HONDURAS GREATER TRANSPARENCY AND ACCOUNTABILITY OF GOVERNMENT PROGRAM

SEMI-ANNUAL PERFORMANCE REPORT
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USAID Governance and Transparency Program

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INTRODUCTION

NATURE AND OBJECTIVE OF THIS DOCUMENT

This the fifth semi-annual report submitted to USAID Honduras in compliance with Task Order 802, "Greater Transparency and Government Responsibility" Program, in support of the Mission's Strategic Objective 1, "Ruling Justly, More Responsive, Transparent Government", and Intermediate Result 1.2, "Greater Transparency and Accountability of Government". The present report covers all Program activities carried out from January 1, 2007 to June 30, 2007. The Program activities during the present reporting period were carried out in the context of a modified Task Order, which had been approved by USAID at the end of June, 2006. These modifications eliminated several performance requirements and substantially changed others, redefining performance standards, and reducing targets and benchmarks—reflected in a new performamnce monitoring plan (PMP). For the present reporting period and in subsequent reports, the narrative and tabular presentation of results and progress towards meeting targets and benchmarks will refer to the modified Task Order and PMP effective June 29, 2006.

PROGRAM BACKGROUND

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

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

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

The emphasis on generating new practices of democratic governance and municipal management are reflected in the technical approach and methodologies used by the Contractor to meet the performance requirements and benchmarks set out in the Task Order and PMP, particularly in results 1 and 3, which specify the main activity areas in the Program municipalities. Applying concepts and tools of results-based management, the Contractor has worked with local elected officials, managers and representatives

of local civil society organizations to create mechanisms for dialogue and decision-making in different areas of municipal policy and management.[1]

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

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

With respect to the activities with national institutions set out in Results 1 and 2, the modified Task Order reduced the performance requirements with respect to the activities in support of the TSC (P.R. 1.10 and P.R. 1.11, respectively), focusing on institutionalizing of in-house training to maintain standards of auditing; in the activities with AMHON, the performance requirements were expended to cover additional activities in support of board strengthening and implementation of advocacy strategies in support of decentralization; and the activities with the private sector were redesigned, with the objective of engaging local business associations (chambers of commerce) in initiatives with municipal governments to promote transparency and prevent corruption in routine transactions with municipalities (business licenses and permits).

[1] We use the following definitions for indicators under Results 1 and 3: For Result 1, "Increased capacity of local governments to fulfill their roles effectively and transparently", the overall indicator is defined in the Task order as "the number of municipalities able to demonstrate achievement of performance targets in managing/administering municipal programs". The approach of the Program hinges on the creation of joint commissions involving municipal officials, managers and local civil society leaders, aimed at producing formal, public decisions committing the municipal authorities to specific, measurable results. This process makes for greater legitimacy and sustainability of policies in critical areas such as taxation and service delivery. And to the extent that the participating municipalities actually achieve these results, by definition the Program is also meeting its own performance requirements.

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

SUMMARY OF FIFTH SEMI ANNUAL PROGRAM PERIOD

During this reporting period the Contractor maintained a high level of effort in Results components 1 and 3, through methodologies aimed at engaging municipal authorities and civil society organizations in both A/B and C/D categories of municipalities in dialogue to define and implement transparency policies; applying results-based management tools to design policy measures to improve own-source revenues and service provision in C/D municipalities; and providing technical assistance to C/D municipalities to strengthen their capacities to carry out core functions. Also in Result 1, the Contractor completed remaining performance requirements in support of national institutions (DASM and UAPOI). In Result 2, the Contractor has maintained capacity building activities with AMHON, continuing Program support for strengthening the board of directors and for design and implementation of strategies for policy advocacy; and the activities with the Honduran private sector were initiated, shifting the focus towards engagement of local private sector business associations to improve transparency in transactions with municipal governments.

The major activities carried out from January 1, 2007 to June 30, 2007 are summarized in the following table:

Performance Requirement	Ongoing activities
Registry of Local Service Providers	Database has been continuously expanded, adding 39 new Local Service Providers, for a total of 270. During the reporting period, the Program contracted 39 providers.
Quality Control Program installed	Performance based formats for all Program contracts have been developed and staff are monitoring and evaluating performance of all service providers.
Build capacity of targeted A/B municipalities	Maintained letters of agreement with 16 municipalities. By June 30, carried out transparency assessments in 16 and supported municipal-civil society dialogue to define local transparency policies in 10 municipalities.
Build capacity of targeted C/D municipalities	Completed letters of agreement in 15 participating municipalities, including four new municipalities. By June 30, application of assessment methodologies in all 15; completion of dialogues on transparency policy in 13; completion of dialogue to define revenue and service policies in 13 municipalities; and provision of technical assistance and training in 11 municipalities. .
Build capacities of targeted mancomunidades	The approved Task Order included a new approach to working with mancomunidades, supporting the provision of technical assistance to their member municipalities. The Contractor carried out an evaluation of capacities and planning workshops with 5 targeted mancomunidades by June 30, 2007.
Municipalities with skills to acquire goods and services in accordance with the Honduran Procurement Law	Produced an updated and expanded Desktop Guide for Public Acquisition and procurement training completed in 29 municipalities and 5 mancomunidades by June 30, 2007. Evaluations of competency in procurement management have been applied to 76 employees.
DASM has a plan to fulfill its mandate to plan the audit activities of local governments	The Contractor revised its recommendations to DASM and the plan for procurement of equipment. DASM met its targets in carrying out 65 municipal audits in 2006. This Performance Requirement has been completed in its entirety.
Develop and implement a sustainable program of self-directed education for UAPOI audit staff	The Contractor has completed its activities in support of UAPOI aimed at institutionalizing its self-education programs, through the establishment of a steering committee. This Performance Requirement has been completed in its entirety.

Performance Requirement	Ongoing activities
Capacity training for the new AMHON Board and support for policy advocacy.	The Contractor has continued to provide TA to the AMHON board to improve its decision-making process; and has supported design and implementation of advocacy strategies.
Increased private sector awareness of benefits of good governance and ethical business practices	The Contractor initiated activities with local chambers of commerce in two municipalities, to engage local businesses in supporting strategies to reduce opportunities for corruption in routine transactions with municipal governments.
Coalitions with the capacity to set local government priorities and decision making	The joint commissions have functioned effectively in 11 A/B and 13 C/D municipalities, engaging municipal authorities in dialogue on transparency and governance and on increasing own source revenues and coverage of services.
Coalitions with the capacity to monitor performance of local governments	Continuing the results-based management approaches developed in previous reporting periods, during the present reporting period 4 coalitions have carried out monitoring of policy measures and results in C/D municipalities.
Transparent transitions between local administrations	The Contractor completed all of the performance requirements in the previous reporting period, with the exception of the deliverable, "Best practices and lessons learned". The report was submitted to USAID on October 30, 2006. Revsions are pending and the final version will be submitted in the next reporting period.
Develop and administer a program to fund small projects with civil society organizations (CSOs) at the local level.	As presented in the PMP and work plan, these activities were programmed to begin in performance period 5, focusing on supporting social audits by CSOs. However, this approach was modified, owing to the potential for conflcts. It will be redesigned in Period 6.
Rapporteur and dissemination of lessons learned	Two best practices documents disseminated during this reporting period: one with cases studies of innovative municipal management and the other with tools for results-based management

The high level of effort during this reporting period was reflected in contracting actions. The short-term assistance in person/days funded by the Program for the period from January through June 2007 was as follows:

Period	STTA
July 1 through December 31, 2006	814
January 1 through June 30, 2007	1,023

As presented above, during the period from January 1, 2007 to June 30, 2007 the Program completed several performance requirements, specifically P.R. 1.8; P.R. 1.10; P.R. 1.11 and P.R. 2.1. In addition, the Contractor has submitted the following reports in compliance with the Task Order or at the request of USAID:

Methodology / Document	Status of USAID approval	Implementation Status
P.R. 1.4 A Report of annual best practices of the strategic impact assistance produced and provided to AMHON as inputs to broader dissemination (Second update)	Approved (Jan. 30, 2007)	The report was submitted on October 31, 2006
P.R. 1.5 B report of annual best practices of impact	Approved	The report was submitted on October 31,

Methodology / Document	Status of USAID approval	Implementation Status
assistance produced and provided to AMHON as inputs for broader dissemination (Second update)	(Jan. 30, 2007)	2006
P.R. 1.10 A DASM Procurement plan & maintenance schedule	Approved (May 4, 2007)	The report was included on P.R. 1.10b Report of recommendations for DASM, submitted on Dec 15, 2006 and discussed with TSC on February 6, 2007. It was re submitted on February 28, 2007
P.R. 1.10 B DASM Recommendations for Effective Preparation and Implementation of Annual Audit Mgt. Plan (English)	Approved (April 9, 2007)	The English version was submitted on March 16, 2007
P.R. 1.11B UAPOI Self Directed education program for UAPOI	Submitted	Submitted on march 30, 2007
P.R. 1.11C UAPOI Recommended strategies to allow staff to perform specific audits (Spanish)	Approved (April 9, 2007)	Submitted on March 30, 2006 and approved on April 9, 2007
P.R. 1.8 - Revised and updated desktop reference on procurement processes in printed version and interactive CD. (P.R. 1.8a)	Submitted (May 31, 2007)	Original Desktop reference submitted on May 20, 2005. Desktop reference 2006 version submitted on October 30, 2006. The 2007 version V2 - update was presented on may 31, 2007 Monthly meeting. The 2006 and 2007 versions including Contracting Law modifications and GOH General Budget and general dispositions.
P.R. 1.8 - The best practice, Information resources and common obstacles report Is delayed	Delayed	The contractor requested to submit on June 30. The Contractor will request modification of the contract due date.
P.R. 4.1 Recommendations to AMHON regarding future transition training and technical assistance (Methodology as well as implementation)	Submitted & Pending	The report was submitted on November 1, 2006. The CTO requested a modification of three sections (Background, Issues & Activities, and Recommendations). The Contractor agreed to submit and prepare an event by the end of the year.
P.R. 4.2 Report summarizing action plans, and assessment of extent and implementation and impact, as well as lessons learned and recommendations for future activities aimed at mayoral candidates (English)	Submitted & Pending	Submitted on November 1, 2007. See text above

Methodology / Document	Status of USAID approval	Implementation Status
P.R. 4.2 Report summarizing action plans, and assessment of extent and implementation and impact, as well as lessons learned and recommendations for future activities aimed at mayoral candidates (Spanish)	Pending	The Contractor agreed to submit Spanish version once the English version is completed.
P.R. 6.1 Coordinate Track and report on GTAG related activities and achievements and serve as liaison on selected activities with other GTAG-related donor activities initiatives in order to optimize use or resources and avoid duplication	See text	PR 6.1.1 – Monthly meeting minutes were submitted for the meetings of January 30, February 28, may 3 corresponding to April activities, may 31, & June 31. The CTO approved the request to cancel the March meeting due to Amhon TA.
P.R. 6.1 Coordinate Track and report on GTAG related activities and achievements and serve as liaison on selected activities with other GTAG-related donor activities initiatives in order to optimize use or resources and avoid duplication (Cont'd)	See text	PR 6.1.2 – During the period, the Contractor attended several meetings with: Donors & Programs: AECI, GTZ-Promype, KFW, Pridemun-SNV-COSUDE, PBN-EU, JICA, PNUD, Proyecto Norte – Finland, MCA. Institutions & Organizations: PCV, CARE, AMHON, Foprideh, Fedecamara, CNA, Epypsa, Fundemun. Government institutions: TSC, SEFIN, SGJ-Patmuni, FHIS, ERP. USAID Programs: Título II, MIRA, PFED-FIU.
P.R. 6.1 Coordinate Track and report on GTAG related activities and achievements and serve as liaison on selected activities with other GTAG-related donor activities initiatives in order to optimize use or resources and avoid duplication (Cont'd)	See text	PR 6.1.3 – During the period, the Contractor has attended as Technical secretariat and submitted Minutes during CTO Chair of the Donors Decentralization Group for their meetings on: January 18, February 15, march 15, April 17 (extraordinary), April 19, may 17, & June 21. Several notes and reports has prepared for G-16, meetings with SGJ, TSC, FHIS, Amhon, CCERP, Com-Nal ERP
P.R. 6.1 Coordinate Track and report on GTAG related activities and achievements and serve as liaison on selected activities with other GTAG-related donor activities initiatives in order to	See text	PR 6.1.4 – For Municipal Best Practice Workshop, the Contractor presented two booklets with 7 success stories and lessons learned. Prepared notes for press

Methodology / Document	Status of USAID approval	Implementation Status
optimize use or resources and avoid duplication (Cont'd)		release for LAPOP road show, workshops and field visits. See Appendix B – Success Story
P.R. 6.1 Coordinate Track and report on GTAG related activities and achievements and serve as liaison on selected activities with other GTAG-related donor activities initiatives in order to optimize use or resources and avoid duplication (Cont'd)	See text	PR 6.1.6 – For the Municipal Best Practice & Lessons Learned Workshop were organized with Amhon with the purpose of replicating the activities in other municipalities
P.R. 6.2 municipal indicator database updated quarterly and included in semmi-annual performance reports. (Sixth Update)	Included on Appendix A	The Sixth Municipal Database update is included on Appendix A on this report

We anticipate that during the next six months the main emphases of the Program will be in Results 1, 3 and 5, and specifically in the following activities: 1) maintain technical assistance in C/D municipalities, shifting the focus to include service improvement measures, using results-based management tools; 2) maintain support to A/B municipalities in implementation of basic transparency and accountability measures; 3) reinforce activities with coalitions of civil society organizations, to increase their role in decision-making and monitoring of municipal government in both C/D and A/B municipalities; 4) support selected initiatives with coalitions, through co-funding of activities; 5) support mancomunidades in application of approaches and tools for building the capacity of member C/D municipalities; and 6) document best practices in selected Program municpalities for wider dissemination, in cooperation with AMHON.

During the next reporting period, the Contractor will be recommending a phase out of activities in up to nine non-performing municipalities, to better concentrate resources towards targets of opportunities in just twenty localities, i.e., those municipalities with demonstrated political will to adopt governance improvements, and with an active civil society, willing to engage municipal authorities in dialogue, decision-making and oversight activities.

CURRENT STATE OF THE GOALS AND OBJECTIVES OF THE PROGRAM

In this section we report on the activities and progress made towards meeting the indicator targets as set out in the Task Order and Performance Monitoring Plan (PMP). The discussion will review both the semi-annual benchmarks established in the PMP for each Result Indicator, and the respective benchmarks for the individual Performance Requirements within each Result. We will report only those performance requirements and the respective numerical targets and benchmarks that were maintained in the new Task Order and PMP approved in June, 2006.

The semi-annual reports do not correspond to the PMP periods. Thus, the following presentation and discussion of the indicator targets refers to progress during the PMP Periods 5 and to projected results in PMP Period 6.

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

Result Summary: This result combines activities aimed at promoting innovative practices of democratic transparency and governance in municipalities; strengthening decision-making, policy formulation and management in municipalities; building capacities of mancomunidades to provide technical assistance to their member municipalities; and ensuring the application of national norms and standards in procurement by municipalities and mancomunidades. In addition, it provides support to key national institutions—TSC (DASM and UAPOI) and CNA—that contribute directly to reinforcing transparency and democratic governance in municipalities.

Indicator	P4		P5		P6		
	Planned	Actual	Planned	Actual	Planned	Actual	Projected
Number of A/B municipalities able to demonstrate annual achievement of performance targets to administer/manage municipal programs	0	0	3	12	n/a	12	13
Number of C/D municipalities able to demonstrate annual achievement of performance targets to administer/manage municipal programs	0	0	5	13	n/a	13	13
Number of C/D municipalities able to demonstrate annual achievement of performance targets to increase tax	0	0	5	7	n/a	-	-

Indicator	P4		P5		P6		
	Planned	Actual	Planned	Actual	Planned	Actual	Projected
revenues and service coverage.							
Number of member C/D municipalities in targeted mancomunidades meeting performance targets	0	0	4	0	8	0	0
Number of A/B municipalities meeting performance goals for procurement of goods and services.	0	0	5	15	5	15	13
Number of C/D municipalities meeting performance goals for procurement of goods and services	0	0	10	13	15	13	11
Number of mancomunidades meeting performance goals for procurement of goods and services	0	0	2	5	5	5	5

Overall, as the summary table shows, the Prorgam has met or exceeded most of the benchmarks in each of the performance requirements within this result. Substantial progress has been made in P.R. 1.4 and P.R. 1.5, in implementation of transparency policies A/B and C/D municipalities and in implementation of measures to improve core functions and increase own source income in C/D municipalities. Substantial progress has also been made in P.R. 1.8, in ensuring application of norms in procurement by municipalities and Mancomunidades and P.R. 1.10 and P.R. 1.11, in strengthening the capacities of UAPOI and DASM within the TSC. The exception has been PR 1.7 in building the capacity of mancomunidades to provide technical assistance to member municpalities.

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

Benchmarks

A selection system based upon the Mission's preliminary mancomunidad and municipal criteria and priorities – **Targets: P2, Planned (Completed), Actual (Completed); P3 Planned (Completed); Actual (SWO suspended work); P4, Planned (Completed), Projected (Completed); P5 (Completed); P6 (Completed).**

Discussion – Municipalities

The selection system had been approved by USAID in 2005, as reported in the first semi-annual report. Subsequently, the system has been used by the Contractor to replace municipalities in which Program

activities have been discontinued owing to their lack of progress in meeting the agreed performance targets.

The new Task Order approved in June, 2006 had reduced the numerical targets to 5 A/B and 15 C/D municipalities. However, following instructions from USAID, during this reporting period, the Contractor has maintained activities in all but two of the existing Program municipalities (29 in total--16 A/B municipalities and 13 C/D municipalities). As we will discus sin greater detail below, this situation requires a Task Order modification, in that the larger number of A/B municipalities is absorbing significant resources and the smaller number of C/D municipalities doesn't give a margin for attrition of non-performers.

During this period, the Program suspended activities in 2 C/D category municipalities: Ceguaca and Yuscarán. In both cases, the municipality did not meet minimum performance requirements as specified in the letters of agreements and addenda referring to implementation of policies to improve transparency and accountability. It is expected that the Program will suspend activities in as many as 9 additional non-performing municipalities in the subsequent reporting period: up to 3 C/D municipalities and 6 A/B municipalities.

Discussion – Mancomunidades

Using the evaluation instrument discussed in the previous semi-annual report, the Contractor evaluated eight Mancomunidades, and selected five: MAMUCA, MAVAQUI, HIGUITO, AMUPROLAGO and YEGUARE. Each of these mancomunidades then selected two C or D category municipalities to participate in Program activities.

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

Benchmarks

Identifying Local Technical Assistance Providers – **Targets: P4, Planned (100), Actual (223); P5, Planned (120), Actual (231); P6, Planned (130), Projected (270)**

Discussion

During this reporting period, the Program continued to use the database to identify local service providers to supply training and technical assistance to local government officials and civil society representatives. By the end of Period 5, the Contractor exceeded the cumulative benchmarks established in the PMP for the Program's completion in Period 9. Between January 1 and June 30, 2007 the Contractor has added 39 consultants to the existing registry for a total of 270 consultants. Of the total, 47 are NGOs and firms and 223 are individuals.

During the reporting period, the Program initiated 36 new contracting actions for technical assistance and training. The distribution was 14 contracts with female consultants and 22 with male consultants. Summing the ongoing contracts from previous reporting periods and new contracts initated during this period, the Program carried out 1,023 person days of work, 521 days by female consultants and 502 days by male consultants.

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

Performance Requirements

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

Discussion

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

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

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

Benchmarks

Number of municipalities meeting performance targets to administer/manage municipal programs – **Targets: P4, Planned (0), Actual (0); P5, Planned (3), Actual (12); P6, Planned (n.a.), Actual (13), Projected (12).**

Discussion

During the semi-annual reporting period, the Contractor provided technical assistance to municipalities in the adoption of policy reforms that would allow the municipality to comply with minimum standards in transparency and democratic governance. The main activities in the A/B municipalities during this period were focused on the promotion of policies to strengthen transparency and citizen participation in decision making.

In the previous semi-annual reporting period the emphasis was on the application and presentation of the results of an evaluation of the degree of compliance with legal norms and standards in different areas of municipal governance and management. The approach also included a dialogue mechanism, in the form of a joint commission composed of mayors, council members, managers and representatives from local civil society organizations.

This mechanism was established as one of the performance requirements in the letter of understanding signed with the participating Program municipalities (both in A/B and C/D categories of municipalities). In the A/B municipalities, by the end of this semi-annual reporting period, the 12 of 16 municipal councils had formally approved the creation of these joint commissions, as a first step in the formulation of transparency policies.

In the present reporting period, the focus has shifted to implementation of the policy measures defined by the commissions, including three basic measures: the right of the public to attend council meetings;

dissemination of the calendar of council meetings and agendas; and public access to minutes of council meetings.

The Program has provided technical assistance to A/B municipalities in several key areas of transparency and accountability, beginning with the design of internal rules to regulate public attendance at council sessions. Even in those municipal councils that were willing to comply with norms requiring that council sessions be open to the public, mayors and council members believed that it was necessary to ensure that the presence of the public would not impede or interfere with the deliberative process. Thus, the Program developed a standard model for internal council rules, based on similar provisions in other Latin American countries. The model was applied in a pilot municipality and adjusted. By June 30, 2007 8 A/B municipalities had formally adopted modifications to their internal procedures to facilitate public participation.

Also, during this period, the Program provided assistance to strengthen accountability by improving the standard of the reports to the municipal council by the mayor and the municipal management team. While the Municipal Law requires the mayor to present a report to the council each trimester, these reports are often just copies of the financial report sent to the Government and Justice Ministry (SGYJ) in a format difficult to interpret and which in fact says very little about key aspects of municipal management. The Program developed an improved reporting format using performance indicators for each municipal department or operating unit, and assisted 3 A/B municipalities in preparing and presenting trimester reports.

In addition to the technical assistance in transparency and accountability, the Program has provided assistance to the highest performing municipalities (those which had made significant progress in implementing reforms) in remedying some of the other problems identified in the Transparency Index. In Las Vegas and La Esperanza, the Program has initiated technical assistance to improve human resource management. This kind of technical assistance will only be provided in A/B municipalities that maintain a clear commitment to transparency, implementing the policies developed in conjunction with local civil society leaders.

Overall, the results of the technical assistance and support for policy dialogue have been positive. Of the 12 municipalities that had convened commissions to review the results of the Transparency Index, during this period 8 councils formally approved basic transparency and accountability measures: public access to council sessions, dissemination of council calendars and agendas, and publication of council meeting minutes. And during this same period, 6 municipalities approved additional measures such as the presentation of trimester reports by the mayor to the council in open sessions; distribution of key planning documents to council members; or presentation of reports on procurement or implementation of capital investment projects. The table summarizes the progress achieved in the A/B municipalities as of June 30, 2007.

This summary table merits further discussion. The first six municipalities listed are the high performers: La Esperanza, Villanueva, Las Vegas, Guaimaca, Potrerillos and Nueva Arcadia. In these municipalities, most of them in the smaller “B” category, the councils were immediately engaged and moved quickly to make formal decisions to implement transparency and accountability policies on the basis of the results of the evaluation (Transparency Index) even before the joint commissions had presented their policy recommendations.

The municipalities in the second group were initially less willing to engage in dialogue on transparency and accountability, delaying the creation of the joint commissions and putting off formal deliberation on the policy recommendations. These were Tela, San Lorenzo, Nacaome, Puerto Cortés, Santa Rosa de Copán, Puerto Cortés, and Catacamas, most of them in the larger “A” category of municipalities. While they have slowly moved to implement basic transparency policies, in some cases there remains a high

degree of resistance on the part of mayors, council members or municipal managers and employees, which could derail the reforms. However, it is expected that the reforms will continue in most of these municipalities.

Transparency Policies in A/B Municipalities			
A/B Municipalities	**Recommendations Joint Commission**	**Basic Transparency Policies**	**Additional Transparency Policies**
Potrerillos	11/30/2006	01/05/2007	03/02/2007
Villanueva	01/16/2007	01/28/2007	01/28/2007
La Esperanza	12/18/2006	01/11/2007	12/09/2006
Las Vegas	12/24/2006	02/01/2007	03/01/2007
Guaimaca	01/12/2007	02/01/2007	02/15/2007
Nueva Arcadia	01/05/2007	02/01/2007	01/15/2007
Tela	04/27/2007	03/30/2007	pending
San Lorenzo	06/13/2007	06/27/2007	pending
Nacaome	06/06/2007	pending	pending
Sta. Rosa de Copan	03/15/2007	pending	pending
Puerto Cortés	04/03/2007	pending	pending
Catacamas	05/16/2007	pending	pending
Choluteca	pending	pending	pending
Talanga	pending	pending	pending
Choloma	pending	pending	pending
Comayagua	pending	pending	pending

Finally, there is a third group of municipalities, in which it has not been possible to reach a consensus among municipal authorities (mayors, council members and managers) to engage in dialogue on policy reforms to strengthen transparency and accountability. These are Choluteca, Talanga, Choloma and Comayagua. It is doubtful whether the Program will be able to make further progress in these municipalities.

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

Benchmarks

Number of municipalities meeting performance targets to administer/manage municipal programs – **Targets: P4, Planned (0), Actual (0); P5, Planned (3), Actual (12); P6, Planned (3), Projected (13).**

Number of C/D municipalities able to demonstrate annual achievement of performance targets to increase municipal tax revenue and coverage of municipal services. – **Targets: P4, Planned (2), Actual (0); P5, Planned (5), Actual (7); P6, Planned (5), Projected (9).**

Discussion

In the C/D municipalities, the Program has provided technical assistance and training to improve core functions, and as with the AB municipalities has also provided support for policy reforms in the area of transparency and accountability. As we reported in previous semi-annual reports, in building capacity of C/D municipalities to carry out core functions, the Contractor has used a mix of approaches and tools. First, to meet the benchmarks referring to improvement of own source revenues and municipal coverage

of services, the Program has employed a results-based management approach, establishing mechanisms for dialogue and decision-making between municipal authorities and representatives of local civil society organizations.

In 11 of the 15 targeted C/D municipalities, during the period from January 1 to June 30, 2007 the Program was able to promote dialogue between municipal authorities and civil society organizations to reach a consensus on priority strategies for improving own source revenues and increasing service coverage and quality. In three municipalities, municipal authorities did not show sufficient interest in order to proceed.

Technical Assistance in Core Functions C/D Municipalities							
Municipio	**Accounting, Budget Management and Reporting**	**Cadaster**	**I.B.I**	**I/C/S**	**SAFT**	**Services**	**TOTAL**
Concepción de María	1		1				2
Meámbar	1						1
Naranjito	1		1				2
Pimienta		1	1				2
Sabanagrande	1		1		1		3
San Agustín	1		1		1	1	4
San Francisco de Yojoa	1			1	1		3
Taulabé	1		1		1		3
Trinidad				1			1
Villa de San Fco	1		1			1	3
Yamaranguila			1		1	1	3
Total	**8**	**1**	**8**	**2**	**3**	**3**	**27**
San Nicolas	Pending decisions of municipal commissions on revenue and services						
Yuscarán	First notice sent to municipality signaling non-performance						
Ceguaca	First notice sent to municipality signaling non-performance						

Initially, the Program planned to provide technical assistance simultaneously in own source revenue and municipal service improvement. However, after consultations with municipal authorities, the decision was made to proceed first with technical assistance to increase local tax revenues, and subsequently with municipal service improvement. The reason was the relatively small size of the municipal teams (less than 10 employees in total) and their limited "absorption capacity" with respect to changes in policies and procedures. However, it should be noted that in two C/D municipalities (Yamaranguila and Villa de San Francisco), during this reporting period there was sufficient progress in increasing own source revenues to be able to also initiate technical assistance in improvement of municipal services, in both cases, water services in the town center.

The technical assistance in improvement of municipal own source revenues focused basically on property tax and the tax on industry, commerce and services (respectively, I.B.I and I.C.S. in the summary table headings) and in one case (Pimienta) on expansion of the tax cadastre in the town center and peripheral areas.

Following the results-based management approach, the Program took the policy recommendations developed by the municipal commissions and designed scopes of work (SOW) for the contracts with local service providers. As explained in the discussion of P.R. 1.2 and P.R. 1.3, these SOWs were mirrored by addenda to the letters of agreement signed with the municipality, setting out additional commitments, objectives and targets referring to the proposed changes in policies and administrative processes and procedures. By June 30, 2007, the Program was able to document 7 cases of achievement of performance targets with respect to increases in own source income. Following the results-based management

approach, the documentation involved citizen participation and oversight (this will be discussed below in Result 3).

In addition to the technical assistance for own source revenue and municipal services, the Program has provided support for improvement of other core functions, in accounting, budget management and reporting. During this semi-annual reporting period, the Program has also installed integrated financial management systems—using the SAFT software package—in three municipalities (San Agustin, Taulabé and Yamaranguila). Also, in two municipalities (Sabanagrande and San Francisco de Yojoa) it has been necessary to provide assistance to correct problems with previous versions of SAFT installed by private contractors.

Transparency Policies in C/D Municipalities			
C/D Municipalities	**Recommendations Joint Commission**	**Basic Transparency Policies**	**Additional Transparency Policies**
San Francisco de Yojoa	12/27/2006	01/052007	01/05/2007
Yamaranguila	01/17/2007	02/01/2007	03/23/2007
Meambar	01/23/2007	03/14/2007	03/14/2007
Villa de San Francisco	02/26/2007	01/20/2007	05/22/2007
San Agustín	02/25/2007	03/19/2007	03/19/2007
Naranjito	03/06/2007	03/15/2007	03/15/2007
Sabanagrande	02/15/2007	01/20/2007	05/23/2007
La Masica	03/29/2007	02/17/2007	04/02/2007
Trinidad	02/02/2007	05/03/2007	05/03/2007
San Nicolas	05/02/2007	05/02/2007	05/02/2007
Concepción de María	02/23/2007	12/03/2006	pending
Pimienta	12/18/2006	04/02/2007	pending
Taulabé	12/15/2007	pending	pending
Yuscarán	First notice sent to municipality signaling non-performance		
Ceguaca	First notice sent to municipality signaling non-performance		

In the area of transparency and accountability, the Program has used essentially the same approach in C/D and A/B municipalities, beginning with the application of an evaluation instrument (Transparency Index), and support for dialogue between municipal authorities and local civil society organizations in joint commissions. These commissions made recommendations which were reviewed and adopted (or not) by municipal councils.

Overall, although the C/D municipalities had lower scores on the evaluation instrument compared to the A/B municipalities, there was greater progress in C/D municipalities, in that the councils were generally more open to dialogue on policy reforms to strengthen transparency and accountability. The results of these activities in C/D municipalities during the present semi-annual reporting period are summarized in the preceding table.

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

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

Number of mancomunidades with signed agreements specifying areas for provision of TA to members– **Targets: P3**, **Planned (0), Actual (0); P4, Planned (5), Actual (5): P5, Planned (5), Actual (5), Projected (5)**

Number of member municipalities receiving technical assistance from UTIs in targeted mancomunidades– **Targets: P3**, **Planned (0), Actual (0); P4, Planned (4), Actual (0): P5, Planned (8), Projected (3)**

Number of member municipalities of mancomunidades meeting targets in administration of municipal programs - **Targets: P3**, **Planned (0), Actual (0); P4, Planned (0), Actual (0), P5 Planned (2), Actual (0), Projected (0).**

Discussion

The Task Order modification approved by USAID in June, 2006 changed the definition of this performance requirement, along with the respective targets and benchmarks. The focus was expanded from capacity-building of the mancomunidad in its internal management and administrative functions to strengthening the technical capacities of the UTI (Unidad Técnica Intermunicipal) to provide technical assistance to C/D category member municipalities in different areas of municipal management. Thus, in the present semi-annual reporting period, the Contractor carried out a new selection process, choosing five mancomunidades (MAMUCA, MAVAQUI, HIGUITO, AMUPROLAGO and YEGUARE) with a minimum financial and administrative capacity to offer technical assistance to their members, and then signing letters of agreement.

MAMUCA	MAVAQUI	HIGUITO	AMUPROLAGO	YEGUARE
Arizona	Azacualpa	Dulce Nombre	San Josè	Santa Lucia
San Francisco	Protección	Cucuyagua	Ilama	Tatumbla

Subsequently, the Contractor carried out workshops with the five selected mancomunidades to plan the activities; identifying areas for capacity-building in internal management and administration; selecting two member municipalities to receive technical assistance; and prioritizing the technical assistance needs of each of the selected municipalities. The plans with the mancomunidades are divided into three phases: support for improvements in internal management and administrative processes and procedures of the mancomunidad; training of the staff of the UTI in different areas of municipal management; and coaching and monitoring of provision of technical assistance by the UTI to the mancomunidades' member municipalities.

During this reporting period, the Contractor has made progress in the first phase, providing technical assistance to mancomunidades in diverse areas such as organization of board meetings and assemblies, communications with members, payment of member dues, and administrative processes, including budgeting, financial reporting (the assistance varies according to the results of the evaluation in each mancomunidad).

There are three areas in which the Program will offer training to the staff of the UTIs to strengthen their capacity to provide technical assistance to their member municipalities: procurement; results-based management applied to increases in municipal own-source revenue, and implementation of projects funded by ERP. In this reporting period, alongside the capacity-building in internal management and administration, the Program has initiated training of UTIs in procurement, carrying out a week long

workshop with 14 mancomunidad employees, to prepare them to replicate the training and assistance in member municipalities.

The longer-than-expected times of negotiation and planning of activities with selected mancomunidades meant that in this semi-annual reporting period, the UTIs did not yet initiate technical assistance to member municipalities. The Contractor projects that by the end of performance period 6, one of the benchmarks (10 member municipalities receiving TA from their respective mancomunidades) will have been achieved; and by performance period 7, we will have made substantial progress in meeting the remaining benchmark (8 municipalities meeting their performance targets in management of municipal programs).

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

Benchmarks and Indicator Targets

Number of A/B municipalities meeting performance goals for procurement of goods and services – **Targets: P5, Planned (5), Actual (16); P6, Planned (16), Projected (16)**

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

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

Discussion

During this reporting period, the Contractor finished most of the activities planned under this performance requirement. In the previous period, training workshops were held with all but two of the targeted A/B and C/D municipalities; in this period the pending workshops with the municipalities of Choloma and Puerto Cortés and five selected mancomunidades (MAMUCA, MAVAQUI, HIGUITO, AMUPROLAGO and YEGUARE). In general, the Contractor has met the targets for this performance requirement, in that all of the 16 A/B municipalities and 13 of the 15 C/D municipalities are currently applying the provisions of the national procurement law (*Ley de Contratación del Estado*). The two non-performers are once again the municipalities of Yuscarán and Ceguaca, which have recently received advisories, as reported above.

The Contractor had completed an update of the desktop reference and guide for procurement in 2006; however, changes in the legal framework required a second update, which was carried out during this reporting period. At the same time, from January 1 to June 30, 2007 the Program completed training in procurement for 26 employees (13 men and 13 women) from the 2 pending municipalities and 5 newly-selected mancomunidades.

In total, since this activity was initiated in 2005, 300 people have received training in procurement (185 men and 115 women). Of the total, 230 were municipal authorities and employees; 26 were from mancomunidades, and 44 were representatives from civil society organizations, including transparency commissions.

The training is activity-based in that it uses an interactive CD to take the participants through a series of exercises, simulating the work of municipal management teams in carrying out the different steps in the procurement of goods, services and public works. The methodology proved effective. Applying a written test of knowledge and understanding of procurement norms and procedures after completion of the

workshops, in total, 76 of the participating municipal and mancomunidad employees were evaluated as "acceptable", thus exceeding the performance standard of 60 municipal and mancomunidad employees "equipped with skills to procure services and public works in accordance with the LEC", as set out in the Task Order.

During this reporting period, the Program also provided technical assistance to 7 municipalities in the application of procurement norms to public and private procurement actions, ranging from purchases of office equipment or vehicles in smaller C/D municipalities to contracting of specialized consulting services (engineering studies for water systems) and construction of buildings in larger A/B municipalities. The improvement in the proficiency of the municipal teams reached a high level in three A/B municipalities, which were able to establish procedures for pre-selection of qualified contractors, prior to public licitations. In the Honduran context at least, this kind of complex procurement procedure has been limited to procurement actions by a handful of central government agencies such as SAANA, ENEE or FHIS.

As of June 30, 2007 all of the 16 A/B and 13 C/D municipalities in the Program were in compliance with the national procurement law with respect to the application of the different modalities of procurement in accordance with the estimated maximum monetary value of the contract. Of course, in and of itself the increased technical proficiency of the municipal teams does not guarantee the consistent application of the national procurement norms and procedures. However, the Program has also included procurement in other activities, including transparency and citizen oversight. This will be discussed below in the section on Result 3.

In the next semi-annual reporting period, the Contractor will submit the pending deliverables for this performance requirement: the updated desktop reference and best practices document outlining issues and common problems.

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

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

Performance standards and Benchmarks

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

Discussion

In this reporting period, the Contractor presented the final version of the "Report on Recommendations for DASM", incorporating the revision and comments from USAID and approved by the TSC. This report recommended the purchase of hardware and software to strengthen the capacity of DASM to carry out regular audits of Honduras' 298 municipalities. By the end of the present reporting period, DASM had initiated the process of procurement of the equipment and software, using USAID funds assigned for this purpose.

It is relevant to note that DASM has considerable increased its capacity to carry out audits of municipalities over the last six months. As of December, 2006, it had published 55 municipal audit reports on its website; by June 30, 2007 it had finalized and published the results of 102 audits and was in the process of completing a further 14 audits (see www.tsc.gob.hn). The Contractor has worked with DASM to ensure that competed audit reports are published in a timely manner, and in PDF format to avoid modification. These measures have helped to ensure dissemination of the results of audits among local and national stakeholders.

In maintaining a rate of at least 50 municipal audits per year, DASM will be able to ensure that every incumbent mayor will have a strong possibility of being audited at least once in his or her mandate, which should have a salutary effect on decision-making. Indeed, just in the present reporting period, DASM has carried out audits in 3 of 29 Program municipalities: Sabanagrande, Meambar and Villa de San Francisco. Conversations with the mayors in Program municipalities indicate a high level of concern and attention to the results of audits carried out by the TSC. Recently, AMHON has taken up the issue, in the context of discussions of the "Transparency Fund", created through retention of 1% of the central government block transfers. AMHON has recommended that the fund be used also to support training and technical assistance to municipalities, a position that the Program has endorsed in conversations with the TSC and in public fora.

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

Performance Standards and Benchmarks

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

Discussion:

During this reporting period the Contractor submitted its recommendations to UAPOI on the acquisition of hardware and software to strengthen the capacity to carry out audits of international projects. The procurement was completed in May, 2007; it included TEAMATE and IDEA software for analysis of financial data. UAPOI has reported a significant reduction in time and effort spent in carrying out audits of projects supported by USAID's local currency facility with SEFIN, specifically in the audits of projects carried out by ENEE, FHIS-DIM, FHIS-Central and SANAA. UAPOI also has just completed the audit of the EDUCATODOS Project implemented with USAID funds; the report was recently published on the TSC website (see www.tsc.gob.hn).

During this period the Contractor also submitted a self-education training plan to the TSC, which accepted the recommendation for the creation of a training committee made up of the directors of UAPOI, DASM, LEGAL and INFRAESTRUCTURA and the department of information systems. The committee is chaired by the Chief Auditor; during this reporting period it has met 4 times and has presented the training plan for the approval of the Department of Institutional Development.

The Contractor has completed the performance requirement and met the respective performance standards. No further activities with UAPOI will be carried out during the remainder of the Task Order.

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

Result Summary:

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

Result 2: Performance Milestone Plan Indicators

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

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

Performance Indicators and Performance Standards

Based on the MSI manual (see Section A.4 I. Applicable Documents B.12) develop and implement a program tailored to the needs of new Board members in a variety of areas as laid out in the NPT.– **Targets: P4, Planned (initiated), Actual (initiated); P5, Planned (completed), Actual (completed**

Discussion

In accordance with the performance requirements set out in the modified Task Order, during this reporting period the Contractor has focused technical assistance to AMHON on strengthening the decision-making capacity of the executive board and in particular the use of mechanism to carry out follow-up of board decisions to ensure implementation by management and staff. At the same time, responding to instructions from USAID, the Contractor expanded the activities with AMHON to include technical assistance for the design of AHMON's strategies for communications and advocacy.

With respect to board strengthening, the approach used by the Contractor in this and previous reporting periods has depended on close monitoring of each executive board meeting, followed by immediate feedback and coaching by Program consultants to the president of the board, executive director and secretary. The main areas for improvement were: definition of meeting agendas to ensure that the executive board focused on policy-making and not minor administrative matters; the management of the agenda and deliberative process during the board meetings; the application of the board's internal rules; careful and accurate drafting of the minutes of the decisions made by the board; and follow-up to ensure full implementation of the previous board decisions.

The evaluation of six meetings of the executive board during the previous semi-annual reporting period showed that 69% of board decisions had been fully implemented, against the benchmark target of 50% for PMP period 4 as set out in the Task Order. The evaluation of 10 meetings during the present reporting period (up to April, 2006) shows significant progress, with 89% of decisions being implemented. In this sense, the Contractor has exceeded the final indicator target of 75%.

The evaluation carried out during this reporting period covered 58 major decisions registered in the minutes of the executive board meetings, of which all but 8 of the decisions were fully implemented. Several of these decisions were still in the process of implementation or were being reviewed and reconsidered by the board. If these were taken into account, implementation would be close to 100%.

One of the most important impacts of the technical assistance to the AMHON executive board was the reduction in the duration of board meetings. Some of the meetings in 2006 went on for two entire days, and even so, they only covered 30% of the agenda items. The last meeting monitored by the Program consultants in April, 2007 lasted just four hours and covered 100% of the planned agenda. The improvement is owed to in part to the application of the internal rules of procedure; meeting minutes that register the substance of the deliberation (proposals, motions, commentaries and decisions) rather than verbatim transcripts based on audio recordings, and consequently, a reduction in the time allocated to approving the minutes of the previous board meeting.

Among the major decisions of AHMON's executive board during this reporting period was the appointment of a new Executive Director in January, 2007. Subsequently, AMHON requested USAID to continue Program assistance to design and plan a new policy advocacy strategy. With the support of a team of international and national experts in advocacy and communications, the Program assisted AMHON in planning and carrying out seven regional assemblies prior to the April 2007 General Assembly, reviewing progress made in implementation of the advocacy strategy that had been approved in the 2006 General Assembly, and consulting the members on alternative strategies.

The 2007 General Assembly approved a new advocacy strategy focusing on eight issues: reform of key articles of the Municipal Law; review and modification of proposals for reform of the draft bill for Municipal Civil Service; reform of regulations governing tax exemptions for municipalities; progress in defining a decentralization agenda in areas such as education, health and transport, as agreed with the principle political parties in the "Decentralization Pact"; a gradual increase in block transfers, from 5% to 12.5% of central government current revenue; the creation of a fiduciary trust to administer ERP funds transferred to municipalities; definition of a mission/vision statement for AMHON; and alliances with the civil society organizations in the Civic Movement for Democracy (MCD) to discuss and propose reforms to the Elections Law.

Subsequently, the Contractor has worked with the AMHON executive board and management to design an advocacy strategy to implement the mandate approved by the General Assembly. The technical assistance was in the form of a series of planning workshops, including a workshop to design strategies for influencing the news agenda of print and electronic media. The draft Policy Advocacy Plan was submitted to the executive board in June 27; among the board decisions was approval of the recommendations to create two offices for Advocacy and Communications.

Performance Requirement #2.2 – Build Capacity of National Anti Corruption Council (CNA) to update its strategic plan to fulfill its "watchdog" functions (see Glossary, Section A.20) within the parameters of the national anti-corruption strategy. *The Contractor met the respective performance requirement during the July – December 2006 reporting period.*

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

<u>Performance Requirement and Benchmarks</u>

Performance Standard 2.3.1 calls for "A private sector alliance and association (e.g. business associations and trade organization) resources leveraged for increasing good governance and ethical business practices. – **Targets: P4 Planned (Started), Actual (Delayed, subject to approval of modified approach); P5 Planned (Started in 2 municipalities), Actual (started in 1 municipality); P6, Planned (Started in 2 municipalities), Projected (started in 2 municipalities).**

Discussion

The Task Order modification approved in June 2006 changed the focus of the activities with the private sector, from general issues of corporate governance and ethics to more specific issues of business responsibility for promoting transparency and reducing opportunities for corruption in routine transactions with municipal governments. In this way, this activity builds synergies with other Program activities in Results 1 and 3, aimed at promoting transparency and reducing corruption.

In most of the A/B category municipalities targeted by the Program, the most important business association is the local chamber of commerce. Given that all of the chambers are affiliated to Fedecamara, during this reporting period the Contractor sought to establish an agreement with this national association to act as a sponsor and to encourage its member chambers to participate in the initiative. At the same time, the Program facilitated the signing of letters of agreement between the municipalities of Villanueva and La Esperanza and their respective chambers of commerce.

The approach of the Program hinges on cooperation between the municipality and the chamber of commerce to redesign and simplify the processes and procedures involved in transactions between businesses and local governments, using the mechanism of a single customer service point (*ventanilla única*). After analyzing the experience of other Program municipalities (Comayagua, Choloma and Choluteca) the decision was to focus on business licenses and construction permits. Presently, in most large municipalities in Honduras an application for a business license takes from 6 to 9 months to approve; construction permits may take even longer. Businesses are obliged to present the application to multiple departments or offices within the municipality; and bribes are required to facilitate the transaction at each step in the process.

One of the advantages of establishing a single customer service point for these transactions is that it puts the onus on the municipality to process the transaction and eliminates the number and frequency of interactions between the applicant and the municipality. Another advantage is that it is reorganized as a single administrative process; eliminating duplication of requirements and support documents; reducing the number of steps; and also reducing the time required for each step. Equally important, it allows managers to determine responsibilities for delays or backlogs in applications.

During this semi-annual reporting period, the final technical approach and design was presented to USAID; then it was discussed with Fedecamara, the chambers of commerce in Villanueva and La Esperanza and the participating municipalities and was approved by all parties in the months of April through June, 2007. In addition to the agreements between each chamber of commerce and the respective municipality, the Program also signed an addendum to the letter of agreement with each participating municipality, setting out commitments, results indicators and targets.

Subsequently, the Contractor drafted terms of reference for technical assistance, mirroring the agreements between the chambers of commerce and municipalities, and identified a national consultant to carry out the work. With the support of the consultant, the Contractor also analyzed the results of similar projects supported by PROMYPE-GTZ in the municipalities of Comayagua, Choloma and Choluteca and made modifications to the technical approach and design to overcome the implementation problems that had emerged in several of these municipalities.

In June, 2007 the chamber of commerce and municipality of Villanueva signed their letter of agreement, and the consultant initiated activities in this municipality with planning workshops involving council members, municipal mangers, and members of the chamber of commerce. At the beginning of the next reporting period the agreement will have been signed and work will initiate in the municipality of La Esperanza. The terms of the contract with the consultant and allow for a period of up to six months from

inception to full implementation of the single customer service point in each municipality, along with a six month period of monitoring and adjustment of the process.

On the basis of the negotiations with Fedecamara and the local chambers of commerce, the Contractor has reviewed the performance requirement referring to leverage of counterpart funding from the Honduran private sector. Given the nature of the firms involved in these municipalities, primarily small and medium enterprises, the current target is too high. The Contractor will be presenting a request for modification in this requirement in the next reporting period.

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

Result Summary: In this result, the objective is to achieve greater ownership of local development processes by civil society organizations working together. Ownership is seen in terms of broad citizen participation both in decision-making and in oversight of implementation. As explained in the Introduction, in this result the Contractor has emphasized the creation of consultative mechanisms to facilitate participation of local CSOs in decision-making in policies to strengthen transparency and governance, and in measures to increase municipal own source revenues and improve the coverage of municipal services.

Indicator	P5		P6		
	Planned	Actual	Planned	Actual	Projected
Number of local government decisions with impact on local development where participation of broad-based coalitions can be documented					
A & B	13	50	18	52	60
C & D	25	64	45	74	80
Number of broad based coalitions monitoring performance of their local governments					
A & B	3	6	5	6	10
C & D	8	12	12	12	12

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

Benchmarks

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

Discussion

In the previous semi-annual report, the Contractor reported that the selection system has been used as a way of evaluating the strengths and weaknesses of local civil society in those municipalities in which the Program proposes to work. In practical terms, the Program first selects the municipality, and then works to strengthen the role of local civil society organizations in decision-making and oversight in that municipality.

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

Benchmarks

Number of local government decisions with impact on local development where participation of broad based coalitions can be documented in A/B municipalities – **Targets: P4, Planned (8), Actual (16); P5 Planned (13), Actual (50); P6, Planned (18), Actual (52), Projected (60)**

Number of local government decisions with impact on local development where participation of broad based coalitions can be documented in C/D municipalities – **Targets: P4, Planned (15), Actual (9); P5 Planned (25), Actual (64); P6, Planned (45), Actual (74), Projected (80)**

Discussion

Following the terms of the Task Order modification and applying the technical approach set out in the Work Plan, during this semi-annual reporting period the Contractor has emphasized two areas for building the capacity of local CSOs to influence municipal decision-making: policies to strengthen transparency and democratic governance, applied in the 16 A/B and 15 C/D municipalities; and policies to increase own source revenues and expand service provision, limited to the 15 C/D municipalities. As explained above in Result 1, the approach of the Program is hinged on the creation of consultative mechanisms, in the form of the joint commissions made up of municipal officials and managers and representatives of local CSOs.

In the Introduction, we referred to one of the challenges in implementing the activities under the Task Order: maintaining the political will of municipal councils to undertake reforms to reinforce transparency and accountability, even while supporting activities with local civil society organizations to engage municipal authorities in dialogue, influence council decision-making and carry out oversight of municipal decisions. Our experience during and after the 2005 elections shows that many mayors and councils have little tolerance for independent civil society; rather the most common strategy of mayors is to attempt to "capture" local civil society organizations such as *patronatos* and *juntas de agua*, openly interfering by pressing them to hand over leadership positions, or when that fails, convening parallel organizations. Of course, clientalistic political relations also create incentives for CSOs to go along, with the expectation of access to public goods.

Responding to this challenge, the approach of the Program in the last two reporting periods was to establish spaces for dialogue through the various joint commissions, which were discussed above in Result 1. The approach has been effective in giving local CSOs access to decision-making, as evidenced by the progress towards the indicator targets in this period. At present, the Program is meeting and exceeding the targets for participation of coalitions of CSOs in municipal decision-making, as set out in the Task Order for PMP periods 4, 5 and 6.

What this means in practice is that the progress in activities with local CSOs is in large part dependent on progress in engaging municipal authorities in reforms to open up decision-making processes. In this reporting period, the activities with the joint commissions have been maintained, but at the same time the Program has begun to support somewhat more autonomous action by civil society organizations. The initial focus has been to promote participation of representatives of CSOs in open council sessions—of course, only in those municipalities in which the municipal council has moved ahead with the basic transparency measures. The importance of these measures cannot be overestimated: it is difficult to carry out oversight of municipal decision-making in the absence of public attendance at council meetings; without any previous knowledge of when the council meetings will take place or the issues that will be discussed; or without access to the resolutions and other major council decisions, as registered in the minutes of the meetings.

However, even this gradualist and incremental approach to participation generates reactions; in most of the Program municipalities at some point, the mayors and councils have tried to exercise a political veto over which CSO representatives and leaders will participate in the activities of the joint commissions. The most difficult cases have been in the larger A/B category municipalities such as Choloma, Comayagua and Catacamas.

Where municipal councils are not willing to open spaces for dialogue, consultation and oversight, or where there is an effective veto on participation of leaders or activists with links to minority parties, the alternative is to work separately with civil society organizations to press for reforms or to carry out independent initiatives to promote public debate, mobilize CSOs in consultations on municipal policies or carry out oversight of municipal decisions through social auditing or similar exercises. This alternative brings with it the risk of confrontation with municipal authorities—putting the Program in the middle of the conflict.

In A/B municipalities, during this reporting period, the decisions in which the Program documented the influence of local CSOs in decisions had to do with policies to improve transparency and accountability. The decisions in almost all of the cases documented were formal resolutions of the council to adopt the recommendations of the joint commissions on implementation of basic transparency measures, including open municipal council sessions, dissemination of calendars of session and agendas, and access to minutes of meetings.

In C/D municipalities, likewise, many of decisions referred to the implementation of policies to strengthen transparency and accountability. However, as we reported in Result 1, overall there was less resistance from municipal councils in C/D municipalities and consequently significantly more progress made in terms of decision-making.

In the targeted C/D municipalities, the decisions reported during this semi-annual reporting period also have to do with implementation of the recommendations of the joint commissions created to formulate policies for increasing municipal own source revenues (taxes and fees) and improving coverage and quality of municipal services. As we reported in Result 1, in 12 C/D municipalities, by June 30, 2007 the councils had passed formal resolutions (*acuerdos*) to implement the measures recommended by these joint commissions.

The successful experience with the joint commissions opens new possibilities for CSO participation in other areas of decision-making. During this reporting period, the Program initiated a strategy to support activities of coalitions of CSOs, independent of the dialogue mechanisms (joint commissions), while maintaining the focus on citizen engagement: through consultation on policy priorities, participation in decision-making and oversight of decisions. The first step was the contracting of local facilitators to assist in convening and organizing activities with local CSOs. These facilitators did a rapid mapping exercise to review CSO participation in Program activities to date and to identify additional CSOs interested in the activities.

With the support of the local facilitators, the Contractor will expand the activities with local CSOs, seeking to engage a broader spectrum of organizations in consultative exercises to influence municipal decision-making. As discussed above, there is a risk of generating adverse reactions from municipal councils, which generally prefer to control and channel citizen participation. However, at this point in the implementation of Program activities, the Contractor has a good understanding of the risks and opportunities in each municipality. In some municipalities, there are opportunities to support citizen participation in formal reviews and debate of municipal spending priorities, particularly in capital projects such as roads, bridges, schools, etc; in others, the CSOs are interested in other areas of policy, including education, health, youth, recreation, crime prevention, etc. The focus of the Program in each case will depend on the priorities of the CSOs.

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

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

Benchmarks

Number of A/B municipalities where broad-based coalitions are annually monitoring performance of their local government – **Targets: P4, Planned (0), Actual (5); P5, Planned (5), Actual (6); P6, Planned (5), Actual (6), Projected (10).**

Number of C/D municipalities where broad-based coalitions are annually monitoring performance of their local government – **Targets: P4, Planned (0), Actual (0); P5, Planned (12), Actual (12); P6, Planned (15), Actual (13), Projected (13).**

Discussion

As we reported above in Result 1, in 11 A/B municipalities and 13 C/D municipalities, the councils have formally approved basic transparency measures. However, as of June, 2007, only 6 A/B municipalities had effectively implemented the measures; in contrast all 13 CD municipalities followed through on their decisions. Thus, when we discuss monitoring of municipal decisions by CSOs, we are referring to those 19 municipalities in which there is in fact access to decision-making processes (i.e., 6 A/B and 13 C/D municipalities).

One of the reasons for focusing on opening up formal decision-making processes to public participation and oversight is the fact that they are mandated by law and relatively durable in time. Or as the mayor of one of the A/B municipalities put it, once the council adopts basic transparency measures, it is difficult to go back; in other words, subsequent mayors will have to incur a political cost if they attempt once again close access to decision-making.

In this respect the Program has made considerable progress. In 2006, in the 16 A/B municipalities only 4.3% of council meetings were open to the public; and in the 15 C/D municipalities, 29.7% of the council sessions were open. This difference between large and small municipalities is quite significant; it was an established practice in several of the small C/D municipalities of holding open sessions. Indeed, in towns like Yamaranguila and Meambar the council meetings often seemed more like *cabildos abiertos*, at times with attendance of upwards of 75-100 people. However, these were clearly a minority even among the C/D municipalities.

In this reporting period, from January through June, 2007, as can be seen in the summary table, with the approval of the basic transparency measures by councils, there was an increase in the percentage of open council meetings. In the A/B municipalities, in January-March, 17.3% of council meetings were open, and for April- June, it reached 33%. In the C/D municipalities, in January-March, it was 66% and in April-June, it reached 79%.

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

Yet, in some of the municipalities which have adopted basic transparency measures, the initial reaction from citizens was muted. Activists and leaders of CSOs were accustomed to presenting petitions to municipal councils for specific issues; there was less interest in monitoring or carrying out other oversight of decisions that do not appear to affect the immediate interests of the organization or its members. To counter this problem, the facilitators carried out communications activities to inform CSOs of dates and agendas of municipal council sessions; meeting with CSO leaders and members; distributing the resolutions of the municipal councils approving basic transparency measures; and presenting information bulletins on council agendas and decisions in local communications media (television, radio and printed press).

Again, the result of these activities has been positive. As the table shows, in the open council sessions in A/B municipalities in January-March 2007, the average number of people attending was 18; in April-June, this had increased to 27 people. A similar trend was evidenced in the C/D municipalities; with 10 people on average attending council meetings in January-March and 26 people in April-May (Yuscarán is excluded because it distorts the averages considerably owing to attendance of up to 140 people at some council sessions).

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

As with citizen participation in municipal decision-making, the Program plans to expand support for civil society oversight activities to other kinds of participatory mechanisms involving local CSOs, beyond attending and monitoring municipal council meetings. Again, however, the strategy adopted in each Program municipality will vary according to the opportunities and risks involved. In each case, it will be carefully evaluated and negotiated with CSO counterparts, to ensure political neutrality and sufficient independence from mayors and council members; this is especially important as incumbent mayors and opposition parties (and sitting council members) begin to plan candidacies for the 2009 municipal elections.

While the Task Order refers to "oversight functions of public funds", through "social auditing of specific projects", the Contractor considers that this kind of approach could jeopardize other Program activities. For example, while it was planned to support social audits of projects funded through ERP funds, our experience suggests that social audits will uncover numerous cases of non-compliance with legal norms in many municipalities. The ERP process was plagued by improvision and ambiguity, reflected in contradictory instructions to municipalities on key aspects of implementation, financial management and procurement.

Even with safeguards to ensure that social audits of ERP funds are politically neutral, there is a high risk of conflict, which could undermine progress in other Program activities. The Contractor has requested USAID guidance on this issue. The decision is to move forward cautiously with social audits only in those municipalities where there is explicit support from the mayor and the municipal council and a willingness to discuss and use audit findings to improve the management of next cycle of ERP project funding.

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

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

Discussion

The Contractor concluded almost all of the activities within this result during previous reporting periods, as described in the third semi-annual report. There remains one performance requirements: P.R. 4.2, referring to the report on the transition action plans and lessons learned. The deliverables was submitted to USAID and comments and revisions were requested, and the Contractor will submit the final version in performance period 6.

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

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

Result 5: Performance Milestone Plan Indicators

Indicator	P5		P6		
	Planned	Actual	Planned	Actual	Projected
Number of funded activities with BBCs (cumulative)	15	0	15	0	5
Number of funded activities with mancomunidades (cumulative)	0	0	0	0	0

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

Benchmarks

Number of activities co-funded with broad based coalitions and mancomunidades– **Target: P4, Planned (0); P5, Planned (15), Actual (0); P6, Planned 15, Actual (0), Projected (5).**

Discussion

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

During this semi-annual reporting period, funding of activities has still not been initiated. The emphasis in the activities with CSOs has been on participation and oversight in formal decision-making processes; in subsequent reporting periods the scope of activities will be broadened, which will generate opportunities for co-funding of projects. In performance period 6 the Contractor will initiate co-funding to projects with 5 coalitions of CSOs in targeted A/B and C/D municipalities.

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

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

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

Discussion

This performance requirement has demanded a significant level of effort during this period. The Program has prepared information for 5 monthly meetings of the Mission's IR 1.2 team. Likewise, the Program has supported a series of field visits by Mission staff on a monthly basis since February, 2007, planning and organizing meetings with mayors and municipal teams and OSC representatives from 23 participating municipalities.

The Program COP has been the ex-oficio Technical Secretary of the Donor Group for Decentralization and Local Development during six sessions (January 18, February 15, March 15, April 17, May 17, and June 21, 2007), supporting USAID's role as pro-temporé president of the group. As well as preparing meeting minutes, the Contractor has provided technical inputs and information for the discussions of the group on issues such as AMHON, FHIS, donor coordination on financial management systems (SAFT), ERP, procurement laws, TSC and DASM municipal audits and other topics.

During this reporting period, the Contractor has prepared several briefs and documents for the USAID Mission, the Donor Group on Decentralization and Local Development and the G-16, including the Desktop Reference on Procurement and the training CD; best practices documents; and reports on implementation of ERP funds and application of SAFT.

The Program has coordinated activities with municipalities and DIM-FHIS and SANAA to identify projects for funding by USAID's water and basic sanitation program funded with local currency resources. In addition, the Program has coordinated with other USAID programs, including MIRA, FIU, and food security Title II programming. Also, the Program has coordinated activities with the Peace Corps and supported the work of PCVs in 5 municipalities.

There has been significant effort made in coordinating with other donor agencies and GoH. In providing technical assistance to municipalities in financial management, the Program has coordinated activities with AECI to ensure consistency in the use of the SAFT (Integrated Financial and Tax Management System) for smaller C/D category municipalities. The Program has also contributed to policy discussions with AMHON and the TSC on the use of the Transparency Fund, and the implications of the findings of the municipal audits. Program management has met regularly with representatives of SIDA, COSUDE, and SNV, and with the PRIDEMUN and PATMUNI programs to share information. At the regional level, Program staff has met regularly with JAICA, UNDP, Proyecto Norte, and representatives from other donor initiatives around the country.

Finally, during this period the Program has also carried out a municipal event, in the form of a two-day workshop, organized and co-funded (30%) with AMHON. The objective of the workshop was to document and disseminate best practices in municipal management. It was inaugurated by the US Ambassador and attended by 53 mayors, deputy mayors, council members and municipal managers from 29 Program municipalities, as well as representatives of international donor agencies, central government institutions, and NGOs.

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

Discussion

See presentation of updated municipal data base in Annex B

ISSUES AND REMEDIES TO ASSIST IN PERFORMANCE BASED DECISION MAKING

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

Issues and Remedies in the Fifth Semi Annual Report:

1. Number of municipalities. In the previous semi-annual report, we expressed concern about the targets for A/B and C/D municipalities. Subsequently, this issue was analysed with USAID and it was agreed that it would be necessary to present a request for modification of the Task Order and PMP. The request will be presented in PMP period 6.

2. Budget. Following instructions from USAID, the Program has continued to work in 29 municipalities, although the Task Order requires meeting targets in only 20 municpalities. This has generated higher than expected spending in ODCs to support field activities, thus the Contractor will be presenting a budget modification request.

3. Procedure for suspending activities in Non-performing Municipalities. During this reporting period, the main issues have to do with non-compliance with Honduran laws respect to transparency and accountability, and tax management. Contractor has met with USAID to agree on a procedure for suspending Program activities in those municipalities that are not meeting agreed performance targets. The procedure includes a "letter trail" to document Program concerns; it will be implemented in the subsequent reporting period.

4. Social audits. The application of the Transparency Index shows that municipalities do not generally maintain adequate records for management of capital projects; this evidence is confirmed by the results of the TSC municipal audits. Also, as we discussed above in the presentation of Result 3 activities, evidence from the field suggests widespread non-compliance with ERP regulations, political manipulation in targeting of funds, and non-application of the government procurement rules (Ley de Contratación de Estado).

Going ahead with social audits will undoubtedly bring attention to this problem, but it will also generate conflict between OSCs and municipal authorities, with adverse consequence for other Program activities. For this reason, the Program has requested guidance from USAID. One possibility is to develop a technical assistance module on this issue, for both A/B and C/D municipalities. Only after the technical assistance is completed, and municipalities have put into place appropriate management controls, the Prorgam would support targeted social audits to verify compliance. This will be discussed further with USAID before proceeding.

5. Completion of activities in national institutions. The Contractor has reported to USAID the completion of performance requirements in P.R. 1.10, P.R. 1.11 and P.R. 2.1. Given budget restrictions, during the remaining PMP periods 6-19, the Contractor will concentrate resources exclusively on activities with municipalities, mancomnunidades and coalitions of CSOs, and on documenting and disseminating best practices. Given the budget restrictions mentioned above, the Contractor recommends that any requests for followup support to national institutions be limited to activities that can be funded from the Crisis Modifier.

APPENDIX A: SUCCESS STORIES

This appendix includes two success stories presented in USAID's "Case Study" format as set out in http://java.usaid.gov/usaid/jsp/case_study.jsp#blank. The two stories are variations on a single development challenge, that of strengthening transparency and accountability in local government decision-making by allowing for public attendance and scrutiny of municipal council sessions, one referring to the town of Potrerillos, another with an example from Las Vegas.

USAID HONDURAS

CASE STUDY

Headline:

Strengthening Transparency in Municipal Government

Subhead:

Local governments open decision-making to public scrutiny

Challenge

As is customary in many other democratic countries, in Honduras municipal governments are required by law to allow public access to council meetings; this, with the purpose of making municipal decision-making more transparent. However, the majority of local governments have ignored these legal provisions, usually meeting behind closed doors and prohibiting attendance of the public. The problem tends to be worse is larger towns and cities. This weakens local governance, as evidenced in recent national opinion polls funded by USAID in which about 76% say that the municipality does not inform citizens how monies are spent; and 74% of people say that they have little or no confidence in municipal government management of fiscal resources.

Initiative:

USAID supports 29 local governments in Honduras, focusing on strengthening governance practices and at the same time building capacities to manage fiscal resources and improve municipal services. It has used a municipal transparency index to highlight non-compliance with legal norms in different areas of governance and management, including the provisions for public scrutiny of decisions. Subsequently it has worked with municipal councils and local civil society groups to design corrective measures. One of the most important measures has been the adoption of new rules of council meetings that allow for citizen attendance and participation.

Results:

The municipalities receiving USAID support have begun to adopt measures to strengthen public scrutiny of local government decision-making, including attendance at council meetings, publication of meeting agendas and access to minutes and council resolutions. With respect to council meetings, in 2006, only 16% of meetings were open to the public, but by mid 2007 this had increased to 55%. The average number of people attending council sessions is about 27, but some towns such as Potrerillos have also carried out information and communications campaigns, resulting in attendance of upwards of 40-50 people. Potrerillos has begun to use the open meetings to inform the public about taxing and spending initiatives to overcome resistance to payment of local property taxes.

Photo Caption:

One of the local citizens raises his hand to ask the mayor a question at the municipal council meeting in Potrerillos, Honduras.

The photo was taken by program staff in June, 2007.

Pull out quote:

"Attending the councils, we start to understand what's going on in the municipality, things are more open and we get to see what the council members actually do". Suyapa Meza, representative of a the "Group of Visionary Women"

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Results:

The municipalities receiving USAID support have begun to adopt measures to strengthen public scrutiny of local government decision-making, including attendance at council meetings, publication of meeting agendas and access to minutes and council resolutions. With respect to council meetings, in 2006, only 16% of meetings were open to the public, but by mid 2007 this had increased to 55%. On average about 27 people attend council meetings. In the town of Las Vegas about 45 people regularly attend, most of them from the town centre. Recently, the Las Vegas council decided to also transmit council sessions on community television, which opens the process to an even larger public in the town centre and in outlying areas.

Photo Caption:

The mayor of Las Vegas makes a presentation on municipal revenues and spending in a live televised council session. The photo was taken by program staff in May, 2007.

Pull out quote:

"I am proud of my town council for opening up spaces to citizens, giving us an opportunity to see information that before was taboo". Arold Flores, President of the Las Vegas Chamber of Commerce

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

Programa de Gobernabilidad y Transparencia

Base de Datos Municipal
Informe Trimestral
Línea de Base

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

July 30, 2007

2

Presented by:
Management Systems International
The Urban Institute

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I. Introducción

El presente informe evalúa los ingresos y egresos de veintisiete (27) municipalidades[2] con las que el Programa de Gobernabilidad y Transparencia, ha venido desarrollando actividades en el marco del contrato suscrito con USAID. El análisis contempla comparaciones entre los años fiscales hondureños 2004, 2005 y 2006.

La fuente de información la constituyen los informes rentísticos reportados al Programa. Se han excluido del análisis cuatro (4) municipalidades[3] que entraron a inicios del año 2006, debido a que con el cambio de administración municipal no se logró completar la información para los tres años fiscales en estudio.

El documento presenta un análisis de la situación fiscal consolidada para la muestra de municipios en estudio. Posteriormente se aborda la evolución de los ingresos y gastos por categoría de municipios, determinando los factores principales que influyen en su comportamiento. De igual forma, se calculan indicadores de desempeño para evaluar la gestión financiera municipal consolidada y por categoría de municipios.

II. Situación fiscal municipal consolidada

En los años 2004 y 2006, se observa un superávit en el desempeño financiero de las municipalidades[4]. Este superávit es mayor en el año 2006 comparado con el mostrado en el 2004. No obstante para el 2005, los datos muestran un déficit financiero explicado principalmente por el comportamiento de la municipalidad de Puerto Cortés, la cual mostró gastos superiores a los ingresos[5].

El total de ingresos recaudados por los 27 municipios en estudio, se redujo en el año 2005 en 5.6% en comparación al año 2004, sin embargo para el 2006 estos ingresos muestran un incremento de aproximadamente 61.6% en términos nominales (ver tabla 1). Por otro lado, los gastos se incrementaron en 5.8% y 36.7% en términos nominales, para los períodos 2005/2004 y 2006/2005, respectivamente.

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

[3] Naranjito, Concepción de María, San Agustín y Meámbar.

[4] Superávit: ingresos mayor a los gastos.

[5] Los gastos fueron de 206.2 millones, en tanto que los ingresos alcanzaron los 127.5 millones de lempiras. Se consultó con la encargada de presupuesto de la municipalidad para verificar estas cifras reflejadas en los informes recibidos, y ella reconfirmó que esas son las cifras registradas en el sistema de información.

Tabla 1: Ingresos y gastos municipales por año

Rubro	Categoría	Año Calendario (en miles de Lps)			Variación Relativa (%)	
		2004	2005	2006	2005/2004	2006/2005
Ingresos	A/B	671,647.6	621,261.9	1,017,252.8	-7.5	63.7
	C/D	35,610.9	46,660.1	62,188.7	31.0	33.3
	Total	**707,258.5**	**667,922.0**	**1,079,441.5**	**-5.6**	**61.6**
Gastos	A/B	639,598.8	667,951.7	922,348.7	4.4	38.1
	C/D	36,612.7	47,364.5	55,229.8	29.4	16.6
	Total	**676,211.5**	**715,316.2**	**977,578.5**	**5.8**	**36.7**
Brecha	A/B	32,048.8	-46,689.8	94,904.0	-246	-303
	C/D	-1,001.8	-704.4	6,958.9	-30	-1,087.86
	Total	**31,047.0**	**-47,394.3**	**101,863.0**	**-253**	**-314.93**

Fuente: elaboración propia en base a los informes rentísticos municipales

II A. Composición de los ingresos municipales

Los ingresos municipales del período 2004-2006 están integrados por las siguientes fuentes: a) los ingresos corrientes, que aportan entre 43.9% y 56.9%; b) las transferencias del Gobierno Central (incluyendo las del 5% y otras transferencias de distintas instituciones gubernamentales ligadas al quehacer municipal) que han contribuido desde un 21.8% hasta un 32.3%: c) los recursos obtenidos en calidad de préstamos del sistema bancario nacional que han significado desde un 6.2% de los ingresos totales hasta un 19.1%; d) las donaciones recibidas que representan entre el 1.2% y el 3.6%; y e) otros ingresos de capital, que han correspondido a un 6.6% (para los años 2004 y 2006) hasta un 12.9% (en el 2006) de los ingresos totales.

Al evaluar la variación relativa al interior de la estructura de ingresos, los rubros que muestran las tasas de crecimiento negativas más altas son: donaciones, con -63.9% y otras transferencias, que muestran una caída de aproximadamente -62.5% en el año 2005 (ver tabla 2). Dichos rubros representaron entre el 3.2% y el 6.1% de los ingresos totales del año 2004, alcanzaron una importancia relativa menor en el año 2005 y para el 2006 mostraron valores similares a los del 2004.

Por otra parte, los rubros con tasas de crecimiento positivas son los ingresos tributarios y los préstamos. Los primeros mostraron valores de 9.3% a 23.7%, en tanto que los segundos pasaron de 5.9% a 339%. Cabe resaltar que el 2006 fue marcado por un cambio de autoridades locales, quienes comúnmente realizan cambios de personal que conlleva ante la falta de fondos, a contraer préstamos para hacer frente al pago de prestaciones laborales.

Tabla 2: Estructura de ingresos por año

Rubros	Año (cantidad en miles de Lps)			% de los Ingresos Totales			Variación Relativa	Variación Relativa
	2004	2005	2006	2004	2005	2006	(%) 05/04	(%) 06/05
Ingresos Totales	**707,258.5**	**667,922.0**	**1,079,441.5**	**100.00**	**100.00**	**100.00**	**-5.56**	**61.61**
Ingresos Corrientes	**364,319.2**	**380,151.1**	**474,630.7**	**51.51**	**56.92**	**43.97**	**4.35**	**24.85**
Ingresos Tributarios	275,807.5	301,557.7	373,092.2	39.00	45.15	34.56	9.34	23.72
Ingresos no Tributarios	88,511.6	78,593.4	101,538.5	12.51	11.77	9.41	-11.21	29.19
Ingresos de Capital	**342,939.3**	**287,770.9**	**604,810.8**	**48.49**	**43.08**	**56.03**	**-16.09**	**110.17**
Préstamos	44,340.7	46,956.3	206,577.9	6.27	7.03	19.14	5.90	339.94
Transferencias	185,155.4	129,705.0	216,246.1	26.18	19.42	20.03	-29.95	66.72
Otras Transferencias	43,463.5	16,294.0	70,386.7	6.15	2.44	6.52	-62.51	331.98
Donaciones	22,710.6	8,191.8	39,545.0	3.21	1.23	3.66	-63.93	382.74
Otros ingresos de capital**	47,269.2	86,623.9	72,055.0	6.68	12.97	6.68	83.26	-16.82

* Abarcan principalmente transferencias realizadas por el FHIS

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

Fuente: elaboración propia en base a los informes rentísticos municipales

De acuerdo a los datos, se puede inferir que las municipalidades realizaron un esfuerzo por mejorar la recaudación de sus ingresos corrientes durante los años 2005 y 2006, dado que se incrementaron 4.3% y 24.8% en términos nominales, respectivamente.

Por su parte, los ingresos de capital, a pesar de haber disminuido en el año 2005, para el siguiente año muestran una recuperación de 110% en términos nominales; influenciada en gran parte por los aumentos en los préstamos, otras transferencias y donaciones.
Por el lado del gasto, en el año 2005 mostraron una variación relativa de 5.78% en tanto que en el 2006 ésta alcanzó un 36.7%.

II B. Composición de los gastos municipales

Los gastos municipales están compuestos por los siguientes rubros: a) los gastos de funcionamiento que han representado más del 43.7% de los gastos totales; b) los gastos destinados a infraestructura o inversión municipal que han aportado desde un 22.8% hasta un 30.8%; c) aquellos gastos destinados al pago del servicio de la deuda, los cuales han alcanzado porcentajes muy superiores al 10% (valor por encima del cual se corre el riesgo de que la deuda se vuelva inmanejable); y d) otros gastos de capital, incluyendo transferencias de capital y activos financieros, los cuales han mostrado poca importancia relativa dentro del total de gastos.

Al observar los gastos de funcionamiento, los datos muestran que el incremento reflejado de 15.6% está determinado mayormente por aumentos en los servicios personales, ya que éstos representan entre el 26% y el 30% del total de gastos para los años fiscales 2004 y 2005 (ver tabla 3).

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

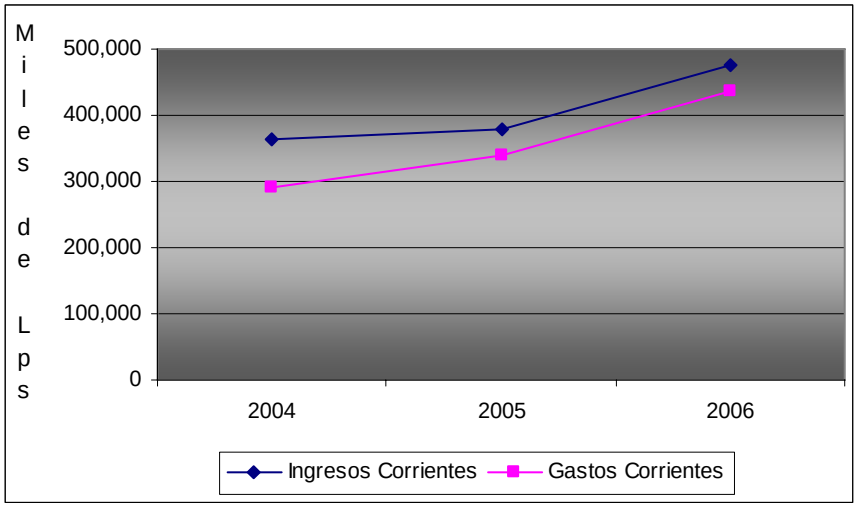
Tabla 3: Estructura de gastos por año

Rubros	Año Calendario (En miles de Lps)			Porcentaje del Gasto Total			Variación Relativa (%)	Variación Relativa (%)
	2004	2005	2006	2004	2005	2006	05/04	06/05
Gastos de Funcionamiento	**295,332.1**	**341,507.9**	**441,121.7**	**43.7**	**47.7**	**45.1**	**15.6**	**29.2**
Servicios Personales	181,456.4	212,127.5	253,521.7	26.8	29.7	25.9	16.9	19.5
Servicios no personales	54,384.5	47,990.1	80,226.1	8.0	6.7	8.2	-11.8	67.2
Mat y suministros	20,983.1	24,884.8	28,214.6	3.1	3.5	2.9	18.6	13.4
Maq y equipo	5,687.4	1,094.2	6,233.7	0.8	0.2	0.6	-80.8	469.7
Trans ctes	32,681.4	55,271.7	72,684.1	4.8	7.7	7.4	69.1	31.5
Otros Gtos Ctes	139.4	139.7	241.5	0.0	0.0	0.0	0.2	72.9
Gastos de Capital y Deuda Pública	**380,879.4**	**373,808.4**	**536,456.8**	**56.3**	**52.3**	**54.9**	**-1.9**	**43.5**
Bienes capitalizables	154,351.6	212,759.6	301,336.5	22.8	29.7	30.8	37.8	41.6
Servicio deuda	97,377.7	156,074.2	235,120.3	14.4	21.8	24.1	60.3	50.6
Activos Financieros	1,479.1	629.5	0.0	0.2	0.1	0.0	-57.4	-100.0
Transferencias de Capital	86,982.4	4,061.4	0.0	12.9	0.6	0.0	-95.3	-100.0
Otros Gtos de capital	40,688.6	283.7	0.0	6.0	0.0	0.0	-99.3	-100.0
Gasto Total	**676,211.5**	**715,316.2**	**977,578.5**	**100.0**	**100.0**	**100.0**	**5.78**	**36.7**

Fuente: elaboración propia en base a los informes rentísticos municipales

Al evaluar el comportamiento de los ingresos y gastos corrientes, se observa que ambos aumentaron pero los segundos lo hicieron en mayor proporción. Desde el año 2004, el saldo en cuenta corriente[6] se viene reduciendo y alcanza un valor de aproximadamente 39 millones de lempiras en el 2006. En términos consolidados, las municipalidades lograron cubrir sus gastos corrientes con los ingresos corrientes recaudados, durante los tres años fiscales tal como muestra la siguiente gráfica.

Gráfica 1: Ingresos y gastos corrientes por año (Miles de Lempiras)



[6] Saldo en cuenta corriente se define como ingresos corrientes menos gastos corrientes.

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

En el consolidado de los municipios, las municipalidades A/B muestran mayor importancia relativa que las C/D por lo que, éstas determinan en gran parte los resultados globales. De las 27 municipalidades en estudio, el 59% (16 del total) corresponde a A/B y el restante 41, a C/D.

Las municipalidades A/B, reflejaron una disminución de 7.5% en la recaudación de ingresos totales para el periodo 05/04 (valor por encima del observado para el consolidado de municipios en estudio); en tanto que para el período 06/05, se observa un incremento de 63.7%. Las cifras totales reflejadas para el 2006, son incluso superiores a las del año 2004.

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

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

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

Rubros	Año (cantidad en miles de Lps)			% de los Ingresos Totales			Variación Relativa	Variación Relativa
	2004	2005	2006	2004	2005	2006	(%) 05/04	(%) 06/05
Ingresos Totales	**671,647.6**	**621,261.9**	**1,017,252.8**	**100.00**	**100.00**	**100.00**	**-7.50**	**63.74**
Ingresos Corrientes	**349,127.7**	**363,412.1**	**454,077.1**	**51.98**	**58.50**	**44.64**	**4.09**	**24.95**
Ingresos Tributarios	262,447.6	287,415.6	355,851.4	39.08	46.26	34.98	9.51	23.81
Ingresos no Tributarios	86,680.0	75,996.5	98,225.7	12.91	12.23	9.66	-12.33	29.25
Ingresos de Capital	**322,520.0**	**257,849.8**	**563,175.7**	**48.02**	**41.50**	**55.36**	**-20.05**	**118.41**
Préstamos	42,782.7	46,346.6	203,903.4	6.37	7.46	20.04	8.33	339.95
Transferencias 5%	170,170.5	106,936.6	185,723.7	25.34	17.21	18.26	-37.16	73.68
Otras Transferencias	43,049.1	13,668.1	68,110.5	6.41	2.20	6.70	-68.25	398.32
Donaciones	22,487.1	7,882.4	37,927.2	3.35	1.27	3.73	-64.95	381.16
Otros ingresos de capital**	44,030.6	83,016.0	67,510.9	6.56	13.36	6.64	88.54	-18.68

* Abarcan principalmente transferencias realizadas por el FHIS

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

Fuente: elaboración propia en base a los informes rentísticos municipales

En las municipalidades C/D, se puede observar un comportamiento diferente, es decir, la variación relativa de los ingresos totales se revierte en relación al consolidado de los municipios, de forma que se observa un incremento de 31.3% y 33.2% para los períodos 05/04 y 06/05, respectivamente. Este incremento se explica principalmente por aumentos en las transferencias del 5% del Gobierno Central (a partir del 2006 de acuerdo a la modificación del artículo 91 de la Ley de Municipalidades, aquellas categoría C/D se favorecen recibiendo un monto mayor de transferencia en comparación con el recibido de acuerdo a la fórmula anterior).

Por otra parte, los ingresos tributarios durante los tres años fiscales en estudio tienen una importancia relativa superior al 27% en relación al total de ingresos, en tanto que los no tributarios representaron alrededor de un 5% durante los mismos años.

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

Rubros	Año (cantidad en miles de Lps)			% de los Ingresos Totales			Variación Relativa	Variación Relativa
	2004	2005	2006	2004	2005	2006	(%) 05/04	(%) 06/05
Ingresos Totales	**35,610.9**	**46,660.1**	**62,188.7**	**100.00**	**100.00**	**100.00**	**31.03**	**33.28**
Ingresos Corrientes	**15,191.5**	**16,739.0**	**20,553.6**	**42.66**	**35.87**	**33.05**	**10.19**	**22.79**
Ingresos Tributarios	13,359.9	14,142.1	17,240.8	37.52	30.31	27.72	5.85	21.91
Ingresos no Tributarios	1,831.6	2,596.9	3,312.8	5.14	5.57	5.33	41.78	27.57
Ingresos de Capital	**20,419.4**	**29,921.1**	**41,635.1**	**57.34**	**64.13**	**66.95**	**46.53**	**39.15**
Préstamos	1,558.0	609.7	2,674.6	4.38	1.31	4.30	-60.87	338.70
Transferencias	14,984.8	22,768.3	30,522.4	42.08	48.80	49.08	51.94	34.06
Otras Transferencias	414.4	2,625.9	2,276.2	1.16	5.63	3.66	533.67	-13.32
Donaciones	223.5	309.3	1,617.8	0.63	0.66	2.60	38.38	423.00
Otros ingresos de capital**	3,238.6	3,607.9	4,544.1	9.09	7.73	7.31	11.40	25.95

* Abarcan principalmente transferencias realizadas por el FHIS

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

Fuente: elaboración propia en base a los informes rentísticos municipales

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

El comportamiento de los gastos para municipalidades A/B muestra variaciones relativas similares al consolidado de municipios para los rubros de gastos de funcionamiento y de capital y deuda pública. Los servicios personales, bienes capitalizables y servicio de la deuda influyen mayormente en estos resultados.

El total de gastos se incrementó en 5.78% para el 2005 y se incrementaron en el 2006 en 36.7% en términos nominales. En la estructura de gastos, los de funcionamiento se incrementaron en los años 2005 y 2006, mientras que los gastos de capital se redujeron únicamente en el 2005.

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

Rubros	Año Calendario (En miles de Lps)			Porcentaje del Gasto Total			Variación Relativa (%) 05/04	Variación Relativa (%) 06/05
	2004	2005	2006	2004	2005	2006		
Gastos de Funcionamiento	**275,596.3**	**319,179.6**	**412,676.9**	**43.1**	**47.8**	**44.7**	**15.8**	**29.3**
Servicios Personales	170,206.3	200,253.9	238,867.5	26.6	30.0	25.9	17.7	19.3
Servicios no personales	49,283.4	43,023.1	74,497.1	7.7	6.4	8.1	-12.7	73.2
Mat y suministros	19,532.9	23,399.3	26,172.1	3.1	3.5	2.8	19.8	11.8
Maq y equipo	5,531.9	984.6	6,003.8	0.9	0.1	0.7	-82.2	509.8
Trans ctes	30,928.6	51,380.0	66,967.6	4.8	7.7	7.3	66.1	30.3
Otros Gtos Ctes	113.3	138.7	168.7	0.0	0.0	0.0	22.5	21.6
Gastos de Capital y Deuda Pública	**364,002.5**	**348,772.1**	**509,671.8**	**56.9**	**52.2**	**55.3**	**-4.2**	**46.1**
Bienes capitalizables	142,179.0	190,361.2	277,643.9	22.2	28.5	30.1	33.9	45.9
Servicio deuda	95,821.2	153,710.1	232,028.0	15.0	23.0	25.2	60.4	51.0
Activos Financieros	1,479.1	629.5	0.0	0.2	0.1	0.0	-57.4	-100.0
Transferencias de Capital	83,840.7	3,889.1	0.0	13.1	0.6	0.0	-95.4	-100.0
Otros Gtos de capital	40,682.5	182.3	0.0	6.4	0.0	0.0	-99.6	-100.0
Gasto Total	**639,598.8**	**667,951.7**	**922,348.7**	**100.0**	**100.0**	**100.0**	**4.4**	**38.1**

El escenario de los gastos para las municipalidades C/D es diferente que el mostrado por las A/B. En términos porcentuales, muestran un incremento en los gastos superior al consolidado

municipal y al ejecutado por las A/B, alcanzando un 29.4% en el período 05/04. Para el período 06/05 la situación se revierte y se observa una disminución por debajo de los valores del consolidado y de los mostrados por las A/B (16.6%). Esta disminución en el gasto se debe principalmente, a la correspondiente disminución de los bienes capitalizables y del servicio de la deuda.

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

Rubros	Año Calendario (En miles de Lps)			Porcentaje del Gasto Total			Variación Relativa (%) 05/04	Variación Relativa (%) 06/05
	2004	2005	2006	2004	2005	2006		
Gastos de Funcionamiento	**19,735.8**	**22,328.3**	**28,444.8**	**53.9**	**47.1**	**51.5**	**13.1**	**27.4**
Servicios Personales	11,250.0	11,873.6	14,654.1	30.7	25.1	26.5	5.5	23.4
Servicios no personales	5,101.0	4,967.0	5,729.0	13.9	10.5	10.4	-2.6	15.3
Mat y suministros	1,450.3	1,485.4	2,042.5	4.0	3.1	3.7	2.4	37.5
Maq y equipo	155.5	109.6	229.9	0.4	0.2	0.4	-29.5	109.8
Trans ctes	1,752.8	3,891.7	5,716.5	4.8	8.2	10.4	122.0	46.9
Otros Gtos Ctes	26.2	1.0	72.9	0.1	0.0	0.1	-96.2	7,259.9
Gastos de Capital y Deuda Pública	**16,876.9**	**25,036.2**	**26,784.9**	**46.1**	**52.9**	**48.5**	**48.3**	**7.0**
Bienes capitalizables	12,172.6	22,398.4	23,692.6	33.2	47.3	42.9	84.0	5.8
Servicio deuda	1,556.5	2,364.1	3,092.3	4.3	5.0	5.6	51.9	30.8
Activos Financieros	0.0	0.0	0.0	0	0	0	-	-
Transferencias de Capital	3,141.7	172.3	0.0	8.6	0.4	0	-94.5	-100.0
Otros Gtos de capital	6.0	101.4	0.0	0.0	0.2	0	1,578.7	-100.0
Gasto Total	**36,612.7**	**47,364.5**	**55,229.8**	**100.0**	**100.0**	**100.0**	**29.4**	**16.6**

Fuente: elaboración propia en base a los informes rentísticos municipales

Contrario al escenario mostrado a nivel nacional y en los municipios A/B, los gastos de funcionamiento para municipalidades C/D, muestran una importancia relativa mayor a los gastos de capital y deuda pública para los años 2004 y 2006 (los primeros representan hasta 53.6% de los gastos totales mientras que los últimos alcanzan hasta un 51.5%).

III. Indicadores de desempeño

Con el objetivo de evaluar el desempeño financiero de las municipalidades, se calculan los siguientes indicadores: autonomía financiera[7], dependencia financiera del gobierno central[8], capacidad financiera[9], porcentaje de inversión en el gasto total (magnitud de la inversión)[10], Servicios personales/gasto de funcionamiento y servicio de la deuda como porcentaje de los ingresos corrientes.

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

[7] Ingresos propios/ingresos totales*100
[8] Ingresos por transferencias del 5% del gobierno central/ingresos totales*100
[9] Ingresos corrientes/gastos corrientes*100
[10] Bienes capitalizables/gasto total*100

Tabla 8: Indicadores de desempeño por año

Indicador	Año		
	2004 (%)	2005 (%)	2006 (%)
Autonomía Financiera	54.81	61.89	47.48
Dependencia financiera del Gobierno Central	26.18	19.42	20.03
Capacidad Financiera	125.78	111.67	109.14
Porcentaje de inversión en el gasto total	22.83	29.74	30.82
Servicios Personales/Gto de Funcionamiento	61.44	62.11	57.47
Servicio de la deuda como porcentaje de los ingresos ctes	26.73	41.06	49.54

Fuente: elaboración propia en base a los informes rentísticos municipales

Autonomía Financiera

En los tres años evaluados los ingresos propios representan más del 45% de los ingresos totales. Para el año 2005, hay un incremento de 61.8% para luego disminuir en el siguiente año hasta alcanzar un valor de 47.8% (valor un poco inferior al logrado en el 2004).

Para el 52% de los municipios (14 de un total de 27), los ingresos propios constituyen más del 50% de sus ingresos totales, para el 37% (10 municipios) representan entre un 25% y un 50% de sus ingresos recaudados y para el restante 11%, los ingresos propios aportan menos del 25% a los ingresos.

Dependencia financiera del Gobierno Central

Este indicador disminuyó 6.7 puntos porcentuales, al pasar de 26.18% en el 2004 a aproximadamente 19.4% en el 2005. Esta variación se ve influenciada por la disminución en las transferencias del 5% del Gobierno Central, la cuál inclusive fue más acentuada que la disminución en los ingresos totales del 2005[11]. Sin embargo para el 2006, el escenario se revierte y la dependencia financiera del gobierno central muestra un valor ligeramente más alto que el del 2005.

Capacidad financiera

En el consolidado, los municipios alcanzan a cubrir los gastos corrientes con los ingresos corrientes recaudados durante los años 2004 – 2006. No obstante, la capacidad financiera se va reduciendo hasta alcanzar un 109.1%, es decir, la brecha entre ingresos y gastos corrientes se va haciendo más pequeña.

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

El porcentaje de inversión (bienes capitalizables) en el gasto total muestra un incremento al pasar de 22.8% en el 2004 a 29.7% en el 2005. Para el año 2006, continúa mostrando una variación positiva aunque el porcentaje de incremento es un poco menor al del 2005.

[11] En el 2005, los ingresos totales y las transferencias del 5% del Gobierno Central disminuyeron en un 5.5 y 29.9%, respectivamente.

Servicios personales/gasto de funcionamiento

El indicador que mide la importancia relativa de los servicios personales en relación al gasto de funcionamiento, no muestra una variación significativa para los años 2004 y 2005. No obstante, para el 2006 se observa una disminución en relación al año anterior hasta alcanzar un 57.47%.

Servicio de la deuda como porcentaje de los ingresos corrientes.
El servicio de la deuda constituye el 26.7% de los ingresos corrientes percibidos durante el año 2004. Para los años 2005 y 2006, este porcentaje se incrementa hasta alcanzar un valor de 49.5% de los ingresos corrientes. Este incremento de casi 8 puntos porcentuales en relación al año 2005, está determinado principalmente por aumentos en el servicio de la deuda de más del 60%, en tanto que los ingresos corrientes crecieron aproximadamente un 4.3%. Este último incremento no alcanzó a cubrir el rápido crecimiento del servicio de la deuda.

Estudios sobre este indicador muestran que éste no debe alcanzar un monto superior al 10% debido al riesgo de volverse inmanejable por las autoridades y podría obligarles a estar continuamente renegociando y comprometiendo ingresos futuros. Se sugiere especial atención a este aspecto y evaluar los fines para los cuales se están obteniendo estos préstamos.

III.a) Indicadores de desempeño por categoría de municipios

La tabla 9, muestra los valores que toman los indicadores de desempeño por categoría de municipios.

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

Indicador	A/B			C/D		
	Año					
	2004 (%)	2005 (%)	2006 (%)	2004 (%)	2005 (%)	2006 (%)
Autonomía Financiera	55.32	63.55	48.20	45.21	39.69	35.71
Dependencia financiera del Gobierno Central	25.34	17.21	18.26	42.08	48.80	49.08
Capacidad Financiera	129.28	114.21	111.66	77.59	75.34	72.85
Porcentaje de inversión en el gasto total	22.23	28.50	30.10	33.25	47.29	42.90
Servicios Personales/Gto de Funcionamiento	61.76	62.74	57.88	57.00	53.18	51.52
Servicio de la deuda como porcentaje de los ingresos ctes	27.45	42.30	51.10	10.25	14.12	15.05

Fuente: elaboración propia en base a los informes rentísticos municipales

Autonomía Financiera
Las municipalidades A/B, muestran una autonomía financiera más alta que la mostrada por las C/D; estas últimas tienen menor potencial para recaudar fondos propios, lo cual exacerba su dependencia de los fondos recibidos por el Gobierno Central. En ambos casos hubo un incremento del porcentaje que representan los ingresos propios de los ingresos totales durante el 2005, mientras que en el 2006 este porcentaje disminuye a valores inferiores a los mostrados en el 2004.

Dependencia financiera del Gobierno Central

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

Las municipalidades A/B experimentaron mayor dependencia durante el 2005, para luego disminuirla en el 2006 hasta alcanzar un valor inferior al del 2004; mientras que las C/D incrementaron su dependencia tanto en el 2005 como en el 2006.

Capacidad financiera

En los tres años evaluados, las municipalidades A/B alcanzan a cubrir sus gastos corrientes con los ingresos corrientes generados dentro de su jurisdicción. A pesar de esto la brecha entre ingresos y gastos corrientes se va disminuyendo, tal como sucede con el consolidado de los municipios.

En el caso de las C/D, no se alcanza a cubrir los gastos corrientes con los ingresos corrientes de la municipalidad por lo cual se supondría que requieren hacer uso de gastos de capital para solventar esta situación. Su capacidad financiera va disminuyendo hasta mostrar un valor de 72.8% en el 2006.

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

Para municipalidades A/B, este indicador muestra un incremento hasta situarse en un 30.1% en el 2006. Mientras que la inversión de los municipios C/D aportó más del 30% al consolidado de bienes capitalizables para los años 2004-2006. Los valores mostrados por el indicador muestran que las municipalidades C/D destinan un mayor porcentaje de gastos a inversión que las A/B.

Servicios personales/gasto de funcionamiento

En las municipalidades A/B, los servicios personales representaron 61.7%, 62.7% y 57.8% de los gastos de funcionamiento para los años 2004, 2005 y 2006, respectivamente. Estos porcentajes son superiores a los mostrados por municipalidades C/D en los mismos años. Hay que resaltar que las municipalidades A/B tienen una estructura más grande que aquella mostrada por las C/D, lo cual se traduce en mayores gastos en servicios personales. Por otra parte, la mayoría de las municipalidades A/B tienen en su presupuesto, un programa de infraestructura municipal, con asignaciones para sueldos y salarios de los funcionarios que laboran en la oficina de obras públicas[12] (cuya función es supervisar y ejecutar proyectos).

Servicio de la deuda como porcentaje de los ingresos corrientes.

El valor de este indicador es considerablemente alto para municipalidades A/B en todos los años en estudio. El servicio de la deuda creció más del 50% para los períodos 2005/2004 y 2006/2005.

[12] Algunas municipalidades usan diferente nombre para referirse a esta misma oficina.

Al igual que las municipalidades A/B, las C/D muestran incrementos en los valores de este indicador para los años 2005 y 2006. Sin embargo el servicio de la deuda creció un 51.8% para el período 2005/2004, en tanto que para el período 2006/2005 disminuyó hasta posicionarse en un 30.8% (cifra inferior al crecimiento experimentado por las A/B)

IV. Conclusiones

- Los ingresos generados por el consolidado de municipios mostraron una disminución en el 2005. Sin embargo, para el 2006 se incrementaron en aproximadamente un 61.6%, en términos nominales.

- Los gastos globales no mostraron variación significativa en el período 2005/2004, en tanto que para el 2006, mostraron un incremento de 36.7% en términos nominales. No obstante, la brecha entre ingresos y gastos fue positiva para los años 2004 y 2006.

- Para el consolidado de los municipios, en los tres años fiscales, los gastos de capital y deuda pública tuvieron mayor importancia relativa que los gastos de funcionamiento.

- Por categoría de municipios, tanto las municipalidades A/B como las C/D, alcanzan a cubrir sus gastos con el recaudo de los ingresos durante los años 2004 y 2006. Para el 2005, hay un déficit que requiere ser evaluado cuidadosamente puesto que ningún municipio gasta más de lo que ingresa a las arcas municipales. Muchas veces no se tiene el cuidado de realizar la correspondiente ampliación o modificación presupuestaria al momento de recibir cualquier fuente externa durante el ciclo presupuestario.

- Los ingresos de capital y deuda pública tienen mayor importancia relativa que los ingresos corrientes para las municipalidades C/D, en tanto que para las A/B esto se revierte (exceptuando el año 2006).

- En relación a los gastos, los de capital representan un porcentaje más alto que los de funcionamiento para municipalidades A/B (en los tres años en estudio); mientras que las C/D muestran un comportamiento opuesto (exceptuando el año 2005).

- El consolidado de los municipios muestra un incremento en el indicador de autonomía financiera para el año 2005, en tanto que en el 2006 disminuye hasta alcanzar un valor inferior al mostrado en el 2004. El indicador de dependencia financiera sin embargo, mostró una disminución para el 2005 alcanzando hasta un 19.42% y luego toma un valor en el 2006 de 20%, inferior al mostrado en el 2004.

- La inversión como porcentaje del gasto total se mantuvo entre el 20% y el 30%, para los tres años en estudio.

- Es importante resaltar el alto valor que refleja el indicador de servicio de la deuda como porcentaje de los ingresos corrientes durante los años fiscales 2004-2006. El manejo de la deuda podría volverse muy difícil si el indicador continúa mostrando valores por encima del 10%.

- Por categoría de municipios, los A/B tienen mayor autonomía financiera que los C/D y por tanto la dependencia financiera de estos últimos es también más alta.

- La importancia relativa de la inversión en el gasto total es mayor en municipalidades C/D que en las A/B, durante los años 2004-2006.

- El indicador de servicio de la deuda como porcentaje de los ingresos corrientes, para municipalidades A/B, toma valores considerables por encima del 10% en los años 2005 y 2006, tanto para municipalidades A/B como para las C/D.