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**RURAL PRIMARY EDUCATION PROGRAM
PROJECT NO. 522-0167
USAID/HONDURAS
AUDIT REPORT NO. 1-522-83-16
SEPTEMBER 23, 1983**

Limited progress had been made on this \$27 million Rural Primary Education Program in Honduras. The Ministry of Education has had serious difficulties meeting the requirements of the sophisticated Fixed Amount Reimbursement system used to finance the project activities. AID provided the Ministry advances totaling \$2.2 million for construction working funds. The Ministry had spent the advances but they had been unable to liquidate \$2 million of the advanced funds. The Ministry had been unable to liquidate the advances because the construction of project units did not meet the agreed to specifications. Accordingly, construction had been virtually at a standstill since December 1982.

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RURAL PRIMARY EDUCATION PROGRAM

PROJECT NO. 522-0167

USAID/HONDURAS

EXECUTIVE SUMMARY

This report covers an audit of the Rural Primary Education Program (No. 522-0167) being implemented in Honduras with the assistance of AID. The project totals about \$26.9 million and is being financed by USAID/Honduras (\$15.0 million), the Government of Honduras (\$8.9 million), and the participating Honduran communities (\$3.0 million). The specific objectives of the program are: (a) to construct 2,100 new classrooms; (b) to renovate about 1,000 existing classrooms; (c) to construct 600 teacher housing units; (d) to establish a nationwide maintenance program for rural primary schools; and (e) to improve nationwide educational supervision and in-service teacher training systems.

The audit was made to (a) evaluate program achievements and results; (b) to determine if the program was being implemented in the most effective, efficient, and economical manner; and, (c) to identify potential or actual problem areas in need of management's attention. In brief, the conclusions of our audit are:

- (a) Progress was discernible in some areas, but the Rural Primary Education Program was facing some very serious problems. Classrooms and other structures (workshops, latrines, school water systems, etc.) were being constructed and renovated. Also, a major portion of the funds advanced by USAID/Honduras had actually been expended. Although the new classrooms appear to be well constructed, the Ministry of Education (MOE) had difficulty completing them according to the technical specifications established under the Fixed Amount Reimbursement (FAR) System. Most deficiencies were minor (latrine pipes, locks, benches, windows etc.). However, given the ground rules of the FAR system, USAID/Honduras was unable to accept the classrooms or the structures and to liquidate nearly \$1.9 million in outstanding advances. Construction and renovation activities have been virtually at a standstill since December 1982 due to the lack of funds (page 6).
- (b) The majority of the problems on this project can be attributed to inefficiencies of units within the MOE and to a lack of coordination of the different interrelated activities. Coordination within the MOE was complex and was not effective. Project management responsibilities were not clearly defined. Authority of the different MOE participating units was not clear. There was competition and sometimes a lack of cooperation among the different units. The required accounting system with adequate internal controls had not been established to properly manage project resources.

- (c) The procurement and subsequent management of commodities was also a troublesome aspect of project implementation. We found a number of problems related to the commodity procurement cycle; specifically, they related to planning process, specifications, the National Procurement Office, commodity management, and storage facilities (page 15).
- (d) The progress on the Teacher's Housing component was extremely limited; only five (of 600) units had been completed. The design of this component was faulty (page 18)
- (e) The MOE had made a start to implement the nationwide maintenance system component. However, the level of current effort did not appear to be such that the nationwide objectives can be achieved during the life of this project. (page 18).
- (f) Project equipment was not being properly maintained. Five vehicles had been procured under the project. Only two were in operation, the other three were out of service due to the lack of spare parts. As a result, some of the project activities -- like inspection of construction sites, visits by teacher trainers and others -- had to be curtailed or rescheduled (page 20).

We discussed our findings and recommendations with USAID/Honduras during the review at an exit conference. In addition, a copy of this report, in draft, was reviewed by USAID/Honduras and its comments were taken into account in finalizing this report.

BACKGROUND AND SCOPE

Background

On July 31, 1980, USAID/Honduras and the Government of Honduras (GOH) signed an agreement to implement a \$26.9 million Rural Primary Education Program. Under the terms of this agreement, the broad goal of the project is to improve the well-being of the Honduran rural poor by increasing the rural primary school enrollment and reducing the number of student/years required to produce a sixth grade graduate.

The more specific purposes of the project are (a) to expand and improve the physical infrastructure of the primary educational system in the rural areas thereby keeping up with the growth of primary school age population while increasing the percentage of the enrolled population, and (b) to improve the quality of primary education received in rural schools, thus reducing the primary school desertion rates.

The project is to finance four major components:

- (a) The School Construction and Renovation Component was designed to construct 2,100 new classrooms and to renovate about 1,000 existing classrooms in five departments of Honduras.
- (b) The Teacher Housing Component was designed to construct 600 teacher housing units and relocate teachers from the urban to the rural areas.
- (c) The Rural School Maintenance System Component was designed to establish a nationwide maintenance program for rural primary schools.
- (d) The Educational Supervision and In-Service Training Component was to improve nationwide educational supervision and in-service teacher training systems.

A more detailed description of the above components may be found in Annex I of this report.

The Fixed Amount Reimbursement (FAR) System is used by USAID/Honduras as a financing mechanism for certain components of this project. We are providing some background at this point and a more complete description of the FAR system may be found in AID Handbook 3, Appendix F. Briefly, the primary distinction between the FAR method and the traditional cost reimbursement method is that reimbursement is not based on actual cost. Rather, the amount of reimbursement is fixed in advance based upon reasonable cost estimates reviewed and approved by AID. Reimbursement is made upon physical completion of a project, a subproject or a quantifiable element of the project. The emphasis in this method is that reimbursement is based on planned outputs rather than inputs. There are two essential aspects of this method: (a) the definition of a total project (subproject or a quantifiable element within a project), the preparation of cost estimates, and an agreement in advance on the amount of AID's contribution; and (b) the reimbursement upon satisfactory completion of the agreed upon work.

It is AID's policy to use the FAR System for low-cost, short-term projects (generally two years or less), or projects which can be divided into segments small enough to enable the executing agency to complete the subprojects or elements within the project before receiving AID reimbursement. An important criterion that must be met is that AID make a determination that the subproject or element has been completed prior to reimbursement. If the subproject or element is not completed according to agreed upon specifications, then the reimbursement request must be denied. Prior to using this method of financing it is important for the Mission to assure itself that the recipient organization has sufficient qualified staff and experience to proceed with effective implementation of the project.

There are a number of variations in the FAR method which can be followed by AID. While these variations differ in important aspects from the standard FAR method, their use meets some of the objectives and advantages of the FAR method. The variations include advancing AID funds to permit an implementing agency to begin work, providing provisions to periodically change the amount AID will reimburse for specific activities, and agreeing to reimburse a fixed percentage of actual costs of completed projects.

The FAR system used by USAID/Honduras for the Rural Primary Education Program does not specifically fit into any variations discussed in the AID Handbook. It works in the following manner:

- (a) It allows for an advance of AID funds to a special account at the Central Bank of Honduras. The special account was entitled "Ministry of Finance and Public Credit, Rotating Fund, Loan AID No. 522-V-040, c/o Office of Public Credit." The first advance made by USAID/Honduras totaled \$340,000; the advance was gradually increased to nearly \$2.2 million.
- (b) The special account was established on August 10, 1981 and was to be used for the purpose of purchasing materials to construct 150 classrooms in three lots. It was later decided to purchase all materials in one lot. In agreeing to this large procurement, USAID/Honduras stipulated that "... construction materials and equipment acquired with the advance will be warehoused in secure facilities which will protect the materials against deterioration, fire, and theft, and that qualified warehousemen will be contracted to follow carefully designed control procedures for materials and equipment that enter and leave the warehouse".
- (c) The technical specifications and AID's reimbursable costs, under the FAR System, were set out in several Letters of Implementation. The following structures -- and AID's share of the cost -- were being funded by this project: (i) complete classrooms (\$3,000); (ii) additional classrooms (\$2,650); (iii) completed individual workshop (\$6,000); (iv) additional workshop (\$5,000); (v) teacher housing type A (\$4,350); (vi) teacher housing type B (\$3,100); (vii) latrines (\$600); (viii) wells (\$300); and rainwater catchments (range \$425 to \$2,400, depending on module).

- (d) The FAR reimbursable rates were originally set on the basis of experience under a previous loan (No. 522-V-031) which was also for the construction of educational facilities. According to the agreement, the rates were to be reevaluated and adjusted once a year, upward or downward for future reimbursements, based on costs recorded in books and maintained by the MOE.
- (e) The funds advanced to the special account are to be liquidated at the agreed upon FAR rates as the units are completed and accepted by AID. A revolving fund mechanism was to be instituted.

The total cost of the project was estimated at \$26.9 million. Project funds include an AID Loan (\$13,850,000); an AID Grant (\$1,150,000); a GOH contribution (\$8,900,000) and a community contribution (\$3,001,000). The approved Financial Plan is shown in Exhibit A. As of our cut-off date, May 31, 1983, USAID/Honduras had provided the GOH a total of \$2.2 million in advances. Of these advances, only \$339,000 had been accounted for as expenditures. In addition, USAID/Honduras made direct disbursements of \$346,032 for the purchase of vehicles, technical assistance and other minor items. Thus, a total of \$685,032 in project expenditures had been financed with AID funds and there was an unliquidated advance of \$1.86 million as of May 31, 1983. See Exhibit A for details on project funding.

Scope Of Audit

This is our first audit of the Rural Primary Education Project. It was requested by USAID/Honduras because the project had run into financial difficulties. The audit covers the period from July 31, 1980 to May 31, 1983.

The objectives of the audit were: (a) to evaluate program achievements; (b) to determine if the program was being carried out in an effective, efficient and economical manner; and (c) to identify problem areas which required management's attention.

The audit was conducted in accordance with generally accepted governmental auditing standards. Accordingly, it included reviews of records and files of USAID/Honduras and the various GOH agencies; discussions with officials of these organizations; field visits to 32 school sites; and such other auditing procedures considered necessary under the circumstances.

The results of the audit were discussed with USAID/Honduras officials and GOH officials during the audit and at an exit conference. A draft of the report was provided to USAID/Honduras for review and comment. Its comments were considered in preparing the final report.

AUDIT FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

An Overall Assessment of Project Goals and Accomplishments

In general, the Rural Primary Education Program had very serious problems. Progress as of May 31, 1983 on the different components was significantly less than planned. Many school classrooms and related structures (workshops, latrines, water systems, etc.) were being constructed. Although the new structures appeared to be well constructed, they did not meet the technical specifications required under the Fixed Amount Reimbursement (FAR) System and could not be accepted by USAID/Honduras. Whole structures were rejected for minor defects, such as locks, windows, benches, small closets, latrine pipes, etc. Some were rejected because they lacked water facilities. In addition, one of the components -- the construction of 600 teachers' housing units -- was not realistically designed. The program had many implementation problems which will be described later in this report.

Many interrelated factors created situations which led to the problems in this project. The three most significant problems were: (a) the MOE Construction Unit was not efficient and had problems with the sophisticated FAR reimbursement system; (b) the MOE lacked an effective organizational mechanism that could coordinate and help implement the different interrelated components; and (c) the MOE lacked an adequate accounting system with its related internal controls to account for and safeguard the resources of this project.

Our review of project files and discussions with USAID/Honduras personnel disclosed a substantial improvement in monitoring activities compared to the situation found in our audit of Loan 522-V-031 (A/R No. 1-522-81-9). For the most part, project personnel seemed to be aware of many of the problems affecting implementation. However, there were certain areas where improvements would benefit the program.

Considerable progress had been achieved under the Educational Supervision and In-Service Training Component. Despite the lack of necessary facilities, equipment, supplies and budgetary support, the training unit -- with close guidance and support from the Mission -- had achieved considerable progress in most of the planned areas. In-service training had been provided to approximately 800 participants, and additional workshops were planned for the remainder of calendar year 1982.

Trainers were working very well as a team and trainees were highly receptive and motivated. Technical assistance for the most part had been effective and successful. Additional technical assistance was expected to begin by July 1983. Selection of participants for training abroad was being finalized and the last group was expected to leave the country by mid-year. A detailed work-plan was designed and adopted by the unit and its implementation was on schedule.

The Mission had diligently worked with the GOH in order to find the needed facilities and budgetary support that would enhance the unit's ability to improve its performance. To this end, substantial progress had been made towards the construction of the in-service teacher training center. In addition, efforts were being made to locate the furniture and equipment bought for the unit under the preceding loan, 522-V-031, and to secure the needed counterpart funding for supplies and per diem. The use and control of previously provided furniture and equipment is discussed later in this report.

The status of the construction, renovation, and teacher housing components, as of May 31, 1983, was:

	Project Goal 1/	Accepted By AID	In Progress	Total Starts
Classroom Construction	2,100	90	493	583
Classroom Renovation	1,000	75	314	389
Teacher housing	600	0	5	5
Total	3,700	165	812	977

Several conclusions may be drawn from the above table. First, there were measurable achievements under this component. A total of 977 units of construction and renovation had been started. Second, only 165 (17%) of the (977) total starts had been accepted by USAID/Honduras; the remaining 812 (83%) were still shown as "in progress". Third, 34 months of the life of the project had expired and only 23 months remain for its completion; thus, the project was significantly behind its implementation schedule and the desired goals will not be fully achieved by the current project completion date. Fourth, the teachers' housing component stands little chance of being achieved. Construction and renovation activities had been virtually at a standstill since December 1982 because of financial difficulties. Discussion of this problem begins on Page 6 of this report.

Progress in establishing a nationwide maintenance system was very limited. Efforts to date had not been sufficient to achieve the nationwide goals of the project (see page 20). It makes sense to reduce the scope of this component to one of a pilot project.

The financial and administrative affairs of this project on the part of the GOH (MOE) were in disarray. More to the point, the MOE did not have adequate accounting books or records on the program. Information on GOH and community contributions were not readily available. Internal controls were deficient.

1/ These are the final goals for the project. The completion date for the project is April 30, 1985.

The procurement and subsequent management of commodities represented a major block to the efficient and economical implementation of this project. Our review showed problems in almost every phase of the procurement cycle. This affected project implementation in different forms. Procurement of much needed vehicles, tools and materials had not been completed at the time of our review due to technical and budgetary constraints. In addition, conflicting GOH policies and regulations added to the confusion and further delayed the procurement process. It was not clear when procurement documents would be completed.

The above conclusions are discussed more fully in subsequent parts of this report. We believe that unless changes are made in the design and management of this project, the expected objectives will not be fully achieved.

The Construction Component of the Project Was Virtually At a Standstill

Summary. Classrooms and related structures were being constructed and renovated. Also, a major portion of the funds advanced by USAID/Honduras had actually been expended based on the quantity of construction that had taken place under this program. However, the MOE was having difficulty completing the classrooms and structures according to the technical specifications established under the FAR reimbursement system. The ground rules of the FAR reimbursement system are very strict. Therefore, USAID/Honduras was unable to accept the construction and liquidate large amounts of the outstanding advances. Also, interrelated factors were contributing a series of complications and the revolving fund mechanism was not functioning. The end result was that construction and renovation activities had been virtually at a standstill since December 1982 due to the lack of funds.

Background. The following interrelated factors played a role in the implementation of the construction component:

- (a) School structures being constructed were: two types of teachers' houses (A & B), complete or additional classrooms, complete or additions to workshops, latrines, and water systems. Renovations of old schools were also being made.
- (b) The MOE Construction Unit was responsible for the actual construction or renovation of the school structure.
- (c) The MOE Coordination Unit was to handle coordination, administration, financial affairs, etc. and other related activities.
- (d) Procurement of needed material was made by the MOE through the GOH National Procurement Office.
- (e) USAID/Honduras financed 50 percent of the cost of renovations; the GOH and the Honduran communities split the remaining 50 percent.

- (f) USAID/Honduras and the MOE agreed from the beginning to use the Fixed Amount Reimbursement (FAR) Method or System to finance the cost of construction. Under this procedure, there was an agreement by both parties on the detailed technical specifications of the structures. There was also an agreement on the amount that USAID/Honduras would reimburse the MOE for completed structures.
- (g) USAID/Honduras provided a series of advances -- eventually adding up to \$2.2 million -- to the MOE as working capital. The outstanding advances at the time of our audit totaled \$1.9 million. These advances were intended to create a revolving fund mechanism whereby advances would be liquidated, and new funds provided, in step with acceptance of completed units.
- (H) USAID/Honduras made inspection visits to the construction sites and examined the technical specifications of the structure and either accepted or rejected the construction. The rigidity of the terms of the FAR System did not permit partial acceptance, i.e., the structures must be either totally accepted or totally rejected. If the structure was accepted, the MOE was reimbursed for the unit. If the structure was not accepted, no reimbursement was made to the MOE.

Implementation Status. Implementation of the construction/renovation component had serious problems. Work on approximately 977 units was started. However, only 165 had been accepted as completed structures by USAID/Honduras. The remaining units (812) were in different stages of construction. According to the MOE, approximately 85 of the 812 units were completed but had not been accepted by USAID/Honduras because they lacked a water system.

Construction had started on 583 of the 2,100 classrooms to be completed under this phase. Of these 583 classrooms, USAID/Honduras had accepted 90 units and the remaining 493 units were in various stages of construction. During our audit, we visited 32 schools. Of these, USAID/Honduras had accepted 10 school structures (they included combinations of classrooms, workshops, latrines, and water systems). Of the remaining 22 school structures, six were being constructed and the other 16 were for all intents and purposes completed. However, they did not meet the technical specifications; some of the deficiencies were minor, such as (door locks, finishing paint, the AID sign, and ventilation tubes in latrines were missing). The major problem was the lack of water at the facilities; to help resolve this problem, USAID/Honduras and the GOH developed and agreed on two possible alternative water systems which could be used at the school sites.

In the case of renovations, the records showed that work had started on 389 classrooms. Of these, 75 had been inspected and accepted by USAID/Honduras. According to MOE records, 120 of the remaining 314 classrooms were complete but had not been inspected by the USAID/Honduras Engineer. The remainder (194) were in process of completion.

Of the five units of teacher housing started, none had been accepted by USAID/Honduras. We visited one of the units and found that it was essentially

complete, but the MOE had not installed three window glass panes. The house had been rejected by the USAID Engineer in January 1982 and the MOE had not corrected the situation five months later.

Financial Situation At the time we started our audit, the project was in serious financial difficulties. The inefficient performance of MOE's Construction Unit had not permitted the revolving mechanism of advances to function and the \$2.2 million that AID had advanced had been spent. In addition, the MOE reported that it had spent an additional \$1.1 million. This left the unit without funds to operate. The end result was that construction and renovation activities had been virtually at a standstill since December 1982.

Construction and renovation of school structures had actually taken place. The funds advanced by USAID/Honduras were expended on these activities. The new construction appeared to be very good but the structures were not being completed by the MOE according to agreed upon technical specifications. As a result, advances could not be liquidated by USAID/Honduras and the revolving fund mechanism could not function. The roots of the problem were attributed to several interrelated factors. An explanation of the causes and applicable solutions and recommendations is stated below.

A major problem was that the MOE did not have a time-phased implementation plan for the project. When the project started, the MOE carried out a complete inventory of the schools in the five targeted departments. As a result, an education map was developed which provided a comprehensive listing of the construction or renovation needs of each department. The units earmarked for construction or renovation were selected from this inventory listing. However, the MOE's Construction Unit failed to develop from the beginning, an adequate time-phased implementation plan which would have coordinated progress of construction with availability of required material and labor inputs. The result of this lack of planning became evident with the progress of the work. As the number of subprojects increased, the Construction Unit's difficulties in overseeing and coordinating activities continued to increase. As a result, the flow of materials and inputs to the construction sites became a major problem. This was further complicated because the Construction Unit spent a great deal of its time competing for control over financial and administrative matters and insufficient time on the oversight of the project (this is discussed in another section). As a result, decisions as to the priorities of units to be constructed and the utilization of resources continued to be made in an unplanned manner.

In the meantime, USAID/Honduras' efforts to keep the project going turned out to be fruitless. Due to the lack of adequate workplans and supervision by the MOE, additional advances were spent in an unplanned manner until all funds were exhausted and activities had to be halted. The result has been a project record of poorly planned and implemented activities which produced a significant number of unfinished units and the acquisition of large quantities of materials. Some of the materials on hand were beginning to deteriorate due to the elements and vandalism; in the long run, this practice will result in the project costing more and producing less.

Recommendation No. 1

USAID/Honduras should obtain from the MOE a detailed implementation plan designed to ensure the immediate completion of the unfinished units and the proper coordination between material and labor inputs for future construction activities.

Recommendation No. 2

USAID/Honduras should advise the GOH that, for future construction, reimbursement will be made only for units selected from the approved time-phased implementation plan.

Another major problem is that the MOE's Construction Unit had not been able to develop the required efficiency to fully handle the sophisticated FAR System. The FAR System is a sophisticated financing mechanism. It is for this reason that AID's handbook state that prior to using this method of financing it is important for the Mission to assure itself that the recipient organization has sufficient qualified staff and experience to proceed with effective implementation of the project.

On the basis of our examination, it is obvious that the sophistication of the FAR system was creating problems for the inefficient MOE Construction Unit. This unit was constructing the agreed upon structures, but was not completing them in accordance with the agreed technical specifications. Many units were rejected because of minor deficiencies, such as, missing locks, finishing paint, proper signs and ventilation tubes. However, the Construction Unit lacked the efficiency to return to the unit and complete it for acceptance. Since the terms of the FAR system are very rigid, the whole structure can not be accepted even if it has only minor deficiencies. This, in turn, set in motion a whole series of adverse effects. Since the funds were spent on almost totally completed units, the cash available for the project was soon depleted. Additional cash could not reasonably be provided to the project through the revolving fund mechanism because the units were not accepted and the outstanding advance was so large it became unmanageable. Some way must be found for the MOE's Construction Unit to more effectively manage its operation.

USAID/Honduras was doing an excellent job of inspecting and evaluating construction and renovation activities and we do not believe its approach should be changed. However, there needs to be a closer follow-up of rejected school structures to ensure that the MOE is clearing the deficiencies in a timely manner. For instance, the deficiencies on a teacher's house had not been corrected in a five-month period; this tied up about \$4,350 which could have been liquidated from the advances with the addition of three panes of glass to the house. We saw 16 classrooms (plus related structures) which required the addition of only minor items before they could be accepted as completed units. We suggest that USAID/Honduras continue to hold conferences

with the MOE to reinforce the way the FAR system and the revolving fund mechanism work. In addition, USAID/Honduras and the MOE were in the process of developing a computerized system to follow-up on completed but rejected structures. The system had not been completed at the time we left Honduras. The following recommendation is made pending the actual completion of the action.

Recommendation No. 3

USAID/Honduras should assist the MOE to establish a computerized follow-up system of rejected school structures, and a plan to systematically follow-up on their status

Counterpart funds will be used to alleviate the financial situation of the project. Towards the end of our audit, USAID/Honduras and the GOH negotiated an agreement whereby L.3.0 million (equivalent to US\$1.5 million) would be provided to the project by the GOH from funds generated under the Economic Support Fund grants. As part of this agreement, USAID/Honduras carefully evaluated and determined the MOE's cash operating needs. The Mission also developed an advance recoupment schedule that will ensure the prompt and effective liquidation of the outstanding advances without impairing project implementation. We believe this is a step in the right direction and that no recommendation is necessary.

USAID/Honduras needs to accelerate inspection of renovated classrooms. As discussed earlier in this section, renovations had been made to 120 classrooms which had not been inspected by the USAID/Honduras engineer. Here again, advanced funds had actually been expended on renovations but the advance could not be liquidated and the revolving fund mechanism replenished until the renovations are accepted by USAID/Honduras. At our exit conference, USAID/Honduras contemplated the possibility of obtaining some engineering assistance from Peace Corps Volunteers assigned to Honduras. We believe this is one possibility of accelerating acceptance of renovated classrooms.

Recommendation No. 4

USAID/Honduras should establish a plan to accelerate engineering inspection visits to the 120 renovation sites which have not been visited, and for future such renovations.

Unused Advanced Funds Need To Be Refunded. At the time of our audit, the MOE was not aware that the equivalent of US\$35,762 in advanced funds had not been used. This resulted from the lack of an adequate system of accounting and internal controls which are discussed later in this audit report. In any event, these funds had been idle in the GOH accounts for a considerable length of time. In response to the draft of this report, USAID/Honduras advised us that these funds have now been disbursed for eligible expenses by the implementing agency.

Project Management and Coordination Was Deficient.

From the initial stages of this project, there has been serious organizational infighting between the MOE's Construction Unit and other MOE units. As a result, serious coordination and implementation problems occurred and the MOE had not managed or implemented the project in the most efficient manner. Improved coordination would result in more efficient and economical project implementation.

The MOE Special Project Section was structured in line with the components of this project: (a) the Construction Unit, (b) the Maintenance Unit, and (c) the Educational Supervision and In-Service Training Unit. Coordination of all phases of the project was assigned to the MOE Coordination Unit, which was created as a result of experience gained under a prior loan (522-V-031). The purposes of the prior loans were for similar classroom construction. Under loan 522-V-031, the MOE Construction Unit had complete independence and flexibility for the implementation of the construction project. Its sole interest was on construction of classrooms. As a result, other components of the prior project -- such as furnishing of schools, maintenance, etc. -- were not implemented in an efficient and effective manner. The theory behind establishing a Coordinating Unit was to avoid wasteful duplication and to create an effective system of administrative support (in the areas of accounting, financial, procurement, etc.) for the project. This would allow technical personnel (engineers, teacher trainers, maintenance agents, etc.) more time to concentrate on the technical aspects of implementation. It would also facilitate the gathering of data for effective project monitoring and reporting.

Some progress was made in coordination and cooperation between the Coordinating Unit and the Maintenance and the Educational Supervision and In-Service Training Units. For example, the Coordinating Unit held regular work sessions with the Training and Maintenance units for the purpose of reviewing progress and discussing plans. In addition, the Coordinating Unit improved its administrative support to the two units, thus allowing the unit's staff more time to concentrate on the technical aspects as was originally envisioned.

However, the Coordinating Unit was not able to gain the support and cooperation of the Construction Unit. One reason was that the MOE did not issue a clear delegation of authority describing the authorities and responsibilities of each unit. In addition, there was, according to the Project Manager, a difficult personality mix in the two units. The effects were that the Construction Unit looked on the Coordinating Unit as a bottleneck and did not cooperate with it. It frequently bypassed the Coordinating Unit and went directly to USAID/Honduras or to the GOH hierarchy with project documents; this only delayed actions because the documents were returned to or discussed with the Coordinating Unit. Also, most of the Construction Unit's efforts seemed to have gone towards retaining control of the entire program's fiscal and administrative affairs. For instance, the Construction Unit maintained its own -- albeit, inadequate -- accounting system for the project. In addition, it tried to use funds earmarked for the Maintenance Unit. The Maintenance Unit would not use a common warehouse with the Construction Unit for fear of losing its meager stock of maintenance supplies to the construction effort.

The role of the Coordinating Unit was therefore largely confined to advisory functions. On occasions, it found itself competing for work and responsibilities with other units or just having its functions unnecessarily duplicated by the other units. Our review of the Coordinating Unit activities showed that it was not able to keep abreast of the activities of the other MOE units. It was also not current on the status of the project as a whole. For example, Coordinating Unit officials were unable to provide us with a statement of the financial condition of the project. They attributed this failure to the lack of information received from the other MOE units and GOH agencies. The same situation was found when we requested current status reports for the various project components. None of the participating units had submitted financial and progress status reports on a regular basis. It was necessary for us to visit each of the GOH units involved in order to obtain the necessary data for our review.

The lack of an effective Coordinating Unit or coordinating mechanism has resulted in a series of adverse effects on the project implementation: (a) a reliable accounting system was not established; (b) procurement of needed commodities was not properly coordinated; (c) oversight and coordination of construction activities was not effective; (d) a system of controls for administration and distribution of inputs and materials was never instituted; and (e) replenishment of materials was not done in a systematic manner.

The theory of having a strong and forceful Coordinating Unit to help implement the project in a more efficient manner was commendable. However, the necessary authority by the MOE was never given and thus coordination was not working in actual practice. There were some major problem areas to be resolved, by both USAID/Honduras and particularly the MOE, so that effective coordination could take place:

- Specific duties and authority need to be clearly defined and assigned in order to avoid unnecessary fragmented implementation. We believe that a project manager for each component should be designated with clearly assigned responsibility for the planning, execution, and monitoring of implementation.
- Administrative support duties (accounting, procurement, warehousing, fiscal and budgetary monitoring, data collection, etc), need to be streamlined and centralized in order to facilitate effective and efficient use of project resources and to allow technical personnel (trainers, field supervisors, engineers, etc.) more time to concentrate on the technical aspects of implementation. In this connection, uniform guidelines and procedures for the project's administrative support duties should be established and responsibility and authority for their implementation should be clearly defined and assigned.
- Heads of each unit and the Coordinating Unit need to meet on a regular basis to review and evaluate project progress, and implementation constraints so that an integrated strategy can be developed and adopted. We believe that a directive should

be issued by the Minister of Education requiring all participating units to meet on a periodic basis.

- Each component's annual implementation plan needs to be reviewed and approved in advance and on a timely basis, by the MOE and USAID/Honduras, to ascertain their viability, availability of funding, and conformity with overall project goals.

In our opinion, we believe that an efficient Coordinating Unit or coordinating mechanism would be extremely beneficial to the effective and efficient implementation of this project.

Recommendation No. 5

USAID/Honduras should obtain from the MOE a document which provides an effective Coordinating Unit or coordinating mechanism to implement the Rural Primary Education Program.

Financial Management By MOE Needs Significant Improvement

The project lacked an adequate system of accounting and internal controls to properly monitor and safeguard project resources. As a result, the MOE was unable to provide adequate accountability of the project's resources and the project's financial status was not known.

From the start of the project, the Coordinating Unit was to be responsible, among other things, for maintaining the project records and overseeing internal controls and fiscal matters. To this end, some technical assistance was provided, and an accountant and staff were hired. However, the Coordinating Unit was never properly authorized and its procedures and guidelines were never established. At the end, there was no one responsible for the project's accounting and fiscal affairs. This led to competition between the Coordinating Unit and the Construction Unit on maintenance of the project's accounting records and control over the project's fiscal affairs. The Coordinating Unit practically abandoned its efforts, and, for the most part, the accountant and his staff performed miscellaneous assistance duties for the coordinator of the project. On the other hand, efforts by the MOE Construction Unit fell substantially short of objectives and it never maintained acceptable records or instituted adequate controls. There were problems with the MOE's accounting records, subproject records, and counterpart fund records.

Accounting Records. Records maintained by the MOE Construction Unit were not good. Postings were not done in a regular and consistent manner. There were some vouchers that were never posted. Cost allocations were not consistent and accurate. In some instances, expenditures were only partially posted.

Accounting books were never reconciled. We provided some guidance and assistance to the MOE's staff, but efforts during our review were fruitless because there were just too many mathematical and posting errors. Therefore, the records could not be reconciled and the MOE was unable to adequately account for project resources.

Subproject Records. Records maintained for the construction/renovation subprojects were not suitable for proper accountability and control of resources. As a result, actual cost of the subprojects could not be accurately determined.

The records consisted of a file folder for each subproject with all supporting documentation (invoices, contracts, agreements, etc.), and a cost summary sheet for all subprojects.

Following are illustrative examples of the problems found:

- Files were not properly identified and marked; active and completed files were commingled;
- Posting to the summary control sheets was incomplete and had several errors;
- Supporting documentation filed in subproject folders was incomplete and the costs had not been summarized;
- Most of the files reviewed did not have data regarding the communities' contribution;
- Some of the delivery receipts did not have the cost of the commodities;
- There were variances in the quantities of materials delivered for similar projects; and
- There were no adjustments for the transfer of unused materials.

Overall, records and data available for individual projects were inadequate to determine the actual cost of a subproject. Without this information, it will be very difficult to accurately determine whether the current rate of reimbursement used under the FAR system and specially for renovations is reasonable or not.

It is essential that the financial and accounting affairs of this project be improved. We consider this to be a very serious deficiency and, there was evidence that some technical assistance may be needed.

Counterpart Contribution. The MOE records were not adequate to determine the amount the GOH contributed to the project. Our efforts to obtain precise data on the GOH contribution from the various GOH units were unsuccessful. The amounts shown on Exhibit A were totals compiled by the MOE, but because of the condition of the records we were unable to verify the reliability of the

data furnished. We are including the figures for information purposes, but we are not rendering an opinion on their accuracy.

Recommendation No. 6

USAID/Honduras should obtain evidence from the MOE that an acceptable accounting system, including appropriate internal controls, has been adopted and implemented for the Rural Primary Education Program.

Procedures For Procurement and Management of Commodities Need Significant Improvement

The procurement and subsequent management of commodities was another of the troublesome aspects of project implementation. We found a number of problems which hampered the economical and efficient implementation of project activities. These problems relate to the planning process, preparation of specifications, bottlenecks at the national procurement office, coordination of procurement actions, commodity management, and adequacy of storage facilities.

Lack of Planning. Materials and supplies were procured in an uncoordinated manner and without proper scheduling of time and use needs. For example, large quantities of some materials were purchased without making provisions for the purchase of other materials needed to complete the units. As a result, construction/renovation activities, in many of the 812 classrooms currently in progress, had to be halted because available funds were exhausted and the MOE could not buy the needed parts, however minor (locks, latrine tubes, benches, window panes, etc.), to complete the structure according to specifications. This lack of planning added to delays and inefficiencies of project implementation.

Commodity Specifications. The MOE and USAID/Honduras administration over the preparation of commodity specifications needed to be substantially improved. For instance, the MOE experienced considerable difficulties in preparing satisfactory materials and equipment lists and specifications on a timely basis. The result was additional delays and increased costs. Following are some examples:

- One of the items procured under Bid No. 37-82 was impermeable varnish. The specifications were not clearly stated. As a result it was not until some of the varnish was used that the Construction Unit realized that the type received was not suitable for the intended purpose. This resulted in an additional cost of \$3,797 and a delay of 120 days.
- The specifications for 70 motorcycles, under Bid No. 14-83, called for a 2.0 gallon gas tank. The motorcycles offered by the lowest bidder met all specifications, except that they had a 2.5

gallon gas tank capacity, i.e., 0.5 gallon larger than what specifications called for. As a result, the contract was awarded to the second lowest bidder at an additional cost to the project of \$5,250. Subsequently; at the request of USAID/Honduras and the MOE, the contract was rescinded and awarded to the lowest bidder. However, the reversal was contested in court by the first recipient. At the end of our review, the matter had not been resolved.

Procurement Regulations. Most procurement by public organizations in Honduras must be made through the GOH National Procurement Office. This office has a well-known reputation of having complex and dilatory guidelines and procedures.

According to the GOH National Procurement Office, under the best of circumstances the international procurement process takes 217 days to be completed; approximately 200 days for in-country procurement; and about 120 days for local emergency procurement. However, when changes or revision have to be made to the procurement lists, the revised documents have to be resubmitted and go through the cumbersome review process again. This delays the approval process an additional 60 to 90 days.

Coordination. The lack of procedures and coordination within the MOE also created delays. For instance, because of the lack of controls and procedures within the MOE, the revision process can take a significant period of time since there was no one responsible for monitoring and coordinating the procurement process or a central place for the review and processing of documents.

During our audit, for example, it was necessary for us to visit three GOH agencies in order to complete our review of the procurement. The reason for this was that the pertinent data was not available in one place. There were also instances in which the review process by the MOE and USAID/Honduras took considerable time with little or no communication with the requesting units.

The Mission was aware of most of the problems and had tried to improve its assistance and support to the MOE. However, these efforts fell short of expectations at times because the size of Mission staff did not keep pace with the growth of its workload and the complexity of the procurement problems in Honduras.

The result of these situations led to a project history where procurements were often made hastily and in a poorly planned manner. For example, a substantial number of commodities were procured on an emergency basis. More emergency procurement actions were planned in an effort to get needed materials and equipment to project sites. This mode of procurement probably adds to the cost of the items.

In response to a draft of this report, USAID/Honduras advised us that all GOH responsibilities in the offshore procurement process have been completed and that bids have been accepted for most project commodities. The only remaining procurement activity is for school equipment and AID will undertake

that procurement directly according to USAID/Honduras. However, there were still substantial quantities of construction materials for the MOE to purchase in country.

Recommendation No. 7

USAID/Honduras should obtain evidence that the MOE has established and implemented procedures for the planning and use schedules, as well as procedures for processing and reviewing documents for project procurement.

Commodity Management Among the problems found were:

- Poor records and accountability of commodities;
- Inconsistent inventory procedures;
- Loose controls over the receipt and distribution of commodities; and
- Unsecured and inadequate storage facilities.

Records maintained at the MOE warehouse were not adequate to ascertain proper control and accountability of commodities. The records consisted of a set of cardex cards which were being posted at regular intervals; however, adjustments for transfers, returns, and damages were not posted as they occurred. It appeared that adjustments were only made when a commodity count was taken and the balance on the card did not agree with the inventory on hand. Neither the Construction Unit nor the Coordinating Office maintained a commodity control system.

Controls and procedures over the receipt and distribution of commodities were weak. For example, materials, with an estimated value of \$47,500 which were procured under Loan No. 522-V-031, were commingled with project commodities without records to reflect this fact. Without an accounting, USAID/Honduras could be paying for the same materials twice. In addition, the warehouse loaned certain project commodities to other MOE units for purposes that were not related to this project; however, no one was able to explain to us the exact quantities or the exact usage made of these commodities. Moreover, transfer of unused materials from one construction site to another or returned to the warehouse were not recorded.

Despite the diligent efforts to update its records during our review, the MOE was unable to provide adequate accountability of project commodities.

Recommendation No. 8

USAID/Honduras should obtain evidence that the MOE has established and implemented adequate records and procedures to ensure proper control and accountability of commodities.

Recommendation No. 9

USAID/Honduras should obtain from the MOE full accountability of Loan 522-V-031 materials used for project activities, and determine whether any adjustments or refunds should be made.

Storage Facilities. The warehouse used by the MOE to store project commodities did not ensure minimum safeguard and control of commodities. It was an unfenced lot with a small covered area. As a result, the bulk of the commodities were not protected from the elements or pilferage. The security problems were compounded by the lack of electricity, which made it difficult for the watchman to adequately protect the stock at night.

We were told by MOE officials that several sites were being considered for the relocation of the warehouse. However, they were unable to provide us with any definite plans. Because a substantial portion of project funds will be spent on commodities, we believe that steps should be taken to improve the storage of project commodities.

Recommendation No. 10

USAID/Honduras should obtain from the MOE actionable plans to ensure proper and safe storage of project commodities.

The Teacher Housing Component Needs to Be Reassessed.

Construction of Teacher Housing facilities was extremely limited; only five units (of 600 planned) had been completed. Our examination also showed mixed conclusions regarding the practicality of this component. We do not believe the concept of relocating teachers is readily implementable.

In Honduras, approximately 40 percent of the rural teachers do not live in the villages where they teach. The typical pattern is for teachers to commute between 2 to 6 hours to nearby towns. Also, many teachers who work in isolated areas usually teach only 2 or 3 days a week because of the commuting distance. For this reason, the original project design contemplated the construction of 600 teacher-housing units. Plans were for teachers to relocate and live in the villages on a more permanent basis.

According to a MOE Progress Report, the problems of this component were:

- (a) Most of the communities are extremely poor and sometimes overextend themselves providing their contribution for the classrooms. Therefore, they are not necessarily interested in constructing houses for the teachers or to share in other construction costs.
- (b) Sometime there are 3 or 4 teachers in a given community; therefore, one house would not resolve the problem.
- (c) If only one teacher is working, he usually would not want to move to the community and would probably request to be transferred within 1 or 2 years. According to the MOE, the average length of assignment is about 2 years.
- (d) Instead of constructing a teacher's house, the community would rather construct a workshop, a warehouse, or an administration office.

Our examination corroborated some, but not all, of the above positions. Our field-work showed that, time after time, representatives of the communities indicated willingness to provide additional support for the construction of teachers' houses. These would be provided from subsidies given to the schools by several sources (local communities, departmental governments, or military organizations). The majority of the communities visited had not been told by MOE representatives that such construction could take place. This would indicate a lack of promotion on the part of the MOE.

However, the principal question centered on whether the relocation of teachers from the urban to the rural areas was a practical concept. We found instances where the construction of a teacher's house would result in teachers relocating to the village:

- Marcos Carias Reyes is a two-classroom school in the village of Montana De Los Lagos Grandes. It is located on top of a small mountain about 3 kilometers away from Valle De Los Angeles. The road was very bad; it took us 45 minutes to travel the 3 kilometers. The village had no electricity or telephone. A total of 50 students attend the school. One teacher's house had been constructed under the current construction program. However, it had not been accepted by USAID/Honduras because the house lacked window panes. At the time of our visit, there were two teachers (both female) working at the school. They walk six kilometers each day to and from the school. Their normal week was two to three days. Both teachers said they were willing to relocate to the community when the house is fully completed.

On the other hand, we found instances where the construction of a teacher's house would not resolve the prevailing situation:

- Manuel Bonilla is a 4 classroom school in the village of San Francisco de Soroguara. This village is located near Tegucigalpa and about six kilometers from the main road leading to San Pedro Sula. The road was in such a state that it took us a full 25

minutes to cover the six kilometers. The village had no electricity or telephone. There were 95 students attending the school. The school building itself had two bedrooms and kitchen facilities. There were two young teachers -- one male and one female -- working at this school. Both had recently married, but not to each other. Their spouses lived in another part of Honduras. The young man's wife is also a teacher, but she was assigned to teach somewhere else. Members of the community told us that the teachers arrive on Tuesday and leave by Thursday of each week. In other words, they teach two days a week.

The above are just two of the many similar examples seen by us in our field trips. The conflict is evident. The relocation concept cannot be applied in a uniform manner. In the first case, the teachers were properly placed and were willing to relocate to the community. However, the second case is more troublesome. If we were to hypothesize on whether either of the two teachers in the second example -- or in a similar situation -- would be willing to relocate and live in such an environment if housing was constructed, we would have to conclude in a negative manner. Several factors support this conclusion: (a) the marital situation of the teachers; (b) the youthfulness of both; (c) the isolation and rustic setting of the community; and, (d) the lack of essential services (transportation, electricity and telephone). The facts in the second example are persuasive; the school has two bedrooms, but the teachers still spend minimal time teaching and prefer to leave the area over weekends.

If our sample is representative of the rural conditions of Honduras, then, the concept of moving teachers from urban to rural and isolated areas does not have all of the practical features to make it readily implementable. On this basis, then, we do not believe that the construction of the 600 teachers houses can be achieved or should even be pursued on such a scale. In our opinion, the scope and objectives of this component need to be re-examined. Several options are open to USAID/Honduras: (a) the remainder of the component can be eliminated and the funds reprogrammed; (b) the scope of the program can be reduced; and/or (c) teachers housing could be constructed in well selected areas and fully financed by USAID/Honduras and the GOH.

Recommendation Number 11

USAID/Honduras should re-examine the practicality of the Teachers' Housing component and resolve the problems associated with its implementation.

The Scope of the Planned Maintenance System Should Be Reexamined

The MOE made a start at establishing a nationwide maintenance system. However, progress was limited and the efforts probably will not be sufficient to achieve the nationwide objective. We believe that efforts should be directed to establish a maintenance system with a reduced area of coverage.

At the time the Project Paper was written, it presented a dim picture of school maintenance throughout Honduras. In part, the paper stated:

"A maintenance system for rural primary schools is completely lacking. The little preventive maintenance that is performed is done by the few teachers who feel so inclined, but without any support from the MOE. The MOE does accept the responsibility for major repairs. However, the staff and budget are completely insufficient for the task. The lack of maintenance has a dual negative effect on enrollments. School buildings in a state of serious disrepair do not provide good learning environments and therefore tend to aggravate the student drop-out problem. Secondly, the lack of maintenance significantly shortens the useful life of school buildings so that some of the investment in new classrooms goes to replace the existing deteriorated stock of classrooms."

Based on our review, we believe the above condition has not changed much since the start of the project. Our examination showed that progress towards establishing a nationwide maintenance system has been very limited. After a delay of over 18 months, a central office was finally established. The technical advisor, a key element, had been contracted and had arrived in-country by the time of our departure from Honduras, on June 17, 1983. However, due to the austerity program of the GOH, funding was only made available to hire the clerical personnel, a head supervising engineer, a maintenance agent and his assistant. The GOH failed to make available most of the funds needed to hire the technical and support personnel or to establish and operate the maintenance unit. At the time of our visit, there were no plans to hire the other 34 technical personnel. In addition, the MOE failed to develop a maintenance allowance plan for the schools. It also had not provided each school with an annual maintenance allowance. There was no progress made with regard to the procurement of vehicles and tools. The maintenance unit lacked the required technical personnel, equipment, and tools needed for its operation.

In addition, we made other observations:

- (a) At the central level, efforts were made by the Construction Unit to increase the level of construction budgets by reducing the budgets earmarked for maintenance. The infighting between the Construction Unit and other units was discussed previously.
- (b) The Maintenance Unit had not been able to get funds to purchase materials and tools. It did not have paint, cement, or tools; it only had a few maintenance items such as zinc sheets, and some lumber.
- (c) Our field visits to rural schools corroborated the need for maintenance. Preventive maintenance depended on the pride of the community; some schools were well maintained -- but this was a rarity. The need for maintenance was evident in most schools visited by us. We noted the following types of problems: the floors were cracked in some schools; many schools needed painting; the doors of some schools needed to be replaced; locks in

several schools were no longer functioning; the roof of three schools leaked; and the doors of several latrines were broken.

Our examination corroborated the need for the GOH to establish a nationwide maintenance system. In fact, the demand resulting from the increased number of units being built and the further deterioration of existing facilities reinforced the need. The lack of maintenance also had a dual negative effect on enrollments. Deteriorated school buildings do not provide good learning environment and tend to aggravate the student dropout problem. Secondly, the lack of maintenance shortens useful life of facilities so that some of the investment in new classrooms goes to replace existing deteriorated facilities. However, the current level of effort did not appear to be sufficient to achieve a nationwide maintenance program during the life of this project. We are therefore of the opinion that the scope of the component should be reexamined and that, perhaps, while the needed infrastructure, manuals and procedures are developed and implemented, the area of coverage be considerably reduced.

Recommendation Number 12

USAID/Honduras should reexamine the nationwide maintenance component and perhaps reduce its scope to a pilot project.

Project Equipment Was Not Being Maintained

The MOE was not properly maintaining project equipment. As a result, some project activities like inspection of construction sites, visits by teacher trainers and others, had to be curtailed or rescheduled. USAID/ Honduras should reinforce its position with the GOH that all project equipment must be maintained.

Five vehicles had been procured under the project. At the time of our review, there were only two in operation, the other three were out of service due to the lack of spare parts. The main problems were tires and generators. We found the same situation with some of the vehicles acquired under Loan 522-V-031. Thus, the MOE continued to have difficulty maintaining project equipment.

Project plans call for the procurement of a significant number of vehicles. In addition, approximately 70 motorcycles will be assigned to MOE employees. The employees are expected to use their own funds to pay for the maintenance. Considering the high cost of spare parts in Honduras, and the salaries of some of these employees, it is doubtful, that the employees could afford to purchase spare parts at local prices.

According to estimates, the GOH austerity program is expected to continue at the same level for the next two to three years, therefore, availability of funds for spare parts will continue to be scarce.

Successful implementation of some project activities will depend directly on transportation equipment being readily available for use. Therefore, we believe that, as part of the reprogramming of project funds, the Mission should consider the allocation of some loan funds for the procurement of spare parts to ascertain the operational availability of the transportation equipment throughout implementation. In addition, it makes sense to purchase spare parts for the motorcycles and to establish a mechanism to sell them at a discount to employees who are assigned motorcycles.

Recommendation No. 13

USAID/Honduras should ensure that sufficient project funds are programmed for the procurement of spare parts for the project's transportation equipment.

THE RURAL PRIMARY EDUCATION PROGRAM
PROJECT No. 522-0167
USAID/HONDURAS
THE APPROVED FINANCIAL PLAN FOR THE PROGRAM

Component	AID Financing				GON Funds		Community		Total	
	Loan		Grant		Counterpart		Local Currency		Budgeted	Expended
	Budgeted	Expended	Budgeted	Expended	Budgeted	Expended	Budgeted	Expended	Budgeted	Expended
I School Construction										
New Classrooms	\$7,530	\$281	\$-	\$-	\$-	\$-	\$2,377	\$253 2/	\$9,907	\$534
Renovations	800	58	-	-	800	-	300	-	1,900	58
MDE Personnel	35	2	-	11	558	682	-	-	593	695
Operating Cost	10	-	-	-	130	256	-	-	140	256
Vehicles	30	49	-	-	-	-	-	-	30	49
Inspection	-	-	160	34	-	-	-	-	160	34
Classroom Furniture and Equipment	2,810	-	-	-	1,184	81	-	-	3,994	81
Educational Map	-	-	74	54	50	-	-	-	124	54
Other Cost	-	-	-	-	19	-	-	-	19	-
- Subtotal	<u>\$11,215</u>	<u>\$390</u>	<u>\$234</u>	<u>\$99</u>	<u>\$2,741</u>	<u>\$1,019</u>	<u>\$2,677</u>	<u>\$253</u>	<u>\$16,867</u>	<u>\$1,761</u>
II Teacher Housing										
Teacher Housing Construction	\$1,701	\$-	\$-	\$-	\$-	\$-	\$324	\$-	\$2,025	
MDE Personnel	9	-	-	-	140	-	-	-	149	
Operating Expenses	3	-	-	-	33	-	-	-	36	
Vehicles	10	-	-	-	-	-	-	-	10	
Inspection	-	-	40	-	-	-	-	-	40	
Evaluation	-	-	31	-	10	-	-	-	41	
Other Cost	-	-	-	-	5	-	-	-	5	
Subtotal	<u>\$1,723</u>	<u>\$-</u>	<u>\$71</u>	<u>\$-</u>	<u>\$188</u>	<u>\$-</u>	<u>\$324</u>	<u>\$-</u>	<u>\$2,306</u>	<u>\$-</u>
III Maintenance										
Direct Maintenance Cost	\$ -	\$ -	\$ -	\$ -	\$1,472	\$ -	\$ -	\$ -	\$1,472	
Technical Assistance	-	-	60	-	-	-	-	-	60	
Vehicles & Tools	199	-	-	-	-	-	-	-	199	
Personnel	-	-	-	-	538	-	-	-	538	
Operating Expenses	-	-	-	-	746	26	-	-	746	26
Other Cost	41	-	-	-	8	-	-	-	49	
Contingency/Inflation	4	-	-	-	745	-	-	-	749	
Subtotal	<u>\$244</u>	<u>\$-</u>	<u>\$60</u>	<u>\$-</u>	<u>\$3,509</u>	<u>\$26</u>	<u>\$-</u>	<u>\$-</u>	<u>\$3,813</u>	<u>\$26</u>

THE RURAL PRIMARY EDUCATION PROGRAM
PROJECT No. 522-0167
USAID/HONDURAS
THE APPROVED FINANCIAL PLAN FOR THE PROGRAM

	AID Financing				GOH Funds Counterpart		Community Local Currency		Total	
	Loan		Grant		Budgeted	Expended	Budgeted	Expended	Budgeted	Expended
IV Educational Supervision										
Personnel	\$12	\$ -	\$ -	\$ -	\$349	\$359	\$ -	\$ -	\$361	\$359
Participant Training	-	1	406	2	15	-	-	-	421	3
Technical Assistance	-	-	329	193	-	-	-	-	329	193
Vehicle Procurement	169	-	-	-	-	-	-	-	169	-
Operating Expenses	52	-	-	-	1,598	158	-	-	1,650	158
Other Local Training										
Cost	28	-	-	-	-	-	-	-	28	-
Material Production	400	-	-	-	-	-	-	-	400	-
Evaluation	-	-	50	-	10	-	-	-	60	-
Contingency/ Inflation	7	-	-	-	490	-	-	-	497	-
Subtotal	<u>\$ 668</u>	<u>\$ 1</u>	<u>\$ 785</u>	<u>\$195</u>	<u>\$2,462</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,915</u>	<u>\$ 713</u>
GRAND TOTAL	<u>\$13,850</u>	<u>\$391</u> ^{1/}	<u>\$1,150</u>	<u>\$294</u>	<u>\$8,900</u>	<u>\$1,562</u>	<u>\$3,001</u>	<u>\$253</u>	<u>\$26,901</u>	<u>\$2,500</u>

1/ As per USAID/H records \$1,811
Less Advances to be transferred to Advance Ledger 1,420
Actual Expenses \$ 391

2/Includes funds for school maintenance and Teacher Housing.

3/ MOE records do not show separate accounts for component I and II - all figures belong to both.

USAID/HONDURAS
The Rural Education Program
A More Detailed Description of the Four Program Components

School Construction and Renovation. Funding was provided, under the project, to construct and equip approximately 2,100 new classrooms and renovate approximately 1,000 classrooms. The construction/renovation was designed to take place in the departments of Comayagua, Francisco Morazan, Yoro, Intibuca and Santa Barbara. The MOE is responsible for selecting on the basis of educational mapping of the five target departments, the specific sites for construction. The MOE is also responsible for determining which existing classrooms should be replaced and which should be renovated without prior consultation with AID. Of those units constructed, no more than 20 percent may be replacements for the existing classrooms. The construction, renovation, or equipping of classrooms in urban areas is to be eligible for financing from the project only if the schools are part of mixed urban-rural nucleus.

The Special Project Unit within MOE's Directorate of School Construction - the same unit that implemented Loan 522-V-031 (another school construction project funded by AID), - is to be responsible for project implementation. To carry out the Project, the Implementation Unit's capacity was to have been expanded by the addition of field and central office personnel, including one Assistant General Manager, three supervisory engineers, five social promoters, five bookkeepers, four secretaries, three drivers and four messengers watchmen. At intervals during implementation, the unit's personnel requirements are to be reviewed to determine its adequacy for maintaining the construction schedule. Recipient communities are to contribute at least L.1,000 to pay for half of the skilled labor and are to provide locally available construction materials, i.e., sand, gravel, rocks, etc.

Classroom design and specifications require prior AID approval. Engineering inspection of construction and renovation can be financed with project grant funds and can be contracted directly by AID.

Teacher Housing. The Project provided funding to finance the construction of approximately 600 units of teacher housing in the five department target area.

Construction was to be carried out by the same unit using the same methods applicable for classroom construction. Housing designs are to be approved by AID. Teachers provided with housing will be required to provide their own furniture and maintain the house, but will not be required to pay rent.

Rural Primary School Maintenance. Financing was to be provided for the development of a nationwide preventive maintenance system for rural primary

schools through the Maintenance Section of the Directorate of School Construction, in cooperation with the Pedagogical Supervision Section of the Directorate of Primary Education. The system was to have a nationwide scope and place the main responsibility for maintenance upon school directors and teachers, who in turn were to be encouraged to involve students and parents in school maintenance.

Technical assistance was to be provided to the Maintenance Section to prepare a maintenance manual that is to be distributed to all teachers. Also training and instruction on the procedures and purposes of rural primary school maintenance systems will be provided under the project.

All rural schools were to be provided with an annual maintenance allowance. For intermediate range of repairs which exceed the funds available to schools or their technical capacity, a departmental-level maintenance sub-system was to be developed. Eighteen Departmental Maintenance agents and eighteen assistants were to be hired under the project. Each agent would be provided with a vehicle and tools.

Project funds were to be provided for the maintenance and repair activities of the Departmental Maintenance Agents. To help oversee the program, the Directorate of School Construction would open a regional office in San Pedro Sula. Any major renovations outside of the fire department area will not be included in the project. It is expected that by the end of the project, school maintenance will be performed in a timely manner in 90 percent of rural primary schools.

Educational Supervision and In-Service Training. Financing was to be provided for the nationwide improvement of the educational supervision and in-service teaching training systems. Two priority areas will be the systematic upgrading of supervisors, through in-service training and the qualitative improvement of the classroom teacher through improved supervision and in-service training.

The MOE In-Service Training Group (ITTG) and the Pedagogical Section were to be integrated to serve as a single source within the MOE for the in-service professional upgrading of supervisors directors and teachers. The new section was to continue to carry on direct in-service training, both in the new national In-Service Teaching Training (ITTG) being built under Loan 031, and in the field. A core of the ITTG staff was to operate the center with technical support from the Pedagogical Section, and other members of the ITTG were to be assigned to the field to provide in-service training to supervisors and teachers. The number of trainees in the Pedagogical/ITTG section were to be increased in order to expand the in-service training capacity of the section; 12 new trainers were to be hired to supplement the 24 presently serving under contract. A long-term educational training advisor was to be funded to assist the newly created section prepare a long-range comprehensive training plan that would have as its goal the professional upgrading through in-service

training, of all supervisors and teachers. Additionally, the advisor would be responsible for providing ongoing guidance to the Pedagogical/ITTG section in its training task, particularly with regard to integrating the new curricula and materials to be developed under AID Grant 0119 into the training modality of the Project.

He was also to be responsible for integrating the maintenance awareness training into the comprehensive training plan. An intensive four to six-month program of training abroad would be financed by the project for approximately 23 individuals from the MOE. The group will include the 12 in-service trainers, ten other individuals from the Pedagogical/ITTG Section and one from the Supervision Section. In-country training will be conducted at the National In-Service Teacher Training Center (NITTC) and will include five one-month courses, one fifteen-day course, and four two-week courses for groups of seventy supervisors. Courses will include instruction in such areas as supervision methodology, educational administration, classroom management, motivational training, community relations and curriculum development.

Part of the supervisor's training will deal with the organization and motivation of parent's associations, both for the purpose of supporting schools and for providing feedback on the performance of teachers. Priority for teacher training will be given to the target area for construction. The Project will also provide financing for increasing the production and distribution of didactic materials.

The Project was to finance increased per diem for supervisory training visits to teachers to allow a minimum of 100 days per diem per supervisor per year and sufficient other per diem for the Pedagogical/ITTG section and field supervisors for training and other project purposes.

Also financed will be seven field utility vehicles, for those departmental supervisors who do not now have a vehicle and 20 motorcycles for auxiliary supervisors working in areas where transportation is the most difficult. A system will be developed by which, as the auxiliary supervisors travel, they will receive credits which will eventually allow them to become owners of the motorcycles.

By the end of the Project, it is expected that 90 percent of the school supervisors will have received training by the Pedagogical/ITTG section. It is also expected that 90 percent of rural primary teachers in the target area will have received improved supervision.

LIST OF RECOMMENDATIONS

Recommendation No. 1

USAID/Honduras should obtain from the MOE a detailed implementation plan designed to ensure the immediate completion of the unfinished units and the proper coordination between material and labor inputs for future construction activities. (Page 9)

Recommendation No. 2

USAID/Honduras should advise the GOH that, for future construction, reimbursement will be made only for units selected from the approved time-phased implementation plan. (Page 9)

Recommendation No. 3

USAID/Honduras should assist the MOE to establish a computerized follow-up system of rejected school structures, and a plan to systematically follow-up on their status. (Page 10)

Recommendation No. 4

USAID/Honduras should establish a plan to accelerate engineering inspection visits to the 120 renovation sites which have not been visited, and for future such renovations. (Page 10)

Recommendation No. 5

USAID/Honduras should obtain from the MOE a document which provides an effective Coordinating Unit or coordinating mechanism to implement the Rural Primary Education Program. (Page 13)

Recommendation No. 6

USAID/Honduras should obtain evidence from the MOE that an acceptable accounting system, including appropriate internal controls, has been adopted and implemented for the Rural Primary Education Program. (Page 15)

LIST OF RECOMMENDATIONS

Recommendation No. 7

USAID/Honduras should obtain evidence that the MOE has established and implemented procedures for the planning and use schedules, as well as procedures for processing and reviewing documents for project procurement. (Page 17)

Recommendation No. 8

USAID/Honduras should obtain evidence that the MOE has established and implemented adequate records and procedures to ensure proper control and accountability of commodities. (Page 18)

Recommendation No. 9

USAID/Honduras should obtain from the MOE full accountability of Loan 522-V-031 materials used for project activities, and determine whether any adjustments or refunds should be made. (Page 18)

Recommendation No. 10

USAID/Honduras should obtain from the MOE actionable plans to ensure proper and safe storage of project commodities. (Page 18)

Recommendation Number 11

USAID/Honduras should re-examine the practicality of the Teachers' Housing component and resolve the problems associated with its implementation. (Page 20)

Recommendation Number 12

USAID/Honduras should reexamine the nationwide maintenance component and perhaps reduce its scope to a pilot project. (Page 22)

Recommendation No. 13

USAID/Honduras should ensure that sufficient project funds are programmed for the procurement of spare parts for the project's transportation equipment. (Page 23)

APPENDIX B

LIST OF REPORT RECIPIENTS

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