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USAID Governance and Transparency Program

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INTRODUCTION

NATURE AND OBJECTIVE OF THIS DOCUMENT

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

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

This is the first semiannual report submitted in compliance with the Task Order requirement. It covers all activities in the first nine months of the Program from inception on October 1, 2004 to June 30, 2005. The next semiannual report will cover the six-month period from July 1 to December 31, 2005.

PROGRAM BACKGROUND

The USAID/Honduras Governance and Transparency Program will be pivotal in supporting democratic, anti-corruption and transparent practices leading to good governance. Good governance is seen as a necessary building block for Honduras to successfully achieve long-term poverty reduction, increase its competitiveness in the global economy, and provide more sustainable management of its natural resources. Because many of the anti-corruption and good governance practices are demonstrated most effectively where citizens have the greatest influence, the USAID/Honduras strategy highlights the need to support local governments, locally organized civil society, and the mechanisms that allow each segment to productively engage the other in decision-making and oversight of public resources. In addition, promoting anti-corruption and good governance throughout the country will require complementary activities that support national level actors such as the Supreme Auditing Institution (Tribunal Superior de Cuentas, TSC), the independent National Council for Anti-Corruption (Consejo Nacional Anticorrupción, CNA), and the Honduran Municipal Association (Asociación de Municipios de Honduras, AMHON).

The USAID Governance and Transparency Program (heretofore called "the Program") seeks to achieve the following objectives during the implementation of the Task Order:

- Validate transparent, responsive and accountable local government
- Establish best practices of transparency in the use of public resources at the municipal and mancomunidad levels of government.
- Create opportunities for civil society to forge alliances with the public and private sectors to promote local development and the exercise of government.

- Transfer best practices in good governance to other municipalities
- Support civil society proposals emphasizing efficient management and improved services.
- Support transfer of water systems from SANAA to local authorities.
- Promote continuity and good governance as part of the political transition process at the local level as a result of the elections in November 2005.
- Improve the capacity and efficiency of the Tribunal Superior de Cuentas: Specifically the Audit Department for the Municipal Sector (DASM) and the Audit Unit for International Donors (UAPOI).
- Increase the capacity of other private and public sector institutions to operate transparently and engage other stakeholders in advancing development goals.

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

SUMMARY OF FIRST NINE MONTHS OF THE PROGRAM

During the period from October 2004 to June 2005 our initial focus was on designing and implementing certain methodologies and reports required by our contract with USAID. These include the following

Methodology / Document	Status USAID approval	Implementation Status
Selection system manual for municipalities and mancomunidades (PR 1.1)	Approved	17 A & B and 16 C & D selected 32 agreements signed 5 mancomunidades selected
Selection system for identifying local TA providers (PR 1.2)	Approved	113 consultants registered
Desktop reference on procurement processes (PR 1.8)	Approved	Distributed to participating municipalities and local consultants
DASM procurement plan and maintenance schedule (PR 1.10)	Pending	N/a
Recommendations for Effective Implementation and Implementation of DASM Audit Management Audit Plan	Approved	Being revised based on new, recent information
UAPOI procurement plan and maintenance schedule (PR 1.11)	Pending	N/a
Selection system manual for broad-based coalitions (PR 3.1)	Approved	Applied in 13 municipalities
Handbook for performance oversight functions by civil society (PR 3.4)	Pending	N/a
Municipal indicator database (PR 6.2)	Approved	Implemented

Beginning in April, we initiated the process of introducing in Honduras new concepts and approaches to the municipal and civil society components of the Program as described in our proposal to USAID for this Program. In this early stage the emphasis has been in transferring knowledge of the new concepts and approaches to Hondurans, including representatives of civil society and municipal staff as well as members of the Program staff and independent consultants and firms. The results through June 30, 2005 include:

New Concepts and Approach	Persons Trained
Service Improvement Action Planning (SIAP)	94 Civil society representatives and 102 municipal staff from 32 municipalities
Procurement Planning, Implementation and Monitoring	9 Civil society representatives and 46 municipal officials and staff from 9 municipalities ¹
Analysis of finances and service coverage in C and D municipalities	18 Local consultants

As a result, an effort that required initially significant international consultant inputs now largely relies on Honduran professionals. For example, the initial Service Improvement Action Plan (SIAP) workshop

¹ The initial round of training on procurement ended on July. The full figures for this program are:
18 Civil society representatives and 107 municipal officials and staff from 32 municipalities

conducted in April relied totally on U.S. consultants. The same workshop presented now in July as we write this report was conducted entirely by our Honduran staff with support from staff of one of the participating municipalities. We anticipate that our counterparts from both civil society and municipalities will play an ever-growing role in such workshops in the future. The progress also is evident in the change in the mix of international and Honduran short-term assistance funded by the Program for the period up to April 2005 and for May and June 2005.

Period	International STTA	Honduran STTA
October 2004 – April 2005	261 person days	189 person days
May / June 2005	139 person days	582 person days

The Program also contracted with the University Jose Cecilio del Valle to provide an institutional base for continued efforts to transfer knowledge of the new concepts and approaches to additional civil society representatives, municipal officials and Honduran consultants over the remaining life of the Program.

Significantly, there also has been progress in implementing the assistance to municipalities and civil society. Ongoing activities as of June 30, 2005 included:

Performance Requirement	Ongoing activities
Activities in A & B municipalities	Joint civil society – municipal working group developing performance measures for specific activities in 16 participating municipalities
Activities in C & D municipalities	Baseline data on own revenues and service coverage established in 5 municipalities Joint civil society – municipal working group developing action plan to increase own revenues and expand service coverage in 5 of 13 participating municipalities
Public private partnerships	Potential partnership identified in two C & D municipalities

Based on the progress to date, we anticipate that numerous specific results and benchmarks have been or will be achieved in the next month or two. They include: 1) number of municipalities meeting their performance goals in the procurement of works, 2) annual number of AHMON Board decisions implemented by technical team, and 3) number of local government decisions with impact on local government where participation of Broad Based Coalitions can be documented. Progress, in some cases substantial, has been made on achieving Performance Requirements #1.1, 1.2, 1.8, 1.11, 3.1, 3.2, 3.4, and 3.5.

CURRENT STATE OF THE GOALS AND OBJECTIVES OF THE PROGRAM

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: The focus of this result is to enhance governmental capacity to fulfill its mandates in a transparent and effective manner. This capacity building targets local governments, the supreme audit agency (TSC) of the central government, and mancomunidades. A selection process that will help to identify those local governments that will make the best use of this investment orients the approach to capacity building. GTAG intends to provide continued support only to those local communities and governments that are meeting their performance targets and can serve as mentors to other localities.

Efforts during the reporting period related to Result 1 focused on

- a) Preparing for USAID review and approval the selection criteria for participating municipalities, mancomunidades and local TA providers and other deliverables, as required by the USAID Performance Work Statement,
- b) Introducing new technical approaches in Honduras, as described in the Proposal submitted by MSI to USAID for this Program, and
- c) Initiating work at the local level with participating municipalities and local civil society and at the national level with DASM and UAPOI to meet USAID performance indicators for Result 1.

Result 1: Performance Milestone Plan Indicators for Periods One (All) and Two (Partial)

Note: This report covers the period through June 30, 2005, as required by the Performance Work Statement. That period includes all of Period One of the Performance Milestone Plan and six months of Period Two. Thus, we can report here on the full results for Period One – October 2005 to March 2006 – only. For Period Two – April 2005 to September 2005 – we have included actual results and our current estimate of what the Program will achieve by September 30, 2005.

Indicator	P1		P2	
	Planned	Actual	Planned	Projected
Number TA activities in A/B meeting performance targets	0	0	3	0
Number of A/B municipalities meeting performance goals for procurement of goods and services	0	0	2	0
Number of C/D municipalities meeting performance goals for procurement of goods and services	1	0	2	0
Number of mancomunidades meeting performance goals for procurement of goods and services	0	0	2	0
Percent of DASM staff that complete self-directed	0%	0%	5%	0

Indicator	P1		P2	
	Planned	Actual	Planned	Projected
educational Program (cumulative)				

The PMP showed that no municipality would have met the performance goals in the procurement of goods and services by the end of Period 2, that is, by September 30, 2005, as originally planned. We expect by that time a total of 10 municipalities (5 A and B municipalities and 5 C and D municipalities) will be within one or two months of meeting this benchmark. A total of 32 municipalities have received the required training and a manual on public procurements by local governments. We expect to have 10 technical assistance activities being contracted applying the norms of the public procurement training. If the Contractor achieves the level of municipalities meeting their goal of 10 by the end of Period 3, it would exceed the expected target by four municipalities and mancomunidades (or 66%) meeting their performance goals in performance of works, goods and services.

Performance Requirement #1.1 – Identifying Participating Municipalities and Mancomunidades

Milestones and Benchmarks

Develop selection system for municipalities and mancomunidades –

Target: P1 Actual: Done P1

Discussion – Municipalities. The Contractor submitted a methodology to select municipalities that was approved by USAID. Based on that methodology, USAID approved a target for the initial selection of 15 A and B and 15 C and D municipalities as follows:

For the first three semesters of the GTAG the highest performance target is that 10 A&B and 10 C&D municipalities will have completed their transition action plan by March 31, 2006. It is likely that it will not be possible to implement a transparent transition in all selected municipalities due to resistance or lack of cooperation by one or more of the candidates to municipal office. Assuming a success rate of two in three, then the initial selection should include:

- A&B 10 divided by 2/3 = 15
- C&D 10 divided by 2/3 = 15

For various reasons, including guidance from USAID, at the end the Contractor selected 17 A and B municipalities and 16 C and D municipalities, all approved by USAID.

The Contractor then proceeded to sign agreements with 32 of 33 municipalities focusing on the engagement of municipalities and civil society. La Lima met the selection criteria for the Program, but work with that municipality has been delayed at the request of USAID for failure by the municipality to comply with certain USAID requirements from other, previous programs.

Discussion – Mancomunidades. The Contractor has presented a methodology to select mancomunidades for the Program, which was approved by USAID. Mancomunidad selection has been linked to municipalities also selected to participate in the Program so as to create synergies between the two entities.

The next round of selection of participating municipalities and mancomunidades will occur in March 2006.

Performance Requirement #1.2 – Identifying Local Technical Assistance Providers

Milestones and Benchmarks

Develop identification and prequalification system – **Done P1**

Continuously identify and pre-qualify local TA providers – **Done P1**

Cumulative number of TA providers identified – **Target: 10 Actual: 113**

Discussion Performance Requirement 1.2 calls for continuously identifying and pre-qualifying local technical assistance providers to deliver assistance to municipalities, mancomunidades and broad-based coalitions. The Contractor has put in place a Consultant Registry based upon a methodology submitted to and approved by USAID. The Consultant Registry consists currently of 113 consultants (firms and individuals) who are qualified to provide assistance in 13 distinct technical areas. The Registry will be expanded over time through two mechanisms. First the Contractor will open the Registry every year at the end of March to add consultants who meet the qualification requirements. Second we will be contacting during the year local officials and civil society to locate additional consultants who have held municipal positions, received USAID training previously, and who appear to be qualified to provide services. Through the University José Cecilio del Valle, we will provide training courses for local consultants, which, if successfully completed by the consultants, will qualify them to be placed on the Registry to provide services in the Program. If already listed, consultants that take the coursework will be given special recognition, thereby enhancing their competitiveness in competing for work.

The Registry of 113 technical assistance providers is posted on the Program website so that municipalities, their officials, civil society, and others are able to access Registry information easily to select technical assistance providers participating in the Program or any other Government of Honduras local government program. The website is user friendly permitting interested applicants to download applications for submission to the Program.

In March 2006, the Program will conduct a second round of selection.

Performance Requirement #1.3 – Quality Control for Local TA Providers

Milestones and Benchmarks

Quality Control program developed – **Target: P1 Actual: Done P1**

Quality Control program implemented – **N/A**

Discussion. Performance Requirement 1.3 calls for monitoring the quality of technical assistance being provided to municipalities, mancomunidades, and civil society to support Program goals and objectives. USAID approved the process for evaluating the performance of local TA providers as part of the same document that described the process for selecting those providers. We will implement the process as part of the assistance to the municipalities, mancomunidades and civil society. During the year the consultants in the Registry will compete to provide technical assistance to municipalities, mancomunidades and civil society. Municipal officials in charge of the specific tasks will be responsible for monitoring the work of these technical assistance providers. In the event that consultants fail to achieve their work requirements, they will be given the opportunity to correct deficiencies and, if they fail to do so, they will be removed from the Registry.

Currently the Program has contracted 33 assignments with almost all people drawn from the Registry since April when it was established. The technical assistance advisors provided 771 person days of work

with a value of almost \$59,000. They have performed such services as the Analysis of Mancomunidad Selection, data gathering for the Municipal Selection Criteria, a Work Program for Mancomunidades, the Mancomunidad Best Practices in Governance Systems Report, Analysis of CNA Draft Legislation, a Work Plan for UAPOI, and other activities. Consultant work will be evaluated upon completion. The control system is being designed and will be incorporated in the Program database.

Performance Requirement #1.4 – Specialized Assistance to A and B Municipalities

Milestones and Benchmarks

Criteria for assistance to A/B established and disseminated – **Target: P1 Actual: Done P2**

Assistance provided to A/B with signed written agreements – **Target: P1 Actual: Done P2**

Number of A/B municipalities with signed agreements – **Target: 15 Actual: 16**

Discussion In the 16 A and B municipalities currently involved in the Program, specific municipal service priorities consistent with their respective Strategic Municipal Development Plans were identified. We are currently working in all of 16 municipalities to achieve the benchmarks in the Task Order. To engage municipalities in this dialogue, the Contractor used a methodology called Service Improvement Action Plans (SIAP) which has proved to be highly effective in promoting an open, focused dialogue on the future of the municipalities in the Program between municipal officials and representatives of the community. Specific local priorities have emerged from this dialogue.

The Contractor is now in discussions with USAID to review its plans and approach to ensure that the Program activities are of high quality and significant and that they will demonstrate substantial development impacts. This is especially true in the A and B municipalities where the Contractor will differentiate current Program activities from those that have been carried out under USAID programs previously. USAID has indicated that it wishes to see A and B municipal activities that are not tied to past institutional strengthening efforts such as technical assistance directed at improving the quality of management, but rather focused on broader development activities.

The Contractor will seek to promote a broad variety of activities that can serve as examples of what can be accomplished through this Program. However, the contractor must be respectful of the agreements it has signed with the 32 municipalities making sure that it focuses on mutually agreed upon technical assistance activities based on priorities generated by the agreement between the municipal government and its citizenry. So far, a preponderance of concerns have focused on traditional municipal services, such as water, sewerage and garbage collection. We are beginning to see new areas of focus, such as plans to manage urban growth and to address problems in local watersheds that are the source of water for local communities. We will seek ways to continue to broaden the range of concerns that our local counterparts address with Program resources.

Performance Requirement #1.5 – Build Capacity in C/D municipalities

Milestones and Benchmarks

Number of C/D municipalities with ongoing activities – **Target: 10 Actual: 16**

Discussion. In C and D municipalities the emphasis has been on strengthening capacities to increase annual revenue collection by 10 % in real terms and expand a specific municipal service by 10 % for two consecutive years. Work with the 16 C and D municipalities is proceeding as planned. Approximately 18 local consultants in our Registry participated in a workshop that focused on financial reporting and revenue generation. Among the products of this workshop was a manual for financial

analysis and management that was developed. These materials and the training is designed to establish a cadre of local consultants that can provide technical assistance designed to achieve Performance Requirement #1.5 and achieve the indicator under Result 1 regarding annual increases in municipal tax revenue and service coverage.

Performance Requirement #1.6 – Assess Governance Structure of Mancomunidades

Milestones and Benchmarks

Assess Governance Structure of Promising Mancomunidades – **Target: P2 Actual: Done P2**

Discussion. An analysis of 18 (of 54) mancomunidades was carried out which assessed a series of factors such as dues paying membership, legal and operational characteristics, stability and political will. Five were selected and presented to USAID for approval: CIPROMACH, CHORTI, MAMUCA, AMUPROLAGO, and MAVAQUI. Shortly, agreements will be signed with mancomunidades similar to the ones between the Program and the municipalities mentioned above. The signing will involve the President of the Mancomunidad Board and the Chief of Party. We expect to begin signing agreements with mancomunidades by mid August.

In addition to completing the selection process, the Contractor is preparing its first Annual Report on Best Mancomunidad Practices to be disseminated by AHMON. This report will provide examples of how to strengthen operational and sustainable financial administration systems. By the end of August 2005, we expect to submit the best practices document. We expect to have work programs for each mancomunidad completed by the end of September 2005.

Performance Requirement #1.7 – Build Capacity of Technical Unit Employees

Milestones and Benchmarks

Build capacity of technical unit employees – **Target: Start: P1 Projected: Start P3**

Number of mancomunidades receiving assistance – **Target: 5 Actual: 0**

Discussion. No personnel from the five selected mancomunidades have received training to date as these were selected in mid July. The work programs being developed will identify training needs.

Performance Requirement #1.8 – Strengthened Capacity of Municipalities and Mancomunidades To Procure Goods And Services in Accordance With the Honduras Public Procurement Law

Milestones and Benchmarks

Number of employees proficient in specified area – **Target: 0 Actual: 0**

Selection of Participants – **Target: P1 Actual: Done P2**

Resource materials developed – **Target: P1 Actual: Done P2**

Measurement tool for program graduates developed – **Target: P2 Projected: P2**

Discussion. The Program has trained 54 local elected officials (mayors, deputy mayors, councilmen), 53 municipal employees and 18 members of civil society in the Honduran Public Acquisition Law, including those during July. Various materials (see discussion below) were distributed. The Public Acquisition Expert who designed the course is working with the Program monitoring and evaluation staff to establish a monitoring and evaluation system to measure proficiency of municipal and

mancomunidad personal. Program Regional Coordinators will collect the data for evaluating municipality performance.

In addition, the Public Acquisition Expert developed a Desktop Reference on Procurement Processes that was submitted to USAID for approval. The document not only focused on best practices and obstacles faced by municipalities of different sizes, but addressed the various donor requirements that municipalities and mancomunidades must follow to receive assistance. The document included procurement planning and processes in accordance with the Fondo Hondureño de Inversión Social (FHIS) project decentralization cycle. BID, EU, World Bank and other donors have contracting requirements that differ one from the other and the desktop reference prepared by the Contractor addresses these complexities. This document will become a key tool in achieving results, performance requirements and benchmarks related to the Task Order during the life of the Program. It will guide contracting of Program technical assistance.

Performance Requirement #1.9 – Strengthen The Capacity Of Municipalities To Receive The Transfer Of Water Systems Transfers from SANAA:

Milestones and Benchmarks

Capacity strengthened among select local institutions – **On hold until after elections**

Establish criteria for local institutions to receive assistance – **Target: P1 Projected: P3**

Develop and implement transfer plans – **Target: 2 Actual: 0**

Discussions. There are 33 municipalities in Honduras that are eligible for the transfer of water systems from SANAA. The Contractor has prepared a preliminary review of five municipalities as well as worked with SANAA and AHMON leadership to determine the state of regulations to implement SANAA policies on water transfers. At the request of USAID, the Contractor will initiate work again on this Performance Requirement after the elections and when issues having to do with implementing regulations of the water transfer law are clarified. Currently four municipalities among the first 33 selected for the Program are subject to these service transfers to achieve Performance Requirement 1.9 and its related indicator. Therefore, selection of municipalities in the second round of the Program will focus, among other things, on selecting additional municipalities subject to these service transfers.

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

Milestones and Benchmarks

Build capacity of DASM staff – **Target: Start P1 Projected: P3**

Procure equipment for DASM – **Target: P1 and P2 Actual: Start P2**

Offer training to develop skills – **Target: P1 to P3 Projected: P3**

Collaborate with DASM in at least 3 audits – **Target: P2 Projected: P3**

Discussion. The Contractor presented to the TSC three products: an analysis of how to strengthen the capacity of DASM, a procurement plan and maintenance schedule for the purchase of equipment and a report recommending effective preparation and implementation of an annual audit plan. Most of this work was prepared in March and presented around mid April. Very recently, the Supreme Auditing Agency (TSC) developed a Strategic Plan. It calls for the establishment of a comprehensive training

program for its auditing staff (DASM staff included), the expansion of the DASM staff by 25 persons, more than doubling its staff, and the acquisition of computers and other technology to support the auditing staff. There is expected to be an additional amount of funding to cover such auditing expenses as per diem. These major innovations effectively change the recommendations of the work carried out by the Contractor several months earlier. Moreover, TSC has agreed to implement an ambitious auditing plan as part of conditionality related to a large European Union budget support program. Given this new information, the Contractor will have to reevaluate the audit plan presented at the end of March. The Mission was sent a letter from Magistrate Renan Sagastume of the TSC on June 27, 2005 raising numerous issues with the work prepared by the Contractor. In light of that letter, the Contractor is looking for a new international advisor to work with the TSC.

In addition, the Contractor will work with the Mission on the issue of denuncias. The management of denuncias falls under the purview of the Departamento de Control y Seguimiento de la Denuncia, not DASM. Moreover, as part of our work with the TSC, it was learned that the number of denuncias being processed by the TSC is negligible. At the same time, the Contractor has learned that the denuncias that are being presented are so poorly drafted that no action could be taken. In other words, if the denuncia is presented to the TSC, it requires a certain degree of specificity and clarity for the TSC to take effective action. In the few instances that exist, the denuncias are virtually useless as drafted. The Contractor will be working with the donor community to address this issue and will report to the Mission about its recommendations for Program action.

Performance Requirement #1.11 – Build Capacity of UAPOI (Unidad de Auditoria Para Organismos Internacionales) Staff

Milestones and Benchmarks

Build capacity of UAPOI staff – **Target: Start P1 Projected: P3**

Procure equipment for UAPOI – **Target: P1 and P2 Actual: Start P2**

Discussion. The Contractor has produced a procurement plan and maintenance schedule for UAPOI. It has also prepared a draft report on a UAPOI strategy to fulfill its overall mandate on a sustainable basis, including resource generation staffing and other concerns. This work needs to be updated in light of the TSC comprehensive training program. As in the case of DASM, the TSC plan for UAPOI calls for 3 of the 10 staff members to receive Técnico en Auditoria training. The Contractor will be working with the TSC on completing the draft report.

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

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

Result 2: Performance Milestone Plan Indicators for Periods One (All) and Two (Partial)

Note: This report covers the period through June 30, 2005, as required by the Performance Work Statement. That period includes all of Period One of the Performance Milestone Plan and six months of Period Two. Thus, we can report here on the full results for Period One – October 2005 to March 2006 – only. For Period Two – April 2005 to September 2005 – we have included actual results and our current estimate of what the Program will achieve by September 30, 2005.

Indicator	P1		P2	
	Planned	Actual	Planned	Projected
Annual number of AHMON Board decisions implemented by technical team and documented back to the Board (annual)	0	7	20	7
Number of activities completed by CAN in accordance with its national anti-corruption strategy	0	0	0	0
Amount of resources (cash or in-kind) leveraged from private sector for increasing good governance and ethical practices	\$0	\$0	\$0	\$0

Discussion. During the year there were numerous Board decisions that were implemented by the staff. Examples of those achievements were the following: A commitment of the Board to reduce in the role of the Executive Director, and many others listed in the discussion below. We are recording these and they will be presented to USAID as of September 30, 2005 as achieving results according to the first indicator under Result 2.

Performance Requirement #2.1 - AHMON In-house Capacity to Train Board Members Enhanced

Milestones and Benchmarks

Enhance capacity to train AMHON Board – **Target: P2 Actual: Started P2, Delayed to P3**

Discussion. This Performance Requirement is geared to establishing AHMON as an entity independent of political influence that focuses on the need to strengthen municipal autonomy and greater levels of decentralization of authority and resources. It is also an institution with the capacity to train its newly elected Boards of Directors to effectively advance its decentralization agenda. There were numerous achievements during the semi annual report period where the Board and AHMON as an institution exercised greater independence in promoting the decentralization of government. Such was the case with the approval of the Agreement between AHMON, the Secretary of Governance and Justice and the Supreme Auditing Agency (TSC) calling for local governments to receive 5% of Central Government revenues, of which 1% was to be placed in a Transparency Fund designed to support greater transparency of local government.

During the year there were numerous decisions by the Board to strengthen its capacity to direct the affairs of the organization. Examples of those achievements were the following: Signing a Cooperation Agreement with the Program, acceptance of Program technical assistance to set the institution’s agenda for the year, a commitment of the Board to evaluate the performance of the Executive Director, acceptance of Program assistance to organize the AHMON Annual Assembly, Board action to reduce in the role of the Executive Director, and many others. We are recording these to be presented to USAID as achieving results according to the first indicator under Result 2.

Nevertheless, there are still serious issues regarding AHMON that indicate to the Contractor that the organization lacks sufficient Board leadership to direct the institution and its Executive Director and related staff. Various initiatives were begun such as the evaluation of the Executive Director only to fall by the wayside during the year because some Board members were not keen on pursuing this issue. The Secretariat of Governance and Justice has held AHMON hostage regarding the approval of its statutes, a condition for additional USAID funding. When the issue arose of how the 5% of national revenues would be distributed among the municipalities, it provoked a series of strong reactions by various interest groups (poor municipalities versus their more prosperous counterparts, large municipalities versus the smaller ones, etc.) that tested the viability of AHMON to serve as the representative body for all 298 municipalities. AHMON also faces continuing efforts to politicize the organization, pitting Liberals against Nationalists.

Further complicating the issue is that Honduras enters an electoral period with all 298 municipalities holding elections putting in play all positions of local political leadership (mayors and councilors). Currently most mayors have diverted their attention to their campaigns. The dialogue on AHMON institutional development will have to be deferred until after the election and then the focus will be on the process of establishing a new Board. The Contractor can be helpful in working with AHMON leadership on selection criteria for Board membership, strengthening internal procedures, and focusing on formulating next year's institutional agenda. Another near term activity will be to work with AHMON in support of its ambitious local government Transition Plan (see discussion under Result 4).

Performance Requirement #2.2 – Build Capacity of National Anti Corruption Council (CNA)

Milestones and Benchmarks

Build capacity of CNA to update strategic plan – **Target: Start P1 Projected: Start P4**

Fund discrete CNA activities – **Target: Start P1 Projected: Start P4**

Discussion. The Performance Requirement for the CNA calls for updating, implementing and monitoring of watchdog activities within the parameters of its strategic plan. Since last October when the Program began its startup, the CNA virtually fell apart as an institution. Its Board President and membership resigned, as did the institution's staff. However, a few months ago, legislation was presented to and passed by the Honduran Congress. Since Program start up, there has been a lack of clarity about how to proceed with the anti corruption effort because of the scenario described above. The contractor has been working with the NGO and donor community to monitor progress toward a coherent anti corruption strategy and program. The Contractor focused limited staff and consultant resources on monitoring the state of play regarding the legislation and, when passed, the steps taken by the Government to establish the institution. The Contractor as well has worked closely with the NGO community to identify and assist as needed in their efforts to re-establish the CNA as an effective watchdog agency. Now that the Government, through the Secretary of Governance and Justice, has accredited 12 organizations to serve on the CNA Board and seems to be moving toward naming a Coordinator, determining the composition of an Executive Committee, and officially constituting the organization, the Contractor hopes to initiate its work to strengthen the capacity of the organization to manage its activities in an effective manner. In the meantime, we will continue to work closely with relevant NGOs and the donor community as we have until now.

The Mission agreed to suspend the initial deliverables for the CNA for one year assuming the need to establish operational procedures, recruit and hire staff and begin operations before planning for the institution is possible.

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

Milestones and Benchmarks

Increase Private Sector awareness – **Target: Start P1 Actual: Postponed by agreement with USAID**

Discussion. The Performance Requirement focuses on leveraging private resources to promote good governance and global competitiveness. Work was delayed until there was time to analyze the direction in which the CNA legislation was going since it is such a critical element in the Government's and Honduras' anti corruption strategy. Now that it seems the CNA may be moving toward establishment, the Contractor is initiating work on analyzing how the Program might approach the private sector on anti corruption and global competitiveness issues. The Contractor will work closely with the Mission to explore potential linkages with other programs such as the work being developed by MDDIO on the Civil Code. The Contractor will develop an approach to achieving this performance requirement and seek USAID approval before it engages consultants to identify which specific organizations and leaders are interested in the governance and competitive themes, the nature of their interests and the extent to which they are disposed to support such initiatives. When the Contractor can answer these questions it can develop and present its detailed strategy to discuss with the Mission.

RESULT 3: Ownership by stakeholders of local development processes enhanced

Result Summary: In order to make development processes sustainable, ownership is needed by as many stakeholders as possible. This ownership can be encouraged in part by active oversight of governmental activities; participation of civil society in decision-making processes at the local level, and by joint efforts between public and private sector stakeholders. The activities under this result aim at promoting greater transparency and accountability of local governments by supporting civil society groups that can actively monitor the performance of their municipalities and participate in important decisions. The efforts to support public-private partnerships will strive to open up new and innovative opportunities for collaboration with the private sector in promoting local and regional economic development.

Result 3: Performance Milestone Plan Indicators for Periods One (All) and Two (Partial)

Note: This report covers the period through June 30, 2005, as required by the Performance Work Statement. That period includes all of Period One of the Performance Milestone Plan and six months of Period Two. Thus, we can report here on the full results for Period One – October 2005 to March 2006 – only. For Period Two – April 2005 to September 2005 – we have included actual results and our current estimate of what the Program will achieve by September 30, 2005.

Indicator	P1		P2	
	Planned	Actual	Planned	Projected
Number of local government decisions with impact on local development where participation of broad-based coalitions can be documented				
A & B	0	0	2	3
C & D	0	0	2	2
Number of public private partnerships promoting activities in local and regional economic development (cumulative)				
A & B	0	0	0	0
C & D	0	0	0	0
Dollar amount of private funds leveraged through partnerships	\$0	\$0	\$0	\$0
Number of municipalities where broad-based coalitions are monitoring performance of their local government				
A & B	0	0	2	3
C & D	0	0	2	2

With regard to the first indicator, the results reflect involvement of the limited number of existing broad-based coalitions. Of the 32 municipalities where the Program is active currently, only six have a broad-based coalition that meets the standards established in the selection manual approved by USAID. In fact, however, the Program is working with civil society representatives in all 32 municipalities. Taking this broader view, the figures for the first indicator would be as follows

Number of local government decisions with impact on local development where broad participation of civil society can be documented²

A & B 11
C & D 5

Performance Requirement #3.1 – Develop a Selection System for Identifying Broad Based Coalitions (BBCs) that Will Receive Assistance:

Milestones and Benchmarks

Develop selection system for broad-based coalitions – **Target: P1 Actual: Done P2**

Discussion USAID approved a selection methodology for BBC's at the beginning of April. The methodology includes a data collection system that will be useful in measuring results of the coalitions. The methodology was tested prior to its submission.

² The municipalities are

A and B – Catacamas, Choloma, Choluteca, Comayagua, Guaimaca, La Entrada, Potrerillos, San Lorenzo, Santa Rosa, Talanga, Villanueva

C and D – La Villa de San Francisco, Sabanagrande, San Francisco de Yojoa, San Nicolás, Santa Rosa

Performance Requirement #3.2 - Build Capacity of Broad Based Coalitions of Locally Organized Civil Society to Engage Local Governments' Priority Setting

Milestones and Benchmarks

Build capacity of BBC's – **Target: Start P2 Actual: Done**

Number of coalitions in A/B municipalities – **Target: 5 Actual: 4**

Number of coalitions in C/D municipalities – **Target: 3 Actual: 2**

Number of regions represented among coalitions – **Target: 1 Actual: 4**

Discussion. The actual identification of BBCs began in June 2005, with training for local consultants that will evaluate the actual status of such coalitions in the participating municipalities. By July, as this report is being prepared, we have identified existing broad-based coalitions in the following municipalities:

A and B

Catacamas (Región Oriental)

Comayagua (Región Centro)

Nacaome (Región Sur)

Santa Rosa (Región Occidente)

C and D

San Nicolás (Región Occidente)

Santa Rita (Región Occidente)

These coalitions are actively engaged in ongoing Program activities. As such, they will be involved in the dialog with the municipality on priorities through the SIAP process. Actually, the Program began working with local civil society in early April with the organization of the Service Improvement Action Program workshops around the country. The Contractor began working in 32 municipalities to form work groups consisting of 5 civil society representatives and 5 municipal officials. The SIAP methodology calls for a series of workshops in which municipal officials and civil society representatives (selected independently from the intervention of the mayor and other politicians) who participate through several days of discussions to define specifically a set of problems, approaches to solving them and mechanisms (e.g. the municipal budget process, technical assistance from the Program, etc) to address the problems. These direct and detailed discussions between elected authorities and civil society representatives are designed to produce meaningful results in terms of civil society impacting directly on the decisions being made by public officials. To the extent that we can reinforce this civil society engagement on a continuing basis during the course of the Program we expect to change the dynamics and levels of involvement by organized civil society in substantive decisions regarding quality of life issues as well as democratic processes.

We expect municipal budget decisions to be shaped in many, if not all, 32 municipalities through inputs from civil society as represented in the SIAP process and engaging the municipal governments through discussions regarding strategic planning, budgeting and revenue generation. We will be recording these substantive decision points and submitting them for consideration as specific impacts on local decision-making to USAID related to the first indicator under Result 3.

Finally, the Contractor wishes to mention the extent to which the SIAP methodology has affected the political dialogue between communities and their representatives. In Puerto Cortez, the 5 civil society participants were so enthusiastic about the technique that they informed other community groups leading to a request to the Regional Coordinator to present the methodology on a Saturday to 50 community leaders. In Pimienta, the civil society representatives were so enthusiastic about the SIAP presentation that they returned to their community and convinced the Mayor to lead a municipal delegation to

participate in a SIAP workshop after he had declined to do so. The Program accepted his petition. In Portrerillos, the local government and community presented to the Banco Occidente a sewerage proposal that evolved from the SIAP workshops that is in the process of being approved for financing. This type of anecdotal information is widespread with kudos coming from civil society members and municipal officials alike. This reaction to the workshops has allowed the Program to establish positive, amicable relations with virtually all 32 municipalities receiving assistance. A measure of this success is that all Program activities (including SIAP and public acquisition workshops) are being widely attended and achieving high marks from participants based on the submission of evaluation questionnaires passed out to and completed by all participants. Generally training programs get kudos from their participants. However, the training programs have been able to attract and retain a relatively high level of active participation with which the Program is pleased.

Finally, it should be mentioned that the Civil Society Team Leader resigned and another has been recruited. We expect that we will have on board an outstanding professional who will provide the leadership and direction that this important component needs. Since he begins in September, the Contractor will utilize short-term support in the interim to move this component along.

Performance Requirement #3.3 Build Capacity of Local Government and Other Stakeholders to Promote Public-Private Partnerships that Contribute to Local and/or Regional Development

Milestones and Benchmarks

Build capacity of local governments and stakeholders to promote public-private partnerships – **Target: Start P1 Actual: Start P2**

Develop public-private partnership guide – **Target: P2 Actual: P2**

Number of public-private partnerships in A & B – **Target: P2 1 Actual: P2 0**

Number of public-private partnerships in C & D – **Target: P2 0 Actual: P2 2**

Discussion. The Contractor has initiated the design of two such activities both in C & D municipalities. The first is in Sabanagrande where local cattle producers are working with municipal officials to use the recently upgraded municipal slaughtering facility to promote processing of local animals for shipment to Tegucigalpa and other markets. The facility was recently improved by FHIS investments but is underutilized. If this project is carried out as planned, it could generate additional revenue for the municipality, provide greater value added for cattle producers, and favorably impact on the local economy. Trinidad has a relatively famous shoe production industry that is of such quality that, with proper support, could be a source of local economic growth. The Contractor's consultant, Pedro Lasa, will work closely with industry representatives and the municipality to design a program that will serve as a springboard to promote expansion of this core local industry. Regional Coordinators will work with the public-private partnerships consultant. He will be preparing scopes of work for feasibility studies, implementing agreements, and other actions leading to results. The Contractor is enthusiastic with the reception this work has received and will use this consultant to support our Regional Coordinators to continue to flesh out a continuing stream of innovative development partnerships. The Contractor will coordinate this work closely with the Mission Economic Growth Office.

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

Milestones and Benchmarks

Build monitoring capacity of BBC's – **Target: Start P1 Actual: Start P2**

Discussion. A fundamental aspect of the SIAP methodology (see prior discussion under PR #3.3, above) is the use of performance indicators to analyze the current performance of local governments, set targets for future periods and measure and report actual results periodically. This provides both transparency (objective indicators used to set targets) and accountability (measure and report actual results). To date 94 representatives from 32 participating municipalities have been trained in this technique and are applying it in their municipality through their participation in a SIAP working group. They, in turn, have involved other civil society representatives that are receiving training “on the job” with the assistance of the Program Regional Coordinators and through participation in follow up workshops organized by the Program.

In addition, the Contractor completed and submitted to USAID for approval a Handbook of Performance Oversight Functions by Civil Society. This document will provide the framework for civil society monitoring and be a valuable aid as we proceed with Transition Plan monitoring by civil society. The Contractor will as well be monitoring citizen perceptions’ of their local government’s performance. Pending USAID agreement, the survey work will be contracted shortly to establish baseline information. With regard to the formation of BBCs, work has begun to form 13 such coalitions in their respective municipalities following the methodologies already presented in a deliverable document on coalition selection criteria and processes working toward a goal of having at least 20 such coalitions in place by the end of the year., The Contractor was of the opinion that it needed to proceed carefully with this component of the Program to first see how work is proceeding in the 13 before expanding the effort.

The Contractor will begin examining the types of monitoring BBCs can and wish to carry out as the coalitions are formed. As in the case of the Performance Requirement above, the Contractor will allocate grant resources for these and other purposes depending on the decisions of the BBCs in support of the BBCs’ efforts to promote community based control of local development. We expect to begin issuing grants to BBCs around next March or April.

Performance Requirement #3.5 – Broad Based Coalition Staff Members Equipped With Analytic Skills To Analyze and Disseminate Citizen Perceptions

Milestones and Benchmarks

Equip coalitions with skills – **Target: Start P4 Actual: Start P2**

Discussion. This work has begun as part of the SIAP exercise. That is, civil society participants are introduced to the language and concepts regarding citizen involvement in municipal decision-making. The workshop design begins by developing an understanding of the impact of citizen preferences on service delivery and the budgetary consequences of those choices. These discussions “equip” civil society with information and an understanding of problems in such detail and clarity that it in effect empowers civil society to be an effective interlocutor. As these civil society groups evolve into emerging Broad Based Coalitions with the capacity to pin down issues and pursue solutions through the participatory processes of local government, they will be equipped to engage local officials with substantially greater effectiveness and, hopefully, results. The SIAP methodology has a component that trains civil society observers to actually evaluate service quality that the Contractor plans to initiate soon in two municipalities prototype community service evaluation exercises.

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

Result Summary: One of the main obstacles for the continued impact of both local investments and donor assistance is the lack of an orderly transition between out-going and in-coming municipal

administrations. At best, these investments and assistance programs lose momentum; at worst previous efforts are discontinued or permanently hampered. By improving the transition process between elected officials, their technical teams, and in plain view of civil society, the activities implemented under this result will help municipal administrations to continue delivering their services and fulfilling their mandates with minimal gaps or delays.

Result 4: Performance Milestone Plan Indicators for Periods One (All) and Two (Partial)

Note: This report covers the period through June 30, 2005, as required by the Performance Work Statement. That period includes all of Period One of the Performance Milestone Plan and six months of Period Two. Thus, we can report here on the full results for Period One – October 2005 to March 2006 – only. For Period Two – April 2005 to September 2005 – we have included actual results and our current estimate of what the Program will achieve by September 30, 2005.

Indicator	P1		P2	
	Planned	Actual	Planned	Projected
Number of municipalities that complete a transition action plan				
A & B	0	0	5	5
C & D	0	0	5	5
Number of municipalities where broad-based coalitions are monitoring the transition between administrations (cumulative)				
A & B	0	0	5	5
C & D	0	0	5	5

Performance Requirement #4.1 – Elected Officials and Municipal Teams Are Equipped With the Capacity To Coordinate Orderly and Transparent Transitions

Milestones and Benchmarks

Equip elected officials and municipal technical teams with capacity to coordinate transitions – **Target: Start P1 Actual: Start P2**

Establish criteria for selecting officials and teams for assistance – **Target: P1 Actual: P2**

Discussion. The Contractor presented a Transition Program to USAID in late June showing how the results indicators would be accomplished. The design calls for work to be implemented primarily before the elections with civil society which will then monitor various aspects of the transition of authority, including a Transition Plan agreed to by the candidates and the sitting mayor. After the election, we will take the newly elected mayor on a study tour and begin implementation of the Transition Plan.

The Transition Program start up includes the preparation of Program materials to help shape the Transition Plan and process. For example, a model Transition Plan (to be adjusted to the conditions of each community) is essential, a training program for mayoral candidates and for civil society to monitor local government performance is needed, and a manual of what to do during the first six months by the mayor after taking office would also be highly useful and attractive to winning candidates to help orient

their work when they assume office. To prepare this work, a team of expert Honduran advisors (two highly respected A and B and two C and D mayors leaving office and two esteemed civil society leaders) would be convened and contracted. Training would also be necessary to coordinate orderly and transparent transitions. The Contractor is working closely with the AHMON Executive Director and Board members to ensure that this Program activity is coordinated with other AHMON, Secretary of Governance and Justice and donor activities. The process has begun and by mid August a work plan will be completed for this work, absent final planning for the study tour.

Performance Requirement #4.2 – Mayoral Candidates Representing At Least Two Opposing Parties Are Exposed To Innovative Practices Through A Study Tour:

Milestones and Benchmarks

Mayoral candidates exposed to innovative practices – **Target: Start P1 Actual: Start P3**

Discussion. The Contractor has made contact with a well respected NGO in Chile, PARTICIPA, to organize a study tour to expose the winning candidates to best practices in local government regarding transfers of municipal authority as well as other activities such as coordination with civil society. Chile was selected for its highly regarded local government programs and because the NGO organizing the study tour is renowned for its work with local governments. The study tour will involve the sitting and newly elected mayors so that Program resources are focused on the people that are the most responsible for whatever transition that takes place, the incoming and outgoing mayors.

Performance Requirement #4.3 – Broad-based Coalitions Are Equipped With Capacity To Monitor Transitions After the 2005 Election

Milestones and Benchmarks

Coalitions equipped to monitor transitions – **Target: Start P1 Actual: Start P2**

Number of A/B coalitions with which work started – **Target: P2 10 Actual: P2 10**

Number of C/D coalitions with which work started – **Target: P2 10 Actual: P2 10**

Number of regions represented among coalitions – **Target: P2 3 Actual: P2 5**

Discussion. The Expert Team mentioned above will provide assistance to civil society to monitor the transition. The training will be carried out in conjunction with the University Jose Cecilio del Valle. This training will begin before the election. It will have as a support tool the handbook mentioned above and submitted to USAID for approval to facilitate performance oversight by civil society. It stresses performance oversight specifically in the area of financial management and service delivery. These tools/materials will be used by civil society to play a constructive and active role in monitoring political transitions in their local communities.

RESULT 5: Develop, administer, and evaluate a small-grants program

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 for Periods One (All) and Two (Partial)

Note: This report covers the period through June 30, 2005, as required by the Performance Work Statement. That period includes all of Period One of the Performance Milestone Plan and six months of Period Two. Thus, we can report here on the full results for Period One – October 2005 to March 2006 – only. For Period Two – April 2005 to September 2005 – we have included actual results and our current estimate of what the Program will achieve by September 30, 2005.

Indicator	P1		P2	
	Planned	Actual	Planned	Projected
Number of small grants (cumulative)	0	0	5	0

Performance Requirement #5.1 – Develop, Administer and Evaluate Competitive Small Grants

Milestones and Benchmarks

Develop, administer and evaluate small grants program – **Target: Start P2 Projected: Start P3**

Discussion. Work has just begun on the development of a Program grants manual. This work will be developed in conjunction with the work on Broad Based Coalitions. We expect the Grants Manual to be ready for USAID approval around the end of this, or the beginning of the next semi annual reporting period, probably September. The manual will be designed in accordance with the goals and objectives of the Program and in accordance with the Performance Requirements under Result 5. We expect this work to accelerate with the arrival of the new Civil Society Team Leader and the new Grants Manager. We do not expect the first grants until March or April of next year.

GENDER

So far, the major assistance has been provided in the form of workshops on the Service Improvement Action Plan and the public procurement law. In the former activity, of the 251 participants, 35% are female. When broken down by local government officials and civil society, 51 of 148 government officials were female (about one third) and 36 of 103 civil society representatives that participated were female (again, about one third). With regard to the public acquisition activity, 34 women participated of a total of 125 participants (about one quarter). The Contractor checked with AHMON to determine female representation in local government. About 15% of the 2065 mayors, vice mayors and councilpersons were female. AHMON does not have gender information on municipal employees. With the 15% figure in mind, the Contractor has been reasonably successful in reaching out to include women in the activity. We will seek to sustain and improve upon these results.

With regard to Program employment, 10 of the 15 full- time positions are held by women and women occupy 3 of the 6 key leadership positions.

With regard to the Registry of Consultants, 27 of the 88 individual consultants in the Registry are female. It should be noted that the other 25 consultants in the Registry are private companies or NGOs that were not disaggregate by gender.

ISSUES AND REMEDIES TO ASSIST IN PERFORMANCE BASED DECISION MAKING

1. Deliverables: The Contractor has been pleased with the opportunity to comply with a rigorous set of deliverables. In nine months, 11 of 15 have been submitted and USAID has approved that the four that are due can be submitted at a latter date. In most instances, the deliverables have been useful in clarifying between the Contractor and USAID how on such specific subjects as Broad Based Coalitions, municipality selection, and other technical approaches the Contractor will proceed. However, after nine months, it is becoming clear that some of the deliverables could be eliminated or modified according to how the Program is being implemented. For example, a mancomunidad best practices document was to be presented to USAID last March. That timing was too early, the Contractor believes, and the Program would have been better served if the Contractor would have been required to develop a detailed work program before a manual on best practices. These observations become clearer as the Program evolves. The Contractor would like to carry out a detailed review with the CTO to examine the best manner to reorganize some of the estimated remaining 57 (the previous CTO estimated that 72 deliverables were required under the Task Order) documents to be produced over the life of the contract.

Another issue is the process to change deliverable submission dates. Currently the change requires modification of the contract by the Contracts Officer every time a change occurs. The Contractor believes that the issue of delivery dates should be approved by the CTO on an as needed basis and at the end of the year an annual report of modifications and forthcoming year deliverables could be submitted with all the necessary documentation requirements. The Contractor would argue that if the Contracts Office needs to be involved in the submission and timing of such documents, it could be in the form of the submission of an annual deliverable plan, to be updated and submitted annually for Contractor Office action. The Contractor would like to see a more streamlined process if possible.

2. Superior Audit Agency (TSC): Issue: The work with TSC to date has demonstrated that there is a need to maintain a constant dialogue with the highest level of authorities with the TSC. As discussed above, the senior management of the TSC is developing plans for reorganizing services and providing training that have a direct impact on the work that the Program needs to undertake with DASM and UAPOI. It is important that the Contractor remains informed regarding TSC senior management plans and programs.

Remedy: USAID has decided that the Program needs a formal, high level contact in the TSC to ensure that the Contractor engages with and is informed by senior management on what needs to be done as work with the DASM and UAPOI is planned and implemented. The Contractor will not reinitiate work until a TSC contact has been formally named by the institution. The Contractor will have as its key contact with the TSC the National Anti-Corruption Coordinator (and in his absence the Chief of Party). The Contractor will present several candidates to serve as the Audit Expert in late July.

3. Result 2 Start Up: The CNA has been in a state of flux since the completion of design work for this Task Order. It is still being reconstituted. The Contractor has focused on understanding the process of its re-establishment and looking for points at which it can be of assistance in accordance with the performance requirements. Now that the process of re-establishing the CNA is underway, the Contractor is engaged in monitoring the process and in defining a long-term work plan to support its operations.

The private sector work has been deferred as well since the CNA issue was dominating the landscape and the Consultant thought to delay the initiation of the private sector work. The Contractor has begun the

development of an approach to achieve the Performance Requirement and related results, as requested by USAID. This approach will take into consideration synergies with other USAID activities.

4. Broad Based Coalitions: This work was planned to begin in May but has been delayed two months as we began to discover that there were no existing broad-based coalition in more than half of the 33 participating municipalities. Local consultants have now initiated work in 13 communities of which six have some form of existing coalition. However, since May we have engaged civil society organizations in all 33 municipalities through their involvement in the SIAP process. As a result we feel we have made tremendous strides in focusing civil society and local officials on a positive, substantive local development dialogue. The SIAP process has created a positive environment and acceptance of the Program that otherwise may not have been so effective. It also has permitted the rudimentary beginnings of formulating Broad Based Coalitions in those communities where they do not exist.

5. Synergies With Other USAID and Other Donor Programs: To date, the Contractor has worked with programs such as MIRA, food security contractors, etc. but without the desired impact. Now that the Contractor has effective working relationships with 32 of 33 municipalities, it will work closely with each relevant USAID activity to develop an approach to achieving the synergies reflected in the Contractor's proposal and the Task Order. This has already begun with the arrival of the new Deputy Director, whose main responsibility is coordination of all municipal and civil society activities at the local level. The first intervention is to seek a more strategic relationship between the Governance and Transparency Program and the USAID local infrastructure project with FHIS. Another priority will be to explore possible links between mancomunidad and civil society activities and environmental activities. The Contractor, under the leadership of the Deputy, will pursue strategic linkages during the next semi annual reporting period and determine which are the most effective strategic partnerships to be developed. The Contractor has worked closely with the Mission to coordinate its activities with the other donor community through the Monthly Meetings of the Mesa de Cooperantes and in follow up discussion with the donors on more specific program coordination. The Contractor will also explore strategic linkages in its anti corruption program, particularly with the private sector activities and the CNA. It has been participating in anti corruption meetings with the donors and has developed especially close working relationships with the UN on anti corruption activities at the local level (e.g. definition of Transparency Commission role) and as an important actor in supporting the dialogue between the TSC, Secretary of Governance and Justice and AHMON.

Finally, we have, at the request of a few donors, begun to, in a sense, export the SIAP methodology. Some bi-lateral programs have been having trouble developing their approaches to fomenting dialogue between civil society and municipalities. We have included all interested donors in our most recent sessions to help them understand how the SIAP promotes a positive, effective dialogue on local development issues. We also are including interested USAID contractors and grantees.

6. Political Transition and Training: Since its initiation, there was concern about the fate of the officials participating in the Contractor's training and institution building efforts. At all levels of government there has been an exodus of public employees when newly elected officials take office. The experience has been that many people who have been trained by donors have been dismissed from their offices after training has taken place and the resources are wasted. The Contractor will attempt to address this issue in the context of its Transition Program. Although the Contractor cannot require that employees trained in the Program be retained, it can seek to establish criteria and a procedure to address the firing of employees. Over the longer term, the European Union is establishing as a condition of its budget support program a condition that the government establish a local government career program to promote the stability of employment at the local level. If some of the public officials trained in the Program are fired, we hope to retain the best of them either as consultants in our Program through the registry process, or

they can participate as part of the informed civil society in our Program. We believe the training that they do receive can be, in effect, recycled for the overall benefit of the Program objectives.

7. Staffing and Administration: We are strengthening the Program by adding personnel. The improvements include the following: A new Deputy Chief of Party was added to strengthen the overall coordination of the Grants, Municipal, Civil Society, and Training efforts. There was a need to have a person focus on overall coordination of these elements and on synergies between the Program, the donor community and USAID. As already noted, due to the resignation of the Civil Society Team Leader, a new Civil Society Team Leader had to be identified. This has taken place and a name has been submitted to USAID for approval. A new Grants Manager with substantial operational and hands on experience working with CARE and other NGOs has also been approved and began work in July. Finally, the Contractor will reorganize the work underway to bring in a new International Audit Advisor and seek part time local specialists with specific RIG experience to be coordinated by the Anti Corruption Team Leader.

The Program has completed job descriptions for each Program position, established a manual of operations which is now being updated, an approved salary schedule for all locally hired consultants, and will sign its contract with the University Jose Cecilio del Valle, the subcontractor handling the Program training component in late July or early August.

8. Request for Guidance on Result 4: We are rapidly approaching the date when we will need to start work in earnest on Result 4. We would appreciate guidance by the Mission on the following questions.

a) How to interpret the requirement

A literal interpretation of this requirement is that Contractor must succeed in supporting and facilitating a transition in 20 municipalities - ten each A/B and C/D - with full involvement of civil society in monitoring the process. An alternative interpretation might be that the Contractor must involve 20 municipalities in the process from the beginning but that there is no expectation that all of them will complete the process successfully as described in the Task Order. What is the correct interpretation of the requirement?

b) Substitute for broad-based coalitions

At present only seven of the 33 municipalities participating in the Program have a broad-based coalition that meets the minimum requirements described in the "Sistema de Seleccion de Coaliciones de Base Amplia" approved by USAID. In a municipality where there is no existing broad-based coalition, what would constitute a reasonable substitute for the coalition?