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Technical Assistance Module (TAM)

Integrated Financial Management In 17 Central American Municipalities

2004



Casals & Associates



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Foreword

The Americas' Accountability/Anti-Corruption Project (AAA) is funded by the United States Agency for International Development (USAID). Casals & Associates, Inc. (C&A) has managed the project, currently in its third phase, since 1993. AAA is designed to support USAID missions in the Latin American and Caribbean region (LAC), in the design and implementation of anti-corruption programming in host countries.

In line with project objectives and to advance government anti-corruption activities in the region, AAA identifies, documents and disseminates best practices through a series of Technical Assistance Modules (TAMs). TAMs examine specific reforms that are increasing government transparency and accountability in specific countries, in order to generate interest and discussion among reform-minded stakeholders and promote replication of the most successful experiences in the region.

TAMs will be disseminated in a variety of ways and shared with a multiplicity of stakeholders, including: USAID missions, international donor organizations, business and professional associations, civil society organizations (CSO), non-governmental organizations (NGO) and government officials. TAMs can also be used to develop and support USAID-mission bilateral and regional activities.

In developing the TAMs, the AAA project solicits input from stakeholders engaged in good governance and anti-corruption activities. Results of conferences, workshops, forums, external assessments and evaluations, research and consultations with experts also contribute to their development. TAMs explore national and local experiences in order to provide valuable, practical information for improving governance by increasing transparency and accountability.

TAMs are not meant to be prescriptive; their general objectives are to:

- Provide examples of a range of anti-corruption activities;
- Generate discussion among practitioners in the field and promote replication of successful models;
- Illustrate best practices—present the tools, methodologies and frameworks being used to fight corruption;
- Describe programming approaches and strategies;
- Provide an overview of the activities of other donors, civil society organizations and the private sector engaged in reducing corruption;
- Present reform-program case studies, and
- Direct readers to additional resources.

Acknowledgement

This Technical Assistance Module (TAM) evolved from one of the principal recommendations made by participants in the international workshop, “Strengthening Transparency in Municipal Management by Participation Mechanisms,” held in Tela, Honduras, in February 2003. As a result, the Americas' Accountability/Anti-Corruption Project (AAA) and the Federation of Municipalities of the Central American Isthmus (*Federación de Municipios del Istmo Centro Americano*—FEMICA), agreed to collaborate in surveying the use of integrated financial management systems among Central American municipalities.

Throughout the process, from the configuration of the TAM development team to drafting the final document, there was ongoing communication with USAID missions in Guatemala, El Salvador, Nicaragua and Honduras. AAA wishes to acknowledge the cooperation, active participation and support of USAID staff, in particular Richard W. Layton and Sharon Van Pelt of USAID-Guatemala; Todd Sorenson and Ana Luz de Mena of USAID-El Salvador; Karen Anderson and Luis Ubeda of USAID-Nicaragua and Dean J. Walter and Glenn Pearce-Oroz of USAID-Honduras.

Representatives of FEMICA participated in both the TAM Executive Committee and the Technical Team. AAA especially appreciates the leadership provided by Patricia Durán de Jager, FEMICA Executive Director and the logistical support provided by her organization. Likewise, José Antonio Pérez and Patrick Lizama of FEMICA contributed substantially in all stages of the process.

Paul Fritz, Officer in Charge of Local Governments, USAID-Washington D.C., and an active member of the Executive Committee, also provided valuable counsel.

AAA recognizes the contribution of all members of the Technical Team: Guadalupe López, Luis Romero, Roberto Avilés, Patrick Lizama and Lourdes Sánchez, who conducted research and field visits and interviewed key actors at the national and municipal levels.

The production of this TAM would not have been possible without the contributions of the members of the Executive Committee: Patricio Maldonado, Patricia Durán de Jager, Paul Fritz, Gerardo Berthin and José Antonio Perez. Gerardo Berthin and FEMICA helped to finalize the TAM.

Abbreviations

AECI	Agencia Española de Cooperación Internacional [Spanish Agency for International Cooperation]
AMHON	Asociación de Municipios de Honduras [Association of Municipalities of Honduras]
AMUNIC	Asociación de Municipios de Nicaragua [Association of Municipalities of Nicaragua]
ANAM	Asociación Nacional de Municipios de la República de Guatemala [National Association of Municipalities of the Republic of Nicaragua]
ANDA	Administración Nacional de Acueductos y Alcantarillados (El Salvador) [National Administration of Aqueducts and Sewers]
ASPEL	Sistema de Control Bancario (ASPEL de México, S.A. de C.V.) [Banking Control System]
ASPEL COI	Sistema de Contabilidad Integral (ASPEL de México, S.A. de C.V.) [Integrated Accounting System]
IDB	Inter-American Development Bank
COMURES	Corporación de Municipios de la República de El Salvador [Corporation of Municipalities of the Republic of El Salvador]
DANIDA	Danish Agency for International Development [Agencia Danesa para el Desarrollo Internacional]
FEMICA	Federación de Municipios del Istmo Centroamericano [Federation of Municipalities of the Central American Isthmus]
FISDL	Fondo de Inversión Social para el Desarrollo Local (El Salvador) [Social Investment Fund for Local Development]
FUNDEMUN	Foundation para el Desarrollo Municipal (Honduras) [Municipal Development Foundation]
GTZ	Agencia de Cooperación Técnica Alemana [German Agency for Technical Cooperation]
ICMA	International City/County Management Association
INFOM	Instituto de Fomento Municipal (Guatemala) [Municipal Promotion Institute]
INIFOM	Instituto Nicaragüense de Fomento Municipal [Nicaraguan Institute for Municipal Promotion]
ISDEM	Instituto Salvadoreño de Desarrollo Municipal [Salvadoran Institute for Municipal Promotion]
LEY AFI	Ley de Administración Financiera (El Salvador) [Financial Management Law]
MAFIM	Manual de Administración Financiera Municipal (Guatemala) [Manual for Municipal Finance Management]
NGO	Non-Government Organization
PADCO	Planning and Development Collaborative International
PGL	Programa de Gobierno Local [Local Government Program]
UNDP	United Nations Development Programme
POA	Plan de Operaciones Anual [Annual Operations Plan]
PRODEL	Programa de Descentralización y Desarrollo Local (Honduras) [Decentralization and Local Development Program]
PROFIM	Proyecto Fortalecimiento y Desarrollo de los Municipios de Nicaragua [Nica-

	ragua Municipal Strengthening and Development Project]
PROFODEM	Programa de Fortalecimiento del Proceso de Descentralización y Desarrollo Municipal en Nicaragua [Program to Strengthen Decentralization and Municipal Development in Nicaragua]
RC Nexus	Registro Civil (Guatemala) [Office of Vital Statistics]
REF	Registro de Estado Familiar (El Salvador) [Registry of Family Status]
SAFI	Sistema de Administración Financiera Integrado (El Salvador) [Integrated Financial Management System]
SAFIMU	Sistema de Administración Financiera Integrada Municipal (El Salvador) [Municipal Integrated Financial Management System]
SAFIMU II	Sistema de Administración Financiera Integrada Municipal 2 (El Salvador) [Municipal Integrated Financial Management System]
SAG	Sistema de Auditoría Gubernamental (Guatemala) [Government Auditing System]
SAGITO MUNI	Sistema de Auditoría Municipal (Guatemala) [Government Auditing System]
SAM	Sistema de Administración Municipal (Guatemala) [Municipal Management System]
SAM XXI	Sistema Administrativo Municipal XXI (Guatemala) [Municipal Management System]
SIAF	Sistema Integrado de Administración Financiera [Integrated Financial Management System]
SIAF MUNI	Sistema Integrado de Administración Financiera Municipal (Guatemala) [Municipal Integrated Financial Management System]
SIAFI	Sistema de Administración Financiera Integrada (Honduras) [Integrated Financial Management System]
SIAFITO	Sistema Integrado de Administración Financiera (Guatemala) [Integrated Financial Management System]
SICG	Sistema de Contabilidad Gubernamental (El Salvador) [Government Accounting System]
SIFIMU	Sistema de Finanzas Municipales (El Salvador) [Municipal Finance System]
SIGFA	Sistema Integrado de Gestión Financiera Administrativa y Auditoría (Nicaragua) [Integrated Financial Management and Audit System]
SIIM	Sistema Integral de Información Municipal (Honduras) [Municipal Information Integrated System]
SISAM	Sistema de Administración Municipal (Guatemala) [Municipal Management System]
SISCAT	Sistema de Catastro Municipal (Nicaragua) [Municipal Real Estate System]
SISCO	Sistema de Contabilidad (Nicaragua) [Accounting System]
SISCO II	Sistema de Contabilidad II (Nicaragua) [Accounting System II]
SISREC	Sistema de Registro de Contribuyentes (Nicaragua) [Taxpayer Register System]
TAM	Technical Assistance Module
TECNIMUNI	Tecnología Privada de Sistemas (Guatemala) [Private Systems Technology]
USAID	United States Agency for International Development

Executive Summary

This Technical Assistance Module (TAM) documents the experiences of 17 municipalities with Integrated Financial Management Systems (IFMS). Though covering the major systems, the study does not pretend to examine all current experiences throughout the region. Rather, it analyzes the scope and depth of IFMS in the selected municipalities; documents the role of government entities in the promotion of municipal IFMS and identifies important findings regarding the implementation processes.

Integrated financial management is one of the most important sectoral reforms leading to effective and transparent administration of public resources. In the last decade, all Central American governments have introduced IFMS at the national level, with varying degrees of success. However, modernization and implementation of IFMS at the municipal level is just beginning. Most local IFMS activities have focused on broader areas of public administration or more limited areas of fiscal policy and development of tax bases. In reality, even though significant resources have been invested in the last decade, little is known or has been reported about the impact and scope of IFMS efforts at the municipal level.

Highlights of the study's findings on IFMS in the 17 municipalities examined can be summarized as follows:

Overview of IFMS

- Most IFMSs observed in the course of this study have not completed their process of internal integration, either horizontal or vertical. Even though promising processes have been observed, most are still under development and striving, in the not too distant future, to become integrated management frameworks. The degree of current integration is not an indicator of success or failure, given that IFMS implementation is a gradual process that takes place in stages.
- Most municipalities have more than one IFMS at work and they are not necessarily integrated.
- In some instances, IFMS processes have resulted in the development and implementation of isolated modules that, while it is true that they resolve specific problems, still require integration and manual preparation of reports.
- The sense of ownership among users and beneficiaries is weak, due to the fact that most IFMSs have been implemented with little municipal participation. "Bringing down" a national IFMS to the municipal level can be a complex process, due to the heterogeneity of municipalities. Therefore, it is imperative to design strategies that allow for adaptation to local circumstances.
- In some instances, municipal IFMSs only comply with the formal requirements of the national government. In others, an IFMS can be seen as a tool to respond to donor requirements.

Overview of Municipal Management

- There is a growing perception that IFMS can streamline administrative procedures and promote transparency.
- Mayors and municipal officials interviewed feel that implementation and use of an IFMS, to a lesser or greater degree, can have a positive effect on the income of the municipality, the recovery of moneys owed and the availability of adequate information for better management leading to improved service delivery.
- Even though there are integrated programs for strengthening municipal management in which IFMS is a component, often an IFMS is more a product of individual evaluations and analysis, in response to specific needs of the municipality.
- Information produced by IFMS is not highly valued, particularly as an input to municipal managers' decision-making in.

Actors

- The roster of actors involved in IFMSs at the municipal level is diverse; historically, coordination among them for design and implementation has been, as a rule, minimal. This appears to be changing.
- Central-government entities responsible for implementation and maintenance of IFMS at the municipal level generally do not have adequate capacity to provide appropriate technical assistance.
- The ability of national agencies to foster IFMS processes and give guidance to municipalities is limited.
- Municipal associations have not played an active role relative to municipal IFMSs. It is not clear why they have not taken an interest. More active participation by these actors could result in better adaptation of IFMSs, increase a sense of local ownership and facilitate an exchange of information about experiences that could lead to improved systems.
- Civil society has not yet taken responsibility for demanding accountability from municipal authorities and knows little about the virtues and limitations of IFMSs.

Legal Aspects

- In spite of the availability of an array of legal instruments for municipal financial administration, there does not yet exist a common strategy to avoid fragmentation, promote clarity and replace the existing basic rules with a more coherent concept of integrated financial administration.
- Centralized standards and decentralized operations, basic pillars for municipal IFMS, are virtually non-existent in practice.
- Standards have not been developed for IFMSs developed by private enterprises.

Technical and Functional Considerations

- IFMS design at the municipal level has not been given an adequate technological focus. As a rule this results in expensive modifications and adjustments to the platform.
- Most municipalities do not have an adequate technological infrastructure to support IFMS.
- There is no connectivity infrastructure to facilitate communication among municipalities and between municipalities and agencies of the central government.

Sustainability

- To ensure IMFS sustainability, local empowerment and engendering a sense of ownership by users and beneficiaries in all phases of the process (design, planning, implementation and maintenance) are important.
- There is little information on the cost of municipal IFMS programs due to poor documentation of current and previous efforts.
- Financing of IFMS initiatives at the municipal level is complex due to the heterogeneity of the municipalities.
- In very few cases are IFMS processes at the municipal level financed with municipal funds (which as a rule covers equipment, physical infrastructure and technical personnel). Resources from the donor community or national governments are financing most municipal IFMS experiences.
- As a rule, there is no explicit national or municipal strategy to replicate best practices and strengthen the sustainability of municipal IMFS.
- There has been no systematic sharing of IFMS experiences or education about what constitutes government transparency, accountability and sound financial management, even when there are national associations of municipalities and regional organizations such as FEMICA.
- Most municipalities do not have the technological or management capacity to develop and sustain IFMS programs.

Integrated financial management can be one of the most important sectoral reforms at this point in time, given that it can lead to transparent and effective management of resources at the municipal level. Modernization and implementation of IFMS at the municipal level is just beginning, but there already is abundant information available related to its potential sustainability.

I. Introduction

A. Objective of the Technical Assistance Module (TAM)

This Technical Assistance Module (TAM) documents the experiences of 17 municipalities in four Central American countries (El Salvador, Guatemala, Honduras and Nicaragua) with Integrated Financial Management Systems (IFMS). In so doing, it analyzes the political, bureaucratic and legal climates in which IFMS is evolving and documents the roles of a variety of actors engaged in implementation processes.

This study represents a concerted effort to document selected IFMS experiences at the municipal level in Central America; it is not designed to include all current programs across the region. The goal was to analyze the scope and depth of IFMS in the 17-municipality sample, document the role of government entities in the promotion of municipal IFMS and identify important findings about the implementation experiences in each country.

This TAM does not rate or compare the IFMS experiences observed. Rather, it assesses the state of development generally, by identifying strengths and weaknesses in the approaches used to date, with the hope of fostering dialogue on central issues among key stakeholders, including: national and local government officials, civil society leaders, international donors and the leadership of national and regional municipal associations.

B. Methodology

The Americas Accountability/Anti-Corruption Project (AAA), in close cooperation with USAID-Honduras, conducted the international workshop, “Strengthening Transparency in Municipal Management by Participation Mechanisms,” in Tela, Honduras, February 10-11, 2003. This event provided participants with an opportunity to share information and explore issues related to ongoing development issues in municipalities in Honduras and other countries in the region. Workshop participants included a delegation from the Federation of Municipalities of the Central American Isthmus (*Federación de Municipios del Istmo Centroamericano* —FEMICA), representatives of civil society organizations, other municipal associations and USAID missions in the region and from Washington, D.C. One of the specific recommendations the workshop generated was that a diagnosis should be carried out of integrated financial management systems in municipalities of Central America.

Following that recommendation, AAA and FEMICA agreed to carry out the diagnosis and make their findings widely available to all stakeholders. This TAM is the product of that effort. Throughout the process, from the configuration of the TAM development team to drafting the final document, there was ongoing communication with USAID missions in Guatemala, El Salvador, Nicaragua and Honduras. A multidisciplinary Technical Team, made up of five Specialists, was constituted to perform the fieldwork and elaborate a report.

To guide the Technical Team in development of the TAM, AAA and FEMICA created an Executive Committee comprised of: Patricio Maldonado, AAA Project Director; Patricia Durán de Jager, FEMICA Executive Director; Paul Fritz, Officer in Charge of Local Government Pro-

grams, USAID-Washington D.C.; Gerardo Berthin, AAA Democracy and Governance Advisor, and José Antonio Pérez, FEMICA Senior Analyst.

This Committee was responsible for overseeing the process, including providing technical and conceptual guidance to the Technical Team. Throughout all stages of research and development of the TAM, AAA consulted regularly with senior USAID officials in the missions in Guatemala, El Salvador, Nicaragua and Honduras.

Prior to beginning its fieldwork, the Technical Team reviewed relevant documentation available on the subject of IFMS, which generated theoretical and technical inputs for the TAM (See Bibliography). Likewise, the Technical Team and the Executive Committee developed basic criteria for the selection of municipalities that included:

- 1) Demographics—Mid size municipalities;
- 2) Technical—IFMS implementation is ongoing;
- 3) Access—Desire to participate in the diagnosis, and
- 4) Resources—Limited funds available to fund the diagnosis.

Based on these criteria, 17 municipalities were selected.

Table 1: Municipalities Selected	
Municipalities	Population
Guatemala	
1. Amatitlán	82,870
2. Chimaltenango	74,077
3. Zaragoza	17,908
4. Cobán	144,161
5. Esquipulas	41,746
El Salvador	
6. San Martín	107,212
7. Juayúa	29,414
8. San Antonio del Monte	32,307
Nicaragua	
9. Boaco	52,395
10. Chichigalpa	46,185
11. Matagalpa	127,570
12. Estelí	107,458
13. San Marcos de Carazo	30,192
Honduras	
14. Villanueva	89,054
15. San Francisco de Yojoa	15,098
16. Comayagua	90,000
17. Catacamas	67,545

In September and October 2003, the Technical Team carried out its field research in the 17 municipalities. It conducted interviews with more than 200 key informants (See Annex 1) with direct involvement in the design, planning, implementation, management and maintenance of IFMS systems in the selected municipalities, including local experts, mayors, municipal staff, accountants, treasurers and computer experts. The Technical Team also interviewed representatives of international donor organizations, which were funding these efforts, as well as leaders of civil society and other non-governmental organizations.

Throughout development of this TAM, regular meetings were held between the members of the Technical Team and the Executive Committee. Three workshops were also held. The first took place on September 20, 2003 prior to commencement of the fieldwork. In attendance were the Technical Team, the Executive Committee and officials from the USAID missions in Guatemala and Honduras. The methodology, work plan for fieldwork and overall framework of the TAM were discussed. The second workshop was held on November 20, 2003, during which the Technical Team and the Executive Committee reviewed the first draft of the report and made recommendations for the final report. On December 22, 2003, the Executive Committee met to finalize its report.

II. Diagnostic Context

A. Why the Interest in Municipal IFMS?

Decentralization processes in Central America have focused on the need to increase the ability of municipal governments to manage their resources more transparently and effectively. In most countries of the region, decentralization is a relatively recent process. Thus, the structure and degree of decentralization varies from country to country. Because power has been highly centralized in national governments, decentralization processes generally have progressed slowly.

On the one hand, national governments remain relatively reluctant to delegate more responsibilities to local governments and transfer resources for the delivery of public services. On the other hand, an obvious gap is observed between the powers turned over to the municipalities and their institutional capability to execute them. This is particularly relevant to human and financial resources. Some countries of the region have developed basic laws that grant some powers to municipalities and transfer some financial resources, which gives them limited capabilities for local administration. In some cases, the lack of municipal administrative and management capacity has proven to be an obstacle to achieving desired results; in others, citizens are participating actively in the decision making process, which has produced some improvements in the delivery of public services.

In short, while there has been some progress made, the reality is that decentralization in the region is still in the early stages of evolution. In this context, the issue of management of resources is key, although it has not received the priority attention it deserves in municipal reforms. The strengthening of the municipality in its institutional and financial aspects requires planning and efficient administration of financial resources. This need increases the importance of having IFMSs at both the national and municipal levels. It presupposes not only training of personnel, updating of information systems, use of appropriate technology and fostering transparency and

accountability, but also rationalizing income and expenditures by applying efficiency and equity criteria. These are all elements of a single unified structure; deficiencies in one will affect the other. Taken as a whole, developing each of these elements defines the challenge facing municipal management in Central America.

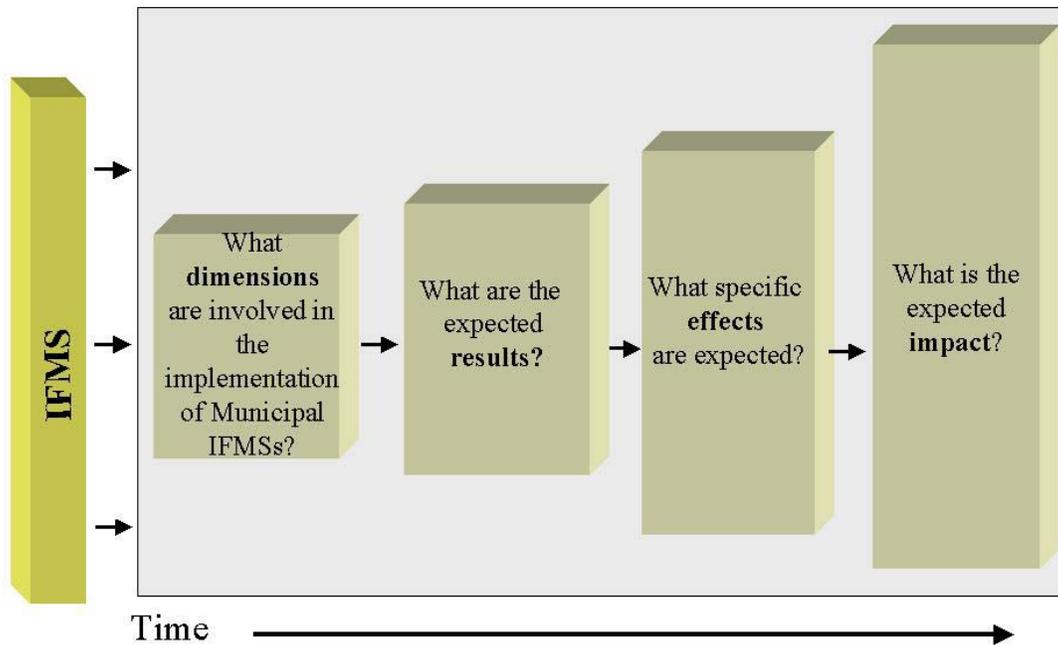
One of the most important sectoral reforms leading to efficient and transparent management of public resources is integrated financial management. During the last decade all Central American governments introduced various forms of IFMS at the national level, with varying degrees of success. However, modernization and implementation of IFMS at the municipal level is just beginning. The majority of local IFMS activities have focused on broader areas of public administration, or on more limited areas of fiscal policy and development of the tax base. In reality, even though considerable resources have been invested in the last decade, little is known about the impact of IFMS on municipal administration.

Implementation of an IFMS at the municipal level necessarily results in change, requiring the modification of past practices, institution of new procedures and assignment of new responsibilities. As Figure 1 illustrates, in time, the introduction of an IFMS at the municipal level may bring about a substantial transformation in municipal management. In this regard, the information presented in this TAM will contribute to greater dialogue about the challenges facing municipal managers and the contribution that an IFMS can make to strengthen management.

B. What Are the Main Characteristics of a Municipal IFMS?

From a conceptual point of view, management is oriented toward results, which requires accessing reliable information to inform the decision making process, defining goals, objectives and tasks and, then, marshalling the necessary resources—human and financial—to achieve desired outcomes. An IFMS is a management tool that gives municipal officials and managers the information resources needed for planning their activities, while making available, on a single platform, the integration of all transactions related to financial management. In addition to providing accurate and comprehensive financial-management information, a municipal IFMS can also facilitate compliance with the legal precepts that govern municipal financial management, thus allowing for optimum administration of resources.

Figure 1: Model for Analyzing the Design and Potential Impact of Municipal IFMS



An IFMS can be a strategic instrument for municipal management, given that it generates critical information for making decisions, including planning, monitoring and evaluating outcomes and facilitating transparency. Therefore, at the municipal level, the main challenge regarding IFMS involves not only its introduction as a technological transformation, but also the strengthening of institutions as a whole, with appropriate organizational structures prepared to utilize the information produced by an IFMS.

The structure of municipal IFMSs and the objectives they are designed to achieve vary, depending on the idiosyncrasies and needs of each municipality. Some municipalities will require complex modules while others will require only basic functions. A small municipality, for example, will not need an IFMS with a module capable of managing foreign debt. Larger municipalities will need a module that will allow for continuous tracking of assets. However, regardless of these differences, the basic municipal IFMS must contain certain components, such as budget, accounting, cash management and bank balance reconciliation. Other modules may be added, such as a real estate and vital statistics registers, tax collection and service-delivery costing.

Municipal IFMSs also require basic technical components, such as a uniform accounts management that will allow for accounting and budgetary classification of operational expenditures. Likewise, a single bank account will be necessary, to track the flow of funds into the municipality regardless of their source (local, national, international cooperation). Last, but not least, municipal IFMSs must have a single database.

Box 1**Seven Basic Principles for a Municipal IFMS**

1. **Systemic Focus:** The elements of an IFMS must be interactive and interdependent. The system is dynamic rather than static; it must be able to evolve and be updated in terms of information, functions, scope and compliance with rules and regulations.
2. **Institutional Focus:** It should allow for the introduction of tools adequate for each municipal reality. While there are operations which are common to all municipalities, such as receiving funds from the national government, the way those resources are used is specific to each municipality.
3. **Centralized Standards and Decentralized Operations:** Municipalities face the challenge of applying this principle where normally regulations have been developed by the national government for application at the local level. To put these principles into practice, a concerted coordination and consultation effort is required between national and municipal actors.
4. **Internal Integration:** Preexisting and new components of an IFMS must be able to respond to internal operational needs (high level of disaggregation) and managerial needs (high levels of aggregation).
5. **Vertical and Horizontal Integration:** Besides internal integration, a municipal IFMS must be able to integrate vertically and horizontally. Integration of national and municipal IFMS is vertical. However, an IFMS must also be able to integrate horizontally, which means that information must be comparable at the regional level.
6. **Legal Framework:** An IFMS requires an adequate legal framework, tied to the Financial Management Law for the public sector. Such laws will guarantee that all systems developed will meet constitutional requirements and identify clearly which agencies are responsible for what activities. This legal framework is also necessary to develop other rules and regulations appropriate for the municipal level, including the principle of centralized standardization.
7. **Political Will:** It is crucial that political leaders, officers of agencies sponsoring IFMS initiatives and social organizations demonstrate political will in support of the system. Considering that the work of municipalities receives different degrees of attention in national regulatory frameworks, political will and understanding the need for adequate financial management systems by this broad range of actors is key.

Source: Margaret Bartel. "Integrated Financial Management Systems for Municipalities." Americas' Accountability/Anti-Corruption Project, March 26, 2000.

Information technology brings to an IFMS the capacity to integrate complex systems. In applying the technology, the needs of individual government units must be well defined and the needs of operational units and information subsystems must be understood in depth. All too frequently, computerization is considered "the cure" when, in reality, it is only a means for achieving an integrated system. Technology is a tool not an end in itself.

Likewise, an IFMS must be sufficiently flexible to satisfy the needs and requirements of the full range of government entities that it serves. In essence, an IFMS is a system. Its parts, which are interdependent, cannot exist or function effectively if isolated from each other. If this is not clearly understood by those who plan the system, adverse consequences will result in the design, development and operational stages.

A primary goal of IFMS is to improve on traditional financial management systems, in such a way that the assembled information produces added value. Elements such as single bank accounts and standardized databases help to consolidate information to be used by managers at the local, regional and national levels.

C. How Do Municipalities Benefit from IFMS?

The management of resources transferred to a municipality, mobilization of its own resources, the ability of local government to plan and develop a budget, as well as generate its own income and financial statements are required for effective municipal management. In this context, IFMS can be an invaluable instrument for municipal managers for a variety of reasons. An IFMS can:

- Foster transparency by providing accurate and easy-to-understand financial information that can be made public in a timely manner. Such information is also valuable to municipal-manager decision making relative to budget management and budget planning;
- Foster an accountability culture;
- Promote consistent and coherent management practices;
- Support standardization of reporting formats, which will bring uniformity to historical data and to criteria for data gathering;
- Enhance the auditability of government accounts, with information that is verifiable and certifiable;
- Enable the reporting of data and information; and
- Provide easier access to government information for managers, media and the public at large.

Information from an IFMS can also empower municipal officials in negotiations with national governments, vendors and contractors. It can help a local government to realize greater income from local taxes by enabling managers to better track those who don't pay or are in arrears on their tax payments.

Key decision makers—mayors and city councilmen—also benefit from an IFMS, since this is a tool that can be used in planning all municipal activities as well as for allocating and controlling resources. Mayors and city councilmen, by taking advantage of all the benefits provided by an IFMS, can bring order and consistency to financial management and strengthen administrative anti-corruption measures.

Box 2**IFMS and Municipal Transparency**

An IFMS can help managers to control and bring order to the collection and use of financial resources, provide information in real time in order to support the preparation and timely presentation of financial reports and enhance organizational efficiency by identifying needed areas of reform to increase effectiveness and transparency. An IFMS can have the following effects:

- Increase transparency in hiring, firing and promoting staff;
- Elaborate municipal income and public debt;
- Provide details on infrastructure and social programs;
- Provide reliable information on the income of the mayor, city councilmen and other officers;
- Make available to the public expenses related to discretionary allowances used for hospitality and entertainment;
- Shed light on arrangements with municipal suppliers, contractors and others who do business with the municipality, and
- Aid in identifying the costs of services and thereby bring higher quality services to the citizenry.

Source: Secretaría de Contraloría y Desarrollo Administrativo/International City/County Management Association (ICMA) and USAID. *Municipios Transparentes*. México: SECODAM/ICMA, 2002.

The introduction of an IFMS in municipal management also can benefit central government financial-management entities, especially in countries where central governments maintain some oversight of municipal activities, generating information that is reliable and timely (easy to understand, accessible and manageable) on local administrative activities. A vertical integration can be achieved between the local and national entities, thus creating a flow of information that is compatible and consistent with consolidated financial-management criteria.

Developing human resources is critical to responsive, professional municipal management. Local-government employees who administer IFMS become more productive as generators of information and more knowledgeable about municipal government operations. The training of growing numbers of technical staff capable of managing the implementation and development of an IFMS contributes to increased management capacity and program sustainability. Institutionalizing training of human resources in areas related to the implementation and use of an IFMS is essential, as it facilitates the transfer of knowledge within the municipality, strengthening service delivery at all levels, and builds a sense of ownership and empowerment among technicians and managers.

Citizens also benefit from an IFMS as their access to government information expands and generates more confidence in that government. Citizens become more knowledgeable about how their municipality is using their taxes and, ideally, see improvement in service delivery and experience greater participation in the municipality's decision-making processes.

III. Key Findings

Table 2 presents an overview of the IFMSs being implemented in the 17 subject municipalities. Although many of them show promise, most have not yet completed the process of internal integration, either horizontal or vertical, even though a range of international, national and local actors has supported them, from time to time.

In all 17 municipalities, to a greater or lesser degree, municipal-modernization processes were observed, which have intensified the demand for modern management and control tools, such as IFMS. However, it appears that no national government has developed a comprehensive strategy for the implementation and use of IFMSs at the municipal level.

Another important finding is that the development of municipal IFMSs has evolved in response to a wide range of viewpoints and perceived needs. In some cases, development of the systems has been driven by a need to comply with mandates of central governments, which still exercise considerable control over municipal resources, policies and service delivery. Likewise, several of the IFMSs being implemented appear to be driven exclusively by international donors.

Local IFMSs observed do not have uniform legal frameworks, adequate organizational structures that define levels of coordination or areas of responsibility or clearly defined minimum technical requirements. Existing legal frameworks do little more than define general conceptual guidelines regarding budget, accounting, auditing, assets, income and taxes. Use of IFMSs by private firms is not addressed either. Establishing some standard for private firms is important because the private sector has been a main provider of municipal IFMS design and implementation in the region.

Table 2: Overview of Municipal IFMS in Four Central American Countries			
Country	Existing System	Developed by	Financed by
Guatemala	SISAM	Private enterprise	Private enterprise
	SICOIN	Ministry of Public Finance	Central Government, World Bank
	TECNISOFT	Private enterprise	Private enterprise
	TECNIMUNI	Private systems technology	Municipality of Cobán with own resources and World Bank support
	SAM	INFOM and consultants	GTZ
	IFMSITO	Ministry of Public Finance and consultants	World Bank and Central Government
	SAGITO MUNI	Comptrollers Office and consultants	World Bank and Central Government
	REC NEXUS	NEXUS programs	USAID
	SAM XXI	INFOM	AECI
	PGL	Local Governments program	USAID
	IFMS MUNI	Ministry of Public Finance	World Bank and Central Government
El Salvador	SICG	Treasury	Central Government
	SAFI	Treasury	Central Government
	SIFIMU	ISDEM, consultants at first and then own staff	GTZ
	Tax Control System	Congeo S.A de C.V. and Private enterprise	Private
	REF	COMURES and contractors	USAID
	SAFIMU	ISDEM with Private enterprise (CSI)	GTZ y USAID
	SAFIMU II	FISDL and consultants	USAID – BID
Nicaragua	PADCO	INIFOM and consultants	USAID
	SISCO	INIFOM	PROFDEM- GTZ
	SIAP	INIFOM with individual consultant	World Bank
	ASPEL(COI)	Open systems	World Bank
	SIP	INIFOM and consultants	INIFOM
	SISCAT	INIFOM, adapted Bolivian model	DANIDA- PNUD
Honduras	SISREC	INIFOM and consultants	PROFDEM- GTZ
	SAFM	IDB	IDB
	SIGFA- MUNI	Ministry of Finance	World Bank
	SIIM	FUNDEMUN, initially ICMA	USAID
	Geographic Information System	FUNDEMUN	USAID
	SIMIS	AMHON	UNICEF

Table 3: Types of IFMS and Degree of Progress		
Municipalities	Type of IFMS	Degree of

	Being Applied	Progress
Guatemala		
1. Amatitlán	Siafito-Muni	Partial
2. Chimaltenango	Siafito-Muni	Partial
3. Zaragoza	Siafito-Muni	Pilot
4. Cobán	TECNIMUNI	Advanced
5. Esquipulas	SAM	Partial
El Salvador		
6. San Martín	SAFIMU II	Partial
7. Juayúa	SAFIMU II	Completed
8. San Antonio del Monte	SAFIMU II	Completed
Nicaragua		
9. Boaco	SISCO y SISCAT	Partial
10. Chichigalpa	ASPEL, SIP, SIAP, PADCO	Partial
11. Matagalpa	PADCO y SISREC	Partial
12. Estelí	SISREC	Partial
13. San Marcos de Carazo	SISREC	Partial
Honduras		
14. Villanueva	SIIM	Advanced
15. San Francisco de Yojoa	SIIM	Partial
16. Comayagua	SIIM	Advanced
17. Catacamas	SIIM	Advanced

A. Implementation Processes

IFMS implementation processes vary from country to country and from municipality to municipality. No homogeneous pattern of implementation was observed. The degree of progress is also different in each case. (Table 3). However, based on the IFMS processes observed, some common elements can be identified. For example:

- As a rule, most seem to be derived from national systems, oriented primarily to produce budgetary and accounting information for control and consolidation of information at the national level;¹
- Usually, the technical counterpart of municipal IFMSs are ministries of finance or treasury;
- As a rule, the implementation methodology applied replicates the national model at the local level, sometimes supported by a survey of municipal information needs and based on the premise (not always correct) that municipal IFMSs are less complex and sophisticated than that of a central government;

¹ Most national IFMS are being financed with loans from international multilateral organizations, and are being promoted as official versions. The majority are still in very early stages of implementation, and their operations at the national level are still very limited.

- Most IFMSs observed have been or are being driven by multilateral and bilateral international cooperation, with minimal national and/or municipal-counterpart engagement. Therefore, primary leadership for implementation has generally fallen on the shoulders of the donors;
- The scope of implementation is limited, geographically and technically, due mostly to the scarcity of resources;
- Within each municipality, IFMS initiatives are generally implemented without any strategy to stimulate the use of IFMS as a control instrument to improve services, increase income or produce reliable and useful information for decision making;
- Some municipalities have shown a level of commitment to IFMS, assumed leadership and invested their own resources; and
- In spite of the existence of political will and investment in IFMS, most municipalities do not have enough technical capability to fully develop and utilize IFMS for better municipal management.

Box 3**Factors that Facilitate or Impede IFMS Implementation**

Based on interviews with key informants, the following factors can facilitate or place obstacles in the way of successful FMS implementation at the municipal level:

Factors that can facilitate implementation

- Ongoing programs of decentralization and modernization of municipal management.
- Issuance of laws by municipalities and other laws with adequate references to control, transparency and technical support.
- Strategic support by donors and coordination among them.
- Strategic investment by municipalities to complement IFMS.
- Availability of technicians and technical assistance to strengthen capacity in the municipality.
- Interest and sense of ownership by the municipalities.
- Citizenry informed about the benefits and limitations of IFMS.

Factors that can be obstacles to implementation

- Limited municipal technical and financial capability.
- Lack of coordination among donors.
- Focus and methodology not adjusted to municipal needs and realities.
- Lack of capacity in municipalities.
- Lack of political will and commitment.
- Citizenry not informed about the benefits and limitations of IFMS.

The strategy of overlaying, with some adjustments, a national IFMS at the municipal level has not generated encouraging results. In general, designing and implementing an IFMS without the participation of the users and potential beneficiaries can not only fail to address the real needs of a municipality, but it can also diminish the sense of ownership of the system by local stake-

holders. Some experiences observed, in which the national system was not simply imposed on the local municipality, such as in Cobán in Guatemala and San Antonio del Monte and Juayúa in El Salvador, appear to be more promising.

It is also clear that any municipal IFMS initiative requires some agent or agency to certify the adequacy of the design and implementation plan and technology platform, as well as the validity of results. The needs of the municipality must be well defined and articulation with the various operational units or information subsystems must be compatible with national requirements. Similarly, any municipal IFMS implementation process must incorporate activities to strengthen the technical capacity of municipal personnel, particularly as related to new client-service approaches and mechanisms to generate timely information to be used for decision making and increasing transparency.

B. Main Actors

There is a wide range of stakeholders and actors who typically are involved in the IFMS process, including the donor community, ministries of finance, national control agencies, municipalities and civil society organizations. However, by the nature of their given perspective, not all share the same vision for a municipal IFMS. Their vision is influenced by their role in the process and the specific element of the IFMS to which they most directly relate. This heterogeneity of viewpoint is not necessarily negative, if there exists within a given country a national strategy, agreed upon by all actors, that serves as the framework for IFMS development and implementation. IFMS strategic plans are often developed in isolation. A low level of coordination was observed among government actors, donors and municipalities, and even among the primary actors within a municipality.

As might be expected, the priorities of various actors are diverse. For example, results of interviews with officers of ministries of finance and treasury reveal that their priorities regarding Municipal IFMS are to get reliable information from the municipalities, for later consolidation and strengthening of municipal management. According to observations in all 17 municipalities visited, the priorities of the ministries of finance and treasury depend to a large extent on the direct involvement of these entities in the creation of a municipal IFMS. The role of these entities has been more proactive in the municipalities in Guatemala and Nicaragua than in Honduras. The Ministry of Finance in El Salvador has been a staunch supporter of the initiative *Municipal Integrated Financial Management System II (Sistema de Administración Financiera Integrada Municipal—SAFIMU II)* from its inception.

The donor community is another important actor. As with IFMS at the national level, the World Bank and the Inter-American Development Bank (IDB) are promoting IFMS at the municipal level (particularly in Guatemala and Nicaragua). Likewise, bilateral donors such as the German Agency for Technical Cooperation (GTZ), the United States Agency for International Development (USAID), the Spanish Agency for International Cooperation (AECI), the Danish Agency for International Development (DANIDA) and the Finnish Agency for International Development (FINNIDA) have been and still are important supporters of IFMS at the municipal level.

As a rule, bilateral donors have been the most active (certainly in the 17 municipalities examined), providing financial and technical support, resulting in a gradual implementation process, including the licensing of software to be used by the programs. Frequent political changes, central government intervention without a strategy and lack of coordination among donors were mentioned as factors that have negatively affected results.

Most municipal IFMS programs appear to be initiated by treasury and finance ministries and by international donors, which tends to make them supply rather than demand driven. With some exceptions, central-government control agencies have not been an integral part of the IFMS process at the municipal level. They have not been proactive and become strategic partners in the design, implementation and monitoring of IFMS processes.

In Guatemala and Nicaragua, central-government control entities are more involved. In Guatemala, Agreement No. 217-95, of May 17, 1995 created the Government Financial Management Reform Project, (*Proyecto de Reforma de Administración Financiera del Estado*) which included an Integrated Financial Management and Control System (*Sistema Integrado de Administración Financiera y Control—IFMS-SAG*). The General Accounting Office, which was designated the lead entity for government control, is pursuing a process of modernization which includes staff training and professionalization, as well as the development and implementation of the System of Government Audits (*Sistema de Auditoría Gubernamental—SAG*). SAG officials are in the early stages of determining if there will be a municipal component.

In Nicaragua, interviewees noted that public management improvements are being promoted through modernization and strengthening of the National Comptroller's Office and its control mechanisms. Training programs and technological infrastructures are being developed, which in the long term could have a positive impact on municipal management.

As noted earlier, roles and priorities regarding municipal IFMS vary depending on the entity involved. Municipal priorities tend to focus on resolving specific problems, such as invoicing for services and taxes, land rights, budgetary issues and accounting. Central-government entities are more interested in consolidated information related to accounting, budget and treasury.

At the municipal level, with very few exceptions², government and non-government stakeholders have not assumed a strategic role. There are exceptions, of course. Some municipalities have instituted their own processes, in some instances resorting to renting software and hiring consultants with their own funds or soliciting donor support directly. But there is little local support available. Institutes for municipal development have neither adequate technical capacity nor political or institutional leadership to lead a process of this magnitude.

Historically, municipal associations have not taken a leadership role in this area. All four national associations in the region (AMHON in Honduras, ANAM in Guatemala, AMUNIC in Nicaragua and COMURES in El Salvador) have recently taken on an important political role, advocating greater municipal autonomy, development of legal frameworks appropriate to municipal realities and proposals to strengthen municipal democratic processes. However, their

² For example the municipality of Cobán.

agendas do not explicitly include playing a direct role in the design, implementation or monitoring of IFMSs.

More active participation by such associations could result in better IFMS design and implementation and it would certainly increase the sense of local ownership. FEMICA's regional influence could be used as a mechanism for sharing IFMS experiences, soliciting international donor support and lobbying central governments on municipal IFMS issues.

Donor leadership also has been a driving force in some instances. For example, in Guatemala, USAID brought together leading stakeholders for preparation of the Manual for Integrated Municipal Financial Management (*Manual de Administración Financiera Integrada Municipal—MAFIN*), which was mandated by Municipal Code 2002. Similarly, USAID and GTZ collaborated on several activities, including sponsorship of a forum on municipal finance in November 2001. Currently, they are supporting development of an operating manual for mayors.

In El Salvador, coordination among stakeholders has enabled the development of the Municipal Integrated Financial Management System (*Sistema de Administración Financiera Integrada Municipal—SAFIMU II*), which has been incorporated into the national government through the Social Investment Fund for Local Development (*Fondo de Inversión Social para el Desarrollo Local—FISDL*).

In general, thanks to proactive advocacy in favor of municipalities and local development, greater municipal investment has been achieved, which benefits IFMS development, as well. These examples show that a strategic and coordinated role by major actors can generate results beneficial to IFMS programs, specifically, and municipal management, in general.

C. Legal Considerations

Laws enabling the creation of IFMSs in municipalities provide a critical foundation for effective reform. In federal systems (Argentina, Brazil, Mexico and Venezuela) such laws originate in state governments. In countries with centralized governments, like those in Central America, the transition from centralization to decentralization begins with the central government. For such governments, the need to standardize and harmonize national- and local-government financial management, integrating most budget, treasury, public credit and government accounting subsystems, is a priority. As a result, financial management reform at the local level begins with macro-level initiatives at the national level, that include decrees and laws that standardize and regulate political, economic and financial activities and responsibilities at the municipal level.

The 17 municipalities reviewed operate under macro legal frameworks: for example, the 1955 financial management reform in Guatemala, which established the IFMS-SAG; in El Salvador, the 1955 Organizational Law for Financial Management of the State (*Ley Orgánica de la Administración Financiera del Estado—Ley AFI*), set parameters for financial management modernization in the public sector, which includes municipalities.

In Nicaragua, Decree 44-98 (1995), authorized creation of an Integrated Financial Management and Audit System (*Sistema Integrado de Administración Financiera Administrativa y Auditoría*—SIGFA) as the official system for financial management throughout the public sector. In Honduras, Executive Decree PCM008-97 defines the legal basis for development of the Integrated Financial Management System (*Sistema de Administración Financiera Integrada*—IFMSI), which, as this study is being drafted, is before Congress in draft form.

While there are complementary laws and regulations that delineate municipal responsibilities and activities in many countries (Table 4), as of yet there is no overall legal framework that can serve as a model for IFMS design and implementation at the municipal level. Nor is there a model delineating minimum criteria for a municipal IFMS, who is responsible for coordination and monitoring or, more important still, what levels of accounting are to be incorporated into an effective IFMS. As far as what is addressed by municipal decentralization legislation, the study found the following:

- Each of the four countries has a legal framework that defines areas of responsibility devolved to municipalities: for example, design of municipal administrative structures and decisions about investing resources and imposing taxes. Some laws, such as the one in Guatemala, envision the creation of municipal units of integrated financial management and propose methodologies for citizen participation. Other countries have passed laws that define criteria for financial administration and the transfer of resources from the central to the local government.
- Similarly, all four countries have some type of regulation promoting probity and transparency. Guatemala, for example, has a Law on Probity of Public Officers and Employees (2002 *Ley de Probidad y Responsabilidad de Funcionarios y Empleados Públicos*) and the Organizational Law on the Comptroller's Office (*Ley Orgánica de la Contraloría General de Cuentas*). El Salvador has its Law on Procurement and Hiring in Public Administration (*Ley de Adquisiciones y Contrataciones de la Administración Pública*); Nicaragua has Guidelines for Municipal Audits, enacted by the National Comptroller's Office, which currently applies to 26 of the 151 municipalities in the nation; Honduras has a General law for Public Administration (*Ley General de la Administración Pública*), Law on the Simplification of Administration, Decree No. 255-2002 (*Ley de Simplificación Administrativa, Decreto No 255-2002*) and Law on Hiring by the State (*Ley de Contrataciones del Estado*).
- To the two previous points, the different tax and decentralization laws can also be added (Table 4)

Despite the progress that has been made in the passage of basic laws addressing municipal management, there is still a desperate need for legal criteria to harmonize and consolidate municipal financial management in a more effective and uniform manner. Municipal financial-management realities are heterogeneous, based on size, location (rural or urban) and current management frameworks in place. Citizens must become more active in pressing for needed reforms in how municipal resources are managed and how public services are delivered.

Table 4: Primary Current Laws Relevant to Municipalities in the Four Visited Countries

Country	Regulation
Guatemala	<ul style="list-style-type: none"> ▪ Municipal Code, Congressional Decree No. 12-2002, April 2, 2002. ▪ General Decentralization Law, Congressional Decree No. 14-2002, November 13, 1997. ▪ Urban and Rural Development Councils Law, Congressional Decree No. 11-2002, March 12, 2002. ▪ Rules on General Decentralization Law, Government Agreement No. 312-2002, September 6, 2002. ▪ Tax Code, Congressional Decree No. 6-91, January 9, 1991. ▪ Draft Bill Municipal Tax Code (submitted to Congress).
El Salvador	<ul style="list-style-type: none"> ▪ Municipal Code, Decree No. 274 of the Legislative Assembly, January 30, 1986. ▪ General Municipal Tax law, Decree No. 86 of the Legislative Assembly, October 17, 1991. ▪ Organizational Law for the Financial Management of the State (AFI Law), Decree No. 516 of the Legislative Assembly, November 23, 1995. ▪ Procurement and Hiring Law in Public Administration (LACAP), Decree No. 868 of the Legislative Assembly, April 5, 2000. ▪ Law Regulating the Creation of an Economic and Social Development Fund in Municipalities (FODES), Decree No. 74 of the Legislative Assembly, November 8, 1988 and FODES Rules. ▪ Ordinance for Transparency in Municipal Management and Citizen Participation in the Municipality of San Salvador. Official Gazette No. 92, May 22, 2002. ▪ National Strategy for Local Development. FISDL and Consultative Group.
Nicaragua	<ul style="list-style-type: none"> ▪ Municipal Budgetary Law, Law No. 376, 6 March 2001 published in La Gaceta No. 67, 4 April 2001. Reformed by Law No. 444, La Gaceta 248, December 31, 2002 ▪ State Hiring Law, Law No. 323, 2 Dec. 1999, published in La Gaceta 001 and 002, 3 and January 4, 2000. ▪ Law of Budgetary Transfers to the Municipalities of Nicaragua. Law No. 466 La Gaceta No. 157, August 20, 2003 ▪ Municipal Finance Law, Law No. 452 La Gaceta No. 90, May 16, 2003 ▪ Law of Organization, Scope and Procedures for the Executive Branch: Law No. 290, March 27, 1998 ▪ Citizen Participation Law (Draft)
Honduras	<ul style="list-style-type: none"> ▪ Law Regulating Municipalities, Decree No. 134-90 of the National Congress, October 29, 1990. ▪ Decentralization and Local Development Program (PRODDEL), March 2003. ▪ General Public Administration Law, Decree No. 146-86 of the National Congress, October 27, 1986. ▪ Law for the Simplification of the Administration. Legislative Decree No 255-2002, July 30, 2002. ▪ Law Regulating Hiring by the State. Legislative Decree No 74-2001, 1 June 2001. ▪ Law of Tax Equity. Decree No 51-2003. ▪ Law Regulating the Police and Social Coexistence Decree 226-2001, December 29, 2001 ▪ Organic Law of the Auditing Office Decree No. 14-2002. ▪ Draft Law on an Anticorruption Council ▪ Draft Law on Integrated Financial Management (AFI Law)

D. Financial Considerations

It is difficult to quantify the exact investment in IFMSs at the municipal level, primarily due to the dispersal of efforts and the scarcity of documentation regarding current and past IFMS efforts. IFMS experience at the national level shows that implementation requires considerable resources, not only to put in place the technological infrastructure required, but also for training of personnel and maintenance of a computerized information platform. Given the considerable cost at the national level, it is safe to conclude that the investment needed to implement IFMS across municipalities in a given country is likely to be even greater.

In most of the municipalities observed, the majority of resources came from the donor community. In some cases there were local or national counterpart contributions, usually consisting of equipment, physical infrastructure and technical personnel. As a rule, resources from international donors allow for expenditures for software and hardware, including licensing, and for training and technical assistance.

In the few cases where a municipality has financed its own IFMS implementation, the approach has been to hire a private company to provide a design and training of personnel and to lease an operating platform. For example, the municipality of Cobán in Guatemala invested nearly \$200,000 in an IFMS initiative (*Sistema Tecnimuni*) that was designed and implemented by a private enterprise in conjunction with municipal personnel.

However, the Cobán experience appears to be the exception rather than the rule. Most frequently, support is provided by the central government through donor financing and municipal personnel are relegated to implementing a system imposed on them by central government planners. This results in little discussion with local officials about such critical factors as adapting the system to local realities (*parametrización*)³ or the requirements for long-term sustainability.

In these cases, financing of municipal IFMS is tied to national IFMS projects. For example, in Guatemala, of the nearly US\$30 million from the World Bank to implement a national IFMS, more than 30% has been assigned to municipal IFMS initiatives (SIAF MUNI). The national government will contribute approximately US\$1 million to the effort. World Bank support consists mostly of technical assistance, purchase of hardware and software and training activities.

In El Salvador, FISDL took the lead in replicating the SAFIMU II initiative, with IDB financing of over US\$3 million. USAID/El Salvador led an effort with donors and national counterparts to support a single municipal IFMS model for the country, with USAID financing for the pilot and IDB financing for replication in other municipalities.

In Nicaragua, the World Bank invested more than US\$40 million in the development and expansion of central SIGFA through the Ministry of Finance, but funds for municipalities have not been disbursed yet. In Honduras, the World Bank approved credit for US\$17 million for the development of an IFMS for the central-government administration and decentralized agencies,

³ “Parametrización” refers to the capacity of the primary software to absorb a series of preexisting functions, rather than having the organization adapt itself to the system.

with an Administration of Public Finance and Internal Control component of nearly US\$ 8 million.

IV. A Brief Map of IFMS in the 17 Visited Municipalities

More than 10 different IFMS models were observed in the 17 municipalities visited. Of the five in Guatemala, one was using Siafito-Muni; one used TECNIMUNI and one used SAM. In El Salvador, SAFIMU II operated in the three municipalities visited. Of the five municipalities visited in Nicaragua, two were using SISREC; one was using ASPEL; one used SISCO and SISCAT and one used PADCO and SISREC. In Honduras, all four municipalities operated with SIIM.

Not all of the IFMSs observed were fully operational. For example, in Guatemala eight working IFMSs were identified; three were in the development stage (Table 5). In El Salvador, six working IFMSs were found; one had ceased to function (Table 6). In Nicaragua, seven systems are currently operational; two have not yet been implemented (Table 7). In Honduras, only one functioning system was identified; other IFMSs are being planned or are under development (Table 8).

The number of IFMSs in operation should not be used as a gauge for success or failure in overall financial-management reform in the region. The degree of integration is not an indicator of success either, since implementation of an IFMS is a gradual, time-consuming process that advances in stages. When viewing a map of the universe of municipal IFMS experiences in these four Central American countries, several observations are worth making:

- Not all municipalities have IFMSs;
- Internal integration, vertical and horizontal, is still a work in progress, which is why most of the IFMSs in operation are functioning only partially;
- Software and technological applications vary among municipalities and countries;
- IFMS functionality, particularly regarding modules, is varied;
- IFMS in Municipalities is more a supply-driven (donor) phenomenon than a demand-driven (municipalities) one; and
- While there are many ongoing municipal IFMS initiatives, few efforts have been made to document these processes and extract important lessons.

A. IFMS in Five Municipalities in Guatemala

TECNIMUNI, an IFMS with nine modules that is being implemented in 23 municipalities, was observed in the municipality of Cobán. TECNIMUNI was developed with the assistance of a private firm working with municipal officials. The system is networked and requires considerable technical support and maintenance.

In the municipalities of Amatitlán, Chimaltenango and Zaragoza, the system observed was Siafito-muni, an IFMS model that predates SIAF MUNI. It is being developed for installation in most Guatemalan municipalities in the future. Implementation in Amatitlán and Chimaltenango has been partially achieved. In Esquipulas, implementation of the Municipal Management System

(*Sistema de Administración Municipal*—SAM) is also partial. Siafito-muni is being implemented at the same time. It was also observed that parallel IFMSs operated in these three municipalities.

Guatemalan users interviewed said that the IFMSs are satisfying requirements only partially, causing them to resort to supplementary controls, either manual calculations or the use of basic programs like Excel®. Users interviewed in Cobán, however, showed a greater degree of satisfaction with IFMS TECNUMUNI.

The Ministry of Public Finance has installed Siafito-muni in 290 municipalities. The system has a Technical Team and help desks available for technical support. This initiative also has a coordination and consultation group, the Inter-Institutional Commission for Cooperation, comprised of representatives of the Comptroller General's Office, National Association of Municipalities of the Republic of Guatemala (ANAM), the Institute for Municipal Promotion (INFOM) and the Ministry of Public Finance.

Table 5 presents an overview of current IFMS programs in Guatemala. Among them are three new initiatives: PGL supported by USAID contractor RTI; the Municipal Administration System (SAM XXI), an updated version of SAM, being developed by INFOM and SIAF MUNI, promoted by the Ministry of Public Finance and financed by the World Bank. IFMS MUNI was created following a 2000 diagnosis by Technology and Systems, a private enterprise, which used TECNUMUNI for its development. IFMS MUNI is the only municipal system in Guatemala that includes an asset accounting module. The Municipal Code makes its application mandatory in all municipalities. IFMS MUNI's priority is vertical integration. Its development platform (Visual Studio.net y MySQL) will be used widely in IFMS applications for which technical and maintenance support will be available.

Table 5: Guatemala, Integrated Financial Management Systems at Municipal Level

Existing System	Type of Software	Principal Modules	Start Date	Current status
SISAM	Fox-pro	Fiscal fund, real estate taxes	1996	Partial operation
SICOIN	Oracle 7i	Budget, accounting	2002	Pilot in one municipality
TECNISOFT	Foxpro 2.6	Drinking water, treasury, collections, vital statistics, land development	1996	Partial operation
TECNIMUNI	Visual Foxpro	Budget, drinking water, ways and means, banks, payment collection, fiscal fund, electric company, vital statistics, treasury, real estate tax	1998	Operates in 24 municipalities
SAM	Access	Project bank, budget, vital statistics, collection for electrical service and water distribution, cash out-flow, collections	1998	Installed in 176 municipalities; operates in 20 municipalities. New version being developed
SIAFITO	Foxpro	Out-flow budget	2002	Installed in 290 municipalities
SAGITO- MUNI	Visual fox	Audits		Developed but not yet in operation
SAM XX1	Visual Basic, Sol Server		2002	Developmental stage
PGL/RTI	-----	-----	Sept 2003	Developmental stage; has not been named yet; for now identified under the acronym for the local USAID development program
SIAF MUNI	Visual basic.net MYSQL	Budget execution, cash, fiscal, asset accounting, treasury, vital statistics, drinking water, ways and means, banks, collections and real estate tax	2001	Developmental stage
R.C. NEXUS	Access	Births, marriages, Divorces, deaths and adoptions	2001	Operates in 20 municipalities

B. IFMS in Three Municipalities in El Salvador

When this diagnosis was prepared, two of the three municipalities in El Salvador (Juayúa and San Antonio del Monte) were using Municipal Integrated Financial Management System II (SAFIMU II). San Martín was using the Integrated Financial Management System (SAFI) of the Ministry of Finance. SAFIMU II is certified by the Ministry of Finance, complies with the AFI Law and is financed by USAID and the IDB. During the SAFIMU II design process, a diagnosis was carried out of existing systems in order to identify the positive and productive elements of those systems. There was consultation with municipal officials, and municipal managers responsible for such critical areas as treasury, accounting, real estate, taxpayer accounts and budget. Experts from the Ministry of Finance and the Salvadoran Institute for Municipal Development (ISDEM) also participated, to ensure that the design of the IFMS would comply with the AFI Law, besides validating the different components of SAFIMU II.

SAFIMU II is parametrizable, so that it can work in medium and small size municipalities such as Juayúa and San Antonio del Monte, respectively. The pilot municipality for SAFIMU II was San Antonio del Monte; after 10 months of operation it was installed in the municipality of Juayúa. While SAFIMU is being installed, the municipality of San Martín has rented a system for which it pays US\$6,000 a month.

SAFIMU II was developed using Visual Basic 6.0, with technology in three layers and a SQL Server database. Information on real estate, billing, current accounts and cash are updated on line. Treasury, budget and accounting use an accounting interface as a repository to generate the respective accounting results. SAFIMU II generates electronic information that can be distributed by Internet, diskette, CD or tape to the Ministry of Finance. Currently, FISDL has taken responsibility for the replication strategy, which consists of hiring private companies to install SAFIMU II in four additional municipalities by May 2004.

Even though SAFIMU II shows great potential, problems exist that are being addressed. For example, there is not yet an operations manual. On the other hand, the companies in charge of implementation are still becoming familiar with the system and its applicability at the municipal level. The implementation process also has been hindered due to delays in hiring companies.

While not an IFMS, one of the more interesting instruments observed was the Family Status Registry (*Registro de Estado Familiar*—REF), financed by USAID, which has been in operation since 1999. The REF is a system that provides information related to births, marriages, divorces and deaths. It complies with current legislation, was developed through a participative process that engaged multiple actors in the country's municipalities. Based on experiences with the system in two pilot communities, the program has been expanded to 52 municipalities out of 262; 64 more municipalities have requested it. AECI and the Consulting and Training System for Local Development (SACDEL) have signed agreements to support the replication of REF in 20 municipalities. REF was used as the model for creation of a similar system in Guatemala (RC Nexus). This is the only effort observed which has been transferred from one country to another in Central America.

Table 6: El Salvador, Integrated Financial Management Systems at Municipal Level

Existing System	Type of Software	Principal Modules	Starting Date	Current status
SICG	Fox	Budget, accounting	1998	Operates at the Ministry of Finance
SAFI	Foxpro 2.6	Budget, double accounting	2000	Partial operation
SIFIMU	Foxpro 2.6	Real estate, businesses, billing, collections and treasury	1996	Operates in 108 municipalities, partially for the most part
SISTEMAS DE CONTROL DE IMPUESTOS	Foxpro 2.6	Tax payers, real estate and billing	-----	Operates without exact figures about where and how many
REF	Access	Births, marriages, divorces and deaths	1999	Operates in 50 municipalities and is in the process of being replicated
SAFIMU	Visual Basic 6.0 SQL Server	Budget, accounting, treasury, costs, tax register and control	1998	Installed in only one municipality, did not work out and was discarded
SAFIMU II	Access	Real estate, billing, treasury, double accounting and budget	2002	Operating and in process of being replicated in 4 municipalities

C. IFMS in Five Municipalities in Nicaragua

In the five municipalities visited in Nicaragua, IFMS implementation was spotty. In Boaco, the Nicaraguan Institute for Municipal Development (INIFOM) had created the Accounting System (SISCO) that included a PROFODEM–GTZ-designed instrument for the creation of municipal operational plans and budgets. Presently, because SISCO implementation is in process, it does not yet have an adequate data framework, data-validation process or system security.

Boaco also uses the Municipal Real Estate System (SISCAT), a system that uses real estate values to assess and track the collection of real estate taxes. Sponsored by Danish Cooperation (DANIDA) and the United Nations Development Fund (UNDP), the program, developed in Foxpro 2.6, is installed in more than 120 of the country's 151 municipalities. INIFOM provides maintenance. SISCAT, an adaptation of a Bolivian program, contains the basic components for developing a land information database that can be used for municipal development planning. However, currently it cannot be integrated with other programs.

In Chichigalpa, several IFMSs were observed in partial operation. ASPEL, contains two components: Aspel-Coi, a commercial accounting system and Aspel-Banco, a banking control package, are financed by the World Bank and installed exclusively for financial control of development projects funded by the Bank. Utilizing a proprietary database, it permits neither operational integration with other systems, nor vertical integration to consolidate data at the national level.

The Personnel Information System (SIP) also operates in Chichigalpa, financed by the World Bank and developed by Visual Basic and ACCESS, for the project, Strengthening and Development of Municipalities in Nicaragua (PROFIM). It includes modules with forms and job-performance evaluation features. This system, which has been installed in 70 municipalities, is maintained by INIFOM. It requires more adaptation to the needs of its municipal users. Even though it can consolidate information originated in municipalities for vertical integration, that information still cannot be integrated with information from other municipal IFMSs.

Also in Chichigalpa, the Integrated Project Management System (*Sistema Integrado de Administración de Proyectos*—SIAP), initiated in 1998 with the goal of enhancing control of projects financed by the World Bank, is also in operation. It was developed with Visual Basic 5.0 and uses an ACCESS data basis. It has been installed in 43 municipalities, but has no operational integration with other modules. It has a unit to export data to INIFOM, which can facilitate limited vertical integration.

In Matagalpa, in addition to SISREC (See below), the Project Budgeting System known as PADCO was observed. It was financed by USAID, in 1994, as part of the Municipal Development and Autonomy Project (*Proyecto para la Autonomía y el Desarrollo Municipal*--PADM). It is currently not operating due to lack of financial resources. In more than 25 major municipalities, PADM promoted integration initiatives for municipal management, such as IFMS, development of administrative procedures and production of operating manuals. Features of the program include budgeting, project management and project cost estimation.

IFMS PADCO modules operate independently, but offer options for integration. Its maintenance is not centralized, so different versions can exist simultaneously in the same municipality. As a result of the of the 2001 Budget Law, the Project Budgeting System has been implemented in municipalities throughout Nicaragua. Users indicate that information produced by the system is not very reliable and that since the administration of the system was assigned to INIFOM, maintenance and technical support has been lacking.

In the municipalities of Estelí and San Marcos de Carazo, among others already mentioned, the Tax Payer Register System (*Sistema de Registro de Contribuyentes*--SISREC) is in operation. The system was created in 1998 under the auspices of GTZ, to systematize taxpayer records and strengthen tax collection. It is based on Visual Fox Pro with modules such as real estate, businesses, vehicles, burial grounds, register and control, payment receipts, verification of cash balances and refuse collection. Its benefits have not been maximized in the 35 municipalities using it, with the tracking of tax payments and billing for services provided being the primary functions utilized.

Table 7: Nicaragua, Integrated Financial Management Systems at the Municipal Level

Existing System	Type of Software	Principal Modules	Starting Date	Current Status
PADCO	Visual fox pro	Asset accounting, budget and payments	1994	Installed in 27 municipalities; partial operation
SISCO	Fox pro	Budget, inventory control, bank accounting	1987	Installed in 54 municipalities; partial operation in only a few
SISCAT	Foxpro 2.6 Visual fox pro	Real estate, billing, planning	1994	Installed in 120 municipalities; operating in most
SIAP	Visual Basic Access	Project management	1998	Partial operation in 43 municipalities
ASPEL	----- -	Bank accounting	1999	Partial operation
SIP	Visual Basic y Access	Forms, job performance evaluation	2002	Installed in 70 municipalities; partial operation
SISREC	Foxpro Visual fox pro	Tax payer register, billing of taxes and fees	1995	Installed in 35 municipalities; partial operation. A new version will be designed.
IFMS	-----	Accounting, budget and treasury, tax administration, accounts payable, contract control, reports by financing agencies, interface with vital statistics, real estate register, business register (First stage)		Not yet started
SIGFA MUNI	-----	Budget, accounting, treasury, fiscal lists, human resources, procurement and hiring		Not yet started.

At least seven IFMSs were identified operating in Nicaragua (Table 7). Most of these are using an obsolete technological platform, with little capacity for horizontal or vertical integration. There currently are two proposals for developing a modern IFMS system for Nicaraguan municipalities: the first, being promoted by INIFOM, was developed based on a study conducted by EUROCONSULT and would use IDB funds for implementation; the other, sponsored by the Ministry of Finance (MOF), would be an extension of the national SIGFA. As of October 2003, the MOF proposal had neither financing nor a prototype. The MOF is currently completing a feasibility survey in the Municipality of Nandaimé that it will use to design a prototype and develop a replication strategy.

D. Honduras

In the four municipalities visited in Honduras, the Integrated System of Municipal Information (SIIM) was in operation. It was developed by the Foundation for Municipal Development (FUNDEMUN), in 1994, with USAID support. SIIM is one component of a larger package of technical assistance and training that FUNDEMUN offers to municipalities for institutional development and systems modernization.

SIIM has modules for accounting, budget, real estate, tax control, billing, checks, forms, taxes, debt and a Geographic Information System (GIS). It has the capacity to track personnel productivity, income and expenditures, and other financial information. It was developed with Visual Fox and is being implemented in fewer than 30 of the country's 298 municipalities. SIIM is considered a geographic management system that gives a municipality more integrated and efficient management of its information. It has a series of general and technical prerequisites: a municipality must request it; the municipality must have the financial resources to support it and a computer network and hardware that meet minimum technical specifications.

SIIM is fully operational in the municipalities of Villanueva, Comayagua and Catacamas; San Francisco de Yojoa was operating with an outdated version of SIIM.

In Honduras, as of late 2003, there was not a national program to explicitly promote municipal IFMS. In 1999, the World Bank supported the central government in launching the Financial Management System (IFMSI) project as a tool to improve administration of public finances. Under this project, the Finance Secretariat became the central repository of financial data and information. IFMSI currently does not address the needs of municipalities.

Some municipalities have pursued IFMS on their own. Tegucigalpa and San Pedro Sula, Honduras two largest cities, have installed the Municipal Management and Finance System (SAFM), financed by the IDB. Currently, it is being revised and improved. At the time of the field visits, the Honduran Secretariat of Government and Justice, in collaboration with the IDB, was finalizing a National Decentralization and Local Development Program (PRODDEL), a broader strategy to implement IFMS at the municipal level.

Table 8: Honduras, Integrated Financial Management Systems at the Municipal Level

Existing System	Type of Software	Principal Modules	Starting Date	Current Status
SIIM	Visual FoxPro	Accounting, budget, tax administration, billing, treasury, forms, tax debts, public services, geographic information system.	1991	In operation since 1994-1998 with new modules in 16 municipalities. In the implementation process in 11 additional cities.
GIF		Geographic information system		Operating in 10 municipalities

V. Strategic Issues

The purpose of this TAM has been to document, in aggregate form, the breadth and depth of IFMS programs in 17 municipalities in four Central American nations, the role of government entities and other stakeholders in the promotion and implementation of municipal IFMS and to identify commonalities and disparities in these programs that can contribute to the ongoing dialogue about the future development of municipal IFMS. Observations can be summarized as follows:

General Observations

- Most IFMSs observed have not completed their processes of internal integration, horizontal or vertical. Although promising systems were observed, most are still in the developmental stage, planning to be integrated management instruments in the near future. Obviously the degree of integration is not an indicator of success or failure, since the implementation of an IFMS is a gradual process that occurs in stages.
- Most municipalities have more than one IFMS at work with little integration among them.
- In several cases, implementation of IFMS is not supported by an adequate municipal organizational structure.
- In some cases, IFMS processes have resulted in the development and implementation of isolated modules that, while they resolve specific problems, still require manipulation, including manual preparation of reports.
- Ownership of IFMS by municipal users and beneficiaries is weak, due to the fact that the majority of systems were implemented with little municipal participation and investment.
- “Bringing down” a national IFMS to the municipal level is a complex process, due to the heterogeneity of municipalities. Therefore, planning should be an inclusive process designed to identify the specific needs of each community.
- In some cases, municipal IFMSs only respond to mandates of central governments. In other instances, they are driven by donor requirements.
- Accountability culture at the municipal level is generally weak, and there is a lack of effective use of mechanisms to ensure transparency, such as well-designed IFMSs, transparency and oversight committees, open fora, strategic planning and 12-month accounting periods.

Municipal Management

- Many municipal officials and others believe that IFMSs can streamline administrative processes and promote transparency.
- Some mayors and municipal officials are aware that the use of an IFMS can have a positive effect on municipal income, improving the recovery of moneys owed.
- Governments at the local level are experiencing an accelerated pace of modernization, which has created the need for modern administrative and control tools. However, there are no national or regional strategies to implement tools such as IFMSs.
- Even though there are integrated programs for strengthening municipal management in which IFMSs are a significant component, often municipal IFMS design addresses it as an isolated function unrelated to management and planning needs.

- Information produced by IFMSs generally is not highly valued as an input to decision making by municipal management.
- Most municipalities do not appreciate the value of strong management systems. For example, most municipalities do not have procedures manuals for municipal or financial management; there is little control or follow up of transfers delivered by the national government; there is no basic financial information available (debt, guarantees, value of assets) and systematic information on hiring and procurement is rarely obtained and when it is, is not analyzed.
- Financial management lacks basic elements to promote transparency, efficiency and accountability. For example, in most municipalities budget expenditures are not made public; hiring and procurement are not transparent; there is little information available to the public on the list of tax payers, projects, public works and investment.

Actors

- The roster of actors involved in IFMSs at the municipal level is diverse; historically, coordination among them for design and implementation has been, as a rule, minimal. This appears to be changing.
- National actors involved in IFMS processes (ministries, state secretariats, municipal associations, local development institutions, private institutions and control agencies) as a rule do not engage in frequent dialogue.
- National entities assigned to implement and maintain IFMSs at the municipal level do not have adequate capacity to provide technical assistance and support.
- The ability of national agencies to foster IFMS processes and give guidance to municipalities is limited. As a rule there are political biases, limited resources and inadequate technological and informational infrastructure.
- Control agencies, as a rule, are not a part of IFMS processes at the municipal level, and the few that are need to develop technological capacity to adequately address municipal needs.
- Municipal associations have not played an active role relative to municipal IFMSs. It is not clear why they have not taken an interest. More active participation by these actors could result in better adaptation of IFMSs, increase a sense of local ownership and facilitate an exchange of information about experiences that could lead to improved systems.
- Civil society has not taken the lead in demanding accountability and transparency from municipal officials; they know little about the virtues and limitations of IFMSs.

Laws

- In spite of the availability of a body of legal instruments for municipal financial administration, none encompasses a coherent unified concept of integrated financial administration and none is being developed.
- Centralized standards and decentralized operations, basic pillars for municipal IFMS, are virtually nonexistent in practice.
- Standards have not been developed for IFMSs developed by private enterprises.

Technical and Functional Considerations

- IFMS design at the municipal level has not been given an adequate technological focus. As a rule this results in expensive modifications and adjustments to the platform.
- Most municipalities do not have an adequate technological infrastructure to support IFMS.
- There is no connectivity infrastructure to facilitate communication among municipalities and between municipalities and agencies of the central government.
- Most officials and managers expressed skepticism about the reliability of databases and other information related to their municipalities generated by the national government or their own IFMSs.
- Methodologies to obtain and disseminate municipal financial, economic and demographic information are not systematized. On the contrary, it is not unusual to find that information has to be manually manipulated to be usable.
- One of the most commonly used applications is VISUAL FOX, which will have to be updated in the near future to respond to IFMSs requirements.

Sustainability

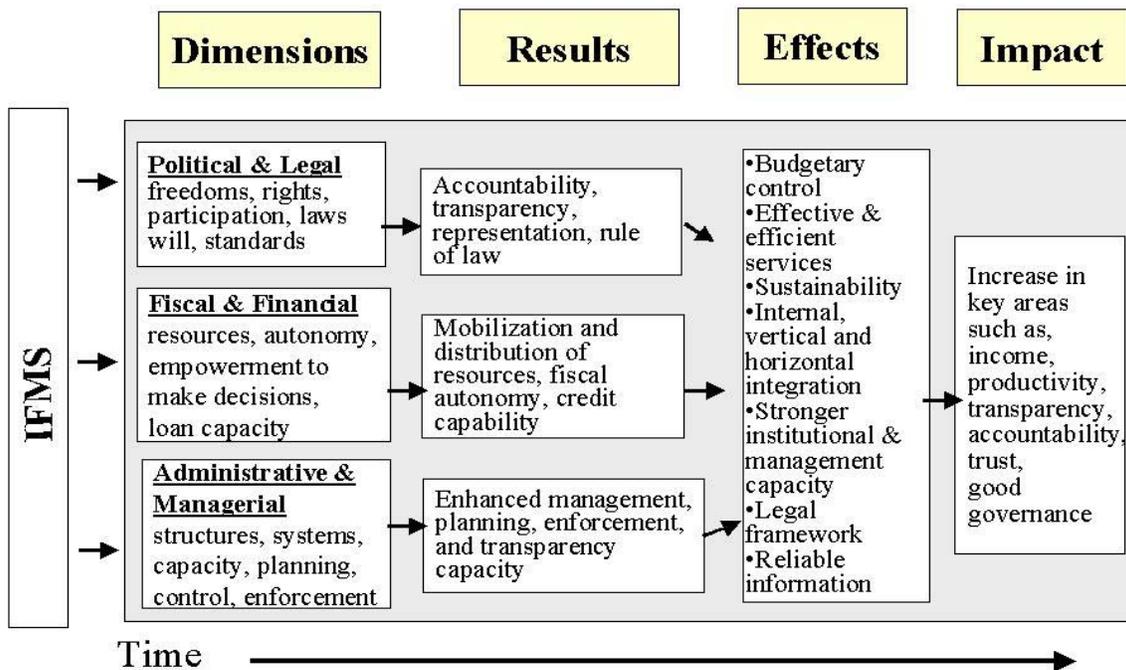
- To ensure sustainability of IFMSs, empowerment and sense of ownership by users and beneficiaries in all phases of the process (design, planning, implementation and maintenance) are critical.
- There is little information on the cost of municipal IFMS programs due to poor documentation of current and previous efforts.
- International donors and central governments finance most municipal IFMS programs.
- There is little dialogue among actors on issues such as sustainability and the adaptation of central government programs to local realities.
- As a rule, there is no explicit national or municipal strategy to replicate best practices and strengthen the sustainability of municipal IFMSs.
- There has been no systematic sharing of IFMS experiences or education about what constitutes government transparency, accountability and sound financial management.
- Central American governments have not assigned responsibility to a single entity to coordinate the implementation of IFMSs in municipalities.
- Most municipalities do not have the technological or management capacity to develop and sustain IFMS programs.

VI. Toward a Much Needed Dialogue

In an ever more global world, the importance of sound municipal management has never been greater. Nevertheless, as shown by an analysis of IFMS experiences in 17 municipalities in Central America, municipal financial management in the region continues to suffer, as the development of critical tools to promote government transparency and accountability lag far behind need.

Implementation of IFMS at the municipal level is just beginning, however, as has been demonstrated, there exists a range of experiences from which lessons can be extracted to guide development and refinement of these systems in the future. When properly designed and managed, IFMS provides information to officials and managers that enables them to better administer municipal resources; aids them in planning; helps them control costs, increase income and generally makes them more responsive to the needs of their citizens (Figure 2).

Figure 2: Characteristics, Components and Impact of Municipal IFMSs



To achieve these ends, much work remains to be done. Design and implementation processes are often exclusive rather than inclusive; local ownership of systems is deficient; basic laws lack the specificity needed to guide the professional level of development needed; political will is often wanting; municipal officials and civil society are only vaguely aware of the many benefits that can come from a fully-functioning IFMS program; technological capacity leaves much to be desired.

The global economy, in the form of the Central American Free Trade Agreement (CAFTA), will soon be knocking on the doors of municipalities that, until now, have been isolated from the mainstream. CAFTA will require a regional strategy for standardization of systems, frameworks and policies within and between countries. As signatories to CAFTA, Central American countries, and by extension their municipalities, will have unprecedented opportunities to attract international investment and create jobs for citizens. Only those municipalities that are well managed (Figure 2) will be in a position to avail themselves of these opportunities from the outset.

It is clear, that IFMS at the municipal level needs to be addressed by key stakeholders across the spectrum, including: national governments and their ministries and control agencies; municipal authorities; institutes for municipal training and municipal associations; the private sector; civil society; regional organizations like FEMICA and international donor agencies.

The information contained in this TAM is a starting point, an initial contribution to what, hopefully, will be a lively and timely focused dialogue that seeks to refine municipal needs relative to financial management and generate a strategy for addressing those needs in a comprehensive and cohesive fashion.

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Annex 1: Interviews	
Guatemala	
<p>United States Agency for International Development, USAID Richard W. Layton <i>Comptroller</i></p> <p>Sonia Rivera <i>Comptroller's Office</i></p> <p>Alejandro Pontaza <i>Comptroller's Office</i></p> <p>Sonia Domínguez <i>Office of Democratic Initiatives</i></p> <p>Karla Aguilar <i>Civil Society Program</i></p> <p>Spanish Agency for International Cooperation, AECI Julio Martínez <i>Coordinator, Sustainable Development Program</i></p> <p>Mario Camposeco Computer Coordinator</p> <p>Local governments Program USAID/RTI Juan Neffa <i>Director</i></p> <p>Ministry of Public Finance Mélida de Calderón <i>Director, IFMS Project</i></p> <p>Edgar Hernández <i>Senior Expert on Municipalities</i></p> <p>Marco Antonio Montaván <i>National Coordinator on Municipalities</i></p> <p>Aldo Sagastume</p>	<p>José Bran Samayoa <i>System Administrator</i></p> <p>Edgar Hernández <i>Senior Expert on Municipalities</i></p> <p>Cuitlahuac Baños <i>International IT Consultant</i></p> <p>Institute for Municipal Promotion INFOM Carlos Mencos <i>President</i></p> <p>Cristian Farfán <i>Supervisor SAM Municipal Management System.</i></p> <p>Estuardo Ramírez <i>SAM technician</i></p> <p>Marco Antonio Prado <i>SAM Program Analyst</i></p> <p>Comptroller General's Office Francisco Velásquez <i>Coordinator, Government Audit System</i></p> <p>José Pablo Masaya <i>Auditor</i></p> <p>Luis Guzmán <i>Auditor</i></p> <p>Juan Carlos Méndez <i>Information Consultant</i></p> <p>Richard Granja <i>Information Expert</i></p> <p>Víctor Hugo Tucubal <i>Information Expert</i></p> <p>Enrique Abril</p>

<p style="text-align: center;"><i>National Sub-Coordinator on Municipalities</i></p> <p>National Association of Municipalities in Guatemala, ANAM Rudy López <i>Executive Secretary</i></p> <p style="text-align: center;">Rafael Álvarez <i>Director de Proyectos</i></p> <p>Municipality of Amatitlán Nery Barrios <i>Consultant</i></p> <p style="text-align: center;">Rolando Almeda Girón <i>Accountant</i></p> <p style="text-align: center;">Eddy Estuardo Quesada <i>Treasurer</i></p> <p>Municipalidad de Zaragoza Otto René Castellanos Figueroa <i>Mayor</i></p> <p style="text-align: center;">Ofelia Beatriz Marroquín <i>Treasury Officer</i></p> <p style="text-align: center;">Antonio Figueroa Jerez <i>Treasurer</i></p> <p>Municipalidad de Chimaltenango Rubén Xoyón <i>Mayor</i></p> <p style="text-align: center;">Jorge Luis Gómez <i>In charge, Accounting and Budget</i></p> <p style="text-align: center;">Mario Alberto Orrego <i>Treasurer</i></p> <p>Municipalidad de Cobán Carlos René Aguilar Granja <i>Mayor</i></p>	<p style="text-align: center;"><i>Information Expert</i></p> <p>Carlos Roberto Rossi <i>Treasurer</i></p> <p style="text-align: center;">Gloria Bardales <i>Chief, Real Estate</i></p> <p style="text-align: center;">Marco Tulio Chen Kau <i>Accounting and Budget</i></p> <p style="text-align: center;">Shirley Mejicano <i>Internal Auditor</i></p> <p>Municipality of Esquipulas Rigoberto Aceituno Castañeda <i>Interim Mayor</i></p> <p style="text-align: center;">Carlos Roberto Lorenzo <i>Chief, Water Resources</i></p> <p style="text-align: center;">Renato Ordóñez <i>Chief, Real Estate</i></p> <p style="text-align: center;">Melvin Pérez <i>In charge, IUSI</i></p> <p style="text-align: center;">Melvin Reyes <i>Treasurer</i></p> <p style="text-align: center;">Lidia Interiano <i>In charge of collections</i></p> <p style="text-align: center;">Otto Ramírez <i>Accountant</i></p> <p style="text-align: center;">Miguel Cruz Castillo <i>Accountant</i></p>
El Salvador	

<p>United States Agency for International Development, USAID Todd M. Sorenson <i>Director, Democracy Office</i></p> <p>Parviz Shahidinejad <i>Specialist on Financial Management</i></p> <p>Ana Luz de Mena <i>Project Manager</i></p> <p>German Agency for Technical Cooperation, GTZ Jaime Idrovo <i>Project Coordinator</i></p> <p>Ministry of Finance Nelson Sánchez <i>Chief Standardization Department General Accounting Office Government Accounting</i></p> <p>Corte de Cuentas Ivonne de Urbina <i>Assistant Chief International Relations</i></p> <p>Ivette de Orellana <i>Assistant Chief, Municipal Audits</i></p> <p>Carlos Dávila <i>Chief, Citizen Participation</i></p> <p>Decentralization Commission Maura de Montalvo <i>Director, Presidential Secretariat</i></p> <p>Social Investment Fund for Local Development, FISDL Alfredo Marroquín <i>Project Administrator</i></p> <p>José Luis Duque <i>Consultant</i> Celso Aparicio <i>Chief Tax Register and Control</i></p>	<p>Vicente Flores <i>Community Representative</i></p> <p>Carlos Molina <i>Coord. Prog. Private Participation</i></p> <p>Corporation of Municipalities of the Republic of El Salvador, COMURES Edmundo Chinchilla <i>Technical Manager</i></p> <p>René Medina <i>Financial Specialist</i></p> <p>Salvadoran Institute for Municipal Development, ISDEM Leonidas Rivera <i>General Manager</i></p> <p>Jeannette López <i>Coordinator Regional Centers</i></p> <p>Orlando Zavala <i>Technical Secretary</i></p> <p>Jeremías Villalobos <i>Director Municipal Development</i></p> <p>Edgardo Portillo <i>Information, Chief</i></p> <p>Carlos Mendoza <i>Municipal Consultant</i></p> <p>Humberto Beltrán <i>Municipal Consultant</i></p> <p>National Foundation for Development (FUNDE) Alberto Enríquez Villacorta <i>Director, Regional and Local Development</i></p> <p>Municipality of San Antonio del Monte José Antonio Paredes</p>
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<p>Elizandro Rivera <i>Community Representative</i> Municipality of San Martín Valentín Castro <i>Mayor</i></p> <p>Lizette de Romero <i>General Manager</i></p> <p>Marta Majano <i>Accountant</i></p> <p>Carmen Lidia Hernández <i>Accounting Assistant</i></p> <p>Enrique Lara <i>Information Chief</i></p> <p>Verónica Rubio <i>Chief REF</i></p> <p>Joalmo Cruz <i>Treasurer</i></p> <p>Ronald Ortiz <i>Chief UACI</i></p>	<p><i>Mayor</i></p> <p>Giovanni García <i>Chief, Real Estate</i></p> <p>Municipality of Juayúa José Edgardo Aguilar <i>Mayor</i></p> <p>Maria Luisa Melgar <i>Accountant</i></p> <p>Juan José Guardado <i>Secretary</i></p> <p>Baldemar Rodríguez <i>Chief, UACI</i></p> <p>Mercedes Cáceres <i>Treasurer</i></p>
Nicaragua	
United States Agency for International Development, USAID	Comptroller General's Office Juan Ramón Salgado

<p>Karen L. Anderson <i>Director, Office of Democratic Initiatives</i></p> <p>Luis Fernando Ubeda <i>Coordinator, Democracy Projects</i></p> <p>German Agency for Technical Cooperation, GTZ Marvin Castro <i>Consultant, Municipal Finance</i></p> <p>Neftalí Sequeira <i>Consultant</i></p> <p>Ministry of Finance and Public Credit – SIAF Project Kitty Monterrey <i>Executive Director</i></p> <p>Edgar Rosas <i>International Technical Director</i></p> <p>Juan Gali <i>International Consultant</i></p> <p>José Gálvez <i>International Consultant</i></p> <p>Hardy Mayorga <i>Consultant</i></p> <p>Claudia León <i>Consultant</i></p> <p>Víctor Arce <i>Consultant</i></p> <p>Marco Centeno <i>Consultant</i></p> <p>Municipalidad de Chichigalpa Víctor Manuel Sevilla <i>Mayor</i></p>	<p><i>Audits, General Director</i></p> <p>Juana María Ramírez <i>Director, Municipal Sector</i></p> <p>Humberto Avilés <i>Director International Relations</i></p> <p>Technical Secretariat, Sectoral Commission for Decentralization Claus Hastrup <i>Municipal Technical Consultant</i></p> <p>Municipal Straightening and Development Program Teresa Suaso <i>Technical Consultant</i></p> <p>Sectoral Commission Decentralization Ana Soledad Román <i>Consultant</i></p> <p>Nicaraguan Institute for Municipal Promotion, INIFOM Gilberto Lindo <i>Adm. Director Municipal Finance</i></p> <p>Isabel Cristina Avilés <i>Consultant</i></p> <p>Fondo de Inversión Social de Emergencia, FISE Mario Castro <i>Consultant on Local Development</i></p> <p>Association of Nicaraguan Municipalities, AMUNIC Alvin Salinas <i>Assistant to the Executive Director</i></p> <p>Municipality of Estelí Augusto García <i>Chief, Real Estate</i></p>
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<p>Otilio Velásquez <i>Accountant</i></p> <p>Maria José Santana <i>Administrative Assistant</i></p> <p>Maribel Hernández <i>Real Estate Assistant</i></p> <p>Manuel Espinoza <i>Chief, Real Estate Department</i></p> <p>Municipality of Matagalpa Sadrach Zeledón Rocha <i>Mayor</i></p> <p>Yancy Navarro <i>Computer Expert</i></p> <p>Sandi Peralta <i>Secretary</i></p> <p>Salvador Pérez <i>Operator Accounting System</i></p> <p>Danilo Velázquez <i>Budget Chief</i></p> <p>Marlon Gómez <i>Financial Director</i></p> <p>Marbelí González <i>System Operator, Projects</i></p>	<p>Miriam Rodríguez <i>Collections chief</i></p> <p>Donis Espinoza <i>Councilman</i></p> <p>Apolinar Padilla <i>In charge, Information System</i></p> <p>Municipality of San Marcos Alberto Reyes Romero <i>Mayor</i></p> <p>Xiomara Castro <i>SISCO Operator</i></p> <p>Eduardo Amarenco <i>Responsible for Finance</i></p> <p>Digna Cerdas <i>In charge of Projects</i></p> <p>Roberto Ramírez <i>Financial Consultant</i></p> <p>Marcos García <i>In charge of Real Estate</i></p>
Honduras	
<p>United States Agency for International Development USAID Glenn Pearce-Oroz</p>	<p>General Accounting Office Renán Sagastume Fernández <i>President</i></p>

<p>Denia Chávez <i>Municipal Development Program</i></p>	<p>Fernando Montes <i>Magistrate</i></p>
<p>Spanish Agency for International Cooperation, AECI José Antonio Samperi</p>	<p>Ricardo Galo Marengo <i>Magistrate</i></p>
<p>Inter-American Development Bank Nicolás Aasheim Miguel Manzi Oscar Díaz Sergio Ríos David Carías</p>	<p>Moisés López <i>Executive Director</i></p>
<p>German Agency for Technical Cooperation, GTZ Carmen Vega</p>	<p>David Amín Fonseca <i>Assistant Consultant to the President</i></p>
<p>CCE Olga Viluce</p>	<p>Government and Justice Secretariat Nalda Morales <i>Director, Local Development</i></p>
<p>Japanese Agency for International Cooperation, JICA Maribel Lugo</p>	<p>Oscar Castro Nazar <i>Information Chief</i></p>
<p>United Nations Development Program, UNDP Juan Carlos Benítez</p>	<p>Deyanira Laguna <i>Director, Office of Statistics SINIMUN</i></p>
<p>Casals and Associates Inc. Sally Taylor</p>	<p>Office of Finance Neftalí Melgar Ascencio <i>Director, Modernization Unit</i></p>
<p>Central American Technological University, UNITEC Mariel Rivera Heidy Mendoza</p>	<p>Foundation for Municipal Development FUNDEMUN Manuel Antonio Romero <i>Executive Director</i></p>
<p>Ramón Sarmiento <i>VicePresident Municipal Extension and Community Development</i></p>	<p>Miltron Sandres <i>Information Consultant</i></p>
<p>Silvia María Austria <i>Chief, UNITEC-Comunidad Project</i></p>	<p>Joel Ramos <i>Information Consultant</i></p>
<p>Miguel Bonilla <i>Efficiency and Transparency Program</i></p>	<p>Manuel Barahona <i>Information Consultant</i></p>
	<p>Municipality of Catacamas Miguel Morales <i>Service Manager</i></p>
	<p>Mario Rivera <i>Chief, Accounting and Budget</i></p>

<p>German Espinal <i>Anticorruption Council</i></p> <p>Municipality of Villanueva José Felipe Borjas <i>Mayor</i></p> <p>Walter Perdomo <i>Assistant Mayor</i></p> <p>Luis Ismael Rápalo <i>Chief, Real Estate</i></p> <p>Nicolás Catán <i>Manager</i></p> <p>Alfonso Rodezno <i>Administrative Assistant</i></p> <p>Jaime Pineda <i>In charge of GIS</i></p> <p>Mauro Caballero <i>Congressman</i></p> <p>Conception Morel Municipal Commissioner</p> <p>Municipality of San Francisco Yojóa Diego Madrid <i>Mayor</i></p> <p>Marta Ríos <i>Mayor</i></p> <p>Valentín Godoy <i>Regent</i></p> <p>Edwin Sabillón <i>Regent</i></p> <p>Gonzalo Andrade <i>Regent</i></p> <p>Ernesto Madrid</p>	<p>Douglas Martínez <i>Chief, Real Estate</i></p> <p>Carlos Díaz <i>Chief, Tax Control</i></p> <p>Carlos Lobo <i>Treasurer</i></p> <p>Bernarda Jhones <i>Regent</i></p> <p>Municipality of Comayagua Carlos Miranda <i>Mayor</i></p> <p>Domitila Nazar <i>Regent</i></p> <p>Carlos Zepeda <i>Regent</i></p> <p>Emiliano Pereira <i>CCL</i></p> <p>Enrique Fonseca <i>Chamber of Commerce</i></p> <p>José Antonio Alcerro <i>Regent</i></p> <p>Nicolás Catán <i>Manager</i></p> <p>Alfonso Rodezno <i>Assistant Manager</i></p> <p>Jaime Pineda <i>In charge, Geographic Information System</i></p> <p>Mauro Caballero <i>Congressman</i></p> <p>Conception Morel</p>
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<p><i>Treasurer</i></p> <p>Sanay Sabillón <i>Secretary</i></p> <p>Luis Felipe Mejía <i>Chief, Real Estate</i></p>	<p><i>Municipal Commissioner</i></p> <p>Luz María Green <i>Treasurer</i></p> <p>Ricardo Borjas <i>Internal Auditor</i></p> <p>Fidel Santos <i>Accountant</i></p>
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Annex 2: Basic Information of the Four Visited Countries					
Country	Population in Millions	Area in Square Kms²	Population Density	Political Organization	% of transfers from the National Budget to Municipalities
Guatemala ⁴	11.4	108,889	100 persons /Km. ²	22 departments 331 municipalities	20%
El Salvador ⁵	6.3	21,040	310 persons /Km. ²	14 departments 262 municipalities	6-8%
Nicaragua ⁶	5	126,947	40 persons/Km. ²	16 departments 9 autonomous regions 151 municipalities	N/A
Honduras ⁷	6.4	112,088	60 persons/Km. ²	18 departments 298 municipalities	5%

⁴Source: CEPAL, PNUD, INE, INFOM, ANAM, 2003.

⁵Source: PNUD, COMURES, ISDEM, 2003.

⁶Source: PNUD, AMUNIC, Instituto Geográfico de Nicaragua, 2003.

⁷Source: PNUD, AMHON, Instituto Geográfico de Honduras, 2003.