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HONDURAS GREATER TRANSPARENCY AND ACCOUNTABILITY OF GOVERNMENT PROGRAM

SEMI-ANNUAL PERFORMANCE REPORT
JULY - DECEMBER 2007

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HONDURAS GREATER TRANSPARENCY AND ACCOUNTABILITY OF GOVERNMENT PROGRAM SEMI-ANNUAL PERFORMANCE REPORT July – December 2007



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USAID Governance and Transparency Program

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INTRODUCTION

NATURE AND OBJECTIVE OF THIS DOCUMENT

This is the sixth semi-annual report submitted to USAID Honduras in compliance with Task Order 802, “Greater Transparency and Government Responsibility” Program, in support of the Mission’s Strategic Objective 1, “Ruling Justly, More Responsive, Transparent Government”, and Intermediate Result 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 reports shall describe: the current state of the Program relative to its goals and objectives; achievement of results and specific performance requirements; progress on individual results indicators and benchmarks; beneficiaries disaggregated by gender; identification of problems or delays in implementation; proposals for how to remedy these problems; and recommendations to USAID for actions in support of Program activities.

The present report covers all Program activities carried out from July 1, 2007 to December 31, 2007. The Program activities during the present reporting period were carried out in the context of a modified Task Order, which had been approved by USAID at the end of June, 2006. These modifications eliminated several performance requirements and substantially changed others, redefining performance standards, and reducing targets and benchmarks—which were reflected in a new performance monitoring plan (PMP). For the present reporting period the narrative and tabular presentation of results and progress towards meeting targets and benchmarks refer to the modified Task Order and PMP.

PROGRAM BACKGROUND

USAID Honduras’ strategic objectives framework (specifically, SO1 and IR1) gives emphasis to supporting governance improvements at the local level. Within this framework, municipal governments are seen as propitious sites for strategies to reduce corruption, improve responsiveness and increase accountability, because in principle municipal decision-making processes are closer to citizens and voters; thus, improved governance practices are immediately visible and more likely to be sustained over time.

The Greater Transparency and Government Responsibility Program (hereafter called “the Program”) seeks to achieve the following objectives: promote and establish practices of transparent, responsive and accountable local governments by municipal and mancomunidad levels of government; disseminate best practices to other municipalities; support civil society initiatives and proposals for improvements in municipal government management and provision of services; promote continuity and transparency in political transitions in local governments; improve the capacity of national government agencies to support and regulate local government; and engage private sector organizations in promoting good governance and ethical business practices.

In achieving these objectives, by the completion date, March, 2009, the Program will have improved practices of governance and municipal management and at the same time created opportunities for local civil society organizations to engage their municipal governments in dialogue and to participate in decision-making on issues of local development. The activities supported under this Task order will be a catalyst for change in a critical mass of localities around the country, helping citizens, elected officials and municipal managers to establish new models of democratic governance, accountability and transparency, which at the same time will support and sustain improvements in municipal management and service provision.

The emphasis on generating new practices of democratic governance and municipal management are reflected in the technical approach and methodologies used by the Contractor to meet the performance requirements and benchmarks set out in the Task Order and PMP, particularly in results 1 and 3, which specify the main activity areas in the Program municipalities. Applying concepts and tools of results-based management, the Contractor has worked with local elected officials, managers and representatives of local civil society organizations to create mechanisms for dialogue and decision-making in different areas of municipal policy and management. Given their importance within the overall Task Order results framework, it is convenient to say a few words about how the Result 1 and 3 indicators are interpreted by the Contractor.

For Result 1, “Increased capacity of local governments to fulfill their roles effectively and transparently”, the overall indicator is defined in the Task order as “the number of municipalities able to demonstrate achievement of performance targets in managing/administering municipal programs”. The approach of the Program hinges on the creation of joint commissions involving municipal officials, managers and local civil society leaders, aimed at producing formal, public decisions committing the municipal authorities to specific, measurable results. This process makes for greater legitimacy and sustainability of policies in critical areas such as taxation and service delivery. To the extent that the participating municipalities actually achieve these results, the Program is also meeting its own performance requirements.

Similarly with Result 3, referring to ownership by local stakeholders of local development processes, in which the stakeholders are defined as broad coalitions of local CSOs. To the extent that the various consultative mechanisms established with Program support (joint commissions and similar mechanisms with CSO participation) are functioning and their recommendations actually implemented, the Program will be able to document the impact of these alliances of CSOs on municipal decision-making. If these same CSOs are able to follow up on the decisions and interpellate municipal officials on questions of implementation and achievement of proposed results, the Program will have met its performance requirement of “number of municipalities where coalitions are monitoring performance of their local governments”.

One of the major challenges in implementing the activities set out in Results 1 and 3 has been the need to maintain the support of municipal authorities (mayors, council members, managers and employees) for policy reforms, while at the same time involving local civil society organizations in dialogue, decision-making and oversight. In many municipalities, the mayors and councils are reticent to engage civil society groups, fearing confrontation and conflict. For this reason, at the beginning of the Program, in most of the targeted municipalities the council did not comply with basic legal norms with respect to transparency and accountability (open council meetings, dissemination of council agendas, publication of minute of council meetings, reports by the mayor to the council, etc). Municipal authorities have generally preferred more controlled mechanisms of participation such as the “cabildo abierto” to inform citizens of municipal policies, but which usually preclude opportunities for dialogue or informed oversight of decision-making.

The Task Order modification in June, 2006 also scaled back Result 5, leaving a much smaller budget to cofund selected projects with mancomunidades and coalitions of local civil society organizations. The funds will be used to support small project activities and purchases of equipment, an average of \$6,600 per project or organization; in any case the project will exceed \$ 10,000 (\$5,000 maximum for equipment). Despite the relatively small amounts, these funds will provide incentives for participation of local organizations.

With respect to the activities with national institutions set out in Results 1 and 2, the modified Task Order reduced the performance requirements with respect to the activities in support of the TSC (P.R. 1.10 and P.R. 1.11, respectively), focusing on institutionalizing of in-house training to maintain standards of

auditing; in the activities with AMHON, the performance requirements were expanded to cover additional activities in support of board strengthening and implementation of advocacy strategies to enhance decentralization; and the activities with the private sector were redesigned, with the objective of engaging local business associations (chambers of commerce) in initiatives with municipal governments to promote transparency and prevent corruption in routine transactions with municipalities (business licenses and permits).

SUMMARY OF SIXTH SEMI ANNUAL PROGRAM PERIOD

During this reporting period the Contractor maintained a high level of effort in Results components 1 and 3, through methodologies aimed at engaging municipal authorities and civil society organizations in both A/B and C/D categories of municipalities in dialogue to define and implement transparency policies; applying results-based management tools to design policy measures to improve own-source revenues and service provision in C/D municipalities; providing technical assistance to C/D municipalities to strengthen their capacities to carry out core functions in administration and finances; supporting A/B municipalities in improving decisionmaking, management and accountability; and working with local citizens' groups to carryout oversight of municipal decisions. In Result 2, the Contractor has completed the capacity building activities with AMHON, and the activities with the Honduran private sector through engagement of local private sector business associations (chambers of commerce) to improve transparency in transactions with municipal governments.

The major activities carried out from July 1, 2007 to December 31, 2007 are summarized in the following table:

Performance Requirement	Ongoing activities
Registry of Local Service Providers	Database has been continuously expanded, adding 12 new Local Service Providers, for a cumulative total of 282 since the Program was initiated. During the present reporting period, the Program contracted 46 service providers.
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.
Build capacity of targeted A/B municipalities	Maintained agreements with 15 municipalities. By December 31, carried out re-application of transparency and governance assessments in 12 to review progress in local transparency policies. In 6 A/B municipalities, the Contractor supported the implementation and presentation of quarterly management reports to municipal councils. In the 3 non-performing municipalities, Nacaome, Choloma and Talanga, recommended to USAID phase out of activities.
Build capacity of targeted C/D municipalities	Maintained letters of agreement in 13 participating municipalities. By December 31, carried out re-application of transparency and governance assessments in 13 to review progress in local transparency policies and completed technical assistance to support revenue policies in 12 municipalities. In 1 non-performing municipality, Concepción de Maria, recommended phase out of activities.
Build capacities of targeted mancomunidades	The approved Task order included a new approach to working with mancomunidad. By December 31, implemented capacity building plans for UTIs in 5 mancomunidades; the UTIs initiated activities with 6 of the 10

Performance Requirement	Ongoing activities
	targeted member municipalities, aimed at improving own source revenues, using performance based management approaches and tools (“strategic program management”).
Municipalities with skills to acquire goods and services in accordance with the Honduran Procurement Law	By December 31, completed this performance requirement in its entirety, including an updated and expanded Desktop Guide for Public Acquisition. Procurement training was completed in 29 municipalities and 5 mancomunidades; and of these, 3 mancomunidades had initiated training in procurement for their member municipalities to promote sustainability of the effort once the Program ends.
DASM has a plan to fulfill its mandate to plan the audit activities of local governments	As reported in the previous semi-annual report, this Performance Requirement has been completed in its entirety.
Develop and implement a sustainable program of self-directed education for UAPOI audit staff	As reported in the previous semi-annual report, this Performance Requirement has been completed in its entirety.
Capacity training for the new AMHON Board and support for policy advocacy.	As reported in the previous semi-annual report, this Performance Requirement has been completed in its entirety.
Increased private sector awareness of benefits of good governance and ethical business practices	The Contractor carried out activities with local chambers of commerce in Villanueva and La Esperanza to engage local businesses in supporting strategies to reduce opportunities for corruption in routine transactions with municipal governments. In Villanueva the activities have been completed in their entirety.
Coalitions with the capacity to set local government priorities and decision making	The joint commissions have continued to function effectively in 11 A/B and 13 C/D municipalities, engaging municipal authorities in dialogue on transparency and governance and on increasing own source revenues. In 6 municipalities coalitions developed proposals for projects to be included in the 2008 municipal budget; and in 2 municipalities the Program supported coalitions in engaging municipalities in debates on fiscal policy (Tela) and management of services (La Entrada).
Coalitions with the capacity to monitor performance of local governments	Continuing the results-based management approaches developed in previous reporting periods, during the present reporting period 11 coalitions have carried out monitoring of policy measures for own source revenues and results in C/D municipalities. In 25 C/D and A/B municipalities, CSOs were involved in reapplication of the transparency index. Also, in 9 C/D and A/B municipalities, the local coalitions have carried out social auditing activities.
Transparent transitions between local administrations	The Contractor completed all of the performance requirements in the previous reporting period, with the exception of the deliverable, “Best practices and lessons learned”. The report was submitted to USAID on October 30, 2006. Anticipating dissemination activities in the area of transition during the next reporting period, the report will be rewritten and submitted again to USAID.
Develop and administer a program to fund small projects with civil society organizations (CSOs) at the local level.	As presented in the last semi-annual report, these activities were redesigned to initiate in Period 7. In this reporting period, the Contractor developed a new grants manual for submission to USAID for approval.
Rapporteur and dissemination of lessons learned	During this period, the Contractor carried out a workshop in Copan Ruinas on best practices in improvement of own source revenues, cofunded and organized with AMHON. The workshop included best practices in three Program municipalities and another two municipalities supported by other donors.

The high level of effort during this reporting period was reflected in contracting actions. The short-term assistance in person/days funded by the Program for the period from July 1 through December 31 2007 was more than double the person/days contracted during the previous reporting period, as shown in the following table:

Period	STTA
January 1 through June 30, 2007	1,023
July 1 through December 31, 2007	2,538

As presented above, to date the Program has completed several of the contractual performance requirements, specifically P.R. 1.8; P.R. 1.10; P.R. 1.11 and P.R. 2.1. In addition, the Contractor has submitted the following reports in compliance with the Task order or at the request of USAID:

Methodology / Document	Status of USAID approval	Implementation Status
P.R. 1.4 A Report of annual best practices of the strategic impact assistance produced and provided to AMHON as inputs to broader dissemination (Third Update)	See Text	For the “ Best Practice on Municipal Management “ workshop of Feb 7, 2007 the contractor produced two documents in coordination with Amhon for broader dissemination; 1.- Guia de mejores Prácticas en Gestión Municipal”, y 2.- “Experiencias Exitosas de Gestión Municipal”. On November 2007, the Contractor in coordination with Amhon, made the second “Best Practice and Lessons Learned “workshop. Two new documents will be produced for the present period
P.R. 1.5 A report of results of monitoring plan to determine municipalities compliance with counterpart contribution and performance targets (Third update)	Approved (Feb 2, 2008)	The report was submitted on October 30, 2007
P.R. 1.5 B report of annual best practices of impact assistance produced and provided to AMHON as inputs for broader dissemination (Third update)	See Text	For the “ Best Practice on Municipal Management “ workshop of Feb 7, 2007 the contractor produced two documents in coordination with Amhon for broader dissemination; 1.- Guia de mejores Prácticas en Gestión Municipal”, y 2.- “Experiencias Exitosas de Gestión Municipal”. On November 2007, the Contractor in coordination with Amhon, made the second “Best Practice and Lessons Learned “workshop. Two new documents will be produced for the present period

P.R. 1.8 a - Revised and updated desktop reference on procurement processes in printed version and interactive CD. (P.R. 1.8a)	Submitted (May 31, 2007)	As reported in the previous semi-annual report, this Performance Requirement has been completed in its entirety.
P.R. 1.8 b - The best practice, Information resources and common obstacles report Is delayed	Submitted (Feb.12, 2008)	The best practices guide in procurement ("Guia de Mejores Prácticas en Comparas y Contratación") has been submitted to USAID.
P.R. 1.10 A DASM Procurement plan & maintenance schedule	Approved (May 4, 2007) See Text	As reported in the previous semi-annual report, this Performance Requirement has been completed in its entirety.
P.R. 1.10 B DASM Recommendations for Effective Preparation and Implementation of Annual Audit Mgt. Plan (English)	Approved (April 9, 2007) See Text	As reported in the previous semi-annual report, this Performance Requirement has been completed in its entirety.
P.R. 1.11B UAPOI Self Directed education program for UAPOI	Submitted	Submitted on march 30, 2007
P.R. 1.11C UAPOI Recommended strategies to allow staff to perform specific audits (Spanish)	Approved (April 9, 2007) See Text	As reported in the previous semi-annual report, this Performance Requirement has been completed in its entirety.
P.R. 2.3 Report of Best Practice / lessons learned in increasing awareness of good governance and ethical business practices, and how private sector resources can leveraged for this pupose	Delayed See Text	The Contractor inform during the Monthly Meeting of Dec. 4 corresponding to November activities, the proposal to replicate the “ Ventanilla Única de Gestión ” in two municipalities; the effort will be made in coordination with Amhon, Fedecamara and Cohep.
P.R. 4.1 Recommendations to AMHON regarding future transition training and technical assistance (Methodology as well as implementation)	Submitted & Pending	The report was submitted on November 1, 2006. The CTO requested to modify 3 sections (Background, Issues & Activities, and Recommendation. The Contractor agreed to submit and prepare and event by the end of the year - Pending
P.R. 4.2 Report summarizing action plans, and assessment of extent and implementation and impact, as well as lessons learned and recommendations for future activities aimed at mayoral candidates (English)	Submitted & Pending	Submitted on November 1, 2007. See text above
P.R. 4.2 Report summarizing action plans, and assessment of extent and implementation and impact, as well as lessons learned and recommendations for future activities aimed at mayoral candidates (Spanish)	Pending	The Contractor agreed to submit Spanish version once the English version finishes

P.R. 6.2 municipal indicator database updated quarterly and included in semi-annual performance reports. (Seventh Update)	Included on Appendix A See Text	In 2005 the contractor submitted quarterly the Municipal Database; Since 2006 the contractor agreed to submit the Municipal Database with the Semi Annual Report (see annex A). This report includes the seventh update
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Upcoming Activities

We anticipate that during the next six months the main emphases of the Program will be in Results 1, 3 and 5, aiming to meet and exceed contractually-defined performance requirements in these components. The Program will: 1) maintain technical assistance in C/D municipalities, shifting the focus to include service improvement measures aimed at increasing service coverage; 2) maintain support to A/B municipalities in implementation of transparency and accountability measures and introduce basic results based management tools; 3) reinforce activities with coalitions of civil society organizations, to increase their role in decisionmaking and monitoring of municipal government in both C/D and A/B municipalities; 4) support mancomunidades in application of approaches and tools for building the capacity of member C/D municipalities; 5) support selected initiatives with coalitions, through co-funding of activities; 6) support small projects carried out by community groups in high performing municipalities and 7) document best practices in selected Program municipalities for wider dissemination, in cooperation with AMHON.

During the next reporting period, the Contractor will concentrate project resources in the 20 highest performing municipalities, to focus on targets of opportunities, i.e., those municipalities with demonstrated political will to adopt governance and transparency improvements, and with an active civil society, willing to engage municipal authorities in dialogue, decision-making and oversight activities. In a sub-set of these twenty municipalities, the Program will also seek to deepen and accelerate the processes of change, providing additional resources for management improvements and broadening citizen engagement. These municipalities will also have priority in access to the small projects fund for community initiatives.

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. We will report only those performance requirements and the respective numerical targets and benchmarks that were maintained in the new Task Order and PMP approved in June, 2006.

The semi-annual reports stipulated in the contract corresponds to calendar years, and do not coincide with the PMP periods. Thus, the following presentation and discussion of the indicator targets refers to progress during the PMP Periods 5 and 6, and to progress to date (December 31, 2007) and the projected results to the end of PMP Period 7.

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.

Result Summary: This result combines activities aimed at promoting innovative practices of democratic transparency and governance in municipalities; strengthening decision-making, policy formulation and management in municipalities; building capacities of mancomunidades to provide technical assistance to their member municipalities; and ensuring the application of national norms and standards in procurement by municipalities and mancomunidades. In addition, it provides support to key national institutions—TSC (DASM and UAPOI) and CNA—that contribute directly to reinforcing transparency and democratic governance in municipalities. These latter activities have been completed and will not be discussed in this report.

Indicator	P5		P6		P7		
	Planned	Actual	Planned	Actual	Planned	Actual	Projected
Number of A/B municipalities able to demonstrate annual achievement of performance targets to administer/manage municipal programs	3	12	na	13	5	12	12
Number of C/D municipalities able to demonstrate annual achievement of performance targets to administer/manage municipal programs	5	13	na	13	10	13	13
Number of C/D municipalities able to demonstrate annual achievement of performance targets to increase tax revenues and service coverage.	5	7	na	7	10	7	10
Number of member C/D municipalities in targeted mancomunidades meeting performance targets	4	0	8	0	10	6	10
Number of A/B municipalities meeting performance goals for procurement of goods and services.	5	15	5	15	5	15	13
Number of C/D municipalities meeting performance goals for procurement of goods and services	10	0	15	13	15	13	11
Number of mancomunidades meeting	2	0	5	5	5	5	5

Indicator	P5		P6		P7		
	Planned	Actual	Planned	Actual	Planned	Actual	Projected
performance goals for procurement of goods and services							

Overall, as the summary table shows, during this reporting period the Program has met or exceeded most of the benchmarks in each of the performance requirements within this result. Substantial progress has been made in P.R. 1.4 and P.R. 1.5, in the implementation of transparency policies in both A/B and C/D municipalities and in implementation of measures to improve core functions and increase own source income in C/D municipalities. The Contractor has also made up for delays in meeting PR 1.7, working with mancomunidades to strengthen their internal management, and building their capacity to provide technical assistance to member municipalities. Likewise, in P.R. 1.8, in ensuring application of norms in procurement by municipalities and mancomunidades, the Contractor considers that this requirement has been met and exceeded. Finally, in P.R. 1.10 and P.R. 1.11, the Program has also completed its activities and met the established benchmarks in strengthening the capacities of UAPOI and DASM within the TSC.

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); P5 Actual (Completed); P6 Actual (Completed); P7 Actual (Completed).**

Discussion – Municipalities

The selection system had been approved by USAID in 2005, as reported in the first semi-annual report. Subsequently, the system has been used by the Contractor to replace municipalities in which Program activities have been discontinued owing to their lack of progress in meeting the agreed performance targets.

During this period, the Program recommended suspending activities in 1 C/D category municipality, Concepcion de Maria, and 3 A/B municipalities: Talanga, Choloma and Nacaome. These are in addition to Ceguaca and Yuscarán, reported in previous semi-annual reports. All of these 6 municipalities have failed to meet performance requirements as specified in the letters of agreements and addenda referring to implementation of policies to improve transparency and accountability. However, the Program expects to be able to maintain the agreements signed with the remaining 25 municipalities (12 C/D and 13 A/B municipalities).

In most of the performance requirements, the contract establishes a benchmark of 15 C/D municipalities, against 5 A/B municipalities. In this reporting period, 13 C/D and 12 A/B municipalities are meeting their performance targets. Given the difficulty in incorporating additional C/D municipalities at this stage in the Program, and taking into consideration the high number of A/B municipalities meeting their targets, the Contractor has proposed to USAID to modify the respective benchmarks, aiming to achieve results in 10 C/D and 10 A/B municipalities.

Discussion – Mancomunidades

Using the evaluation instrument discussed in the previous semi-annual report, the Contractor evaluated eight Mancomunidades, and selected five: MAMUCA, MAVAQUI, HIGUITO, AMUPROLAGO and YEGUARE. Each of these mancomunidades then selected two C or D category municipalities to participate in Program activities. Owing to low performance, Program activities were discontinued in YEGUARE, which was subsequently substituted by MUNASBAR. At the same time, in consultation with each of the five mancomunidades, 10 small (C/D category) municipalities were targeted to receive technical assistance.

Performance Requirement #1.2 – Local Service Providers are continually identified to deliver technical assistance to municipalities and coalitions as required under P.R.s 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: P5, Planned (120), Actual (231); P6, Planned (130), Actual (270); P7, Planned (140), Actual (282), Projected (285)**

Discussion

During this reporting period, the Program continued to use the database to identify local service providers to supply training and technical assistance to local government officials and civil society representatives. By the end of Period 6, the Contractor exceeded the cumulative benchmarks established in the PMP for the Program's completion in Period 9. Between July 1 and December 31 2007 the Contractor has added 12 consultants to the existing registry for a total of 282 consultants. Of the total, at present 47 are NGOs and firms and 235 are individuals.

During the reporting period, the Program initiated 46 new contracting actions for technical assistance and training. These were distributed as follows: 24 contracts with female consultants and 22 with male consultants. Summing the ongoing contracts from previous reporting periods and the new contracts initiated during this period, the Program carried out 2,538 person days of work, 1,429 days by female consultants and 1,129 by male consultants.

Performance Requirement #1.3 – Quality Control program developed and implemented to monitor the services provided by local TA providers under P.R.s 1.5, 1.7, 3.2, 3.4 and 4.3

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 developed a model SOW for the technical assistance and training contracts that sets out indicators for the contractor. The SOWs include the following sections: general and specific background; objective of the consultant's work; activities and tasks; results; deliverables; supervision; and evaluation criteria. These SOWs are mirrored in addenda to the letters of understanding with the municipalities, which set out indicators and targets for implementation of the measures supported by the Program. The Program monitors the performance indicators of the consultants (local

service providers) and the performance targets agreed with the municipality for each technical assistance or training activity.

The Program has given orientation and support to local service providers to reinforce concepts of results-based management. In a few cases, when performance has not been adequate, the Contractor has cancelled contracts (5 cases in this period).

During this reporting period, the Contractor has also carried out evaluations of consultants, using a standard form that is completed by municipal/mancomunidad staff members who have received training and technical assistance. Overall, the results of the evaluations to date have been very positive; in the few cases of negative evaluations, the results are discussed with the respective consultant to agree on remedial actions. On the basis of the evaluations, the Programa has excluded three consultants from the registry of service providers.

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 to administer/manage municipal programs – **Targets: P5, Planned (3), Actual (12); P6, Planned (n.a.), Actual (13); P7, Planned (5), Actual (12), Projected (12).**

Discussion

During the present semi-annual reporting period, the Contractor provided technical assistance to A/B municipalities in the adoption of policy and management reforms that would allow the municipality to comply with minimum standards in transparency and democratic governance, and to improve internal management and vertical accountability through the use of management reports to the mayor and municipal council.

One of the main activities in the A/B municipalities during this period was focused on the promotion of policies to strengthen transparency and citizen participation in decision making. In the previous semi-annual reporting periods the emphasis was on the application and presentation of the results of an evaluation of the degree of compliance with legal norms and standards in different areas of municipal governance and management (“Transparency Index”). The approach also included a dialogue mechanism, in the form of a joint commission composed of mayors, council members, managers and representatives from local civil society organizations. This mechanism was established as one of the performance requirements in the letter of understanding; in A/B municipalities, by the end of this semi-annual reporting period, in 13 of 16 municipalities these commissions had presented policy recommendations to municipal councils.

During the present reporting period, the Program monitored policies and measures adopted to correct the compliance problems identified in the initial evaluation and evaluated municipal performance. In the first application of the Transparency Index, the Program worked directly with the mayor and senior municipal staff; the evaluation instrument was applied by a Program consultant. Towards the end of this reporting period, the Transparency Index was repeated in 13 municipalities; this time the instrument was applied by municipal council members, municipal managers and representatives of local civil society organizations who had participated in the joint commissions. In total, in the 13 A/B municipalities, 85 council member and municipal managers participated in the re-application of the Transparency Index; an average of more than 6 local officials per municipality. This has generated increased awareness of governance and transparency issues, and greater interest on the part of the municipal council and management in the

seeing the results of the evaluation and in determining the corrective measures required to improve compliance.

By applying the Transparency Index in consecutive years, the Program is able to monitor the performance of targeted municipalities in meeting the agreed performance requirements set out in the letters of agreement and addenda. As the table below shows, on average in the participating A/B municipalities, over the last two reporting periods, from January 1 to December 31, 2007, there has been a 19 point overall improvement in compliance with legal norms and minimum standards in most areas of municipal governance, transparency and management.

One of the most critical areas is the functioning of the municipal council and its internal decision-making process, particularly the right of the public to attend council meetings; dissemination of the calendar of council meetings and agendas; and public access to minutes of council meetings. Improvements in these compliance issues are reflected in the overall percentages in the area referring to the functioning of the municipal council, which showed a dramatic improvement, compliance increasing on average from 1% to 62% between the first and the second application of the Transparency Index in the final quarters of 2006 and 2007 respectively. Likewise, with respect to the area of citizen participation in key areas of decision making; the level of compliance with legal requirements increased from 26% to 45% over the same period.

Using the local facilitators in each municipality, the Program has monitored the progress made in the areas covered by the Transparency Index. Again, with respect to governance and accountability, one of the most important indicators is the percentage of council meetings attended by the public, which has increased significantly; this will be discussed below in Result 3. In the present reporting period, the Program has also monitored implementation of additional policy measures approved by the municipal councils, in areas such as budget management, municipal services, human resource management, procurement procedures and others. As the above table shows, there has been significant progress in most A/B municipalities.

In the key area of planning, for example, compliance with relevant norms on planning and budgeting of investment projects, increased from 37% to 54%. This improvement is reflected in PMP benchmarks. For example, in previous semi-annual reports for 2006, we reported that only 3 A/B municipalities included in their investment budgets projects that had been prioritized in their strategic development plans (PEDMS). The issue here is consistency in decision-making; the PEDMS were subject to broad citizen participation and input with the purpose of reaching a consensus on priority projects. However, the Transparency Index showed that the PEDMS were usually not used in formulating annual budgets. In contrast, during calendar year 2007, subsequent to the presentation and debate of the results of the application of the Transparency Index, 9 A/B municipalities have been using their PEDMS to set annual investment budget priorities.

Transparency Index, 2006-2007			
AREA	Average A/B Municipalities		Change 2006-2007
	2006	2007	
Planning and Budgeting	37.2%	54.7%	17.6%
Debt Management	50.8%	0.0%	-50.8%
Budget Management	69.7%	70.9%	1.2%
Financial Administration	51.8%	79.1%	27.3%
Tax Management	28.0%	31.1%	3.0%
Municipal Services	17.7%	9.4%	-8.3%
Treasury/Billing	75.2%	83.7%	8.5%
Human Resources	0.0%	9.8%	9.8%
Procurement	23.8%	45.1%	21.3%
Municipal Council	1.1%	62.0%	60.9%
Citizen Participation	26.5%	40.3%	13.8%
Total	34.5%	53.6%	19.1%

In addition to planning and budgeting, the other areas showing improvement in 2007 were financial administration and treasury, both of these referring to legally mandated processes and internal controls. Likewise there was some progress in other areas, such as procurement and human resources, although compliance still remains low.

The areas of continuing concern include debt management, referring to the formal processes through which the municipal council approves loans and the way in which these loans (disbursements and payments) are incorporated into municipal budgets and accounting. Mayors frequently incur debt without formal approval of the council, without competitive procurement and without incorporating loan funds (and payments) into budgets. Likewise with tax management, there is rarely up to date information on tax rolls, collection and arrears. The area of municipal services refers to the information available to decision makers on service provision, fee payments, and financial sustainability; overall, in most municipalities the mayors and councils have little or no information on service provision and finances. In human resources, municipalities do not adhere to legal requirements on employment contracts, and do not maintain adequate personnel records.

These and other results suggest that in many areas of governance and management, the mayors, council members and managers are unaware of relevant legal norms. Returning to the example of planning and investment budget priorities, we found that upon applying the Transparency Index, in many municipalities the recently elected council members did not even have copies of the existing PEDM and other key policy documents. By simply raising the issue in the presentation of the results, in most cases this problem was remedied immediately. Subsequently, in the municipal council debates on the investment budget, the mayor and council members paid much greater attention to the priorities that had been established in the PEDM.

In total, during this reporting period, in A/B municipalities the councils have approved 109 different policy measures to remedy the compliance problems identified in the first application of the Transparency Index. Program monitoring shows that by December 31, 2007, at least 69 of these measures had been fully implemented.

Along with the summary table showing the results by different areas of municipal governance and management, we present a table below showing the evolution of the overall measures of compliance in each A/B municipality.

Transparency Index 2006-2007			
Municipality	2006	2007	Change
La Esperanza	35.3%	81.4%	46.1%
Las Vegas	27.8%	66.3%	38.5%
Nueva Arcadia	37.6%	65.3%	27.7%
Villanueva	35.6%	64.8%	29.2%
Catacamas	34.3%	62.9%	28.6%
S. R. de Copán	44.5%	69.1%	24.6%
Puerto Cortés	45.5%	66.8%	21.3%
Potrerrillos	40.3%	57.6%	17.3%
Guaimaca	39.5%	56.6%	17.1%
San Lorenzo	30.8%	39.2%	8.4%
Tela	41.0%	40.0%	-1.0%
Choluteca	36.6%	27.3%	-9.3%

The first four municipalities listed have continued to be high performers: Las Vegas,, La Esperanza, Villanueva, and Nueva Arcadia. In these municipalities, most of them in the smaller “B” category, the councils were immediately engaged and moved quickly to make formal decisions to implement transparency and accountability policies on the basis of the results of the evaluation, sometimes even before the joint commissions had presented their policy recommendations. On average, they show a 35 point improvement in the overall scores on the Transparency Index. The areas of greatest improvement in these municipalities have been budget management, human resources and functioning of the municipal council.

The municipalities in the second group, Catacamas, Santa Rosa de Copan, Puerto Cortes, Portrerillos, and Guaimaca, were initially less willing to engage in dialogue on transparency and accountability, delaying the creation of the joint commissions and putting off formal deliberation on the policy recommendations. Even so, they have slowly advanced in implementation of improvements in some areas of governance and management; on average, they show a 21 point improvement in the overall scores on the Transparency Index.

The third group includes San Lorenzo, Tela, and Choluteca, which show scarce progress in 2007. They are municipalities in which there remains a high degree of resistance on the part of mayors, council members

and municipal managers to dialogue on issues of transparency and accountability. They showed little change in the Transparency Index.

Finally, in Comayagua, Nacaome, Choloma and Talanga the municipal councils have not instituted basic transparency measures; one of the points of greatest resistance has been allowing public access to municipal council sessions. In these municipalities it was decided not to apply the Transparency Index a second time; thus, in the table we were unable to report on progress in improving compliance. In these municipalities, the Program has recommended suspension of activities, given the low probability of success.

The other approach used in A/B municipalities has been improvement of information for decision-making. This approach has both governance and management dimensions. While the Municipal Law requires the mayor to present a report to the municipal council each trimester, these reports are usually just copies of a standardized format for financial reporting sent to the Government and Justice Ministry (SGYJ) as a requisite for the quarterly disbursement of the legally-mandated block transfer from the central government. Our monitoring of municipal council sessions indicates that these reports are not distributed beforehand to the councils and are usually approved without discussion or questions from the municipal council members. The mayors do not use them as management tools; nor are they adequate tools for council oversight.

Nevertheless, the legal requirement for the mayor to present quarterly reports to the municipal council is an opportunity. The Program has developed an improved quarterly reporting format, which presents both financial and non-financial results and output measures for each municipal department or operating unit. The objective of this tool goes beyond the legal requirement for reporting. Rather, it is intended to generate information for decision-making by the mayor and municipal managers, and at the same time, to increase the ability of the municipal council to exercise effective oversight of policy decisions and their implementation.

By the end of this reporting period, the Contractor had provided technical assistance to seven A/B municipalities to draft and present the quarterly management report to the municipal council (Nueva Arcadia, Villanueva, Portrerillos, Las Vegas, San Lorenzo and Tela). In total, the Program trained 75 municipal managers and staff in the use of the management report. All but one of the municipalities (Tela) have presented the report in open sessions of the council; and four municipalities have presented a second or third quarterly report. In 2008, the Program will support implementation of this tool in three additional A/B municipalities for a total of 10. At the same time, in high-performing municipalities, we will provide technical assistance to improve information, design results indicators and establish benchmarks in targeted departments.

Finally, in selected, high-performing A/B municipalities, the Program has channeled additional technical assistance and training to improve management in other areas. In Las Vegas, during this reporting period we have provided assistance in improvement of human resource management, including drafting policies, proposing new organizational structures, defining position descriptions and salary scales. In Tela, we have assisted the municipality in analyzing its financial management and fiscal policies, identifying medium-term trends in spending and revenues, and designing policies for rationalization of administrative and operating budgets. In La Esperanza, the Program has provided technical assistance in procurement for a municipal sewer system. And in Nueva Arcadia, we have provided assistance to design policies for the transfer of responsibilities for the operation of the municipal water system from SAANA to the municipal government.

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

Benchmarks

Number of municipalities meeting performance targets to administer/manage municipal programs – **Targets: P5, Planned (5), Actual (13); P6, Planned (n.a.), Actual (13); P7, Planned (5), Actual (13), Projected (12).**

Number of C/D municipalities able to demonstrate annual achievement of performance targets to increase municipal tax revenue and coverage of municipal services. – **Targets: P5, Planned (5), Actual (7); P6, Planned (n.a.), Actual (7); P7, Planned (5), Actual (7), Projected (10).**

Discussion

With respect to the first benchmark, referring to management of municipal programs, as in the A/B municipalities, the Contractor has provided support to C/D municipalities to carry out policy reforms in the area of transparency and accountability, using the Transparency Index. Also, the Program has channeled technical assistance and training to improve municipal core functions. In building capacity of C/D municipalities to carry out their core functions, the Contractor has used a mix of approaches. To meet the benchmarks referring to improvement of own source revenues and municipal coverage of services, the Program has employed a results-based management approach, establishing mechanisms for dialogue and decision-making between municipal authorities and local civil society organizations. Also, we have carried out needs assessments and on that basis we have provided significant technical assistance and training in all aspects of municipal finances, including budgeting, reporting to central government, financial administration, and accounting.

During this reporting period, the Program has continued to support policy reforms to strengthen municipal governance, accountability and management, using the Transparency Index as a tool to focus attention on compliance with legal norms and standards in key areas. As discussed above, the approach included a dialogue mechanism, in the form of a joint commission composed of mayors, council members, managers and representatives from local civil society organizations. This mechanism was established as one of the performance requirements in the letter of understanding; by the end of this semi-annual reporting period, in 12 of 15 C/D municipalities these commissions had presented policy recommendations to municipal councils.

By applying the Transparency Index in consecutive years, the Program is able to monitor the performance of participating municipalities in meeting the requirements set out in the letters of agreement and adedenda. Overall, in the C/D municipalities, there has been a significant improvement in compliance with legal norms and standards across most areas of municipal governance and management as measured by the Transparency Index, applied in the final quarter of 2006 and again in 2007. As the following table shows, the level of compliance in participating C/D municipalities has increased by 23 points over the last year; and in fact it has almost reached the level of compliance measured in the A/B category municipalities for 2007.

Transparency Index, 2006-2007			
AREA	Average C/D Municipalities		Change 2006-2007
	2006	2007	
Planning and Budgeting	35.3%	63.8%	28.5%
Debt Management	25.0%	0.0%	-25.0%
Budget Management	54.2%	66.2%	12.0%
Financial Administration	35.5%	59.8%	24.3%
Tax Management	27.3%	32.9%	5.6%
Municipal Services	0.0%	1.4%	1.4%
Treasury/Billing	49.6%	62.7%	13.1%
Human Resources	0.0%	3.1%	3.1%
Procurement	6.2%	27.7%	21.5%
Municipal Council	5.7%	53.8%	48.2%
Citizen Participation	26.3%	50.4%	24.0%
Total	27.2%	50.4%	23.1%

The most significant improvements are again in the functioning of the municipal council and citizen participation and access to decision-making, followed by key areas of municipal management, including planning and investment budgeting, financial administration, procurement and to a somewhat lesser extent the areas of treasury and tax management. Overall, these improvements in compliance are undoubtedly the result of the work of the joint commissions, and clearly reflect the response of the municipal councils to the joint commissions' recommendations for reforms to policies and day-to-day procedures.

Again, with respect to governance and accountability, one of the main issues is public access to decision-making in the municipal council. Like the participating A/B municipalities, the C/D municipalities have made significant progress in this respect, reflected in the improvement of the scores in the area referring to the functioning of the council.

Other areas of improvement in C/D municipalities are planning and budgeting, which reflects the increased use of the PEDMs in the annual investment budget of the municipality. Another area is budget management. Comparing 2006 and 2007, municipal spending decisions are more closely aligned with the budgets approved by the council. Also, in financial administration, and treasury, the municipalities show improved compliance.

Overall, during this reporting period, councils in C/D municipalities approved 94 policy measures to correct problems of non-compliance in different areas of governance and management. Of these, the Program was able to verify implementation of 58 measures (61%), slightly less than 5 policy measures per municipality.

Among the areas of continuing concern is debt management. In 2007, municipalities took on increased debt; however, the decisions were generally not approved by council and the loan funds (and payments) were not clearly reflected in municipal budget modifications. With respect to municipal services, the main issue is that in C/D municipalities there is insufficient attention to information on service provision and financing, reflecting in most cases a hidden subsidy for water users in the municipal center

(cabecera) paid by the taxpayers in rural areas who do not have access to water. Mayors have not wanted to raise these issues.

Comparing the evolution of the Transparency Index scores among the C/D municipalities, the best performers have been Taulabé, San Agustín, Yamaranguila and Naranjito, with an average improvement of 33 points in compliance with legal norms and standards between 2006 and 2007. This group is varied insofar as the process of reform; in Yamaranguila and Naranjito the municipal council moved quickly to implement the reforms, while in Taulabé and San Agustín the process was slower and more difficult. In Taulabé, in particular, the council initially resisted dialogue on transparency and delayed creating the joint commission. However, these municipalities all have shown gradual improvements in most areas of governance and management.

This group is followed by Villa de San Francisco, Pimienta, Sabangrande, San Nicolás, La Masica, Trinidad and San Francisco de Yojoa, with an average 15 point improvement in compliance. In general, these municipalities are characterized by an initial reform impetus which was not maintained over time. Thus, after the governance reforms to improve the functioning of the council and citizen participation, these municipalities did not follow through with improvements in other areas of municipal management such as planning and budgeting, budget management, financial administration, and tax management (this last area has been particularly weak).

Transparency Index 2006-2007			
Municipality	2006	2007	Change
Taulabé	21.1%	62.2%	41.1%
San Agustín	31.6%	69.7%	38.1%
Yamaranguila	30.8%	59.5%	28.7%
Naranjito	27.5%	53.6%	26.1%
Villa de S.F.	19.7%	39.9%	20.2%
Pimienta	33.2%	51.5%	18.3%
Sabanagrande	24.6%	42.7%	18.1%
San Nicolás	28.9%	46.7%	17.8%
La Másica	25.7%	40.4%	14.7%
Trinidad	42.9%	52.5%	9.6%
S. F. de Yojoa	54.4%	62.7%	8.3%
Meámbar	0.5%	26.3%	25.8%

Finally, with respect to Meambar, despite an apparent improvement, this municipality shows a very low level of compliance with legal norms and standards. However, owing to the presence of a TSC audit team throughout most of this reporting period, it was not possible to provide technical assistance and training. The Program will evaluate the progress in the first months of 2008, and decide on whether to maintain activities in this municipality.

The Transparency Index was not applied again in 2007 in Ceguaca, Yuscarán and Concepción de María; owing to poor performance. The Contractor has recommended that activities be suspended in these municipalities.

In addition to support for policy measures to correct areas of non-compliance identified by the Transparency Index, during this reporting period the Program provided technical assistance and training in other core management functions in C/D municipalities. The areas are: accounting and budget management; reporting to central government; integrated financial management systems; quarterly reports presented by mayors to municipal councils; increased tax revenues; and improvement of municipal services.

As summarized in the table below, during the course of 2007, the Program has carried out a total of 43 technical assistance activities in 13 C/D municipalities, of which 26 TA activities were initiated in the first semester of 2007, and 17 TA activities in the second semester, which corresponds to the present reporting period.

Technical Assistance to C/D Municipalities, 2007											
Municipality	Accounting and Budget	Mngmt Reports	I B I	I C I	SAFT	Services		Annual Tax Schedule	Tax Billing	Human Resources	Total
						Water	Sewerage				
Concepción de María	1		1								2
Meámbar	1										1
Naranjito	1	1	1								3
Pimienta	1		2					1			4
Sabanagrande	1		1					1		1	4
San Nicolás		1			1	1					3
San Agustín	1		1		1	1					4
San Francisco de Yojoa	1	1		1	1				1		5
Taulabé	1		1		1						3
Trinidad			1	1							2
Villa de San Fco	1	1	1			1		1	1	1	7
Yamaranguila			1		1		1	1			4
La Masica	0		1								1
Total	9	4	11	2	5	3	1	4	2	2	43

Note: IBI is the property tax; ICI is the industry, services and commerce tax; and SAFT is the integrated financial management system.

During the first semester of 2007, most of the 26 technical assistance activities were focused on tax revenue improvement, accounting and budgeting, and installation of an integrated financial management system developed for small municipalities (SAFT). All but 6 of these technical assistance activities were carried over into the second semester, in that most have required monitoring of municipal commitments and agreed performance indicators, and definition of followup activities and remedial actions. The activities relating to tax revenue improvement and installation of SAFT were particularly demanding in this respect.

Initially, the Program planned to provide technical assistance simultaneously in own source revenue and municipal service improvement. However, after consultations with municipal authorities, the decision was made to proceed in 2007 with technical assistance to increase local tax revenues, and subsequently with municipal service improvement in 2008. The reason was the relatively small size of the municipal teams (less than 10 employees in total) and their limited “absorption capacity” with respect to changes in policies and procedures. The technical assistance in improvement of tax revenues focused basically on property tax and the tax on industry, commerce and services (respectively, I.B.I and I.C.S. in the summary table headings) and in one case (Pimienta) on expansion of the tax cadastre in the town center and peripheral areas.

During the second semester, corresponding to the present reporting period, the 17 new TA activities focused on implementation of management reporting procedures, water and sewerage service improvement plans, design and drafting of annual tax schedules (*plan de arbitrios*) tax billing and human resources.

Compliance with Commitments Established in Addenda with C/D Municipalities			
Municipality	>75%	50-75%	<50%
La Masica		x	
Taulabé		x	
San Nicolás*			x
Pimienta		x	
San Francisco de Yojoa		x	
Sabanagrande		x	
Villa de San Francisco		x	
Naranjito	x		
Trinidad		x	
San Agustín	x		
Yamaranguila	x		
Note: *TA for improvement of own source revenue initiated in November, 2007			

Following the results-based management approach, the Program took the policy recommendations developed by the municipal commissions and designed scopes of work (SOW) for the contracts with local service providers. As explained in the discussion of P.R. 1.2 and P.R. 1.3, these SOWs were mirrored by addenda to the letters of agreement signed with the municipality, setting out additional commitments, objectives and targets referring to the proposed changes in policies and administrative processes and procedures.

The table above shows the level of compliance with the addenda signed with the participating C/D municipalities. It is important to note that some of the commitments are measured on an annual basis; in these cases, it is not possible yet to verify compliance. Despite this caveat, in general, the municipalities receiving technical assistance have continued to meet their commitments with respect to changes in policies and administrative processes and procedures. In three municipalities, Naranjito, San Agustín and Yamaranguila, there is a high level of compliance; while the remaining municipalities show an intermediate level. In the one case of low compliance, San Nicolás, technical assistance was initiated late in 2007; thus, by the end of the reporting period, only a few of the commitments established in the addendum has been met.

Finally, with respect to the benchmark for annual increases in tax revenue, at time of submission of this report, most of the C/D municipalities had not completed their 2007 financial statements and budget reports. Thus, it is not possible to report on this indicator. It will be presented in the subsequent semi-annual report.

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

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 mancomunidades with signed agreements specifying areas for provision of TA to members– **Targets: P5, Planned (5), Actual (0); P6, Planned (5), Actual (5): P7, Planned (5), Actual (5), Projected (5)**

Number of member municipalities receiving technical assistance from UTIs in targeted mancomunidades– **Targets: P5, Planned (6), Actual (0); P6, Planned (10), Actual (0): P7, Planned (10), Actual (6), Projected (10)**

Number of member municipalities of mancomunidades meeting targets in administration of municipal programs - **Targets: P5, Planned (2), Actual (0); P6, Planned (6), Actual (0): P7, Planned (10), Actual (6), Projected (10)**

Discussion

During this reporting period, the Program focused on improving governance and management of the mancomunidades, working with the governing boards to design and implement institutional strengthening plans, with the objective of building the capacity of the Inter-municipal Technical Units (UTIs). As reported above, the Program made adjustments to the selection of mancomunidades; at present the five targeted mancomunidades are: MAMUCA, MAVAQUI, HIGUITO, AMUPROLAGO and MUNASBAR. Subsequently, each mancomunidad, in consultation with the Program, selected 2 C/D municipalities to receive technical assistance from the respective UTI:

MAMUCA	MAVAQUI	HIGUITO	AMUPROLAGO	MUNASBAR
Arizona	Azacualpa	Dulce Nombre	San José	El Nispero
San Francisco	Protección	Cucuyagua	Ilama	Atima

The starting point for the design of the institutional strengthening plans was the assessment of each mancomunidad carried out by the Program, which evaluated internal governance and decision-making, accountability, financial management, project administration, human resources, finances and infrastructure. The Program worked with the boards of the mancomunidades to strengthen the role of the mayors in decision-making and at the same time reinforce the commitment of member municipalities to the financial sustainability of the institution. In some cases, this process has resulted in a few of the member municipalities leaving the mancomunidad; however, those municipalities that have remained have a renewed interest in making the mancomunidad an effective mechanism for improvement of municipal capacity.

The technical assistance to the UTIs has focused on areas such as management and financial reports to governing boards and assemblies; follow-up of implementation of board decisions; internal controls and auditing; operation planning; standardization and documentation of administrative processes and

procedures (for example, use of vehicles and travel); and improvement of financial management, including budgeting, accounting and financial record keeping. By December 31, in three of the five participating mancomunidades, the boards and assemblies have received management and financial reports, and have presented up to date financial statements for 2007 and operating budgets for 2008. One of the most important impacts has been to focus attention on financial sustainability. Before, the accounting systems were focused exclusively on the individual projects funded by donors; now, for the first time, the governing boards and management have an understanding of overall operating costs and revenues. As a result, the mancomunidades are giving greater emphasis to revenue; the Program has provided assistance to three of the mancomunidades in designing additional income-generating activities, to be carried out in 2008.

In this reporting period, the Contractor also worked with the UTIs of the participating mancomunidades to initiate technical assistance to the 10 member municipalities (two in each mancomunidad). The Contractor carried out a rapid assessment of municipal revenues in all 10 municipalities, and trained the staff of the UTIs in the use of strategic program management tools and their application to improvement of municipal revenue management. In six municipalities from three of the five participating mancomunidades (AMUPROLAGO, HIGUITO and MAMUCA) the UTIs initiated support for the joint commissions of municipal officials and representatives of community organizations. The six commissions have on average 6 members, usually divided equally between municipal officials and community representatives.

The role of the commissions is to review municipal finances and identify priorities for improvement of municipal own source revenues. By December 31, six commissions had finished their revenue improvement plans; in the remaining four municipalities, the UTIs will initiate support for joint commissions in the first months of 2008. The joint commissions have mainly focused on improving collection of the property tax in urban and rural areas and to a lesser extent the tax on industry, services and commerce.

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: P5, Planned (5), Actual (16); P6, Planned (16), Projected (16)

Number of C/D municipalities meeting performance goals for procurement of goods and services –
Targets: P5, Planned (10), Actual (11); P6, Planned (15), Projected (13)

Number of mancomunidades meeting performance goals for procurement of goods and services –
Targets: P5, Planned (2), Actual (5); P6, Planned (5), Projected (5)

Discussion

As reported in the previous semi-annual report, the Contractor has completed this performance requirement, reaching and exceeding established benchmarks. In total, since this activity was initiated in 2005, 300 people have received training in procurement (185 men and 115 women). Of the total, 230 were municipal authorities and employees; 26 were from mancomunidades, and 44 were representatives from civil society organizations, including transparency commissions. The Contractor has submitted two versions of the desktop reference and guide for procurement in 2006 and 2007 (incorporating changes in the national procurement law).

In this reporting period, the Contractor has submitted the pending deliverables for this performance requirement: the updated desktop reference and best practices document outlining issues and common problems.

Owing to continued demand for technical assistance from both A/B and C/D categories of municipalities in carrying out large procurement actions and in implementing projects with FHIS and ERP funding, the Program will continue to provide a limited level of focused technical assistance in procurement throughout 2008.

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

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

Performance standards and Benchmarks

Performance Standard 1.10. Ways to better use of DASM Resources recommended

Discussion

As reported in the previous semi-annual report, the Contractor has completed this performance requirement, meeting all standards and benchmarks. No further activities with DASM will be carried out during the remainder of the Task Order.

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

Equipment procured for UAPOI and recommend maintenance schedule established, and strategy for UAPOI sustainability provided.

Discussion:

As reported in the previous semi-annual report, the Contractor has completed this performance requirement, meeting all standards and benchmarks. No further activities with UAPOI will be carried out during the remainder of the Task Order.

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:

This result combines activities in several different areas related to strengthening of municipal government transparency and democratic governance. On the one hand, it targets AMHON as the apex association of local governments, with the purpose of strengthening its internal governance and its capacity to promote a decentralization policy agenda. On the other hand, it focuses on promoting transparent and ethical conduct of businesses at the local level, engaging them in development and implementation of policies and measures to strengthen transparency and prevent corruption in municipal government.

Result 2: Performance Milestone Plan Indicators

Indicator	P4		P5		P6	
	Planned	Actual	Planned	Actual	Planned	Actual
% of AHMON Board decisions implemented by technical team and documented back to the Board (annual)	50	69	75	89	75	89
Amount of resources (cash or in-kind) leveraged from private sector for increasing good governance and ethical practices	\$0	\$0	\$30,000	\$0	\$0	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.–

Targets: P4, Planned (initiated), Actual (initiated); P5, Planned (completed), Actual (completed)

Discussion

As reported in the previous semi-annual report, the Contractor has completed this performance requirement, meeting all standards and benchmarks. No further board development activities with AMHON will be carried out during the remainder of the Task Order.

However, in accordance with P.R. 6.1, the Contractor will continue to coordinate activities with AMHON throughout 2008 and 2009, to document and disseminate best practices in municipal governance and management.

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

Discussion

As reported in the semi-annual report for July-December 2006, the Contractor has completed this performance requirement, meeting all standards and benchmarks. No further activities with the CNA will be carried out during the remainder of the Task Order.

However, in accordance with P.R. 6.1, the Contractor will continue to coordinate activities with the CNA throughout 2008 and 2009, to document and disseminate best practices in the area of transparency and accountability.

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: P5 Planned (Started), Actual (Delayed, subject to approval of modified approach); P6 Planned (Started in 2 municipalities), Actual (started in 2 municipalities); P7, Planned (completed in 2 municipalities), Actual (completed in 1 municipality); Projected (completed in 1 municipality and started in another 2 municipalities).**

Discussion

As a result of the Task order modification approved in June 2006, the Contractor changed the focus of the activities with the private sector, from general issues of corporate governance and ethics to more specific issues of business responsibility for promoting transparency and reducing opportunities for corruption in routine transactions with municipal governments, and specifically, applications for business licenses and building permits (construction of new buildings or renovations), which are of significant importance to the local private sector. The approach was based on the model of a single customer service center (*ventanilla única*) that would greatly reduce the time and red tape associated with these activities.

To generate leadership and commitment, and to guarantee the sustainability of the proposed reforms, the approach included a role for the private sector, represented in the local Chambers of Commerce, and in the national Federation of Chambers of Commerce (Fedecamara). During this reporting period, the Contractor worked with the municipal governments of La Esperanza and Villanueva to redesign and simplify the processes and procedures involved in applications for business licenses and construction. As reported in the previous semi-annual report, this activity was based on addenda to the letters of agreement, establishing commitments by the municipal council to implement policies to simplify processes and procedures.

In both municipalities, the Contractor carried out diagnoses of existing organizational structure, policies, administrative processes and procedures. Each diagnosis was carried out with a group of municipal managers and representatives from the local Chamber of Commerce. This same group participated in the design of the technical proposal. The draft proposal, a manual for the functioning of the *ventanilla única*, was then discussed with the mayor, and the final version was submitted for consideration by the municipal council.

In Villanueva, the municipal council supported the proposal, and passed a decree (*acuerdo municipal*) approving the implementation of the manual. The council also agreed to budget \$13,000 dollars for the renovation of reorganization and renovation of the municipal offices, including purchase of office furniture and equipment for the customer service center. It was formally inaugurated on November 2, 2007. In subsequent semi-annual reports, we will present the results of monitoring of the reforms in terms of the reduction of times in processing of applications for business licenses and building permits.

In La Esperanza, the technical proposal has not yet been implemented by the municipality. The mayor requested the Program to delay submission of the proposal to the council, owing to overload of municipal staff in other activities, including a large-scale procurement and implementation of a municipal sewerage system.

The Program was successful in engaging the local Chambers of Commerce in the proposals for the creation of the *ventanilla única*. Local business leaders dedicated time to work with the municipal teams in the diagnoses and design of the proposals, but it was not been possible to raise donations for this activity. Nevertheless, the Contractor has continued efforts to leverage counterpart resources from the Honduran private sector.

In November-December 2007, the Program presented the results of the Villanueva project to COHEP and Fedecamara, and proposed to extend this activity to several additional municipalities. In principle, COHEP and Fedecamara have agreed to dedicate staff time to implement the project in two municipalities. Also, AMHON has expressed interest in participating. The results of this initiative, including a calculation of private sector contributions, will be presented in the next semi-annual report.

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 citizen participation both in decision-making and in oversight of implementation. As explained in the Introduction, in this result the Contractor has emphasized the creation of consultative mechanisms to facilitate participation of local CSOs in decision-making in policies to strengthen transparency and governance, and in measures to increase municipal own source revenues and improve the coverage of municipal services. In addition, during this reporting period, the Program has supported processes of consultation and debate on decisions in key areas of municipal policy, involving significant numbers of community leaders and activists, as well as initiatives to strengthen the participation of CSOs in local transparency commissions.

Indicator	P6		P7		
	Planned	Actual	Planned	Actual	Projected
Number of local government decisions with impact on local development where participation of broad-based coalitions can be documented					
A & B	18	82	30	109	125
C & D	45	117	60	118	120
Number of broad based coalitions monitoring performance of their local governments					
A & B	5	10	5	11	11
C & D	12	13	15	13	12

While the contract does not specify quantitative indicators or benchmarks for participation of civil society organizations, it is worth noting the scale of community participation in the various activities carried out during this reporting period. In the activities in support of P.R. 3.1 and P.R. 3.2, just in this period, the Program worked with 452 leaders and activists of CSOs in 25 municipalities, an average of 18 per municipality.

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: P4, Planned (Completed), Actual (Completed).**

Discussion

In the semi-annual report for July-December, 2006, the Contractor reported that the selection system has been 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 practical terms, the Program first selects the municipality, and then works to strengthen the role of local civil society organizations in decision-making

and oversight in that municipality. During the present reporting period, the Program has initiated new approaches, aimed at involving larger numbers of representatives and activists of local CSOs in monitoring the performance of their municipal governments and engaging them in debates on key municipal policy issues.

Performance Requirement #3.2 – Build capacity of broad based coalitions of locally organized civil society to engage local governments 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: P5, Planned (13), Actual (50); P6 Planned (18), Actual (82); P7, Planned (30), Actual (109), Projected (125)**

Number of local government decisions with impact on local development where participation of broad based coalitions can be documented in C/D municipalities – **Targets: P5, Planned (25), Actual (64); P6 Planned (45), Actual (117); P7, Planned (60), Actual (18), Projected (120)**

Discussion

Applying the technical approach set out in the Work Plan, during this semi-annual reporting period the Contractor has emphasized four areas for building the capacity of local CSOs to influence municipal decision-making: design of policy measures to strengthen transparency and democratic governance and improve municipal management, applied in the A/B and C/D municipalities; policies to increase own source revenues and expand service provision through action plans developed by joint commissions of municipal officials and managers and representatives of local CSOs, limited to the C/D municipalities; community consultations on annual budget priorities, in both A/B and C/D municipalities; and support for public debates on municipal policies, such as fiscal policy or service provision, mostly in A/B municipalities.

In all of the activities in support of CSO involvement in decision-making, the approach of the Program has been aimed at generating constructive debate and consensus, seeking to avoid confrontation and conflict. However, as we noted in the Introduction, one of the main challenges in implementing the Result 1 and Result 3 activities under the Task Order is maintaining the political will of municipal councils to undertake reforms to reinforce transparency and accountability, even while supporting activities with local CSOs in dialogue, debate and oversight of municipal decisions. Our experience during this reporting period shows that many mayors and council members have low tolerance for dialogue and public debate with CSOs; public debate is seen as an opportunity for the political opposition to criticize the administration.

What this means in practice is that the progress in activities with local CSOs is in large part dependent on progress in engaging municipal authorities in reforms to open up decision-making processes. Responding to this challenge, the approach of the Program has been to channel participation of CSOs to specific issues and to provide CSO leaders and activists with sufficient information so as to make the dialogue as objective as possible..

Thus, with respect to municipal policies for strengthening transparency, accountability and management, in the design of the methodology for the Transparency Index, the participation of CSOs was focused on reviewing the results of the evaluation and formulating recommendations for policy measures, again through the creation of joint commissions with municipal authorities. As we discussed above in Result 1, during this reporting period, in A/B municipalities the municipal councils, following the recommendations of the joint commissions, have approved and implemented 69 policy measures to remedy the compliance problems identified in the application of the Transparency Index; in C/D

municipalities, the Program was able to verify implementation of 58 measures in response to the commissions' recommendations.

The Program also supported CSOs in community budget consultations, with the purpose of identifying and prioritizing projects for the 2008 municipal investment budgets. The consultations were carried out in one A/B category municipality, Villanueva, and five C/D municipalities: La Masica, Taulabé, Pimienta, San Francisco de Yojoa and Sabanagrande. The choice of these municipalities was determined principally by the interest of the mayors, who were open to the involvement of CSOs in the budget process. In total, 156 CSO leaders and activists participated in the consultations; an average of 26 per municipality. In 2008, the Program will continue to work with these leaders in monitoring municipal council budget decisions and pressing for implementation of the projects prioritized through community consultations.

Finally, during this reporting period the Program has supported broader, higher-profile public debates on key municipal policies, with the objective of involving larger numbers of CSO leaders and activists. In Tela, the Program worked with a group of 39 CSO leaders to analyse the critical financial situation of the municipality, characterized by rising operational costs and falling investment budgets. After a series of public meetings to discuss the fiscal crisis, the CSOs appointed a commission to formulate recommendations to the municipal council. Subsequently, the municipality agreed to accept the recommendations of the commission. The Program will support these same CSOs in monitoring implementation.

In the municipality of La Entrada (Nueva Arcadia), the Program has also supported public debates with CSOs about the "management model" for the transfer of the water services from SANAA to the municipal government, scheduled to occur in 2008. While the performance requirement referring to technical assistance for the transfer of water systems was eliminated in the June, 2006 budget modification, nevertheless the Program considers that the transfer process is an opportunity to engage CSOs in dialogue with the municipality on the general guidelines for operation and financing of the system. During this reporting period, the Program carried out the first in a series of workshops with 24 CSO representatives to discuss the alternatives for managing the water system, and their implications for governance, management and financing. The workshops will continue in 2008, with the objective of reaching a consensus among the CSOs and presenting a unanimous recommendation to the municipal council.

In both of the initiatives carried out during this reporting period, the approach has been to generate participation from a broad spectrum of CSOs. While the contract does not specify quantitative performance benchmarks, indicators or targets for citizen participation, it is worth mentioning that this approach tends to involve a much larger number of CSO leaders and activists than the other, more focused approaches discussed above. While the participation in these public debates might be less "deep", in that it doesn't suppose a sustained dialogue with municipal officials, it does provide improved information inputs into public debate, giving CSOs access to information on municipal planning, budgeting, administration and finances, and in this way improving the quality of public debate and CSO participation.

Of course, precisely because of the broad community interests involved, and the number of participating CSOs, these kinds of debates have inherent risks. From the experience in Tela and La Entrada, it is clear that the participants see these initiatives as spaces for democratic decision-making, and expect municipal authorities to heed their recommendations. This "plebiscitary" dimension brings with it the potential for conflict with mayors, and for politicization, as opposition council members attempt to ride on the back of what is intended to be a non-partisan dialogue. However, this seems to be an inevitable consequence of public debate.

Moreover, these risks are compensated by the high levels of citizen participation that the debates generate; by the potential for engaging a pluralistic group of CSOs in local affairs; and by the magnitude and importance of the policy decisions under consideration. Thus, the Program plans to continue with the debates in Tela, La Entrada and additional A/B municipalities in 2008. In each case, we will identify issues of broad interest and convene public meetings to measure the degree of interest and commitment of CSO leaders before committing resources to collecting, processing and analyzing information from the municipality.

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*

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: P5, Planned (3), Actual (6); P6, Planned (5), Actual (10); P7, Planned (5), Actual (11), Projected (11).**

Number of C/D municipalities where broad-based coalitions are annually monitoring performance of their local government – **Targets: P5, Planned (8), Actual (12); P6, Planned (12), Actual (13); P7, Planned (15), Actual (13), Projected (12).**

Discussion

As we reported above in Result 1, in 12 A/B municipalities and 13 C/D municipalities, the councils have formally approved decisions to improve compliance with a range of legal norms related to transparency and accountability, including access to council decision-making. Thus, when we discuss monitoring of municipal decisions by CSOs, we are referring to those 25 municipalities in which there is in fact access to decision-making processes. This is the minimum condition for carrying out monitoring of local government decisions.

While all of the municipalities have approved decrees formally ratifying the legal requirement to open council sessions to the general public, in practice there remain obstacles to participation. For example, the mayors frequently decide to meet in their offices rather than the auditorium reserved for council meetings, or they change the dates of council sessions, convening council members by telephone on very short notice. Despite these obstacles, in A/B municipalities there has been substantial progress. During the present reporting period, from July 1 to December 31, 2007, about 54% of council meetings were attended by members of the public, compared to 25% in the previous reporting period, from January 1 to June 30, 2007.

Compared to the A/B category municipalities, the participating C/D municipalities show significantly better performance in this indicator. Also, this performance level has continued to improve over time: from July 1 to December 31, 2007, about 90% of council meetings in C/D municipalities were attended by members of the public, compared to just 72% in the previous reporting period, from January 1 to June 30, 2007.

Opening municipal council sessions doesn't automatically generate participation. Activists and leaders of CSOs were accustomed to presenting petitions to municipal councils for specific issues; in some municipalities the initial reaction of the public was muted. To counter this problem, the Program's local facilitators carried out communications activities to inform CSOs of dates and agendas of municipal

council sessions; meeting with CSO leaders and members; distributing the resolutions of the municipal councils approving basic transparency measures; and presenting information bulletins on council agendas and decisions in local communications media (television, radio and printed press). In this respect, the Program has made considerable progress in generating and institutionalizing decisions by municipal governments to make the council session a space for citizen participation and oversight of decisionmaking.

Indicators of Progress in Open Council Sessions				
Period	% of Council Sessions Open to Public		Average No. of People Attending Public Council Sessions	
	A/B	C/D	A/B	C/D
Oct.-Dec., 2006	4.3	29.7	4	10
Jan.-March, 2007	17.3	66.3	18	10
April-June, 2007	33.0	79.1	27	26
July-Sept. 2007	48.1	89.3	10	20
October-Dec. 2007	56.8	90.9	10	17

In the short term, it is not possible to generate high levels of citizen participation in council meetings. Of course, there are exceptional cases, towns like Yamaranguila in which the council meetings often seem like *cabildos abiertos*, at times with attendance of upwards of 75-100 people. These are clearly a minority even among the C/D municipalities and reflect a historical practice constructed over long periods of time. Indeed, the results of the Program activities in 25 municipalities show that it will take time to build and reinforce practices of citizen participation in municipal councils. In A/B municipalities, during this reporting period, an average of 10 people participated in council sessions; and in C/D municipalities the average was 17 people.

In most of the open municipal council sessions, there is participation by representatives of local CSOs—usually 2 to 4 organizations in each meeting. They represent transparency commissions, *patronatos* and federations of *patronatos*, legally mandated municipal development councils and sectoral committees (health, education, disaster prevention, rural development, etc), water boards, parents associations, religious groups, teachers unions, peasant associations, cooperatives and other local producers organizations.

In addition to the activities focused on citizen participation in municipal council sessions, the Program has supported other oversight activities with local CSOs. In previous semi-annual reports we have emphasized monitoring of implementation of transparency policies. During this reporting period, the Program adjusted the methodology of the Transparency Index, to involve CSO leaders directly in the application of the evaluation instrument. In the reapplication of the Transparency Index, the Program trained 126 leaders of CSOs in the methodology; involving on average 5 CSOs in each municipality. This change in the methodology will improve the participation of the CSOs in analyzing the results of the evaluation.

In this reporting period, too, the Program has maintained the joint commissions for revenues and services that are integral to the success of the strategic program management methodology because they serve as a means of identifying priorities and policy measures, on the one hand, and for generating accountability of municipal authorities for implementing the measures, on the other. On average these commissions have 10-12 members, of which half are usually municipal officials and the other half CSO leaders. The joint commissions for improving revenues have followed-up municipal decision-making in six of 12 C/D municipalities by December, 2007: Yamaranguila, San Francisco de Yojoa, Pimienta, San Agustin, Trinidad and Naranjito. The commissions reviewed the policy measures agreed to by the municipal authorities, evaluated progress according to the indicators and benchmarks, and made recommendations

for remedial actions. With respect to the joint commissions for service improvement, during this reporting period, they have been active in five of the 12 C/D municipalities, monitoring the design of projects to increase service coverage and quality: Yamaranguila, San Nicolas; San Agustin, and Villa de San Francisco.

During this reporting period the Contractor has initiated support for other kinds of CSO oversight. While the Task Order refers to “oversight functions of public funds”, through “social auditing of specific projects”, the Contractor considers that this kind of approach could jeopardize other Program activities. Even with safeguards to ensure that social audits are politically neutral, there is a high risk of conflict, which could undermine progress in other Program activities. Thus, the Contractor has proceeded cautiously during this reporting period, supporting social audits in 7 A/B category municipalities and two C/D municipality.

The social audits involved a total of 119 CSO leaders and activists, an average of 13 per municipality. They covered a range of areas of municipal decision-making, including the functioning of the municipal council (Portrerillos); management of public markets (Comayagua); complex procurement for construction of municipal sewerage services (La Esperanza); community managed small infrastructure projects (Nueva Arcadia); and a variety small projects implemented with ERP funding (Naranjito, San Nicolas, Guiamaca, and Puerto Cortes). In all of the social audits carried out to date, the municipal council gave its prior approval for the audit.

Most of the social audits have identified problems of non-compliance with legal norms in procurement and administration of public funds (ERP) or inefficiencies in administration. In none of the cases were there findings to suggest misuse or misappropriation of public funds. However, it should be noted that the Program has not supported CSOs to carry out social audits in which the municipality would not give its prior approval. While this approach has the advantage of avoiding potentially conflictive situations, of course, it also limits the use of social auditing precisely where it is likely to be of most use (i.e., where municipal governments do not want CSO oversight).

Finally, the Program has also provided focused support to strengthen Transparency Commissions in Las Vegas, Taulabé and Pimienta. The support is aimed at engaging a broader base of CSOs in the activities of the commissions. For example, in Las Vegas, the Program has supported the commission in organizing an assembly of CSOs to elect a new board, and to design a medium term plan, with specific activities (some of which may be eligible for funding by the Program’s small projects fund in 2008). In Taulabé and Pimienta, the support has been focused on definition of operating plans, including social auditing initiatives. In total, these three initiatives have involved representatives from 66 local CSOs, an average of 22 per municipality.

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

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

Discussion

The Contractor concluded almost all of the activities within this result during previous reporting periods, as described in the third semi-annual report. There remains one performance requirements: P.R. 4.2, referring to the report on the transition action plans and lessons learned. The deliverables was submitted to USAID and comments and revisions were requested, and the Contractor will submit a revised version at the end of performance period 7, as an input for planned workshops with AMHON and donor organizations on strategies for the subsequent electoral transition prior to, during and after the 2009 municipal elections. .

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	P6		P7		
	Planned	Actual	Planned	Actual	Projected
Number of funded activities with BBCs (cumulative)	15	0	15	0	5
Number of funded activities with mancomunidades (cumulative)	0	0	5	0	2

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 and mancomunidades– **Target: P4, Planned (0); P5, Planned (15), Actual (0); P6, Planned 15, Actual (0), Projected (5).**

Discussion

After the issuance of the modified Task Order, the resources available for this activity were reduced from \$2 million to \$300,000. The approach will be to provide co-funding of activities of broad-based coalitions and mancomunidades in support of Program objectives.

During this semi-annual reporting period, the Contractor prepared a new manual with guidelines for funding of small projects with CSOs and mancomunidades. This will be presented to USAID Honduras in January, 2008. The co-funding of activities with CSOs and mancomunidades has not been initiated. The emphasis in the activities with CSOs has been on participation and oversight in formal decision-making processes; in subsequent reporting periods the scope of activities will be broadened, which will generate opportunities for co-funding of projects. In performance period 7 the Contractor will initiate co-funding to projects with 5 coalitions of CSOs in targeted A/B and C/D municipalities and to at least 2 mancomunidades.

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

Result Summary: The focus of this result is to consolidate and report on information of importance in the development of the municipal, decentralization and local government sectors and to disseminate lessons learned.

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

Discussion

As established in the performance requirement, the Contractor will serve as administrative assistant (technical secretary) in the Donors Table for Decentralization, as long as USAID is head of the Table. During this reporting period, three ordinary monthly meetings were held during the months of August, September and November. The August meeting was of particular significance, as it was held in the presence of the recently nominated (July 2007) Minister of the Interior (Governance and Justice), Dr. Edmundo Orellana Mercado. USAID handed over the presidency during the month of October to the Sweden International Cooperating Agency – ASDI / SIDA. The Contractor was requested to coordinate the turnover of information to the designated Technical Secretary (funded by COSUDE), and support was also provided for the preparation of the Terms of Reference for the mentioned position.

Upon request of the Minister of the Interior (Governance and Justice), the Donors Table along with the Municipal Association of Honduras – AMHON, began coordination of activities with the Decentralization Technical Unit – UTD. Three working tables were established: 1) Joint Agenda, 2) Municipal Information Systems, and 3) Strategic Plans. The Contractor participated in the first two tables during the months of October and November; however, at the closing of this reporting period, progress had only been made in the Strategic Plans table. For the other two tables, there was no progress due in part to the lack of internal leadership and coordination within the Ministry and the UTD.

The contractor was requested by the Donors Table to review various working documents and reports related to contracted consultancies by the Ministry-UTD (IDB funding) for the design of the National Decentralization Policy, including progress reports and the Municipal Funding Policy. The Terms of Reference for the design of the policy, coordinated by the UTD, established an official presentation of the National Policy by November 29, 2007; however, at the closing of this reporting period, such activity had not been executed.

Other Coordination with Cooperating Agencies and Programs:

One of the technical assistance activities defined by the Contractor to respond to **Result 1**, *“Municipalities able to demonstrate annual achievement of goals for administration and management of municipal programs”*, is the assistance for improvement of administrative and accounting systems in municipalities. For some of these municipalities, the installation of the municipal administration software – SAFT, designed by the DFM –AECI Program was executed with the purpose of improving the software. To this effect, the contractor has participated during the period in two workshops and several meetings with the rest of cooperating agencies which are utilizing the software: **Dfm-AECI, Pridemun II, Proyecto Norte – Finland (UN), COSUDE and JICA.**

Also, for the Successful Experiences in Municipal Management Workshop held by the project in Copan Ruinas during November, with co-financing from AMHON, the Contractor coordinated at their request,

with the **Dfm-AECI and Pridemun-COSUDE** program. The purpose of this coordination was to present two successful experiences (**La Masica- AECI and Morazan, Yoro-COSUDE**).

For this workshop, coordination was also made with the Departamento de Auditorias al Sector Municipal – **DASM** of the Tribunal Superior de Cuentas – **TSC**. This participation was of much interest to participants (in majority mayors) who are interested in receiving more extensive training during 2008 in topics related to recurrent findings in municipal audits.

During the period, contact has been maintained with the **Louis Berger** firm, contractor of the PATMUNI Program of the Ministry – UTD, the GTAG Project coincides in 4 A/B municipalities (Choloma, Pimienta, Villanueva and Potrerillos). Additionally, exchange of information has taken place with the Office of the National Commissioner of the **PRS (ERP)**. The contractor also maintains periodic contacts with program officers in charge of the municipal sector for the **World Bank, IDB and KFW and MCA**. Likewise, the Contractor has maintained contacts with **FHIS-DIM** to coordinate infrastructure projects for water and sanitation in project municipalities.

Within the framework of **Performance Requirement 1.7**, regarding work with Mancomunidades, the Contractor has coordinated during the period with the **DFM-AECI** Program in relation to complementary activities to support the strengthening of the Technical Units – UTI in mancomunidades. In this regard, technical meetings have been coordinated for MAVAQUI, MAMUCA and MUNASBAR mancomunidades. USAID representatives have been present during some of these meetings.

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

Discussion

See presentation of updated municipal data base in Annex B

ISSUES AND REMEDIES TO ASSIST IN PERFORMANCE BASED DECISION MAKING

In this section, we will review past issues 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 Seventh Semi Annual Report:

1. Modification Contract: for the period for this report, the contractor has been able to establish, in terms of the municipalities' performance, work with CSOs and work with the private sector, aspects and necessary areas requiring a review in regards to the performance requirements established in the contract; that is the reason for requesting the contract's modification in this period for the following results:

Result 1, PR 1.4, Result 2, PR 2.3 and result 3, PR 3.4.2 (2). The request and modification establishes a change in the number of municipalities, increasing A/B municipalities from 5 to 10 and reducing the number of C/D municipalities from 15 to 10. It is expected to do what is necessary to exit from bad performance municipalities and be able to focus efforts in those where significant advances are being accomplished in terms of the proposals made by the Program.

2. Social Audit: Difficulties in performing a social audit have been reported, especially in projects with PRS funds due to management issues and lack of transparency. While there are advances in some municipalities and opportunities will continue to be identified to promote social audits, caution should be exerted when advancing in this aspect.

3. Mancomunidades: The contractor reported low performance for the Mancomunidad Yeguaré, selected among the five (5) Program mancomunidades. Among the main problems, the change in the presidency four times in just three-month (3) period, the transfer of the Inter Municipal Unit (UTI) to the municipality of Yuscarán, lack of equipment, lawsuit from some technician against the mancomunidad and the desertion from other municipalities. Others cooperants and organizations have also withdrawn their support to Yeguaré (Zamorano, FHIS-KFW, Pridemun II). For the period covered by this report, the contractor included Munasbar in substitution of Yeguaré and has started an assistance process for this mancomunidad. A slight delay is reported in what was programmed for Munasbar in regards with the rest of the mancomunidades.

4. Private Sector: The results from the effort done in the period in response to PR 2.3, where the contractor, in coordination with Fedecamara, inaugurated the Municipal Sole Management Window in Villanueva (Ventanilla Única de Gestión en Villanueva), have been very significant, so much so that other municipalities have requested Fedecamara support to carry out the same activity. On the other hand, AMHON stated the same interest in learning about the methodology and be able to apply it in some big, A/B category municipalities in the country; this in terms of criticism received from these municipalities for the lack of support for them from their organization. Likewise, COHEP has shown interest in promoting these initiatives, especially in the Sula Valley with the objective of improving the attraction portfolio for investors. In response to these concerns and given the fact that the focus is framed within the assistance the contractor is providing A/B municipalities as a result from the application of the transparency index and the management reports methodology, it is expected to promote during the Jan-June 2008 period, the Municipal Sole Window (Ventanilla Única) in two municipalities; for that, AMHON, COHEP and FEDECAMARA will make available, technicians and officers from those organizations to learn about the methodology.

During the period of this report, we were able to confirm that private sector organizations can barely carry out their own activities, having very limited budgets that hinder funding leverage (PR 2.3, leveraging \$ 75k); on the other hand, the municipality of Villanueva invested close to \$11k on office reforms to

implement the Municipal Sole Management Window (Ventanilla Única). With the proposal for the new phase and the results from Villanueva, we expect to achieve a model that allows replicating results, transferring gained knowledge and, be able to leverage more resources.

The Sole Management Window (Ventanilla Única de Gestión) proposal was simultaneously submitted in Villanueva and La Esperanza; however, the later municipality stated that it was not one of its priorities for the period and it could be considered again in the future.

APPENDIX A

BASE DE DATOS MUNICIPAL INFORME TRIMESTRAL LÍNEA DE BASE

I. Introducción

El presente informe evalúa los ingresos y egresos de veinticinco (25) municipalidades¹ con las que el Programa de Gobernabilidad y Transparencia, ha venido desarrollando actividades en el marco del contrato suscrito con USAID. El análisis contempla comparaciones entre los años fiscales norteamericanos 2004, 2005, 2006 y 2007.

La fuente de información la constituyen los informes rentísticos reportados al Programa. Se han excluido del análisis cuatro (4) municipalidades² que entraron a inicios del año 2006, debido a que con el cambio de administración municipal no se logró completar la información para los años fiscales en estudio.

Las actividades en los municipios de Ceguaca y Yuscarán, fueron finalizadas después de hacer una evaluación en cuanto al avance en la implementación de políticas de transparencia y de obtener la autorización de USAID, razón por la cual no están incluidos en este informe.

Las municipalidades, principalmente las A/B, al cierre del año fiscal hondureño, realizan modificaciones o ampliaciones al presupuesto que generan cambios en los informes rentísticos de los tres primeros trimestres. Lo anterior, obliga a realizar actualizaciones a la base de datos, a fin de contar con datos que reflejen los valores reales reportados por las municipalidades a las respectivas instituciones nacionales, a las que rinden cuentas al final del año calendario correspondiente.

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, identificando los factores principales que determinan su comportamiento. De igual forma, se calculan indicadores de desempeño para evaluar la gestión financiera municipal consolidada y por categoría de municipios.

II. Situación fiscal municipal consolidada

Durante los años en estudio, se observa un superávit en el desempeño financiero de las municipalidades³. Este superávit es menor en el año 2005 pero empieza a recuperarse en el 2006 hasta alcanzar un valor equivalente a 115.4 millones de lempiras.

El total de ingresos recaudados por los 25 municipios en estudio, se redujo en el año 2005 en 2.0%, sin embargo para los años 2006 y 2007 estos ingresos muestran un incremento de aproximadamente 31.5% y 24.6% en términos nominales, respectivamente (ver tabla I). Por otro lado, los gastos prácticamente no muestran ninguna variación en el año 2005, en tanto que en el año 2006 alcanza un incremento de aproximadamente 28.6% en términos nominales. En el último año (2007), los gastos muestran un crecimiento menor al año inmediato interior (18.8%)

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

² Naranjito, Concepción de María, San Agustín y Meámbar.

³ Superávit: ingresos mayor a los gastos.

Tabla 1: Ingresos y gastos municipales por año fiscal

Rubro	Categoría	Año Fiscal (en miles de Lps)				Variación Relativa (%)		
		2004	2005	2006	2007	FY05/FY04	FY06/FY05	FY07/FY06
Ingresos	A/B	716,984.9	692,141.0	913,404.8	1,121,942.5	-3.5	32.0	22.8
	C/D	29,204.0	38,772.5	47,647.1	75,507.9	32.8	22.9	58.5
	Total	746,188.9	730,913.4	961,051.9	1,197,450.4	-2.0	31.5	24.6
Gastos	A/B	673,920.8	672,488.0	865,029.5	1,013,689.2	-0.2	28.6	17.2
	C/D	28,315.2	35,220.6	45,349.2	68,282.3	24.4	28.8	50.6
	Total	702,236.0	707,708.6	910,378.7	1,081,971.4	0.8	28.6	18.8
Brecha	A/B	43,064.1	19,653.0	48,375.3	108,253.4	-54	146	124
	C/D	888.8	3,551.8	2,297.9	7,225.6	300	-35.30	214.44
	Total	43,952.9	23,204.8	50,673.3	115,479.0	-47	118.37	127.89

Fuente: elaboración propia con 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: préstamos, con -71.9% y otras transferencias, que muestran una caída de aproximadamente 23.6% en el año 2005 (ver tabla 2). Dichos rubros representaron entre el 5% y el 18.7% de los ingresos totales del año fiscal 2004 y alcanzaron una importancia relativa de 5% en el año fiscal 2005. No obstante, a la falta de préstamos se le puede atribuir principalmente la caída en los ingresos totales, debido a que el segundo rubro tiene una importancia relativa baja en la estructura de éstos.

Tabla 2: Estructura de ingresos por año fiscal

Rubros	Año Fiscal (cantidad en miles de Lps)				% de los Ingresos Totales				Variación Relativa (%) 05/04	Variación Relativa (%) 06/05	Variación Relativa (%) 07/06
	2004	2005	2006	2007	2004	2005	2006	2007			
Ingresos Totales	746,188.9	730,913.4	961,051.9	1,197,450.4	100.00	100.00	100.00	100.00	-2.05	31.49	24.60
Ingresos Corrientes	364,715.2	389,362.0	449,427.4	554,654.9	48.88	53.27	46.76	46.32	6.76	15.43	23.41
Ingresos Tributarios	278,412.5	300,392.9	354,797.1	438,469.3	37.31	41.10	36.92	36.62	7.89	18.11	23.58
Ingresos no Tributarios	86,302.7	88,969.1	94,630.3	116,185.6	11.57	12.17	9.85	9.70	3.09	6.36	22.78
Ingresos de Capital	381,473.7	341,551.5	511,624.5	642,795.5	51.12	46.73	53.24	53.68	-10.47	49.79	25.64
Préstamos	139,983.8	39,300.5	196,562.5	118,690.5	18.76	5.38	20.45	9.91	-71.92	400.15	-39.62
Transferencias	143,045.3	178,549.1	161,373.7	305,825.7	19.17	24.43	16.79	25.54	24.82	-9.62	89.51
Otras Transferencias	38,731.2	29,588.5	54,154.1	60,012.2	5.19	4.05	5.63	5.01	-23.61	83.02	10.82
Donaciones	3,789.0	25,476.3	17,665.6	52,631.7	0.51	3.49	1.84	4.40	572.37	-30.66	197.93
Otros ingresos de capital**	55,924.4	68,637.1	81,868.7	105,635.4	7.49	9.39	8.52	8.82	22.73	19.28	29.03

* Abarcan principalmente transferencias realizadas por el FHIS

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

Fuente: elaboración propia en base a los informes rentísticos municipales

De acuerdo a los datos, se puede inferir que las municipalidades realizaron un esfuerzo por mejorar la recaudación de sus ingresos corrientes en los años 2005, 2006 y 2007; dado que se incrementaron 6.7%, 15.4% y 23.4% en términos nominales, respectivamente.

Los ingresos de capital por su parte, a pesar de haber disminuido en el año 2005, para el siguiente período muestran una recuperación de 49.7% en términos nominales; influenciada en gran parte por los aumentos en los préstamos y otras transferencias. Esto tendría un efecto positivo si los préstamos fueron utilizados para proyectos de beneficio de la comunidad y no

para cubrir gasto corriente generado por los cambios de administración a inicios del 2006. Sin embargo, la obtención de préstamos merece una atención especial de parte de las autoridades municipales a fin de poder determinar su capacidad para hacer frente a los compromisos adquiridos con los recursos propios disponibles en el municipio; en caso contrario podría estarse comprometiendo ingresos futuros y renegociando deuda continuamente.

En el año 2007, los gastos de capital muestran un aumento inferior al registrado en el año anterior. El aumento está influenciado principalmente por los correspondientes incrementos en las transferencias del 5% del Gobierno Central, las cuales representaron hasta un 25.5% de los ingresos totales.

Por el lado del gasto, en el año fiscal 2005 no se observa una variación significativa. El rubro que muestra variación positiva es el gasto de funcionamiento (16.2%), determinado mayormente por aumentos en los montos de servicios personales, ya que éstos representan entre el 25% y el 28% del total de gastos para los años fiscales 2004-2007 (ver tabla 3).

La reducción de las transferencias de capital, se debe a cambios en la manera como se está registrando este tipo de gastos, de acuerdo con las nuevas disposiciones de la Secretaria de Gobernación y Justicia. Por tanto, no reflejan verdaderamente disminuciones tan altas como las mostradas en la tabla 3.

Tabla 3: Estructura de gastos por año fiscal

Rubros	Año Fiscal (En miles de Lps)				Porcent. del Gasto Total				Variación	Variación	Variación
	2004	2005	2006	2007	2004	2005	2006	2007	Relativa (%) 05/04	Relativa (%) 06/05	Relativa (%) 07/06
Gastos de Funcionamiento	285,120.7	331,314.8	410,082.6	485,553.7	40.6	46.8	45.0	44.9	16.2	23.8	18.4
Servicios Personales	177,311.4	200,578.1	247,882.3	265,562.5	25.2	28.3	27.2	24.5	13.1	23.6	7.1
Servicios no personales	53,219.3	50,272.9	65,573.6	91,716.8	7.6	7.1	7.2	8.5	-5.5	30.4	39.9
Mat y suministros	20,235.5	24,617.0	25,250.8	36,317.2	2.9	3.5	2.8	3.4	21.7	2.6	43.8
Maq y equipo	5,746.7	1,595.3	4,764.7	8,591.5	0.8	0.2	0.5	0.8	-72.2	198.7	80.3
Trans ctes	28,554.5	54,142.5	66,333.9	83,251.4	4.1	7.7	7.3	7.7	89.6	22.5	25.5
Otros Gtos Ctes	53.3	109.0	277.3	114.2	0.0	0.0	0.0	0.0	104.6	154.4	-58.8
Gastos de Capital y Deuda Pública	417,115.3	376,393.8	500,296.0	596,417.7	59.4	53.2	55.0	55.1	-9.8	32.9	19.2
Bienes capitalizables	207,266.1	197,917.7	265,098.6	407,040.9	29.5	28.0	29.1	37.6	-4.5	33.9	53.5
Servicio deuda	111,369.4	141,809.0	234,998.7	188,534.4	15.9	20.0	25.8	17.4	27.3	65.7	-19.8
Activos Financieros	713.6	1,292.1	102.9	0.0	0.1	0.2	0.0	0.0	81.1	-92.0	-100.0
Transferencias de Capital	83,036.6	9,125.5	0.0	0.0	11.8	1.3	0.0	0.0	-89.0	-100.0	0.0
Otros Gtos de capital	14,729.6	26,249.6	95.8	842.4	2.1	3.7	0.0	0.1	78.2	-99.6	779.6
Gasto Total	702,236.0	707,708.6	910,378.7	1,081,971.4	100.0	100.0	100.0	100.0	0.78	28.6	18.8

Fuente: elaboración propia con base a los informes rentísticos municipales

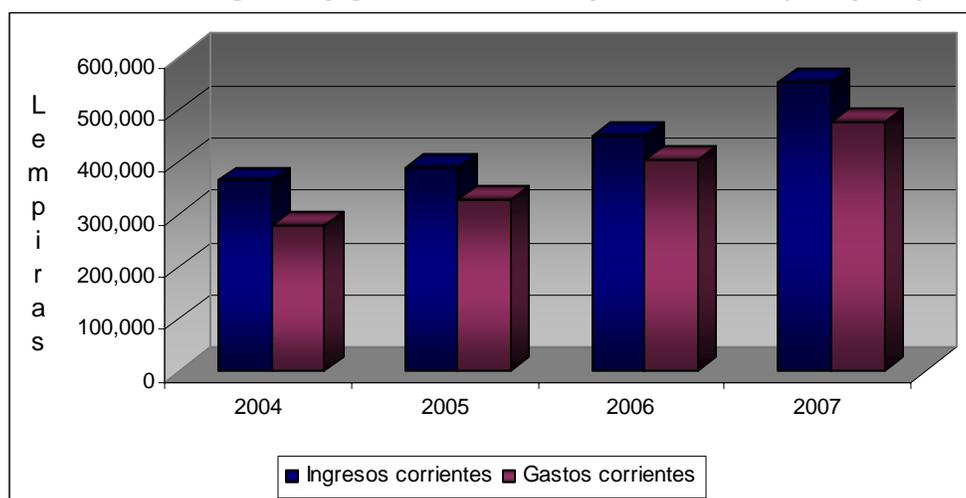
Al evaluar el comportamiento de los ingresos y gastos corrientes, se observa que ambos aumentaron pero los segundos lo hicieron en mayor proporción en los años 2005 y 2006, no así en el 2007. Desde el año 2004, el saldo en cuenta corriente⁴ se viene reduciendo y alcanza un valor de aproximadamente 44.1 millones de lempiras en el 2006. Este comportamiento se

⁴ Saldo en cuenta corriente se define como ingresos corrientes menos gastos corrientes.

revierte un poco en el 2007 y logra alcanzar un valor de 77.7 millones (aunque inferior al mostrado en el 2004).

En términos consolidados, las municipalidades lograron cubrir sus gastos corrientes con los ingresos corrientes recaudados, durante los cuatro años fiscales tal como muestra la siguiente gráfica.

Gráfica I: Ingresos y gastos corrientes por año fiscal (Lempiras)



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

En el consolidado de los municipios, las municipalidades A/B muestran mayor importancia relativa que las C/D, por lo que éstas determinan en gran parte los resultados globales. De las 25 municipalidades en estudio, el 64% (16 del total) corresponde a A/B y el restante 36% (9 del total), a C/D.

Las municipalidades A/B, reflejaron una disminución de 3.4% en la recaudación de ingresos totales para el periodo 05/04 (valor por encima del observado para el consolidado de municipios en estudio); en tanto que para el periodo 06/05, se observa un incremento de 31.9%. Para el siguiente período 07/06, los ingresos de capital muestran un menor incremento comparado con el período anterior, lo cual genera que los ingresos totales también crezcan en una menor proporción (22.8%). En tres, de los cuatro años en estudio, los ingresos de capital representan más del 50% de los ingresos totales.

Al igual que en el escenario consolidado la disminución 05/04 está determinada principalmente por la caída en los préstamos y otras transferencias.

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

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

Rubros	Año Fiscal (cantidad en miles de Lps)				% de los Ingresos Totales				Variación	Variación	Variación
	2004	2005	2006	2007	2004	2005	2006	2007	Relativa (%) 05/04	Relativa (%) 06/05	Relativa (%) 07/06
Ingresos Totales	716,984.9	692,141.0	913,404.8	1,121,942.5	100.00	100.00	100.00	100.00	-3.47	31.97	22.83
Ingresos Corrientes	350,473.1	373,628.4	432,077.3	531,536.5	48.88	53.98	47.30	47.38	6.61	15.64	23.02
Ingresos Tributarios	267,696.5	287,555.3	340,079.3	419,449.1	37.34	41.55	37.23	37.39	7.42	18.27	23.34
Ingresos no Tributarios	82,776.5	86,073.1	91,998.1	112,087.4	11.55	12.44	10.07	9.99	3.98	6.88	21.84
Ingresos de Capital	366,511.9	318,512.6	481,327.5	590,406.0	51.12	46.02	52.70	52.62	-13.10	51.12	22.66
Préstamos	139,868.8	38,338.4	193,889.5	117,710.0	19.51	5.54	21.23	10.49	-72.59	405.73	-39.29
Transferencias 5%	131,562.2	161,840.2	139,259.5	271,125.5	18.35	23.38	15.25	24.17	23.01	-13.95	94.69
Otras Transferencias	38,339.0	27,746.6	53,259.9	52,035.1	5.35	4.01	5.83	4.64	-27.63	91.95	-2.30
Donaciones	3,389.3	25,187.5	16,320.8	51,836.5	0.47	3.64	1.79	4.62	643.15	-35.20	217.61
Otros ingresos de capital**	53,352.5	65,400.0	78,597.8	97,698.9	7.44	9.45	8.60	8.71	22.58	20.18	24.30

* Abarcan principalmente transferencias realizadas por el FHIS

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

Fuente: elaboración propia en base a los informes rentísticos municipales

En las 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 de 32.7%, 22.8% y 58.4% para los períodos 05/04, 06/05, 07/06, respectivamente. Este incremento se explica principalmente por aumentos en los préstamos, otras transferencias y donaciones.

A diferencia de las municipalidades A/B, las municipalidades con menor desarrollo económico (C/D) reflejan una disminución en sus ingresos no tributarios; pero empiezan a recuperarse en el período 07/06 hasta alcanzar un incremento de 55.7% (ver tabla 5).

Por otra parte, los ingresos tributarios durante los cuatro años fiscales en estudio tienen una importancia relativa superior al 25% en relación al total de ingresos, en tanto que los no tributarios representaron entre 5% y 12% durante los mismos años.

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

Rubros	Año Fiscal (cantidad en miles de Lps)				% de los Ingresos Totales				Variación	Variación	Variación
	2004	2005	2006	2007	2004	2005	2006	2007	Relativa (%) 05/04	Relativa (%) 06/05	Relativa (%) 07/06
Ingresos Totales	29,204.0	38,772.5	47,647.1	75,507.9	100.00	100.00	100.00	100.00	32.76	22.89	58.47
Ingresos Corrientes	14,242.1	15,733.6	17,350.0	23,118.4	48.77	40.58	36.41	30.62	10.47	10.27	33.25
Ingresos Tributarios	10,716.0	12,837.6	14,717.9	19,020.2	36.69	33.11	30.89	25.19	19.80	14.65	29.23
Ingresos no Tributarios	3,526.1	2,896.0	2,632.2	4,098.2	12.07	7.47	5.52	5.43	-17.87	-9.11	55.70
Ingresos de Capital	14,961.8	23,038.9	30,297.1	52,389.5	51.23	59.42	63.59	69.38	53.98	31.50	72.92
Préstamos	115.0	962.1	2,673.0	980.5	0.39	2.48	5.61	1.30	736.63	177.82	-63.32
Transferencias	11,483.0	16,708.9	22,114.2	34,700.2	39.32	43.09	46.41	45.96	45.51	32.35	56.91
Otras Transferencias	392.2	1,841.9	894.2	7,977.1	1.34	4.75	1.88	10.56	369.64	-51.45	792.08
Donaciones	399.7	288.8	1,344.8	795.2	1.37	0.74	2.82	1.05	-27.76	365.67	-40.87
Otros ingresos de capital**	2,571.9	3,237.1	3,270.9	7,936.5	8.81	8.35	6.86	10.51	25.87	1.04	142.64

* Abarcan principalmente transferencias realizadas por el FHIS

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

Fuente: elaboración propia en base a los informes rentísticos municipales

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

El comportamiento de los gastos para municipalidades A/B muestra variaciones relativas similares al consolidado de municipios para los rubros de gastos de funcionamiento y de capital y deuda pública.

El total de gastos para el período 05/04 no mostró variaciones significativas y a partir de los siguientes períodos empieza a mostrar un incremento en términos nominales. En la estructura de gastos, los de funcionamiento se incrementaron en todos los años, alcanzando el mayor incremento en el período 06/05, mientras que los gastos de capital se redujeron únicamente en el período 05/04 y alcanzaron el mayor incremento en el siguiente período.

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

Rubros	Año Fiscal (En miles de Lps)				Porcent. del Gasto Total				Variación	Variación	Variación
	2004	2005	2006	2007	2004	2005	2006	2007	Relativa (%) 05/04	Relativa (%) 06/05	Relativa (%) 07/06
Gastos de Funcionamiento	268,883.2	312,694.1	386,352.3	451,631.3	39.9	46.5	44.7	44.6	16.3	23.6	16.9
Servicios Personales	168,357.3	190,751.4	235,128.7	250,554.0	25.0	28.4	27.2	24.7	13.3	23.3	6.6
Servicios no personales	48,953.5	46,099.4	60,912.5	84,950.8	7.3	6.9	7.0	8.4	-5.8	32.1	39.5
Mat y suministros	18,751.2	23,083.9	23,682.3	33,618.4	2.8	3.4	2.7	3.3	23.1	2.6	42.0
Maq y equipo	5,610.3	1,465.0	4,633.4	7,263.6	0.8	0.2	0.5	0.7	-73.9	216.3	56.8
Trans ctes	27,157.7	51,186.5	61,771.0	75,193.2	4.0	7.6	7.1	7.4	88.5	20.7	21.7
Otros Gtos Ctes	53.3	108.0	224.4	51.3	0.0	0.0	0.0	0.0	102.8	107.7	-77.2
Gastos de Capital y Deuda Pública	405,037.7	359,793.9	478,677.2	562,057.9	60.1	53.5	55.3	55.4	-11.2	33.0	17.4
Bienes capitalizables	197,471.4	183,747.9	246,774.9	375,367.8	29.3	27.3	28.5	37.0	-6.9	34.3	52.1
Servicio deuda	110,532.8	139,857.4	231,703.6	186,541.8	16.4	20.8	26.8	18.4	26.5	65.7	-19.5
Activos Financieros	713.6	1,292.1	102.9	0.0	0.1	0.2	0.0	0.0	81.1	-92.0	-100.0
Transferencias de Capital	81,608.8	8,749.7	0.0	0.0	12.1	1.3	0.0	0.0	-89.3	-100.0	0.0
Otros Gtos de capital	14,711.2	26,146.7	95.8	148.3	2.2	3.9	0.0	0.0	77.7	-99.6	54.8
Gasto Total	673,920.8	672,488.0	865,029.5	1,013,689.2	100.0	100.0	100.0	100.0	-0.2	28.6	17.2

Fuente: elaboración propia con base a los informes rentísticos municipales

El escenario de los gastos para las municipalidades C/D es un tanto diferente que el mostrado por las A/B. En términos porcentuales, muestran un incremento en los gastos superior al consolidado municipal y al ejecutado por las A/B, alcanzando un 24.4%, 28.8% y 50.6% para los períodos 05/04, 06/05 y 07/06, respectivamente. Este aumento se debe principalmente, a la variación de los bienes capitalizables y los servicios personales y no personales.

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

Rubros	Año Fiscal (En miles de Lps)				Porcent. del Gasto Total				Variación	Variación	Variación
	2004	2005	2006	2007	2004	2005	2006	2007	Relativa (%) 05/04	Relativa (%) 06/05	Relativa (%) 07/06
Gastos de Funcionamiento	16,237.6	18,620.7	23,730.3	33,922.5	57.3	52.9	52.3	49.7	14.7	27.4	42.9
Servicios Personales	8,954.1	9,826.7	12,753.6	15,008.5	31.6	27.9	28.1	22.0	9.7	29.8	17.7
Servicios no personales	4,265.8	4,173.5	4,661.1	6,766.0	15.1	11.8	10.3	9.9	-2.2	11.7	45.2
Mat y suministros	1,484.3	1,533.1	1,568.6	2,698.8	5.2	4.4	3.5	4.0	3.3	2.3	72.1
Maq y equipo	136.4	130.3	131.3	1,327.9	0.5	0.4	0.3	1.9	-4.5	0.8	911.1
Trans ctes	1,396.8	2,956.1	4,562.9	8,058.2	4.9	8.4	10.1	11.8	111.6	54.4	76.6
Otros Gtos Ctes	0.0	0.9	52.8	63.0	0.0	0.0	0.1	0.1	0.0	5,521.1	19.1
Gastos de Capital y Deuda Pública	12,077.6	16,599.9	21,618.9	34,359.8	42.7	47.1	47.7	50.3	37.4	30.2	58.9
Bienes capitalizables	9,794.8	14,169.8	18,323.7	31,673.1	34.6	40.2	40.4	46.4	44.7	29.3	72.9
Servicio deuda	836.6	1,951.6	3,295.2	1,992.6	3.0	5.5	7.3	2.9	133.3	68.8	-39.5
Activos Financieros	0.0	0.0	0.0	0.0	0	0	0	0	0.0	0.0	0.0
Transferencias de Capital	1,427.8	375.7	0.0	0.0	5.0	1.1	0	0	-73.7	-100.0	0.0
Otros Gtos de capital	18.5	102.9	0.0	694.1	0.1	0.3	0	1	457.4	-100.0	-
Gasto Total	28,315.2	35,220.6	45,349.2	68,282.3	100.0	100.0	100.0	100.0	24.4	28.8	50.6

Fuente: elaboración propia con base a los informes rentísticos municipales

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 mayor a los gastos de capital y deuda pública para los años fiscales 2004-2006 (los primeros representan hasta 57.3% de los gastos totales mientras que los últimos alcanzan hasta un 47.7%). Para el 2007, esto se revierte y los gastos de capital representan un 50.3%, mientras que los gastos de funcionamiento alcanzan el restante 49.7%.

III. Indicadores de desempeño

Con el objetivo de evaluar el desempeño financiero de las municipalidades, se calculan los siguientes indicadores: autonomía financiera⁵, dependencia financiera del gobierno central⁶, capacidad financiera⁷, porcentaje de inversión en el gasto total (magnitud de la inversión)⁸, 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 años fiscales se muestran en la siguiente tabla:

⁵ Ingresos propios/ingresos totales*100

⁶ Ingresos por transferencias del 5% del gobierno central/ingresos totales*100

⁷ Ingresos corrientes/gastos corrientes*100

⁸ Bienes capitalizables/gasto total*100

Tabla 8: Indicadores de desempeño por año fiscal

Indicador	Año Fiscal			
	2004	2005	2006	2007
Autonomía Financiera	52.0%	57.3%	50.7%	50.0%
Dependencia financiera del Gobierno Central	19.2%	24.4%	16.8%	25.5%
Capacidad Financiera	130.5%	118.1%	110.9%	116.3%
Porcentaje de inversión en el gasto total	29.5%	28.0%	29.1%	37.6%
Servicios Personales/Gto de Funcionamiento	62.2%	60.5%	60.4%	54.7%
Servicio de la deuda como porcentaje de los ingresos ctes	30.5%	33.8%	52.3%	34.0%

Fuente: elaboración propia con base a los informes rentísticos municipales

Autonomía Financiera

Este indicador no muestra cambios considerables. En los cuatro años fiscales los ingresos propios representan un poco más de la mitad de los ingresos totales. Para el año 2005, hay un ligero incremento para luego disminuir en el siguiente año hasta alcanzar un valor de 50.7% (valor un poco inferior al logrado en el 2004).

Dependencia financiera del Gobierno Central

Este indicador incrementó en 5.3 puntos porcentuales, al pasar de 19.2% en el 2004 a aproximadamente 24.4% en el 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 24.8%, valor muy superior a la disminución de los ingresos totales (-2.05%). Sin embargo para el 2006, el escenario se revierte y la dependencia financiera del gobierno central se ve disminuida para luego volver a mostrar, en el 2007, cifras similares a las del 2005.

Capacidad financiera

En el consolidado, los municipios alcanzan a cubrir los gastos corrientes con los ingresos corrientes recaudados durante los años fiscales 2004 – 2007. No obstante, esta capacidad financiera se ve reducida en el 2006 mostrando un valor de 110.9%, es decir, la brecha entre ingresos y gastos corrientes se va haciendo más pequeña. En el 2007, vuelve a incrementarse aunque no alcanza los niveles mostrados en los años 2004-2005.

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

El porcentaje de inversión (bienes capitalizables) en el gasto total mostró una ligera caída en el 2005 comparada con el año anterior. Sin embargo en los siguientes años muestra incrementos hasta alcanzar un 37.6% en el 2007. Para ese año, los datos muestran que los bienes capitalizables crecieron más del 50% y tuvieron una importancia relativa superior al 37%, lo cual estaría explicando la cifra alcanzada por el indicador.

Servicios personales/gasto de funcionamiento

El indicador que mide la importancia relativa de los servicios personales en relación al gasto de funcionamiento, muestra valores superiores al 60% en los años 2004-2006. No obstante, para el último año de estudio (2007), muestra una ligera caída y obtiene un valor de 54.7%. Los servicios personales experimentaron un menor crecimiento en el período 07/06, lo que estaría incidiendo en la ligera caída del valor del indicador en el 2007.

Servicio de la deuda como porcentaje de los ingresos corrientes.

El servicio de la deuda constituye el 30.5% de los ingresos corrientes percibidos durante el año fiscal 2004. Para los años fiscales 2005 y 2006, este porcentaje incrementa hasta alcanzar un valor de 52.3% de los ingresos corrientes. Este incremento de casi 19 puntos porcentuales en relación al año 2005, está determinado principalmente por aumentos en los préstamos de más del 100%, en tanto que los ingresos corrientes crecieron un 15.4%.

En el año 2007, el indicador muestra un valor inferior al del 2006 pero aún continúa siendo muy alto. 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.

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

Indicador	A/B				C/D			
	Año Fiscal							
	2004	2005	2006	2007	2004	2005	2006	2007
Autonomía Financiera	52.0%	58.1%	51.3%	51.2%	52.8%	44.2%	40.2%	32.7%
Dependencia financiera del Gobierno Central	18.3%	23.4%	15.2%	24.2%	39.3%	43.1%	46.4%	46.0%
Capacidad Financiera	133.1%	120.0%	113.2%	119.6%	88.5%	85.1%	73.5%	70.9%
Porcentaje de inversión en el gasto total	29.3%	27.3%	28.5%	37.0%	34.6%	40.2%	40.4%	46.4%
Servicios Personales/Gto de Funcionamiento	62.6%	61.0%	60.9%	55.5%	55.1%	52.8%	53.7%	44.2%
Servicio de la deuda como porcentaje de los ingresos ctes	31.5%	37.4%	53.6%	35.1%	5.9%	12.4%	19.0%	8.6%

Fuente: elaboración propia con base a los informes rentísticos municipales

Autonomía Financiera

Las municipalidades A/B, muestran una autonomía financiera más alta que la mostrada 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. A partir del 2005, en el caso de las municipalidades C/D, los ingresos totales crecieron a un ritmo mayor que los ingresos propios por lo cual su autonomía financiera empieza a disminuir, hasta situarse en un valor igual a 32.7%. Las A/B muestran una menor autonomía financiera en los años 2006-2007, dado el mayor incremento de los ingresos totales que de los ingresos propios.

Dependencia financiera del Gobierno Central

Este indicador está correlacionado negativamente 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.

Las municipalidades A/B experimentaron mayor dependencia durante el 2007 (24.2%); mientras que las C/D incrementaron su dependencia a partir del 2005.

Capacidad financiera

En los cuatro años fiscales, las municipalidades A/B alcanzan a cubrir sus gastos corrientes con los ingresos corrientes generados dentro de su jurisdicción. A pesar de esto la brecha entre ingresos y gastos corrientes se va disminuyendo, tal como sucede con el consolidado de los municipios. En el 2007, la brecha se agranda un poco aunque no a los niveles mostrados en el 2004.

En el caso de las C/D, no se alcanza a cubrir los gastos corrientes con los ingresos corrientes de la municipalidad por lo cual se supondría que requieren hacer uso de gastos de capital para solventar esta situación. Su capacidad financiera va disminuyendo hasta mostrar un valor de 70.9% en el 2007.

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

Para municipalidades A/B, el valor de este indicador no reflejó cambios significativos durante los años fiscales 2004-2006; mientras que para el 2007 muestra el valor más alto (37.0%) influenciado por un incremento de más del 50% del rubro de bienes capitalizables.

En las municipalidades C/D la inversión aportó más del 35% al total de gastos para los años fiscales en estudio. Al igual que en las de categoría A/B, en el 2007 este indicador muestra el valor más alto debido al alto incremento de los bienes capitalizables sumado al hecho de que representa el rubro con mayor importancia relativa dentro de la estructura de gastos.

Servicios personales/gasto de funcionamiento

En las municipalidades A/B, los servicios personales representaron 62.6%, 61.0%, 60.9% y 55.5% de los gastos de funcionamiento para los años 2004-2007, respectivamente. Estos porcentajes son superiores a los mostrados por municipalidades C/D en los mismos años. Hay que resaltar que las municipalidades A/B tienen una estructura más grande que aquella mostrada por las C/D, lo cual se traduce en mayores gastos en servicios personales. Por otra parte, la mayoría de las municipalidades 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 públicas⁹ (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 municipalidades A/B en todos los años en cuestión. Esta situación merece particular atención debido a que el indicador no debería sobrepasar el 10%. El problema se acentúa en el 2006 cuando los préstamos adquiridos sobrepasaron los 193 millones de lempiras y el servicio de la deuda alcanzó los 231 millones.

Al igual que las municipalidades A/B, las C/D muestran incrementos en los valores de este indicador para los años 2005 y 2006. En el 2007, se logra revertir este escenario y el indicador muestra un valor inferior a los dos años anteriores, aunque no logra situarse en la cifra mostrada en el 2004.

⁹ Algunas municipalidades usan diferente nombre para referirse a esta misma oficina.

IV. Conclusiones

- Los ingresos generados por el consolidado de municipios, para los años fiscales en estudio, mostraron una disminución en el año 2005. Sin embargo, a partir de los siguientes dos años se incrementaron en aproximadamente un 31.9% y 24.6% en términos nominales, respectivamente.
- Los gastos globales, no mostraron variación significativa en el año 2005 y para los años 2006 y 2007, mostraron un incremento de 28.6% y 18.8% en términos nominales, respectivamente. No obstante, la brecha entre ingresos y gastos fue positiva para todos los años en estudio.
- Para el consolidado de los municipios, en todos los años fiscales, los gastos de capital y deuda pública tuvieron mayor importancia relativa que los gastos de funcionamiento.
- Por categoría de municipios, tanto las municipalidades A/B como las C/D, alcanzan a cubrir sus gastos con el recaudo de los ingresos durante los cuatro años en cuestión.
- 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 (exceptuando el año 2006).
- En relación a los gastos, los de capital representan un porcentaje más alto que los de funcionamiento para municipalidades A/B (en los cuatro años en estudio); mientras que las C/D muestran un comportamiento opuesto.
- En cuanto al indicador de autonomía financiera, el consolidado de los municipios no muestra cambios significativos en los años fiscales en estudio, exceptuando el año 2005 que muestra el valor más alto alcanzado. El indicador de dependencia financiera sin embargo, mostró un incremento de aproximadamente 24.4% para el 2005 y luego toma un valor en el 2006 de 16.89%, inferior al mostrado en el 2004. En el 2007 mostró un valor de 25.5%.
- La inversión como porcentaje del gasto total se mantuvo en aproximadamente 28%-29%, para los primeros tres años fiscales y finalmente alcanzó el valor más alto observado, equivalente a 37.6%.
- Es importante resaltar el alto valor que refleja el indicador de servicio de la deuda como porcentaje de los ingresos corrientes durante los años fiscales 2004-2007. El manejo de la deuda podría volverse muy difícil si el indicador continúa mostrando valores por encima del 10%. El año 2006 es el que requiere una mayor atención pues alcanzó un valor de 52.3%.
- Por categoría de municipios, los A/B tienen mayor autonomía financiera que las 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 años 2004-2007.

- 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 años 2004-2007. En el caso de las C/D, este indicador sobre pasa el 10% únicamente en los años 2005-2006.