

A.I.D. EVALUATION SUMMARY - PART I

PD-ABA-174
24047

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

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>USAID/Honduras</u> (ES# <u>FY89-6</u>)		D. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input type="checkbox"/> Slipped <input checked="" type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: <u>FY 89 Q 2</u>		C. Evaluation Timing Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>	
D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)					

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
522-0289	Privatization of State-Owned Enterprises	1986	Dec/90	\$4,000	\$4,000

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
<p>Action(s) Required</p> <p>1. A change in the composition of the TWG will be made:</p> <p>a) a new Chief of Party with experience in public and private sector will be contracted to strengthen the management of the TWG*; and,</p> <p>b) a new Marketing Officer will also be contracted to conduct a better focused marketing strategy.</p> <p>2. A campaign/strategy to educate the labor leadership with respect to various types of privatization and potential benefits will be implemented.</p> <p>3. The public education/information and marketing efforts will be increased through more conferences and an advertising campaign.</p> <p>4. Emphasis on privatization of SOEs which can operate profitably will be a major goal.</p> <p>5. The data base of project activities to monitor progress in terms of recruiting investors, promoting public education and economic impact of the project will be redesigned to improve the present system.</p> <p>* Technical Working Group</p>	<p>PSP</p> <p>TWG</p> <p>TWG</p> <p>GOH/PSP</p> <p>TWG</p>	<p>a) Jan/90</p> <p>b) Oct/89</p> <p>Feb/90</p> <p>March/90</p> <p>Ongoing</p> <p>Feb/90</p>

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation:			(Month)	(Day)	(Year)
			11	22	89
G. Approvals of Evaluation Summary And Action Decisions:					
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director	
Signature	Kermit C. Moh		Arturo Rivera Carmen Zambrana	John A. Sanbrailo	
Date	<i>Kermit C Moh</i>		<i>Arturo Rivera</i>	<i>John A. Sanbrailo</i>	

A B S T R A C T

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

The purpose of the project has been to assist the Government of Honduras (GOH) to achieve its goal of developing an effective strategy for the divestiture of state-owned enterprises (SOEs). The project was considered to a large extent to be experimental, and would serve to provide other AID privatization initiatives with a series of lessons learned. The evaluation was conducted by a contractor, through an IQC, and was based on a review of project documents, interviews with key public and private sector officials, the Center for Privatization and its in-country technical assistance unit, the Technical Working Group, and USAID/Honduras staff, and on-site visits to companies to be privatized. The purpose of the evaluation was to examine the progress made in implementing the privatization project in Honduras and its policy and economic impacts. The major findings and conclusions are:

- The project is achieving its goal of privatization of 12 - 15 companies, as set forth in the Project Paper.
- Permanent annual economic gains from the project were evidenced in budget gains, new jobs, additional foreign exchange, new foreign and domestic investments resulting in more production.
- The political will to put into place and sustain the necessary legal framework for a successful privatization project has been demonstrated.
- It is essential to put into place an effective public education program at the start of a project, targeting potential opposition groups in an effort to co-opt them.

The evaluators noted the following "lessons":

- Technical groups need to maintain a low public profile in order to encourage host governments to assume the leadership in privatization. Privatization is sensitive enough without creating perceptions of USG manipulation into the process.
- A political environment hospitable to privatization is an essential condition for creating the appropriate legal and policy frameworks for a divestiture project.

C O S T S

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Robert Landmann Sigfried Marks Mark Rosenberg	International Science and Technology Institute	PDC-0000-I-37- 6134-00	\$ 51,992	Privatization of State- Owned Enter- prises Project 522-0289
2. Mission/Office Professional Staff Person-Days (Estimate) <u>10 days</u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>5 days</u>		

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

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

Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lesson learned

Mission or Office: USAID/Honduras	Date This Summary Prepared: August 29, 1989	Title And Date Of Full Evaluation Report: Evaluation of the Project 522-0289 Privatization of State-Owned Enterprises in Honduras. 3/14/88
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I. Purpose of Evaluation and Methodology Used

The primary purpose of the evaluation was to examine progress made in implementing the privatization program. Evaluation objectives include a: 1) review of the Privatization Law and examination of how the GOH and TWG have been able to adapt to its provisions; 2) assessment of the adequacy of the institutional mechanisms created to implement the project; 3) determination of the macroeconomic impacts; 4) examination of the policy impact, specifically if attitudes toward statism and the "rules of the game" have changed. Lessons learned were reviewed by way of developing a strategy for design of a second phase to be supported by USAID/H. Specific analytical methods included: 1) semi-structured interviews with key private and public sector officials, and informal interviews with selected institution staff; 2) review and content analysis of selected project and institutional documents; 3) analysis of secondary data; 4) on-site visits and observations.

2. Purpose of Activities Evaluated

The purpose of the project has been to assist the GOH to achieve its goal of developing an effective strategy for the divestiture of state-owned enterprises (SOEs). At the same time, the project was considered "to a large extent" to be experimental and would serve to provide other AID privatization initiatives with a series of lessons learned. Specifically, the project has had as its primary objective the provision of assistance to the GOH in the divestiture of approximately 12-15 SOEs, demonstrating the feasibility of implementing a privatization program in Honduras and making a significant contribution to sustained economic growth.

3. Findings and Conclusions

The major finding is that the project is achieving its goal of privatization of 12-15 companies, as set forth in the Project Paper. The overall conclusion is that the privatization project is achieving measurable progress in meeting its goals. Also a legal framework has been established to permit divestiture of SOEs with a minimum of irregularity. The economic benefits of the project to date have been positive, and projections indicate even more favorable results as the remaining large SOES are privatized. Specific findings and conclusions are:

- Permanent annual economic gains from the project were evidenced in budget gains, new jobs, additional foreign exchange, new foreign and domestic investments resulting in more production.
- The privatization process is extremely detailed and complex, but this has effectively forestalled attempts to circumvent the process and compromise its integrity and credibility. Decree 161/85 and accompanying regulations have created a detailed and prescriptive privatization process. This was done intentionally in order to preserve the integrity of the process both by keeping it "transparent" and subject to a series of checks and balances. This has resulted in a trade-off between efficiency and effectiveness, which has worked successfully.

- The greatest inefficiencies in the process are institutional. The National Investment Corporation (CONADI) in particular has been a major bottleneck. CONADI continues to be extremely poorly managed and constitutes an obstacle to more efficient privatization of its assets.
- There is still no comprehensive privatization policy, but rather a privatization process geared to the divestiture of specific parastatals.
- The TWG has created an effective debt-for-assets swap mechanism, which has been used in privatization of three SOEs.
- The project has also achieved its objective of maintaining a low profile, letting the GOH take the visible initiative in privatizing SOEs.
- There has been a lack of public education efforts aimed at the public at large and at labor in particular. "Marketing" and public education activities have been insufficient, and there is a general lack of public knowledge of what privatization in its various forms means, and the economic and social benefits it can produce.
- Opposition to privatization has been minimal, although as efforts to expand the project continue, especially to state-owned services, organized labor will begin to mobilize against divestitures. It is vital to begin work immediately with organized labor to educate the leadership with respect to the various types of privatization and potential benefits.
- The political will to put into place and sustain the necessary legal framework for a successful privatization project has been demonstrated. By contrast, political commitment to the project has vacillated on occasion, as competing political pressures periodically displace the priority assigned to privatization.
- There is a general lack of economic policy coordination, resulting in policy incompatibilities such as fixed exchange rates which undermine export goals - and negatively impact privatization on export-oriented SOEs.
- Both the policy and project have been experimental, and the major institutional actors have all undergone a learning process which has yielded positive results - some of which should be considered for application.
- The lack of a sustained research component to the project, which is an R&D effort, has been a critical oversight. It is surprising the Center for Privatization, which has a research unit, did not become more active to collecting and analyzing project data.
- The impact of the project on women could not be estimated as the result of insufficient data.

4. Recommendations

- The law should remain intact until the holdings of the specified parastatals are privatized, or other disposition is made. At that time, steps could be taken to amend existing legislation to permit the formulation and implementation of a comprehensive policy. (The GOH is no longer contemplating changes to the Law).
- It is imperative to develop strategies to deal with labor in particular. (Action No. 2 on face-sheet).
- TWG management needs to be strengthened. (Action No. 1 on face-sheet).

- The Center for Privatization needs to improve significantly its relationships with the TWG and increase its support for the group. (The relationship with the Center for Privatization was terminated by 9-30-89).
- Emphasis on privatization of SOEs which can be operated profitably should be the major goal, as they yield multiple economic and social benefits. (The recommendation will be incorporated in the Work Plan for 1990).
- As the process moves forward, and more CONADI assets are divested, a decision will have to be made on what to do with the parastatal. (The GOH has already decided that CONADI will be liquidated once the companies are privatized).
- It is important to define privatization as one of several means, or strategies, toward economic growth and development. (Action No. 3 on face-sheet).
- Require prospective investors to submit documentation indicating to what use they intend to put acquired assets. (It is the Mission's opinion that the process is already cumbersome and to add more conditionalities would only make it more difficult. The idea is to have the market forces come into play. therefore, the investor should be free to do as it pleases with the assets it purchases).
- The lack of a sustained research component to the project has been a critical oversight. (Action No. 5 on face-sheet).

Lessons Learned

- The indicators of success for privatization should not be the number of SOEs divested, but rather the value they represent and their economic impact in terms of jobs generated, debt serviced, foreign exchange produced and contribution to GDP.
- A political environment hospitable to privatization is an essential condition for creating the appropriate legal and policy frameworks for a divestiture project. In a democracy it is critical for the executive and legislative branches to work together.
- It is equally essential to put into place an effective public education program at the start of a project, targeting potential opposition groups in an effort to co-opt them.
- Debt for assets swap mechanism represents a creative and effective approach to privatization and should be further encouraged in Honduras--and elsewhere.
- Project directors (Chiefs of Party) should possess experience and skills in politics, public administration and policy management, as well as relevant experience in developing countries. Secondly, they need to be familiar with the private sector.
- Technical groups need to maintain a low public profile in order to encourage host governments to assume the leadership in privatization. Privatization is sensitive enough without creating perceptions of USG manipulation into the process.
- Privatization can be an effective economic growth strategy. However, it should be considered one of several strategies, and not a goal in itself. By putting into this less ideological and more realistic context, the Mission has been able to promote a successful project.

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ATTACHMENTS

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

Appendix A: Outline of Basic Project Identification Data
Evaluation Scope of Work
Project Logical Framework

Note: Final report was forwarded to AID/W on July 3, 1989.

COMMENTS

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

The report covered all aspects outlined in the scope of work and provided valuable feedback. The evaluators provided in-depth analysis, and good understanding of the situation evaluated. The report addressed all the issues, and is comprehensive, objective and of very high quality.

APPENDIX A

OUTLINE OF BASIC PROJECT IDENTIFICATION DATA

1. Country: Honduras
2. Project Title: Privatization of State-Owned Enterprises
3. Project Number: 522-0289
4. Project Dates: August 1986 - September 1989 (Amended to 12/30/90)
 - a. First Project Agreement: August 1986
 - b. Final Obligation Date: FY--August 1986
 - c. Most recent Project Assistance Completion Date (PACD): 12/30/90
5. Project Funding: (amounts obligated to date in dollars or dollar equivalents from the following sources)
 - a. A.I.D. Bilateral Funding Grant US\$4,000,000
 - b. Other Major Donors - 0 -
 - c. Host Country Counterpart Funds LC 6,500,000

TOTAL \$10,500,000
6. Mode of Implementation: AID/Center of Privatization through Mendieta and Associates
7. Project Designers: AID/Ministry of Finance
8. Responsible Mission Officials:
 - a. Mission Director (s): Anthony Cauteruccy, MD (08/08/86 to 08/11/86)
Carl H. Leonard, AMD (08/12/86 to 11/21/86)
John A. Sanbrailo, MD (11/22/86 to present)
 - b. Project Officer (s): James T. Grossmann, PSP Director
(08/08/86 to 09/12/89)
Kermit C. Moh, PSP Acting Director
(09/11/89 to present)
Victor Paz, Project Officer
(08/08/86 to present)
 - c. Previous Evaluation (s): None

HONDURAS USAID MISSION
PRIVATIZATION OF STATE-OWNED ENTERPRISES
EVALUATION SCOPE OF WORK

I. ACTIVITY:

Evaluation of Project No. 522-0289

Privatization of State-Owned Enterprises

Total cost: 17,000,000 (Dollar Equivalent)

Project Agreement Date: August 29, 1986

PACD: October 1, 1989

II. PURPOSE OF THE EVALUATION:

The primary purpose of the evaluation is to examine progress made in implementing the privatization program. The evaluation will: (1) review the Privatization Law (Decree 161-85 and the Regulations) and examine how the Government of Honduras (GOH) and the Technical Working Group (TWG) adapted to the law, and recommend any amendments that may be required to make the legislation more effective; (2) examine the adequacy of the institutional mechanisms created to implement the project including the process of valuation of assets, marketing, divestiture strategies, and the political will; (3) examine the economic and financial benefits of the project and prepare a cost/benefit analysis with estimates of what the results of the project has been in reducing recurrent costs and GOH financial support to the state-owned enterprises and in attracting new investment into Honduras; (4) identify the lessons that have been learned in the process; (5) prepare concept paper on possible continued AID support in privatization. The concept paper should identify and prioritize continued constraints to privatization, make recommendations for removing those constraints and give an estimate of the cost and time frame required..

This evaluation will be used primarily by USAID/Honduras and the Government of Honduras, members of the GOH Economic Cabinet, and the Privatization and Valuation Commissions to make any necessary changes in the process, and help arrive at a decision as to whether the project should be continued or terminated at the end of the first phase. Other anticipated users of the evaluation are the management of the parastatals, AID/Private Enterprise Bureau (PRE) and the Center for Privatization (CFP).

The evaluation of this project was planned in the current Annual Evaluation Plan.

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III. BACKGROUND:

The purpose of the Project is to support GOH initiatives to plan and implement the privatization of state-owned enterprises (SOEs). The successful completion of privatization activities is expected to directly contribute to USAID/Honduras Central America Initiative goals of economic stabilization and economic growth. The Project was designed to reduce recurrent costs and GOH financial support for state-owned enterprises engaged in the production of goods; transfer companies and assets to individuals with equity at risk; attract new investment into the Honduran productive sector and reduce the administrative burden presently confronted by the GOH in managing a wide range of commercial enterprises. The Project will assist in the privatization of approximately 12-15 SOEs during the three year life of the Project which ends 10/01/89. The Project is expected to demonstrate the feasibility of implementing a more comprehensive privatization program in Honduras, and make a significant contribution to sustained economic growth.

USAID and the GOH, aware of the complex nature of the privatization program and the high risks involved in the undertaking, judged that the most appropriate approach was a strategy of phased privatization, of which this Project represents the first segment. During the proposed three-year funding period, an initial set

of SOEs would be sold to private investors or liquidated, thereby setting in motion a process that would stimulate future divestments. Simultaneously, the administrative and analytical framework necessary to plan and implement a comprehensive program would be established within the GOH. Once this framework was in place, expansion of the divestiture program to cover a wider array of firms could begin. The Project is recognized as being experimental to a large extent, and was designed to not only try to accomplish important, specific objectives, but also provide a use for "lessons learned" for subsequent phases and for other A.I.D. privatization programs worldwide.

The Mission's approach to privatization of SOEs has been to encourage and support the GOH in its pursuit of this goal, providing technical assistance as required to move the process along, though carefully not assuming or appearing to assume the leadership of this effort. To walk this narrow path between encouraging the GOH to move forward through policy dialogue at various levels and at the same time ensure that A.I.D. is not "out front" in this effort has required a great deal of restraint when the process has slowed down or when the government has temporarily taken an approach that appears overly cautious. While such an approach may limit quantifiable progress somewhat over the short term, this restraint has paid high dividends and the process is broadly identified as a GOH program reflecting the will of a large segment of Honduran public opinion.

In spite of the approach chosen, the Mission has helped the GOH accomplish several crucial tasks such as: (1) the design of focused strategy to deal with the very broad problem of SOEs in Honduras; (2) development of the legal and regulatory framework for privatization; (3) establishment of the information base for decision making on the National Development Corporation's (CONADI) and the National Forest Development Corporation's (COHDEFOR) enterprises; (4) development of the analytical base to design and carry out workshops and

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seminars and other opinion forming events to develop and sustain a climate favorable to privatization; and (5) design of a preliminary marketing strategy to attract potential investors in CONADI's enterprises.

Technical assistance has been provided through a buy-in of AID/W Private Enterprise Bureau's (PRE) contract with the Center for Privatization (CFP). The CFP was established by PRE to provide short-and-long term technical assistance to USAID's privatization programs. The Center is staffed by a consortium of firms headed by Analysis Group, an 8(a) firm which was awarded the Center contract. Other members of the consortium include Arthur Young and Company, Ferris & Co., Public Administration Service, Equity Expansion International and other small firms as needed for specific tasks.

To date the project has carried out the divestiture of five companies of CONADI (S.I.C., METALSA, INHOMSA, AZUCARERA YOJOA, and PACARSA). Two companies of COHDEFOR, SEMSA & FIAFSA have been leased as a first step toward their divestiture. Three other companies are in the process of negotiation for their sale. Four other enterprises have been thoroughly analyzed and are being reviewed by either the management of the parastatal or the Valuation Commission. Six other companies are going through the process of a financial and legal clean-up with the assistance of the Technical Working Group.

IV. STATEMENT OF WORK:

The evaluators will focus their investigations and evaluate the issues that are enumerated in this section. The evaluators will be required to provide in a final report their findings, conclusions, recommendations, and lessons learned.

The following in order of priority are the primary issues that must be evaluated by the team:

1. Progress Made In Implementing The Project.

Given the complexity of the process and the political considerations involved, the evaluation must determine and quantify the degree of success in achieving the objectives outlined in the Project Paper and the Project Agreement. The evaluation should identify what procedures

and mechanisms have worked and which have not, the obstacles to implementation, and steps in the process that need to be eliminated or strengthened and how they can be strengthened.

2. Privatization Law (Decree 161-85 and the Regulations).

The legislation on which the Privatization Project is grounded is considered by many to be too complicated and inflexible to expedite the process.

Given the importance of this legislation, the team will be required to review the Privatization Law and examine how the GOH and the Technical Working Group adapted to the law.

The evaluation must examine the steps required by the law to implement the project, as well as those required to carry out the privatization of

a company, and assess whether there has been compliance with the spirit as well as the letter of the law. The team should also examine the applicability of the legislation, identify any deficiencies, and recommend appropriate changes.

3. Institutional Mechanisms to Implement Project.

The Privatization Law and the Project Agreement created institutional mechanisms to implement the project. The principal institutional mechanisms are the Privatization Commission, Valuation Commission and the Negotiation Commission.

The team is required to examine each of these and assess their adequacy vis-a-vis the level of participation in the project, output, the role they have played in the process and what has been their contribution.

The evaluators should also examine and determine its adequacy in terms of the process through which valuations are conducted, the marketing of assets, divestiture strategies, the role that CONADI's holding company, CAPSER, plays in the process and whether same facilitates or delays the

process. The evaluators are also to assess the political will of these entities to make those hard decisions that may be economically important but that carry political risks. Where problem areas are identified, with either the institutional mechanisms or the process, the team is required to recommend corrective actions or alternatives.

4. Role of Parastatals in the Process.

The process has been directed primarily to CONADI and COHDEFOR, with the larger share of project resources being allocated to CONADI because of the large portfolio of SOEs. The team will be required to review the institutional configuration of CONADI and COHDEFOR and determine if the parastatals are adequately staffed with technical and professional staff working in the Project and have sufficient funds in their budget to implement the process. Explain the role management plays in the process, evaluate their commitment to meeting the objectives of the project, identify problem areas, and determine whether a change in configuration of the parastatals would be beneficial to the process.

5. Economic and Financial Benefits.

The cost/benefit of the project needs to be evaluated. The team must examine and quantify what the impact of the lease or sale of each of the companies privatized has been on the economy of Honduras in terms of exports, employment, new investment, reduction of country debt, and/or reduction in recurring costs and determine the efficiency of the project i.e. Do the benefits justify the costs? The team is also to examine if there is a long-run benefit of what has been accomplished to date.

6. Intangible Benefits Achieved by the Project.

The evaluation should examine and highlight other benefits that may have resulted from the implementation of the project, such as whether it has helped change ideas/attitudes toward statism.

It should also determine if the achievement of the objectives contribute to other goals beside economic stabilization and economic growth and to what extent.

7. Role of Center for Privatization in the Process.

The long-term technical assistance for the Project was contracted through a buy-in of AID/W PRE's contract with the Center for Privatization. The Center was selected because of its initial assistance to the Mission in the design of the Project, and our desire to maintain continuity with the team the Center provided for the initial work. In addition, it was felt that the Center would provide linkage to other A.I.D. Missions and other resources and would ensure faster Mission access to experiences of other countries and programs. The evaluators are asked to determine what has been the contribution of the Center to the overall project and specifically to the privatizations achieved to date.

8. The Mission is considering a one year extension of the Project and a possible second phase. The evaluation should comment and provide recommendations as to whether a second phase should be undertaken, the scope and objectives that should be incorporated in a second phase, taking into consideration side effects and other possible alternatives to the project. The evaluation should also recommend whether there is a role for the Center in a second phase of the Project.

V. METHODS AND PROCEDURES:

1. Information Sources

The primary source of information to be used by the evaluation team will be the transfer plans of CONADI and COHDEFOR. Also, the evaluation team will receive from AID material such as the Project Paper, Project Agreement (and pertinent annexes), AID and GOH reports, etc.

It is expected that this information will be complemented by, inter alia, visits to CONADI and COHDEFOR staff, Board of Directors, Technical Assistance Advisors, the Valuation and Privatization Commissions, USAID/Honduras and GOH personnel. The evaluation team will have access to additional AID project documentation as required through the Project Manager.

2. Contracting Mode

The Mission will use an IQC contract. The team will commence the evaluation on or about January 6, 1989 and will arrive in Tegucigalpa not later than January 11, 1989. The team leader will be responsible for developing work plans and making assignments including planning data collection, identifying persons, officials etc. to be interviewed and work with the Project Officer and CONADI/COHDEFOR officials in general logistical planning for the evaluation.

The Contractors will be expected to work a six-day week. Team planning meetings will take place in country with the participation of USAID/H Project Officer and Evaluation Specialist. This is a desirable step prior to initiation of field activities. The evaluation effort will be based in Tegucigalpa. Field work and site visits may require travel to San Pedro Sula, and possibly other parts of the country. CONADI and COHDEFOR will provide a limited amount of work space and a resource/liaison person. However, the contractor will be expected to arrange for vehicle and secretarial support, translation and report preparation. USAID/Honduras will provide assistance from contractor personnel (technical advisors and Project Liaison Officer), and Mission liaison through the office of Private Sector Programs.

VI. COMPOSITION OF EVALUATION TEAM:

The suggested composition of the team is given below.

Four positions are listed. It is expected that the team leader will fill one of those positions so that the total number of the team does not exceed four.

The team leader will be expected to closely coordinate evaluation findings and recommendations with other team members. It is especially important that the team have a strong representation of experience in privatization and in the private sector.

Key team members should include:

1. Team Leader: Four-week period.
Consultant should have experience in evaluating and developing A.I.D. projects. A minimum of 15 years experience in management, organization, or development finance. Should have at least five years experience in a position of financial responsibility in the private sector. Prior experience in privatization either as a member of a technical assistance team, or in having worked with A.I.D. or World Bank in the development of a privatization project in the less developed world would be highly desirable. Fluency in Spanish is essential.

2. Investment Specialist/Financial Analyst: Three week period. MBA or equivalent with a minimum of 15 years at an executive level in marketing or finance, with at least 10 years experience in investment in LDC's, five years of which should be in Latin America. Experience in privatization and or loan workouts also desirable. Should have experience in developing cash flow and evaluating debt carrying capacity of firms. Fluency in Spanish essential.
3. Political Economist/Scientist: Two week period. MBA or equivalent with a minimum of 10 years experience. Should have at least five years experience in Latin America and preferable some experience in Honduras. Fluency in Spanish essential.
4. Project Manager/Coordinator: Two week period. To be responsible for coordinating work of other team members, editing and producing the final Evaluation Report. Should have experience in evaluation methodology, and report writing. Fluency in Spanish essential.

VII. REPORTING REQUIREMENTS:

(A) The Contractor will provide for Mission approval an outline of the main body of the report within 10 days of arrival in country, and a draft evaluation report prior to the departure from Honduras.

The draft and final reports must include: purpose of the evaluation, methodology used, major findings, lessons learned, conclusions and recommendations, as follows:

1. EXECUTIVE SUMMARY: Containing development objectives of the project or program to be evaluated, purpose of the evaluation, study method, findings, conclusions, recommendations, lessons learned, and comments on development impact. The Executive Summary must be a self-contained document.
2. PROJECT IDENTIFICATION DATA SHEET. (USAID Responsibility)
3. BODY OF THE REPORT: It should be approximately 30-40 pages and must include purpose and study questions of the evaluation; the economic, political, and social context of the project or program; team composition, field of expertise and role it played in the evaluation, and study methods (one page maximum); findings of the study concerning the evaluation questions (any deviation from the scope of work must be explained) conclusions; recommendations, in a separate section for the report; lessons learned and comments on development impact; and

4. Conclusions and Recommendations - The report should end with a full statement of the conclusions and recommendations. The recommendations should correspond to the conclusions, and specify who should take the action recommended.
5. Appendices - At minimum it should contain the scope of work, the most current Logical Framework, and lists of individuals and agencies contacted, and documents consulted.

(B) The final evaluation report (a minimum of 18 copies, 13 each in English and 5 in Spanish) are to be submitted to the Project Officer by the evaluation team no later than four (4) weeks after the Mission furnishes the contractor with comments on the draft document.

(C) The Evaluation Team will be responsible for debriefing the Privatization Commission, the respective Board of Directors of CONADI and COHDEFOR, and management personnel regarding their findings. The Team Leader will be responsible for scheduling debriefing sessions with GOH counterparts and USAID/Mission staff prior to departure.

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PRIVATIZATION OF STATE OWNED
ENTERPRISES

LOGICAL FRAMEWORK

SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																								
<p>A.1 Goal</p> <p>To contribute to the achievement of long-term equitable growth</p>	<p>A.2 Measurement of Goal Achievement</p> <p>Improved economic and fiscal performance as a result of privatization actions, measured by:</p> <p>a. Present value of GDP flows originating in privatized enterprises increases by 150 million by 1992</p> <p>b. Tax revenues increase by approximately 145 million by 1992.</p> <p>c. Interest payments to service GOH SOP-related debt increased by no less than 215 million by 1992.</p>	<p>A.3 (As related to goal)</p> <ul style="list-style-type: none"> - Central Bank - Project monitoring - IMF Country Reports - GOH Reports 	<p>A.4 (as related to goal)</p> <ul style="list-style-type: none"> - Continued economic, social, and political stability in Honduras and Central America. - Continued improvement in policy environment for new investment. 																																								
<p>B.1 Purpose</p> <p>To support GOH initiatives to plan and implement the privatization of state-owned enterprises</p>	<p>B.2 End of Project Status</p> <p>Between 12-15 companies privatized through divestiture; sale of assets; liquidation; and management contracts.</p>	<p>B.3 (as related to purpose)</p> <ul style="list-style-type: none"> - Project monitoring - Consulting reports - Project Evaluations 	<p>B.4 (as related to purpose)</p> <ul style="list-style-type: none"> - Existence of potential private sector buyers of the companies and assets being divested. - Availability of credit and capital to facilitate the acquisition of companies and assets being divested. - Continued GOH support to the divestiture process. - GOH/private sector willingness and commitment to establish appropriate infrastructure in support of companies being divested. 																																								
<p>C.1 Outputs</p> <p>1. Institutional Framework (Analytical support framework established.</p> <p>2. Privatization support Components established.</p>	<p>C.2 Output Indicators</p> <p>C.1.a. TPC and PTU staffed and operational</p> <p>C.1.b. GOH establishes valuation Commission, Negotiating Commissions and other entities required by Decree 161-85</p> <p>C.1.c. Global privatization plans approved</p> <p>C.1.d. Credit, severance payments, training and other support assistance provided to 8-10 firms.</p>	<p>C.3 (as related to outputs)</p> <ul style="list-style-type: none"> - Project Monitoring - Project USAID records - GOH records - Audits 	<p>C.4 (as related to outputs)</p> <ul style="list-style-type: none"> - Highly qualified T.A. available. - Local banks willing to participate in financing. - Valuable short-term training opportunities in U.S., Latin American, and other countries will be identified. 																																								
<p>D.1 Inputs</p> <p>1. Technical Assistance</p> <p>2. PTU Operations</p> <p>3. Consultancies</p> <p>4. Training and Travel</p> <p>5. Support Components</p> <p>6. Project Liaison Officer</p> <p>7. Evaluation and Audits</p> <p>8. Contingency</p> <p>Totals</p>	<p>D.2 Budget/Schedule (US\$000,000)</p> <table border="1"> <thead> <tr> <th></th> <th>A.T.D.</th> <th>GOH</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>2,925</td> <td>850</td> <td>3,775</td> </tr> <tr> <td>2.</td> <td>-</td> <td>100</td> <td>125</td> </tr> <tr> <td>3.</td> <td>50</td> <td>-</td> <td>50</td> </tr> <tr> <td>4.</td> <td>60</td> <td>50</td> <td>11</td> </tr> <tr> <td>5.</td> <td>-</td> <td>12,000</td> <td>12,000</td> </tr> <tr> <td>6.</td> <td>250</td> <td>-</td> <td>380</td> </tr> <tr> <td>7.</td> <td>75</td> <td>-</td> <td>85</td> </tr> <tr> <td>8.</td> <td>480</td> <td>-</td> <td>500</td> </tr> <tr> <td>Totals</td> <td>4,000</td> <td>13,050</td> <td>17,050</td> </tr> </tbody> </table>		A.T.D.	GOH	TOTAL	1.	2,925	850	3,775	2.	-	100	125	3.	50	-	50	4.	60	50	11	5.	-	12,000	12,000	6.	250	-	380	7.	75	-	85	8.	480	-	500	Totals	4,000	13,050	17,050	<p>D.3 (as related to inputs)</p> <p>A.T.D. disbursement records and audit reports.</p>	<p>D.4 (as related to inputs)</p> <ul style="list-style-type: none"> - Project authorized and funds allotted. - Project Agreement executed.
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