressing the business community's responsibility to society as a whole.
- 1.d
- 3. That publication of "Empresarios" be made bi-monthly starting in October with the savings in effort applied to innovative published materials for use by target groups, such as students, small businessmen, etc.
- 1.d

C. RELATED TO GOVERNMENT RELATIONS

- 1. That COHEP establish a Government Relations Department by October 1990, with a technical director to oversee the legislative and regulatory process. This person would have responsibility for developing a legislative strategy by November 1990 and would develop a systematized process in which issues and progress were tracked. The director should also promptly reactivate COHEP's Central Bank and Congressional committees and design a program to educate legislators on key economic issues, perhaps through the mechanism of working group meetings closed to outsiders.
- 4.

D. RELATED TO INSTITUTIONAL CONSOLIDATION

1. That COHEP undertake to reform its by-laws by October 1990 to provide a more representative and flexible organizational structure. With guidance from the recent Annual Assembly, these reforms should now be possible. This for example, should permit COHEP actively to solicit membership from groups outside Tegucigalpa and in non-business areas as well as incorporate other business areas and groups in the country.
2. That COHEP develop a membership strategy and work plan by November 1990 to build up its member service capabilities and internal communications, including undertaking a program of visits to member institutions, especially those outside of the capital.

3.a.

3.b.

3.c.

Imaginative use of the small grant fund should be made to strengthen the internal administration of selected member associations which otherwise will not be able adequately to represent their members.

E. RELATED TO ORGANIZATION AND FINANCIAL SELF-SUFFICIENCY

1. That COHEP by November 1990, explore within its membership and key figures in the private sector the feasibility of a financial plan which would use the purchase or construction of a multi-purpose building as its key. If sale of bonds alone is not judged suitable to generate the necessary funds, other mechanisms would have to be designed and explored. A financial self-sufficiency strategy and work plan should be developed by January 1991.
2. That, should COHEP develop and begin implementation of an adequate financial self-sufficiency plan by the target date, USAID consider using any surplus grant funds generated as a result of lempira devaluation to extend the life of the Cooperative Agreement and thus the time frame in which COHEP would be expected to achieve self-sufficiency.

3.d.