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HONDURAS GREATER TRANSPARENCY AND ACCOUNTABILITY OF GOVERNMENT PROGRAM SEMI-ANNUAL PERFORMANCE REPORT JAN-JUNE 2006

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HONDURAS GREATER TRANSPARENCY ACCOUNTABILITY OF GOVERNMENT PROGRAM

SEMI-ANNUAL PERFORMANCE REPORT JAN-JUNE 2006



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USAID Governance and Transparency Program

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INTRODUCTION

NATURE AND OBJECTIVE OF THIS DOCUMENT

Task Order 802 for the USAID/Honduras Greater Transparency and Government Responsibility Program provides an overview of governance issues in Honduras and describes the results, requirements and standards that need to be accomplished to contribute to USAID/Honduras' first strategic objective (SO) "Ruling Justly, More Responsive, Transparent Governance". Specifically, the services procured under the Task Order will achieve Intermediate Result (IR) 1.2, Greater Transparency and Accountability of Government.

The Task Order calls for the Contractor to submit a semi annual report every six calendar months, for the periods of January – June and July – December, to be provided within 30 days of the end of each period. At a minimum, these semi-annual reports shall describe: current state of the Program relative to the goals and objectives of the procurement's activities, achievement of results, performance of requirements, and progress on results indicators within this procurement (Results 1, 2, 3, 4, and 5), and benchmarks set forth in Section X; beneficiaries disaggregated by gender; identification of problems or delays; a proposal to remedy these problems or delays; and recommendations to USAID for decisions in support of Program activities.

This is the third semiannual report submitted to USAID in compliance with the Task Order requirement. It covers all activities Program carried out during the six month period from January 1, 2006 to June 30, 2006. The next semiannual report will cover the six-month period from July 1, 2006 to December 31, 2006.

It should be noted that during this reporting period, the Task Order underwent several modifications, through a Stop Work Order (SWO) in February, 2006 and a Notice of Partial Termination (NPT) in March 2006. A modified Task Order was formally approved by USAID in June, 2006; the modifications eliminated several performance requirements and substantially changed others, reducing targets, redefining performance standards and benchmarks. This was reflected in a new performance monitoring plan (PMP).

To account for these modifications over the course of the reporting period, the Contractor has opted to provide a narrative report on all of the activities carried out in support of the performance requirements (PRs) set out in the Task Order that was in effect on January 1, 2006. However, the presentation and discussion of progress towards meeting targets and benchmarks will refer to the new Task Order and PMP, effective June 29, 2006; in this way, we will assure coherence and continuity with the data presented in subsequent semi-annual reports.

PROGRAM BACKGROUND

The USAID/Honduras Governance and Transparency Program is pivotal in supporting democratic, anti-corruption and transparent practices leading to good governance. Good governance is seen as a necessary building block for Honduras to successfully achieve long-term poverty reduction, increase its competitiveness in the global economy, and provide more sustainable management of its natural resources. Because many of the anti-corruption and good governance practices are demonstrated most effectively where citizens have the greatest influence, the USAID/Honduras strategy highlights support to

local governments, locally organized civil society, and the mechanisms that allow each segment to productively engage the other in decision-making and oversight of public resources.

The USAID Governance and Transparency Program (hereafter called “the Program”) seeks to achieve the following objectives during the implementation of the Task Order: validate transparent, responsive and accountable local government; establish best practices of transparency in the use of public resources at the municipal and mancomunidad levels of government; transfer best practices in good governance to other municipalities; support civil society proposals emphasizing efficient management and improved services; promote continuity and good governance as part of the political transition process at the local level as a result of the elections in November 2005; improve the capacity and efficiency of the Tribunal Superior de Cuentas (TSC): Specifically the Audit Department for the Municipal Sector (DASM) and the Audit Unit for International Donors (UAPOI); and increase the capacity of private sector institutions to operate transparently and engage other stakeholders in advancing development goals.

By achieving these objectives, by March 2009, the completion date of this Program, a larger number of local governments will have improved their democratic and transparent practices and will be more accountable. Similarly, a large number of civil society stakeholders will have been able to develop ownership over their local development agenda. By supporting a critical mass of localities with transparent and participatory development processes, the activities implemented under this Task Order will provide the catalyst for changing the mind-sets of citizens; both the expectations they have of their elected representatives as well as their demands for accountability and transparency. In turn, the resulting good governance practices can be harnessed for the benefit of a variety of initiatives in the economic, social, and environmental sectors.

The objectives of the Program underwent some modifications in 2006. On February 7, 2006 the USAID Regional Contracts Officer sent to MSI a Stop-Work Order (SWO) instructing the Contractor to stop activities in support of several of the performance requirements.

The Notice of Partial Termination (NPT) sent to the Contractor by the USAID Regional Contracts Officer on March 28, 2006 defined the new terms of the work to be carried out. The activities related to the transfer of water systems (Sanaa) and promotion of public-private partnerships were eliminated; and there were substantial reductions in the activities in support of national institutions (the CNA, TSC, DASM and UAPOI). There was a redefinition of the performance requirements and their respective targets for the activities aimed at building capacities of municipalities, mancomunidades, and broad based coalitions. At the same time, the numerical targets were reduced significantly, reflecting the lower level of funding available.

The NPT offered an opportunity to adjust and fine tune the technical approach. The adjustments had to do with selection of additional municipalities located in targeted Mancomunidades, thus creating a critical mass of municipalities where new models of governance would be implemented; more flexible assistance to A/B municipalities; inclusion of new transparency and participatory municipal processes (e.g. municipal budget process; a more focused mancomunidad component; a mentoring component; and a national dialogue on best local governance practices.)

With regard to national institutions, even though the scope of the Contractor’s work will be reduced considerably, important activities remain. In the case of AMHON the Board will focus on promoting a decentralization agenda, a national anti poverty agenda and other important themes that impact on the organization membership, strengthening their capacity of implement parliamentary procedures and their constituencies. The DASM will be able to systematically plan its audits annually. UAPOI through its self-directed education program will be able to maintain its RIG/IG certification requirements. The private sector will be carrying out activities that promote awareness of good governance practices.

As result of the SWO and NPT and the need to make adjustments to the technical approach and methodologies, there were delays in carrying out activities with targeted municipalities and broad based coalitions.

SUMMARY OF THIRD SEMI ANNUAL PERIOD OF THE PROGRAM

During the period from January 1, 2006 to June 30, 2006 our focus was on concluding what we believe to be a successful process of transparent political transitions in most of the 32 local governments where we had been working; and in adjusting approaches and methodologies for the work with municipalities and mancomunidades, as well as with national institutions, to the requirements set out in the SWO and NTP. The reports, work plans, and other documents presented to USAID in compliance with the contract or at the request of USAID, include the following:

Methodology / Document	Status USAID approval	Implementation Status
A model Letter of Understanding between the Contractor and municipalities, conditioning participation in the Program on adopting minimum standards of transparency, accountability and citizen participation in policy making.	Approved	Letters of Understanding signed by 11 municipalities
Recommended Ways to Use DASM Resources in the Preparation and Implementation of Annual Audit Management Plans	Pending	Document presented in draft and final document to be submitted in Spanish and English early July
Report on Performance Oversight Functions by Civil Society (PR 3.4)	Pending	This report will be updated to reflect new approaches being adopted in the Program
Manual of Induction (4.3)	Approved	The manual has been completed and applied in 32 municipalities
Transition manual	Approved	The manual was disseminated by AMHON and SGJ to be used in all 298 municipalities
Transition action plans were signed by officials representing 30 municipalities (Result Indicator 4)	Approved	Of the 30 signed, all of them were implemented according to the terms of the agreements.
A report to evaluate the performance of municipalities and civil society in carrying out a transparent transition process was completed	Approved	The methodology was used for, among other things, the selection of municipalities for second round activities.
Transparency assessment methodology developed and applied	Approved	Applied in 2 municipalities
Evaluation methodology to measure performance of local officials in applying public acquisition law (PR 1.8)	Approved	Applied in 14 municipalities
AMHON Board strengthening approach and program of activities (PR2.1)	Approved	Program implementation began in mid May and continues until September
Contractor's response to the SWO	Approved	Initial plan resented February 21, 2006
Contractor's response to the SWO	Pending	Revised response to Mission technical comments June 19, 2006

Beginning in February, we began to adjust our approach in ways that built upon changing conditions in the municipalities and mancomunidades where we worked, opportunities to engage local government and municipalities in promoting more effective engagement and governance and to make more efficient and effective use of declining resources. Among the major shifts are the following: Developing instruments to measure the extent to which municipalities are transparent in their administration; a focus on the extent to which municipal plans, budgets, and other public decisions are linked strategically (called Strategic Program Management); a focus in C/D municipalities to measure performance of local government; a strategic focus on mancomunidades and their technical units (UTs) to support improved municipal financial performance, especially in smaller C/D municipalities; an innovative mentoring activity designed to enhance the dissemination of best practices of local governance, developing specific activities with civil society (BBCs) to support governance models; establish specific, local dialogue on the poverty reduction strategy; and support a national dialogue on best practices in accountability, participation and transparency.

Another important initiative on the part of the Contractor was to support the Mission effort to participate in the Regional Democracy Survey started in 2004 and scheduled to occur in July-August of 2006 and in 2008. MSI-UI worked closely with the regional contractor responsible for coordinating the survey to help design the survey instruments for the national and over-sample surveys as well as contracting the actual work.

During the semi annual reporting period the Contractor has substantially increased the number of local service providers to be eligible to participate in Program. The short-term assistance in person/days funded by the Program for the period from January thru June 2006 is as follows:

Period	STTA
July, 2005 thru December, 2005	782
January 2006 thru June 2006	946

There has also been progress in implementing the assistance to municipalities and civil society. Major ongoing activities since January 1, 2006 included:

Performance Requirement	Ongoing activities
Activities in A & B municipalities	Because of the SWO and NPT negotiations, we were limited to developing and applying a methodology to select eight municipalities (of 17) that will continue to participate in the Program. We also drafted a new Letter of Understanding.
Activities in C & D municipalities	Preparation of a methodology and its application to select 20 municipalities to participate in the next round of Program activities; Signing of Letters of Understanding with 11 municipalities; Application of a transparency assessment methodology in 2 municipalities; application of an assessment of financial performance in 11 municipalities; and design of an assessment of public services.
Local Service Providers	Database has been expanded, adding 110 new Local Service Providers (88 individuals and 22 NGOS and companies for a total of 223.
Quality Control Program installed	Performance based formats for all Program contracts have been developed and staff are monitoring and evaluating performance of all service providers
Municipalities with skills to acquire goods and services in accordance with the Honduran Procurement Law	An evaluation instrument has been developed and is being administered in 4 A/B municipalities and 10 C/D municipalities, to be extended to all targeted municipalities and mancomunidades. It will be used to design a training activity. The Desktop Guide for Public Acquisition has been updated.

Performance Requirement	Ongoing activities
DASM has a plan to fulfill its mandate to plan the audit activities of local governments	A report has been presented to USAID that addresses sustainability of the annual audit planning of DASM. The report focuses on, among other things, improved audit quality, information technology requirements, training programs that can be sustained internally by the TSC to ensure continuing education, and a methodology to select municipalities.
Capacity training for the new AMHON Board was initiated and will be completed during the next reporting period	The Contractor has designed a methodology and initiated a three-month training program for the Board and the AMHON technical staff. The activity started in mid May will continue for three months.
Coalitions with the capacity to set local government priorities and decision making	The redesign of the approach included an important role for civil society organizations, which have been brought into the evaluations of transparency, finances and services, identifying problems and proposing solutions. This approach will begin to be applied in the following reporting period. Meanwhile the SIAP groups have continued to function in 11 A/B and 6 C/D municipalities.
Coalitions with the capacity to monitor performance of local governments	In the last six months, 5 coalitions of local civil society organizations have been using methodologies for observing and rating service quality, and in the context of the SIAP, monitoring service delivery (coverage and frequency).
Completion of municipal transition plans	Transition action plans have been signed by authorities in 31 municipalities and induction processes have been completed in 30 municipalities. The induction training was provided to 365 members of municipal teams (including mayors, municipal council members, senior managers and professional staff).
Expose mayoral candidates representing two political parties (10 from A/B and 10 C/D municipalities) to innovative practices in local government	A study was completed the second week of January. Political candidates representing two parties from 16 A/B municipalities and 14 C/D municipalities were exposed to innovative practices in Chile. PARTICIPA, a Chilean NGO, presented to MSI a report on these innovative practices.
Coalitions are monitoring transitions between local administrations after the 2005 elections	In a total of 12 A/B and 11 C/D municipalities (23 out of 31 targeted municipalities), coalitions of local civil society organizations continued to monitor the transition between local administrations up to the month of March, 2006.
Develop and administer small grants program	During the SWO and NPT period, we focused on adjusting the approach to activities with local government and civil society. When those proposed approaches are approved we will proceed to develop the grants program.

We anticipate that during the next six months the groundwork will be laid for the achievement of substantial results in the way these targeted local governments administer their jurisdictions, the way local civil society organizations engage their governments and the meaningfulness of the decisions that are made about future development activities. Progress, in some cases substantial, will be made on achieving Performance Requirements #1.1, 1.4, 1.5, 1.7, 1.8, 2.1, 3.2, and 3.4. Among the key activities that will be underway for the next six months are:

- 1) Letters of Understanding with all 28 municipalities 6 mancomunidades will be signed; 2) transparency assessments will be completed in 8 A/B and 20 C/D municipalities which identify and generate consensus on priority policies and Program technical assistance; 3) evaluations of finances and service delivery will be carried out in 20 C/D municipalities; 3) technical assistance will be initiated in 8 A/B and 20C/D municipalities; 4) the registry of local contractors will be updated to reflect the skills required to implement the program and to include quality consultant resources providing services to municipalities in the Program at more affordable costs; 5) municipalities and mancomunidades will have employees that are able to apply the Government of Honduras procurement laws; 6) the current AMHON Board will be

implementing a meaningful national agenda and effectively deploying AMHON technical resources; 7) Program mancomunidades will be selected and technical assistance to member C/D municipalities will be initiated; 8) coalitions of civil society organizations will be actively engaged in impacting on a number of local government decisions that achieve tangible benefits for their communities; 9) coalitions will be monitoring local government performance; 10) a best practices document on political transitions will be presented to AMHON and distributed to its membership; and 11) the national survey and over-sample on public attitudes towards local government will have been completed and survey results reported.

CURRENT STATE OF THE GOALS AND OBJECTIVES OF THE PROGRAM

In this section we report on the activities and progress made towards meeting the indicator targets as set out in the Task Order and Performance Monitoring Plan (PMP). The discussion will review both the semi-annual benchmarks established in the PMP for each Result Indicator, and the respective benchmarks for the individual Performance Requirements within each Result. Again, it is important to note that we will report on all of the activities carried out, including those under performance requirements that were eventually deleted in the NPT. However, with respect to the numerical targets and benchmarks, to ensure coherence and continuity in monitoring Contractor performance through to the end of the contract, we will refer only to those indicators that were maintained in the NPT and the modified Task Order signed in June, 2006.

The semi-annual reports do not correspond to the PMP periods. Thus, the following presentation and discussion of the indicator targets refers to progress during the PMP Periods 3 and to projected results in Period 4.

RESULT 1: Increased capacity by government entities to fulfill their roles effectively and transparently and to engage organized civil society in advancing common development goals.

Indicator	P2		P3		P4	
	Planned	Actual	Planned	Actual	Planned	Projected
Number of A/B municipalities able to demonstrate annual achievement of performance targets to administer/manage municipal programs	0	0	0	0	3	3
Number of C/D municipalities able to demonstrate annual achievement of performance targets to administer/manage municipal programs	0	0	0	0	5	5
Number of C/D municipalities able to demonstrate annual achievement of performance targets to increase tax revenues and service coverage.	0	0	0	0	5	5
Number of member C/D municipalities in targeted mancomunidades meeting performance targets	0	0	0	0	4	4
Number of A/B municipalities meeting performance goals for	0	0	0	0	5	15

Indicator	P2		P3		P4	
	Planned	Actual	Planned	Actual	Planned	Projected
procurement of goods and services.						
Number of C/D municipalities meeting performance goals for procurement of goods and services	1	0	0	0	10	10
Number of mancomunidades meeting performance goals for procurement of goods and services	0	0	0	0	2	2

Performance Requirement #1.1 – Using the rating systems (see Section A.4. Applicable Documents, B.8 and B.9) as a guide develop selection systems for identifying municipalities and mancomunidades that will receive assistance under Performance Requirements 1.4, 1.5, and 1.7.

Benchmarks

A selection system based upon the Mission’s preliminary mancomunidad and municipal criteria and priorities – **Targets: P2, Planned (Completed), Actual (Completed); P3 Planned (Completed); Actual (SWO suspended work); P4, Planned (Completed), Projected (Completed).**

Discussion – Municipalities

As a result of the NPT, there was a significant reduction in the targets for building capacity of A/B and C/D municipalities to 5 A/B and 15 C/D. To meet these new targets, and allowing for probable attrition of a number of non-performing municipal governments, the Contractor proposed to work in a total of 8 A/B and 20 C/D municipalities, which was accepted by USAID. At the same time, the Task Order requires the Contractor to evaluate performance and to discontinue work in those municipalities with unsatisfactory performance. Thus, the Contractor evaluated and proposed to continue in 19 municipalities (8 A/B and 11 C/D) from the 32 municipalities that had participated in activities during 2005. The selection was approved by USAID.

The remaining municipalities (9 C/D) are to be selected in Period 4. Since only one of the 11 C/D municipalities that continued in the Program was a D municipality, it was decided to select at least four more of these smaller units of government. Furthermore, we agreed with USAID that the universe of municipalities from which to identify the additional municipalities should be drawn from a larger universe than the methodology used last year. We decided to look at all C/D municipalities in seven mancomunidades. Five were already in the program and two others were added, YEGUARE and MAMBOCAURE. The agreed upon selection of the municipalities in these seven mancomunidades will again consist of applying the USAID approved methodology and critical mass criteria. During the reporting period, the Program began to apply the methodology to a total of 63 C/D municipalities. All 63 will be rank ordered and in July, 2006 we expect to present a list of recommended C/D municipalities for USAID approval.

Discussion – Mancomunidades

The contractor is recommending the selection of 6 mancomunidades, to allow for possible attrition for non-performance. We plan to complete the selection of the mancomunidades by the end of Period 4.

Performance Requirement #1.2 – Local Service Providers are continually identified to deliver technical assistance to municipalities and coalitions as required under PRs 1.4, 1.5, 1.7, 1.8, 3.2, 3.4, 4.1, 4.2 and 4.3.

Benchmarks

Identifying Local Technical Assistance Providers – **Targets: P3, Planned (80), Actual (113); P4, Planned (100), Actual (223).**

Discussion

Although suspended during the SWO period, work was initiated in late March when we received the NPT. In January 2006 the original database of consultants was reviewed and the process of inscription was simplified. The Program continued to provide training and technical assistance to local government officials and civil society representatives using the database.

During the reporting period, the Program has added 110 consultants to the existing registry for a total of 223 consultants. Of the total, 47 are NGOs and firms and 176 are individuals. In fact, during Period 4, the Contractor has exceeded the cumulative benchmarks established in the PMP for the Program's completion in Period 9.

During the reporting period, a total of 26 contracting actions occurred, to carry out 946 person days of work. The distribution was 9 female consultants and 17 male consultants and respectively 305 person days and 641 person days.

Performance Requirement #1.3 – Quality Control for Local TA Providers.

Performance Requirements

Appropriate performance indicators established: source, method, frequency and schedule for data collection; responsible parties for ensuring data are available; analysis of data; and reporting, reviewing and using data to inform decisions.

Discussion:

The Contractor is focused on quality control. The Contractor has designed an internal process of tracking and monitoring of technical assistance and training contracted with local service providers. The process includes a subcontractor database to allow for monitoring of contractual compliance and management of payments, but also includes procedures for monitoring and evaluation by Regional Coordinators and the production of evaluation reports.

When the Program was initiated, there was no explicit counterpart requirement to be provided by the municipalities. In agreement with USAID the Contractor will require only in-kind counterpart contributions. As a result, the participating municipalities will not directly contract services but will participate in the design of the terms of reference and the monitoring and evaluation of contractor performance so that there is a sense of ownership of the services to be provided. The letters of agreement express this approach.

Performance Requirement #1.4 – Build capacity of A/B municipalities to manage/administer municipal programs and to achieve implementation of their strategic development plans.

Benchmarks

Number of municipalities meeting performance targets – **Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (0).**

Discussion

During the SWO period, the Contracts Officer instructed the Contractor to temporarily suspend some activities with A/B municipalities. When the NPT was issued, work resumed on A/B municipalities but there was still the need to determine in which the Contractor would work given the need to pare back from 16 to 8, as proposed in the Contractor's response to the NPT. That process required the establishment of a new selection methodology to recommend the municipalities to USAID and a decision by USAID as to which ones to select. Agreement on the 8 to continue in the program was reached in late May. During the reporting period, time was spent drafting a model Letter of Understanding to be signed as well as scheduling appointments to negotiate and sign said documents. The Letter for A/B municipalities was totally modified, recently, to reflect the changes in approach in implementing the municipal and civil society activities.

One important change in the approach is the development of an approach and tools to promote the adoption of local transparency policies by municipal councils. In fact, the activities in each participating municipality will hinge on the initial transparency evaluation and identification of policy measures and performance requirements for implementation of policies. This approach allows the Program to quickly identify those local governments with political will to adopt policies and to participate in subsequent activities focusing on transparency, accountability and citizen participation in planning, budgeting and allocation of resources for investment (i.e., municipal investment plans).

During the semi-annual reporting period (PMP periods 3 and 4) the Contractor has developed the transparency evaluation methodology and carried out a pilot application in one A/B municipality. By the end of PMP period 4, the Contractor has projected application of the transparency evaluation in eight A/B municipalities. These evaluations and subsequent discussion of results will generate the performance targets for each participating municipality, which will be monitored and evaluated in subsequent PMP periods.

Performance Requirement #1.5 – Build Capacity in C/D municipalities (see Performance Requirement #1.1) to administer municipal programs.

Benchmarks

Number of C/D municipalities able to demonstrate annual achievement of performance targets to increase municipal tax revenue and coverage of municipal services. – **Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (0).**

Discussion

During the reporting period, the Contractor adjusted its approach to capacity building for A/B and C/D municipalities. We began working with 11 C/D municipalities, beginning with new letters of agreement, and are in the process of getting approval for 9 others. In the first 11, we have focused on completing assessments related to transparency, municipal services, municipal finance, and awareness of government procurement policies and procedures. These assessments are essential to the new approach in identifying priority interventions by the Contractor and establishing baseline information to evaluate performance in the future.

The Contractor has carried out some adjustments in the methodologies, while maintaining the approach to performance based management that was the basis of our original proposal to USAID. The evaluation activities in transparency, finances, services and procurement are designed to generate commitments from municipal authorities to meet concrete results and to provide opportunities for civil society organizations to participate in definition and monitoring of the policies and administrative measures required to produce these results.

During the semi-annual reporting period, the Contractor has carried out a pilot application of the transparency evaluation in one C/D municipality and projects a total of 11 C/D municipalities by the end of PMP period 4. Also, during the semi-annual reporting period, the Contractor completed 11 evaluations of municipal finances, and projects to complete 11 evaluations of services by the end of PMP period 4. Once USAID has approved the selection of the remaining 9 C/D municipalities, the Contractor will proceed to apply the evaluations.

Performance Requirement #1.6 – Assess Mancomunidades’ Governance Structures (Deleted in its entirety in the NPT)

Benchmarks

Based on the mancomunidad selection methodology approved by USAID, conduct an assessment of the governance structure of each selected mancomunidad – **Targets: P3, Planned (Complete), Actual (Incomplete); P4, Planned (Complete), Projected (Incomplete).**

Discussion

This activity was carried out and presented to USAID. The contractor then proceeded to prepare its report of best practices of mancomunidades governance systems, a deliverable, but it was not accepted by USAID. The Contractor will resubmit the report during the following semi-annual reporting period.

Performance Requirement #1.7 – Build capacity of technical unit employees in targeted mancomunidades (see Glossary, Section A.20) in order to provide services to member C and D municipalities in public administration practices.

Number of C/D municipalities in targeted mancomunidades meeting the performance targets in public administration practices. – **Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (0)**

Discussion

During the reporting period, the Contractor adjusted its approach to mancomunidades. The changes include reassessing which of the 6 mancomunidades (proposed in the NPT response) will be selected based on a set of criteria being developed and sharpening the capacity building assistance to focus on strengthening the ability of technical units to directly help C/D municipalities in their respective mancomunidad to achieve improved performance in financial management or local service delivery. Previously the focus was on the technical unit, not on the ability of the technical units to assist its member municipalities in achieving results.

During the reporting period, the Contractor has undertaken activities with mancomunidades to evaluate their current situation and to assist in the selection of the member C/D municipalities. The technical assistance will begin in PMP period 4.

Performance Requirement #1.8 – Staff members of municipalities and mancomunidades selected by the Contractor equipped with skills to procure services and public works in accordance with the Honduran public acquisition Law. (see Section A.4 I. Applicable Documents, C.4).

Benchmarks and Indicator Targets

Number of A/B municipalities meeting performance goals for procurement of goods and services –
Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (0)

Number of C/D municipalities meeting performance goals for procurement of goods and services –
Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (0)

Number of mancomunidades meeting performance goals for procurement of goods and services –
Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (0)

Discussion

During the reporting period In addition the Contractor designed a survey instrument to determine the extent to which participating municipal and mancomunidad personnel understand the procurement law and related regulations, and administered the instrument in 14 municipalities (4 A/B and 10 C/D) and 6 mancomunidades. The Contractor projects application of the evaluation in 19 municipalities (8 A/B and 11 C/D) and the selected mancomunidades by the end of PMP period 5. The survey instrument will be useful as a means of measuring annual performance and serve as a basis for determining if and when the indicator targets are met. Also, the Contractor revised the Desk Top Guide to the Honduran Public Acquisition Law by incorporating new legislation (approved in February, 2006 to comply with CAFTA) and model contracts not available at the time the original guide was issued.

The evaluations will lay the groundwork in the next reporting period when we design and implement a specialized training activity targeted for A/B municipalities and mancomunidades with more sophisticated acquisition processes and needs and for C/D municipalities with different issues and needs (less competition due to remote location of the municipalities and relatively modest purchasing requirements). The training is projected to begin in PMP period 4 to support municipalities in procurement for investment of resources transferred via the poverty reduction strategy (ERP), FHIS resources, and MCA resources, as well as their own source revenues.

It is important to note, too, that the provision of training and technical assistance for procurement will be conditioned on the adoption of policies and measures to improve transparency and accountability in procurement. Preliminary results of the application of the transparency evaluation carried out in PMP periods 3 and 4 suggest that there is no information available to municipal council members, vendors and much less the public, on procurement policies, processes and decisions by municipal authorities in the participating municipalities.

Performance Requirement #1.9 – Transfer of SANAA Water Systems. Deleted in its entirety in the NPT

Discussion

The Contractor did not carry out activities in support of this performance requirement during the reporting period, awaiting clarification of policies under the newly elected government of President Zelaya, which took power in February, 2006.

Performance Requirement #1.10 – Build Capacity of DASM (Departamento de Auditoria del Sector Municipal) Staff

Performance standards and Benchmarks

Performance Standard 1.10.5 Recommended Ways to Effectively Utilize DASM Resources in the Preparation and Implementation of Its Annual Audit Management Plan was retained in the NPT, however, the P.R.s 1.10.1, 1.10.2, 1.10.3, 1.10.4 and 1.10.6 were deleted in their entirety. All Results Indicators were eliminated in the NPT.

Discussion

During the semi-annual reporting period, the Contractor submitted the document, “Recommended Ways to Effectively Utilize DASM Resources in the Preparation and Implementation of Its Annual Audit Plan”, which served to accomplish the following: 1) It updated the Contractor’s proposal for the purchase of computer hardware and software and a maintenance schedule that was submitted originally in April 2005; 2) it presented a proposed program for self education; 3) it proposed a collaboration between the Contractor and DASM on three financial and three performance audits; 4) it recommended a reformed organizational structure and revised staffing levels; and, 5) it proposed ways that DASM could effectively utilize its resources in the preparation and implementation of its annual audit plan. The document was completed in Spanish and English in June and was presented to USAID.

Performance Requirement #1.11 – Build capacity of UAPOI (Unidad de Auditoria Para Organismos Internacionales) to fulfill its auditing roles and responsibilities (see section A.4 I. Applicable Documents A.6) and recommendations of the UAPOI diagnostic (see Section A.4 I. Applicable Document B.13).

Performance Standards and Benchmarks

Performance Standard 1.11.3 regarding collaboration between the Contractor and UAPOI staff on five audits was deleted in its entirety. The other three Performance Standards (P.S.s 1.11.1., 1.11.2 and 1.11.4) were retained.

Discussion:

During the last reporting period, the Contractor submitted documents in support of P.S. 1.11.1 (procurement of equipment and recommendation of a maintenance schedule), which is considered to have been met. With respect to P.R. 1.11.2 (implementation of a sustainable program of self-directed education), during this semi-annual reporting period the Contractor developed a self-directed education program designed to maintain the performance of UAPOI staff and comply with RIG/IG certification requirements.

We worked closely with the TSC to implement the specific self education courses (Government of Honduras Budgetary Accounting Process, Government of Honduras Laws and Regulations, International Auditing Standards, World Bank Auditing Standards and Indicators of Fraud). One of the self-directed education courses on the indicators of fraud was found on line and provided to the TSC by the Contractor. The other courses will have to be developed by the TSC with Contractor assistance. This will be delayed until September, 2006 to allow the TSC staff to complete a comprehensive training program on Microsoft and other related software applications in their work. We expect to achieve this Performance Standard during the next semi-annual reporting period.

The remaining P.S. 1.11.4 refers to the recommendation of a strategy for UAPOI to fulfill its mandate on a sustainable basis. This strategy document was prepared during the semi-annual reporting period and will be submitted to USAID during PMP period 4.

RESULT 2: Increased capacity of private and civil society entities to operate transparently; and productively to engage other stakeholders in advancing common development goals.

Result Summary: In this result, targeted non-governmental entities (both for-profit and not-for-profit) are supported to improve their operational transparency and ethical conduct. By promoting more transparent and ethical conduct of the organizations’ business and operational practices it is expected that each national entity will implement mechanisms for increasing responsiveness to their members. Likewise, by making the decision-making process more transparent, the organizations will be able to speak with one voice and more effectively carry out their mandates. By also targeting private, for-profit entities, corporate good governance and ethical conduct will be further promoted.

Result 2: Performance Milestone Plan Indicators

Indicator	P2		P3		P4	
	Planned	Actual	Planned	Actual	Planned	Projected
% of AHMON Board decisions implemented by technical team and documented back to the Board (annual)	0	0	0	0	50	50
Amount of resources (cash or in-kind) leveraged from private sector for increasing good governance and ethical practices	\$0	\$0	\$0	\$0	\$10,000	0

Performance Requirement #2.1 –AHMON’s in-house capacity to implement an orientation training program for newly elected Board of Directors enhanced (after 2006 elections) in order to improve the efficiency and effectiveness of the Board to advance its decentralization agenda.

Performance Indicators and Performance Standards

Based on the MSI manual (see Section A.4 I. Applicable Documents B.12) develop and implement a program tailored to the needs of new Board members in a variety of areas as laid out in the NPT. Enhance– Targets: P2, Planned (Started), Actual (Delayed); P3, Projected Start, P4 (Completed)

Discussion

This Performance Requirement is geared to establishing AHMON as an entity independent of political influence that focuses on the need to strengthen municipal autonomy and greater levels of decentralization of authority and resources. It also needs to, with the assistance of the Contractor, train the newly elected Board of Directors to effectively advance its decentralization agenda and to exert leadership and direction over its staff and Executive Director.

During the semi annual reporting great progress was accomplished. The Board was installed at the Annual AMHON Assembly on March 10. For approximately two months thereafter the Board met on several occasions but according to discussions with Board members and the technical team virtually nothing was accomplished in terms of setting an agenda, engaging in a dialogue about internal management of the organization and numerous other important issues. The Board was not aware of the organizations budget, statues, operational manual, and other essential information to guide the institution. Furthermore, there was the outstanding issue of the Executive Director who, in the opinion of many observers of the institution, had provided poor direction during the last three years. As evidence of this was the fact that

two months into the administration of the new Board, they knew so little about their roles, responsibilities and the organization's policies.

In April, the Contractor designed a three month capacity building program that focused on the establishment of three workshops: One to provide the Board with an understanding about the institution, its statues, roles, responsibilities, past agendas and relationship to the technical team; a second to help the Board frame its institutional agenda for the next two years; and, a third to define a national policy agenda and identify the priority action items; and examine progress on implementing the agenda and to evaluate how the Board performed during the period. Two international consultants led in the design and implementation of the workshop. The international consultants were supported by an on-the-ground national consultant. He provided continuous coaching to Board and the technical team.

For example the national consultant helped to organize the first presentation to the Board of the activities carried out by the technical team during the last two years. He also worked closely with the board in introducing a modified version of the Manual of Board Procedures developed by MSI (2004) for the last Board but updated to reflect the recent decisions of the Board to, for example, establish an Executive Committee to take action on a number of issues.

Aside from preparing the Board to organize its administration and begin to function effectively, the consultant guided them through the delicate process of deciding how AMHON should proceed to select a new Executive Director and name its technical team. His assistance, supported from afar by one of the international advisors, was so successful that the Board decided to employ Price Waterhouse Coopers to establish a transparent, competitive process for selecting the new Executive Director and other key staff. This was a substantial departure from previous succession processes several years ago and a change of policy by the current Board, which almost had, in a totally improvised and opaque manner, named a political hack to the post in May.

The capacity building will be half completed by the end of this reporting period. Nevertheless, the Contractor is confident the Board is now on the road to becoming a major force in promoting a decentralization agenda that will benefit the larger institution and its 298 constituent members and in making effective and efficient of AHMON's human resources. We believe AMHON will also have the leadership and technical support to carry forward other important agenda on the anti-poverty program, transparency in the use of various sources of donor funding and other important topics related to local government and the people it represents.

Performance Requirement #2.2 – Build Capacity of National Anti Corruption Council (CNA) to update its strategic plan to fulfill its “watchdog” function (see Glossary, Section A.20) within the parameters of the national anti-corruption strategy.

Performance Standards

Three P.S.s, 2.2.2, 2.2.3, and 2.2.4, of four, were deleted in their entirety. The one that remained, P.S. 2.12.1, was related to helping reestablish itself as a viable entity. It required that based on a national anti-corruption strategy, CNA staff should be equipped with the skills to prioritize watchdog interventions, including the scope of activities and targeted areas of expertise.

Discussion

Performance Standard 2.2.1 we believe was achieved in the last semi-annual reporting period and in PMP period 4 we will be submitting the consultant's report and subsequent documentation as evidence of having met this requirement. During the latter part of the last semi-annual reporting period, the Contractor provided intensive technical assistance to the CNA, its Board and staff and had a material impact on a series of decisions made by the organization at that time.

Performance Requirement #2.3 - Increase Private Awareness of Benefits of Embracing Good Governance and Ethical Business Practices

Performance Requirement and Benchmarks

Performance Standard 2.3.1 calls for “A private sector alliance and association (e.g. business associations and trade organization) resources leveraged for increasing good governance and ethical business practices. – Targets: P1, Planned (Started), Actual (Delayed); P3 (Delayed by SWO); P4 (Delayed)

Discussion

The SWO required the Contractor to temporarily cease work on this Performance Requirement. The NPT letter six weeks later authorized the Contractor to resume work on this activity. Late in the last reporting period we contacted a group of potential partners (AMCHAM, FIDA, FUNDAHRSE, ANDI, FEDECAMARAS, and COHEP as well as strong and active local chambers tied to the Maquila groups) in initiating work on an awards program that would profile models of corporate governance. This activity will be structured to promote awareness of good governance practices at the national as well as local level.

Types of awards that could be considered are: best public-private partnership at the local level of government, best financial reporting, best environmental stewardship, best corporate foundation, best small entrepreneur practicing good governance and the like. Such an effort will be designed to leverage resources of the partner organizations with Program funds and seek to create synergies with other Program elements.

The Performance Requirement focuses on leveraging private resources to promote good governance and global competitiveness. During the next reporting period we will establish formal relations with the private sector organizations working with us and develop a concept paper focused on an awards program and how it will achieve Program objectives and Results Indications.

RESULT 3: Increased Ownership by stakeholders of local development processes enhanced.

Result Summary: In this result, the objective is to achieve greater ownership of local development processes by civil society organizations working together. Ownership is seen in terms of participation in decision making and oversight of implementation. This will also generate greater transparency and accountability.

Indicator	P2		P3		P4	
	Planned	Actual	Planned	Actual	Planned	Projected
Number of local government decisions with impact on local development where participation of broad-based coalitions can be documented						
A & B	0	0	5	6	8	16
C & D	0	0	10	2	15	9
Number of broad based coalitions monitoring performance of their local governments						
A & B	0	0	0	0	0	5
C & D	0	0	0	0	0	0

Performance Requirement #3.1 – Develop a selection system for identifying broad based coalitions that will receive assistance.

Benchmarks

Develop selection system for broad based coalitions that will receive assistance under Performance Requirements 3.2, 3.4, and 4.3 – **Targets: P3, Planned (Completed), Actual (In process); P4, Planned (Completed), Projected (Completed)**

Discussion

The SWO ceased all work on this Performance Requirement in February. The NPT permitted the Contractor to resume work once again. In the Work Plan submitted to USAID, it was proposed that the methodology, rather than a selection system per se, is being used as a way of evaluating the strengths and weaknesses of local civil society in those municipalities in which the Program proposes to work. In other words, the Program selects the municipality, and then works to strengthen the civil society counterpart in that municipality. By applying the selection/evaluation methodology, the Contractor is better able to refine and adapt the Program strategy to the characteristics of organized civil society in each participating municipality.

Identifying and building capacity of broad based coalitions formed by locally organized civil society has been more of an evolutionary process since conditions varied considerably from one municipality to another. Nevertheless, the Program has been able to assemble civil society groups to represent the community in many local government decisions. During the first part of the semi-annual reporting period (PMP period 3) the program was working in 32 municipalities, with 24 BBCs (11 in A/B and 13 in C/D municipalities) that met the standards set out in the selection manual. In the other 8 municipalities, the Program was working with groups that were generally less representative and pluralistic than the selection methodology proposed.

With the modified Task Order and the adjustment in approach and methodologies, in PMP period 4 the Program has begun training and technical assistance to strengthen the existing coalitions in the 8 selected A/B municipalities and 11 C/D municipalities, with the purpose of making them more pluralistic and representative of community interests and concerns. Also in period 4, the Program will begin convening and organizing orientation and training workshops for coalitions in the additional C/D municipalities once the selection is approved by USAID.

Performance Requirement #3.2 – Build capacity of broad based coalitions of locally organized civil society to engage local government's in priority setting

Benchmarks

Number of local government decisions with impact on local development where participation of broad based coalitions can be documented in A/B municipalities – **Targets: P3, Planned (5), Actual: (6); P4, Planned (8), Projected (16)**

Number of local government decisions with impact on local development where participation of broad based coalitions can be documented in C/D municipalities – **Targets: P3, Planned (10), Actual: (2); P4, Planned (15), Projected (9)**

Discussion

It should be noted that in the A/B municipalities, under the terms of the original Task Order, the Contractor worked with coalitions to identify priorities for projects which would receive short term

specialized assistance. These decisions were ratified by the municipalities. However, with the NPT and the modifications in the Task Order, these decisions are moot, thus we have not counted them in the evaluation of results during this semi-annual reporting period. However, we consider that it is important to note that the priority setting activities were carried out successfully and decisions were made by the respective local authorities.

The decisions reported here are the results of the application of the SIAP methodologies in all 32 municipalities beginning in mid-2005. Upon selection of the municipalities in March 2005, SIAP working groups consisting of local officials and representatives of civil society organizations were organized to actively engage in community priority setting that would lead to decisions of local government. Civil society members belonging to municipal working groups were selected by their peers and represented a number of community organizations in their respective municipalities. As we mentioned above, in 24 of the participating municipalities, these working groups were established on the basis of the existing BBCs, while in the remaining 8 they had a narrower base, which does not yet meet the criteria established for BBCs.

These civil society representatives have taken on many responsibilities related to numerous events, such as, the development of action plans to improve services in their respective communities; prioritizing short-term specialized assistance; preparing budget proposals that have been formally approved by municipal corporations; and participating in trainings related to the procurement of goods and services and Trained Observer Ratings (TORs) to systematically scrutinize the quality of services offered in their municipalities.

At the beginning of this semi-annual reporting period, there were SIAP groups functioning in 27 of the 32 targeted A/B and C/D municipalities, developing plans and making proposals to municipal authorities for concrete, immediate actions (along with the respective budget allocations) to improve water and sewer services (14); solid waste management (6); construction and maintenance of roads and streets (3); education, recreation and social services (3) and local markets (1).

During this semi-annual reporting period, the SIAP groups continued to function effectively in 15 municipalities (10 A/B and 5 C/D), meeting on their own initiative on a regular basis and continuing their efforts to implement the action plans. With respect to decision-making, the Contractor has been able to document the role of the coalitions in 25 decisions (16 in A/B and 9 in C/D) by municipal councils, all of them involving improvement of services, and most of them requiring allocation of municipal budget resources. The documentation is mainly in the form of acts of the corporation, and other planning and budget documents (including the annual budget, PIM, and POA). It is worth highlighting a few of the cases:

- One notable success in SIAP was in Catacamas, where the focus was on improving education. The municipality covers a large territory and in many outlying villages it hasn't been possible to establish schools. The SIAP group worked with the municipality to develop a network of community centers for basic education, supported through municipal budgets allocations and contributions from parents, and using a mix of paid and volunteer teachers.
- In San Francisco de Yojoa, the action plans focused on water services, specifically, protecting the eight catchment areas ("micro-basins) for the local water system. The plan outlined a series of immediate measures that were carried out by the newly elected municipal government since January, 2006, including reforestation of the catchment areas.
- And in Sabanagrande, the SIAP group prioritized solid waste management. Using several applications of the trained observer rating tools, the members of the SIAP group were able to show the municipal council an evident deterioration in the service quality and coverage, as evidences by accumulation of garbage in city streets. The measures taken by the municipality

include an increased budget allocation and more effective supervision of the contractor responsible for collection, and improvements in the sanitary landfill.

Generally, it appears that the coalitions have been more active and successful in the A/B municipalities than in the C/D municipalities. This reflects the greater strength and autonomy of civil society organizations in larger municipalities. This result also raises questions for future Program activities—specifically, the need to reinforce the work with coalitions of civil society organizations in the smaller municipalities.

Performance Requirement #3.3 – Build capacity of local governments and other stakeholders to promote public-private partnerships contributing to local and/or regional development. Deleted in its entirety

Discussion

During this semi-annual reporting period, the Contractor began to carry out a review of opportunities for promoting public-private partnerships in different localities. However, under the terms of the SWO and then the NPT, this activity was suspended.

Performance Requirement #3.4 – Build Capacity of Broad Based Coalitions (BBCs) for Monitoring Performance of Their Local Governments

Benchmarks

Number of A/B municipalities where broad-based coalitions are annually monitoring performance of their local government – **Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (5)**

Number of C/D municipalities where broad-based coalitions are annually monitoring performance of their local government – **Targets: P3, Planned (0), Actual (0); P4, Planned (0), Projected (0)**

Discussion

As we have discussed in the previous Semi-Annual Report, a fundamental aspect of the SIAP methodology is the use of performance indicators to analyze the current performance of local governments, set targets for future periods and measure and report actual results periodically. This provides both transparency (objective indicators used to set targets) and accountability (measure and report actual results). In the last six month period, 219 members of coalitions have been trained in methodologies to assist local government to set priorities and 47 decision-making processes have been initiated, resulting in 8 formal decisions by municipalities. Also, during the last six months, 35 members of coalitions in 32 municipalities have been trained in observing and rating service quality (Trained Observer Ratings-TORs), and in the context of the SIAP, now have the capacity to begin monitoring service delivery (coverage and frequency).

The work with civil society organizations in establishing BBCs, carrying out SIAP and applying TORs allowed the Program to move forward quickly with the civil society component of the transition activity (see discussion below on PR 4.3). Similarly, it provided a foundation for monitoring of local government performance in participating municipalities. In fact, already in PMP period 4, we have been able to document 5 A/B municipalities in which the SIAP groups have continued to carry out evaluations of service delivery from 2005 into 2006—thus allowing the Program to already meet the PMP period 5 targets.

The Program will continue to use and expand the application of performance based management approaches, which will focus on the priority setting and budgeting exercises around the annual municipal

budget cycle, as described above in P.R. 1.4 and 1.5. These exercises will involve the representatives from the coalitions of civil society organizations, both in the definition of policies and in the monitoring of their implementation. The Program will provide the coalitions with training and assistance for this purpose.

At the same time, through the activities promoting the adoption of transparency policies in each municipality, the Contractor will provide support to representatives of civil society organizations to take a more active role in attending municipal council meetings, raising questions and reporting back to their organizations. Indeed, the revised PMP includes a benchmark for attendance at council meetings by community leaders.

Performance Requirement #3.5 – Broad based coalition staff members equipped with analytic skills to analyze and disseminate citizen perceptions. Deleted in its entirety

Discussion

In response to the SWO and NPT, during the semi-annual reporting period the Contractor suspended activities in this area.

RESULT 4: Transparent transitions between local administrations contributing to uninterrupted municipal service provision and advancement of development goals by the incoming elected administration

Result Summary: One of the main obstacles for the continued impact of both local investments and donor assistance is the lack of an orderly transition between out-going and in-coming municipal administrations. At best, these investments and assistance programs lose momentum; at worst, previous efforts are discontinued or permanently hampered. By improving the transition process between elected officials, their technical teams, and in plain view of civil society, the activities implemented under this result will help municipal administrations to continue delivering their services and fulfilling their mandates with minimal gaps or delays.

Result 4: Performance Milestone Plan Indicators

Indicator	P2		P3		P4	
	Planned	Actual	Planned	Actual	Planned	Projected
Number of municipalities that complete a transition action plan						
A & B	0	0	5	0	10	16
C & D	0	0	5	0	10	14
Number of municipalities where broad-based coalitions are monitoring the transition between administrations (cumulative)						
A & B	0	0	5	7	10	12
C & D	0	0	5	7	10	11

Discussion

The Contractor was to complete its successful eight-month transition program on March 31, 2006, however, in practical terms, and owing to the need for continued support to the local coalitions of civil society organizations, it was continued through April. The assessment of results has been ongoing since

then. The Contractor understands the respective Result Indicator target (above), “Number of municipalities that complete a transition action plan”, as meaning the number of municipalities in which the outgoing and incoming mayors have signed a transition pact and a transition plan, and the outgoing mayors have prepared and presented a transition report on the status of the municipality.

The Contractor is now completing its analysis of the overall results of the transition process. In September it will present to USAID, a report on Best Practices and Lessons Learned, as specified by Performance Standard 4.3.4. After USAID approval of the report it will be presented to AMHON for circulation among its membership and serve as a basis for reform measures it might propose to the national government (e.g. Ministry of Justice and Governance) to assure that future local government transition processes continue to improve in terms of their transparency, participation by civil society and stability between administrations. By virtue of the submission and approval of this report with its attendant support documents, the Contractor believes the all Result 4 requirements will have been achieved and in fact exceeded.

Another aspect of the Contractor’s work on this result was an evaluation exercise conducted during the month of February. The evaluation consisted of independent evaluations by each Regional Coordinator, the consultants hired by the Contractor, and the civil society in each municipality. Each scored how well they thought each municipality performed. There were eight dimensions used in the evaluation process. These dimensions were: 1) Participation of institutional actors; 2) process of debate and signing of political pact; 3) effectiveness of civil society; 4) cooperation between mayors and their teams in production of transition technical reports; 5) quality of the reports from the mayors to civil society; 6) dissemination and communication of political pacts, transition reports and collaborative plans; 7) monitoring and follow-up of plans by civil society; and 8) quality (specificity and clarity) of the collaborative plans. Each group – regional coordinators, consultants and civil society representatives – assigned a score between 0 and 5 for each of the eight dimensions to each of the municipalities. We then combined the scores for the three groups, giving greatest weight to civil society, to produce a single final score per municipality

The scores on the evaluation of the transition activities were the key criterion for selecting municipalities to continue in the Program in 2006-2009. It was considered that the response of the local authorities to the requirements of the transition activities was a pertinent and relevant indicator of the degree of political will and interest in participating in subsequent activities aimed at strengthening transparency and accountability.

Performance Requirement #4.1 - In anticipation of the transfer of power of local governments in 2006, elected officials and municipal technical teams equipped with the capacity to coordinate orderly and transparent transitions

Benchmarks

Number of A/B municipalities that complete a transition action plan – **Targets: P3, Planned (5), Actual (0); P4, Planned (10), Actual (16)**

Number of C/D municipalities that complete a transition action plan – **Targets: P3, Planned (5), Actual (0); P4, Planned (10), Actual (14)**

Benchmarks

The Performance Standards called for the Contractor to develop selection criteria for identifying elected officials and technical teams within Program municipalities and to establish a capacity building program that addresses a series of specific aspects of municipal government.

Discussion

The Contractor in August, 2005 developed a preliminary plan that satisfied the benchmarks and from August until the end of March 2006, it was adjusted when the need arose and was executed accordingly. The phases included the following elements:

- Pre-election- Phase I- August until the local election, which included municipal selection, organizing civil society and political candidates, signing of a pact among the candidates, training of civil society and municipal government staffs in preparing clear, concise reporting documents on services and finances.
- Election and Transition of Authority-Phase II-Local election until the inauguration, which included the study tour to Chile where transition plans were developed and signed by the incoming and outgoing mayors, preparation of reports on municipal finances and services, organization, public presentation of those reports, and preparation and induction ceremony.
- Post election Phase III- Post inauguration until approximately two months thereafter, which included the actual transfer of authority and monitoring by civil society of commitments made by political authorities, out going and incoming. There was also an induction of newly elected officials and staff, which covered all of the areas laid out in the respective Performance Standard (P.S. 4.1.2).

During this semi-annual reporting period, one of the most important activities was the induction training. The training was held in several sites around the country, and involved 365 mayors, council members and managers and professional staff from 30 municipalities (on average 12 people from each participating municipality). The training was in the form of a two day workshop, which included an exercise to prioritize areas for improvement of municipal capacities. Overall, the areas for improvement focused on building staff capacities, which was not surprising, given in most municipalities there was a significant rotation in managers and professional staff; and in at least 9 municipalities all of the municipal team was replaced.

As mentioned above, the Contractor is currently preparing a report on the transition activities. Meanwhile, it is worth highlighting some of the main results. In all but one of the 31 municipalities in which the Program was able to reach an agreement with candidates from the major political parties to sign a transition pact, in the opening weeks of 2006 the incoming and outgoing mayors were also able to reach an agreement on a transition plan, the majority of which were negotiated during the study tour to Chile (see the following discussion of P.R: 4.2). Also in the month of January, 2006, all of the transition commissions appointed by the outgoing municipal councils submitted their reports. In 22 of these municipalities, the transition reports prepared by the outgoing municipal team were presented and discussed in meetings between the outgoing and incoming municipal councils and representatives from civil society organizations. Finally, in 19 municipalities, the transition plans were also disseminated to the community in assemblies, “cabildos abiertos”, inauguration ceremonies, and/or through local communications media.

Alongside the improvement in the process dimension of the transition, there was another important result, namely the degree to which the preparation of the transition reports required the municipality to organize process and analyze basic information in a range of decision-making and management areas. For example, in Pimienta, as a result of the difficulties in preparing the transition report, the incoming mayor decided to carry out administrative reforms, including clearer job descriptions and separation of functions in financial management, improvements in information and internal control. The improvement was immediately evident in the quality of the financial reports that the municipality provides to the Program for the municipal data base.

Performance Requirement #4.2 – Outgoing and incoming mayors from 10 A/B and 10 C/D municipalities exposed to innovative practices in local government

Benchmarks

Mayoral candidates from A/B municipalities exposed to innovative practices – Targets: P2, Planned (10), Actual (0); P3, Planned (10), Projected (16).

Mayoral candidates from C/D municipalities exposed to innovative practices – Targets: P2, Planned (10), Actual (0); P3 Planned (10), Projected (14)

Discussion

The Contractor arranged for a study tour to Chile in January, 2006. A report was submitted by the Sub-Contractor, PARTICIPA, a Chilean NGO, which presented a report summarizing the planning, execution and results of that study tour. The Contractor presents along with that report the number of municipalities with incoming and outgoing mayors who participated in the study tour. The Contractor reports that 16 A/B municipalities and 14 C/D municipalities had incoming and outgoing mayors who were exposed to innovative practices in local governance.

Performance Requirement #4.3 – Broad-based coalitions are equipped with capacity to monitor transitions after the 2005 Elections

Benchmarks

Number of A/B municipalities where broad based coalitions are monitoring the transitions between administrations – Targets: P2, Planned (5), Actual (7); P3, Planned (10), projected (12)

Number of C/D municipalities where broad based coalitions are monitoring the transitions between administrations – Targets: P2, Planned (5), Actual (7); P3, Planned (10), projected (11)

Discussion

In the discussion of P.R. 4.1, above, we presented some of the overall results. With respect to civil society, the situation has been fluid and varies considerably from one municipality to the next. As we reported above, in 22 municipalities the Program has been able to maintain a strong civil society counterpart that meets the definition of a broad based coalition as set out in the Task Order and the selection methodology approved by USAID. In other municipalities the counterpart is somewhat less representative, and in these locations the Program will be working to try to bring them up to this minimum definition. Particularly in the transition activities, local political factors weighed heavily and it was not always possible to ensure sufficient diversity and pluralism in the commissions established to monitor the transitions. In many of the commissions there was representation of most of the organizations or leaders who had participated in other, prior program activities, including SIAP. However, in other municipalities this did not occur, and the composition of the commissions was more the result of political negotiations between candidates.

However, the situation was fluid, and our monitoring showed that some of the transition commissions had undergone substantial changes at the beginning of 2006 and in some cases were able to bring in representatives from additional civil society organizations, thus widening their organizational base. We have documented 12 coalitions monitoring transitions in A/B municipalities and 11 in the C/D municipalities.

In some cases, such as Yamaranguila, the civil society organizations had a notable role in pressing political parties to accept and apply the terms of the transition pacts and to ensure that the transition commissions appointed by the municipal councils presented acceptable transition reports. Likewise, in La Esperanza, the civil society organizations took an active role in verifying some of the most important information presented in the transition reports, with particular emphasis on the inventories of municipal assets.

RESULT 5: Administer, fund and evaluate activities with partner organizations

Summary of Result: The purpose of this activity is to provide a mechanism for developing and funding initiatives that contribute to the overall results required under this procurement, with an emphasis on rewarding innovation and creativity.

Result 5: Performance Milestone Plan Indicators

Indicator	P1		P2		P3	
	Planned	Actual	Planned	Projected	Planned	Projected
Number of funded activities with BBCs (cumulative)	0	0	0	0	0	0
Number of funded activities with mancomunidades (cumulative)	0	0	0	0	0	0

Performance Requirement #5.1 – Administer, fund and evaluate and activity program with partner organizations to support P.R.s 1.7, 3.2 and 3.4

Benchmarks

Number of activities co-funded with broad based coalitions – Target: P3, Planned (0); P4, Planned (0).

Discussion

The SWO required the Contractor to temporarily cease work on this result, and after the issuance of the NTP March 28, 2006, the activity was reduced from a \$2 million activity to approximately a \$300,000 activity. No work was initiated under this activity as the Contractor was waiting for its adjusted approach to be approved by the Mission. With the approval of the modified Task Order, the approach will be to provide co-funding of activities of broad-based coalitions and mancomunidades in support of Program objectives.

RESULT 6: Rapporteur with municipal, decentralization, and local government sectors and dissemination of lessons learned

Performance Requirement #6.1: Coordinate, track, and report on Program related activities and achievements and serve as liaison on select activities with other Program donor initiatives in order to optimize use of resources and avoid duplication.

Discussion

The Contractor has attended all meetings and carried out extensive coordination efforts with donors with regard to PRs 1.1, 1.4, 1.5, 1.7, 1.8, 2.1, 4.1, 4.2, and 4.3. It has attended IR 1.2 and

all other USAID meetings on behalf of Mission efforts to coordinate the Contractor's Program activities with those of other Mission program implementers. Of particular importance during this reporting period were the Contractors efforts to collaborate with the Mission and other Missions in the region on the Regional Democracy Survey. The Contractor participated in the regional survey design and implementation workshop in Costa Rica and has provided support in developing questions and identifying municipalities to be included in the over-sample. This work is linked to monitoring every two years public attitudes about their local governments and the impact of our efforts to make local governments more transparent and participatory and serve the needs of their constituents.

Performance Requirement #6.2 Subject to CTO approval, design, implement and maintain a municipal database for Program related indicators.

Discussion

See Annex A

GENDER

So far, the major assistance has been provided in the form of workshops and training activities. Since January 1, of the 365 participants, 113 were female. These training activities primarily address the political transition process and related training and capacity building activities. The focus on gender balance was also reflected in the Program's sub-contracting activities. Of the 26 STTA assignments contracted during this reporting period, 9 were carried out by women.

ISSUES AND REMEDIES TO ASSIST IN PERFORMANCE BASED DECISION MAKING

In this section, we will review the issues of the first semi annual reporting period and the extent to which they were addressed. We will also identify issues and remedies as they pertain to this and future semi annual reporting periods.

Issues and Remedies in the Third Semi Annual Report:

1. Budget Uncertainty: During the last reporting period there was concern about the budget uncertainty. The Stop Work Order, subsequent guidance and clarifications and the issuance of the Notice of Partial Termination provided the Contractor the definition that was lacking due to USAID budget deliberation. This is no longer an issue.

2. Funding Levels: The Notice of Partial Termination defined the revised framework for the amended Task Order to be signed by USAID and the Contractor. It also afforded the Contractor the opportunity to adjust its approach to achieve numerous Results Indicators. A budget has been submitted to support the Contractor's revised approach, which it believes to be adequate to achieve the results in the Task Order in the process of being revised.

3. Expectations of the Municipalities and Civil Society: To date, there have been few requests for designing and funding projects although there are some mayors that desire funding for these types of activities. However, our work program presented to USAID calls for investing a majority of the resources in participatory, consensus building activities in support of governance models that we believe will lead to a more democratic and effective municipal administrations. The Contractor believes that the approach presented in response to the NPT will work because it can draw on the overwhelming support for the Program that has been achieved so far. The Transition Program is proof that quality technical assistance and training are valued by civil society and the municipal administrations participating in the Program.

Moreover, we are establishing excellent working relationships with the donor community, FHIS and NGOs and we believe that this acceptance will enable us to leverage our transparent, participatory, informed decision making approach with the projects and financing available from the various donors and sources of funding. The Contractor has always believed that informed decision-making processes are important inputs into the municipal development process, and in many cases as important as investment in capital projects.

4. Measurement of Impacts: The Contractor expressed concern about the need to monitor Program impacts and to systematically track changes in public attitudes about their local governments in terms of the effectiveness of their administration/management, transparency and participatory mechanisms. That concern has been addressed by the decision to have the Contractor support the Regional Democracy Survey and design a survey approach, instruments and procedures that respond to this type of analysis. The survey will be conducted in August and September this year and in 2008. Therefore, given the fact that the survey was conducted in 2004 (with a somewhat different set of municipalities and questions) and

will be conducted in 2006 and 2008 with a similar methodology, we hope to have a set of surveys that will permit an evaluation of public attitudes about local government and program impacts.

APPENDIX A: BASE DE DATOS MUNICIPAL INFORME TRIMESTRAL LÍNEA DE BASE

Programa de Gobernabilidad y Transparencia

Base de Datos Municipal
Informe Trimestral
Línea de Base

Contrato No. DFD-YO-00-03-00144-00
Orden de Trabajo 802

June 30, 2005

Presented by:
Management Systems International
The Urban Institute

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The Urban Institute

I. Introducción

El presente informe evalúa los ingresos y egresos de veintisiete (27) municipalidades¹ con las que el Programa de Gobernabilidad y Transparencia, ha venido desarrollando actividades en el marco del contrato suscrito con USAID.

La fuente de información la constituyen los informes rentísticos reportados al Programa. Se han excluido del análisis cinco (5) municipalidades² que a la fecha, no han enviado información debido a que únicamente disponen del informe rentístico anual 2005 pero no del IV trimestre del mismo año.

El análisis contempla comparaciones entre el IV trimestre 2004 con el mismo trimestre del 2005, por lo tanto, no refleja el comportamiento durante todo un año fiscal.

El documento presenta un análisis de la situación fiscal consolidada para la muestra de municipios en estudio. Posteriormente se aborda la evolución de los ingresos y gastos por categoría de municipios, determinando los factores principales para su aumento o disminución. De igual forma, se calculan indicadores de desempeño para evaluar la gestión financiera municipal consolidada y por categoría de municipios. Finalmente se adjuntan en el anexo, las tablas con los valores utilizados para los diferentes análisis.

II. Situación fiscal municipal consolidada

Durante los trimestres en estudio, se observa un superávit en el desempeño financiero de las municipalidades. No obstante, este superávit es mayor en el IV trimestre de 2004 que en igual trimestre de 2005 (los valores equivalen a Lps 44.6 y Lps 13.0 millones respectivamente).

En ese contexto, los gastos muestran un comportamiento que no se adapta a los cambios en el ingreso, es decir, mientras los ingresos disminuyeron 9.1% en promedio, los gastos se vieron incrementados en 14.1% (ver tabla I).

¹ Tela, Comayagua, Santa Rosa de Copán, Choloma, Villanueva, Choluteca, Catacamas, Nacaome, San Lorenzo, Nueva Arcadia, Potrerillos, Guaimaca, Talanga, La Esperanza, Las Vegas, Taulabé, San Nicolás, Santa Rita, Pimienta, San Francisco de Yojoa, Yuscarán, Sabanagrande, Villa de San Francisco, Ceguaca, Trinidad, Yamaranguila y Nueva Frontera.

² La Masica, Puerto Cortés, Santa Ana, Reitoca y San Pedro Zacapa.

Tabla 1: Ingresos y gastos municipales por trimestre y año

Rubro	IV Trim 2004	IV Trim 2005	Variación Relativa (%)
Ingresos	162,329,622.92	147,454,059.41	-9.16
Gastos	117,724,988.97	134,411,575.34	14.17
Brecha	44,604,633.95	13,042,484.07	

Fuente: elaboración propia en base a los informes rentísticos municipales

Al evaluar la variación relativa al interior de la estructura de ingresos, los rubros que muestran las tasas de crecimiento negativas más altas son: donaciones, con -88.90%; otras transferencias, -65.8% y los ingresos no tributarios, que muestran una caída de aproximadamente 41% (ver tabla 2). Dichos rubros representaron entre el 9% y el 13% de los ingresos totales del IV trimestre 2004 y alcanzaron una importancia relativa de hasta 6.2% en el mismo trimestre 2005. Por lo tanto, influyen considerablemente en la disminución del recaudo total de ingresos.

Las disminuciones de los ingresos antes mencionados, fueron parcialmente compensadas por el incremento en otros ingresos de capital³ y por las transferencias del 5% del Gobierno Central.

Tabla 2: Estructura de ingresos por trimestre y año

Rubros	IV Trimestre		% de los Ingresos Totales		Variación Relativa (%)
	2004	2005	IV T2004	IV T2005	
Ingresos Totales	162,329,622.92	147,454,059.41	100	100.00	-9.16
Ingresos Corrientes	67,619,776.13	60,423,059.70	41.7	40.98	-10.64
Ingresos Tributarios	51,915,578.70	51,195,305.63	32.0	34.72	-1.39
Ingresos no Tributarios	15,704,197.43	9,227,754.07	9.7	6.26	-41.24
Ingresos de Capital	94,709,846.79	87,030,999.71	58.3	59.02	-8.11
Préstamos	14,862,094.76	10,266,626.54	9.2	6.96	-30.92
Transferencias	29,317,281.69	41,393,952.85	18.1	28.07	41.19
Otras Transferencias*	20,423,452.53	6,985,362.63	12.6	4.74	-65.80
Donaciones	19,171,809.17	2,128,090.25	11.8	1.44	-88.90
Otros ingresos de capital**	10,935,208.64	26,256,967.44	6.7	17.81	140.11

* Abarcan principalmente transferencias realizadas por el FHIS

**Incluyen otros ingresos de capital definidos como tal en el manual de la SGJ, venta de activos, contribución por mejoras y subsidios

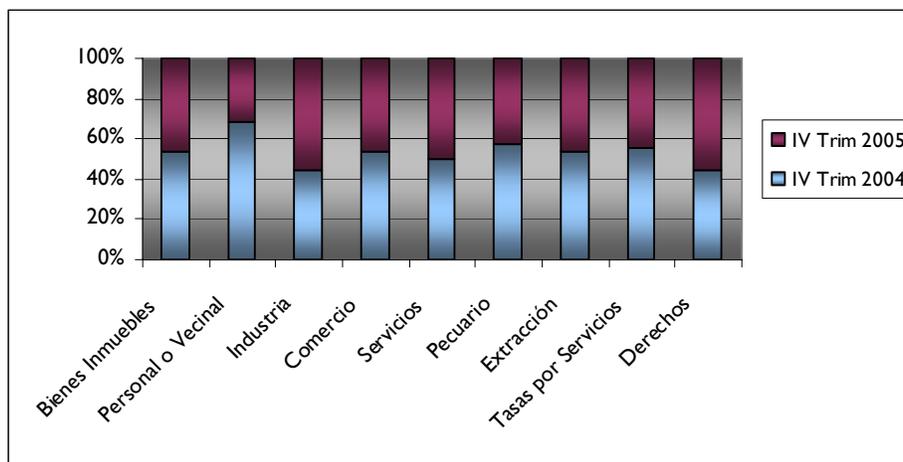
Fuente: elaboración propia en base a los informes rentísticos municipales

En este contexto, los datos podrían indicar que en comparación al IV trimestre 2004, en igual trimestre 2005, las municipalidades no realizaron el mismo esfuerzo en el recaudo por concepto de impuestos tributarios, de multas, recuperaciones por cobro de impuestos, derechos y servicios municipales en mora; renta de propiedades e intereses (de acuerdo al Art. 109 reformado de la Ley de Municipalidades). Sin embargo, esto requiere un análisis más profundo sobre los niveles de morosidad de impuestos y tasas por servicios y del establecimiento de políticas o estrategias que utilizan los municipios para el recaudo de ingresos corrientes.

³ Para efectos de este análisis se tomó como otros ingresos de capital a aquellos ingresos definidos como tal en el manual de ingresos de la SGJ más venta de activos, contribución por mejoras y subsidios.

Dentro de los ingresos tributarios, los rubros más importantes por su recaudo para el consolidado de los municipios, son las tasas por servicios y los derechos cuya aportación equivale a 47.4% y 48.6% para el IV trimestre 2004 y para el mismo trimestre de 2005, respectivamente (Ver gráfico I). Donaciones y otras transferencias representaron casi la cuarta parte de los ingresos totales en el 2004, mientras que en el 2005, aportan solamente un 6%. En el caso de las transferencias del 5% del Gobierno Central y otros ingresos de capital, estos representan el 24.8% en el 2004 y alcanzaron una importancia relativa de 45.9% para el 2005.

Gráfico I. Distribución de los ingresos tributarios por trimestre.



Los rubros equivalentes a las donaciones y a transferencias son ingresos que el municipio recibe sin ningún esfuerzo fiscal propio, no obstante, los ingresos tributarios y no tributarios dependen de las estrategias de recaudación que realicen las municipalidades.

Por el lado del gasto, el incremento observado de 14.17% está determinado mayormente por aumentos en gastos por concepto de materiales y suministros, transferencias corrientes y bienes capitalizables (ver tabla 3). Al interior de la estructura de gastos, la importancia relativa de cada uno de los rubros no refleja cambios significativos de un trimestre a otro, exceptuando las variaciones en el porcentaje que representan los bienes capitalizables y el servicio de la deuda.

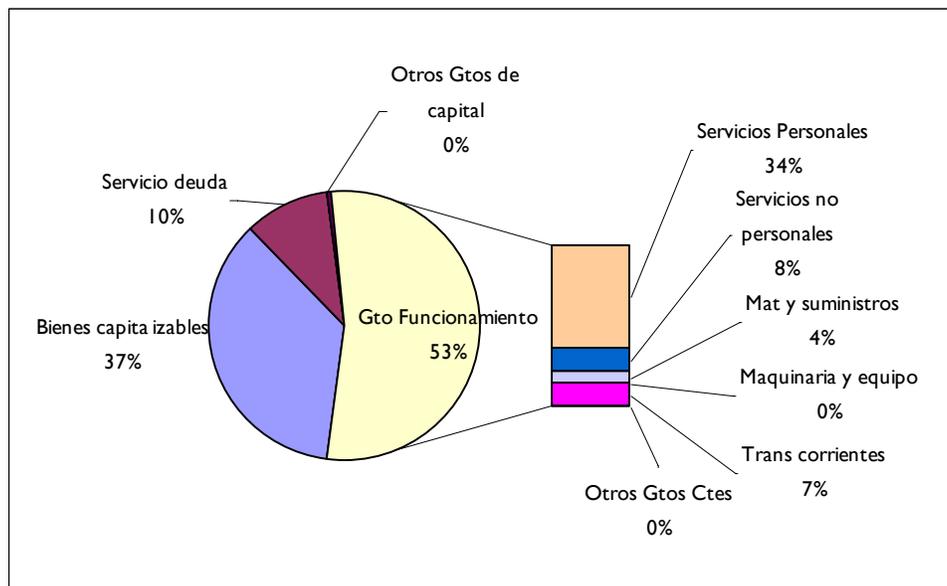
Tabla 3: Estructura de gastos por trimestre y año

Rubros	IV Trimestre				Variación Relativa (%) 05/04
	2004	2005	Porcentaje del Gasto Total		
			2004	2005	
Gastos de Funcionamiento	63,487,964.51	72,195,116.99	53.93	53.71	13.71
Servicios Personales	41,255,374.93	46,047,007.27	35.04	34.26	11.61
Servicios no personales	8,962,303.89	10,412,153.50	7.61	7.75	16.18
Mat y suministros	4,493,827.69	5,493,465.30	3.82	4.09	22.24
Maquinaria y equipo	647,543.36	99,970.30	0.55	0.07	-84.56
Trans corrientes	8,068,914.64	10,051,803.22	6.85	7.48	24.57
Otros Gtos Ctes	60,000.00	90,717.40	0.05	0.07	51.20
Gastos de Capital y Deuda Pública	54,237,024.46	62,216,458.35	46.07	46.29	14.71
Bienes capitalizables	34,475,440.08	47,989,635.68	29.28	35.70	39.20
Servicio deuda	17,764,265.05	14,028,124.38	15.09	10.44	-21.03
Activos Financieros	765,558.57	102,924.76	0.65	0.08	-86.56
Transferencias de Capital	1,032,416.99	0.00	0.88	0.00	-
Otros Gtos de capital	199,343.77	95,773.53	0.17	0.07	-51.96
Gasto Total	117,724,988.97	134,411,575.34	100	100	14.17

Fuente: elaboración propia en base a los informes rentísticos municipales

Los gastos de funcionamiento representan un mayor porcentaje de los gastos totales que los de capital, con valores de 53% y 47% respectivamente. La gráfica siguiente muestra la distribución de los gastos totales, y la participación en este último de cada uno de los rubros, para el IV trimestre 2005 (la distribución para el mismo trimestre 2004 es muy similar):

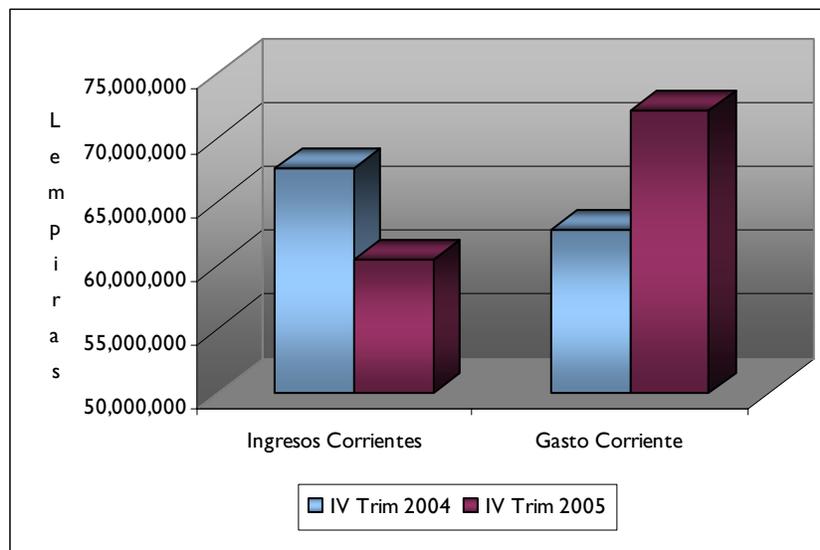
Gráfico 2. Distribución de los gastos para el IV trimestre 2005.



Al evaluar el comportamiento de los ingresos y gastos corrientes durante los trimestres señalados, se observa que mientras los primeros disminuyeron, los gastos corrientes aumentaron (ver gráfica 3). Cabe señalar que para el IV trimestre 2004, las municipalidades en

términos consolidados, lograron cubrir sus gastos corrientes con los ingresos corrientes recaudados, no obstante, en el mismo trimestre 2005 no sucedió así.

Gráfica 3: Ingresos y gastos corrientes por trimestres (Lempiras)



II.a). Comportamiento de los ingresos por categoría de municipios

Las municipalidades A/B, reflejaron una disminución de 12.3% en la recaudación de ingresos totales (valor por encima del observado para el consolidado de municipios en estudio). Al igual que en el escenario consolidado esta disminución está determinada principalmente por la caída en los ingresos no tributarios, otras transferencias y donaciones. Cabe señalar que durante el IV trimestre 2005, los municipios experimentaron elecciones generales para seleccionar a sus autoridades municipales, lo que podría haber influido en la falta de esfuerzo recaudatorio. Esta hipótesis tendría que ser probada para determinar si en la práctica efectivamente sucedió así.

La tabla siguiente muestra la estructura de los ingresos para municipalidades A/B con las respectivas variaciones relativas.

Tabla 4: Estructura de ingresos por trimestre y año, municipalidades A/B

Rubros	IV Trimestre		% de los Ingresos Totales		Variación
	2004	2005	IV T2004	IV T2005	Relativa (%)
Ingresos Totales	153,088,847.42	134,207,112.78	100.00	100.00	-12.33
Ingresos Corrientes	64,574,564.63	57,847,320.28	42.18	43.10	-10.42
Ingresos Tributarios	49,387,524.65	49,001,965.68	32.26	36.51	-0.78
Ingresos no Tributarios	15,187,039.98	8,845,354.60	9.92	6.59	-41.76
Ingresos de Capital	88,514,282.79	76,359,792.50	57.82	56.90	-13.73
Préstamos	14,504,094.76	10,266,626.54	9.47	7.65	-29.22
Transferencias 5%	24,783,519.35	32,789,545.22	16.19	24.43	32.30
Otras Transferencias	20,401,259.29	6,368,607.68	13.33	4.75	-68.78
Donaciones	19,165,949.17	2,103,885.25	12.52	1.57	-89.02
Otros ingresos de capital**	9,659,460.22	24,831,127.81	6.31	18.50	157.07

* Abarcan principalmente transferencias realizadas por el FHIS

**Incluyen otros ingresos de capital definidos como tal en el manual de la SGJ, venta de activos, contribución por mejoras y subsidio:

Fuente: elaboración propia en base a los informes rentísticos municipales

En el caso de municipalidades C/D, se puede observar un comportamiento diferente, es decir, la variación relativa de los ingresos totales se revierte en relación al consolidado de los municipios, de forma que se observa un incremento igual a 43.3%. Este incremento se explica principalmente por aumentos en las transferencias del 5% del Gobierno Central y otras transferencias recibidas, esencialmente del Fondo Hondureño de Inversión Social (FHIS).

Sin embargo al igual que las municipalidades A/B, las municipalidades con menor desarrollo económico (C/D) también reflejan una disminución en sus ingresos corrientes (ver tabla 5).

Por otra parte, los ingresos tributarios durante los dos trimestres en estudio tienen una importancia relativa superior al 15%, en tanto que los no tributarios representaron 5.6% para el IV trimestre 2004 y 2.8% para igual trimestre del 2005.

Tabla 5: Estructura de ingresos por trimestre y año, municipalidades C/D

Rubros	IV Trimestre		% de los Ingresos Totales		Variación
	2004	2005	IV T2004	IV T2005	Relativa (%)
Ingresos Totales	9,240,775.50	13,246,946.63	100.00	100.00	43.35
Ingresos Corrientes	3,045,211.50	2,575,739.42	32.95	19.44	-15.42
Ingresos Tributarios	2,528,054.05	2,193,339.95	27.36	16.56	-13.24
Ingresos no Tributarios	517,157.45	382,399.47	5.60	2.89	-26.06
Ingresos de Capital	6,195,564.00	10,671,207.21	67.05	80.56	72.24
Préstamos	358,000.00	0.00	3.87	0.00	-
Transferencias	4,533,762.34	8,604,407.63	49.06	64.95	89.79
Otras Transferencias	22,193.24	616,754.95	0.24	4.66	2,679.02
Donaciones	5,860.00	24,205.00	0.06	0.18	313.05
Otros ingresos de capital**	1,275,748.42	1,425,839.63	13.81	10.76	11.76

* Abarcan principalmente transferencias realizadas por el FHIS

**Incluyen otros ingresos de capital definidos como tal en el manual de la SGJ, venta de activos, contribución por mejoras y subsidio:

Fuente: elaboración propia en base a los informes rentísticos municipales

II.b). Comportamiento de los gastos por categoría de municipios

Los gastos para municipalidades A/B se incrementaron en un 9.2% (valor por debajo del consolidado municipal). Los principales rubros que explican este incremento son: servicios no personales, materiales y suministros y bienes capitalizables; los cuales tuvieron una variación positiva entre 16.4% y 28.8%.

La importancia relativa de cada rubro en el trimestre 2005 se mantuvo casi igual a la del 2004, mostrando el mismo comportamiento que en el consolidado de municipios. Los gastos que experimentaron cambios notables son bienes capitalizables y servicio de la deuda (el primero incrementó 28.8% en tanto que el segundo disminuyó en 23.7% aproximadamente (ver tabla 6).

Tabla 6: Total de Gastos, municipalidades A/B por trimestre

Rubros	IV Trimestre				Variación Relativa (%) 05/04
	2004	2005	Porcentaje del Gasto Total		
			2004	2005	
Gastos de Funcionamiento	57,839,234.54	64,740,704.04	53.72	55.03	11.93
Servicios Personales	37,964,111.73	42,118,801.02	35.26	35.80	10.94
Servicios no personales	7,652,674.66	8,913,491.05	7.11	7.58	16.48
Mat y suministros	4,137,662.03	5,034,543.77	3.84	4.28	21.68
Maq y equipo	608,935.68	97,421.19	0.57	0.08	-84.00
Trans ctes	7,415,850.44	8,485,779.61	6.89	7.21	14.43
Otros Gtos Ctes	60,000.00	90,667.40	0.06	0.08	51.11
Gastos de Capital y Deuda Pública	49,824,538.33	52,901,483.19	46.28	44.97	6.18
Bienes capitalizables	30,578,744.26	39,390,777.29	28.40	33.48	28.82
Servicio deuda	17,454,800.94	13,312,007.61	16.21	11.32	-23.73
Activos Financieros	765,558.57	102,924.76	0.71	0.09	-86.56
Transferencias de Capital	828,955.00	0.00	0.77	0.00	-
Otros Gtos de capital	196,479.56	95,773.53	0.18	0.08	-51.26
Gasto Total	107,663,772.87	117,642,187.23	100.00	100.00	9.27

En términos porcentuales, las municipalidades C/D muestran un incremento en los gastos superior al consolidado municipal y al ejecutado por las A/B, alcanzando un 66.6%. Este aumento está determinado principalmente, por la variación superior al 100% mostrada por los bienes capitalizables, en el 2005, en comparación al 2004. Esto requeriría un estudio sobre los proyectos en los cuales se invirtieron esos recursos, si están incluidos en el Plan Estratégico de Desarrollo Municipal (PEDM), etc., para poder determinar el uso racional de los mismos.

Tabla 7: Total de Gastos, municipalidades C/D por trimestre

Rubros	IV Trimestre				Variación Relativa (%) 05/04
	2004	2005	Porcentaje del Gasto Total		
			2004	2005	
Gastos de Funcionamiento	5,648,729.97	7,454,412.95	56.14	44.45	31.97
Servicios Personales	3,291,263.20	3,928,206.25	32.71	23.42	19.35
Servicios no personales	1,309,629.23	1,498,662.45	13.02	8.94	14.43
Mat y suministros	356,165.66	458,921.53	3.54	2.74	28.85
Maq y equipo	38,607.68	2,549.11	0.38	0.02	-93.40
Trans ctes	653,064.20	1,566,023.61	6.49	9.34	139.80
Otros Gtos Ctes	0.00	50.00	0.00	0.00	100.00
Gastos de Capital y Deuda Pública	4,412,486.13	9,314,975.16	43.86	55.55	111.10
Bienes capitalizables	3,896,695.82	8,598,858.39	38.73	51.28	120.67
Servicio deuda	309,464.11	716,116.77	3.08	4.27	131.41
Activos Financieros	0	0	0	0	0
Transferencias de Capital	203,461.99	0.00	2.02	0	-
Otros Gtos de capital	2,864.21	0.00	0.03	0	-
Gasto Total	10,061,216.10	16,769,388.11	100.00	100.00	66.67

Fuente: elaboración propia en base a los informes rentísticos municipales

En el IV trimestre 2005, contrario al escenario mostrado a nivel nacional y en los municipios A/B, los gastos de funcionamiento para municipalidades C/D, muestran una importancia relativa menor a los gastos de capital y deuda pública (el primero representa 44.4% de los gastos totales mientras que el último constituye aproximadamente 55.5%).

III. Indicadores de desempeño

Con el objetivo de evaluar el desempeño financiero de las municipalidades, se calculan los siguientes indicadores: autonomía financiera⁴, dependencia financiera del gobierno central⁵, capacidad financiera⁶, porcentaje de inversión en el gasto total (magnitud de la inversión)⁷, Servicios personales/gasto de funcionamiento y servicio de la deuda como porcentaje de los ingresos corrientes.

Los valores que toman estos indicadores para cada uno de los trimestres se muestran en la siguiente tabla:

⁴ Ingresos propios/ingresos totales*100

⁵ Ingresos por transferencias del 5% del gobierno central/ingresos totales*100

⁶ Ingresos corrientes/gastos corrientes*100

⁷ Bienes capitalizables/gasto total*100

Tabla 8: Indicadores de desempeño por trimestre y año

Indicador	IV Trimestre	
	2004 (%)	2005 (%)
Autonomía Financiera	45.13	45.52
Dependencia financiera del Gobierno Central	18.06	28.07
Capacidad Financiera	107.61	83.81
Porcentaje de inversión en el gasto total	29.28	35.70
Servicios Personales/Gto de Funcionamiento	64.98	63.78
Servicio de la deuda como porcentaje de los ingresos corrientes	26.27	23.22

Fuente: elaboración propia en base a los informes rentísticos municipales

Autonomía Financiera

Este indicador no muestra cambio considerable. En ambos trimestres la importancia relativa que tienen los ingresos propios dentro de los ingresos totales equivale aproximadamente a 45%.

Dependencia financiera del Gobierno Central

El comportamiento de este indicador mostró un incremento al pasar de 18% en el IV trimestre de 2004 a aproximadamente el 28% en igual trimestre de 2005. Esta variación se ve influenciada por el aumento de las transferencias del 5% del Gobierno Central, las cuales mostraron una variación positiva igual a 41.1%, valor muy superior a la disminución de los ingresos totales (-9.1%).

Capacidad financiera

El consolidado de los municipios alcanza a cubrir los gastos corrientes con los ingresos corrientes recaudados durante el IV trimestre 2004, no obstante, para el 2005 los gastos corrientes son mayores a los ingresos.

Porcentaje de inversión en el gasto total (magnitud de la inversión)

La inversión (bienes capitalizables) representó un 29.2% del total de gastos municipales para el trimestre de 2004, en tanto que para el mismo trimestre de 2005, la importancia relativa aumentó hasta alcanzar un 35.7%. Las dos variables involucradas en este indicador mostraron variaciones positivas que contribuyeron a incrementar el indicador.

Servicios personales/gasto de funcionamiento

El indicador mide la importancia relativa de los servicios personales en relación al gasto de funcionamiento, no muestra una variación significativa. Para el trimestre 2004 mostró un valor igual a 64.9% y en el 2005 el porcentaje llegó a 63.7%.

Servicio de la deuda como porcentaje de los ingresos corrientes.

El servicio de la deuda constituye el 26.2% de los ingresos corrientes percibidos durante el IV trimestre de 2004 y en el mismo trimestre 2005 toma un valor igual a 23.2%. Estudios sobre este indicador muestran que éste no debe alcanzar un monto superior al 10% debido al riesgo de volverse inmanejable por las autoridades y podría obligarles a estar continuamente renegociando y comprometiendo ingresos futuros. Se sugiere especial atención a este aspecto y evaluar los fines para los cuales se están obteniendo estos préstamos.

III.a) Indicadores de desempeño por categoría de municipios

La tabla 9, muestra los valores que toman los indicadores de desempeño por categoría de municipios. De las veintisiete municipalidades en estudio, 15 de ellas son A/B y el restante C/D.

Tabla 9: Indicadores de desempeño por categoría de municipios y trimestre

Indicador	A/B		C/D	
	IV T2004 (%)	IV T2005 (%)	IV T2004 (%)	IV T2005 (%)
Autonomía Financiera	45.75	47.69	34.80	23.61
Dependencia financiera del Gobierno Central	16.19	24.43	49.06	64.95
Capacidad Financiera	112.83	89.49	56.95	36.71
Porcentaje de inversión en el gasto total	28.40	33.48	38.73	51.28
Servicios Personales/Gto de Funcionamiento	65.64	65.06	58.27	52.70
Servicio de la deuda como porcentaje de los ingresos ctes	27.03	23.01	10.16	27.80

Autonomía Financiera

En el caso de municipalidades A/B, este indicador no muestra cambios significativos y los valores son superiores a los mostrados por las C/D. Estas últimas tienen menor potencial para recaudar fondos propios, lo cual exacerba su dependencia de los fondos recibidos por el Gobierno Central.

Dependencia financiera del Gobierno Central

Este indicador está correlacionado con el anterior, de tal forma que para municipalidades con una alta autonomía financiera se esperarían valores bajos para el indicador de dependencia financiera. Las municipalidades C/D son las que muestran los porcentajes más altos de la transferencia del Gobierno Central en relación al total de ingresos.

Todas las municipalidades incrementaron la dependencia financiera del Gobierno Central durante el IV trimestre de 2005, en comparación al mismo trimestre de 2004. No obstante, las C/D lo hicieron en mayor proporción.

Capacidad financiera

Solamente durante el IV trimestre de 2004, las municipalidades A/B logran cubrir sus gastos corrientes con ingresos corrientes (el valor del indicador es igual a 112.8%), mientras que las C/D, en los dos trimestres en estudio muestran un déficit en cuenta corriente.

Porcentaje de inversión en el gasto total (magnitud de la inversión)

El valor de este indicador aumentó para ambas categorías de municipios (A/B y C/D) en el IV trimestre 2005, comparado con los valores obtenidos en el trimestre de 2004.

Durante el 2004 la inversión de los municipios A/B aportó el 88.7% al consolidado de bienes capitalizables de los municipios estudiados, mientras que en el 2005 alcanzó un 82.0% del total.

Servicios personales/gasto de funcionamiento

Para municipalidades A/B los servicios personales representaron 65.6% y 65.0% de los gastos de funcionamiento para el IV trimestre de 2004 y el mismo trimestre 2005, respectivamente. Estos

porcentajes son inferiores para municipalidades C/D durante los dos trimestres. Hay que resaltar que gran parte de las A/B tienen en su presupuesto, un programa de infraestructura municipal, con asignaciones para sueldos y salarios de los funcionarios que laboran en la oficina de obras públicas⁸ (cuya función es supervisar y ejecutar proyectos).

Servicio de la deuda como porcentaje de los ingresos corrientes.

El valor de este indicador es considerablemente alto para las municipalidades A/B en los dos trimestres en estudio. Estos municipios adquirieron préstamos por encima de los 10 millones de lempiras y el servicio de la deuda sobrepasó los 13 millones en los dos trimestres 2004 y 2005.

IV. Conclusiones

- Durante los dos trimestres en estudio los ingresos superaron a los egresos para el consolidado de los municipios, aunque para el IV trimestre de 2004 el superávit fue más alto que el observado en el mismo trimestre 2005.
- Mientras los ingresos disminuyeron durante el trimestre 2005, comparado con el mismo trimestre 2004, para el consolidado de los municipios, los gastos se incrementaron en un porcentaje más alto.
- Para el consolidado de los municipios, en los dos trimestres en estudio, los gastos de funcionamiento tuvieron mayor importancia relativa que los gastos de capital y deuda pública.
- Por categoría de municipios, solo las municipalidades A/B alcanzan a cubrir sus gastos con el recaudo de los ingresos durante los dos trimestres en cuestión. Por el contrario, las municipalidades C/D muestran valores de ingresos por debajo de la ejecución de los gastos.
- Los ingresos de capital y deuda pública tienen mayor importancia relativa que los ingresos corrientes para las municipalidades C/D, en tanto que para las A/B esto se revierte (para los dos trimestres en estudio).
- En relación a los gastos, los de funcionamiento representan un porcentaje más alto que los de capital para municipalidades A/B (en los dos trimestres en estudio); mientras que las C/D solo en el IV trimestre de 2004 muestran este comportamiento.
- El consolidado de los municipios no muestra cambios significativos, en los trimestres en estudio, en cuanto al indicador de autonomía financiera. El indicador de dependencia financiera sin embargo, mostró un incremento de aproximadamente 10%.

⁸ Algunas municipalidades usan diferente nombre para referirse a esta misma oficina.

- La magnitud de la inversión incrementó en el IV trimestre de 2005 (comparada con el mismo trimestre de 2004), es decir, la importancia relativa de los bienes capitalizables en el gasto total fue más alta.
- Es importante resaltar el alto valor que refleja el indicador de servicio de la deuda como porcentaje de los ingresos corrientes durante el IV trimestre de 2004 y 2005. El manejo de la deuda podría volverse muy difícil si el indicador continúa mostrando valores por encima del 10%.
- Por categoría de municipios, los A/B tienen mayor autonomía financiera que los C/D y por tanto la dependencia financiera de estos últimos es también más alta.
- La importancia relativa de la inversión en el gasto total es mayor en municipalidades C/D que en las A/B, durante los dos trimestres de 2004 y 2005. Este comportamiento se revierte al evaluar el indicador de servicios personales como porcentaje del gasto de funcionamiento.
- El indicador de servicio de la deuda como porcentaje de los ingresos corrientes, para municipalidades A/B, toma valores considerables por encima del 10% en los dos trimestres en estudio, tanto para municipalidades A/B como para las C/D.