



CASALS & ASSOCIATES

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REGIONAL FINANCIAL MANAGEMENT IMPROVEMENT PROJECT
PHASE II (RFMIP II)
Contract # LAG-0800-C-00-3004-00 and
TECHNICAL SERVICES FOR REGIONAL FINANCIAL MANAGEMENT
IMPROVEMENT PROJECT
Contract # LAG-0800-Q-00-3005-00
THIRD ANNUAL WORK PLAN
October 1, 1995 through September 30, 1996

Submitted By:
CASALS & ASSOCIATES, INC.
Crystal Park Three, Suite 814
2231 Crystal Drive, Arlington, VA 22202
(703) 920-1234 phone (703) 920-5750 fax

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Attachment 2: USAID's LAC/RFMIP II Strategic Objectives

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I. INTRODUCTION

The United States Agency for International Development's strategic objective in the democracy area is to promote transition to and consolidation of democratic societies throughout the world. One of the ways that this objective will be achieved is through the establishment of democratic institutions, an informed and educated populace, and a vibrant civil society. A sub-objective of this includes focusing on more efficient, accountable, and transparent governance. As part of USAID's democracy strategic objective, the RFMIP II plays a significant role in terms of providing a means of achieving government accountability and transparency in order to encourage citizen's confidence in democratically elected forms of government. The project performs three main functions to assist in achieving this objective: (i) it promotes accountability and transparency by working with other international donors, USAID missions, governments, and non-governmental organizations; (ii) it provides information and technical assistance to others who are involved in working toward accountability and transparency; and (iii) it is directly responsible for implementing technical assistance and governance activities in Washington and in the field.

Uncertainty caused by the partial termination notice (February 1994) and restructuring of USAID has limited the impact of the RFMIP II during the past two years (changes summarized in Attachment 1). However, the approval in August 1995, by the Assistant Administrator for Latin America of a five-year, \$7.5 million dollar effort has permitted the RFMIP II Team to consolidate previous activities and begin entering into more concrete and long-term relationships with other participants and groups in the area of financial management and governance.

II. SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT

A. Significant Trends

Recent years have witnessed rising interest in financial management and governance reforms by many newly elected democratic governments in Latin America. Major financial management reform projects are being implemented in Argentina, Bolivia, Panama and Nicaragua. A project has been recently initiated in Venezuela. Smaller efforts have been initiated in El Salvador, Peru, Honduras, and Colombia. Municipal financial management reforms are being carried out in Ecuador, Paraguay, and Brazil. The demand for these reforms have mainly come from within the newly elected governments; but the citizenry, as well, is beginning to demand more accountability and transparency. RFMIP II is working with public officials throughout the region, to help strengthen the technical capabilities of the executive branch, and to a limited degree, the legislative branch - so that both may provide efficient, accountable and transparent governance.

B. Relevant U.S. Experience and Lessons Learned

USAID and its missions have played an important role in emphasizing the importance of strengthening the financial management institutions of democratically elected governments. The major reform projects in both Bolivia and Nicaragua have been at least partially funded with USAID resources. RFMIP II continues to build upon this experience by working with missions and donors to assist countries committed to accountability and transparency.

C. Context in which RFMIP II Assists USAID's Sustainable Democracy Goal

RFMIP II works in collaboration with donor organizations, missions, and host governments to promote **governance**, i.e. governmental institutions which are responsive and accountable to the electorate. RFMIP II uses both its staff and resources to assist selected governmental institutions and non-governmental groups in creating and strengthening governance. Specifically, RFMIP II is focused on:

- institutionalizing the Donor Consultative Group on Accountability and Governance;
- promoting the adoption of the Integrated Financial Management System throughout the region; and
- supporting the Summit of the Americas' *Declaration of Principles* Plan of Action that states:

"...governments will promote open discussion of the most significant problems facing government and develop priorities for reforms needed to make government operations transparent and accountable; and ensure proper oversight of government functions by... facilitating public access to information necessary for meaningful outside review."

D. Relevance to Other Donor Activities

RFMIP I and II have served as Executive Secretariat of the Donor Consultative Group on Accountability and Governance, one of the first donor groups dealing with accountability and transparency, since 1990. By acting as the center for information, expertise, and exchange, the RFMIP II is attempting to institutionalize the concept of donor consultative groups so that the benefits of such sharing and coordination will continue after the end of the project. The

importance of accountability and transparency is clearly evident in the publications and programs of the other donors in the region.¹

III. STRATEGIC OBJECTIVES AND INTENDED RESULTS

Strategic Objective No. 1: *More effective use of information and resources by USAID and other international organizations and partners in achieving accountable and transparent governance.*

Rationale: The current reality today is that all development agencies are going through "right-sizing" and budgetary reductions. The most efficient, effective, and economical means of providing development assistance is through the sharing of information and resources in order to avoid duplication, redundancies and the re-invention of the wheel. Through the use of technology, inter-changes, and information, decision makers will have the tools necessary to make rational, timely, and competent decisions.

Strategic Objective No. 2: *Greater acceptance by central and local governments of the effective, efficient, and economical benefits of integrated financial management systems in achieving accountability.*

Rationale: Accountability is at the heart of good governance and deals with holding governments responsible for their actions. The Integrated Financial Management System (SIMAFAL in Spanish and IFMS in English), is a systemic, integrated, single entry approach to providing timely and reliable information to decision-makers so that they can make appropriate decisions and be held responsible. Sound financial management can facilitate prompt and effective delivery of government services. The integrated financial management systems approach is based on normative decentralization, and more effective and efficient use of resources. Sound financial management also leads to the recognition that certain functions must be performed centrally and other functions should be decentralized because they can be carried out more responsively at the local level.

Strategic Objective No. 3: *Greater participation by governments and citizens in promoting transparency in governance.*

Rationale: Public tolerance of systemic corruption by bloated, non-responsive governments is ending. The Summit of the Americas statement highlights this change in attitudes toward corruption. Financial accountability is an important tool in combating corruption and demanding transparency.

¹ *Governance, the World Bank's Experience*, The World Bank, 1994; *Modernization of the State*, Inter-American Bank, 1994; *Declaration of Principles*, The Summit of the Americas, 1994; *OECD Governments Agree to Combat Corruption*, OECD, 1994.

Attachment 2 includes the newly revised Strategic Objectives and Program Outcomes for this project.

IV. ACTIVITIES TO DATE AND ACTIVITIES PROPOSED TO ACHIEVE OBJECTIVES

A. Activities Completed in Fiscal Year 1995

**DONOR
CONSULTATIVE
GROUP**
*Executive Secretariat
Newsletter
Data Base*

Donor Consultative Group Meetings were held in Managua, Nicaragua (USAID/Nicaragua), the Inter-American Development Bank (IDB), at the US Agency for International Development (USAID/Washington), and at the International Monetary Fund (IMF). Three issues of *Accountability* newsletter were printed and distributed in English and Spanish (circulation: @ 7,500). The Database currently includes over 800 publications, 120 consultants and 40 projects.

**INTEGRATED FINANCIAL
MANAGEMENT
SYSTEMS**
*Site Assessments
Financial Management
Assessments
Conferences
Technical Assistance
Training*

All prior site assessments were issued and distributed to the DCG. No financial management assessments were conducted. Eight technical assistance interventions were provided: two in Bolivia to educate the newly elected government ministers and secretaries on the Bolivian Public Administration Law; two in Peru to evaluate the of the Office of the Comptroller General's Office for USAID/Peru, and technical assistance to the Office of the Comptroller General; participation by RFMIP

II team member in the evaluation of Panamanian Financial Management Reform Project; participation of RFMIP II team member with IDB in evaluating the possibility of IDB funding of improvement in Panamanian Treasury system; revision of the Uruguayan accounting and budgeting information system for the World Bank; and a review of Argentine tax program and financial management reform. Conference support and speakers provided to the International Consortium's New Developments in Government Financial Management conferences (2), the Inter-American Tax Administration Center conference in Lima, Peru, the USAID Office of the Inspector General's Conference on the role of supreme audit institutions. Training in SIMAFAL and auditing was provided in Guatemala.

**GOVERNANCE
STRATEGY**
Summit Activities
Technical Assistance
Communications

Based on Section 5 of the Summit of the Americas Declaration, a multi-disciplinary, strategic approach to measuring public perception of corruption has been drafted and sent to USAID missions for comment. Speakers in the anti-corruption arena have been provided to Chile, Nicaragua, and Peru. A six part series on corruption was broadcast in conjunction with

USIA to the English-speaking Caribbean and El Salvador. Attachment 3 summarizes accomplishments to date.

B. Work Plan for Fiscal Year 1996

In terms of managing for results, RFMIP II has defined its strategic objectives to be:

- More effective use of information and resources by USAID and other international organizations and partners in achieving accountable and transparent governance.
- Greater acceptance by central and local governments of the effective, efficient and economic benefits of integrated financial management systems in achieving accountability.
- Greater participation by governments and citizens in promoting transparency in governance.

The program outcomes in each of the three areas will be:

- An institutionalized Donor Consultative Group on Accountability and Governance.
- Integrated Financial Management Reform Projects carried out in at least five countries in Latin America.
- Permanent plans for governance programs in five Latin American countries.

The activities of the third year of the RFMIP II will focus on:

- Continued institutionalizing of Donor Consultative Group.
- Support of integrated financial management system reforms and more emphasis on training to institutionalize the concepts.

- Providing support to the members of the Summit of the Americas' "No to Corruption" work group headed by the Organization of American States.
- Continued collaboration with USIA in developing anti-corruption programs to be broadcast through the ARNET.

**DONOR
CONSULTATIVE
GROUP**

*Executive Secretariat
Newsletter
Data Base*

Recent reductions in resources and evidence of prior duplications of effort have led donors to realize that by working together and sharing information and experience, they may achieve economies of scale while effectively providing sustainable development activities. As the Executive Secretariat, RFMIP II is responsible for planning, coordinating, and facilitating the quarterly meetings of the DCG. The RFMIP II has established the regularity of the DCG meetings, provided outstanding speakers and consultants for the meetings, and is becoming a clearinghouse of information. The approach will be to continue this coordinating role, looking for ways to serve and institutionalize the DCG. Three of the four members of the RFMIP II core team participated in donor missions where the RFMIP II funded salaries while other donor members funded travel and expenses. The Nicaraguan Reform Project, initiated this past year, received support from the project at both the country and Washington levels. To date, in 1996, the project has agreed to assist in assessing the Financial Management Reform Project in Argentina with the World Bank and in writing the Integrated Financial Management System Handbook to be published by the World Bank. In 1996, the project will make the database of financial management governance available to all donors, USAID missions, and host governments through the e-mail system and eventually, through an on-line system. The objective will be to make the USAID RFMIP II the center of excellence for all information in this area, and to work toward sustaining the value of the information at project-end. Also, the *Accountability* newsletter will include columns each issue by three major donors: USAID, Inter-American Development Bank, and the World Bank.

**INTEGRATED FINANCIAL
MANAGEMENT SYSTEMS**

*Site Assessments
Financial Management
Assessments
Conferences
Technical Assistance
Training*

The strategy for the Integrated Financial Management Systems component of the project will be to carry out short-term site assessments to gather information on the status of financial management and control capacity at both the national and municipal levels in the various countries in Latin America and the Caribbean, and to carry out financial management assessments when there is support by

the government for the development of an integrated reform project. One financial management assessment is being considered for FY 1996; either Haiti or Brazil. Because of the trend towards decentralization, RFMIP II is planning a site assessment of the municipal government of Quito, Ecuador, as it appears to have the most developed integrated financial management system municipal model in operation. Limited funding will be provided to the International Consortium on Government Financial Management for its annual New Developments Conference, while the RFMIP II team will continue to work with the ICGFM to improve conferences technically. Working with the government of Argentina, the RFMIP II will co-sponsor a Key Financial Managers Meeting in Buenos Aires in August 1996. With the continuation of a member of the project team on the Inter-American Accounting Association Government Sector Permanent Commission, methods for developing training and professional seminars will be explored and implemented. Close association with the IAA provides access to the professional associations of every country in Latin America and the Caribbean. The RFMIP II will take advantage of this channel to develop partnerships with the various associations at the national and municipal levels. An RFMIP II team member has also been named as the IAA representative to the International Federation of Accountants, which will provide further access to individuals and groups interested in accountability and governance.

**GOVERNANCE
STRATEGY*****Summit Activities
Technical
Assistance
Communications***

The RFMIP II has been invited to participate as an official observer of the Summit of the Americas Seminar on Honesty and Civic Ethics to be held in Montevideo, Uruguay in November 1995. The meeting will be convened by the Organization of American States, and at the meeting, the RFMIP II will initiate relationships with the various delegates. The RFMIP II team plans to work with the delegates in providing speakers, conference support, and supporting other activities. Furthermore, RFMIP II has invited the OAS to regularly submit a column to the newsletter, dedicated to improving transparency in Latin America in support of the Summit. The RFMIP II will be working in Central America with INCAE supporting a seminar on "Corruption and Ethics" at the request of the USAID mission. The RFMIP II is collaborating with Florida International University on an investigative journalism seminar. A preliminary governance strategy has been designed by RFMIP II and two missions will be carried out to test and refine the strategy in 1996. Requests from El Salvador and the Dominican Republic have been received by USIA for further ARNET programs on anti-corruption: speakers for this program will be provided. Further use of ARNET as a means of economically reaching countries regarding governance will be identified.

C. Participation

With its participation in the IAA and the various country professional organizations and interest groups, RFMIP II is becoming involved with the ultimate beneficiaries of accountable and transparency efforts. Members of these organizations include government officials, who, both locally and nationally, will benefit from more efficient and effective use of resources. As individuals and groups are convinced of the importance of transparent governance, resources will flow to the ultimate beneficiaries and thereby sustain the citizens belief and confidence in their democratically elected governments.

D. Donors

The objectives of the LAC RFMIP II are closely coordinated through the Donor Consultative Group, which includes the World Bank, the Inter-American Development Bank, the International Monetary Fund, the Organization of American States, the United Nations Development Programme, and other international and bilateral members. Evidence of donors interest in improved financial management is apparent by the involvement with both the DCG meetings and the use of RFMIP II resources for carrying out technical assistance activities, supervision missions, and multi-funded donor assistance projects such as the recently initiated Nicaraguan Financial Management Reform.

V. RESOURCE REQUIREMENTS

Attachment 4 presents the estimated resource requirement for Fiscal Year 1996. The estimated resource requirements include the pipeline of FY 1995 funds as well as the cost saving measures that were enacted in the last semester of FY 1995, including closing the regional offices in Lima, Peru and Miami, Florida.

ATTACHMENT 1

ORIGINAL CONTRACT DATED SEPTEMBER 24, 1993**Component One: Technical Assistance**

1. Promotion of the IFMS Concept through Regional and Sub-Regional Activities
 - Strengthening professional associations
 - Developing and Delivering Training Courses
 - Supporting regional and sub-regional conferences
 - Sponsoring bi-annual sub-regional three day meetings of key financial managers
2. Explore new technologies for professional events and training.
3. Expand training curriculum
4. Promote awareness of IFMS through distribution of quarterly newsletter
5. Research and highlight success stories
6. Develop model constitutional and legal provisions
 - Assist professional organizations in developing model standards
7. Provide project assistance to host country governments and professional associations.

Implementation of STRATAC

1. Project t.a. in development of country specific projects and implementation technology.
2. Stress adaptation of STRATAC to circumstances of specific countries
3. Study feasibility of creation of a regional center for promotion of IFMS.
4. Work with host countries and Mission in the adaptation of STRATAC.

Anti-corruption Initiatives

1. Two region-wide tele-conferences
2. Corruption awareness training and design of anti-corruption program.
3. Launch anti-corruption programs in at least five countries.

Component Two: Donor Project Database

1. Donor Project Database shall be maintained, updated, and refined
2. Extend donor coordination to country level

Component Three: Regional Center

1. Explore the feasibility of creating a regional center

Component Four: Project Management**PARTIAL TERMINATION NOTICE OF
FEBRUARY 15, 1994**

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ATTACHMENT 2

ATTACHMENT 2: USAID LAC/RFMIP II STRATEGIC OBJECTIVES

USAID GOAL: To support the transition to and consolidation of democratic regimes throughout the world.

LAC DEMOCRATIC INITIATIVES GOAL: Accountable and transparent governmental institutions which are responsive to the people.

Strategic Objective 1

More effective use of information and resources by USAID and other international organizations and partners in achieving accountable and transparent governance

Strategic Objective 2

Greater acceptance by central and local governments of the effective, efficient and economic benefits of integrated financial management systems in achieving accountability

Strategic Objective 3

Greater participation by governments and citizens in promoting transparency in governance.

<p>Program Outcome 1: Donor Consultative Group is institutionalized</p>	<p>Program Outcome 2: Integrated Financial Management Reform Projects carried out in at least 3 countries</p>	<p>Program Outcome 3: Permanent plans for governance programs in 5 countries.</p>
<p>Indicators:</p> <ul style="list-style-type: none"> • Quarterly meetings hosted by various donors • Inter-agency technical assistance missions • Multi-organizational funding for projects • Use of electronic database by donors, governments and NGOs • Subscriptions to newsletter increase 10% yearly. 	<p>Indicators:</p> <ul style="list-style-type: none"> • Integrated financial management model used as basis for IFMS reforms • Financial Management Laws drafted • Issuance of financial statements by governments • Increased training courses being given by host countries in modern financial management and audit practices. 	<p>Indicators:</p> <ul style="list-style-type: none"> • Strategies, models and programs developed in conjunction with the Summit of the Americas Group on Fighting Corruption • Codes of Ethics used by countries involved in public administration reform. • Increased citizens/NGO initiatives with governance. • Increased number of supreme audit institutions carrying out professional, independent, external review which leads to transparency.

ATTACHMENT 3

ATTACHMENT 3

FIRST YEAR WORK PLAN	SECOND YEAR WORK PLAN	ACCOMPLISHMENTS
COMPONENT ONE: DONOR CONSULTATIVE GROUP		
Set up DCG and Planning Group	Continue to act as Executive Secretariat of DCG. Four general and four planning meetings.	Meetings held at USAID, World Bank, OAS, United Nations, International Monetary Fund, Inter-American Development Bank and one meeting in Nicaragua.
Design a database of financial management and governance information including courses, publications, associations, NGOs and consultants.	Data entered on financial management project, publications, NGOs, civic groups, laws and codes of ethics by December 1995.	The database currently has more than 800 publications listed, 120 consultants, 3,629 subscribers to newsletter and 25 projects. Currently investigating how to go on-line.
Newsletter will be produced quarterly in Spanish and English.	Newsletter will be published quarterly in Spanish and English.	Newsletter publication has been three times a year rather than quarterly because of editorial problems.
COMPONENT TWO: PROMOTION OF THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM		
Site Assessments: To be selected depending on interest of various countries.	Seven site assessments to be carried out in Brazil, El Salvador, Ecuador, Colombia, Bolivia, Chile and Guatemala.	Site assessments carried out in Brazil (2), Bolivia, Paraguay, Guatemala, Peru, and Nicaragua.
One of eight programmed Financial Management Assessments.	Two Financial Management Assessments planned.	The Office of the Comptroller General of Peru was assessed. Plans are still pending in the FMA in Brazil or Haiti.
Technical Assistance to Governments and NGOs to be identified based on requests.	Based on requests, seven technical assistance activities identified.	Panama Evaluation, Peruvian evaluation, Bolivian seminars, Argentine tax assessment.

ATTACHMENT 3

Educational Programs: Identify courses and rewrite SIMAFAL short course.	Two to four presentations of SIMAFAL course. Project Director to work with CLADEA. Longer SIMAFAL course revised.	Two week course in Guatemala. SIMAFAL short course rewritten and ready for presentation; possibly in Paraguay.
Meetings and Conferences: Identify conferences. Host Caribbean Key Financial Managers Meetings.	Sub-regional Key Financial Managers Meetings in Central and Andean regions. Speaker support to CLADEA. Speaker support to Inter-American Accounting Association.	Representation at Inter-American Accounting Association Conference, International Consortium on Improving Financial Management, New Developments in Government Financial Management, and CIAT meeting.
COMPONENT THREE: GOOD GOVERNANCE		
Gather information and define the good governance/anti-corruption strategy.	Work with Poder Ciudadano on developing surveys and strategy for good governance.	Strategy in draft form. Has not been circulated to Missions.
Code of Ethics: Gather and analyze.	Develop model and standards.	Information gathered.
Assistance to Governments and NGOs: Identify opportunities.	Provide speaker support and develop anti-corruption programs.	Provided speakers in Chile, Nicaragua, and Peru.
Publications: Acquire relevant publications and distribute them; develop new ones.	Acquired and distributed copies of Luis Moreno Ocampo's <i>Controlling Corruption</i> .	Distribution of <i>Controlling Corruption</i> .
Communications: Evaluate less costly ways for mass communications.	Develop four to six program series on anti-corruption for English speaking Caribbean with USIA.	Collaborated with USIA on six-part series in Caribbean and Central America.