

INDEX

BACKGROUND.....	3
STRUCTURE AND METHODOLOGY.....	5
PROGRAM IMPLEMENTATION.....	8
PROGRAM RESULTS.....	12
CONCLUSION.....	15

EXECUTIVE SUMMARY

The Financial Administrative Services Program (SAF) was responsible for the financial management and administration of funds under the Sustainable Improvements in Family Health Program, No. 522-0403, financed by the United States Agency for International Development (USAID), and implemented by the Ministry of Health and the National Autonomous Service of Aqueducts and Sewer Systems (SANAA).

The SAF contract, which was initially signed in August 2001 for 18 months, was extended until February 2, 2006, resulting in a four-and-a-half year program. The SAF program's achievements along with the positive feedback received from the Ministry of Health's implementing units and SANAA regarding training sessions contributed to the contract's 36-month extension.

Overall, CHF Honduras disbursed L. 218,000,000 (approximately US\$11,908,735) under this program. The CHF SAF team's professionalism and experience contributed to a successful audit carried out by the Superior Tribunal of Accounts for US\$2.5 million covering the period from October 1, 2001, to January 31, 2003, with no questionable costs. Another achievement includes ending the program with no outstanding reconciliations. In addition, appropriate communication protocols were designed and implemented, internal control systems were established and effective financial management procedures were carried out.

The program's closure was part of USAID and the Ministry of Health's strategies to no longer have an outside organization administer funds but instead strengthen the Ministry of Health's self-sustainability, through the creation of the Unit of Extension, Coverage and Finance (UECF). This unit is now responsible for managing funds from USAID, the Inter-American Development Bank, the World Bank and other donors.

BACKGROUND

The SAF program is founded on the Strategic Objective Agreement, signed September 25, 2000, between USAID and the Honduran Government, to implement the Sustainable Improvements in Family Health Program. The agreement focuses on the following health areas:

- Decreasing child mortality through health reforms;
- Enhancing the quality of services in reproductive health and family planning;
- Promoting the prevention of sexually transmitted diseases and HIV/AIDS;
- Improving the monitoring and prevention of malaria, dengue and tuberculosis.

The SAF program was funded by USAID/Honduras and implemented by the Ministry of Health and SANAA and non-governmental organizations. CHF Honduras' main role under this program was to manage and administer funds and services.

The role and responsibilities of each agency and organization involved in the program is outlined below:

USAID:

USAID offered technical and financial assistance to the Ministry of Health in program implementation. USAID's responsibilities included:

- Reviewing, negotiating and approving the annual operating plans and budgets, submitted by the Ministry of Health;
- Evaluating and monitoring target objectives;
- Approving modifications to the annual operating plans and budgets;
- Helping organize and carry out a semi-annual evaluation of results achieved.

Ministry of Health and SANAA:

These agencies were responsible for the program's technical implementation, set out in the annual operating plans and annual budgets. The Ministry of Health most important responsibilities included:

- Elaborating the annual operating plans and budgets;

- Implementing and evaluating activities, outlined in the annual operating plans budgets, through the implementing units.

CHF International Honduras:

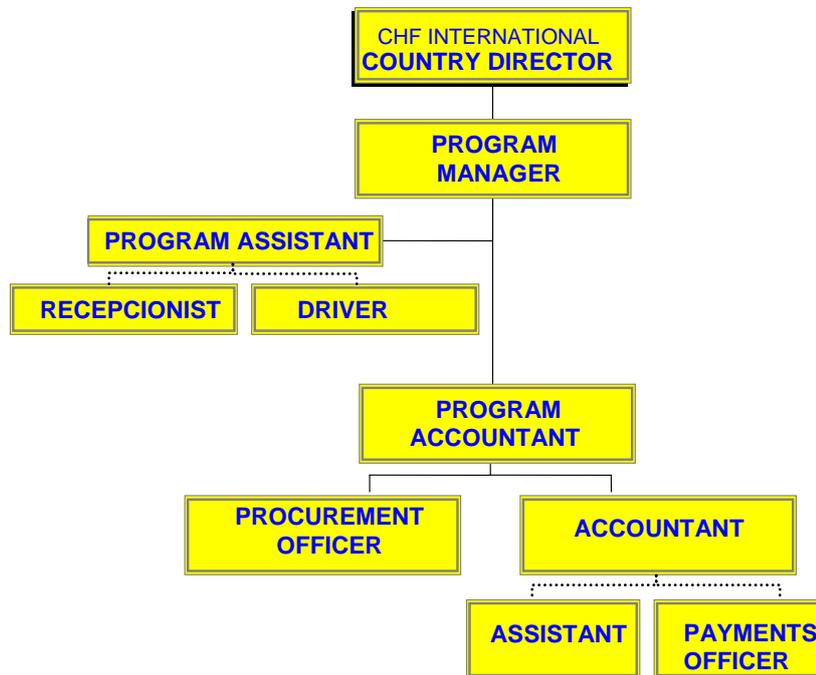
CHF financially managed and administered donor funds. Its main responsibilities were to:

- Establish and follow up on policies set out in the Ministry of Health and SANAA's Manuals of Operation.
- Establish an accounting system with internal controls to register:
 - Disbursements
 - Purchase of goods and services
 - Checking accounts
 - Payments received from USAID
- Purchase goods and services at the national and international levels;
- Assist the Ministry of Health's implementing units in undertaking and managing their annual operating plans.
- Train the Ministry of Health and SANAA's staff.
- Monitor and evaluate the management of the implementing units' budgets, ensuring an effective use of the resources.
- Comply with the Agreement's general regulations (including those of the U.S. and Honduran Governments).
- Generate and hand in financial reports to USAID and the implementing units on the program's status.

STRUCTURE AND METHODOLOGY

The SAF program was organized into key departments to help meet deliverables, foster teamwork to provide quality services, and ensure compliance with the norms and regulations of USAID, the Honduran Government, the Ministry of Health, SANAA and CHF International.

SAF Program Organizational Chart (CHF Honduras)



Purchasing Department:

This department included a Procurement Officer and committee responsible for:

- Requesting solicitations of quotes to purchase goods and services.
- Publishing solicitations in newspapers to ensure a wide circulation.
- Receiving offers.
- Analyzing offers.
- Inviting quotes from international suppliers.

Overall, the purchase of goods and services represented approximately 60% of the implementing units' annual budget.

CHF contracted and purchased a variety of goods and services for the program including:

- Professional Services.
- Hotels and training centers for workshops and events.
- Computer equipment.
- Office Equipment.

- Minor surgical medical equipment.
- Laboratory equipment and supplies.
- Audio-visual equipment.
- Chlorine.
- Vehicle spare parts and accessories.
- Rapid tests for detecting HIV/AIDS (such as Oraquick, Determine, Elisa, Multispot).
- Milk substitutes.
- Posters, brochures, and calendars.
- Publication of educational materials (books and manuals).
- Catering services.
- Construction and minor refurbishing services.
- Internet services.
- Promotion through mass media (radio, TV).
- Vehicle rentals.
- Renting of office space.
- Building and sewage materials.

Given its four-and-a-half years of experience, CHF Honduras developed an extensive database of suppliers who offered a variety of services including catering, transportation, office supplies, medical and office equipment, etc.

The purchase of goods and services carried out by CHF under this program conformed to USAID regulations. A competitive process was used to make these purchases, guaranteeing equal opportunity for all suppliers presenting bids.

The approximate timeframe of the purchasing process is outlined in the table below:

Goods and Services	Duration of the Process
Hotels/Training Centers	5 days
Minor medical equipment (Local)	30 to 45 days
Computer/office /audio visual equipment	30 to 45 days
Laboratory supplies	45 to 60 days
HIV/AIDS detection test	45 to 60 days
Impressions/Reproductions	45 to 60 days
Chlorine for water sanitation	45 to 60 days
Spare parts and accessories	30 to 45 days
Health promotion material	45 to 60 days
Professional services	45 to 60 days
Catering services	5 days
Minor constructions/repairs	60 to 120 days
Internet services	15 to 30 days
Vehicle rental	15 to 30 days

Accounting:

The Accounting Department was in charge of registering all transactions, reviewing and monitoring transaction procedures, and applying generally-accepted accounting rules and internal controls.

In addition, its responsibilities included administering and monitoring the annual work plans of each implementing unit, reviewing budgets, managing donor funds, and preparing accounts, monthly cash flows and program close-out statements.

The cumulative-based accounting system developed enabled CHF to monitor the individual annual budget of the 43 implementing units, including their monthly financial and programmatic reports and pending payments.

Program Management:

Management played a crucial role in ensuring the successful implementation of the SAF program considering it served as a link between CHF, USAID and the Ministry of Health. The established communication channels helped avoid bottlenecks and ensure the provision of relevant, high-quality services. Successful management resulted in three consecutive renewals of CHF's contract with USAID.

Administrative and Financial Management of CHF Honduras and CHF International:

CHF Honduras' main office provided direct support to the program by offering logistic support, through contracting, assisting with governmental procedures (such as sales taxes and monthly financial reports) and preparing monthly and quarterly reports to USAID and CHF's headquarters in Silver Spring, Maryland.

The country director closely managed and monitored the SAF program through monthly reports from the program manager on the status of deliverables, difficulties and progress on program implementation. These reports allowed the country director to supervise and follow the implementation of program activities and strategies designed to ensure deliverables were met.

PROGRAM IMPLEMENTATION

Implementation Period 2001-2002:

USAID's approved annual budget (October 1, 2001, to March 31, 2002) for the Government of Honduras under the Sustainable Improvements in Family Health Program totaled L.40,424,155 (approximately US \$2,628,358). During this time, CHF Honduras acquired in-depth knowledge of the rules and regulations of USAID, the Government of Honduras, the Ministry of Health and SANAA through numerous visits and established working relations with key personnel including hospital administrators, specialized managers and directors.

As stipulated by the contract, the program's implementation began with the management of 18 of the Ministry of Health's implementing units. There were initially 6 full-time CHF employees and one part-time person. Given the level of activities, however, and in order to ensure flexibility and responsiveness to the needs of the Ministry of Health and SANAA, the team was increased to 10 full-time employees and one part-time person.

The 2001-2002 annual operating plan was divided into three health regions, including 12 areas in the regions and six hospitals, and among 15 implementing units, the Program's Liaison Unit and SANAA as well.

The Manual of Administrative Procedures, which proved crucial in ensuring a successful implementation of program activities, was started in December 2001.

Implementation Period 2002-2003:

The annual budget (April 1, 2002, to March 31, 2003) approved by USAID for the Sustainable Improvements in Family Health Program amounted to L.48,704,686.00 (US\$ 2,989,852).

CHF Honduras' scope of work increased in 2002-2003 to include in the annual budget 12 plans from municipal associations, with each plan covering 5 to 10 municipalities. This change considerably increased the volume of purchases, especially of construction and sanitation (latrines) materials. In order to assist these municipalities, the purchasing procedure was adapted to each municipality to avoid logistical difficulties due to their remote location.

The Manual of Administrative Procedures was finalized during this period and implemented through training sessions throughout Honduras. The implementing units, thus, gained knowledge of administrative procedures needed to manage donor funds and implement program activities. This training helped facilitate disbursements and resolve outstanding reconciliations.

The authentication of the program's expenses took place during this timeframe. This process consisted in presenting to the Ministry of Finance all relevant documents for its review and approval of the expenses. Once these expenses were approved, the funds were included in the Government of Honduras' budget.

Implementation Period 2003-2004:

The approved budget covering the timeframe from April 1, 2003, to March 31, 2004, amounted to L.57,344,204.00 (US\$3,369,152). All program activities were successfully implemented thanks to the CHF SAF team's acquired experience, improved communication protocols and qualified regional administrative and financial management. On-going training of the implementing units at a national level helped expedite accurate reconciliations and disbursements.

Purchases, which represented about 60% of the annual budget, were facilitated by the purchasing committee's frequent meetings and improved relations with suppliers. The strong working relationship with suppliers lead to a timely delivery of services and discounts on goods such as equipment for the Ministry of Health and a transparent and open competitive process.

Furthermore, an extensive national database of hotels, training centers, catering services and rental of audio visual equipment was developed through events and workshops, allowing the Ministry of Health to effectively access these services.

During this time, the Honduran Government made changes to travel regulations regarding per diem for public sector employees. CHF Honduras, thus, updated the Manual of Administrative Procedures accordingly and visited the field to train all administrative staff in the new regulations.

In September, an audit was initiated by the National Tribunal of Accounts. This audit covered US\$2.5 million of activities from October 2001 to January 2003. CHF Honduras ensured the auditors were provided with all necessary documents and no questionable costs arose.

Under this annual plan, the funds of the HIV/AIDS unit were decentralized and distributed to three implementing units.

In December 2003, USAID's contract with the Partnership Health Reform agency (PHR PLUS) was finalized. This agency was responsible for preparing and monitoring the Ministry of Health's annual operating plans. When this agency closed, USAID requested CHF Honduras assist the new unit, Local Unit of Technical Assistance (ULAT), in implementing program activities. ULAT was to over the role previously played by the Partnership Health Reform agency.

Implementation Period 2004-2005:

The approved budget from April 1, 2004, to March 31, 2005, totaled L.77,712,624.00 (US\$4,303,409.00).

The closure of the Partnership Health Reform agency caused delays in the elaboration and approval of annual operating plans, which were officially approved by the Ministry of Health and USAID in July 2004. Through the annual operating plan, CHF Honduras ensured USAID's approval for all planned program activities.

CHF Honduras only received a detailed plan from each implementing unit at the end of October. To avoid delays in the implementation of program activities, USAID set up a temporary system that consisted of each implementing unit requesting authorization from USAID's Reform or Reproductive Health and Family Planning Manager for each activity to be carried out and then sent to CHF Honduras.

During this time, the work plan of the new unit, MANCORSARIC, was started. MANCORSARIC, an association which regroups various municipalities, was managed by the Municipality of Copan. MANCORSARIC's staff was consequently trained in funds management, the implementation of program activities, regulations and how to apply the Manual of Administrative Procedures.

CHF Honduras continued to make field visits to all implementing units for training, expedite reconciliations, and strengthening working relations.

Implementation Period 2005-2006:

The approved budget from April 1, 2004, to March 31, 2006, amounted to L.69,335,727 (approximately US \$3,680,240). This timeframe corresponded to the final year of USAID and CHF's contract, which ended on February 2, 2006. As a result, activities were implemented from July to December 2005 with close-out activities beginning by mid-October.

CHF Honduras helped create the Unit of Extension, Coverage and Finance (UECF). This unit is responsible for managing funds for the Sustainable Improvements in Family Health Program and from other donors such as the Inter-American Development Bank and the World Bank, which are in line with USAID objectives to strengthen the Ministry of Health's self-sustainability.

Furthermore, CHF Honduras offered support to the National Institute of Statistics (INE), by managing the transfer of funds and the purchase of international and national equipment to conduct a national survey on anemia.

The success of the program's close-out was due in part to the CHF SAF team's effort to expedite reconciliations through visits, telephone calls, reminder notices and the favorable response of the implementing units' managers. As a result of this effort, the program had no outstanding reconciliations as of January 31, 2006.

PROGRAM RESULTS

1) Organization and strengthening of a financial and administrative services program

The CHF SAF team adapted its approach and size to ensure USAID and the Ministry of Health's needs were met as the level of transactions and demands grew. Consequently, CHF met growing demands and offered effective and timely technical assistance to the Ministry of Health and SANAA.

The team received relevant training, which strengthened the staff's dedication to the program and improved their ability to successfully accomplish their tasks.

2) Design, implementation and update of job descriptions

The CHF SAF team was organized to ensure job descriptions were continually updated and matched the requirements needed for a successful program implementation. This step entailed maximizing resources, which had positive results.

3) *Staff Development*

Given the complexity of the SAF program and programmatic regulations set out by USAID, the U.S. and Honduran Governments and CHF International, staff development proved to be one of the most important tasks.

4) *Design and implementation of procedures*

A Manual of Administrative Procedures was designed and implemented to help implementing units understand the regulations of USAID and the Honduran Government. In addition, a process for contracting consultants and the Purchasing Department's procedures were established.

5) *Design and creation of communication protocols*

The design and implementation of effective communication protocols led to a significant increase in customer satisfaction. According to a survey conducted, customer satisfaction increased from 75% to 98% during the program's timeframe. These protocols also allowed for greater flexibility in disbursements, facilitating the implementation of program activities. Part of these communication protocols included periodic meetings with CHF, USAID, the Ministry of Health, SANAA and suppliers, and included field visits to target regions, and training of clients and new personnel.

6) *Verification and Authorization of funds*

The Ministry of Finance verified and accepted a total of L.144,090,800 (approximately US \$7,332,305) spent by the Ministry of Health and SANAA into its budget, contributing to the government's counterpart funds under the SAF program.

7) *Successful financial audit*

CHF's SAF program was successfully audited by the Superior Tribunal of Accounts for US\$2.5 million from October 2001 to January 2003. The audit's outcome is an indication of the program's effectiveness and professionalism.

8) *Contract Extension*

The three consecutive extensions of CHF International's contract with USAID is further proof of the program's efficient administration.

9) *No Outstanding Reconciliations*

CHF Honduras administered a budget of L 217,996,970 (about US \$11,908,735) over a four-and-a-half-year period and closed the program without any outstanding reconciliations.

10) *Internal Control System*

CHF Honduras established an internal control system, which allowed for the detection of fraud and, consequently, the recovery of about L.400,000 (approximately US \$20,355).

11) *Purchases*

CHF Honduras established a competitive and transparent purchasing process which resulted in the acquisition of products and services of high quality at a low price and allowed the organization to detect fraudulent offers. Equally important, improved relations with suppliers lead to a timely delivery of services, an efficient management of claims, and discounts for the Ministry of Health.

12) *Reports*

Thanks to the accounting system used in the SAF program, CHF Honduras was able to provide implementing units and USAID with reports of pending disbursements, the status of program activities implemented on a monthly basis and overall results achieved.

CONCLUSION

Teamwork proved vital in ensuring the success of the SAF program. To increase the working team's productivity, weaknesses were identified and addressed through training and frequent meetings. The training helped create a highly qualified, knowledgeable, and motivated team, which worked well under pressure.

Continual communication with the staff of the Ministry of Health's implementing units, SANAA, the Liaison Unit and USAID, helped address the implementing units' needs and facilitated implementation of program activities. Effective communication channels and a solid working relationship were developed with the Ministry of Health, SANAA and USAID officials through monitoring visits, training of implementing units' managers, and meetings, along with continual telephone and email contact.

The efficient implementation of program activities was due in part to steps taken to expedite disbursements and ensure flexibility in meeting the Ministry of Health and SANAA's urgent needs.

CHF Honduras' continuous cooperation helped the Ministry of Health and SANAA meet their objectives under the Sustainable Improvements in Family Health Program. The SAF program remained flexible and easily adapted to changes made in the annual operating plans. Furthermore, the SAF team provided technical assistance to new implementation units, which grew from 18 units initially to 43 by the end of the program, significantly increasing the volume of transactions.

In addition, the SAF team's professionalism was based on its knowledge and respect for USAID's, the Honduran Government's and CHF International's programmatic and administrative regulations.

CHF Honduras' rigorous internal controls also contributed to a decrease in fraud and resulted in the recovery of approximately L.400,000 (approximately \$20,355). This

internal control system made certain donor funds were appropriately channeled and were not diverted from their intended use.

Lastly, upon termination of the contract, USAID sent a letter to CHF Honduras stating CHF had successfully completed the terms of its agreement, providing a quality and timely service. CHF Honduras also received letters from various implementing units thanking the organization for its tremendous support.

The quality and important work accomplished by CHF International under the SAF program, thus, leaves the door open for future opportunities.