



IMPROVING DEVELOPMENT EFFECTIVENESS

---

Millennium Challenge Corporation

# Baseline Report: Honduras Threshold Country Program

# Baseline Report: Honduras Threshold Country Program

**Prepared by Social Impact  
for the Millennium Challenge Corporation**

First submitted June 2016  
Finalized December 2017

Daniel Sabet, Nick Livingston, Albert Pijuan, Irma Romero, Andrew Carmona, Basab Dasgupta and  
Braden Agpoon

*The views and opinions expressed herein are those of the author(s) and do not necessarily represent those of MCC or any other U.S. government entity.*

## Contents

Baseline Report: Honduras Threshold Country Program.....	i
Acronym List .....	vii
Acknowledgments.....	x
Executive Summary.....	xi
Resumen Ejecutivo.....	xxvi
1 Introduction .....	1
2 Evaluation Type, Questions, and Challenges .....	12
3 Evaluation Methodology.....	17
4 Budget and Treasury Management (PFM 1.1).....	27
5 Improving Procurement Capacity, Planning, and Controls (PFM 1.2) .....	62
6 Improving Capacity of the Supreme Audit Tribunal (TSC) (PFM 1.3).....	95
7 Grant Facility for Social Accountability (PFM 1.4).....	100
8 Public Employees Survey Results .....	107
9 Develop Core Public Private Partnership (PPP) Capacity (PPP 2.1) .....	143
10 Design and Implementation of PPPs (PPP 2.2) .....	155
11 Administrative .....	176
12 Conclusions .....	177
Annex I: Qualitative Data Collection Tools .....	185
Annex II: Interviewees .....	192
Annex III: Vendors Survey Instrument .....	193
Annex IV: Public Employees Survey Instrument .....	231
Annex V: Sampling in the Public Employees Survey .....	274
Annex VI: Vendors Survey Regression Table Explaining Variation in the Fairness Index .....	279
Annex VII: MCC Comments Matrix .....	281

## Figures and Tables

Figure 1: Honduras Threshold Program Logic.....	5
Figure 2: Unofficial TCP Project Logic .....	6
Figure 4: The MTEF and the annual budget.....	33
Figure 5: Firm size and distribution (n=853).....	72
Figure 6: Vendor financials .....	73
Figure 7: The flow chart of firms submitting bids to select government institutions .....	74
Figure 8: Reasons for not bidding (n=253) .....	75
Figure 9: Fairness in procurement process.....	76
Figure 10: Transparency in procurement process .....	77
Figure 11: Clarity of specifications in bidding documents .....	78
Figure 12: Importance of compliance with specifications to win a bid .....	79
Figure 13: Importance of cost in winning a bid .....	79
Figure 14: Importance of knowing right people for winning contract .....	80
Figure 15: Importance of affiliation with political party.....	81
Figure 16: Providing a gift or making an unofficial payment.....	81
Figure 17: Commonness in procurement challenges .....	83
Figure 18: Illegal practices as common problems.....	84
Figure 19: Reasons for not winning a procurement contract (n=600) .....	85
Figure 20: Level and change in corruption in procurement process .....	86
Figure 21: Corruption in procurement .....	87
Figure 22: Distribution of additive index .....	90
Figure 23: Decomposition of relative shares of respondent and firm level drivers .....	92
Figure 24: Examples of ONCAE's work (% of respondents) (n=355) .....	93
Figure 25: ASJ's impact (n=361).....	93
Figure 26: Satisfaction with job .....	110
Figure 27: Perceived reach, quality of service, efficiency and transparency of INSEP (n=497) .....	112
Figure 28: Improvement in service provision in the past 12 months .....	112
Figure 29: Perceived reach, quality of service, efficiency, and transparency of SESAL (n=551).....	113
Figure 30: Perceived reach, quality of service, efficiency, and transparency of SEDUC (n=666).....	114
Figure 31: Perception of public corruption in Honduras .....	116
Figure 32: Changes in corruption in the past 12 months .....	117
Figure 33: Received bribes in the past 12 months.....	119
Figure 34: Employees reported as taking bribes will be properly investigated .....	120
Figure 35: Employees who participate in corruption will likely be caught.....	120
Figure 36: Reporting a coworker for accepting a bribe will likely lead to reprisals.....	121
Figure 37: Given the way things are in Honduras, it is sometimes okay for government employees to take bribes .....	122
Figure 38: Employees at my institution are hired based on their merits .....	124
Figure 39: The process of hiring new employees is done in a transparent manner.....	124
Figure 40: Employees at my institution are hired based on their merits - By knowledge of hiring process .....	125
Figure 41: Average importance of certain factors in obtaining a professional position in INSEP (n=499), SESAL (n=551), or SEDUC (n=670) .....	126

Figure 42: Survey experiment: Estimations of the percentage of respondents who have ‘obtained a recommendation from a person with contacts.’ .....	127
Figure 43: Opinions on hiring process at SEDUC .....	128
Figure 44: How has the fairness of the hiring process changed in the last 12 months? .....	128
Figure 45: Agreement on promotion based on merit.....	130
Figure 46: The promotion process is done in a transparent manner .....	131
Figure 47: Employees at my institution are promoted based on their merits - By knowledge of promotion process .....	132
Figure 48: Importance of certain factors in obtaining a promotion at INSEP (n=499), SESAL (n=547), and SEDUC (n=668).....	133
Figure 49: Change in fairness in promotion process in the last 12 months .....	134
Figure 50: How common are ghost employees at your institution? .....	135
Figure 51: Opinions on key procurement indicators .....	137
Figure 52: Importance of certain factors in winning a procurement, average across institutions among those knowledgeable about procurement .....	138
Figure 53: Opinion on select procurement processes, pooled averages across respondents knowledgeable about procurement .....	138
Figure 54: Opinions on key procurement processes among those knowledgeable about procurement .....	139
Figure 55: Impact of select organizations in the past 12 months, averaged across institutions among those knowledgeable about the organizations’ involvement with their institution .....	140
Figure 56: Observed impact from ASJ.....	141
Figure 57: Observed impact from TSC .....	142
Figure 58: PPP project cycle.....	143
Figure 59: How well is INSEP doing at regulating PPPs in road infrastructure? .....	174
Figure 60: How has INSEP’s regulation of PPPs in road infrastructure changed in the past year? .....	174
Figure 61: The process for selecting private partners for road infrastructure is fair .....	175
Figure 62: Existing public-private partnerships in road infrastructure are a good value for Honduras .....	175
Table 1: Evaluation questions.....	13
Table 2: Public employees survey institutions.....	19
Table 3: Confidence intervals for diverse sample proportions across institutions.....	19
Table 4: Sample size calculations for the vendors survey .....	23
Table 5: Summary of consultancies – Budget formulation.....	31
Table 6: Summary of consultancies - Advisors to Congress.....	45
Table 7: Public hearings 2013-2015.....	50
Table 8: Summary of consultancies – Transparency and efficiency of the treasury .....	54
Table 9: Average number of days to payment .....	57
Table 10: Consultant summary - Procurement advisor .....	63
Table 11: Savings from the E-catalogue.....	66
Table 12: TCP-supported Help Desk outputs.....	67
Table 13: Consultant summary - Resident procurement advisors .....	68

Table 14: Reasons not to file a formal protest (n=793) .....	89
Table 15: Consultant summary – Performance audit advisor .....	95
Table 16: Consultant summary - ASJ .....	101
Table 17: Percent of respondents reporting the following forms of corruption in their institution .....	118
Table 18: Percent responding that the following is likely if an employee accepts a bribe equivalent to one day of his/her salary .....	121
Table 19: Consultant summary - Multiyear Road Investment Plan advisor .....	145
Table 20: Consultant summary - Financial advisor .....	146
Table 21: Consultant summary - Road concessions advisor .....	156
Table 22: Cases .....	157
Table 23: PPP process phase 1: Identification, evaluation, and selection .....	159
Table 24: PPP phase II: Project development and preparation .....	161
Table 25: PPP phase III: Procurements .....	164
Table 26: PPP phase IV: Contract management and project supervision .....	167
Table 27: Doing Business indicators for starting a business .....	170
Table 28: Doing Business indicators for FIDE-related activities.....	172
Table 29: PFM interviewees .....	192
Table 30: PPP interviewees.....	192
Table 31: Differences between the INSEP population, pulled sample, and final survey sample .....	275
Table 32: Differences between the SESAL population, pulled sample, and final survey sample .....	276
Table 33: Differences between the SEDUC population, pulled sample, and final survey sample .....	277

# ACRONYM LIST

Acronym	English	Spanish
<b>ASJ</b>	Association for a More Just Society	Asociación para una Sociedad más Justa
<b>BCH</b>	Central Bank of Honduras	Banco Central de Honduras
<b>CAPTAC-DR</b>	Technical Assistance Regional Center for Central America, Panama, and Dominican Republic	Centro de Asistencia Técnica de Centroamérica, Panamá y República Dominicana
<b>CBC</b>	Congressional Budget Commission	Comisión de Presupuesto
<b>COALIANZA</b>	Commission for the Promotion of Public-Private Partnerships	Comisión para la Promoción de la Alianza Público-Privada
<b>CSO</b>	Civil Society Organization	
<b>CUT</b>	Single Treasury Account	Cuenta Única de Tesoro
<b>DARA</b>	Department of Customs Taxes	Dirección Adjunta de Rentas Aduaneras
<b>DEI</b>	Executive Department of Revenue	Dirección Ejecutiva de Ingresos (now SAR)
<b>DGCP</b>	Directorate General of Public Credit	Dirección General de Crédito Público
<b>DGP</b>	General Directorate of the Budget	Dirección General de Presupuesto
<b>DPMF</b>	Directorate of Macro-Fiscal Policy	Dirección de Política Macrofiscal
<b>DPT</b>	Directorate of Revenue Policy	Dirección de Política Tributaria
<b>ENEE</b>	National Electric Energy Company	Empresa Nacional de Energía Eléctrica
<b>FIA</b>	Financial Impact Analysis	Análisis de Impacto Fiscal
<b>FGD</b>	Focus group discussions	Grupos focales de Discusión
<b>GA</b>	Administrative Management Unit	Gerencia Administrativa
<b>GoH</b>	Government of Honduras	
<b>IDB</b>	Inter-American Development Bank	Banco Interamericano de Desarrollo
<b>IFC</b>	International Finance Corporation	Corporación Financiera Internacional
<b>INSEP</b>	Infrastructure and Public Services Secretariat	Secretaría de Infraestructura y Servicios Públicos
<b>INTBG</b>	Annual Transparency and Good Governance Index	Índice de Transparencia y de Buen Gobierno

<b>ISSAI</b>	International Standards of Supreme Audit Institutions	Normas Internacionales de las Entidades Fiscalizadoras Superiores
<b>KII</b>	Key informant interview	
<b>MCC</b>	Millennium Challenge Corporation	Corporación Reto del Milenio
<b>MoU</b>	Technical Memorandum of Understanding	Memorándum Técnico de Entendimiento
<b>MTEF</b>	Medium-Term Expenditure Framework	Marco de Gasto de Mediano Plazo
<b>MTFF</b>	Medium-Term Macroeconomic Framework	Marco Macroeconomic de Medio Plazo
<b>OBL</b>	Organic Budget Law	Ley Orgánica de Presupuesto
<b>OECD</b>	Organization for Economic Cooperation and Development	Organización para la Cooperación Económica y el Desarrollo
<b>ONADICI</b>	National Office for the Integrated Development of Internal Control	Oficina Nacional de Desarrollo Integral de Control Interno
<b>ONCAE</b>	Regulatory Office of Contracting and Acquisitions	Oficina Normativa de Contratación y Adquisiciones del Estado
<b>OTA</b>	Office of Technical Assistance	Oficina de Asistencia Técnica
<b>PEFA</b>	Public Expenditure and Financial Accountability	Gasto Público y Responsabilidad Financiera
<b>PFM</b>	Public Financial Management	Administración Financiera Pública
<b>PPIV</b>	Multiyear Road Investment Plan	Plan Plurianual de Inversiones Viales
<b>PPP</b>	Public-Private Partnerships	Alianza Público-Privada
<b>SAMI</b>	Integrated Municipal Management System	Sistema Integrado de Administración Municipal
<b>SAPP</b>	Superintendent of Public-Private Partnership	Superintendencia de Alianza Pública-Privada
<b>SAR</b>	Tax Administration Service	Servicio de Administración de Rentas (formerly DEI)
<b>SBA</b>	Stand-by Agreement	Acuerdo Stand By
<b>SCGG</b>	Secretariat of Government General Coordination	Secretaría de Coordinación General de Gobierno
<b>SESAL</b>	Secretariat of Health	Secretaría de Salud
<b>SEDUC</b>	Secretariat of Education	Secretaría de Educación
<b>SEFIN</b>	Secretariat of Finance	Secretaría de Finanzas
<b>SI</b>	Social Impact	
<b>SIAFI</b>	Integrated Financial Management Information System	Sistema Integrado de Administración Financiera
<b>SIREP</b>	Public Employees Database	Sistema de Registro y Control de Empleados Públicos



<b>TA</b>	Technical Advisors	Asesores Técnicos
<b>TCP</b>	Threshold Country Program	Programa Umbral
<b>TGR</b>	Treasury Department	Tesorería General de la Republica
<b>TSC</b>	Supreme Audit Tribunal	Tribunal Superior de Cuentas
<b>UCF</b>	Fiscal Contingencies Unit	Unidad de Contingencias Fiscales
<b>UDEM</b>	Modernization Unit	Unidad de Modernización
<b>UPEG</b>	Planning and Evaluation Management Unit	Unidad de Planeamiento y Evaluación de Gestión
<b>VAT</b>	Value Added Tax	Impuesto al valor agregado (IVA)
<b>WB</b>	World Bank	Banco Mundial

# ACKNOWLEDGMENTS

---

Many people and institutions assisted in making this baseline report possible. From MCC, the evaluation team has benefited from the engagement and oversight of three Project Monitors, Kartik Akileswaran, Cindy Sobieski, and Rabia Chaudhry, and the support and comments from Jack Molyneaux, Sarah Bishop, John Wingle, James Hallmark, Emily Rasheed, and Joshua Alfonso. Marco Bogran, Evelyn Bautista, and Mariana Ríos from MCA-H have provided essential support. In particular, we would like to thank them for their efforts in obtaining buy-in for the evaluation among key stakeholders. César Valenzuela and Daniela Cruz from Espirállica led data collection efforts on the vendors survey, and Florencia Rodriguez from ESA Consultores led data collection for the public employees survey. Both surveys entailed considerable challenges, and we are grateful for the professionalism and effectiveness exhibited by these two organizations in overcoming these challenges. We owe a special thank you to the leadership at SESAL, SEDUC, and INSEP for their participation in and support of the public employees survey. Colleagues at ONCAE provided invaluable assistance with the vendors survey and access to key informants. Colleagues at SEFIN, ASJ, TSC, and OTA graciously provided personnel time and assisted in obtaining additional interviews. We would also like to thank the many key informants, survey respondents, and focus group discussion participants who gave their time to the various data collection efforts.

# EXECUTIVE SUMMARY

---

## Introduction

On August 28, 2013, the Millennium Challenge Corporation (MCC) and the government of Honduras (GoH) signed a Grant Agreement for an MCC Threshold Country Program (TCP) valued at USD 15.6 million. MCC's Threshold programs assist countries in becoming Compact eligible by supporting policy and governmental reforms that address binding constraints to economic growth.<sup>1</sup> In the case of Honduras, the TCP aims to increase the efficiency and transparency of public financial management (PFM) and public private partnership (PPP), with three results: saving the government money, improving service delivery, and reducing corruption. TCPs typically last for three to four years. However, due to delays in the start of implementation, the Honduran TCP will conclude in 2018 instead of 2017 as originally planned. Social Impact (SI) was contracted by MCC to develop and conduct an evaluation of the Honduras TCP. SI's evaluation approach was approved by MCC in October 2015, and baseline data collection began in March 2016. This report presents baseline data and findings.

## Threshold activities

The Honduras TCP seeks to support the GoH in improving transparency and government efficiency in PFM through four activities:

- **Activity 1.1 Budget and Treasury Management** involves technical assistance and training for the Ministry of Finance and line ministries to improve budget analysis and treasury management. It also entails technical assistance and training for the Congressional Budget Committee to improve congressional budget oversight capacity.
- **Activity 1.2 Improving Procurement Capacity, Planning, and Controls** entails technical assistance to the Regulatory Office of Contracting and Acquisitions of Honduras (ONCAE) and other GoH entities to improve procurement. This activity also involves expanding ONCAE's online supply catalogue and improving coordination between ONCAE and the Supreme Audit Tribunal (TSC) to ensure that established procurement norms are properly audited for compliance.
- **Activity 1.3 Improving Capacity of the TSC** is designed to strengthen the capacity of the TSC in performance auditing.
- **Activity 1.4 Grant Facility for Social Accountability** provides grants to Honduran civil society organizations (CSOs) to undertake social accountability projects that assess the quality of spending and service delivery in order to increase government accountability.

---

<sup>1</sup> Millennium Challenge Corporation. 2015. [Threshold Program](#). Millennium Challenge Corporation

The TCP also aims to improve transparency and government efficiency in PPPs through two sets of activities:

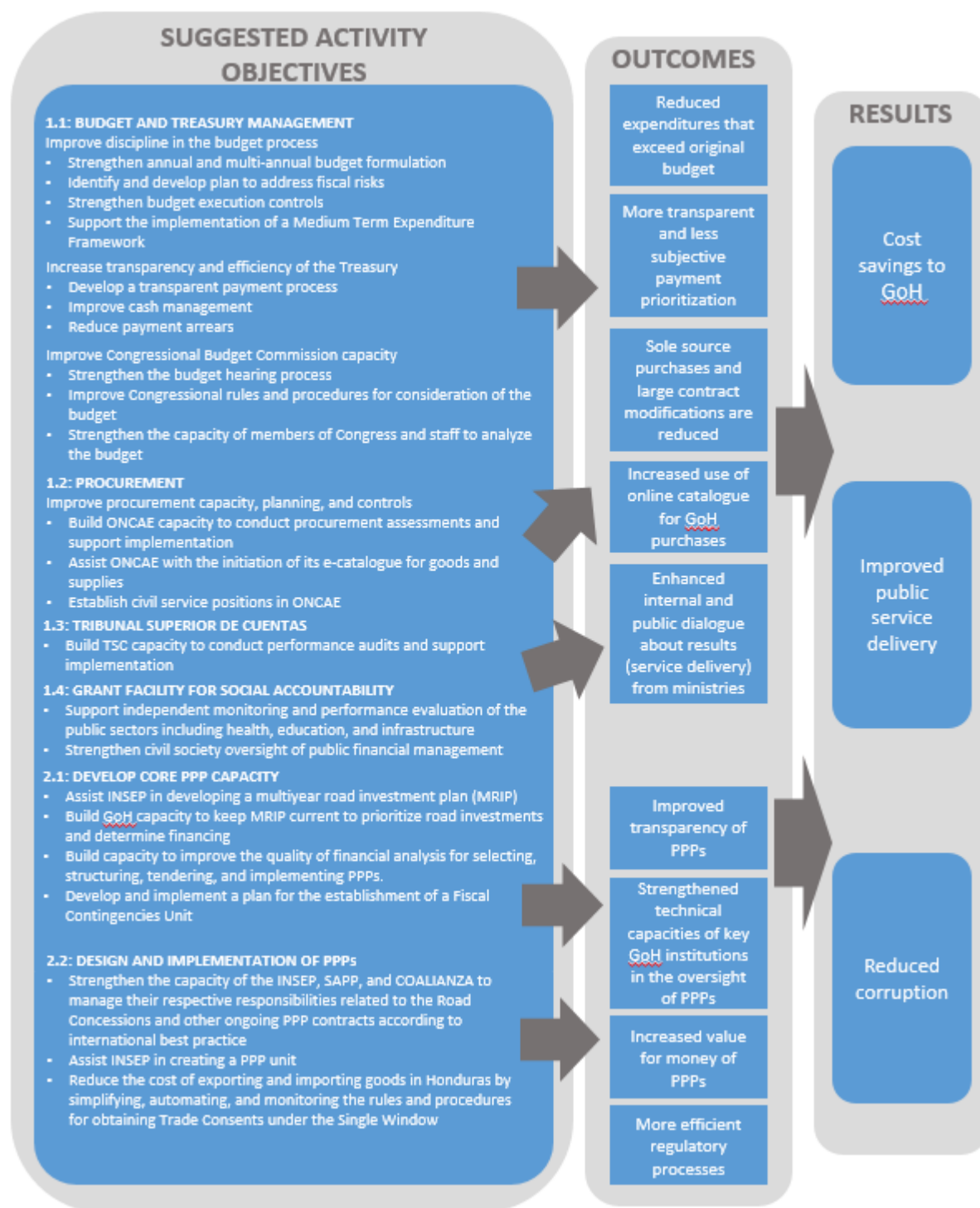
- **Activity 2.1 Develop Core PPP Capacity** is designed to improve the capacity of and procedures utilized by GoH agencies with key PPP responsibilities to develop and implement PPPs in accordance with best practice. This activity includes support for the government institution responsible for structuring PPPs (COALIANZA), development of manuals and internal procedures, and support for the Finance Secretariat (SEFIN) in properly identifying and managing fiscal risks in its PPP portfolio.<sup>2</sup>
- **Activity 2.2 Design and Implementation of PPPs** provides specialized technical assistance for the GoH to facilitate the administration of current PPPs and to identify and analyse options for structuring a new PPP. This activity focuses on the Secretariat of Infrastructure and Public Services (INSEP) as well as the NGO FIDE.

In summary, the TCP involves diverse activities aimed at improving public financial management and public private partnerships with the larger goal of saving government money, improving service delivery, and reducing corruption. While the TCP only has a high-level official Project Logic, we have used consultant Terms of Reference (TORs) and TCP documentation to develop a more detailed program logic. Figure A, below, summarizes how individual activity level objectives (e.g., strengthen annual and multiannual budget formulation) are hypothesized to lead to TCP outcomes (e.g., reduction in the number of expenditures that exceed the original budget), which in turn should lead to TCP results (e.g., cost savings).

---

<sup>2</sup> Throughout this report we use the term “institution” or “government institution” to refer to any public or governmental agency, organization, center, or corporation.

**Figure A: Unofficial TCP project logic**



## Evaluation questions and evaluation methodology

Social Impact's charge is to "assess the program design and implementation to develop the most rigorous evaluation design feasible." SI is undertaking a mixed-methods performance evaluation to answer the following evaluation questions by the end of the TCP.

1. Were the Threshold Country Program Goals and Outcomes as outlined in the Threshold Country Program document and M&E Plan achieved? Why or why not?

- a. Did the TCP assist Honduras to become eligible for a Millennium Challenge Compact?
  - b. Did the PFM project increase the efficiency and transparency of public financial management?
  - c. Did the TCP improve the efficiency and transparency of PPPs?
2. What were the results of the interventions – intended and unintended, positive or negative?
3. What are the lessons learned and are they applicable to similar projects?
4. What is the likelihood that the results of the Project will be sustained over time?
5. Does the Program result in an increase in public sector cost savings, without resulting in deterioration in the quality or value of public expenditure?
6. Does the Program result in an improvement in the quality of public service provision?
7. Do partner institutions realize improvement in effectiveness and efficiency in the processing of invoices and cash management?
8. Does the accuracy of financial forecasting increase? Why or why not?
9. Does the accuracy of budgeting increase in partner institutions? Why or why not?
10. Do the budget reporting and reporting of budget challenges improve in partner institutions? Why or why not?
11. Do procurement assessment recommendations lead to changes in practices?
  - a. Do procurement assessments lead to relevant recommendations that could improve procurement?
  - b. Are these recommendations implemented?
12. Does business confidence in public procurements and participation in procurements increase? Why or why not? What explains variation in perceptions of fairness of the procurement process?
13. Do changes to systems and processes reduce opportunities for corruption and/or improve perceptions of corruption in PFM?
14. Do performance audit recommendations lead to changes in practices?
  - a. Do performance audits conducted by the Tribunal Superior de Cuentas (TSC) with TCP support lead to relevant recommendations that could improve service delivery?
  - b. Are these recommendations implemented?
15. Do civil society oversight and recommendations lead to changes in targeted institutions?
16. Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?
17. Does the PPP project procurement process adhere to best practice?
18. Are there improvements in the efficiency and effectiveness of the PPP development and structuring process?
19. Are there improvements in the efficiency and effectiveness of the process for managing PPPs?
20. To what extent does the project facilitate greater capacity and coordination for PPPs within GoH?
21. Do the systems put in place by the project reduce opportunities for corruption or improve perceptions regarding corruption in PPPs?
22. Does the project result in greater transparency and awareness of PPP procedures for government, private sector and civil society groups?

Evaluation activities under the PFM include: the use of monitoring data from the M&E Plan; a review of relevant documentation, including consultant deliverables and GoH documentation; key informant interviews and group interviews; a survey of public employees; and a survey of firms registered with the GoH to sell items to the government, referred to as a vendors survey. As part of baseline data collection, the evaluation team conducted 41 group and key informant interviews with 80 PFM stakeholders (26 male, 54 female) during March of 2016.

Evaluation activities under the PPP component of this evaluation include: a review of relevant documentation, including consultant deliverables and GoH documentation; key informant interviews and group interviews; future use of monitoring data from the M&E Plan; and use of secondary data from the World Bank *Doing Business* report. This report includes an assessment of capacity across the four main PPP-related institutions: COALIANZA, SEFIN,

the Superintendent for Public Private Partnerships (SAPP), and INSEP. Further, in order to track changes in PPP process components over time, the evaluation team is conducting a comparative case study of four infrastructure PPP concessions (Logistic Corridor, Tourist Corridor, San Pedro de Sula Century XXI, and CA-4). As part of baseline data collection, the evaluation team conducted 20 group and key informant interviews with 36 PPP stakeholders (28 male, 8 female).

In the analysis that follows we discuss baseline findings by activity and also highlight changes since the start of the TCP. It should be noted that data collection for this report occurred after more than one year into TCP implementation, and as such, it is not always possible to determine the true “baseline.” In the full report, for each activity we introduce the problem, explain the specific TCP intervention, explore the situation at baseline, discuss any improvements since the start of the TCP, and note factors the evaluation team will be looking for at endline. In this executive summary, we have highlighted the most salient points for each activity area.

## Budget and treasury management (PFM 1.1)

**Budget formulation:** Budget preparation in Honduras has traditionally been incremental and completed on a line-item basis, resulting in budgets that did not truly reflect the financial resources needed for planned public investment and public service delivery. Poor planning of financial resources has also meant that budgets had to be revisited during budget execution and many modifications made throughout the year. TCP efforts have complemented International Monetary Fund (IMF) initiatives to promote a Medium-Term Expenditure Framework (MTEF). A Medium-Term Macro-Fiscal Framework (MTFF), the first core element of the MTEF, was developed for the first time in 2015 with TCP support. TCP efforts to promote bottom-up costing (baseline budgeting) had a slow start but eventually achieved buy-in, and targeted institutions are working to overcome the challenges to identifying cost drivers. Unfortunately, baseline budgeting does not yet influence the budget process, and there is no institutional mechanism in place to reconcile top-down expenditure ceilings, derived from the MTFF, with bottom-up ministerial budgets. There are also concerns about turf battles between SEFIN and the Secretariat of Overall Government Coordination (SCGG) in the budget formulation process. In the long run, efforts to reform the budget process partially depend on Congress and congressional staffers, who change with each election.

**Revenue forecasting:** A reasonable forecasting methodology exists for estimating GoH revenues, but it has not been updated since 2005. The TCP is not expected to lead to major changes in this methodology, although it is expected that greater historical data will be taken into account. Some progress was made on microsimulation models to estimate the effect of changes in tax policy on revenue; however, the Executive Department of Revenue (DEI), which plays an important role in revenue forecasting and leads the microsimulation models, was dissolved in early 2016. Interviews suggest that the greatest potential for impact will be in improving forecasting coordination between departments within SEFIN and across agencies.

**Fiscal impact analysis:** Fiscal impact analysis (FIA) is the capacity of the government to estimate the fiscal impact of revenue and expenditure-related policy and program proposals. The budget law specifies that any proposed budget increase above the overall expenditure ceiling will require a “technical opinion” from SEFIN on whether a matching level of financing can be raised. While SEFIN did provide this fiscal impact analysis at baseline, the analysis was often limited to a simple statement of insufficient funds. The Congressional Budget Commission (CBC) reported 33 unfavorable judgments and 2 favorable judgments from SEFIN in 2015.<sup>3</sup> TCP implementers from the U.S. Department of Treasury’s Office of Technical Assistance (OTA) working with SEFIN and Congress report advances in capacity building (e.g., establishment of an FIA working group); however, capacity remains limited, particularly in the Directorate of Revenue Policy, which lacks the capacity to conduct FIA on tax policy changes.

---

<sup>3</sup> Congreso Nacional de Honduras: Comisión de Presupuesto. Matriz Dictámenes 2015. (2015)  
<http://www.congresonacional.hn/index.php/comision-de-presupuestos.html>

**Budget execution reporting:** With information provided by the institutions largely through the Integrated Financial Management Information System (SIAFI), SEFIN generates a monthly and quarterly budget execution report, which is submitted to Congress and executive leadership. We understand that some institutions do not always submit their information to SEFIN or respond to requests for information from the agency. In addition, SEFIN might report overspending on a line item in the data and then not be able to explain why it did so. The end result is that reporting occurs, but the Executive and/or Congress do not receive adequate data to make informed decisions. At the time of data collection, OTA advisors were proposing changes to the quarterly reporting format to encourage more useful reports. By the end of the TCP, one would expect that institutions supported by OTA advisors will submit adequate data to SEFIN and that timely reports (using the new formats) will then be produced by the General Directorate of the Budget (Dirección General de Presupuesto - DGP) and submitted to Congress. It is further hoped that this information will be used by Congress to provide better oversight.

**Congressional budget approval and oversight:** The CBC holds hearings where institutions provide information about the execution of their current budget or defend their budget for the upcoming year. In the period prior to the TCP, hearings took place but had a number of limitations, including limited advance notice and few invitations, little to no information available ahead of the hearing, non-standardized presentations that speakers used to set their own agenda, low attendance, and limited information made available afterwards. Several improvements have since been made to the process, including stricter guidelines for presentations, increased information made available before and after the hearings, increased participation, and improved capacity of the committee to scrutinize information presented. While the TCP has played a role in these improvements, there is also a strong internal initiative to improve the hearing process. Interviewees felt that the biggest impact could result from consultant assistance to Congress and SEFIN in removing from existing legislation the more than 200 General Budget Provisions that must be newly discussed each year. Unfortunately, it appears that there have been less than ideal relations between TCP consultants and some staffers. There are also concerns over sustainability due to the expected turnover of politically appointed staff after congressional elections.

**Payment arrears:** Domestic arrears by the public sector, defined as payables more than 45 calendar days past due, were estimated at about 3 percent of Gross Domestic Product (GDP) by the end of 2013, representing a major liability for the government.<sup>4</sup> An OTA analysis of 2015 data found that the treasury is averaging a reasonable 15 days to process payment to external vendors in three key institutions. This suggests that most often new arrears arise due to delays in payment approval in the institutions. The Secretariat of Health process appears to be the greatest concern in this area: 49.6 percent of its invoices went into arrears, accounting for 36.2 percent of the amount owed.<sup>5</sup> An important TCP initiative to audit the arrears had to be postponed until later in 2016 because of problems with the procured firm.

**Payment processes:** Interviews suggest that rather than using an automated payment process based on a clear set of rules, treasury officials in the Tesorería General de la Republica (Treasury Department – TGR) determined payment priorities subjectively. While some written procedures exist, GoH officials did not apply them consistently and objectively. OTA consultants recommended that TGR clarify and tighten its payment prioritization procedures by instituting further payments categorization, new policies, and legal changes. Independent of TCP support, the treasury module within SIAFI was to be upgraded in 2016 so that decisions on payment prioritization are on-system, transparent, and purely objective (as part of an upgraded SIAFI currently being developed). Unfortunately, the upgrade of the system has been postponed to 2017. MCC and TCP implementers have determined that inefficiencies in the expenditure payment process begin with the institutions procuring the goods, and a new line of work has been initiated to address this challenge.

---

<sup>4</sup> Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 2014-17.

<sup>5</sup> This data covers only F01 forms entered for 2015 that were also paid in 2015.



**Cash management:** Cash rationing was a problem in recent administrations,<sup>6</sup> but improved fiscal discipline in the current administration has led to a decline in this problem. Some seasonal cash shortages may still occur, especially in the case of emergencies, such as during the outbreak of the Zika virus. The evaluation team found that some “big-spending” institutions had very poor expenditure plans and often simply divided their annual budget allocation by 12 (months). As of data collection, OTA consultants had provided some limited intermittent inputs, including recommendations to standardize commercial bank revenue collection agreements through the single treasury account (Cuenta Única del Tesoro – CUT). Those agreements, created in 1998, are between TGR, the Central Bank (Banco Central de Honduras – BCH), and the private banking network, comprising 16 banks. The OTA team provided some guidance on investment policy for idle CUT cash balances. However, the OTA team, in consultation with the Central Bank, found that the TGR has no legal authority to invest CUT idle balances. This issue could be addressed in revisions to the Organic Budget Law.

## Improving procurement capacity, planning, and controls (PFM 1.2)

**E-catalogue:** Prior to the establishment of an electronic catalogue (e-catalogue), government institutions were incurring high transaction costs to procure the same goods repeatedly and not necessarily obtaining a good value for money. In 2012, ONCAE started the E-catalogue as a pilot program with three products. It expanded the catalogue in 2013, and in 2014, Congress passed legislation to require the use of an E-catalogue for many goods and services. By the end of 2015, institutions had access to six catalogues offering more than 5,000 items. A study by ONCAE, while not without methodological concerns, documented substantial savings as a result of institutions using the catalogues. Although the E-catalogue is a Honduran government initiative, the TCP played a role in the catalogue’s success by staffing a help desk for suppliers and institutions. As yet, compliance is not 100 percent (12 of 72 government institutions are not using the catalogue), and there are concerns that catalogue offerings do not meet government needs. In particular, it has been noted that items are frequently out of stock. Some institutions have noted their impression that the quality of catalogue goods is inferior to those available through other supply sources.

**Civil service:** Since its founding, ONCAE staff have not been a part of the civil service regime. Past efforts to reform ONCAE withered once international donor support was withdrawn and the government allowed ONCAE personnel contracts to expire. The TCP supports moving ONCAE to the civil service, but that move hasn’t been achieved as yet.

**Procurement assessments:** After IDB funding ended in 2010, ONCAE decreased its staff considerably and subsequently had a difficult time carrying out its functions, particularly its oversight functions. A 2016 TSC report identifies a large number of irregularities in the procurement process, including failing to publish information in HonduCompras, splitting up procurements to avoid a public tender, inadequate documentation, breaches of technical specifications, and procurements not included in the procurement plan, among others.<sup>7</sup> To reassert its regulatory role, the TCP is supporting ONCAE in creating, staffing, and training a new procurement and assessment unit that will conduct procurement reviews or assessments of GoH institutions..<sup>8</sup>

## Vendors survey

To further explore procurement challenges, the evaluation team surveyed 853 vendors to the government sampled from a registry of vendors maintained by ONCAE. The survey asks vendors about bidding experience, perceptions

---

<sup>6</sup> Laura Zoratto, Luc Razfimandimby, Oscar Calvo-González, Calvin Zebaze Djiofack, Denis Medvedev, Gustavo Ezequiel Miranda, Karina Ramírez, Natalya Biletska, Nuria Tolsa Caballero, Ramón Arias, Rong Qian. 2013. “Honduras: Public Expenditure Review: 2013.” Washington DC: World Bank.

<sup>7</sup> Tribunal Superior de Cuentas. 2016. Ejemplos de Casos en los cuales se violentó la Normativa en Procesos de Contratación incluidos en los Informes de Auditoría publicados en la página Web del TSC.

<sup>8</sup> It is important to note that these assessments are not “audits,” as audit authority is limited to the TSC.

about the procurement process, experiences with different government institutions, and corruption. The survey took place between June and November of 2016 and will be repeated with the same firms (vendors) at endline in 2018. The survey had a relatively low contact rate (52 percent) and cooperation rate (45 percent), raising the possibility of sampling bias. For example, it is possible that firms engaged in irregularities might have been less likely to participate in the survey than others. This bias, as well as social desirability bias in responding to sensitive questions, should be kept in mind in interpreting these results.

**About the firms and the respondents:** The survey sample includes a diversity of vendors ranging from large manufacturing firms to individual consultants. Nearly half of the vendors have less than 10 employees and report low levels of income. Government contracts make up less than 10 percent of the income of approximately half of the vendors; however, 15 percent of the vendors derive more than 80 percent of their revenue from the government. Respondents had varying degrees of experience with government procurement, ranging from zero years to 49 years with a median of 10 years of experience. Seventy-eight percent of the sample are university graduates, and 33 percent are female.

**Government bidding experience:** Of the 853 vendors that participated in the survey, 95 percent had bid on a government procurement at some point in their history, and 70 percent had bid in the previous 12 months. Many of those who did not bid cited a lack of relevant procurements (27 percent), and a small percentage cited internal capacity limits. Others, however, felt that the process was not impartial (21 percent), too bureaucratic (15 percent), or that government payments took too long (14 percent).

**Experiences with specific institutions:** The vendors that reported bidding in the last 12 months were asked to which institutions they had sought to sell goods or services. Given the focus of ASJ and ONCAE's work, the evaluation team was particularly interested in experiences with INSEP, SESAL, SEDUC, and Security. If a respondent had bid with one or more of these institutions, they were asked a battery of questions about their experience with each of the selected institutions.

The vendor survey asked respondents the importance of diverse factors in winning a government contract. More than 90 percent of respondents believe that both compliance with specifications and low cost are either very important or important across their experiences with diverse institutions. The right contacts, party affiliation, and payment of a gift or informal payment were perceived as less important than compliance with specifications and cost; however, almost half (48 percent) of respondents feel that knowing the right person is either very important or important. Party affiliation and gift giving appear less important, but they are perceived as important by a sizeable minority and are more likely to be regarded as important by vendors bidding with INSEP than those bidding with other institutions.

**Procurement challenges:** The most commonly perceived public procurement challenge was identification of a preferred supplier prior to the release of a bid, perceived as common or very common by 66 percent of respondents. The second most commonly perceived procurement challenge was participation by businesses that engage in fraudulent practices, known as briefcase businesses. Over half of respondents view awards to such firms as either very common (28 percent) or common (25 percent). Challenges at the contracting stage, such as renegotiating prices or working out of contract, were viewed as less concerning.

**Corruption in procurement:** Respondents were asked to comment on the existence of corruption in procurement. The majority of respondents, 67 percent, feel that it is a major problem in procurement, followed by 22 percent who view corruption as a moderate problem. Despite this perception, only 8 percent of respondents report that they have been asked to pay a bribe to win a contract. Other evidence suggests that bribe payments are far more common than indicated by the survey. Both the survey and qualitative evidence suggest that personal and political connections are salient sources of irregularities in the procurement process.

**Challenging irregularities:** All but a small minority of vendor respondents recognize that there are mechanisms to challenge the outcome of the bidding process. Just under half of respondents (47 percent) agreed or strongly agreed that the challenge process was fair and impartial; however, only 6 percent of businesses report having submitted a challenge. A slim majority (51 percent) of businesses who had not challenged an outcome reported that there was no reason to do so; however, the remainder of those not challenging an outcome feel that either the process would not be effective or that they could face reprisals.

**Explaining perceptions of fairness:** The evaluation team undertook a regression analysis to explain variation in a fairness perceptions index. Attributes of the firm, such as firm revenue and the percentage of income derived from government contracts, offered the most explanatory power. Firms with more government income are more likely to view the process as fair. Personal experiences with corruption offer the second greatest explanatory power, as those who have been the victim of a corruption solicitation are more likely to view the process as unfair. Individual attributes such as position, education, age, or years of experience in government procurement do not influence perceptions of fairness, nor does experience with specific government institutions.

**Perceived ONCAE and ASJ impact:** Almost all of the vendor respondents are familiar with ONCAE. About half of the respondents evaluated ONCAE's work as very good or good, citing HonduCompras, the electronic catalogue, the development of guides, and procurements assessments as examples. Some focus group participants expressed concern that ONCAE's registration process inhibited small business participation. Only 44 percent of vendor survey respondents had heard of the work of the Association for a More Just Society (Asociación para una Sociedad Más Justa – ASJ) to improve public procurement, and about half of these respondents feel that the organization had either had a major or moderate impact. Vendor survey respondents cited ASJ's general government oversight, reports about corruption covered in the media, and a hotline for citizens to report corruption.

### Improving capacity of the Supreme Audit Tribunal (TSC) (PFM 1.3)

**Performance audits:** Prior to the TCP, the TSC audit reports were made publicly available, and the TSC already had a process in place to follow up on audit recommendations. A review of references to TSC in *El Heraldo* newspaper over a 16-month period found only 16 articles reporting concrete audit impacts, which suggests limited impact. The TCP is supporting the TSC in carrying out performance audits as well as more traditional financial and legal audits. At the time of data collection, a pilot audit had been completed of Honduras's customs agency. The pilot confronted a few challenges that will need attention in subsequent pilots. Concerns include inadequately prepared and inexperienced auditors and the low quality and insufficient content of reports. The consultant has been generally well received by the TSC, and interviewees said they were very impressed with consultant-provided trainings. Areas that still need improvement include coordination between consultant and TSC leadership and the development of key deliverables such as the performance audit manual and performance audit report format. Other challenges noted are ensuring that accountability is not lost in the proposed forward looking approach to performance audits and ensuring that the TSC has adequate resources post-TCP to continue the performance audits.

### Grant facility for social accountability (PFM 1.4)

Through the TCP, an estimated four civil society organizations will be provided grants to foster social accountability. The evaluation focuses on the main grant, which has been awarded to the ASJ to conduct annual institutional assessments of the Secretariat of Health (SESAL), Secretariat of Education (SEDUC), INSEP, the Secretariat of Security, and the tax authority, formerly the Executive Directorate of Revenue (DEI) and now known as the Revenue Administration Service (SAR). Baseline studies completed for SESAL and SEDUC found serious deficiencies in procurement, human resource management, and results measurement. The studies identified numerous procurement irregularities: winning bids above market rates, non-compliance with evaluation criteria, unclear evaluation criteria, conflicts of interest, inadequate documentation, failure to enforce contracts, insufficient time

periods, and unfair competitive advantages. Human resource management irregularities include hiring that is inconsistent with regulations, inappropriate appointments of leadership positions, incomplete personnel files, inadequate vetting of police, surprisingly few individuals fired for disciplinary violations in SEDUC, and poor documentation of due process of firing in the Security Secretariat.

While not without limitations and delays, the reports are a substantial achievement for both the government and ASJ. The evaluation team is not aware of other examples of such detailed civil society access to procurement and human resource files or such a rigorous civil-society-led audit/compliance methodology. Both SEDUC and Security have produced Improvement Plans that include pushing forward implementation of management information systems, development of procedures and manuals, and renewed impetus towards legal reforms. Most importantly, SEDUC has stated its intention to turn over responsibility for the appointment of the departmental directors to the Civil Service regime with civil society oversight, which has the potential to reduce a major opportunity for patronage and corruption-based appointments. A mechanism is in place to monitor progress in implementing these plans, albeit one that could be strengthened, and it appears that ASJ has been able to maintain its independence while cooperating with government. Government interviewees raised some methodological concerns, which frequently had their root in the poor quality of the data available.

## Public employees survey

To speak to several PFM-related questions, the evaluation team undertook a survey of public employees in three government institutions targeted by TCP: INSEP, SESAL, and SEDUC. The survey asked public employees about outcomes anticipated by TCP to occur as a result of participation in the activities, including service provision, corruption, human resource related issues surrounding hiring and promotion, and procurement. INSEP, SESAL, and SEDUC were selected because all three are expected to benefit from TCP-supported social audits conducted by ASJ. In addition, INSEP and SESAL will benefit from procurement assessments and INSEP will benefit from a performance audit by the TSC. Consequently, the evaluation team also collected data on the perceived impact of ASJ studies and TSC performance audits. If meaningful change occurs in these institutions as a result of the TCP, we would expect that change to show up in a comparison of survey responses between baseline and endline.

The total sample size is 1,719 divided between INSEP (499), SESAL (550), and SEDUC (670). The samples are not intended to be representative of the agencies as a whole; instead, they represent personnel at the technical level and above in the Honduran civil service system. Data collection occurred between March and October 2016. While the sample is representative, some of the questions are at risk for social desirability bias, which should be kept in mind in interpreting these results. In the case of INSEP, rumors that this was not an independent study might have exacerbated this bias.

**Quality of service provided:** Public employees provide positive assessments of their agencies' service provision across indicators of access, quality, efficiency, and transparency. For example, 85 percent of INSEP respondents rated the quality of highways as good or very good, 77 percent of SESAL respondents rated the quality of medical care as good or very good, and 75 percent of SEDUC respondents rated the quality of primary school as good or very good. These positive assessments are contradicted by a 2014 survey of citizens, suggesting a potential disconnect between the perceptions of public officials and citizens.<sup>9</sup>

**Corruption:** In the wake of several high-profile corruption scandals, 59 percent of surveyed public officials, averaged across institutions, view corruption as very common. A still alarming but much smaller percentage view corruption as very common in their own institutions (28 percent). The most often reported types of corruption

---

<sup>9</sup> Orlando J. Pérez and Elizabeth J. Zechmeister. 2014. Political Culture of Democracy in Honduras and in the Americas, 2014: Democratic Governance across 10 Years of the AmericasBarometer. Latin American Public Opinion Project (LAPOP).

were theft of resources and abuse of authority. Only a very small proportion of public sector employees report any personal connection to corruption, and respondents overwhelmingly agree that corruption will be properly investigated and that perpetrators will be caught. Nonetheless, the environment for whistleblowers is still poor, as 64 percent of respondents agree or strongly agree that there will be reprisals for reporting corruption.

**Hiring process:** A slight majority (52 percent averaged across institutions) of public employees disagree or strongly disagree that employees are hired based on merit. Employees who are knowledgeable about hiring processes are more likely to perceive the process as merit based than those who are not. Respondents overwhelmingly agree or strongly agree that education and work experience are important to obtaining a job in their agency; however, respondents report that knowing the right people and political party affiliation are equally important. This study used a list experiment, a method of randomly assigning respondents somewhat different questions, as a means to reveal real behavior about sensitive subjects. In the list experiment, a respondent is asked to enumerate the quantity of actions that he or she has taken to, for example, obtain a job. Half of respondents receive a list of four actions that could possibly be taken, while the other half receive the original four options plus a fifth option, typically a corrupt measure. Given that the assignment of the question is random, taking the simple difference in the mean of the quantity of actions taken between the two questions should indicate what proportion of respondents have undertaken a corrupt action. The experiment estimates that 35 percent of respondents obtained a “recommendation from a person with contacts,” a common way politically connected figures promote potential hires. There is some evidence to suggest that 35 percent agreement is primarily driven by respondents at INSEP. However, qualitative evidence suggests that political influence in hiring is pervasive across the three institutions.

**Promotion:** Responses toward promotion largely mirror those related to hiring. A slight majority (53 percent) disagree or strongly disagree that employees are promoted based on merit; those who are knowledgeable about the promotion process are more likely to perceive the process as merit based. Knowing the right people is seen to be as important as an employee’s level of education and the quality of their work. However, a survey experiment similar to that described above found less use of external political connections in promotion than in hiring.

**Ghost workers and party donations:** Despite government efforts to purge government payrolls of individuals who earn a salary but do not actually work, 41 percent of respondents (averaged across institutions) perceive ghost workers to be common or very common. This perception is strongest at INSEP. INSEP employees are also the most likely to report that they have a donation to the governing party deducted from their salary: ninety-three percent reported such a deduction. At SEDUC, very few teachers report paying such a quota, while almost half of interviewed administrative staff do. At SESAL, more than 60 percent of contract employees pay the quota, compared with just 9 percent of permanent employees.

**Procurement:** Averaged across institutions, roughly half of respondents think that the procurement process is fair, yields high quality goods and services, and results in a good value for money. Additional questions were asked to those knowledgeable about procurement processes. Among this group, knowing the right people and political affiliation is perceived to be less important than the quality or cost of a vendor’s product. Respondents typically agree that there are adequate controls in place, that the right people sit on evaluation committees, and that evaluation committee decisions are respected. Most knowledgeable respondents feel that corruption is occasional, rare, or nonexistent in direct purchases. A sizeable minority of 40 percent feel that corruption is common or very common.

**ASJ impact:** Approximately one-third of respondents surveyed said that they had heard of ASJ, and 63 percent of these report that ASJ has a moderate or strong impact on their institution. While most explanations of impact were presented in general terms, such as statements about transparency, some respondents – particularly in SESAL – noted specific improvements, such as improvements in procurement of medicines and supplies. As of data collection,

only ASJ's TCP-supported reports on SEDUC had been released, so these results should not be interpreted as an evaluation of ASJ's TCP-supported work, but rather as support of other ASJ initiatives. In SEDUC, however, there were some statements indicating that ASJ's TCP-supported report was read and that its findings had been acted upon by management.

**TSC impact:** Sixty-nine percent of respondents were aware of the TSC's work in their institution, and 63 percent of respondents, averaged across institutions, perceived a strong or moderate impact on their institution from that work. Of the three institutions, employees at SEDUC were the most likely to report TSC's impact on a personal level. Several employees felt that there is higher risk of being reprimanded for not doing something correctly or for not showing up to work as a result of TSC's work.

## Develop core PPP capacity (PPP 2.1)

**COALIANZA:** COALIANZA is the primary organization for PPP design and coordination in Honduras. It is well staffed with attractive salaries for its Commissioners. The staff is relatively inexperienced, and institutional memory is limited due to high turnover (typically one-year contracts among staff). Although COALIANZA has fairly extensive internal guidance manuals, the institution does not perform risk management well, and important gaps remain in documentation of PPP approvals. A 2 percent success fee payment appears to create perverse incentives for approving PPPs and the organization is at high risk of political influence when it comes to choosing and pushing through projects. Since the passage of the PPP law in 2010, COALIANZA and trusts known as *fideicomisos* have led the project development process with little input from other stakeholder institutions and with a heavy reliance on outside advisors. These factors have combined to produce a less than ideal PPP process.

COALIANZA interviewees indicate they are grateful for the technical assistance provided by the MCA consultant. The institution has more recently been a willing participant in meetings with other PPP stakeholder institutions. At the time of baseline, the TCP-supported Road Concession Advisor had held several workshops at COALIANZA centered on identification of viable PPP projects. Many of these workshops involved other relevant actors, such as SEFIN/UCF.

**SEFIN/UCF:** Though SEFIN should have been the institutional actor responsible for financial risk assessment of potential PPPs, this role had until recently been played by COALIANZA. In this role, COALIANZA did not conduct Value for Money (VfM) analyses on current or prospective PPPs at the time. Instead, the process relied heavily on a PPP bidder's own financial model, which is oftentimes flawed. Under IMF pressure and with TCP support, SEFIN now contains a Financial Contingency Unit (UCF), which has had early success in reducing financial risk in PPPs. UCF staff is perceived to be professional, committed, and competent, albeit limited in number and with considerable responsibilities. Due to human resources shortages, UCF has not been able to play as large a role as it should in PPP Trust Fund Technical Committee meetings. Additionally, UCF staff appears to operate on a part-time basis, and the organization has much to do to meet its responsibilities of assessing financial risk. TCP consultants have worked closely with SEFIN/UCF, particularly in strengthening inter-institutional ties with COALIANZA. The TCP consultant has included SEFIN/UCF in VfM workshops in conjunction with COALIANZA.

**SAPP:** SAPP regulates, controls, and monitors PPP contracts after they are signed. In particular, SAPP monitors the concessionaire for contract compliance. The institution has significant experience in overseeing PPP contracts. It is currently managing more than \$1 billion in PPP contracts, and since 1999, it has successfully managed a concession at the Toncontin airport in Tegucigalpa. However, it is questionable whether SAPP has sufficient staff to properly monitor the high number of projects coming on line. SAPP does have the benefit of employees who formerly worked at COALIANZA and who have brought some institutional memory with them. SAPP conducts regular, monthly supervision of its projects, although the relationship between SAPP and third-party road concession supervisors hired by COALIANZA (as they are mandated to do) is oftentimes unclear. Additionally, because SAPP is not involved in risk management or project impact analyses during PPP contract development, it can't forecast, mitigate,



eliminate or prepare for problems that come up post-signing, which is one of the reasons contract modifications have become the rule rather than the exception for PPPs. Additionally, SAPP often deals with unresolved right of way issues for road concessions, which have led to contract disputes that have led to prolonged delays. All of this being said at the time of data collection, SAPP was still not a substantial beneficiary of TCP assistance, although SAPP is expected to benefit from the TCP-supported consultancies.

**INSEP:** As the technical expert of infrastructure-related projects, INSEP contributes technical opinions and advice during all phases of the PPP process to ensure that infrastructure-related PPPs are feasible, appropriate, and well-managed. The evaluation team found that INSEP has little capacity to participate in the development, procurement, and contract management of PPP contracts. Generally, INSEP has little involvement with COALIZANA in the structuring of PPPs. In addition, INSEP doesn't have human or material resources to manage projects in-house. For example, most INSEP project managers are hired on three to six month contracts. Even small expenses, such as transporting employees to meetings outside the capital, are unaffordable. INSEP has more employees with technical expertise on road projects than any other institution, but INSEP employees are not involved in problem solving at the design phase of the PPPs. INSEP experts often find themselves correcting problems after the project is underway instead of preventing them by participating in the design phase. INSEP and MCA-H signed an MOU in mid-2016, but INSEP has not established a PPP unit and appears reluctant to do so. Even with initial support from the TCP to establish the unit, the institution appears to lack sufficient funds to maintain it. Lastly, highly placed INSEP personnel questioned whether the institution would be able to find local personnel to staff a PPP unit if and when it is established.

## Design and Implementation of PPPs (PPP 2.2)

For the purposes of this analysis, the PPP activity for infrastructure projects has been divided into four key steps: (1) project identification, selection, and evaluation (identifying, pre-evaluating, and approving a PPP), (2) project development (structuring of the PPP between the relevant sectors and stakeholders), (3) procurement (tendering the PPP to outside private sector investors), and (4) post-signature, long-term contract management.

To explore changes over time in the PPP process, the evaluation team is conducting a comparative case study of road infrastructure PPPs. At baseline we explored four cases, including the Logistics Corridor and the Tourist Corridor, both awarded in 2012. These two cases represent the first generation of PPPs in Honduras following the passage of the 2010 PPP legislation. Two additional cases, the San Pedro Sula (SPS) Century XXI, which has been awarded, and CA-4, which was still under procurement at the time of data collection, may be considered the second generation of PPPs, and, as such, they are the beneficiaries of knowledge gained from managing the initial PPPs. Additional cases, such as a PPP to maintain the Pacific Corridor, which will benefit more substantially from the TCP consultants, may be added at endline.

**Project identification, selection, and evaluation:** The passage of the 2010 PPP legislation was driven by a scarcity of fiscal resources available at the central government level and the resulting backlog in investment in infrastructure by the public sector. The GoH decision to develop the Logistic and Tourism corridors as PPPs was inspired by the same circumstances that inspired passage of the PPP legislation, that is, a sense of urgency combined with political pressure favoring quick results. In other words, it was not a choice based on GOH's desire to ensure value for money over traditional public sector procurement. In fact, the GoH did not conduct an analysis of any of the four case study PPPs, although such analyses would have compared the procurement options and provided insight on whether recourse to the more complex and costly PPP option was justified. There has also been very limited inter-institutional coordination in determining what projects should be prioritized and developed as PPPs. The TCP has been working with SEFIN's new Fiscal Contingency Unit (UCF) to check that COALIANZA provides the necessary financial analysis of a proposed project; however, as far as the evaluation team could tell, COALIANZA has not to date conducted a value for money analysis. The TCP is supporting the development of a Multiyear Road Investment Plan to assist in identifying, evaluating, and prioritizing suitable projects. It remains to be seen to what extent the

plan will be accepted by COALIANZA and subsequently provide a basis for a formalized project identification, selection, and evaluation process.

**Project development and preparation:** COALIANZA developed the Logistic Corridor and Tourist Corridor PPP projects with the support of external transaction advisors. Interview respondents questioned the quality of the work of these transaction advisors, raising concerns that COALIANZA not only drew too heavily from the Peruvian experience without adapting it to Honduran needs, but that the agency missed the opportunity to learn from the mistakes made in the Peruvian case. The Honduran projects have encountered a number of problems during construction caused by mistakes made during the development phase. For example, not enough time was spent in the development phase for resolving issues of rights of way or for obtaining timely land title transfers. Inadequate demand analysis resulted in erroneous revenue projections. Risk was not distributed equally between the government and the concessionaire (most of the risk was assumed by the government). All these problems were exacerbated by a lack of inter-institutional coordination and the virtual non-participation of SAPP and INSEP in the development and preparation process. The second generation CA-4 project, by contrast, benefited from greater INSEP participation in the process. TCP consultants, who became involved after a failed procurement effort for the CA-4 in 2015, are working to encourage such cooperation, suggesting some learning over time.

The SPS Century XXI project was an unsolicited proposal (USP), and the project was developed by a private sector investor. COALIANZA conducted due diligence on the design of the PPP, but the effort was problematic in several respects. COALIANZA failed to notice that the vehicle register, which was the basis for the promoter's revenue calculation, was out of date and referenced a significant number of vehicles that no longer existed. Further, a substantial underestimation in the investment cost went unnoticed. It has been noted that there was strong political support for moving this project forward.

**Procurement:** The fact that the Logistic and Tourist corridors both found bidders and were awarded is a significant and laudable achievement in itself. Although Honduras's PPP procurement process strives to reduce discretionary influences and opportunities for corruption, the effort is not a complete success yet. The "tick the box" or "pass/fail" approach (firms either do or do not meet the criteria) and single-price criterion basis (evaluation criteria are limited to the toll prices charged), remain unsophisticated approaches given the complexity and long-term nature of the contractual relationship. Current regulations sometime hinder more than they help. One regulation forbids contact between the sector sponsor and bidders once bidders have presented their technical proposals. This rule of silence ignores the reality that the complexity of a PPP proposal sometimes requires the public-sector sponsor to engage in a form of "competitive dialogue" in order to refine the public sector's requirements and the manner in which they will be contractually expressed.

Although the regulations governing the management of USPs allow for competition, in the case of the SPS Century XXI PPP project, COALIANZA did not provide counter-bidders the maximum 90-days allotted for counter bidders to prepare proposals. This lack of competition, along with other aspects of this project, fueled speculation that the project was inappropriately pushed through with high-level political support. Future USPs will also be at risk for political influence.

There were a number of problems with the CA-4 procurement that made it unattractive to private investors. The initial tender for the project attracted no bidders and had to be cancelled. Interviewees reported that the administration in office at the time favored the project and exerted political pressure that led to attaching the project to an unrealistic timeline. Another problem was that the proposal shifted responsibility for obtaining and bearing the costs of rights-of-way entirely to the private sector, despite the fact that the private sector lacked the necessary power of eminent domain. The project was redesigned to address these concerns, and the tender was revised to address concerns raised by the UCF analysis. The analysis pointed out that minimum revenue guarantees presented unnecessarily high fiscal risks given the likelihood that the guarantees would have been triggered given demand



estimates. The analysis also noted that the guarantees were higher than what was needed to provide a market rate of return.

**Contract management and project supervision:** Both the Logistics and Tourist corridors have encountered major contract management challenges. Problems have included unresolved design and routing issues, overambitious timelines, challenges to obtaining rights-of-way, difficulties in adding new works to the contracts, damage to existing fiber optic and public lighting infrastructure, poor distribution of risk for removing landslide debris, and social protests. In the case of SPS Century XXI, the concessionaire fell behind schedule, failed to invest adequate resources, and was producing work that was considered to be low quality. The execution of the project has been heavily hampered by the fact that the 40 percent shareholder in the winning consortium is the owner of Esmeralda and a leading figure in a recent Banco Continental money-laundering scandal.

Many of the problems discussed above stem from limitations in the original contracts. They are problems that potentially could have been avoided with greater INSEP, SAPP, and UCF participation in the development and procurement process. In addition, the contract management and supervision process itself has been hampered by unclear definitions of what roles SAPP, a third-party supervisor, and INSEP, were to play. The dominant position of SAPP in the post-signature phase appears to have led to a measure of inertia on the part of INSEP, which, as discussed above, has been slow to fully engage in its contract management responsibilities. It should be noted that in many jurisdictions, contract management is the prime responsibility of the sponsoring institution (i.e., INSEP), rather than any third-party regulator. Here again, the Peruvian model (wherein a third party institution who was not involved in the project design or negotiation process supervised a PPP after signature) appears to have been followed without taking due account of its limitations. Regardless of the structure, there is a clear need for greater INSEP and SAPP involvement earlier in the process.

**FIDE:** TCP is providing support for improving the registration process for new businesses and for obtaining export-import licenses through the creation of a single window developed and run through a PPP with a Honduran NGO FIDE, Inversión y Exportaciones. At baseline, the evaluation team found that under TCP funding, FIDE determined that the largest delays in processing new businesses is at the business registration phase. On average, registering a business takes three to four months but can stretch to over two years for some businesses. Small businesses bear the brunt of this delay as they may lack financial, human, and/or legal resources to follow up with their applications and press for approval. FIDE's single payer window, an effort to streamline the business registration process, will exist in the form of an online portal called MiEmpresaEnLínea. The opening of the portal has been severely delayed because of difficulty in resolving contract issues, a difficulty exacerbated by the frequent turnover of administrations since 2011. Work on the portal began in January 2016, but as yet there is no timeline for completion. Additionally, there is no plan for marketing the portal to the public when it is completed. *EmprendeGuía*, an online resource that conveys information to the general public on how to start a business, is a potential marketing tool. But while it is functional, it is not widely known or utilized. FIDE intends to promote *EmprendeGuía* further alongside MiEmpresaEnLínea once the portal is operational.

FIDE is making considerable progress in harmonizing the information and documentation relevant to obtaining permission to import or export in Honduras. FIDE, an NGO, works closely with 14 government institutions to facilitate and streamline the process and reports it has a good working relationship with its partners. FIDE expects at endline that key ease-of-doing-business-related indicators as reported in the World Bank's annual *Doing Business* report will reflect the positive effects of their work.

# RESUMEN EJECUTIVO

---

## Introducción

El 28 de agosto de 2013, la Corporación del Desafío del Milenio (MCC, por sus siglas en inglés) y el Gobierno de Honduras (GdH) firmaron un Acuerdo de Subvención para un Programa Umbral de País valorado en US \$ 15,650,000. El objetivo de los Programas Umbral de la MCC es ayudar a los países a volverse elegibles a Compactos, por medio de políticas específicas y reformas gubernamentales dirigidas a resolver las limitaciones vinculantes al crecimiento económico.<sup>10</sup> Más específicamente, en el caso de Honduras, el Programa Umbral tiene como objetivo aumentar la eficiencia y transparencia de la gestión financiera pública (GFP) y las alianzas público-privadas (APP) con el propósito de ahorrar el dinero del gobierno, mejorar la prestación de servicios y reducir la corrupción. Si bien los Programas Umbral suelen durar de tres a cuatro años, debido a retrasos en el inicio de la implementación, actualmente se espera que el Programa Umbral se extienda y concluya en 2018. Social Impact fue contratada por la MCC para desarrollar y llevar a cabo una evaluación del Programa Umbral. En octubre de 2015 se aprobó el diseño de la evaluación y la recolección de datos de línea de base se inició en marzo de 2016. En el presente informe se presentan datos y conclusiones de la línea de base.

## Actividades del Programa Umbral

EL Programa Umbral de Honduras busca apoyar al GdH para mejorar la transparencia y la eficiencia gubernamental en la GFP a través de cuatro actividades;

- **Actividad 1.1 Gestión presupuestaria y de la tesorería** implica asistencia técnica y capacitación para la Secretaría de Finanzas y las secretarías de línea para mejorar el análisis presupuestario y la gestión de la tesorería. También implica asistencia técnica y capacitación para el Comité de Presupuesto del Congreso para mejorar la capacidad parlamentaria de supervisión presupuestaria.
- **Actividad 1.2 Mejora de la capacidad, planificación y controles de las contrataciones** implica asistencia técnica para la Oficina Nacional de Contrataciones y Adquisiciones del Estado de Honduras (ONCAE) y otras entidades gubernamentales para mejorar las contrataciones. Esta actividad también implica la ampliación del catálogo de oferta en línea de ONCAE y la mejora de la coordinación entre la ONCAE y el Tribunal Superior de Cuentas (TSC) para asegurar que las normas de contratación establecidas sean debidamente auditadas para asegurar su cumplimiento.
- **Actividad 1.3 Mejora de la capacidad del Tribunal Superior de Cuentas** está diseñada para fortalecer la capacidad del TSC en auditorías de desempeño.
- **Actividad 1.4 Fondo de donaciones para la responsabilidad social** proporciona concesiones a Organizaciones de la Sociedad Civil hondureñas (OSC) para que inicien proyectos de responsabilidad social que evalúen la calidad del gasto y los servicios prestados con el fin de aumentar la rendición de cuentas del gobierno.

El Programa Umbral también busca mejorar la transparencia y la eficiencia del gobierno en las APP por medio de dos conjuntos de actividades:

- **Actividad 2.1 Desarrollo de capacidades principales en APP** está diseñada para mejorar la capacidad de, y los procedimientos utilizados, por las instituciones del Gobierno de Honduras (GdH) con responsabilidades clave de APP para desarrollar e implementar las APP de acuerdo con las mejores

---

<sup>10</sup> Corporación del Desafío del Milenio. 2015. [Threshold Program](#). Corporación del Desafío del Milenio

prácticas. Esto incluye apoyo para la institución gubernamental responsable de estructurar APPs (COALIANZA), desarrollo de manuales y procedimientos internos y apoyo para la Secretaría de Finanzas (SEFIN) para identificar y manejar apropiadamente los riesgos fiscales en su cartera APP.<sup>11</sup>

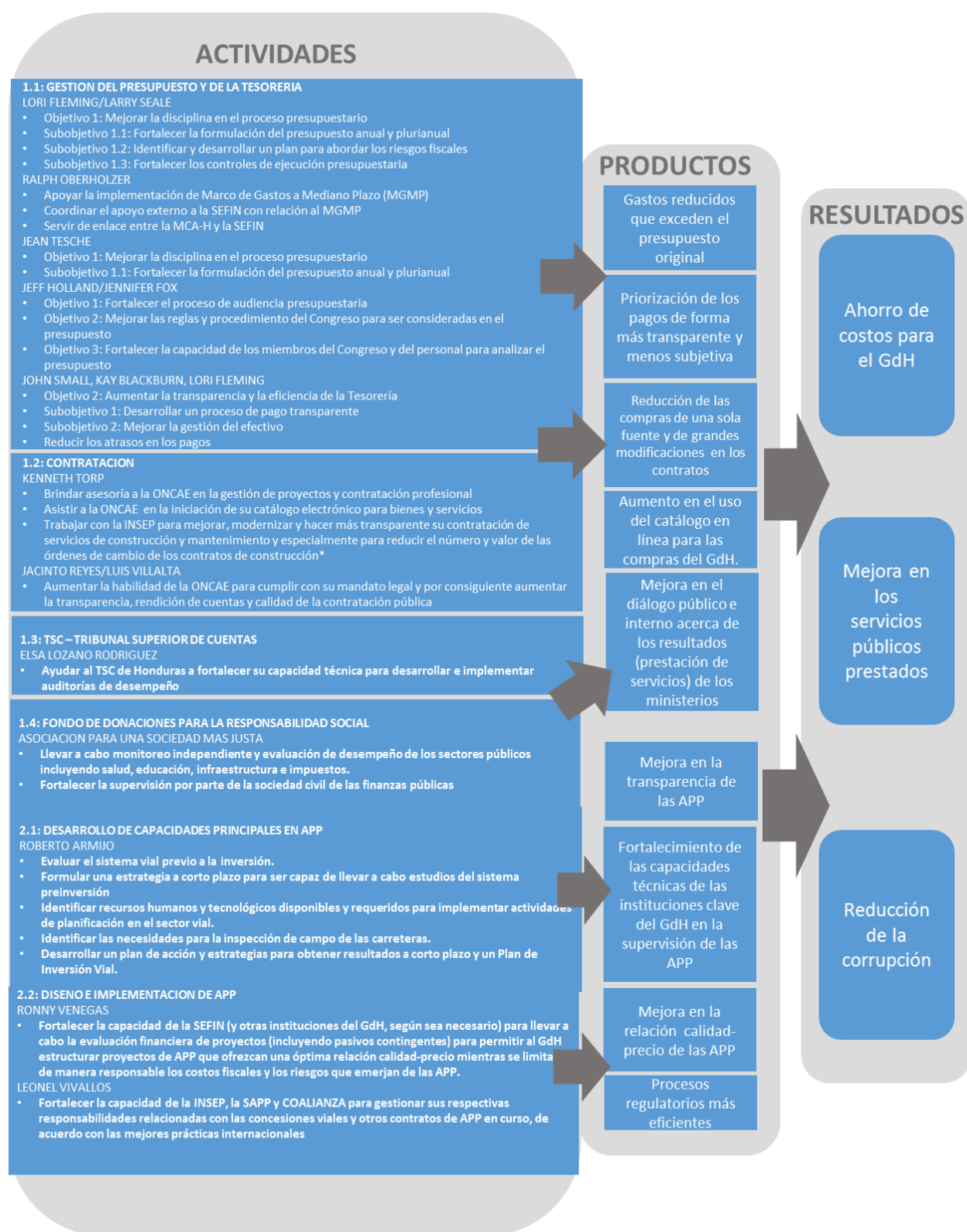
- **Actividad 2.2 Diseño e implementación de APPs** proporciona asistencia técnica especializada al gobierno de Honduras para facilitar la administración de APPs actuales y para identificar y analizar opciones para la estructuración de una nueva APP. Esta actividad se centra en la Secretaría de Infraestructura y Servicios Públicos (INSEP), así como en la ONG FIDE.

En resumen, el Programa Umbral implica diversas actividades encaminadas a mejorar la gestión de las finanzas públicas y las alianzas público-privadas con el objetivo más amplio de ahorrar dinero del gobierno, mejorar la prestación de servicios y reducir la corrupción. Si bien el Programa Umbral solo tiene un Marco Lógico oficial de alto nivel, se han utilizado los Términos de Referencia de los consultores y la documentación del Programa Umbral para desarrollar marco lógico más detallado, que se resume en la Figura A a continuación. La figura muestra cómo se supone que los objetivos individuales del nivel de actividad (p. ej., fortalecer la formulación anual y plurianual del presupuesto) conducen a productos del Programa Umbral (p. ej., reducción en la cantidad de gastos que exceden el presupuesto original), lo que a su vez debería conducir a resultados del Programa Umbral (p. ej., ahorro en los costos).

---

<sup>11</sup> A lo largo del informe usamos el término “institución” o “institución gubernamental” para hacer referencia a cualquier agencia, entidad, centro o corporación pública o gubernamental.

**Figura A: Marco lógico no oficial del Programa Umbral**



## Preguntas de evaluación y metodología de evaluación

Se le ha asignado a Social Impact la tarea de “evaluar el diseño y la implementación del programa para desarrollar el diseño de evaluación más riguroso posible”. SI está llevando a cabo una evaluación de desempeño mediante una mezcla de métodos que busca responder a las siguientes preguntas de evaluación al término del Programa Umbral. Estas incluyen:

1. ¿Se lograron las metas y resultados del Programa Umbral de País como establecidos en el documento del Programa Umbral de País y el Plan de M&E? ¿Por qué o por qué no?
  - a. ¿El Programa Umbral ayudó a Honduras para volverse elegible para un Compacto del Desafío del Milenio?
  - b. ¿El Proyecto de GFP incrementó la eficiencia y la transparencia de la gestión financiera pública?
  - c. ¿El Programa Umbral mejoró la eficiencia y la transparencia de las APP?
2. ¿Cuáles fueron los resultados de las intervenciones – intencionadas y no intencionadas, positivas o negativas?
3. ¿Cuáles son las lecciones aprendidas y son éstas aplicables a otros proyectos similares?
4. ¿Cuál es la probabilidad de que los resultados del proyecto sean sostenibles a través del tiempo?
5. Como resultado del programa ¿hay un incremento en el ahorro de costos del sector público, sin resultar en el deterioro de la calidad o el valor del gasto público?
6. Como resultado del programa ¿hay una mejora en la calidad de la prestación de servicios públicos?
7. ¿Reconocen las instituciones asociadas una mejora en la efectividad y la eficacia en el procesamiento de facturas o gestión de efectivo?
8. ¿Aumenta la precisión del pronóstico financiero? ¿Por qué o por qué no?
9. ¿Aumenta la precisión de la presupuestación en instituciones asociadas? ¿Por qué o por qué no?
10. ¿Mejora la presentación de informes presupuestarios y la presentación de informes de desafíos presupuestarios en instituciones asociadas ¿Por qué o por qué no?
11. ¿Conducen las recomendaciones de evaluación de contrataciones a cambios en prácticas?
  - a. ¿Las evaluaciones de contrataciones conducen a recomendaciones relevantes que pudieran mejorar las contrataciones?
  - b. ¿Son implementadas estas recomendaciones?
12. ¿Aumenta la confianza empresarial en las contrataciones públicas y la participación en contrataciones? ¿Por qué o por qué no? ¿Qué explica la variación en percepciones de justicia del proceso de contratación?
13. ¿Reducen los cambios en los sistemas y procesos las oportunidades de corrupción y/o mejoran las percepciones de corrupción en la GFP?
14. ¿Conducen las recomendaciones de auditorías de desempeño a cambios en prácticas?
  - a. ¿Conducen las auditorías de desempeño llevadas a cabo por el Tribunal Superior de Cuentas (TSC) con apoyo del Programa Umbral a recomendaciones relevantes que pudieran mejorar la prestación de servicios?
  - b. ¿Son estas recomendaciones implementadas?
15. ¿Conducen la supervisión y las recomendaciones de la sociedad civil a cambios en las instituciones objetivo?
16. ¿Hay mejoras en las percepciones de los empleados públicos acerca de las prácticas de recursos humanos y las prácticas de contratación en las instituciones objetivo?
17. ¿Se adhiere el proceso de contratación del proyecto de APP a las mejores prácticas?
18. ¿Hay mejoras en la eficiencia y la efectividad del proceso de desarrollo y estructuración de APP?
19. ¿Hay mejoras en la eficiencia y la efectividad del proceso para gestionar APP?
20. ¿Hasta qué punto facilita el proyecto una mayor capacidad y coordinación para las APP dentro del gobierno de Honduras?
21. ¿Reducen los sistemas implementados por el proyecto las oportunidades de corrupción o mejoran las percepciones sobre la corrupción en APP?
22. Como resultado del proyecto ¿hay mayor transparencia y conocimiento de los procedimientos APP para grupos gubernamentales, del sector privado o de la sociedad civil?

Las actividades de evaluación en el marco de la GFP incluyen el uso de datos de monitoreo del plan de M&E; una revisión de documentación pertinente, incluidos los resultados de los consultores y la documentación del GdH; entrevistas con informantes clave y entrevistas en grupo; una encuesta de empleados públicos y una encuesta de empresas registradas con el gobierno de Honduras para vender artículos al gobierno, conocida como una encuesta

de proveedores. Como parte de la recolección de datos de la línea de base, el equipo de evaluación llevó a cabo 41 entrevistas en grupo y con informantes claves con 80 actores principales en la GFP (26 hombres y 54 mujeres) durante marzo de 2016.

Las actividades de evaluación en el marco del componente de APP de esta evaluación incluyen una revisión de la documentación pertinente, incluyendo los entregables de los consultores y la documentación del gobierno de Honduras; entrevistas con informantes clave y entrevistas en grupo; uso futuro de los datos de monitoreo del plan de M&E; y el uso de datos secundarios del informe Doing Business del Banco Mundial. Este informe incluye una evaluación de la capacidad en las cuatro principales instituciones relacionadas con las APP: COALIANZA, la SEFIN, la Superintendencia de las Alianzas Público-Privadas (SAPP) y la INSEP. Además, con el fin de hacer un seguimiento de los cambios en los componentes del proceso de APP a lo largo del tiempo, el equipo de evaluación está llevando a cabo un estudio de caso comparativo de cuatro concesiones APP de infraestructura (Corredor logístico, corredor turístico, San Pedro de Sula Siglo XXI y CA-4). Como parte de la recolección de datos de línea de base, el equipo de evaluación llevó a cabo 20 entrevistas de grupo y con informantes claves con 36 actores principales en las APP (28 hombres y 8 mujeres).

En el análisis siguiente se discuten los hallazgos de la línea de base por actividad y también se destacan los cambios desde el inicio del Programa Umbral. Cabe señalar que la recolección de datos para este informe se produjo después de más de un año de implementación del Programa Umbral y debido a eso, no siempre es posible determinar la verdadera "línea de base". En el informe completo, para cada actividad se presenta el problema, se explica la intervención específica del Programa Umbral, se explora la situación en la línea de base, se discute cualquier mejora desde el inicio del Programa Umbral y se toma nota de los factores que el equipo de evaluación estará buscando en la evaluación final. En este resumen ejecutivo, se han extraído los puntos más destacados para cada área de actividad.

### Gestión presupuestaria y de la tesorería (GFP 1.1)

**Formulación del presupuesto:** La preparación presupuestaria en Honduras ha sido tradicionalmente incremental y completada con base en partidas individuales, lo que resulta en presupuestos que no reflejaban verdaderamente los recursos financieros necesarios para la inversión pública planificada y la prestación de servicios públicos. La mala planificación de los recursos financieros también ha significado que los presupuestos han tenido que ser revisados durante la ejecución del presupuesto y muchas modificaciones ser hechas a lo largo del año. Los esfuerzos del Programa Umbral han complementado las iniciativas del Fondo Monetario Internacional (FMI) para promover un Marco de Gasto a Mediano Plazo (MGMP). Un Marco Macrofiscal a Mediano Plazo (MFMP), el primer elemento básico del MGMP, fue desarrollado por primera vez en 2015 con el apoyo del Programa Umbral. Los esfuerzos del Programa Umbral para promover la estimación de costos ascendente (presupuesto de línea de base) tuvieron un inicio lento, pero finalmente se lograron incorporar y las instituciones objetivo están trabajando para superar los retos para identificar el origen del costo. Desafortunadamente, la presupuestación de la línea de base todavía no influye en el proceso presupuestario y no existe un mecanismo institucional para conciliar los topes de gastos descendentes derivados del MFMP con los presupuestos ascendentes. También hay preocupaciones acerca de los conflictos entre la SEFIN y la Secretaría de Coordinación General de Gobierno (SCGG) en el proceso de formulación del presupuesto. Además, a largo plazo, los esfuerzos para reformar el proceso presupuestario dependen en parte del personal del Congreso y del Congreso, que cambian con cada elección.

**Pronóstico de ingresos:** Existe una metodología de pronóstico razonable para estimar los ingresos del Gobierno de Honduras, sin embargo, no se ha actualizado desde 2005. No se espera que el Programa Umbral genere cambios importantes en esta metodología, pero se espera que mayores datos históricos se tengan en cuenta. Hubo algunos avances en los modelos de microsimulación para estimar el efecto de los cambios en la política fiscal sobre los ingresos, sin embargo, la Dirección Ejecutiva de Ingresos (DEI), que desempeña un papel importante en la previsión de ingresos y lideraba los modelos de microsimulación, se disolvió a principios de 2016. Esto ha interrumpido parte de este trabajo. Las entrevistas sugieren que el mayor potencial para lograr un impacto muy probablemente se

encuentra en mejorar la coordinación de pronósticos entre los diferentes departamentos dentro de la SEFIN y entre instituciones.

**Análisis del impacto fiscal:** El Análisis de Impacto Fiscal (AIF) es la capacidad del gobierno para estimar el impacto fiscal de las políticas y propuestas de programas en relación con los ingresos y los gastos. La ley presupuestaria específica que cualquier propuesta de aumento presupuestario por encima del límite máximo de gastos requerirá un "dictamen técnico" de la SEFIN sobre si puede obtenerse un nivel de financiamiento equivalente. Si bien la SEFIN proporcionó este análisis de impacto fiscal en la línea de base, a menudo se limitó a una simple declaración de fondos insuficientes. La Comisión de Presupuestos del Congreso (CPC) reportó 33 sentencias desfavorables y 2 sentencias favorables de la SEFIN en 2015<sup>12</sup>. Los implementadores del Programa Umbral de la Oficina de Asistencia Técnica del Departamento del Tesoro de los Estados Unidos (OTA, por sus siglas en inglés) que trabajan con la SEFIN y el Congreso reportan avances en la creación de capacidades (p. ej., establecimiento de un grupo de trabajo de AIF); sin embargo, la capacidad sigue siendo limitada, particularmente en la Dirección de Política Tributaria, que carece de la capacidad para dirigir el AIF sobre cambios en la política tributaria.

**Presentación de informes de ejecución presupuestaria:** Con la información proporcionada por las instituciones en gran medida a través del Sistema de Administración Financiera Integrada (SIAFI), la SEFIN genera un informe de ejecución presupuestaria mensual y trimestral, que se presenta al Congreso y al liderazgo ejecutivo. Se entiende que algunas instituciones no siempre presentan su información o responden a las solicitudes de información. Además, la SEFIN podría reportar gastos excesivos en una partida en la información, pero no son capaces de explicar por qué esto está ocurriendo. El resultado final es que se producen informes, pero el Ejecutivo y/o el Congreso no reciben los datos adecuados para tomar decisiones informadas. En el momento de la recolección de datos, los asesores de la OTA estaban proponiendo cambios al formato de informes trimestrales para fomentar informes más útiles. Se espera que al final del Programa Umbral las instituciones apoyadas por los asesores de la OTA presenten datos adecuados a la SEFIN y que la Dirección General del Presupuesto (DGP) produzca informes oportunos (utilizando los nuevos formatos) y los presente al Congreso. Se espera además que esta información sea utilizada por el Congreso para proporcionar una mejor supervisión.

**Aprobación y supervisión del presupuesto del Congreso:** La Comisión de Presupuestos del Congreso (CPC) lleva a cabo audiencias para que las instituciones proporcionen información sobre la ejecución de su presupuesto actual o para defender su presupuesto para el siguiente año. En el período previo al Programa Umbral, se llevaron a cabo las audiencias, pero tuvieron una serie de limitaciones, incluyendo un limitado preaviso y pocas invitaciones, poca o ninguna información disponible antes de la audiencia, presentaciones no estandarizadas que los oradores usaron para establecer su propia agenda, baja asistencia e información limitada puesta a disposición posteriormente. Desde entonces, se han introducido varias mejoras en el proceso, incluidas directrices más estrictas para las presentaciones, mayor información disponible antes y después de las audiencias, mayor participación y mayor capacidad del comité para examinar la información presentada. Si bien el Programa Umbral ha jugado un rol en estas mejoras, también hay una fuerte iniciativa interna para mejorar el proceso de audiencia. Los entrevistados consideraron que el mayor impacto que podría resultar de la asistencia de consultores, el Congreso y la SEFIN es la eliminación de la legislación vigente sobre 200 Disposiciones Generales del Presupuesto que deben ser discutidas nuevamente cada año. Desafortunadamente, al parecer ha habido relaciones que están lejos de ser ideales entre los consultores del Programa Umbral y algunos empleados. También hay preocupaciones sobre la sostenibilidad con la rotación esperada de personal políticamente designado después de las elecciones del Congreso.

**Atrasos en los pagos:** Los atrasos internos por parte del sector público, definidos como pasivos por más de 45 días calendario, se estimaron en aproximadamente el tres por ciento del Producto Interno Bruto (PIB) para finales de

---

<sup>12</sup> Congreso Nacional de Honduras: Comisión de Presupuesto. Matriz Dictámenes 2015. (2015)  
<http://www.congresonacional.hn/index.php/comision-de-presupuestos.html>



2013, lo que representa un importante pasivo para el gobierno.<sup>13</sup> Un análisis de la OTA de los datos de 2015 encontró que la Tesorería tiene un promedio de 15 días razonables para procesar el pago a proveedores externos en tres instituciones clave. Esto sugiere que los nuevos atrasos se deben principalmente a los retrasos en la aprobación de pagos en las instituciones. La Secretaría de Salud parece ser la mayor preocupación: el 50 percent de sus facturas entraron en mora, representando el 36 percent de la cantidad adeudada.<sup>14</sup> Una importante iniciativa del Programa Umbral para auditar los atrasos tuvo que ser pospuesta hasta fines de 2016 debido a problemas con la empresa contratada.

**Procesos de pago:** Las entrevistas sugieren que, en lugar de un proceso automatizado de pago basado en un conjunto claro de reglas, los funcionarios de tesorería de la Tesorería General de la Republica (TGR) determinan subjetivamente las prioridades de pago. Si bien existen algunos procedimientos escritos, los funcionarios del gobierno de Honduras no los aplicaron de manera consistente y objetiva. Los consultores de la OTA han hecho recomendaciones para reforzar y clarificar los procedimientos de priorización de pagos existentes con la categorización de nuevos pagos, nuevas políticas y cambios legales. Independientemente del apoyo del Programa Umbral, se suponía que el módulo de tesorería dentro del SIAFI se actualizaría en 2016 para permitir que la toma de decisiones de priorización de pagos fuera hecha en el sistema, de forma transparente y puramente objetiva (como parte de un SIAFI mejorado actualmente en desarrollo). Desafortunadamente, el desarrollo de este elemento del sistema ha sido pospuesto hasta 2017. Los implementadores de la MCC y del Programa Umbral han llegado a la conclusión de que las ineficiencias en el proceso de pago de gastos comienzan con las instituciones que adquieren los bienes y se ha iniciado una nueva línea de trabajo para abordar este desafío.

**Gestión del efectivo:** El racionamiento de efectivo fue un problema en las administraciones recientes,<sup>15</sup> pero la mejora de la disciplina fiscal en la actual administración ha llevado a una disminución de este problema. Todavía puede ocurrir alguna escasez de efectivo estacional, especialmente en el caso de emergencias, tales como durante el brote del virus de Zika. El equipo de evaluación encontró que algunas instituciones de “grandes gastos” proporcionaban planes de gastos ineficientes, a menudo simplemente dividiendo su asignación presupuestaria anual entre doce. Desde la recolección de datos, los consultores de la OTA habían proporcionado insumos intermitentes limitados, incluyendo recomendaciones para estandarizar los acuerdos de recaudación de ingresos de los bancos comerciales a través de la Cuenta Única del Tesoro (CUT), que data de 1998, entre el Programa Umbral, el Banco Central De Honduras – BCH y la red de banca privada, formada por 16 bancos. El equipo de la OTA también proporcionó algunas directrices sobre la política de inversión para los saldos de efectivo inactivos de la CUT. Desafortunadamente, después de consultar con el Banco Central, se encontró que no había autoridad legal para que la TGR invirtiera saldos inactivos. Esto podría cambiar en las revisiones de la Ley Orgánica del Presupuesto.

## Mejora de la capacidad de las contrataciones, planificación y controles (GFP 1.2)

**Catálogo electrónico:** Previo al establecimiento de un catálogo electrónico, las instituciones gubernamentales estaban incurriendo en altos costos de transacción para obtener las mismas mercancías repetidamente y no necesariamente obtener una buena relación calidad-precio. En 2012, la ONCAE inició el catálogo electrónico como un programa piloto con tres productos; amplió el catálogo en 2013 y en 2014 el Congreso aprobó una legislación para exigir el uso de un catálogo electrónico para muchos bienes y servicios. A finales de 2015 había seis catálogos que ofrecían más de 5,000 artículos. Aunque no sin preocupaciones metodológicas, un estudio de la ONCAE documentó ahorros sustanciales como resultado del catálogo. Aunque el catálogo electrónico es una iniciativa del gobierno hondureño, el Programa Umbral ha jugado un papel en el éxito del catálogo al contratar personal para

---

<sup>13</sup> Memorando de Entendimiento de Políticas Económicas y Financieras, 2014-17.

<sup>14</sup> Estos datos cubren solo formularios F01 ingresados para 2015 que también fueron pagados en 2015.

<sup>15</sup> Laura Zoratto, Luc Razfimandimby, Oscar Calvo-González, Calvin Zebaze Djiofack, Denis Medvedev, Gustavo Ezequiel Miranda, Karina Ramírez, Natalya Biletska, Nuria Tolsa Caballero, Ramón Arias, Rong Qian. 2013. “Honduras: Revisión del gasto público: 2013.” Washington DC: Banco Mundial.



prestar un servicio de asistencia a proveedores e instituciones. Siguen existiendo preocupaciones por el incumplimiento (12 de las 72 instituciones gubernamentales no están usando el catálogo) y preocupaciones de que el catálogo no siempre satisfaga las necesidades de las instituciones gubernamentales (p. ej., debido a salidas de existencias o una necesidad de bienes de mayor calidad que los ofrecidos a través del catálogo).

**Servicio civil:** Desde su fundación, el personal de la ONCAE no forma parte del régimen de servicio civil. Los esfuerzos anteriores para reformar la ONCAE se desvanecieron una vez que el apoyo de los donantes internacionales fue retirado y el gobierno permitió que los contratos del personal de la ONCAE vencieran. El Programa Umbral ha incluido apoyo para esta transición a servicio civil, sin embargo, todavía no se han logrado cambios.

**Evaluación de las compras y contrataciones:** Después de que el financiamiento del BID terminó en 2010, la ONCAE disminuyó considerablemente su personal y posteriormente tuvo dificultades para cumplir sus funciones, particularmente sus funciones de supervisión. Un informe del TSC de 2016 identifica un gran número de irregularidades en el proceso de compras y contrataciones, incluyendo la no publicación de información en HonduCompras, la división de contrataciones para evitar una licitación pública, documentación inadecuada, infracciones de especificaciones técnicas y adquisiciones no incluidas en el plan de contratación, entre otros.<sup>16</sup> Para reafirmar su papel regulador, el Programa Umbral apoya a la ONCAE en la creación, reclutamiento y capacitación de una nueva unidad de evaluadores que llevará a cabo revisiones o evaluaciones de las instituciones del Gobierno de Honduras. Se espera un ambicioso programa de evaluaciones en 2016.<sup>17</sup>

## Encuesta de proveedores

Para continuar la exploración de los desafíos de la contratación, el equipo de evaluación llevó a cabo una encuesta con 853 proveedores al gobierno, muestreados de entre un registro de proveedores mantenido por la ONCAE. La encuesta consulta sobre la experiencia en licitaciones, las percepciones sobre el proceso de contratación, las experiencias con diferentes instituciones gubernamentales y la corrupción. La encuesta se llevó a cabo entre junio y noviembre de 2016 y se repetirá con las mismas firmas en la evaluación final en 2018. La encuesta tuvo una tasa de contacto relativamente baja (52 percent) y una tasa de cooperación (45 percent), aumentando la posibilidad de sesgo muestral. Por ejemplo, es posible que las empresas dedicadas a irregularidades pudieran haber participado menos que otras.

**Acerca de las empresas y los encuestados:** La encuesta incluye una diversidad de proveedores que van desde grandes empresas manufactureras a consultores individuales. Casi la mitad de los proveedores tienen menos de 10 empleados y reportan bajos niveles de ingresos. Los contratos del gobierno representan menos del diez por ciento de los ingresos de aproximadamente la mitad de los proveedores, sin embargo, el 15 percent obtiene más del 80 percent de sus ingresos del gobierno. Los encuestados tenían diversos grados de experiencia con la contratación pública, que iban de cero años a 49 años con una mediana de 10 años de experiencia. Setenta y ocho por ciento de la muestra son graduados universitarios y 33 percent son mujeres.

**Experiencia en licitaciones del gobierno:** De los 853 proveedores que participaron en la encuesta, el 95 percent había hecho una oferta pública en algún momento de su historia y el 70 percent había hecho una oferta en los 12 meses anteriores. Muchos de los que no presentaron una oferta mencionaron una simple falta de contrataciones relevantes (27 percent) y un pequeño porcentaje citó límites internos de capacidad. Otros, sin embargo,

---

<sup>16</sup> Tribunal Superior de Cuentas. 2016. Ejemplos de Casos en los cuales se violentó la Normativa en Procesos de Contratación incluidos en los Informes de Auditoría publicados en la página Web del TSC.

<sup>17</sup> Es importante tomar nota de que estas evaluaciones no son “auditorías” dado que la autoridad en auditoría se limita al TSC.

consideraron que el proceso no era imparcial (21 percent), demasiado burocrático (15 percent) o que los pagos gubernamentales tardaban demasiado (14 percent).

**Experiencias con instituciones específicas:** A los vendedores que reportaron haber participado en una licitación en los últimos 12 meses se les preguntó a qué instituciones habían tratado de proveer bienes o servicios. Dado el enfoque de la ASJ y el trabajo de la ONCAE, estábamos particularmente interesados en experiencias con la INSEP, SESAL, SEDUC y Seguridad. Si un encuestado había presentado una oferta a una o más de estas instituciones, se le hacía una batería de preguntas sobre su experiencia con cada una de las instituciones seleccionadas.

La encuesta de proveedores preguntó a los encuestados la importancia de diversos factores para ganar un contrato del gobierno. Más del 90 percent de los encuestados cree que tanto el cumplimiento de las especificaciones y el bajo costo son muy importantes o importantes en sus experiencias con diversas instituciones. Los contactos correctos, la afiliación partidaria y el pago de un regalo o pago informal fueron percibidos como menos importantes que el cumplimiento de las especificaciones y el costo, sin embargo, casi la mitad (48 percent) de los encuestados sienten que conocer a la persona adecuada es muy importante o importante. La afiliación al partido y la donación de regalos son menos importantes, pero son percibidas como importantes por una minoría considerable y es más probable que sean consideradas importantes por los proveedores que presentan ofertas a la INSEP que los que presentan ofertas a otras instituciones.

**Desafíos de la contratación:** El desafío de la contratación pública más comúnmente percibido fue la identificación de un proveedor preferido antes de la publicación de una oferta, percibido como común o muy común por el 66 percent de los encuestados. El segundo desafío de adquisición más comúnmente percibido fue la participación de empresas involucradas en prácticas fraudulentas, conocidas como empresas de maletín. Más de la mitad de los encuestados considera que las adjudicaciones a estas empresas son muy comunes (28 percent) o comunes (25 percent). Los desafíos en la fase de contratación, tales como la renegociación de precios o la elaboración de contratos, se consideraron menos preocupantes.

**Corrupción en la contratación:** Se pidió a los encuestados que formularan observaciones sobre la existencia de corrupción en la contratación. La mayoría de los encuestados, el 67 percent, consideró que es un problema importante en la contratación, seguido por el 22 percent que veía que la corrupción es un problema moderado. A pesar de esta percepción, sólo el 8 percent de los encuestados informó que se les había pedido que pagaran un soborno para ganar un contrato. Otra evidencia sugiere que los sobornos son más comunes que lo capturado en la encuesta. Sin embargo, tanto la encuesta como evidencia cualitativa, sugieren que las conexiones personales y las políticas son las fuentes de irregularidades más predominantes en el proceso de contratación.

**Impugnando las irregularidades:** Todos excepto una minoría reconocieron que existían mecanismos para impugnar las adjudicaciones de los procesos de contratación. Casi de la mitad de encuestados (47 percent) estuvieron de acuerdo o muy de acuerdo de que el proceso de impugnación era justo e imparcial; sin embargo, solo el 6 percent de los negocios reportaron haber realizado una impugnación. Una delgada mayoría (51 percent) de los negocios que no han impugnado procesos reportaron que no había razón para hacerlo; sin embargo, el restante considera que ese proceso no sería efectivo o que podría traerles represalias.

**Explicando las percepciones de justicia:** Se realizó un análisis de regresión para explicar la variación en un índice de percepción de justicia. Los atributos de la empresa, como los ingresos de las empresas y el porcentaje de los ingresos derivados de los contratos públicos, ofrecen el mayor poder explicativo. Las empresas con mayores ingresos del gobierno quizás no sean sorprendentemente más propensas a considerar el proceso como justo. Las experiencias personales con la corrupción ofrecen el segundo mayor poder explicativo, ya que aquellos que han sido víctimas de una solicitud de corrupción son más propensos a ver el proceso como injusto. Atributos

individuales tales como posición, educación, edad o años de experiencia en la contratación pública no influyen en la percepción de justicia, así como tampoco influye la experiencia con instituciones gubernamentales específicas.

**Impacto percibido de la ONCAE y la ASJ:** Casi todos los proveedores estaban familiarizados con la ONCAE y alrededor de la mitad evaluaron su trabajo como muy bueno o bueno, citando HonduCompras, el catálogo electrónico, el desarrollo de guías y evaluaciones de adquisiciones como ejemplos. Solo el 44 percent de los proveedores habían escuchado hablar del trabajo de la ASJ para mejorar la contratación pública, y aproximadamente la mitad de estos encuestados consideraron que la organización había tenido un impacto importante o moderado. Citaron la supervisión del gobierno general llevada a cabo por la ASJ, los informes sobre la corrupción cubiertos en los medios de comunicación y una línea directa para que los ciudadanos denuncien la corrupción.

### Mejora de la capacidad del Tribunal Superior de Cuentas (TSC) (GFP 1.3)

**Auditorías de desempeño:** Antes del Programa Umbral, el TSC ya contaba con un proceso para dar seguimiento a las recomendaciones de auditoría, y los informes de auditoría del TSC se pusieron a disposición del público. Una revisión de las menciones del TSC en el periódico *El Herald* durante un período de 16 meses encontró 91 menciones y 16 artículos que reportaron impactos de auditoría concretos, lo que sugiere que las auditorías del TSC tienen influencia, pero que esta influencia podría ser considerablemente mayor. El Programa Umbral está apoyando al TSC en la realización de auditorías de desempeño además de auditorías financieras y legales más tradicionales. Al momento de la recolección de datos, se había completado una auditoría piloto de la Dirección de Aduanas de Honduras. El piloto se enfrentó a algunos desafíos a ser superados en posteriores pilotos, incluyendo auditores inexpertos, preparación inadecuada y preocupaciones sobre la calidad y el contenido del informe. El consultor ha sido generalmente bien recibido por el TSC y los entrevistados estaban muy impresionados con las capacitaciones proporcionadas por los consultores, sin embargo, parece que hay margen para mejoras en la coordinación entre el consultor y el liderazgo de la TSC y el desarrollo de productos clave como el manual de auditoría de desempeño y el formato de informe de auditoría de desempeño. Otros desafíos incluyen asegurar que la responsabilidad no se pierda en el enfoque prospectivo propuesto para las auditorías de desempeño y garantizar que el TSC tenga recursos adecuados después del Programa Umbral para continuar con las auditorías de desempeño.

### Facilidad de la concesión para la responsabilidad social (GFP 1.4)

A través del Programa Umbral, se estima que cuatro organizaciones de la sociedad civil recibirán fondos para fomentar la responsabilidad social. La evaluación se centra en la subvención principal otorgada a la Asociación por una Sociedad Más Justa (ASJ) para realizar evaluaciones institucionales anuales de la Secretaría de Salud (SESAL), de la Secretaría de Educación (SEDUC), la INSEP, la Secretaría de Seguridad y la autoridad tributaria, antes conocida como Dirección Ejecutiva de Ingresos (DEI) y ahora como el Servicio de Administración de Rentas (SAR). Los estudios de línea de base realizados para la SESAL y la SEDUC encuentran serias deficiencias en la contratación, gestión de recursos humanos y medición de resultados. Las irregularidades en la contratación incluyen ofertas ganadoras por encima de los precios del mercado, incumplimiento de los criterios de evaluación, criterios de evaluación poco claros, conflictos de intereses, documentación inadecuada, falta de cumplimiento de los contratos, plazos insuficientes y ventajas competitivas injustas. Las irregularidades en la gestión de recursos humanos incluyen contratación inconsistente con las reglamentaciones, nombramientos inapropiados en cargos de liderazgo, archivos de personal incompletos, investigaciones policiales inadecuadas, sorprendentemente pocos individuos despedidos por violaciones disciplinarias en la SEDUC y poca documentación del debido proceso de despido en la Secretaría de Seguridad.

Aunque no sin limitaciones y demoras, los informes son un logro sustancial tanto para el gobierno como para la ASJ. No tenemos conocimiento de otros ejemplos de dicho acceso detallado de la sociedad civil a los expedientes de contratación y de recursos humanos o de una metodología de auditoría/cumplimiento tan rigurosa liderada por la

sociedad civil. Tanto la SEDUC como la Secretaría de Seguridad han producido planes de mejora que incluyen el impulso de la implementación de sistemas de información para la gestión, desarrollo de procedimientos y manuales, y estímulo hacia reformas legales. Más importante aún, la SEDUC ha manifestado su intención de pasar la responsabilidad del nombramiento de los directores departamentales al régimen de servicio civil con la supervisión de la sociedad civil, lo cual tiene el potencial de reducir una importante oportunidad de padrinazgo y nombramientos basados en la corrupción. Existe un mecanismo para vigilar el progreso en la implementación de estos planes, aunque es uno que podría ser fortalecido, y parece que la ASJ ha sido capaz de mantener su independencia mientras coopera con el gobierno. Los entrevistados gubernamentales plantearon algunas inquietudes metodológicas, que a menudo tienen su fundamento en la mala calidad de los datos disponibles.

## Encuesta de empleados públicos

Para responder a varias preguntas de evaluación relacionadas con la GFP, el equipo de evaluación llevó a cabo una encuesta de empleados públicos en tres instituciones gubernamentales que fueron objeto de algunas actividades del Programa Umbral: INSEP, SESAL y SEDUC. La encuesta incluyó preguntas sobre una amplia gama de resultados dirigidos por el Programa Umbral, incluyendo prestación de servicios, corrupción, asuntos relacionados con recursos humanos en torno a contratación y promociones y, compras y contrataciones. Estas tres instituciones fueron seleccionadas debido a que las tres deben beneficiarse de las auditorías sociales apoyadas por el Programa Umbral llevadas a cabo por la ASJ. Además, la INSEP y la SESAL se beneficiarán de las evaluaciones de adquisiciones y la INSEP de una auditoría de desempeño realizada por el TSC. En consecuencia, el equipo de evaluación también recolectó datos sobre el impacto percibido de los estudios de la ASJ y las auditorías de desempeño del TSC. Si se produjera un cambio significativo en estas instituciones como resultado del Programa Umbral, entonces se esperaría que esto se viera reflejado en una comparación de las respuestas de la encuesta entre la línea de base y la evaluación final.

El tamaño total de la muestra es de 1,719 dividido entre la INSEP (499), la SESAL (550) y la SEDUC (670). No se pretende que las muestras sean representativas de las instituciones en su conjunto, sino más bien del personal que se considere de nivel técnico y superior de acuerdo a la escala de servicio civil de Honduras. La recolección de datos ocurrió entre marzo y octubre de 2016.

**Calidad del servicio prestado:** Los empleados públicos proporcionan evaluaciones positivas de la provisión de servicios de sus instituciones a través de indicadores de acceso, calidad, eficiencia y transparencia. Por ejemplo, el 85 percent de los encuestados de la INSEP calificaron la calidad de las carreteras como buena o muy buena, el 77 percent de los encuestados de la SESAL calificaron la calidad de la atención médica como buena o muy buena y el 75 percent por ciento de los encuestados de la SEDUC calificaron la calidad de las escuelas primarias como buena o muy buena. Estas evaluaciones positivas son contradichas por una encuesta de ciudadanos de 2014, lo que sugiere una posible desconexión entre las percepciones de los funcionarios públicos y de los ciudadanos.<sup>18</sup>

**Corrupción:** A raíz de varios escándalos de corrupción de alto perfil, el 59 percent de los funcionarios públicos encuestados promediados entre las instituciones ve la corrupción como muy común. Un porcentaje todavía alarmante, pero mucho menor, considera que la corrupción es muy común en sus propias instituciones (28 percent). Los tipos de corrupción más frecuentes fueron el robo de recursos y el abuso de autoridad. Sin embargo, solo una proporción muy pequeña de empleados del sector público reportan alguna conexión personal con la corrupción y los encuestados abrumadoramente están de acuerdo en que la corrupción será investigada apropiadamente y que

---

<sup>18</sup> Orlando J. Pérez and Elizabeth J. Zechmeister. 2014. Cultura política de la democracia en Honduras y en las Américas, 2014: Gobernabilidad democrática a través de los 10 años del barómetro de las Américas. Proyecto de Opinión Pública de América Latina (LAPOP).

los autores serán atrapados. No obstante, todavía hay un ambiente negativo para los denunciantes, ya que el 64 percent de los encuestados están de acuerdo o muy de acuerdo en que habrá represalias por reportar la corrupción.

**Proceso de reclutamiento:** Entre las instituciones, una leve mayoría (promedio del 52 percent en todas las instituciones) estaba en desacuerdo o muy en desacuerdo en que los empleados eran contratados con base en méritos, pero los empleados que conocen los procesos de reclutamiento son más propensos a percibir el proceso como basado en méritos que aquellos que no lo son. Los encuestados abrumadoramente coinciden en que la educación y la experiencia laboral son importantes para obtener un trabajo en su institución; sin embargo, los encuestados también informan que conocer las personas adecuadas y la afiliación a un partido político son igualmente importantes. Este estudio utilizó un experimento de lista, un método en el cual se asignan al azar a los encuestados preguntas algo diferentes como un medio para revelar el comportamiento real sobre temas sensibles. En el experimento de lista, se le pide a un encuestado que enumere la cantidad de acciones que él o ella ha realizado para, por ejemplo, obtener un trabajo. La mitad de los encuestados reciben una lista de cuatro acciones que posiblemente podrían realizar mientras que la otra mitad recibe las cuatro opciones originales más una quinta opción, típicamente una medida corrupta. Dado que la asignación de la pregunta es aleatoria, tomar la simple diferencia en la media de la cantidad de acciones tomadas entre las dos preguntas debe indicar qué proporción de los encuestados han emprendido una acción corrupta. El experimento calcula que el 35 percent de los encuestados obtuvo una “recomendación de una persona con contactos”, la forma conocida en que las figuras relacionadas con la política promueven potenciales contrataciones de personal. Hay algunas pruebas que sugieren que esto es impulsado principalmente por los encuestados en la INSEP; sin embargo, evidencia cualitativa sugiere que la influencia política en las contrataciones de personal es aguda a través de las tres instituciones.

**Promoción:** Las respuestas hacia la promoción en gran parte reflejan aquellas hacia el reclutamiento. Una leve mayoría (53 percent) estaba en desacuerdo o muy en desacuerdo en cuanto a que los empleados eran promovidos por mérito. Aquellos que están bien informados sobre el proceso de promoción son más propensos a percibir el proceso como basado en el mérito, y conocer a las personas adecuadas se considera tan importante como el nivel de educación y la calidad del trabajo. Sin embargo, un experimento de encuesta similar al descrito anteriormente encontró menos uso de conexiones políticas externas en el proceso de promoción que en el reclutamiento.

**Paracaidistas y aportaciones a los partidos:** A pesar de los esfuerzos del gobierno para depurar las planillas de personas que ganan un salario pero que realmente no trabajan, el 41 percent de los encuestados (promedio entre las instituciones) perciben a los trabajadores paracaidistas como comunes o muy comunes. Esta percepción es más fuerte en la INSEP. Los empleados de la INSEP también son los más propensos a informar que una aportación al partido gobernante es deducida de su salario: el noventa y tres por ciento (93 percent) informó de dicha deducción. En SEDUC, pocos maestros reportaron el pago de la aportación; sin embargo, más de la mitad de los empleados administrativos encuestados lo reportaron. En SESAL más del 60 percent de los empleados por contrato pagan la aportación en comparación con el 9 percent de empleados permanentes.

**Contratación:** Como promedio entre instituciones, aproximadamente la mitad de los encuestados piensan que el proceso de contratación es justo, que produce bienes y servicios de alta calidad, y que da como resultado una buena relación calidad-precio. Se hicieron preguntas adicionales a aquellos con conocimientos sobre los procesos de contratación. Entre este grupo, el conocimiento de las personas adecuadas y la afiliación política se percibe como menos importante que la calidad o el costo del producto de un proveedor. Los encuestados generalmente coinciden en que existen controles adecuados, que las personas adecuadas se están en los comités de evaluación y que se respetan las decisiones del comité de evaluación. Los encuestados más conocedores consideran que la corrupción es ocasional, rara o inexistente en las compras directas; Sin embargo, una minoría considerable del 40 percent considera que la corrupción es común o muy común.

**Impacto de la ASJ:** Aproximadamente un tercio de los encuestados había observado el impacto de la ASJ (584 encuestados) en su institución. Si bien la mayoría de las explicaciones del impacto se presentaron en términos generales, tales como declaraciones sobre transparencia, algunos encuestados -sobre todo en la SESAL- señalaron mejoras específicas, como mejoras en la adquisición de medicamentos y suministros. A partir de la recolección de datos, los informes de la ASJ sobre el Programa Umbral solo se publicaron en la SEDUC, por lo que no deben ser interpretados como una evaluación del trabajo de la ASJ apoyado por el Programa Umbral. En la SEDUC, sin embargo, hubo algunas declaraciones que indican que el informe de la ASJ respaldado por el Programa Umbral fue leído y que la administración tomó medidas con base en sus hallazgos.

**Impacto del TSC:** Aproximadamente dos tercios de los encuestados habían observado el impacto del TSC. De las tres instituciones, los empleados en la SEDUC eran los que tenían más probabilidad de divulgar el impacto del TSC a nivel personal. Varios consideraron que existe un mayor riesgo de ser reprendidos por no hacer algo correctamente o no presentarse al trabajo como resultado del trabajo del TSC.

## Desarrollo de capacidades principales en APP (PPP 2.1)

**COALIANZA:** La organización principal para el diseño y la coordinación de las APP está bien provista de personal de salarios atractivos para sus Comisionados. El personal es relativamente inexperto y la memoria institucional es limitada debido a la alta rotación (típicamente contratos de un año entre el personal). Aunque COALIANZA cuenta con manuales de orientación internos bastante extensos, la institución no realiza bien la gestión de riesgos y aún quedan brechas importantes en la documentación de las aprobaciones de las APP. Un pago de 2 percent de comisión de éxito parece crear incentivos perversos para aprobar las APP y la organización presenta un alto riesgo de influencia política cuando se trata de elegir e imponer proyectos. Desde la aprobación de la Ley de APP en 2010, COALIANZA y los fideicomisos han liderado el proceso de desarrollo del proyecto con poca aportación de otras instituciones interesadas y con una fuerte dependencia de asesores externos. Estos factores se han combinado para producir un proceso de APP que no es el óptimo. Afortunadamente, los encuestados de COALIANZA estaban agradecidos y parecían estar tomando en cuenta la asistencia técnica de los consultores de la MCA, y la institución ha participado más recientemente en reuniones con otras instituciones participantes en las APP. En el momento de la línea de base, el Asesor de Concesiones Viales del Programa Umbral había organizado varios talleres en COALIANZA enfocados en la identificación de proyectos viables de APP. Muchos de estos talleres involucraron a otros actores relevantes, tales como la SEFIN/UCF.

**SEFIN/UCF:** Aunque la SEFIN debería haber sido el actor institucional responsable de la evaluación del riesgo financiero de las potenciales APP, hasta hace poco este papel había sido desempeñado por COALIANZA. No se habían realizado análisis de la relación calidad-precio (RCP) en APP actuales y futuras por parte de COALIANZA. En cambio, ha habido una fuerte dependencia del modelo financiero de un licitador de APP, que a menudo es defectuoso. Bajo la presión del FMI y con el apoyo del Programa Umbral, la SEFIN ahora cuenta con una Unidad de Contingencias Fiscales (UCF), que ya ha tenido éxitos tempranos en la reducción del riesgo financiero derivado de los proyectos de inversión bajo el esquema de APP. El personal de la UCF es percibido como profesional, comprometido y competente, aunque limitado en número y con responsabilidades considerables. Debido a la escasez de recursos humanos, la organización no ha podido desempeñar un papel tan importante como debería en las reuniones del Comité Técnico del Fideicomiso de APP. Además, el personal de la UCF parece funcionar a tiempo parcial y la organización tiene mucho que hacer para cumplir con sus responsabilidades de evaluar el riesgo financiero. Los consultores del Programa Umbral han trabajado estrechamente con la SEFIN/UCF, en particular para fortalecer los vínculos interinstitucionales con COALIANZA. El consultor del Programa Umbral ha incluido a la SEFIN/UCF en talleres de RCP conjuntamente con COALIANZA.

**SAPP:** La SAPP es responsable de la regulación, control y seguimiento de un contrato de APP posterior a su firma, supervisando específicamente al concesionario, asegurándose de que cumple con sus obligaciones contractuales. La institución tiene experiencia en la gestión de contratos APP, específicamente una concesión del aeropuerto



Toncontín en Tegucigalpa, la cual ha regulado con éxito desde 1999. La SAPP actualmente gestiona más de \$1000 millones en contratos de APP. Varios funcionarios de la SAPP procedían de COALIANZA y, por lo tanto, han conservado cierta memoria institucional. Sin embargo, la cantidad de personal sigue siendo una preocupación dada la gran cantidad de proyectos que se están preparando. La SAPP supervisa de forma regular y mensual sus proyectos, aunque la relación entre la institución y los supervisores de concesión de carreteras contratados por COALIANZA es a menudo poco clara. Desafortunadamente, la SAPP no participa en el ciclo de la APP hasta después de la firma del contrato, hecho que ha llevado a problemas de viabilidad después del hecho. Como resultado, la SAPP no ha podido pronosticar posibles problemas en sus contratos, en particular asuntos con respecto a los derechos de paso relacionados con las concesiones viales, lo que conduce a disputas contractuales y demoras prolongadas. Además, las modificaciones de contrato se han convertido en la norma en las APP. En el momento de la recolección de datos, la SAPP todavía no era un beneficiario sustancial de la asistencia del Programa Umbral, aunque se espera que la SAPP se beneficie de las consultorías respaldadas por el Programa Umbral.

**INSEP:** Como experto técnico en proyectos relacionados con infraestructuras, se espera que INSEP aporte opiniones técnicas durante todas las fases del proceso de APP para garantizar que las APP relacionadas con infraestructura sean viables, apropiadas y bien administradas. El equipo de evaluación encontró que INSEP tiene poca capacidad para participar en el desarrollo, adquisición y gestión de contratos de APP, así como en general poca participación con COALIANZA en la estructuración de APP. Además, INSEP carece de recursos humanos y materiales básicos: la mayoría del personal involucrado en la administración de proyectos APP tiene contratos de 3 a 6 meses y a veces la secretaría ni siquiera tiene fondos de transporte para asistir a reuniones fuera de la capital. Aunque cuenta con los expertos más técnicos para proyectos de carreteras, INSEP no participa en la fase de diseño de APP, aumentando la probabilidad de potenciales problemas en el futuro. Aunque INSEP y MCA-H firmaron recientemente un memorando de entendimiento a mediados de 2016, INSEP aún no ha establecido una unidad de APP y parece mostrarse reacia a hacerlo. Incluso con este apoyo inicial del Programa Umbral, la institución parece carecer de fondos suficientes para mantener la unidad si se establece. El personal de alto nivel de INSEP manifestó dudas sobre la capacidad de encontrar personal local calificado para tal unidad.

## Diseño e implementación de APP (APP 2.2)

Para los fines de este análisis, la actividad de APP para proyectos de infraestructura se ha dividido en cuatro etapas clave: (1) identificación, selección y evaluación de proyectos (identificación, pre-evaluación y aprobación de APP); (2) desarrollo de proyectos (estructuración de la APP entre los sectores pertinentes y las partes interesadas), (3) contratación (licitación de la APP a inversionistas externos del sector privado), y (4) la gestión post-firma de contratos a largo plazo.

Para explorar los cambios a lo largo del tiempo en el proceso de APP, el equipo de evaluación está llevando a cabo un estudio de caso comparativo de APP de las infraestructuras viales. En la línea de base exploramos cuatro casos, entre ellos el Corredor Logístico y el Corredor Turístico, ambos adjudicados en 2012. Estos representan la primera generación de APP en Honduras tras la aprobación de la legislación de APP de 2010. Otros dos casos, el proyecto San Pedro Sula (SPS) Siglo XXI y la CA-4, el primero que había sido adjudicado y el posterior que estaba todavía bajo contratación en el momento de la recolección de datos, pueden ser considerados la segunda generación de APP, ya que deberían haberse beneficiado del aprendizaje de las APP iniciales. Otros casos, como una APP para mantener el Corredor del Pacífico, que se beneficiará más sustancialmente de los consultores del Programa Umbral, puede ser agregada en la evaluación final.

**Identificación, selección y evaluación de proyectos:** La aprobación de la legislación de APP de 2010 se debió a la escasez de recursos fiscales disponibles a nivel del gobierno central y al consiguiente atraso en la inversión en infraestructura por parte del sector público. Es esta sensación de urgencia y presión política la que llevó al Gobierno de Honduras a desarrollar los corredores logísticos y turísticos como APP en lugar de un deseo de asegurar una relación calidad-precio sobre las contrataciones tradicionales del sector público. De hecho, no se realizó ningún

análisis para ninguna de las APP del estudio de caso para comparar las opciones de contratación y justificar el recurrir a la opción de APP más compleja y costosa. También ha habido una coordinación interinstitucional muy limitada para determinar qué proyectos deberían priorizarse y desarrollarse como APP. El Programa Umbral ha estado trabajando con la nueva Unidad de Contingencias Fiscales (UCF) de la SEFIN para garantizar que COALIANZA proporcione el análisis financiero necesario del proyecto propuesto, sin embargo, COALIANZA no ha realizado hasta la fecha un análisis de relación calidad-precio. El Programa Umbral también apoya el desarrollo de un plan plurianual de inversión vial. Este plan también debe ayudar en este proceso, sin embargo, queda por ver hasta qué punto ese plan proporcionará una base para un proceso formal de identificación, selección y evaluación de proyectos.

**Desarrollo y preparación de proyectos:** El desarrollo de los proyectos de APP del Corredor Logístico y el Corredor Turístico fue realizado por COALIANZA con el apoyo de asesores de transacciones externas. Los entrevistados expresaron su preocupación por la calidad del trabajo realizado por los asesores de transacción, que se basó demasiado en la experiencia peruana sin aprender lecciones de las deficiencias del caso peruano o adaptar el modelo a las necesidades hondureñas. Hay una serie de problemas que estos proyectos han encontrado en la etapa de construcción actual que son el resultado de errores cometidos durante la fase de desarrollo. Estos incluyen no dar tiempo suficiente al gobierno para resolver los problemas de derecho de vía y la transferencia oportuna de títulos de propiedad; análisis inadecuado de la demanda y proyecciones erróneas de ingresos subsecuentes, y una distribución inadecuada del riesgo entre el gobierno y el concesionario. Además, la falta de coordinación interinstitucional y la virtual no participación de la SAPP y de la INSEP en el proceso de desarrollo y preparación exacerbó estos problemas. Por el contrario, este último proyecto de la CA-4 parece haber suscitado una mayor participación de la INSEP en el proceso; y los consultores del Programa Umbral, quienes se involucraron después de un esfuerzo de contratación fallida en 2015, están trabajando para alentar dicha cooperación, sugiriendo algo de aprendizaje a lo largo del tiempo.

El proyecto SPS Siglo XXI fue una propuesta no solicitada (PNS) y el proyecto fue desarrollado por el inversionista del sector privado. COALIANZA, responsable de la debida diligencia en el diseño, no detectó que el registro de vehículos en el que el promotor había basado su cálculo de ingresos estaba desactualizado y contenía un número significativo de vehículos que ya no existían ni detectó la sustancial subestimación del costo de inversión. Parece que hubo un fuerte apoyo político para que este proyecto avanzara.

**Contratación:** Debe tenerse en cuenta el hecho de que tanto el Corredor Logístico como el Turístico encontraron licitadores y adjudicatarios, lo que es un logro significativo y encomiable en sí mismo. El proceso de contratación de APP de Honduras intenta reducir la discreción y las oportunidades de corrupción. No obstante, el enfoque de “marcar la casilla” o “aprobar/rechazar” (las empresas cumplen los criterios o no) y el criterio del precio único (los criterios de evaluación se limitan a los precios de peaje cobrados) no son lo suficientemente sofisticados teniendo en cuenta la complejidad y la naturaleza a largo plazo de la relación contractual. Además, de acuerdo con la normativa vigente, no puede haber contacto entre el patrocinador del sector y los licitadores una vez que éstos hayan presentado sus propuestas técnicas. Sin embargo, la complejidad de las propuestas de APP requiere a veces que el patrocinador del sector público recurra a una forma de “diálogo competitivo” para refinar las necesidades del sector público y la forma en que éstas se expresarán contractualmente.

En el caso del proyecto de APP SPS Siglo XXI, si bien las regulaciones que rigen la gestión de las PNS permiten la competencia, COALIANZA no proporcionó a otras empresas la asignación de tiempo máxima de 90 días que otros licitantes hubieran requerido para preparar las propuestas. Esta falta de competencia, junto con otros aspectos de este proyecto, ha alimentado la especulación de que el proyecto fue impulsado inapropiadamente con un alto nivel de apoyo político. Las futuras PNS también estarán en riesgo de tener influencia política.

La licitación inicial para la CA-4 no atrajo licitantes y tuvo que ser cancelada. Hubo una serie de problemas con la contratación pública que la hicieron poco atractiva a los inversionistas privados. Los entrevistados reportaron que



la presión política para completar el proyecto en la actual administración llevó a un cronograma de proyecto poco realista y desplazó la responsabilidad de obtener y soportar los costos de derechos de paso enteramente al sector privado, a pesar de que carecía del poder de eminente dominio. El proyecto fue rediseñado para abordar estas preocupaciones. Además, se revisó la licitación para analizar los riesgos fiscales innecesariamente altos derivados de garantías de ingresos mínimos que probablemente se habrían activado (dadas las estimaciones de la demanda) y eran más altos de lo necesario para proporcionar una tasa de retorno de mercado.

**Gestión de contratos y supervisión de proyectos:** Tanto el Corredor Logístico como el Corredor Turístico se han enfrentado a grandes desafíos de gestión de contratos. Los problemas incluyen problemas de diseño y enrutamiento no resueltos, plazos demasiado ambiciosos, desafíos para obtener los derechos de paso, dificultades para agregar nuevas obras a los contratos, daño a la infraestructura existente de fibra óptica e iluminación pública, mala distribución del riesgo de eliminación de escombros y protestas sociales. En el caso del proyecto SPS Siglo XXI, la concesionaria se había retrasado, no había invertido los recursos adecuados y estaba llevando a cabo trabajos considerados de baja calidad. La ejecución del proyecto se ha visto gravemente obstaculizada por el hecho de que el propietario de Esmeralda, el accionista del 40 percent del consorcio ganador, es una figura destacada en un reciente escándalo de lavado de dinero de Banco Continental.

Muchos de estos problemas se derivan de las limitaciones de los contratos originales, que podrían haberse evitado con una mayor participación de la INSEP, la SAPP y la UCF en el proceso de desarrollo y contratación. Además, el proceso de gestión y supervisión de contratos se ha visto obstaculizado por la falta de claridad en las funciones entre la SAPP, un tercero a cargo de la supervisión y la INSEP. La posición dominante de la SAPP en la fase posterior a la firma parece haber dado lugar a una medida de inercia por parte de la INSEP, que como se mencionó anteriormente, se ha tardado en comprometerse plenamente con sus responsabilidades de gestión de contratos. Cabe señalar que, en muchas jurisdicciones, la gestión de contratos es la principal responsabilidad de la institución patrocinadora (es decir, la INSEP), en lugar de cualquier otro regulador. Una vez más, parece haberse seguido el modelo peruano (en el que una institución ajena que no había estado involucrada en el proceso de diseño y negociación de proyectos supervisó una APP después de la firma) sin tener debidamente en cuenta sus limitaciones. Independientemente de la estructura, existe una clara necesidad de mayor participación de la INSEP y la SAPP en etapas anteriores del proceso.

**FIDE:** El último aspecto del apoyo a las APP por parte del Programa Umbral incluye apoyo financiero para mejorar los procesos de registro de nuevos negocios y para obtener permisos de exportación-importación mediante la creación de una ventanilla única desarrollada y ejecutada a través de una APP con la ONG FIDE Inversión y Exportaciones. En la línea de base, el equipo de evaluación encontró que entre los procesos a los que se dirige FIDE en el marco de la financiación del Programa Umbral, los mayores retrasos se producen en la fase de registro de empresas. En promedio, el registro de un negocio toma 3-4 meses, pero puede extenderse a más de 2 años para algunas empresas. Las pequeñas empresas soportan el peso de este retraso, ya que a menudo carecen de recursos financieros, humanos y/o legales para dar seguimiento a sus solicitudes y presionar para su aprobación. El trabajo en la ventana de un solo pagador de FIDE, que existirá en la forma de un portal en línea llamado MiEmpresaEnLínea y que busca agilizar el proceso de registro de empresas, se ha retrasado severamente debido a problemas de contratación con el gobierno como resultado principalmente de cambios frecuentes en la administración desde 2011. Los trabajos en el portal se han iniciado recientemente a partir de enero de 2016 y, además de un plazo desconocido para la finalización del portal, no hay un plan para su mercadeo futuro al público en general. EmprendeGuía, un recurso en línea que difunde información al público en general sobre cómo iniciar un negocio, es funcional, aunque no sea ampliamente conocido o utilizado. FIDE tiene la intención de promocionar a EmprendeGuía junto con MiEmpresaEnLínea una vez que este último esté funcionando.

FIDE está avanzando considerablemente en la armonización de la información y documentación en torno al proceso de obtención de permisos de importación o exportación en Honduras. La ONG está trabajando en estrecha colaboración con hasta 14 diferentes instituciones gubernamentales con el objetivo de facilitar y racionalizar el proceso y reporta una buena relación de trabajo con estos socios. FIDE espera que como resultado de sus

actividades haya un impacto positivo en la evaluación final en los principales indicadores relacionados con los indicadores de “facilidad para hacer negocios” del informe anual Doing Business del Banco Mundial.

# 1 INTRODUCTION

---

On August 28, 2013, the Millennium Challenge Corporation (MCC) and the government of Honduras (GoH) signed a Grant Agreement for an MCC Threshold Country Program (TCP) valued at USD 15.6 million. The goal of MCC's Threshold programs is to assist countries in becoming eligible to receive MCC funding through a Compact agreement by supporting targeted policy and governmental reforms that are aimed at addressing constraints to economic growth. In the case of Honduras, the TCP aims to increase the efficiency and transparency of public financial management (PFM) and public private partnerships (PPP). While TCPs typically last for three to four years (to end in August 2017), due to delays in the start of implementation, the TCP has been extended and will conclude in August 2018.

Social Impact (SI) was contracted by MCC to develop and conduct an evaluation of the Honduras TCP. An evaluation approach was approved in October 2015 and baseline data collection began in March 2016. This report presents baseline data and findings. The report begins with background information on PFM and PPP challenges in Honduras and then explores the TCP response to these challenges, including the goals and objectives of the TCP and the activities under the Threshold Agreement. Then the evaluation questions are presented along with an overview of the methodology for answering the questions. The findings section of the report is organized based on the intervention and proceeds through the four parts of the PFM activities and the two parts of the PPP activities.

## 1.1 Background

### 1.1.1 PFM

Honduras faces a number of economic, social, and political challenges that negatively affect investment and economic growth. These include crime and insecurity, increased public debt, poor infrastructure, an inefficient government bureaucracy, and burdensome regulations. MCC carried out a constraints to economic growth analysis in 2013 in the lead up to the Threshold Program and found that (1) crime and security and (2) transparency and government inefficiency were the most important constraints to economic growth.<sup>19</sup>

As Honduras did not meet MCC's performance standards indicators for the rule of law, government effectiveness, and control of corruption, the TCP focuses on the second constraint. As evidenced by the following discussion, the latter constraint, i.e., transparency and government inefficiency, have emerged as the major constraints to economic growth for Honduras.

---

<sup>19</sup> U.S. Millennium Challenge Corporation, "Honduras Constraints Analysis," Washington DC: 2013, 18. A recent World Bank report indicates that violence generates costs of up to 10 percent of GDP annually to businesses. See World Bank, "Overview" (2014) <http://www.worldbank.org/en/country/honduras/overview>.

- In the 2014 Corruption Perceptions Index, Honduras scored 29 out of 100 and ranked 126 out of 175 countries.<sup>20</sup>
- Political protests are on going in the wake of a major corruption scandal in the Honduran Social Security Institute.<sup>21</sup>
- Businesses surveyed as part of the World Economic Forum on Global Competitiveness Index reported that after crime and theft, corruption and inefficient government bureaucracy were the most common obstacles to doing business in Honduras.<sup>22</sup>
- The World Bank's *Doing Business* report ranks Honduras among the worst countries in the world in terms of enforcing contracts, protecting investors, and starting a business.<sup>23</sup>

A recent Public Expenditure and Financial Accountability (PEFA) assessment on the soundness of PFM in Honduras explained how certain practices contributed to government inefficiencies and potential corruption.<sup>24</sup> The assessment found that the poor quality of budget formulation and execution led to: (a) payment arrears, which cause vendors to set higher prices of goods and services, and (b) prioritization of payments based on political influence, subjective criteria, or bribes, which also increase costs in terms of both time and money. According to the IMF, arrears in Honduras accounted for 3.0 percent of GDP in 2013.<sup>25</sup> The TCP has developed a series of activities to address problems of corruption, budgeting, payment arrears, and other aspects of public financial management.

### 1.1.2 PPP

During the National Party presidency of Porfirio Lobo Sosa (2010-2014), there was a strong push to develop PPPs in Honduras. Legislation passed in 2010 created the Commission for the Promotion of Public-Private Partnerships (Comisión para la Promoción de la Alianza Público-Privada - COALIANZA), which reports directly to the president and is tasked with developing and structuring PPPs. To a significant extent, the overall structure of the Honduran PPP program is based on a PPP model developed in Peru, with COALIANZA playing a PPP-structuring role comparable to the part played by PROINVERSION in Peru. As of February 2016, COALIANZA had awarded five PPP projects, including two highway expansion and maintenance concessions along what are known as the Logistics Corridor and the Tourist Corridor. COALIANZA currently is assessing another 25 potential PPP projects.

The establishment of COALIANZA as a central PPP project development entity reporting directly to the Presidency was seen as a means to prioritize PPPs and ensure that they did not fall victim to the institutional weaknesses and delays common in GoH ministries. As the projects required

---

<sup>20</sup> Transparency International. Corruption Perceptions Index 2014. (2015) <http://www.transparency.org/country#HND>

<sup>21</sup> Malkin, Elisabeth. "Wave of Protests Spreads to Scandal-Wearied Honduras and Guatemala." *The New York Times*: (2015, June 12).

<sup>22</sup> U.S. MCC, *Honduras Constraints Analysis*, 19

<sup>23</sup> World Bank. *Doing Business in Honduras* (2015) <http://www.doingbusiness.org/data/exploreeconomies/honduras/>

<sup>24</sup> Renee Hendley, *Honduras Informe del Desempeño de la Gestión de las Finanzas Públicas (PEFA) Informe Final*, (NORC University of Chicago, 2013), 1-4

<sup>25</sup> International Monetary Fund, *Honduras Request for a Stand-By Arrangement and an Arrangement under the Standby Credit Facility – staff report; Press Release*, (Washington D.C.: International Monetary Fund, 2014), 9-10.

congressional approval, the Lobo administration moved quickly to push through as many potential PPP infrastructure projects as possible while the National Party controlled the Congress. Although the projects were not necessarily ready, the administration and its allies in Congress approved the transfer of projects to trusts (*fideicomisos*) controlled by the GoH but managed by financial institutions. The *fideicomisos* would act as agent for the GoH to develop the project and run the tenders. The *fideicomiso* arrangement permitted the GoH to avoid submitting the final contracts to Congress for their examination and some 25-to-29 trusts were created in this manner at that time.

While establishing a new agency to develop and structure the PPPs has advantages, scoping trip interviews suggest that current PPP efforts suffer from many of the same weaknesses experienced by Peru in the early years of its program. For example, there has been inadequate inter-institutional coordination and consultation by COALIANZA with the Finance Secretariat (Secretaría de Finanzas - SEFIN) and with the Infrastructure and Public Services Secretariat (Secretaría de Infraestructura y Servicios Públicos - INSEP), the sponsoring ministry responsible for overseeing the eventual contract. At the time of the negotiation and conclusion of the first PPP/concession projects, COALIANZA did not consult with SEFIN about the fiscal implications of the liabilities being underwritten through the contracts. Because INSEP was not involved in the initial concessions and because of low regulatory capacity, INSEP ran into several difficulties in managing the contract. Furthermore, COALIANZA receives a commission of 2 percent of the contract on signed contracts, which creates a strong incentive for COALIANZA to get deals signed regardless of the terms. As a result, there are doubts about the quality of existing projects.

Some of the limitations have been addressed. For example, recent legislation created a Fiscal Contingencies Unit (Unidad de Contingencias Fiscales – UCF) within SEFIN to assess the risk of potential concessions at different phases of the process (e.g., planning, design, preparation of bidding documents, tendering, contract negotiation, construction, and operation).<sup>26</sup> This approach is expected to improve the PPP development process by providing SEFIN with veto power within the Cabinet if a PPP project does not conform to international best practice.

Scoping trip interviews suggest that contracts signed to date in the roads sector were weakly structured and included many out-of-date terms and conditions. Preliminary assessments indicate that little attention was paid to the feasibility of the contracts. For example, the contracts gave the government insufficient time to acquire land titles or environmental permits, which had the effect of later generating significant delays and cost overruns. Further, the basis of calculation for the Minimum Guaranteed Income mechanism was inadequate, and the contracts contained very little provision for contract amendments.

As a result of these deficiencies, there is clearly the need for external support from MCC. Rather than move quickly on numerous projects, the GoH needs a means to prioritize projects. While SEFIN has newfound authority to consider the fiscal risks, the agency needs technical support to take on this new responsibility. Although there is recognition that INSEP needs to play a larger role in road

---

<sup>26</sup> Decreto 115-2014. La Gaceta (2014, Dec. 30)

[http://www.tsc.gob.hn/leyes/Ref\\_articulos\\_ley\\_promocion\\_alianza\\_publico\\_privada.pdf](http://www.tsc.gob.hn/leyes/Ref_articulos_ley_promocion_alianza_publico_privada.pdf)

concessions, it lacks the necessary human capacity to manage such contracts. As such, the TCP-PPP intervention has been developed to target these deficiencies.

## 1.2 Threshold Goals and Objectives

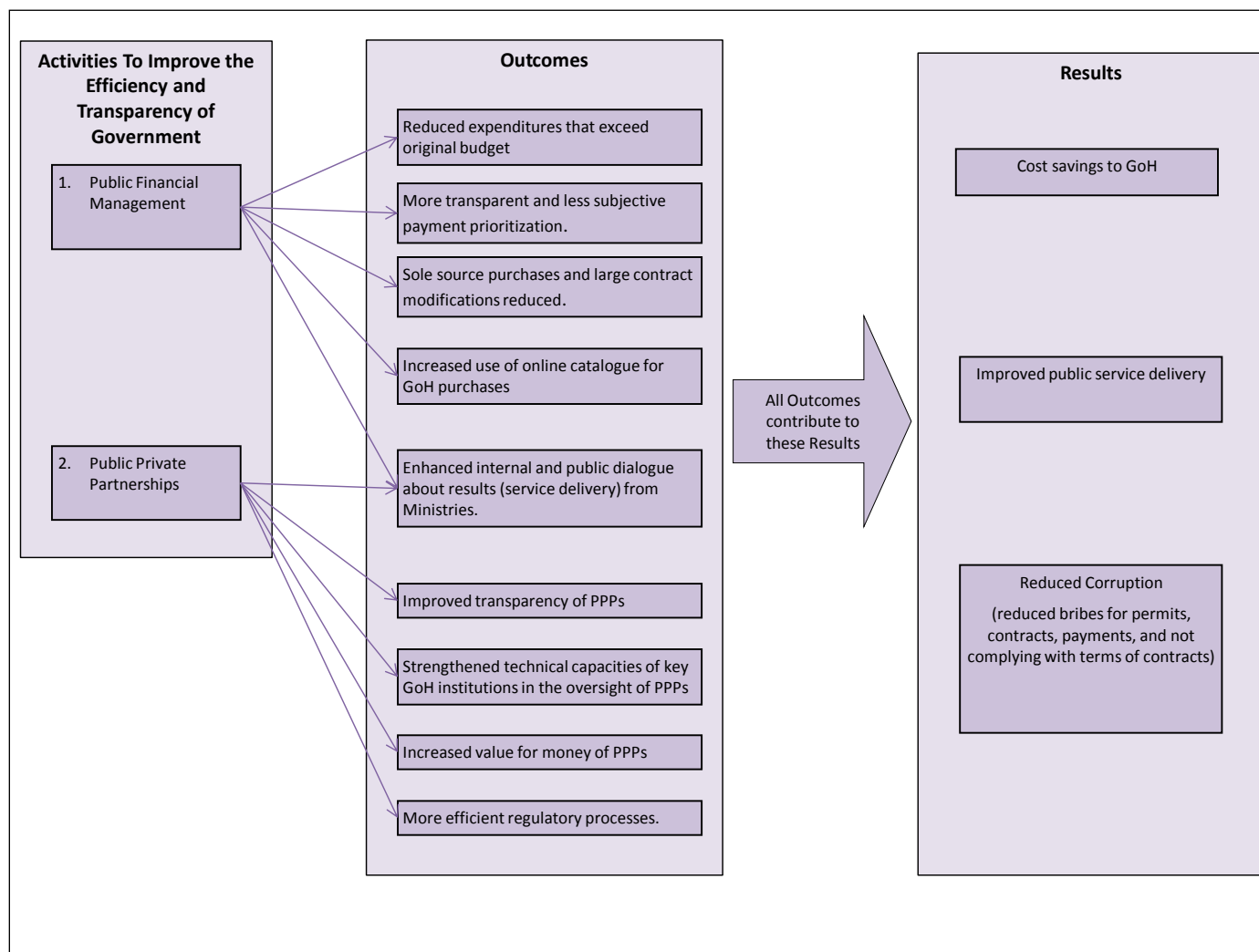
The goal of the Threshold Agreement is to assist Honduras to become eligible for a Millennium Challenge Compact. The agreement aims to address constraints to the country's economic growth through institutional and policy reform. The objective of the program is to "increase the efficiency and transparency of the Government" through technical assistance in two areas: public financial management (PFM) and public private partnerships (PPPs).<sup>27</sup>

The expected outcomes and higher-level results of the PFM and PPP projects are summed up in Figure 1. As shown, the TCP aims to increase cost savings, improve public service delivery, and reduce corruption. The TCP seeks to obtain these objectives through a wide range of interventions, primarily based on embedding international experts as consultants within Honduran government institutions.

---

<sup>27</sup> U.S. Millennium Challenge Corporation. *"Millennium Challenge Account Threshold Program Grant Agreement"*, (2013) 1.

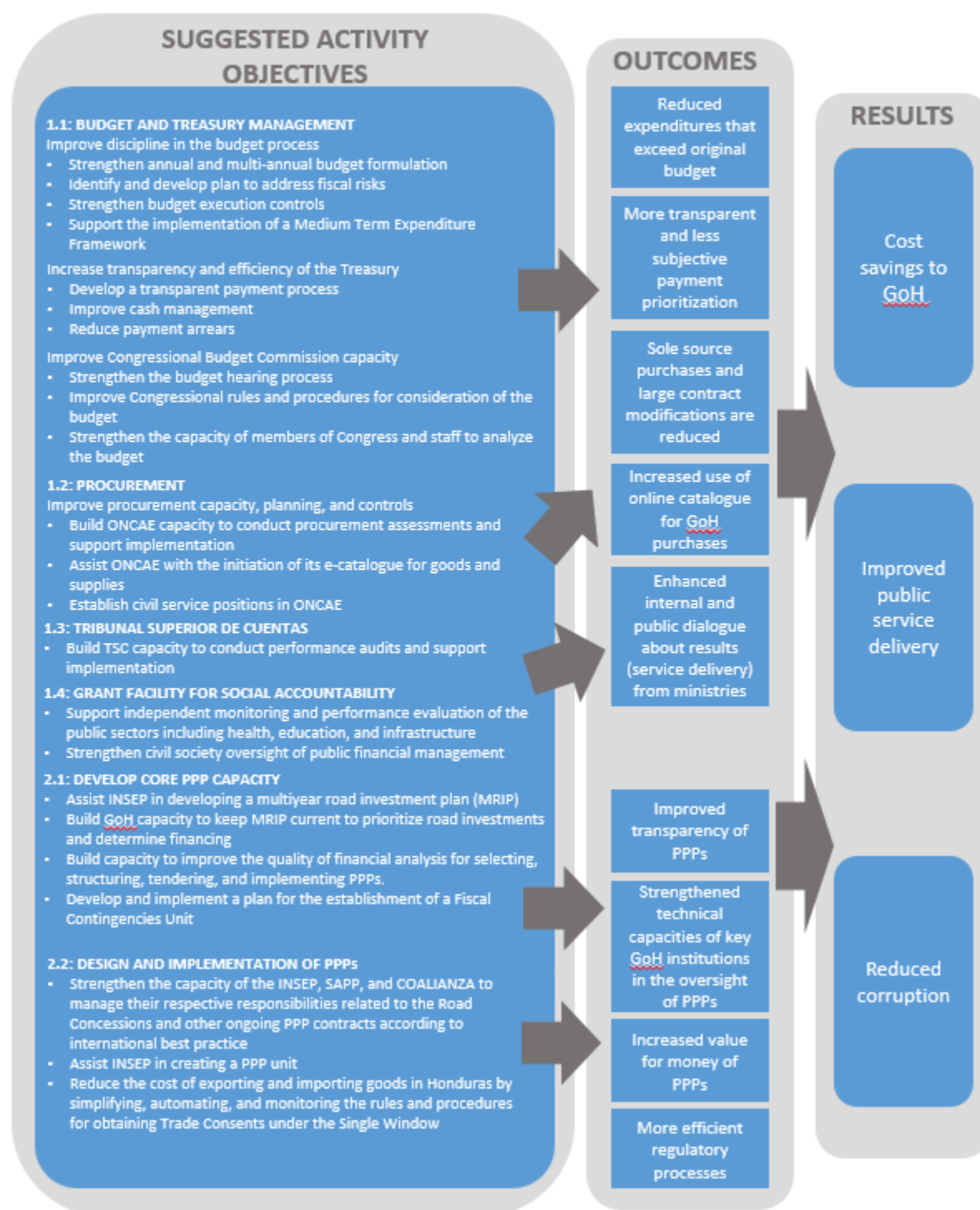
**Figure 1: Honduras Threshold Program Logic**



Source: Honduras Threshold M&E Plan

While the TCP only has a high-level official Project Logic, the evaluation team used consultant terms of reference (TORs) and TCP documentation to develop a more detailed program logic, which is summarized in Figure 2 below. To be clear, this is not an official MCC-developed Project Logic, but it does attempt to link the many intermediate-level outcomes of the individual activities and sub-activities to the higher-level program logic. The figure shows how individual activity level objectives (e.g., strengthen annual and multiannual budget formulation) are hypothesized to lead to TCP outcomes (e.g., reduction in the number of expenditures that exceed the original budget), which in turn should lead to TCP results (e.g., cost savings).

**Figure 2: Unofficial TCP Project Logic**



Source: Authors' elaboration



The evaluation team’s understanding of the theory of change implicit in the TCP is that PFM and PPP consultants are working with GoH to improve officials’ ability to do their jobs. They are providing technical assistance, developing new processes, and recommending ways to reform existing processes. The theory of change further supposes that the consultants’ efforts will lead to measurable improvements in GoH officials’ job performance, which will lead to cost savings and improved public service delivery. For example, procurement advisors are working with the ONCAE to improve its oversight capacity and processes. It is posited that improved oversight of procurement will lead to better procurements, and better procurements will lead to cost savings to the government. The evaluation’s data collection activities address the steps outlined in this theory of change.

## 1.3 Threshold Activities

### 1.3.1 PFM

Government inefficiency, corruption, and a lack of transparency impose direct and indirect costs to businesses in time, money, and poor quality services and infrastructure. They also result in less value for money for government investments in infrastructure development and service provision. The Honduras TCP supports the GoH in improving transparency and government efficiency in four broad areas of PFM – budget, procurement, audit control, and civil society oversight – in order to foster economic growth and make Honduras eligible for an MCC Compact Program.<sup>28</sup> We draw on the Threshold Agreement, the M&E Plan, the PFM Project Description, and interviews in providing the following summaries.

#### *Activity 1.1 Budget and Treasury Management*

“This Activity is designed to strengthen budget formulation and execution in the executive and legislative branches by:

- Supporting technical assistance and training for the Ministry of Finance and line ministries to improve budget analysis and treasury management, including budget forecasting, establishing adequate controls, strengthening the Treasury Single Account and payment prioritization.
- Supporting technical assistance and training for the CBC to improve congressional budget oversight capacity; improve congressional budget discipline by developing safeguards to ensure planned deficit targets are not breached; and provide better analysis and transparency regarding the cost implications of congressional mandates.”<sup>29</sup>

With one residential advisor and several short-term advisors, the Office of Technical Assistance (OTA) of the U.S. Department of Treasury is the primary implementing partner for Activity 1.1. In the area of improving discipline in the budget process and developing a medium-term expenditure framework, OTA advisors provide training and technical assistance in the use of new budget forecasting and fiscal impact analysis methodologies and work with SEFIN to improve the reliability

---

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

of multi-year revenue and expenditure forecasts, improve government strategy around the use of these forecasts, and analyse the fiscal impact of new policies and investment projects. OTA also supports work to improve treasury management and reduce payment arrears by developing a transparent process for prioritizing payments, implementing standardized banking agreements, and integrating government agencies into the single treasury account (CUT). OTA is partnering with the CBC of the National Congress to improve the process for budget hearings and the information provided before, during, and after hearings. TCP-funded efforts aim to improve congressional budget discipline by structuring procedures to analyze budgetary and economic impacts.

### ***Activity 1.2 Improving Procurement Capacity, Planning, and Controls***

“This Activity is designed to increase the transparency, accountability and quality of public procurement and service delivery by:

- Supporting technical assistance for ONCAE and other government entities to improve procurement transparency and controls by promoting compliance with existing national law and international agreements and, where needed, changing norms and/or current practices and providing training in areas such as sole source contracting, proper oversight of contract modifications, and ensuring fund availability;
- Supporting the expansion of ONCAE’s online supply catalogue (an application within Honduras’s E-procurement system, HonduCompras) to enable ministries to purchase goods and services at lower prices and with reduced administrative burden and fiduciary risk;
- Increasing coordination between ONCAE and the Supreme Audit Tribunal (Tribunal Superior de Cuentas – TSC) to ensure that established procurement norms are properly audited to ensure compliance.”<sup>30</sup>

Two technical advisors from OTA have completed their work in support of launching ONCAE’s E-catalogue, reviewing ONCAE’s information technology system, and initiating civil service reforms. MCA-H contracted two additional resident procurement advisors in November 2015 to design a procurement assessment methodology and mentor ONCAE staff in conducting these assessments and other staff activities. MCC is also funding ONCAE’s Online Catalogue Help Desk staff and its Procurement Statistics and Evaluation Unit under a Memorandum of Understanding with ONCAE that requires ONCAE to assume these positions after MCC funding ends.

### ***Activity 1.3 Improving Capacity of the TSC***

“This Activity is designed to strengthen the capacity of the TSC in specialized auditing and to support audits of the new controls introduced under the Public Financial Management Project. Proposed interventions include:

- Support for audit training, including in performance audits, forensic audits (in coordination with the Public Ministry) and procurement audits, as well as the potential provision of associated equipment. In each case, Grant funding will not be used for a training under this

---

<sup>30</sup> *Ibid.*

Activity until the TSC has established a plan acceptable to MCC for how such new skills will be utilized in future audits, detailing the timeline and staff for such audits; and

- Support for specific audits of new controls introduced, either under the Program or by the Government, in procurement, budget commitments, payments or other areas of public financial management.”<sup>31</sup>

#### **Activity 1.4 Grant Facility for Social Accountability**

“This Activity is designed to increase demand for greater accountability and responsiveness from Honduran public officials and service providers with the ultimate objective of improving national and/or municipal government efficiency and/or effectiveness. To do so, the Activity will support grants to Honduran civil society organizations (CSOs) to undertake social accountability projects that assess the quality of spending and service delivery in order to increase government accountability.

- Selected CSOs will receive financial support, training, and external expertise to undertake a social accountability activity with the objective of improving the delivery of a specific national or municipal service.”

MCC/MCA-H awarded a grant to a local chapter of Transparency International, the Association for a More Just Society (Asociación para una Sociedad más Justa-ASJ), to conduct a series of civil society led assessments of government agencies. No additional awards had been issued as of baseline data collection.

### **1.3.2 PPP**

The PPP aspects of the TCP are divided into two sets of activities: Activity 2.1: Develop Core PPP Capacity, and Activity 2.2: Design and Implementation of PPPs. We draw on the Threshold Agreement, the M&E Plan, and the PPP Project Description in providing the following activity summaries.

#### **Activity 2.1 Develop Core PPP Capacity**

“This Activity is designed to improve the capacity of, and procedures utilized, by GoH agencies with key PPP responsibilities to develop and implement PPPs in accordance with best practice, including by:

- Supporting COALIANZA in developing manuals and internal procedures needed to properly (1) select, prioritize, structure, and award PPP projects, and (2) disseminate information about PPP projects in order to sustain public support and investor interest in PPPs;
- Supporting SEFIN in properly identifying and managing fiscal risks in its PPP portfolio, including the development of internal procedures and manuals and implementation of related training.”<sup>32</sup>

---

<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*

More specifically, MCC is funding:

- A Multiyear Road Investment Plan (Plurianual Plan de Inversiones Viales - PPIV) consultant, who will build on work funded by the World Bank (WB) and Inter-American Development Bank (IDB), to support the GoH in developing (1) a Multiyear Road Investment Plan that will consider both costs and benefits, value for money, and financing options, and (2) a strategy for strengthening GoH capacity to maintain continuous updates the PPIV.
- A PPP financial advisor to strengthen the capacity of SEFIN, COALIANZA, and other GoH entities (as needed) to effectively conduct the financial analysis required to properly screen, prioritize, select, analyze, structure, tender, and implement PPP projects.

MCC and GoH have discussed modifications, including a GoH commitment to hire a consultant to implement the strategy for strengthening government capacity, to keep the PPIV current. The parties are considering how this subsequent work will be funded. In addition, because other donors are supporting upstream PPP work, MCC will no longer support upstream activities outside of the PPIV. Both the PPIV consultant and PPP financial advisor had recently started their work at the time of baseline data collection.

### **Activity 2.2 Design and Implementation of PPPs**

“In order to institutionalize best practices and reinforce Activity 2.1, this Activity is designed to support specific current and potential PPPs by:

- Providing specialized technical assistance for the GoH regarding the administration of current PPPs, specifically, the Logistic Corridor and Tourist Corridor concessions, in accordance with best practice.”<sup>33</sup>
- Providing specialized technical assistance for the GoH to facilitate the administration of current PPPs and to identify and analyze options for structuring a new PPP. This activity focuses on the Secretariat of Infrastructure and Public Services (Secretaría de Infraestructura y Servicios Públicos - INSEP).”

To carry out these activities, MCC is funding a Road Concessions Advisor to assist INSEP in setting up a PPP unit. This unit will manage the Logistic Corridor and Tourist Corridor concessions, prepare for future PPPs, and liaise with COALIANZA in the prioritization and development of PPPs. The advisor will also help to build the capacity of the Superintendent of Public Private Partnership (Superintendencia de Alianza Pública Privada- SAPP) to regulate concessions and other signed PPPs.

While the original intention of the agreement was to focus on a PPP in the electricity sector, the National Electric Energy Company (Empresa Nacional de Energía Eléctrica – ENEE) is already receiving support from the International Finance Corporation (IFC) . As a result, MCC will provide

---

<sup>33</sup> *Ibid.*

support for the Pacific Corridor road maintenance PPP and to a lesser extent, the CA-4 road maintenance PPP.

MCC is also providing financial support to FIDE,<sup>34</sup> a Honduran nonprofit organization that has a PPP concession to simplify, automate, and monitor the rules and procedures of three target processes: starting a business, obtaining importing and exporting permits, and obtaining environmental licenses. Businesses and individuals will be able to apply for these permits through the soon-to-be-established website, MiEmpresaEnLínea.

---

<sup>34</sup> At the time of writing it was reported that MCA-H is expected to terminate the agreement with FIDE and either discontinue any further support for the project or execute a new grant agreement with an entity that is best able to implement the project..

## 2 EVALUATION TYPE, QUESTIONS, AND CHALLENGES

---

Social Impact has been tasked to “assess the program design and implementation to develop the most rigorous evaluation design feasible, whether it is a performance or impact evaluation, and identify the most appropriate evaluation methodology feasible given the context.”<sup>35</sup>

An **impact evaluation** is defined as:

A study that measures the changes in income and/or other aspects of well being that are attributable to a defined intervention. Impact evaluations require a credible and rigorously defined counterfactual, which estimates what would have happened to the beneficiaries absent the project. Estimated impacts, when contrasted with total related costs, provide an assessment of the intervention’s cost-effectiveness.<sup>36</sup>

It will not be possible to estimate a credible and rigorously defined counterfactual through experimental methods, and, as such, the evaluation team will conduct a performance evaluation involving a pre and post comparison. A **performance evaluation** is defined as:

A study that seeks to answer descriptive questions, such as: what were the objectives of a particular project or program, what the project or program has achieved, how it has been implemented, how it is perceived and valued, whether expected results are occurring and are sustainable, and other questions that are pertinent to program design, management, and operational decision making. MCC’s performance evaluations also address questions of program impact and cost-effectiveness.<sup>37</sup>

The inability to define a counterfactual led to a reformulation of some of the evaluation and research questions originally proposed by MCC. <sup>38</sup> In some cases, questions were maintained with a recognition that there will be limits to the evaluation team’s ability to confidently answer the question. For example, TCP program logic posits that the program will lead to cost savings to the GoH and improved service delivery to the public. The proposed evaluation questions, therefore, ask if the TCP achieved these outcomes. While the evaluation will be able to speak to these questions, the evaluation design will not allow the evaluation team to determine if the TCP, as a whole, led to cost savings for the GoH, for example. Instead, the team will look for cost savings and service improvements in response to specific TCP interventions (e.g., cost savings from support for the

---

<sup>35</sup> Social Impact and the Millennium Challenge Corporation. 2014. “Evaluation Design and Implementation Services for Honduras.” – MCC-13-BPA-0017. Sept. 2014. Section: C.2.7.5.1, pg.14.

<sup>36</sup> *Ibid*, C.2.3.1, pg. 5

<sup>37</sup> *Ibid*. C.2.1.3.2, pg. 5

<sup>38</sup> See the design document for a detailed discussion: Daniel Sabet, Mario Martinez, Nick Livingston, Irma Romero, Jordan Fulp, and Nathan Youngblood. Evaluation Design Report: Millennium Challenge Corporation: Honduras Threshold Program. Social Impact. (2015).

electronic catalogue) and explore if the TCP “contributed” to an outcome rather than determine the “independent effect” of the TCP on the outcome, often taking into account the perceptions of key informants and elucidations of survey respondents. Table 1 provides a list of the evaluation and research questions and the data sources that will be used to answer them. In the following section, we explore the methodology used to answer these questions.

**Table 1: Evaluation questions**

Relevant activities	Questions	Evaluation methodology
TCP	<p>Were the Threshold Country Program Goals and Outcomes, as outlined in the Threshold Country Program document and M&amp;E Plan, achieved? Why or why not?</p> <p>Did the TCP assist Honduras to become eligible for a Millennium Challenge Compact?<sup>39</sup></p> <p>Did the PFM Project increase the efficiency and transparency of Public Financial Management?<sup>40</sup></p> <p>Did the TCP improve the efficiency and transparency of PPPs?</p>	<p>Changes in Honduras’s country scorecard; PFM and PPP group interviews focused on efficiency (budget, audits, PPP, FIDE, treasury); comparison between budgeted and outturns of public revenues and expenditures and other fiscal variables; document reviews and content analysis focused on transparency (budgeting, treasury, procurement, Congress); process evaluation; key informant interviews (KIIs); document reviews</p>
TCP	<p>What were the results of the interventions – intended and unintended, positive or negative?<sup>41</sup></p>	<p>Monitoring data on select indicators supported by qualitative data from KIIs with consultants, GoH POCs, and MCC/MCA-H</p>
TCP	<p>What are the lessons learned and are they applicable to other similar projects?</p>	<p>KIIs with consultants, GoH POCs, and MCC/MCA-H</p>
TCP	<p>What is the likelihood that the results of the Program will be sustained over time?</p>	<p>KIIs with consultants, GoH POCs, and MCC/MCA-H</p>

<sup>39</sup> Because of changes in Honduras’s income status, it is unlikely that the country will be eligible for a Compact.

<sup>40</sup> Efficiency improvements are understood as performing operations with reduced time and effort. Effectiveness improvements are understood as better accomplishing PFM objectives. For this evaluation, we will be looking at both efficiency and effectiveness.

<sup>41</sup> MCC uses “results” in its logic model and “results” in the question somewhat differently. In the logic model “results” are very high-level outcomes; however, here “results” are understood more broadly.



Activities 1.1, 1.2, 2.2	Does the Program result in an increase in public sector cost savings, without resulting in deterioration in the quality or value of public expenditure?	Document and financial data with particular reference to potential value for money assessments of PPPs; perceptive measures; survey of vendors and survey of public employees; focus on specific interventions with likely cost savings (e.g., E-catalogue; payment arrears)
Activities 1.3, 1.4, 2.2	Does the Program result in an improvement in the quality of public service provision?	PPP: Focus on roads through INSEP document reviews and perceptions in KIIs  PFM: ASJ findings; survey of vendors; survey of public employees; review of implementation of TSC, ASJ assessment recommendations; other signed Grant Agreements
<b>Public Financial Management</b>		
Activity 1.1	Do partner institutions realize improvement in the effectiveness and efficiency in the processing of invoices and cash management?	PEFA PI-4, PI-17; document review of consultant deliverables; group interviews with treasury personnel; KII with consultant.
Activity 1.1	Does the accuracy of financial forecasting increase? Why or why not?	PEFA PI-1, PI-2, PI-3, PI-7; KIIs with consultant and government forecasters
Activity 1.1	Does the accuracy of budgeting increase in partner institutions? Why or why not?	PEFA PI-1, PI-2, PI-3 and PI-7; document review of consultant deliverables and budget reporting documentation; KIIs with consultants and budget personnel
Activity 1.1	Does the budget reporting and reporting of budget challenges improve in partner institutions? Why or why not?	Congressional document review; PEFA PI-5, PI-10, PI-22, PI-25; KIIs with consultants and budget personnel
Activity 1.2	Do procurement assessment recommendations lead to changes in practices? Do procurement assessments lead to relevant recommendations that could improve procurement? Are these recommendations implemented?	Document review of consultant deliverables and procurement assessments; group interviews with ONCAE personnel and procurement personnel in select institutions; KII with consultant

Activity 1.2	Does business confidence in public procurements and participation in procurements increase? Why or why not? What explains variation in perceptions of fairness of the procurement process?	Vendors survey; group interviews with procurement personnel in select institutions; KII with consultant
Activity 1.2, 1.4	Do changes to systems and processes reduce opportunities for corruption and/or improve perceptions of corruption and transparency?	Document review of ASJ and consultant deliverables; KIIs, including with members of civil society; survey of vendors and survey of public employees; follow-up focus groups
Activity 1.3	Do performance audit recommendations lead to changes in practices? Do performance audits conducted by the TSC with TCP support lead to relevant recommendations that could improve service delivery? Are these recommendations implemented?	Document reviews of audit reports and recommendations and consultant deliverables; group interview with TSC auditors; KIIs with personnel in audited institutions; survey of public employees; follow-up focus groups
Activity 1.4	Does civil society oversight and recommendations lead to changes in targeted institutions?	Document review of ASJ reports and recommendations; interviews with ASJ researchers; interviews with officials from relevant institutions; survey of public employees; follow-up focus groups
Activity 1.4	Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?	Survey of public employees; follow-up focus groups
<b>Public Private Partnerships</b>		
Activity 2.1, 2.2	Does the PPP project procurement process adhere to best practice? <sup>42</sup>	Comparative case studies of PPPs involving document reviews; group interviews; KIIs
Activity 2.1, 2.2	Are there improvements in the efficiency and effectiveness of the process for developing and structuring PPPs?	Comparative case studies of PPPs involving document reviews; group interviews; KIIs

<sup>42</sup> The definition of best practice in this context would be a project cycle that adheres as closely as possible to the progressive steps outlined in the Public-Private Infrastructure Advisory Facility (PPIAF) guidance.

Activity 2.1, 2.2	Are there improvements in the efficiency and effectiveness of the process for managing PPPs?	Comparative case studies of PPPs involving document reviews; group interviews; KIIs
Activity 2.1, 2.2	To what extent does the project facilitate greater capacity and coordination for PPPs within GoH?	Comparative case studies of PPPs involving document reviews; group interviews; KIIs
Activity 2.1, 2.2	Do the systems put in place by the project reduce opportunities for corruption or improve perceptions regarding corruption?	Comparative case studies of PPPs involving document reviews; group interviews and KIIs, including with civil society groups; INSEP portion of the public sector employee survey
Activity 2.1, 2.2	Does the project result in greater transparency and awareness of PPP procedures for government, private sector and civil society groups?	Comparative case studies of PPPs involving document reviews; group interviews; KIIs

## 3 EVALUATION METHODOLOGY

---

Given the disparate nature of the TCP, the evaluation is in many ways a collection of several small evaluations rather than one comprehensive study. As such, the evaluation designs and methodologies employed are diverse. For a full discussion of the evaluation methodology, please see the Evaluation Design Report.<sup>43</sup>

### 3.1 PFM evaluation

Evaluation activities under the PFM are discussed in turn below:

- Use of monitoring data from the M&E Plan
- A review of relevant documentation, including consultant deliverables and GoH documentation
- Key informant interviews and group interviews
- A survey of public employees
- A survey of firms registered with the GoH to sell items to the government, referred to as a vendors survey

#### 3.1.1 M&E Plan/PEFA data

Data collected as part of the Public Expenditure and Financial Accountability (PEFA) assessment will be used to monitor improvements in public financial management. PEFA provides a standardized framework for assessing and reporting on the strengths and weaknesses of PFM across countries, using quantitative indicators to measure performance. The framework underwent a substantial upgrade in 2016 from the previous 2011 version. At the time of data collection, the most recently published PEFA assessment in Honduras was issued in 2013 using the 2011 PEFA Framework. This PEFA offered an update of the 2011 exercise and covers 2009-2011, with some indicators for 2012.<sup>44</sup> The assessment included data from 2008-2010. Given that these data are from several years prior to the TCP, and given the economic and political challenges experienced during these years, the 2013 exercise does not provide a valid baseline for assessing the TCP and is therefore not included in this report. Fortunately, however, at the time of data collection, an updated PEFA assessment was being conducted using both the 2011 and 2016 framework. The results of this assessment will provide the evaluation team with a more appropriate baseline.

#### 3.1.2 Document review and interviews

While PEFA will allow the evaluation team to monitor changes over time, additional qualitative research will be needed to explore the potential relationship between the Threshold activities and

---

<sup>43</sup> Sabet et al. (2015) Evaluation Design Report.

<sup>44</sup> Hernan Pflucker, Francis Conway, Manlio Martinez, Helmis Cárdenas. Honduras: Informe del Desempeño de la Gestión de las Finanzas Públicas (PEFA). NORC (2011).

any observed changes. Qualitative baseline data collection begins with a review of existing, relevant documentation. This includes documents related to the specific consultancies, including terms of reference, the submitted workplan or inception report, and any written deliverables. Additional documents are specific to the activity. For example, budget execution reports, documents posted by the CBC, audits conducted by the TSC, and reports issued by the ASJ were reviewed for this evaluation.

Using the documentation as a jumping off point, a series of key informant and group interviews were conducted with consultants, their counterparts, and other key informants. As part of baseline data collection, the evaluation team conducted 41 group and key informant interviews with 80 PFM stakeholders (26 male, 54 female) during March of 2016. Interviewees were generally selected based on their functional role in the TCP. The interviewee could be a consultant, a GoH partner, an “indirect beneficiary” (i.e., a GoH institution indirectly affected or expected to be affected by the TCP), or a knowledgeable observer within civil society. Annex II offers a breakdown of the interviewees across institutions and organizations. For example, in the case of budgeting support, we conducted interviews with the consultants, their partners in SEFIN, and budget personnel from different institutions that had participated in TCP-supported workshops. In the case of the procurement activity, we conducted interviews with the consultants, their partners in ONCAE, and procurement personnel in three institutions that will likely be targeted by procurement assessments. With a handful of exceptions (e.g., requested interviews at the Executive Department of Revenue (Dirección Ejecutiva de Ingresos - DEI), the evaluation team was able to interview the correct individuals. Some qualitative research activities will continue over the remainder of the TCP, and a similar qualitative data collection effort will take place at the end of the TCP.

### **3.1.3 Public employees survey**

A survey of public employees in three government institutions was conducted between March 31 and October 17, 2016. The survey measured perceptions, personal experiences, and attitudes on issues of procurement, hiring, promotions, corruption, and transparency. This survey will be repeated at conclusion of the TCP to measure change in these perceptions, experiences, and attitudes over time. As a pre and post evaluation approach, it is important to mention that any change observed from baseline to endline could be due to factors unrelated to the TCP, including factors within the institution itself (e.g., change in leadership or internal initiatives) or factors affecting Honduras as a whole (e.g., economic changes, corruption scandals).

Table 2 presents the government institutions selected to be included in the survey along with relevant population and sample size information. The final survey includes three institutions: INSEP, the Secretariat of Health (Secretaría de Salud - SESAL), and the Secretariat of Education (Secretaría de Educación - SEDUC).<sup>45</sup> These institutions were selected because they are targets/beneficiaries of

---

<sup>45</sup> According to the original design, the survey was also supposed to include the Executive Department of Revenue (Dirección Ejecutiva de Ingresos - DEI) and the Secretariat of Security (Secretaría de Seguridad). In March 2016, the DEI was dissolved and many of its workers suspended to be replaced by a new tax authority. As such, DEI was dropped from the study. The evaluation team and MCC/MCA-H were unable to obtain the buy-in of the Secretariat of Security, who was undergoing a large scale review and firing of personnel at the time of data collection.

ASJ's work, and they are also likely targets for TCP-supported TSC performance audits and ONCAE procurement assessments.

**Table 2: Public employees survey institutions**

Potential institutions	Pop. Size	Sample size
Secretaría de Infraestructura y Servicios Públicos (INSEP)	3,886	499
Secretaría de Salud (SESAL)	12,406	550
Secretaría de Educación (SEDUC)	90,832	670
Total	107,124	1,719

Source: Population data based on authors' analysis of data from INSEP.

Most of the data presented below are sample proportions for ordinal level variables, for example, the proportion of respondents that strongly agree, agree, disagree, or strongly disagree with a given statement. Given that standard errors vary depending on the proportion, Table 3 includes confidence intervals for diverse sample proportions: 10 percent, 25 percent, and 50 percent. The standard errors have been adjusted to account for the cluster-based sampling design effects (see below) and are corrected for finite populations.<sup>46</sup> The confidence intervals vary across the institutions because of the different sample sizes. To offer an illustrative example from the table, if 50 percent of surveyed personnel at INSEP agreed or strongly agreed with a given statement, we can be 95 percent confident that the true population parameter falls within the interval from 46 percent to 54 percent.

**Table 3: Confidence intervals for diverse sample proportions across institutions**

	Sample proportion	Margin of error (95% interval)	Confidence interval lower bound	Confidence interval upper bound
INSEP	10%	2.5%	8.0%	12.9%
	25%	3.5%	21.8%	28.9%
	50%	4.1%	46.0%	54.2%
SESAL	10%	2.2%	8.2%	12.6%
	25%	3.5%	22.0%	29.2%
	50%	5.7%	44.1%	55.9%
SEDUC	10%	2.2%	7.9%	12.2%
	25%	3.7%	21.5%	28.8%
	50%	3.7%	46.2%	53.7%

Note: The margin of error for a proportion of 25% and 75% and for 10% and 90% are the same.

The survey is not intended to be a representative sample of all public servants working in the selected government institutions. MCC and the evaluation team decided to limit the population to employees considered technical, executive level, or director level per Honduras's civil service regime. This excludes "non-technical" staff. Limiting the population of interest was done with the intention of

<sup>46</sup> SI's evaluation design document envisioned a simple random sample; however, due to the challenges in sampling described here, the final survey was a cluster sample, increasing the standard errors beyond what was expected in the design.

surveying a population more likely to be knowledgeable about procurement and human resource issues within the institutions of interest. There was also an added administrative advantage to this limitation, as obtaining a representative sample of teachers or health care workers spread across thousands of schools and clinics, many of which are staffed by only one or two people, would present serious logistical challenges.

The evaluation team confronted several challenges in making this distinction. The public employees database (Sistema de Registro y Control de Empleados Públicos - SIREP) used to create the sampling frame, surprisingly, did not include the civil service categorizations.<sup>47</sup> The database does contain salary information, and in theory, non-technical staff should earn less than 11,200 lempiras per month. As such, the decision was made to exclude staff earning less than this amount. In practice, however, many non-technical public employees, particularly those with considerable tenure, earn above this cut-off point. This fact was a particular problem in the education sampling frame. In the end, given that higher-level staff tends to be posted in more urban and larger facilities, we determined to use the number of public employees in a municipality and in a facility as a proxy, introducing an urban and facility size bias. For health, municipalities with less than 15 health workers (the lower 50 percent of municipalities) and facilities with less than 16 (2x the cluster size of 8) were excluded from the sampling frame. With education, municipalities with less than 60 teachers (lower 50 percent of municipalities) and facilities with less than 16 (2x the cluster size of 8) were excluded from the sampling frame. This was not a concern for INSEP, where the vast majority of its employees are based in Tegucigalpa.

Other exclusions include the following: (a) individuals who are obviously non-technical, based on their job title (e.g., security guard, driver); (b) individuals with extensive missing data, particularly location data (missing data was especially problematic in the case of SEDUC); (c) employees in Gracias a Dios and Islas de Bahia, who were fewer in number and dropped because of the expense in reaching these locations; and (d) part-time employees. In the most extreme case of SEDUC, these exclusions dropped the sampling frame from 68,473 to 34,614 employees. In addition, the survey contained screening questions to filter out sampled individuals at the lower technical support level.

In short, the final sample is intended to be representative of staff employed with the institutions at the technical/professional level and above, and excludes smaller municipalities and facilities. The results presented below are unweighted; however, the SEDUC sample includes an oversample of administrators. Because administrators only accounted for 7 percent of the sampling frame for education personnel, far less than in the other two institutions, an additional 150-administrator oversample was added to the SEDUC sample. There is a trade-off here, as the oversample ensures greater comparability between the samples on this important variable, but it also makes the SEDUC sample less representative. In the final sample, 48 percent of the INSEP sample identifies their role as administrative, while 28 percent in SESAL, and 23 percent in SEDUC do so.

---

<sup>47</sup> The quality of sampling frame data obtained by the evaluation team was found to be of varying quality among all three institutions and necessitated extensive cleaning. While the SIREP system includes a number of fields, not all fields are consistently used.



The survey was carried out as a two-stage cluster sample where, first, municipalities were selected proportionate to the number of employees, and then, government facilities were selected proportionate to the number of employees.<sup>48</sup> The survey had a response rate of 61 percent, with individual rates of 53 percent in INSEP, 59 percent in SESAL, and 70 percent in SEDUC. The lower response rate in INSEP was driven by the dissolution of the General Directorate of Transport. Selected individuals from this department (168) could not be interviewed. Outright refusals to participate were relatively low; the largest driver of the low response rate was difficulty in contacting sampled employees (a low contact rate); 703 employees in the sample were considered “absent” and could not be located in a timely fashion.<sup>49</sup>

Annex V contains a detailed exploration of the differences between the total population, the pulled sample, and the final sample. As expected, the pulled sample is better educated, better paid, and more often based in the capital than the population as a whole. Generally speaking, there are only minor differences between the final sample and the pulled sample, although there are some differences for INSEP, which are likely the result of dropping 168 sampled individuals from the Transport department.

Given that the survey asks questions about sensitive topics such as corruption and irregularities in the hiring, promotion, and procurement processes, there is a strong risk of social desirability bias. The survey attempts to encourage honest answers in several ways. First, the survey is entirely anonymous and no personal identifying information was collected. Second, respondents had the option to self-administer the survey on the tablet with an enumerator nearby to answer any questions. Even when respondents opted to be interviewed, enumerators would hand the tablet to respondents for sensitive questions. Third, questions were worded so as to reduce social desirability bias. For example, instead of asking if respondents had ever accepted a bribe, we ask if respondents had ever been *offered* a bribe. Fourth, the survey includes two survey experiments to measure the use of political influence to get a job or a promotion. (These are explained in detail below.)

Despite these efforts, social desirability bias can only be minimized, not eliminated. Because they were randomly selected by name and ID number to participate in the survey, some respondents might not have believed that the survey was anonymous. Unfortunately, this risk of social desirability bias does hinder interpretation. For example, we observe in the survey results that employees in INSEP perceive less corruption in their institution than employees in SEDUC or SESAL, but we have no way to know if this is because corruption is less common in INSEP or because INSEP employees are less likely to acknowledge corruption in a survey. In fact, some problems in the administration of the INSEP survey might have increased the social desirability bias. In one of the main INSEP locations, the survey was administered in a gazebo outside of the building, and enumerators worried that some respondents might not have felt adequate privacy in that environment. There were also rumours in

---

<sup>48</sup> Two stages were necessary because of limitations in the sampling frame, which had unique identifiers for employees but not for locations. Because a plurality of SEDUC employees worked in one of numerous schools named after Francisco Morazán, there was no way to sample schools directly.

<sup>49</sup> Absences include employees not working with permission, on license to another facility, on disability, traveling, on vacation for an extended period, in training for an extended period, or who only worked in the evening or on weekends. Because of the security situation in Honduras, enumerators only operated during day light hours.

INSEP that the survey was of a political nature, and the imminent firing of employees from the Transport department might have had a chilling effect within INSEP.

In addition to social desirability bias, the sensitive nature of the questions also creates a risk of non-response. When asked a question about corruption, for example, some respondents chose to skip the question, which was easy to do given that the survey was self-administered. Anticipating this problem, we tried to make skipping questions more difficult. Each time a respondent attempted to skip a question, they were confronted with a subsequent question asking them to try again. Upon the second try, the respondent still had the option to skip. We believe this extra question helped to minimize the incidence of skipping questions; however, some questions still had a 5-to-7 percent non-response rate. For ease of readership, the figures and tables below do not include missing values; however, they do include sample sizes.

### **3.1.4 Vendors survey**

Honduras's procurement oversight body, ONCAE, is required to maintain a registry of suppliers and contractors of the government. SI undertook a survey of 853 randomly selected vendors from a total population of 3,623 valid vendors in this registry. The survey asks about their history of bidding, perceptions about the procurement process, experiences with different government institutions, and perceptions and experiences with corruption. Data collection occurred between June and November, 2016, and these same firms will be re-interviewed at endline in 2018.

As with the public employees survey, most of the data presented below are sample proportions for ordinal-level variables, for example, the proportion of respondents that strongly agree, agree, disagree, or strongly disagree with a given statement. Given that standard errors vary depending on the proportion, Table 4 includes confidence intervals for diverse sample proportions: 10 percent, 25 percent, and 50 percent. The first row of the table provides margins of error for the sample as a whole, with a sample size of 853. A major portion of the data analysis focuses on experiences with individual institutions, however. Respondents who have bid on a procurement with INSEP, for example, are asked a series of questions about their perception and experience with INSEP. As such, the table also includes margin of error calculations for these sub-samples.

**Table 4: Sample size calculations for the vendors survey**

	Sample size	Sample proportion	Margin of error	Confidence interval lower bound	Confidence interval upper bound
Total sample	853	10%	2.0%	8.0%	12.0%
	853	25%	2.9%	22.1%	27.9%
	853	50%	3.4%	46.6%	53.4%
INSEP	96	10%	6.0%	4.0%	16.0%
	96	25%	8.7%	16.3%	33.7%
	96	50%	10.0%	40.0%	60.0%
SESAL	187	10%	4.3%	5.7%	14.3%
	187	25%	6.2%	18.8%	31.2%
	187	50%	7.2%	42.8%	57.2%
SEDUC	77	10%	6.7%	3.3%	16.7%
	77	25%	9.7%	15.3%	34.7%
	77	50%	11.2%	38.8%	61.2%
Security	116	10%	5.5%	4.5%	15.5%
	116	25%	7.9%	17.1%	32.9%
	116	50%	9.1%	40.9%	59.1%
Other institution	244	10%	3.8%	6.2%	13.8%
	244	25%	5.4%	19.6%	30.4%
	244	50%	6.3%	43.7%	56.3%
All institutions	974	10%	1.9%	8.1%	11.9%
	974	25%	2.7%	22.3%	27.7%
	974	50%	3.1%	46.9%	53.1%

Note: The margin of error for a proportion of 25% and 75% and for 10% and 90% are the same.

It is important to keep in mind that the sample seeks to be representative of those vendors who have taken the step of registering with ONCAE, and it should not be interpreted as representative of all businesses in Honduras or of all potential vendors to the government. This is a somewhat unique population, as it includes traditional firms, such as manufacturing firms with more than a hundred employees, and it includes numerous individual consultants who bid on different consultancies. In fact, 28 percent of respondents identified as independent consultants or vendors, a much higher percentage than expected.

It seems likely that there is some non-response bias in the sample. ONCAE's registry provided to SI contained 3,623 valid domestic vendors.<sup>50</sup> The data collection firm Espirálca was only able to contact 1,876 of the firms in the registry, representing a contact rate of 52 percent. Unfortunately, the registry had several limitations, including missing information. Many vendor names were not accompanied by contact information and many had incorrect information. Of those that could be contacted, 853 participated in the survey, representing a cooperation rate of 45 percent and an overall response rate

<sup>50</sup> The registry contained 4,156 observations; however, 453 were repeated in the database and 80 were firms located outside of the country and not included in the sampling frame.

of 24 percent. First, this is a slightly smaller sample size than planned, that is, 853 respondents instead of a planned 900. Second, and more importantly, there is a chance of sampling bias. It is possible that those who were willing to participate in a survey about procurement were less likely to be involved in irregular procurement activities than those who did not participate. While this does have implications for drawing descriptive inferences about this population, from an evaluation point of view this bias is not necessarily problematic. The evaluation is designed as a panel study, and if there are noticeable improvements in Honduran procurement processes, they should be identifiable in changes in the perceptions and experiences of this group.

As with the public employees survey, there is also likely to be measurement bias for some questions. Given that the survey asks questions about sensitive topics such as corruption and irregularities in the procurement processes, there is a strong risk of social desirability bias. The survey attempts to encourage honest answers in several ways. First, to reduce social desirability bias created by the interviewer, enumerators would hand the tablet to respondents for sensitive questions. Second, questions were worded so as to reduce social desirability bias. For example, instead of asking if respondents had ever accepted a bribe, we asked if respondents had ever been *offered* a bribe. Third, the survey includes a survey experiment to measure if respondents had paid a bribe before. Unlike the public employees, this survey was designed to be a panel survey, and as such it was not possible to guarantee respondents' anonymity.

As mentioned above, the sensitive nature of the questions also creates a risk of non-response. In fact, several questions had a relatively high non-response rate. For example, only 803 of 853 firms provided a response to a question asking if a government official had ever asked the respondent or a member of his or her firm for a bribe, for a non-response rate of 6 percent. It is likely that some of the individuals who did not answer the question were afraid to answer because they had in fact had a bribe solicited. Through a regression analysis we provide additional information to suggest that this is in fact the case. In recognition of the risk of question-based non-response bias, we present sample sizes in the tables and figures below to give the reader a sense of this potential problem.

## 3.2 PPP evaluation methodology

Evaluation methodology under the PPP component of this evaluation includes the following:

- A review of relevant documentation, including consultant deliverables and GoH documentation
- Key informant interviews and group interviews
- Future use of monitoring data from the M&E Plan
- A comparison of four PPP road concessions

### 3.2.1 Document review

Baseline data collection for the PPP component begins with a review of existing, relevant documentation. As in the PFM component, items reviewed included documents related to the specific consultancies (two advisors in Activity 2.1 for PPP capacity and one advisor in Activity 2.2 for PPP implementation), including terms of reference, the submitted workplan or inception report, and any

written deliverables. Additional documents reviewed included any documentation on the selection and evaluation of PPP projects, evaluations of bids submitted by potential private sector firms for past projects, PPP project contracts, and any regular reporting (monthly, annual, etc.) on project activities from key actors such as supervisory entities and concessionaires. Relevant secondary documents were obtained from various places such as websites of institutions involved in the PPP process (COALIANZA, INSEP, SEFIN/UCF, SAPP), MCC/MCA-H consultants and staff, and other pertinent players, such as the IDB and World Bank.

### **3.2.2 Key informant and group interviews**

Evaluation team members conducting the PPP portion of the evaluation drafted a qualitative interview guide using the documentation gathered as a starting point. The guide was then used in key informant and group interviews of consultants, their counterparts, and other key informants across the relevant institutions involved in PPP. As part of baseline data collection, the evaluation team conducted 20 group and key informant interviews with 36 PPP stakeholders in March of 2016. As above, interviewees were selected based on their functional role in the TCP as a consultant, partner, indirect beneficiary, or external key informant. The interviewees included representatives from the key institutions of COALIANZA, SAPP, INSEP, and SEFIN, as well as key informants from civil society, concessionaires, and TCP consultants and personnel. A breakdown of interviewees by institution is provided in Annex II. The evaluation team was generally able to obtain all the interviews requested. The evaluation team also interviewed two representatives of concessionaires and staff of the Consejo Hondureño de la Empresa Privada (Honduran Private Business Council - COHEP); ideally, more private sector interviews would have been conducted as an insight into how the sector views the PPP process. As in the PFM section, qualitative research activities will continue over the remainder of the TCP, and a similar qualitative data collection effort will take place at the end of the TCP.

### **3.2.3 Future use of monitoring data**

During data collection, the evaluation team used several key World Bank *Doing Business* report indicators to measure PPP activities, as included in the M&E Plan's Indicator Tracking Table. The evaluation team will look at these same indicators again at endline to judge change in PPP outcomes.

### **3.2.4 Comparative case study**

The evaluation team conducted a comparative case study of four current and future road concessions, including (1) the Logistic Corridor, (2) the Tourist Corridor, (3) CA-4 (Carretera de Occidente), and (4) San Pedro Sula (SPS) Century XXI. The Logistics Corridor and the Tourist Corridor were Honduras's original PPPs, and both were awarded in 2012. As such, they represent the first generation of PPPs in Honduras. Two additional cases, the SPS Century XXI and CA-4, may be considered the second generation of PPPs. These two cases had no TCP support in the early stages of the PPP process, but, in theory, they would have had the benefit of learning from the initial PPPs. Also, while TCP had no influence over the SPS Century XXI procurement experience prior to award, it has attempted to affect the CA-4 procurement process. As of the date of the baseline data collection, CA-4 was in the process of a second procurement attempt. All four projects should benefit from the TCP

support for contract management. A fifth case study, the Pacific Corridor, will benefit from TCP intervention across the design, procurement, and (indirectly) during future contract management stages and is therefore considered to represent a third generation case study. A discussion of the Pacific Corridor case study will be included in the endline report. The case studies combine varying levels of TCP support and opportunities for learning from previous PPPs. By comparing across these case studies, the evaluation team aims to identify relevant improvements in the PPP process over time and use that data to evaluate the TCP contribution to the improvements as appropriate.

To aid in the comparison process, the team will review the project documentation and group and individual interviews for each case study and then evaluate the process and determine its efficiencies or inefficiencies, judge the availability of information, examine risk allocation, and identify any quality and financial concerns. The evaluation team will continue to follow these cases to the conclusion of the TCP and will also add at least one additional case study of a future PPP, the Pacific Corridor.

# 4 BUDGET AND TREASURY MANAGEMENT

## (PFM 1.1)

---

### 4.1 Introduction

This section covers Activity 1.1 of the PFM Project (Budget and Treasury Management), which is designed to strengthen budget formulation and execution in the executive and legislative branches by:

- Supporting technical assistance and training for SEFIN to improve budget analysis and treasury management, including budget forecasting, establishing adequate controls, strengthening the Treasury Single Account and payment prioritization.
- Supporting technical assistance and training for the CBC to improve congressional budget oversight capacity; improve congressional budget discipline by developing safeguards to ensure planned deficit targets are not breached; and provide better analysis and transparency regarding the cost implications of congressional mandates.<sup>51</sup>

With one TCP-supported residential technical advisor (Lori Fleming) and a number of short-term technical advisors, the Office of Technical Assistance of the U.S. Department of Treasury (OTA) is the primary implementing partner carrying out these activities. In the area of improving budget analysis, OTA advisors have provided (or are providing) technical assistance in developing a Medium Term Expenditure Framework (MTEF), including working with SEFIN to improve the reliability of multi-year revenue and expenditure forecasts and the use of new fiscal impact analysis methodologies of new policies and investment projects. OTA is also working to improve treasury management and reduce payment arrears by developing a transparent process for prioritizing payments, implementing standardized banking agreements, and integrating government agencies into the single treasury account (CUT). Additionally, OTA is partnering with the CBC to improve the process for budget hearings and budget execution reports and to expand information provided to the public before, during, and after. TCP-funded efforts aim to improve congressional budget discipline by increasing congressional and SEFIN capacity to analyze budgetary and economic impacts.

MCC-MCA shared with the evaluation team the TCP Indicators and Targets document that capture the intervention logic of the overall project objectives, activities, results and outcome indicators.<sup>52</sup> Figure 3 below reflects the indicators and targets for Activity 1.1 on Budget and Treasury

---

<sup>51</sup> Millennium Challenge Corporation. Public Financial Management Project: Honduras Threshold Program [Program Description] (July 2015).

<sup>52</sup> TCP Indicators and Targets August 2015.



Management for the PFM, along with the performance evaluation questions that the consultancy is seeking to answer.

**Figure 3: TCP Outcome Indicators and Targets**

Project Objective	Project Activity	Project Results	Project Objective Outcome Indicators	Performance Evaluation Questions
To increase the efficiency and transparency of public financial management in Honduras by supporting activities designed to improve budget formulation and execution, planning, payment, procurement capacity and controls, audit capacity and civil society oversight	<b>1.1 Budget and Treasury Management:</b> To strengthen budget formulation and execution in the executive and legislative branches by: <ul style="list-style-type: none"> <li>Supporting technical assistance and training for the Ministry of Finance and line ministries to improve budget analysis and treasury management, including, without limitation, budget forecasting, establishing adequate controls, strengthening the Treasury Single Account and payment prioritization</li> <li>Supporting technical assistance and training for the Congressional Budget Committee to improve congressional budget oversight capacity; improve congressional budget discipline by developing safeguards to ensure planned deficit targets are not breached; and provide better analysis and transparency regarding the cost implications of congressional mandates</li> </ul>	Reduce expenditures that exceed the original budget	Extra-budgetary commitments: value of extra-budgetary commitments for all of GoH	<p>Does the Program result in an increase in public sector cost savings, without resulting in deterioration in the quality or value of public expenditure?</p> <p>Does the Program result in an improvement in the quality of public service provision?</p>
			Intra-year budget increases: increase in budget as percent of original budget	
		More transparent and less subjective payment prioritization	Rules for payment authorization established: Tesorería General de la República (TGR) formally establishes rules for institutions to use to prioritize payment of bills	
		Reduce payment arrears*	Compliance with payment authorization rules: percent of audited payments that followed prioritization rules set by TGR.	
Source: TCP Agreement	Source: TCP Agreement	Source: TCP Indicators and Targets Aug 2015, PFM Project Description and SEFIN Work Plan	Source: TCP Indicators and Targets Aug 2015	Source: Evaluation Design Report

\* The project results included in the TCP Indicator and Targets document does not include “reduce payment arrears”; however, it has been added here as a project result given that TCP efforts were oriented towards reducing payment arrears at the time of data collection.

It is expected that MCA-H and MCC will establish baselines and targets for each project objective outcome indicator. The evaluation team plans to use these indicators in the endline report as a complement to the qualitative data presented here. At the time of this writing, these indicators were still being finalized as part of the TCP M&E Plan.

Many of the indicators are expected to be derived from the PEFA indicators. These provide a standardized framework for assessing and reporting on the strengths and weaknesses of PFM across countries using quantitative indicators to measure performance. The most recent PEFA assessment in Honduras was issued in 2013 (covering 2009–2011 and 2012 for some indicators). Data from this report is not included in this analysis as the evaluation team feels that it would provide a misleading baseline for two reasons. First, the assessment includes data from 2008–2010, substantially prior to the start of the TCP. Second, the framework underwent a substantial upgrade in 2016 from the 2011 version.<sup>53</sup> At the time this report went to print, an updated PEFA assessment was being conducted using both the 2011 and the 2016 framework. This assessment is expected to provide better baseline information for the purpose of this evaluation once it is finalized and disseminated.

The rest of this report is structured on the basis of two broad project results expected under Activity 1.1. Sections 4.2 and 4.3 deal with project result 1, *reducing expenditures that exceed the original budget*. This relates to (a) key budget formulation processes (Section 4.2), including the Medium-Term Expenditure Framework (including baseline expenditures), revenue forecasting, and fiscal impact analysis as well as (b) budget execution, reporting, and oversight processes (Section 4.3). Section 4.4 addresses project result 2, *more transparent and less subjective payment prioritization*, which covers payment of government arrears, treasury payment processes, and cash management more generally. For each technical area below we first summarize key features of the PFM reforms being introduced in Honduras. We then describe the baseline situation when the intervention started (2014), progress made as of baseline data collection (2015). We describe the desired endpoint that the program is expected to achieve (2018) and what the evaluation team will be looking for at endline.

## 4.2 Budget Formulation

### 4.2.1 Introduction

The Threshold Country Program Indicator and Targets matrix dated August 2015 specifies the results expected from the Public Financial Management Project and the indicators that will be used to measure progress throughout the life of the program. The expected result sought by the budget formulation and execution component is to ultimately reduce existing differences between budgeted expenditures as they appear in the budget law and expenditure outturns.

A number of OTA consultancies are taking place that support the achievement of this result. For ease of understanding, we have grouped them under two key stages in the budget cycle: budget formulation and budget execution. Under budget formulation (Section 4.2), we cover the medium term expenditure framework (including baseline expenditures), revenue forecasting and fiscal impact analysis. The budget execution, reporting, and oversight section (4.3) deals with

---

<sup>53</sup> See “The PEFA Framework” for a description of changes in the 2016 PEFA: <https://pefa.org/content/pefa-framework>

improvements to budget execution reports prepared by SEFIN and the role of Congress in budgetary approval and oversight.

#### 4.2.2 The intervention

Table 5 presents a snapshot of consultancies supporting budget formulation and execution.

**Table 5: Summary of consultancies – Budget formulation**

Consultants	Lori Fleming (Resident Advisor, OTA), Larry Seale (Short Term Advisor, OTA), Budget Formulation and Execution Advisors
Period of Performance	44 months, Jan. 2014-end of the TCP
Objectives	<p>Objective 1: Improve discipline in the budget process</p> <ul style="list-style-type: none"> <li>• Sub-Objective 1.1: Strengthen annual and multiannual budget formulation</li> <li>• Sub-Objective 1.2: Identify and develop plan to address fiscal risks</li> <li>• Sub-Objective 1.3: Strengthen budget execution controls</li> </ul>
Selected activities	<ul style="list-style-type: none"> <li>• Develop improved methodology for budget forecasting</li> <li>• Develop and deliver training in the use of the budget forecasting methodology</li> <li>• Develop improved methodology for fiscal impact analysis</li> <li>• Develop and deliver training in the use of the fiscal impact analysis methodology</li> <li>• Develop assessment tool to highlight potential budgetary control problems in a timely manner for incorporation into the quarterly budget evaluation process</li> </ul>

Source: U.S. Department of the Treasury Office of Technical Assistance. (2015) Workplan: January 2015-December 2015.

Consultants	Ralph Oberholzer, Medium Term Expenditure Framework Advisor
Period of performance	October 2014 – September 2015
Objectives	<ul style="list-style-type: none"> <li>• Support the implementation of the Medium-Term Expenditure Framework (MTEF)</li> <li>• Coordinate external support to SEFIN related to the MTEF</li> <li>• Serve as liaison between MCA-H and SEFIN</li> </ul>
Selected activities	<ul style="list-style-type: none"> <li>• Support needed legal reforms to implement the MTEF</li> <li>• Coordinate implementation of the MTEF in pilot sectors</li> <li>• Support changes to SIAFI to accommodate the MTEF</li> </ul>

Source: Ralph Oberholzer. (2014) Plan de Trabajo para la implementación de un Marco de Gastos de Mediano Plazo.

<b>Consultants</b>	Jean Tesche (OTA), Revenue Forecasting Advisor
<b>Period of performance</b>	12 Months: January 2015-December 2015
<b>Objectives</b>	Objective 1: Improve discipline in the budget process <ul style="list-style-type: none"> <li>• Sub-Objective 1.1: Strengthen annual and multiannual budget formulation</li> </ul>
<b>Selected activities</b>	<ul style="list-style-type: none"> <li>• Compare revenue actuals to forecast for three years</li> <li>• Strengthen and clarify the institutional structure for forecasting revenues and expenditures</li> <li>• Assist forecasting unit in developing forecast procedures and necessary capacity building on forecasting techniques</li> </ul>

Source: U.S. Department of the Treasury Office of Technical Assistance. (2015) Workplan: January 2015-December 2015.

#### 4.2.3 Medium-Term Expenditure Framework

In recent decades, the governments of many developing countries, including Honduras, have struggled to effectively link poverty alleviation objectives (“What do we want to achieve in a few years?”) to projects and activities in the annual budget (“What are we going to do next year?”). As a result, annual funding of programs and projects were insufficiently driven by strategic objectives. A Medium-Term Expenditure Framework (MTEF) tries to address this quandary through a set of institutional arrangements for prioritizing, presenting, and managing revenue and expenditure in a multi-year perspective. MTEF is not the same as a multiannual budget in which appropriations are authorized for a period longer than one year. The time horizon for the legislative appropriation of expenditure in an MTEF remains annual. It contains the following core pillars:<sup>54</sup>

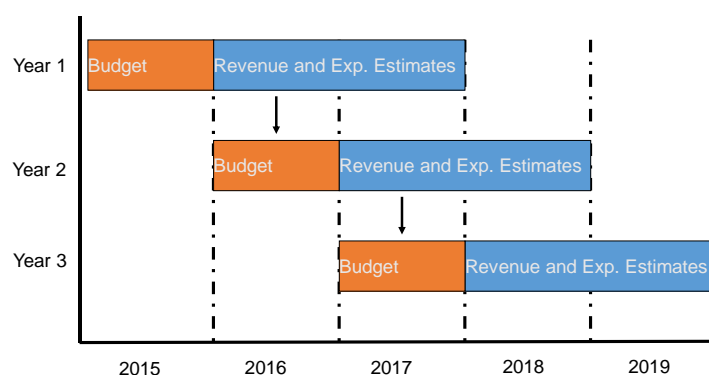
- **Pillar 1.** A clearly set, top-down, medium-term macrofiscal framework (MTFF) that should be prepared by SEFIN, with medium-term fiscal targets and aggregate expenditure ceilings (resource envelope).<sup>55</sup>
- **Pillar 2.** Bottom-up, multi-year cost estimates of expenditure (what has to be financed) presented by the institutions, and based, if possible, on budget programs and with a focus on program performance.
- **Pillar 3.** An institutional decision-making (reconciliation) process, integrating Pillars 1 and 2, and making the necessary trade-offs.

<sup>54</sup> Source: Author, adapted from various sources, including the 2008 Danida Fellowship Centre course, *Introduction to Public Financial Management* (<http://um.dk/en/about-us/e-learning/intro-public-financial-procurement/>).

<sup>55</sup> The MTFF is a financial programming framework that ensures consistency between four interdependent sectors of the economy: Real Sector, Fiscal Sector, External Sector, and Monetary Sector, drawing on statistics from across government.

Resulting from Pillar 3 negotiations, a set of medium-term budget allocations per institution should be agreed upon. These allocations would capture the annual budget, agreed aggregate estimates of revenues, and institution expenditure estimates for the forward-looking years. They both embody government expenditure on a “current policy basis” (often referred to as *baseline expenditures*), including any expenditure implications of “known” changes in government policy and are consistent with its mid-term fiscal policy.<sup>56</sup> This is presented in Figure 4 below.

**Figure 4: The MTEF and the annual budget**



Source: Author, adapted from various sources.

### Relevant question

- Does the accuracy of budgeting increase in partner institutions? Why or why not?

As the MTEF covers the whole of the budget formulation cycle, we assess most TCP budget preparation support under this sub-section. SEFIN, and the GoH more generally, have seen some reorganizational changes in recent years that are relevant to all sections of this report. For ease of flow to the reader, they are also explained in this first technical sub-section.

### Baseline

**Budget planning in Honduras has traditionally been incremental and on a line-item basis:** Honduras’s Organic Budget Law (OBL) contemplates three-year, medium-term financial programming and multiannual budgeting (without specifying an MTEF). The OBL’s accompanying regulations stipulate that SEFIN will approve the budget formulation methodologies and guidelines as part of the technical norms set up by the GoH.<sup>57</sup> Nonetheless, prior to the start of the Honduras

<sup>56</sup> The reconciliation process is key because it requires that central finance agencies and line ministries assess the impact of new spending initiatives and whether they can be accommodated in the current medium-term resource envelope.

<sup>57</sup> The Organic Budget Law (OBL, Ley Orgánica de Presupuesto) Decreto No. 83-200. Título II (Del Subsistema de Presupuesto), Capítulo I (De las Normas Comunes), Article 9 (Etapas del Proceso Presupuestario); Reglamento de

Threshold Program and the signing of the Stand-by Agreement (SBA) with the IMF,<sup>58</sup> both of which occurred in 2014, the GoH has not yet implemented the core elements or pillars of an MTEF as described above.

Instead, the aggregate resource envelope would be established by the then Unit of Planning and Evaluation Management (Unidad de Planeamiento y Evaluación de Gestión - UPEG), in coordination with other government departments, namely the General Directorate of Budget (Dirección General de Presupuesto, DGP), and the DEI. UPEG had in place some elements of a classic financial programming framework, understood as a set of linked spreadsheets that ensure consistency between four inter-dependent sectors of the economy: the real, fiscal, external, and monetary sectors. However, this framework, and the methodology that underpins it, were not presented as a policy document and were not disseminated across government as part of the budget formulation process. While some very basic elements of a top-down, Medium-Term Macroeconomic Framework (MTMF) existed (Pillar 1), they were not formalized in the budget process.

Constrained by the overall resource envelope, expenditure ceilings are set for each government institution by economic classification, program, administrative management (gerencia administrativa), and spending unit (unidad ejecutora) for the immediate year.<sup>59</sup> For the two outer years of the multiannual budget, indicative ceilings would be set by only economic classification and budget program for each institution. Institutions would then prepare annual budgets (annual operational plans (planes operativos anuales)) and outer-year (2-year) incremental projections of both revenues and expenditure, driven by inflation, and upload them onto the government's Integrated Financial Management Information System (Sistema de Administración Financiera Integrada – SIAFI) against the expenditure ceilings established by SEFIN. Institutional budgets were largely based on the previous year and incremental. Expenditure baselines calculated based on a “no-policy change” assumption (Pillar 2) were not prepared. Therefore, the proposed budgets would not truly reflect the financial resources needed for planned public investment and public service delivery. Poor planning of financial resources also meant that budgets needed to be revisited during budget execution and required many modifications throughout the year. There was no formal negotiation process (such as budget hearings) whereby the central finance agency and the institutions would analyze and negotiate budget submissions (Pillar 3).

### ***Progress and Challenges***

**TCP efforts benefit from an existing foundation:** Since early 2015, various initiatives have supported the establishment of preliminary elements of an MTEF within the GoH. The IMF's technical

---

Ejecución General de la Ley Orgánica del Presupuesto Acuerdo No. 0419 of June 2005, Título II (Del Subsistema de Presupuesto), Article 4 (Técnicas Presupuestarias)

<sup>58</sup> Honduras agreed on a Stand-By Arrangement/Credit Facility with the IMF. The IMF-supported program, approved by the IMF Board of Executive Directors in December 2014, is for a total of SDR 129.5 million. It included a 36-month Stand-By Arrangement (SDR 77.7 million) and a 24-month arrangement under the Standby Credit Facility (SDR 51.8 million). These arrangements aim to help the Government of Honduras to preserve macroeconomic stability and implement a broad structural reform agenda. A First Review of the IMF supported program was completed in September 2015.

<sup>59</sup> Administrative management is the central unit in each institution that looks after the administration and execution of the budgets allocated to each spending unit.

assistance regional center for Central America, Panama, and Dominican Republic (Centro de Asistencia Técnica de Centroamérica, Panamá y República Dominicana, CAPTAC-DR) provided ad-hoc trainings and support in producing an MTEF implementation manual through an intermittent consultant prior to most TCP work.

**A successful MTEF would require close coordination across government:** The emerging MTEF is still in its very early stages and its development is currently led by two key directorates within SEFIN: DGP and the newly established Directorate of Macro-Fiscal Policy (Dirección de Política Macrofiscal -DPMF). In 2015, UPEG split into three separate units – DPMF, Directorate of Revenue Policy (Dirección de Política Tributaria – DPT), and UPEG – all located within SEFIN. DPMF takes the lead on the preparation of the macrofiscal framework (Pillar 1). DPMF is made up of approximately 25 staff and is headed by Elizabeth Rivera, former head of UPEG. She reports directly to the Secretary of Finance. Two of its core functions are to develop the MTFF, together with the Central Bank of Honduras (Banco Central de Honduras – BCH), and conduct fiscal and debt sustainability analyses as well as macrofiscal policy studies. To carry out these functions, the directorate works closely with DGP, the Treasury Department (TGR), and the Directorates General of Public Credit and Public Investment (DGCP), all located within SEFIN.

As a complement, DGP, who had been traditionally responsible for the expenditure ceiling-setting process across government institutions, has been driving the development of Pillar 2 of the MTEF by supporting institutions with the development of baseline expenditures.

That the GoH is committed to showing results in the delivery of public services under the current tenure was a flagship statement during the election campaign. Presidential executive decree (Decreto Ejecutivo) PCM-001-2014 established some institutional mechanisms for monitoring results across government with a view to increasing transparency and accountability. The Decree established authority within the Secretariat of overall government coordination (SCGG) to incorporate ('tendrá adscritas') those Direcciones including Budget and Public Credit, which are necessary to conduct its functions. The evaluation team felt that the full scope of this only started to unfold during 2015 and is not yet clear across government. In practice, two directorates are charged with developing the necessary methodologies for monitoring results across government, the Presidential Directorate of Strategic Planning, Budget and Public Investment (Dirección Presidencial de Planificación Estratégica, Presupuesto e Inversión Pública - DPPE) and the Directorate of Management by Results (Dirección Presidencial de Gestión por Resultados). At the time of data collection, the methodologies were still being defined and conceptual discrepancies and resistance to change remained between SCGG and SEFIN. The MTEF is an instrument that can support the results framework being put in place by SCGG. For it to be rolled out effectively, close coordination would be needed between all these government departments.

### **Pillar 1 - Top-down, Medium Term Macrofiscal Framework (MTFF)**

**IMF pressure supports an MTFF:** A joint Memorandum of Understanding between the GoH and IMF (Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding (MoU) 2014-17), confirmed GoH commitment to structural reforms and set strengthening fiscal responsibility as a key GoH priority. As a first step, it called for development of an MTFF with a clear



fiscal anchor and clear fiscal policy targets by a structural benchmark of June 2015. The new fiscal framework would be used in the preparation of the 2016 budget.

**The TCP complements the IMF MOU:** Support provided under the Threshold Program has been well aligned with the targets set in the joint MoU. The OTA local resident consultant, Ralph Oberholzer, supported DPMF in producing tax and non-tax revenue forecasts as an input to the MTFF. Oberholzer accompanied SEFIN through the entire budget cycle from March to September 2015, right before the budget was presented to Congress for approval. Discussing fiscal policy options and incorporating accurate revenue forecasts into the macrofiscal framework is fundamental. Specific technical support in revenue forecasting techniques is being provided under the program and is discussed separately under Section 4.2.4 below.

**An MTFF document was developed for the first time:** A Macrofiscal Framework as a separate policy document containing a clear fiscal strategy for the public sector for the medium-term period 2016-2019 was produced for the first time in 2015 with TCP consultant support, in line with the IMF SBA target. There were three iterations before the final framework was struck in September 2015 and the resource envelope was produced, with inputs and coordination across various SEFIN stakeholders.<sup>60</sup> The methodology for projecting revenues and expenditures was explained in detail in Section 5.1 of the MTFF document. The document was distributed to institutions following the issuing of the *Lineamientos de Política Presupuestaria 2016* by SEFIN. The evaluation team did not have access to the Excel workbook behind the MTFF, but we understand that the financial programming framework was underpinned by a set of spreadsheets that ensured consistency between four inter-dependent sectors of the economy -- real, fiscal, external, and monetary.

## **Pillar 2 - Bottom-up Costing of Policies (Baseline Expenditures)**

Pillar 2 development was led by DGP in coordination with other SEFIN directorates and supported by OTA consultants. It is an essential pillar to the MTEF that is sometimes overlooked or inadequately implemented in the development process. It uses complex techniques tailored to each section to ensure thorough bottom-up costing of policies across sectors. Significant resources are needed to implement it effectively.

**Slow start, but SEFIN buy-in achieved:** Following an initial assessment in January 2013, OTA provided an intermittent international consultant (Larry Seale) to facilitate SEFIN buy-in. Limited advice was provided in 2014. TCP's approach was to start familiarizing SEFIN with the concept of institutions costing their medium-term budgets on a no-policy change basis (*baseline expenditures*), as a first step towards fully estimating the cost of public services they provide.<sup>61</sup> After overcoming challenges associated with language barriers, the intermittent nature of the consultancy, and issues of trust, SEFIN and OTA interviews suggest that SEFIN has developed buy-in and is keen to lead the process with other government institutions.

---

<sup>60</sup> Marco Fiscal de Mediano Plazo 2016 - 2019 actualización, September 2015.

<sup>61</sup> A further development of this pillar would be to cost the introduction of new policies, as well as any scaling down or removal of existing policies, to estimate fully the cost of providing public services by any institution in any given year.

**Initial disagreement on coverage but focus on key secretariats:** This pillar involves significant institutional changes in the way government officials do day-to-day business and is therefore a long and complex reform. As a result, and given limits on their own availability, OTA advisors recommended treating the baseline budgeting activity as a pilot with a core set of institutions that would be able to identify demand drivers and that represented a significant percentage of the national budget. SEFIN, however, felt that TCP should take a blanket approach to the reform and cover all central government institutions. The techniques were presented to DGP at SEFIN and tested and adjusted to the needs of the GoH during 2015. In the end, it was decided that TCP would initially focus on training two sectoral cabinets (*gabinetes sectoriales*) in 2015 through DGP, the development and social inclusion sectoral cabinet (Gabinete Sectorial de Desarrollo e Inclusión Social) and the productive infrastructure cabinet (Gabinete Sectorial de Infraestructura Productiva). Two trainings were delivered to each cabinet, each containing several institutions.<sup>62</sup> Five institutions took part in the full baseline expenditures exercise and were successful in identifying significant public services demand drivers for their institutions (advanced methodology). For those institutions that could not be trained properly, a simplified methodology was presented that largely relied on inflation as a driver of government expenditures. Defining tight service delivery demand drivers to derive baseline expenditures may not be applicable to all government agencies. However, it is important that a significant part of public sector expenditures is covered. SESAL and SEDUC, who are part of the social inclusion cabinet and jointly made up approximately 19 percent of the Honduran national budget in 2015, were included in the full training and mentoring program.<sup>63</sup>

**Challenge defining drivers:** The costing of baseline expenditures for those institutions that used the advanced methodology was done using the programmatic budget classification. Problems arose with some institutions when it came to defining demand drivers for some programs. For example, SESAL regarded women with children under five as a client group that was clearly driving their expenditures. SESAL would be able to forecast comfortably how that target group would grow in coming years; however, they would be unable to distinguish the costs associated with the group across budget programs. SESAL realized that they would have to collect specific data on that population for each program in order to come up with more robust demand drivers. The participants acknowledged that this learning process will take time, effort and government commitment to progress.

At the beginning of 2016, 44 institutions were trained by DGP analysts. The DGP will continue to work closely with those institutions that are able to identify a demand driver that can credibly be used to forecast budget requirements. Those institutions that succeed would progress to the next stage and may be able to elaborate a sophisticated baseline that uses demand drivers to forecast budgetary needs.

### **Pillar 3 - Reconciliation**

**Baseline budgeting does not yet influence the budget process and there is no means for reconciliation:** Despite progress made on the macrofiscal framework and in developing baseline

---

<sup>62</sup> See Decreto Ejecutivo PCM-001-2014 for further details.

<sup>63</sup> Presupuesto Ciudadano 2015, SEFIN, República de Honduras.

expenditures for some institutions, DGP at SEFIN continued to set expenditure ceilings for each government institution for the 2016 budget in the way described in the baseline section above. Modern ministries/secretariats of finance tend to set the aggregate resource envelope at the start of the budget calendar (around March in a calendar fiscal year) and then issue expenditure ceilings with a written budget call circular shortly afterwards, instructing line ministries and agencies to start formulating their budgets and prepare their budget submissions on that basis. Even in a context where line ministry budget submissions are not prepared using baseline expenditure techniques (and are largely incremental), there is often a formal negotiation process (in the form of budget hearings or the like) that allows line ministries to discuss their budgets with the central finance agency. Following this, final budget allocations are struck, which will eventually be presented to Congress.

In Honduras, however, there is currently no formal interaction in the budget process between the central finance agency and the institutions that allow for a technical discussion on baseline expenditures (or, otherwise, budget submissions) that affects the expenditure ceiling-setting process. Institutions simply upload their annual operational plans and multiannual budgets to SIAFI against set budget ceilings established by the central finance agency. The ceilings are entered onto the system well into the budget formulation process, and there is no analysis of budget submissions undertaken either at SEFIN or SCGG.

**Conflict between SEFIN and SCGG in the budgeting process poses a challenge.** In the past, the ceiling setting process was centralized at SEFIN. SCGG functions with three directorates general and seven sectoral cabinets operating around the secretariat. Following the passing of Presidential Decree PCM-001-2014, once expenditure ceilings were struck by SEFIN at the institutional level, they were submitted to SCGG, who would aggregate them up at the sectoral cabinet level. The sectoral coordinators of each cabinet have powers to then recommend budget ceilings for each institution within their cabinet to the SCGG. These would go to the Council of Ministers for approval and, ultimately, the President. Once they are agreed upon, they are uploaded to SIAFI for institutions to enter their budgets against them. In either case, the ceilings effectively become “the budget” without a transparent system of trade-offs and reconciliation between the central finance agency and the institutions in place.

**Some indirect benefits for institutions:** Against this backdrop, it is not surprising that baseline expenditures produced in 2015 had very limited or no impact on the expenditure ceilings for the 2016 budget and the budget process altogether. As highlighted earlier, introducing an MTEF can represent a major overhaul in the way government conducts business and can cause resistance to change. For instance, at times SEFIN saw the technical exercise of setting baseline expenditures as a potential threat to the public purse in the sense that institutions would seem encouraged to use baseline calculations as a way of arguing for higher budget allocations than they would otherwise be allocated. The evaluation team found that despite the fact that baseline expenditures did not have a major impact on the 2016 budget,<sup>64</sup> they did create some incentives for institutions to utilize

---

<sup>64</sup> One exception is the 2016 expenditure ceiling on drugs at the SESAL. The baseline expenditure was utilized in some negotiations with SEFIN, allowing SESAL to obtain 80 percent of the baseline as a ceiling. This was more than the 100 percent of the 2015 expenditure ceiling for the same budget line.

planning information within their organizations when preparing their budget, therefore improving two core PFM objectives, allocative and operational efficiency.

**While the TCP has helped lay a reasonable foundation, a meaningful change in government budgeting appears unlikely:** Introducing baseline expenditures and a broader MTEF process is a mechanism of transparency. It should ultimately allow for better planning of public resources, reducing the numerous amendments the budget sees at the end of each fiscal year. Like any complex institutional reform, its success depends on ongoing high-level political commitment. This will be the biggest challenge in the years to come. The methodologies are now beginning to be well understood at the most senior technical levels within DGP and DPMF. The evaluation team understands that a presentation outlining the MTEF approach was discussed with the Director of DPPE at SCGG, and that the intention is to now take it to the Council of Ministers. Senior political steering of the reforms would speed up implementation of the emerging MTEF.

**Dependence on Congress:** Even if annual and multiannual budgets were produced using better techniques and with greater accuracy, future in-year supplementary budgets approved by Congress can have a significant impact on budget outturns during budget execution (when compared to budget allocations presented in the budget law at the beginning of the year, the forecasts). While the Fiscal Responsibility Law should limit Congress's discretion in this regard, we return to this issue under Sections 2.3.2 (Budget Execution Reporting) and 2.3.3 (Congressional Budget Approval and Oversight).

#### 4.2.4 Revenue Forecasting

Accurate revenue forecasting is a fundamental factor for effective budget planning and management. Revenue forecasts define the resource envelope and form the basis for effective medium-term planning. They serve as the principal resource constraint and, if integrated into a top-down budget preparation process approach (using the consolidated revenue forecasts across government as an input to the MTEF), they facilitate the allocation of expenditures across institutions for different uses. Furthermore, transparency of forecasting processes is key in creating accountability in the revenue collection process, as manipulation of forecasts can conceal governance problems.<sup>65</sup>

Nonetheless, it is not uncommon for forecasting responsibilities to be loosely defined and loosely governed, with very few formal rules and regulations. In many countries, revenue forecasts are produced late in the budget process and estimation techniques are rudimentary. The production of forecasts usually involves multiple executive agencies outside the central finance agency, a setting that requires extensive coordination. As a result, the existence of multiple competing forecasts is quite common.

The primary drivers of revenue changes from one year to the next are macroeconomic. Therefore, the initial step in revenue forecasting is generally to prepare a macroeconomic forecast. For many members of the Organization for Economic Cooperation and Development (OECD), this forecast will cover macroeconomic aggregates such as wages and salaries, corporate profits, private consumption,

---

<sup>65</sup> Danninger, Cangiano, and Kyobe, 2004.

imports, etc. For tax revenues, for instance, these aggregates are closely related to the “bases” on which taxes would be levied. In other countries, the forecast may only cover GDP. In both cases, the results of the macroeconomic forecast should be a crucial input into the forecast of revenues.

As much as possible, revenue forecasts should be determined exogenously from the MTFF at the lowest level of disaggregation (e.g., by tax type and individual taxpayer data), striking a balance between what is desirable and what is financially feasible, and feed directly into the macrofiscal framework. Three basic types of models for revenue forecasting, tax analysis, and tax expenditure estimation are often used: (1) macroeconomic or GDP-based models, (2) microsimulation models, and (3) tax receipt models.<sup>66</sup>

### **Relevant question**

- Does the accuracy of revenue forecasting increase? Why or why not?

### **Baseline**

Each year the Budgeting Policy Guidelines (Lineamientos de Política Presupuestaria) contain Honduras’s macroeconomic framework, which outlines key macroeconomic assumptions and the government’s fiscal targets according to these assumptions. Fiscal targets are presented for a four-year period, broken down by revenue receipts (recurrent receipts), capital receipts, and donations. Revenue receipts forecasts (tax and non-tax) inform fiscal targets over the medium term. At baseline, UPEG’s staff was responsible for coordinating data collection across government and forecasting revenues in alignment with macroeconomic framework assumptions, fiscal policy, and the legal framework, which regulates public finances. Data supplied to UPEG would mostly come from various SEFIN departments, such as DGP and DGCP. UPEG would also use macroeconomic data produced by BCH and DEI, public enterprises, and local governments.

### **A reasonable forecasting methodology exists; however, it has not been updated since 2005:**

The evaluation team did not gain access to the full revenue forecasting methodology applied within SEFIN. We understand, however, that revenue forecasts were mainly derived using time series data and taking into account tax-to-GDP ratios by tax type and their elasticities. Initial forecasts, known as passive forecasts, are produced capturing the trend component of the times series only. More complicated forecasts then incorporate any effects of new fiscal policies, changes to the legal framework, or any external factors (such as changes in prices set in international markets). The SIAFI system itself performs some revenue forecasting as an input to this exercise. As such, a forecasting methodology is in place; however, the forecasting module was set up in 2005 and has not been updated or upgraded since. Updating the system with several additional years’ worth of available data would improve the accuracy of the forecasts significantly. Intragovernmental coordination on revenue forecasts has been challenging. DGP is formally responsible for running the revenue-forecasting module within SIAFI. UPEG was the department responsible for the final validation and agreement on revenue forecasts that would feature in the Budgeting Policy Guidelines. UPEG utilized

---

<sup>66</sup> Allen, et al, 2013.

SIAFI data but ran their forecasts off-SIAFI in Excel. Partial revenue data was also supplied by DEI and used to inform the forecasts.

### ***Progress and Challenges***

Revenue forecasting technical assistance has been led by one intermittent OTA consultant, Jean Tesche. Technical support has been provided mainly to DPMF and DGP with a view to assisting forecasting units in developing forecast procedures and capacity building on forecasting techniques, as well as strengthening and clarifying the institutional structure for forecasting revenues. Following the split of former UPEG into three units during 2015, DPMF is now the directorate theoretically responsible for coordinating the preparation of revenue forecasts and the main counterpart of the TCP consultancy. While DGP is not as knowledgeable about or involved in revenue forecasting, they are responsible for the SIAFI system. Very limited direct support has been provided so far to DEI.

Efforts have focused on (1) the macrofiscal forecasts at DPMF that draw on SIAFI data, (2) microsimulation models that would look at how changes in policies affect revenues, and (3) improving intragovernmental coordination. The consultancy has prioritized identifying weaknesses in methodologies in SEFIN's technical capacities and providing training and raising awareness of techniques that could be used to improve those capacities.

**“We are making progress but still not there.”** The support provided has not yet translated into new methodologies being applied for forecasting revenues as contemplated in the workplan.<sup>67</sup> The picture depicted above in the baseline section in relation to revenue forecasting remained largely unchanged throughout 2015.

**No major changes to the SIAFI models but an expected increase in the amount of historical data used:** SIAFI models use regression and elasticity analyses. However, the models have not been altered since they were created. The consultant has not recommended changes to the model specifications; however, she has recommended that they use greater historical data (15 years, as opposed to 8 years). At the time of data collection, DPMF and TCP consultants were starting to compile and analyze revenue data going back 15 years and the offer/use tables used to calculate GDP from the Central Bank (via the Modernization Unit within SEFIN, UDEM, and DEI) as well as the formulas used in current revenue forecasting methods in SIAFI. Regression methods and statistical techniques were not well understood outside DPMF prior to the start of the program. Some basic training on tax policy, modeling, and statistics/regression was delivered to SEFIN by the OTA consultant. DGP, in particular, now has a better understanding of the underlying model that produces the SIAFI forecasts.

**A start on microsimulation models:** Microsimulation models are used to estimate the effect of changes in tax policy on revenue, and they are based on calculating tax from the tax returns of individual taxpayers or transactions and then aggregating the results. A model contains a tax calculator that can apply all the tax rules to the tax information of each tax return and then aggregate the tax liabilities across all the returns applicable to that period and cross tabulate the results as

---

<sup>67</sup> U.S. Department of the Treasury Office of Technical Assistance. (nd) Workplan: January 2015-2016.

needed. Initial discussions have taken place between DPMF and TCP regarding the development of microeconomic simulation models capable of calculating tax expenditures within DPMF, which would allow authorities to assess how changes in policies (e.g., current changes to revenue codes, introduction of social benefits) would affect revenues. In particular, the consultant was in discussions with DEI to develop a potential microsimulation model to forecast VAT by economic sector. There was very limited progress on this front during 2015. Under TCP support, a very first step was to assign taxable proportions to products in order to calculate how changes in exempt goods and/or certain tax expenditures measures would affect revenues by each sector. A very preliminary structure of a sectoral model was prepared using the Central Bank's offer/use tables.

**Opportunity for improvements in interagency cooperation:** On the institutional side, DPMF are utilizing TCP support to get key players to talk together and therefore strengthen the institutional mechanisms for revenue forecasting. The participants would include DPMF, DEI, and DPT. Some progress across government has been seen throughout 2015. Having received direct training, DGP, the gatekeeper to SIAFI, is now much more engaged in the process. Nonetheless, there is not yet a formal forum to discuss revenue forecasts across government. The approach taken by the technical assistance team has been to initially explain the methods and options to government in incorporating longer time series and developing microsimulation models.

**Absence of the DEI at the table:** While the consultancy appears well situated to increase coordination within SEFIN, there has been minimal interaction with the tax authority. As the collector of revenue, the DEI is a key actor in revenue forecasting. However, DEI personnel did not attend consultant-led trainings and have not been adequately engaged in the TCP. This was likely due to institutional uncertainty, and, in fact, the DEI was formally closed down in March 2016 to be replaced by a new institution that will have new technical personnel, new IT technologies, and a new tax code. This transition process had not been defined at the time of writing but it was expected to take around four months to complete. These changes may have implications for the TCP.<sup>68</sup>

#### 4.2.5 Fiscal Impact Analysis

Fiscal impact analysis (FIA) is the capacity of the government to estimate the fiscal impact of revenue and expenditure policy proposals. The assessment of fiscal implications of policy changes is critical to ensure that policies are affordable and sustainable. A failure to accurately estimate the fiscal implication of policies may result in a shortfall in revenues or higher expenditures, leading to unintended deficits and increased debt, undermining the ability of the government to deliver services to its citizens.<sup>69</sup>

The fiscal impact of policy proposals should be documented and prepared by the central finance agency or consolidated by this agency in cases where the institutions prepare the estimates for their

---

<sup>68</sup> The DEI had approximately 2,100 employees nationwide distributed among three Directions: Rentas Internas, Rentas Aduaneras, and Cumplimiento. Approximately 1,500 from the Directions of Rentas Internas and Cumplimiento were recently laid off. The personnel from Rentas Aduaneras were not fired but have been transferred to SEFIN for now. Approximately 300 employees have also been transferred to a "Transition Commission" to ensure that basic processes in DEI are maintained.

<sup>69</sup> PEFA 2016.



respective policy areas. With regard to revenue policy, the analysts should focus on those proposals that are likely to have significant and direct impact on revenue, including changes to the rates and coverage of corporate income tax, VAT, personal income tax, customs and excise taxes, and taxes on natural resources. Revenue and expenditure policy proposals would normally specify the estimated impact for the budget year and two additional years. Details of the costs and assumptions of policy proposals approved by government should be included in the budget documentation, submitted to Congress, and published.

### ***Relevant question***

(There is no specific question related to this reform area.)

### ***Baseline***

**Fiscal impact analysis is often limited to a simple statement of insufficient funds:** Article 27 of the OBL defines some conditionalities regarding budget increases and modifications. The OBL specifies that any budget increase presented by the Executive over and above the overall expenditure ceiling approved by Congress, will require a “technical opinion” from SEFIN on whether a matching level of financing can be raised. Budget modifications to fund investment projects are only allowed if the modifications have followed the evaluation rules and procedures contemplated in the public investment management system. Additionally, Article 36 of the OBL gives exclusive powers to Congress in relation to modifying the total amounts of the budget and internal debt (SEFIN has to provide an opinion in advance). Article 38 on balancing the budget stipulates that during budget execution neither the Executive nor Congress will be able to create new budget allocations or increase existing ones without identifying the source of funding and, in any case, without receiving a technical opinion from SEFIN (which is, in any case, non-binding).

Specific rules and procedures on fiscal impact analysis are not detailed in any of these articles of the OBL or in its regulations (although TCP-promoted revisions might change this). FIA custom and practice prior to the start of the TCP program was that Congress may request SEFIN’s technical opinion on new policy proposals or budget modifications that would have fiscal implications on the budget. There were no written procedures, however, on how SEFIN was supposed to formulate such technical opinions. The CBC reported 33 unfavorable judgments and 2 favorable judgments from SEFIN in 2015.<sup>70</sup> Typically, the unfavorable opinion would simply be a statement that there were insufficient funds in the approved budget to finance the modification or increase, and, therefore, the budget would have to be modified. Technically speaking, it should not be the finance ministry’s role to formulate an opinion but, rather, to give an estimate of the fiscal impact on revenues and expenditures of any given budget increase or modification.

### ***Progress and Challenges***

**Advances in capacity building:** The narrative presented above in relation to the GoH conducting FIA remained largely unaltered in 2015. Work on FIA within SEFIN throughout the year was still at

---

<sup>70</sup> Congreso Nacional de Honduras: Comisión de Presupuesto. Matriz Dictámenes 2015. (2015)  
<http://www.congresonacional.hn/index.php/comision-de-presupuestos.html>



the design and conception stage. As part of the support provided by the technical advisors, an FIA working group was set up. A new methodology, as well as forms and instructions for FIA, were completed and approved by the working group. Tentative arrangements for coordination with the CBC were also completed, setting the stage to start producing FIAs on the basis of the new procedures on an informal, non-official basis (see Section 2.3.3). Technical advice on FIA has been led by Larry Seale from SEFIN's side and by Jennifer Fox from CBC's. It is fair to say that a core group of individuals both within SEFIN and the CBC now know what role FIA is supposed to perform and government officials are being increasingly exposed to new ideas.

**Fiscal Responsibility Law failed to include FIA and consideration of a forensic institute has been dropped:** Technical innovations on FIA could have been included in the new Fiscal Responsibility Law; however, they were not. It is hoped that these will instead be included in revisions to the OBL. One innovation considered was a forensic institute that could have helped pave the way to test methodologies and develop a training program on FIA. The CBC visited such an institute while on a TCP-supported visit to the Texas state legislature to observe their budgeting process; however, it now appears that plans for the institute will not move forward.

**Low capacity in the Directorate of Revenue Policy:** Following the split of UPEG into three units last year, a Directorate of Revenue Policy (Dirección de Política Tributaria – DPT) was established with the aim of supporting decision-making in revenue generation. The expectation is that the directorate will grow, but, for now, it has not been staffed properly. The unit was created with three main functions in mind: to advise on tax policy by undertaking impact assessments (calculate tax expenditures derived from their initiatives) and providing technical opinion (not dictamen) on the matter; (2) to provide clear communication on the government's tax policy; and (3) to propose tax policy changes where appropriate. Therefore, FIA on tax policy changes is expected from DPT in the future. If the Directorate is to be proactive in leading this kind of analysis, it will require an increase both in staff and in technical capacity. The TCP has not provided any direct support to the directorate. Any training program on FIA may, however, incorporate DPT officials.

## 4.3 Budget Execution Reporting and Oversight

### 4.3.1 The intervention

Table 5, above, outlined OTA advisor Lori Fleming's work in budget execution. Table 6 presents a snapshot of OTA's work with Congress.

**Table 6: Summary of consultancies - Advisors to Congress**

Consultants	
Jeff Holland, Jennifer Fox (formerly Gail Miller), (OTA)	
Period of performance	20 Months: May 2014 to December 2016
Objectives	<ul style="list-style-type: none"> <li>• Objective 1: Strengthen the budget hearing process</li> <li>• Objective 2: Improve congressional rules and procedures for consideration of the budget</li> <li>• Objective 3: Strengthen the capacity of members of Congress and staff to analyze the budget</li> </ul>
Selected activities	<ul style="list-style-type: none"> <li>• Develop methodology and instructions for making information available to the public (model process for budget hearings); produce reports that summarize the hearings after they have been completed to make information more accessible to members and the general public</li> <li>• Draft legislation to transfer non-budgetary General Provisions to the appropriate Organic Laws; delete non-budgetary General Provisions from the Annual Budget Law</li> <li>• Develop and recommend fiscal rule to prevent net new spending that exceeds the planned budget deficit targets; adopt Congressional fiscal rule to prevent consideration of spending legislation that exceeds the planned budget deficit targets</li> <li>• Standardize the provision of a fiscal impact assessment in a timely manner for proposed legislation</li> <li>• Develop model report format for budget analysis; develop bulletins on economic and budget concepts or other materials</li> </ul>

Source: United States Department of the Treasury Office of Technical Assistance: Advisors Jeff Holland and Gail Miller. (2015) Workplan: January 2014-December 2015.

#### 4.3.2 Budget Execution Reporting

Budget execution reporting procedures should be properly designed to support budget execution control, accountability, and analytical works for budget preparation. Comprehensive accounting and timely reporting of revenues, expenditures, and financing should cover all government units. Expenditure and arrears should be accounted for at both commitment and payment stages. Comprehensive monitoring of expenditures financed from external sources depends on donors' procedures. Nevertheless, financial reports should at least cover expenditures financed by external loans on the basis of the disbursements notified by the donors to the debt office and expenditures financed by grants. In-year reports should be produced at least quarterly, but preferably monthly, and should be available within both the central finance agency and the institutions for budget implementation supervision. An annual financial report should be audited by the Supreme Audit Institution and then submitted to Congress. This last measure is essential for accountability to the legislature. However, it can be effective only if the accounting procedures are clear and enforced. The regular production of in-year financial reports is essential to ensure the quality of the annual report.<sup>71</sup>

<sup>71</sup> Tommasi, D (2013).

## *Relevant questions*

- Does the accuracy of budgeting increase in partner institutions? Why or why not?
- Does the budget reporting and reporting of budget challenges improve in partner institutions? Why or why not?

## *Baseline*

**Reporting occurs quarterly; however, there is a problem of non-compliance with the Organic Budget Law, and reporting lacks adequate information to inform decisions:** Chapter IV of the OBL covers the monitoring and evaluation of budget execution. According to Article 45, the evaluation of budget performance, which occurs during the fiscal year and at year-end, falls under the remit of DGP within SEFIN. This directive should cover both the general budget and the budget for decentralized institutions. Article 46 mandates the preparation of corresponding financial reports that summarize both physical and financial execution information. The OBL is complemented by the Organic Budget Law's regulation (Reglamento de Ejecución General de la Ley Orgánica del Presupuesto); its Article 12, (Evaluation of Budget Execution) stipulates that the monitoring and evaluation of budget performance should be conducted quarterly.

Prior to the start of the TCP, DGP prepared quarterly budget execution reports 30 days after the end of the quarter (although the Law and Reglamento are silent on the timing of these reports). SEFIN is responsible for producing the reports, but it is dependent on information provided by the institutions. The reports are prepared in hard copy only and capture data on the institutions that submitted information to the DGP. Reports then go to the President of the Republic, the Council of Ministers, and Congress. Quarterly budget execution reports should be the basis of congressional budget hearings (audiencias públicas) within the CBC

Reports by DGP were prepared on the basis of SIAFI information submitted by institutions. However, the exchange of information between SEFIN and institutions was often reactive and inefficient and not conducive to budget analysis. To begin, we understand that some institutions would not always submit their information. In addition, SEFIN can observe facts in the reporting, but it is often unable to determine the root causes of any budgetary deviances. For example, through the quarterly reporting mechanisms, SEFIN can see that an institution is overspending on salaries in a given quarter but not know why. In such cases, DGP can ask for more information from individual institutions, but responses are reported to be slow and the existing OBL does not contain sanctions for late- or non-compliance. The end result is that reporting occurs, but it does not provide the Executive and/or Congress adequate data to make informed decisions.

## *Progress and Challenges*

Progress in this area under TCP support has followed a similar trajectory as other technical areas. The TA team initially focused on identifying weaknesses in the existing reporting mechanisms through gap analysis and spent significant amounts of time presenting options to government officials and building space for reform. The team is now beginning to address the underlying issues key to improving reporting. Technical assistance under this work stream has been led by the long-term resident advisor, Lori Fleming, with intermittent support from other consultants at SEFIN.

**Proposed format changes:** At the time of data collection, a number of format changes to the quarterly budget execution reports were being considered. These were intended to make the reporting shorter, clearer, and more actionable. At this time, the TA team had also been working closely with SIAFI developers to automate the process, which would make report writing more efficient. The expectation was that new formats would be introduced in a pilot for the July-Sept 2016 Q1 report. The new formats would improve reports by allowing qualitative observations (narratives). Once the authorities are comfortable with the formats, the next step will be to start improving the type of observations accompanying the reports and developing a training program for the analysts involved.

**Concerns with budgetary and accounting close:** We understand that the TCP advisory team also identified a number of concerns with budgetary modifications around the budgetary and accounting close. The former refers to the budgetary reallocation process that often takes place in December arising from unutilized appropriations in some institutions and overspending in others. The latter takes place when the audited year-end final financial statement goes to Congress in March/April. Most of the budget modifications for the budgetary close do not require Congressional approval (SEFIN approves). Ideally, reallocations of unused funds in the fiscal year should not all take place in December as they seriously undermine the credibility and predictability of the budget.

**Coordination with Congress consultancy:** The overall approach followed under the TCP is to increase government transparency by incentivizing institutions to provide better information. The end users of budget execution reports are the Executive and Congress. Ideally, the government uses the budget reports to manage public services; Congress and civil society use the reports to hold government accountable. OTA consultants support the CBC by ensuring that the reports provide the committee relevant information useful to the committee's work. This area of work is supported by Jennifer Fox from the TA team and is covered in more detail in the next section.

## 4.4 Congressional Budget Approval and Oversight

Congress and the CBC have several roles in the budgeting process, including holding budget hearings and approving the annual budget. After SEFIN submits quarterly reports (see above), the CBC invites government institutions to a round of public hearings held each year between the months of May and December. These public hearings are held either to inform the government about the execution of their current budget or to defend CBC's budget for the upcoming year. The CBC also provides leadership in the approval of the annual budget. According to Article 25 of the OBL, the budget for the subsequent fiscal year, with its components, must be presented by the executive branch (through SEFIN) to Congress during September. Once in Congress, the budget proposal has to be read, discussed and approved in plenary session by the members.

### *Relevant Questions*

- Does the accuracy of budgeting increase in partner institutions? Why or why not?
- Does budget reporting and reporting of budget challenges improve in partner institutions? Why or why not?

## *Baseline*

**The budget hearing process was improving prior to the TCP, but there was still considerable room for improvement:** The CBC's website includes hearing documentation dating back to 2010, suggesting a history of public hearings and a degree of transparency in the hearings. Key informant interviews and a review of public documentation, however, suggest several limitations during the period prior to the start of the TCP, including:

- Prior to the hearings: Typically speaking, notice was inadequate; no personalized invitations were sent; no agenda was circulated ahead of time; and there was no public access to documentation ahead of time.
- During the hearing: Presentations were not standardized and speakers were reportedly able to set the agenda and even present information that was inconsistent with the formal reports. There was an inadequate opportunity for member or public comment or a discussion of the budget issues and potential solutions. Public or civil society attendance was low. Reportedly, attendance by CBC members was also low.
- After the hearing: While PowerPoint presentations were made available, no transcripts were made of the proceedings. A very high-level consolidated report was produced, but it was often not made available until months later.

**General Budget Provisions detract from the budget approval process:** The General Budget Provisions were identified as an obstacle to an efficient budget approval process. The General Budget Provisions are rules that are complementary to budget approved for the fiscal year. The more than 200 provisions must be read aloud and considered anew each year. The process can take as much as three days of Congressional time during a period when other annual budget items need to be considered. The CBC suggests shortening the list of rules by (1) transferring appropriate provisions into the OBL or some other organic law, and (2) removing provisions that have no direct relation to the budget.

**Congress lacks capacity:** Several key informants reported that many members are not trained in budgeting and economics and therefore lack the capacity to adequately analyze budget reporting or the proposed annual budget. There is also limited institutional memory, as about half of the members were elected in 2014. Full time congressional staffers with budgeting expertise would be helpful, but staffs are small and busy already.

## *Progress and challenges*

**Several improvements have been made to the hearing process:** The CBC and OTA advisors worked together to make improvements to the 2015 Public Budget Hearings. Improvements include the following:

- Prior to the hearing: The CBC decided not to standardize the presentations; however, they provided institutions with guidelines specifying what information needed to be presented. Institutions are required to provide presentation reports ahead of the hearing to ensure that CBC members are able to analyze the information and prepare proper questions. While some invitations are sent out to stakeholders, they are often not sent with sufficient notice.

- During the hearing: There are more institutions reporting to the CBC, more relevant questions being raised, and greater attendance from civil society and congressional members.
- After the hearing: The CBC now records and posts videos of some of the hearing to its website.

**Table 7: Public hearings 2013-2015**

Indicator	Consolidated Report 2013	Consolidated Report 2014	Consolidated Report 2015	Comparison throughout the years
Number of institutions scheduled for public hearings	11 institutions	Budget Execution: 5 Budget Defense: 0	Budget Execution: 32 Budget Defense: Not scheduled	Congress nearly tripled the number of institutions scheduled for public hearings
Number of institutions that attended its public hearing on the scheduled date	9 institutions	Budget Execution: 4 Budget Defense: 10	11 institutions	A similar number of institutions attended hearings on scheduled date even though Congress tripled the number of institutions scheduled
Number of institutions that attended its public hearing on another date	Not applicable	Report does not give enough detail	10 institutions	The most current report now brings data to provide information for this indicator
Number of institutions that did not attend its public hearing on any date	2 institutions	Report does not give enough detail but is assumed that the score for Budget Execution is 1	11 institutions	The number of institutions who did not attend hearing increased significantly
Percent of institutions that attended its hearing on any date	$9/11 = 81.8\%$	Budget Execution: $4/5 = 80\%$ Budget Defense: $10/10 = 100\%$	$(11+10)/32 = 65.6\%$	The percent of institutions that attended its hearing on any date has decreased
Number of institutions whose individual report is annexed to the consolidated report	3 institutions	Budget Execution: 3 Budget Defense: 4	20 institutions	The number of individual reports annexed to the consolidated report has increased.

Indicator	Consolidated Report 2013	Consolidated Report 2014	Consolidated Report 2015	Comparison throughout the years
Number of institutions that presented a comparative budget execution report (approved vs. executed)	2 institutions	1 institution <sup>72</sup>	14 institutions <sup>73</sup>	It has increased the number of institutions that present a comparative budget execution report (approved vs executed)
Were members of Congress present during public hearings?	Yes, members from the CBC and 1 member from another congressional committee	Report doesn't provide information	Yes, members from the CBC as well as from other congressional committees	Members of Congress from other committees have increased their participation in hearings
Number of members of Congress present (average, minimum and maximum) per hearing	Minimum: 4 Maximum: 6 Average: 5	Report doesn't provide information	Minimum: 1 Maximum: 8 Average: 4	The average number of members of Congress has been similar between 2013 and 2015
Were the hearings transmitted by live TV? Are videos, news reports, available? When were they uploaded?	Report doesn't provide this information and there were no results from an online search	Report doesn't provide this information but according to interviews with Committee they were only transmitted live	Live TV through Congress channel; access to media in general; videos uploaded in YouTube around 6 months after hearings were held	There has been an increase in access to media; needs improvement in timing
Number of videos, news reports available	No videos or news reports available	No videos or news reports available	Videos from 16 institutions	There is an increase in the number of videos available after hearings

<sup>72</sup> According to the Consolidated Report 2014 only one institution presented a comparative budget execution report (approved vs. executed). Checking the individual PowerPoint presentations, two institutions completed the requirement.

<sup>73</sup> According to the Consolidated Report 2015 only 14 institutions presented a comparative budget execution report (approved vs. executed). Checking the individual PowerPoint presentations, 19 institutions completed the requirement.



Indicator	Consolidated Report 2013	Consolidated Report 2014	Consolidated Report 2015	Comparison throughout the years
Were civil society organizations present during public hearings? Were they able to ask questions or make comments?	Yes, organizations such as CNA, FONAC, COHEP, FOSDEH Yes, they were able to ask questions and make comments	Report doesn't provide information	Yes, organizations such as FONAC, COHEP, Democracia sin Fronteras, FOSDEH Yes, they were able to ask questions and make comments	Civil Society organizations have decreased their participation
Number of civil society organizations (average, minimum, and maximum)	Minimum: 0 Maximum: 3 Average: 2	Report doesn't provide information	Minimum: 0 Maximum: 2 Average: 1	The average number of civil society organizations participating has decreased
Were members of government institutions who are interested in transparency and anticorruption present during public hearings?	Yes, organizations like TSC, IAIP, ONADICI	Report doesn't provide information	Yes, organizations like TSC, IAIP, ONADICI	Members of government institutions interested in transparency and anticorruption have remained present during public hearings

Source: Congreso Nacional (2013) Informe de Audiencias Públicas Proyecto 2013 y Ayuda Memoria; Congreso Nacional (2014) Informe de Audiencias Públicas 2014; Congreso Nacional (2015) Informe de Audiencias Públicas 2015.

**Difficulty in attributing change to the consultancy:** While there has been clear improvement in budget hearings, many of the changes began prior to the TCP. It is therefore difficult to determine the extent to which this improvement is attributable to the consultants and not the natural trajectory of the CBC.

**Increasing staff capacity but concern over sustainability:** In recent years, the CBC staff has grown from three to seven persons to help shore up congressional capacity. A trip to visit the Texas state legislature supported by the TCP and technical assistance from the consultants appear to have further added to this capacity. While there has been an increase in CBC staff capacity, staffers are political appointees tied to committee members. There is a risk that turnover in the legislature will likely mean turnover in committee staff as well.

**Less than ideal relations between OTA consultants and some staffers:** Some tensions were reported between the consultants and their counterparts at the CBC. While the consultants work well and closely with some of the staffers, there is limited interaction with other key staffers. This has likely limited the influence of the TCP.

In improving the budget approval process, efforts to remove General Budget Provisions are underway but moving slowly. TCP consultants Jeff Holland and Jennifer Fox are working with the CBC and SEFIN to propose modifications to the OBL that would move many of the General Budget Provisions to the OBL. Key informants expressed frustration with delays in removing these provisions. Interviews revealed “finger-pointing” in trying to understand the delays, suggesting inadequate coordination between congressional staff, the consultants, and SEFIN.

## 4.5 Transparency and Efficiency of the Treasury

### 4.5.1 Introduction

The expected result sought by the transparency and efficiency of the treasury component is to achieve more transparent and less subjective payment prioritization. A number of OTA consultancies are working toward this result. In particular, TCP is providing advice, training, and mentoring services regarding payment of government arrears (section 4.4.3), treasury payment processes (4.4.4), and, more generally, cash management (4.4.5).

### 4.5.2 The intervention

Table 8 presents a snapshot of the consultancies designed to influence the transparency and efficiency of the treasury.

**Table 8: Summary of consultancies – Transparency and efficiency of the treasury**

<b>Consultants</b>	<b>John Small, Kay Blackburn, and Lori Fleming(OTA)</b>
<b>Period of performance</b>	October 2014-End of the TCP
<b>Objectives</b>	<p>Objective 2: Increase transparency and efficiency of the Treasury</p> <ul style="list-style-type: none"> <li>• Sub-objective 1: Develop transparent payment process</li> <li>• Sub-objective 2: Improve cash management (and reduce payment arrears)</li> </ul>
<b>Selected activities</b>	<ul style="list-style-type: none"> <li>• Recommend a transparent process for prioritizing payments</li> <li>• Develop and implement an automated process for prioritizing payments through SIAFI</li> <li>• Implement standardized banking agreements that specify performance measures and fees for revenue collections</li> <li>• Integrate major government agencies into the CUT</li> <li>• Integrate special accounts into the CUT that are not restricted by external donors</li> </ul>

Source: U.S. Department of the Treasury Office of Technical Assistance. (2015) Workplan: January 2015-December 2015.

#### 4.5.3 Payment arrears

Government expenditure arrears are financial obligations to any level of the public sector for which payments have not been made by the due date. Payments may be overdue based on a particular legal obligation (such as payment of social security benefits, or salaries), a specific contractual commitment (such as payment for construction of a road), or a continuing service arrangement (such as payment for electricity supply). The value of expenditure arrears constitutes the amount of the original overdue payment, as well as any interest or financial penalties that the government might accrue (and not pay) as a result.<sup>74</sup>

The precise point at which a government liability falls into arrears typically varies with the type of expenditure. For payments due to commercial contractors for provision of goods, services, or fixed assets, expenditure is considered to be in arrears when: (1) the goods have been delivered, service rendered, or asset created; (2) an invoice has been received; (3) the good, service, or asset has been verified as successfully delivered; and (4) the payment due date on the invoice or the number of days after which an invoice is to be paid in accordance with a law, regulation, payment policy, or local practice has passed.

In practice, what constitutes a payment arrear varies from country to country, because there may be no clearly stated deadline for payment in laws, regulations, or policies. For example, in some countries, payment deadlines for the provision of goods and services are defined only in individual contracts. In others, the deadline for payment is set out in a law or regulation. International practice

<sup>74</sup> Prevention and Management of Government Expenditure Arrears, IMF, 2014.

on what is an acceptable delay between receipt and payment of the invoices varies from between 30 to 120 days.

### **Relevant question**

- Did the GoH reduce payment arrears? If so, how was this reduction achieved?

### **Baseline**

**Honduras confronts a major arrears problem:** Domestic arrears by the public sector were estimated at about 3 percent of GDP by the end of 2013, representing a major liability for the government.<sup>75</sup> Neither the OBL nor its regulations clearly define an arrear; however, State Contracting Law states that the government should bear interest payments on any payables that are more than 45 calendar days due, provided that all necessary documentation has been submitted by the contractor for payment.<sup>76</sup> The evaluation team understands that in Honduras, the government is in arrears 46 days after providers submit all necessary documentation for payment.

Every central government institution and the National Electricity Company (ENEE) have an Administrative Management unit (GA) responsible for approving and processing each payment request in the SIAFI system. A document called an F01 is generated in SIAFI that tracks the payment process. It appears some arrears on SIAFI go back to 2008. As of March 2015, there were more than 21,000 F01 payment documents in arrears on-system for the years 2014 or before, representing 10.3 billion lempiras (USD 479 million).<sup>77</sup> Hondutel, who we understand has a high number of outstanding liabilities, does not operate on SIAFI and, therefore, detailed information on its liabilities was not available at that time. As of December 31, 2014, the amount of all accounts payable (on and off SIAFI) was approximately three billion lempiras.<sup>78</sup>

**Some strategy and process is in place:** TGR prepares and maintains an arrears payment strategy as part of their regular payment plans (discussed below). However, the strategy only details arrears from the immediately previous year. According to one treasury official, arrears going back more than one fiscal year often originate from trust funds (*Fideicomisos*). In other instances, the treasury withholds payments (over 45 days) when problematic vendors are not up to date with their tax obligations. Those cases are dealt with separately through weekly meetings at the treasury where payments are prioritized based on cash availability and semi-standardized procedures.

### **Progress and Challenges**

**The TCP audit of arrears has been delayed:** The MoU between the GoH and the IMF envisaged that the GoH would complete an audit of public sector arrears with the intention to clear them by end June 2015 as one of its structural benchmarks. Completing the audit of payment arrears was also part

---

<sup>75</sup> Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 2014-17.

<sup>76</sup> Ley de Contratación del Estado, Poder Legislativo, Decreto no. 74-2001, in its section IV, Financing of Contracts, Article 28

<sup>77</sup> See PFM Project Description (24 June 2015) document for further reference.

<sup>78</sup> *Ibid.*

of TCP's objectives, and MCA-H initially hired the local Honduran affiliate of the firm Grant Thornton to perform the audit. The purpose of the audit was to verify that the amounts purported to be due from the central government, ENEE, and Hondutel were indeed outstanding. MCC/MCA-H terminated the Grant Thornton contract after the firm was debarred by the World Bank for falsifying audit findings. At the time of data collection, MCC/MCA-H was in the process of hiring a new consultant. The evaluation team understands that Deloitte was awarded the contract and the audit took place in 2016.

**Delays in payment start in the government institutions:** During the time the evaluation team was in-country, TCP contracted a short-term OTA consultant (Kay Blackburn) to study the weaknesses and challenges in the payment processes to vendors arising in INSEP, SESAL, and SEDUC. The subsequent analysis of SIAFI data from 2015 highlighted that, for these Secretariats, TGR is averaging 15 days to process invoices approved by the institution for payment.<sup>79</sup> This is a reasonable timeline and does not appear to be contributing significantly to the generation of arrears. This suggests that new arrears mainly arise in the institutions.

Using data entered into SIAFI, Blackburn and OTA advisor Lori Fleming found that institutions varied considerably on the number and percent of invoices that were in delay. SESAL, for example, experienced long payment timelines: 49.6 percent of its invoices went into arrears, accounting for 36.2 percent of the amount owed.<sup>80</sup> However, the arrears are actually much longer than dates entered into the SIAFI system would suggest, because the institutions often enter the date they put the invoice into the system rather than the actual date of the invoice (*de recepción*). A review of 184 invoices across three institutions found large differences between the average days to payment based on the date of reception identified in SIAFI and the date of reception identified through the physical invoices. As shown in Table 9, a review of 113 invoices in SESAL suggested an average of 42 days to payment based on the dates recorded at SIAFI, but when actual documents were reviewed, it was found the average days to payment was much higher at 220 days.

---

<sup>79</sup> Kay Blackburn and Lori Fleming. 2016. "Improving Vendor Payment Timelines." United States Department of the Treasury, Office of Technical Assistance

<sup>80</sup> Where possible, the study used documentation in the form of "Acta de Recepcion" or Facturas from the Institutions to validate the Fecha de Recepcion entered in the SIAFI system.

**Table 9: Average number of days to payment  
based on SIAFI and document review data of reception**

	SESAL	SEDUC	INSEP
<b>Average days to payment based on SIAFI date of reception</b>	42 days	26 days	18 days
<b>Average days to payment based on document review</b>	220 days	76 days	113 days
<b>Number of documents reviewed</b>	113	45	26

Source: Kay Blackburn and Lori Fleming. 2016. "Improving Vendor Payment Timelines." United States Department of the Treasury, Office of Technical Assistance

#### 4.5.4 Payment Processes

Objective, effective, and efficient payment processes are a key part of a government's expenditure control framework. Such processes feature a number of stages, including authorization of expenditure, reservation, commitment, verification, payment order, and actual payment.<sup>81</sup> Effective control of the process in all of these stages are the *sine qua non* of good PFM. Medium-Term Expenditure Frameworks, fiscal impact analyses, budget plans, and annual budgets are meaningless if expenditure cannot be controlled during execution. The lack of effective payment processes not only threatens macroeconomic stability and fiscal discipline, but it can also call into question the integrity of the PFM system and undermine trust in the government's stewardship of public resources. While the institutional arrangements for raising government revenue are quite centralized in the tax authority, the expenditure of those resources involves a wide array of public entities at various levels of government. The following section mainly deals with some aspects of the expenditure framework, in particular with rules for payment prioritization for certain types of government expenditures, from the perspective of TGR and the institutions.

#### Relevant question

- Do partner institutions realize improvement in effectiveness and efficiency in the processing of invoices and cash management?

#### Baseline

**The payment prioritization process is subjective rather than automated:** TCP support in relation to payment processes has focused on a specific part of government expenditure, the purchase of goods and services from external vendors. Central to the payment processes to external providers are the rules for prioritizing these payments. The evaluation team found that SIAFI has the functionality to track accounts payables against due dates for individual vendors. Interviews suggest that rather than an automated payment process based on a clear set of rules, treasury officials in the

<sup>81</sup> Expenditure Control: Key Features, Stages, and Actors, IMF (2016).

TGR subjectively determine payment priorities. While some written procedures exist, GoH officials do not apply them consistently and objectively.

As suggested above, inefficiencies in the expenditure payment process to external vendors begin with the institutions procuring the goods. Interviews, as well as the recent study on vendor timelines, suggest that accounts payable are often input with the date of entry rather than the date the goods or services were received, delaying the payment process. In addition, vendor-supporting documentation for payment was being verified twice -- at the point of order and before making the payment request.

The SIAFI systems currently allow institutions to enter into commitments as long as they stay within their quarterly budget ceiling. This may mean surpassing monthly cash quotas established by SEFIN. A critical issue, however, is that they may enter into agreements but then simply wait to input the invoice information until a later period. The result is that legally valid invoices are not being paid on time and are not accurately recorded in the system. According to international standards, the GoH should control spending at the commitment point, not the payment point.

The economic consequences of these shortcomings can be significant. The mishandling of payments can be an important contributing factor to the accumulation of arrears. Addressing this and prioritizing payments objectively is critical. Subsequent uncertainty around payments can have a detrimental effect on businesses. If vendors are dependent on government contracts, delayed payments can cease or delay activity, impose difficulties on accessing credit, and reduce aggregate demand and employment. Government suppliers may try to mitigate some of these risks by increasing prices, producing an increase in the cost of service. This in turn can reduce or even interrupt public service delivery. Chronic payment delays may also increase the incentives for rent-seeking and collusion between government suppliers.

### *Progress and Challenges*

**Improvements to procedures are forthcoming:** The scenario described above in relation to processes for payment to external government suppliers remained largely unchanged throughout 2015. OTA consultants have made recommendations to tighten and clarify existing payment prioritization procedures with further payments categorization and new policies. Transparent payment priority procedures were drafted in November 2015 and presented to the authorities. Revised procedures were projected to be implemented in 2016. In addition, more comprehensive procedure revisions for permanent installment into the procedures manual have been drafted and are under review by TGR senior management and by the TA team. Finally, a number of improvements were suggested in November 2015 as amendments and additions to the OBL, under consultation at the time of data collection. (These suggestions were submitted in combination with other OTA recommended changes to the OBL). One intermittent short-term consultant, John Small, who has been focusing on the Treasury Department, has led technical assistance under this work stream. He was supported by the resident advisor Lori Fleming.

**Prospects for automating the payment process are delayed:** Independent of the TCP support, the treasury module within SIAFI was supposed to be upgraded in 2016 to allow for payment

prioritization decision-making to be on-system, transparent, and purely objective (as part of an updated SAIFI, known as SIAFI-GES being developed). Unfortunately, development of this element of the system has now been postponed to 2017. The upgrade of SIAFI has so far focused on the budget module operated by DGP. In the interim period, TGR requested specific OTA support through TCP to help them develop a temporary software solution that would allow automation in the payment prioritization process. At the time of writing this report, discussions between GoH and TCP were still in progress.

**New TCP initiative to work with institutions:** During the time the evaluation team was in-country, TCP contracted a short-term consultant (Kay Blackburn) to study the weaknesses and challenges in the payment processes to vendors arising in the institutions. The consultant's report referenced the above details regarding processing times at both the institutions and TGR and offered recommendations to reduce the length of the payment process. As mentioned earlier, following the study, the resident advisor will support SEFIN's Treasury, Budget, and Transparency units to formulate an action plan to address the findings of the report, beginning with a pilot at INSEP.

#### 4.5.5 Cash management

Public financial management experts have arrived at a general consensus on what constitutes good practice in government cash management.<sup>82</sup> It is recommendable that cash balances are centralized and a Treasury Single Account (TSA) is established. Modern information management systems should be in place featuring an adequate transaction processing and accounting framework that minimizes the number of steps and uses electronic transactions. There should be a modern banking, payment, and settlement system. The government should be able to make accurate projections of short-term cash inflows and outflows. There should be strong inter-institutional cooperation covering, in particular: information sharing between the cash managers, revenue-collecting agencies and spending ministries; strong coordination of debt and cash management; and formal agreements between the central finance agency and the central bank on information flows and respective responsibilities. Poor cash management can induce cash shortages and ultimately generate government arrears. Finally, governments will often use short-term instruments (e.g., treasury bills, repurchase and reverse repurchase, term deposits) to help manage cash balances and manage the timing of any mismatches.

#### *Relevant question*

Do partner institutions realize improvement in the effectiveness and efficiency in the processing of invoices and cash management?

#### *Baseline*

In line with the OBL, TGR is the main central unit responsible for managing cash across government, in close coordination with other government departments, namely DGP, DEI, and Public Credit. The

---

<sup>82</sup> Technical Notes and Manuals - Government Cash Management: Its Interaction with Other Financial Policies, Mike Williams Fiscal Affairs Department, IMF (2010).



department is charged with, among other things, with developing and scheduling the execution of the national budget so that cash is collected and made available to spending units for them to honor their commitments; preparing annual cash flow plans; managing the Treasury Single Account (CUT); issuing bonds authorized under the budget; and exercising the technical supervision of all payment offices and treasuries operating in the Honduran public sector.

**Cash rationing has declined:** Cash rationing was a problem in recent administrations,<sup>83</sup> but improved fiscal discipline in the current administration has partially led to a decline in this problem. The root of the problem remains, however, in that institutions may enter into commitments without full treasury control mechanisms, as highlighted earlier. Some seasonal cash shortages may occur, especially in the case of emergencies, such as during Zika virus outbreak. The Government has limited access to international markets and typically resorts to issuing bonds in the domestic market or to other sources of funding. The Government does not have in place a clear and transparent investment policy for idle funds that lays out the investment options of use to TGR.

**CUT use has increased but there are still exceptions:** Most government transactions go through the CUT, but only if they are on SIAFI. Agreements between TGR, the Central Bank (BCH) and commercial banks on revenue collection through CUT are outdated (they were signed in 1998), delaying the consolidation of tax collections. Municipal accounts under the SAMI system and most trust/escrow accounts (fideicomisos) are off-CUT, making it difficult to quantify the size and scope of the public sector under a unified system of national accounts.

**The line-item cash-planning system does not fully control commitments by spending units:** Once budget ceilings are passed into law and appropriated by the legislature, institutional budgets are allocated in SIAFI using the economic classification, by type and line item of expenditure (clase and objeto de gasto). Since 2013, institutions are required to prepare monthly expenditure plans for the whole year at the beginning of the year, submit them to TGR, and adjust them quarterly to reflect their budget execution needs. They are submitted to TGR on-system by spending unit (entidad ejecutora) and type of expenditure. In order for institutions to be able to enter expenditures onto SIAFI (and get paid by TGR), expenditures need to be in their quarterly expenditure plan. Expenditure forms (called F01s) need to be prepared by each Administrative Management unit and approved by TGR for payment. Expenditure controls exist at the five-digit level for each spending unit. Any budget modifications need to be approved by DGP.

In the past, TGR issued monthly financial orders to the spending units, and spending units were constrained by the amount in the monthly financial order. Since 2013, however, TGR has switched to quarterly financial orders. While this approach does allow units flexibility, there is a risk of increasing the stock of government arrears, as institutions are still allowed to enter into commitments off-system. Current cash controls lead to institutions not entering invoices into the system, also affecting the accuracy of government accounting records. Furthermore, the General Budget Provision requires

---

<sup>83</sup> Laura Zoratto, Luc Razfimandimby, Oscar Calvo-González, Calvin Zebaze Djiofack, Denis Medvedev, Gustavo Ezequiel Miranda, Karina Ramírez, Natalya Biletska, Nuria Tolsa Caballero, Ramón Arias, Rong Qian. 2013. "Honduras: Public Expenditure Review: 2013." Washington DC: World Bank.

the units to show proof of a commitment in SIAFI. One respondent contended that SEFIN authorities have tried to refuse to process such payments even though the goods and services were provided. The evaluation team found that some “big spending” institutions provided very poor expenditure plans, often simply dividing their annual budget allocation by 12 months. TGR is of the view that their own staff would benefit from some training on expenditure planning, which would be useful in their interactions with the institutions during budget execution.

### *Progress and Challenges*

**Very limited support around revenue collection and idle cash management:** The cash management processes described above still applied throughout 2015. TGR did not receive any specific technical assistance support to improve cash-planning processes and/or the information exchange between TGR and the institutions during budget execution. The Regional Center for Technical Assistance to Central America, Panama, and the Dominican Republic (CAPTAC-DR) has been the lead partner in cash management/CUT external support. OTA consultants provided limited intermittent inputs and made recommendations to standardize commercial bank revenue collection agreements through CUT (which dated from 1998) between TGR, BCH) and the private banking network, comprising 16 banks. In November 2015, significant progress was reported, a further meeting of all relevant parties was scheduled and future commitments to the process were expressed. The TA team also provided some guidance on investment policy for idle CUT cash balances and a policy draft was submitted to TGR. Unfortunately, after consultation with the Central Bank on several aspects of the policy, it was found that there was no legal authority for the TGR to invest idle balances. The consultants addressed this constraint by proposing revisions to the OBL that would establish and codify this authority (currently under consultation by the authorities). In the same proposal package of revisions and improvements to the OBL, OTA consultants also suggested options to bring government accounts that are currently off-CUT into the central account.

**A TGR strategic plan underway:** While SEFIN’s strategic institutional plan establishes the Secretaría’s strategy to manage cash, investment, and revenue collection, TGR never developed a treasury-specific strategic plan. The evaluation team understands that the department is now working on a plan covering the 2017-20 period.

# 5 IMPROVING PROCUREMENT CAPACITY, PLANNING, AND CONTROLS (PFM 1.2)

---

## 5.1 Introduction

The TCP is supporting ONCAE to increase transparency, accountability, and the quality of public procurement and service delivery through several activities, including:

- Supporting the expansion of ONCAE's online supply catalog (E-catalogue) to enable ministries to purchase goods and services at lower prices and with reduced administrative burden and fiduciary risk.
- Improving procurement transparency and controls by promoting compliance with existing national law and international agreements and, where needed, changing norms and/or current practices and providing training in areas such as sole source contracting, proper oversight of contract modifications, and ensuring fund availability.
- Increasing coordination between ONCAE and TSC to ensure that established procurement norms are properly audited to ensure compliance.

In this section we first address the E-catalogue and then the procurement assessment.

## 5.2 E-catalogue and ONCAE's Contracting System

### 5.2.1 The Intervention

One of the expected outcomes of the TCP is increased use of the electronic catalogue, or E-catalogue, for GoH purchases. The first TCP intervention with ONCAE finished at the end of 2015 and consisted of providing support for the re-launch and expansion of the E-catalogue. Through the E-catalogue, ONCAE awards vendors indefinite quantity contracts to provide specific goods to all government institutions that are able to order the goods electronically from the pre-awarded suppliers. This enables 79 government institutions and one municipality to purchase goods and services at lower prices and with reduced administrative burden and fiduciary risk. Technical assistance was provided by OTA advisor Kenneth Kehl in the early stage of the project, and later by Kenneth Torp (see Table 10), on the launch of the E-catalogue, advice and training assistance to the Help Desk staff, and guidance for the ONCAE staff on development of a training program for the E-catalogue. It should be mentioned that this was only a small part of the technical assistance these two consultants provided over the course of a few week- long trips. As shown in the consultant summary below, the consultants were also responsible for providing general procurement advice to ONCAE and assisting in converting ONCAE staff positions from contract to civil service positions. Perhaps more importantly, the TCP also hired three temporary staff (with one to two more expected) to manage an E-catalogue Help Desk and assist government institutions, vendors, and citizens with consultations regarding the E-catalogue.

**Table 10: Consultant summary - Procurement advisor**

Consultants		Kenneth Torp and Kenneth Kehl, Procurement Advisors (OTA)
Period of performance	November 2014 – December 2015, completed with potential follow-up	
Objectives	<ul style="list-style-type: none"> <li>• Provide project management and professional procurement consulting advice to ONCAE</li> <li>• Assist ONCAE with the initiation of its E-catalogue</li> <li>• Work with INSEP to upgrade, modernize, and make transparent its construction and maintenance contracting *</li> </ul>	
Selected activities	<ul style="list-style-type: none"> <li>• Assist ONCAE with the conversion of existing contract positions to civil service status</li> <li>• Conduct train-the-trainer seminar(s) for ONCAE staff who will train state institution users on the E-catalogue system</li> <li>• Assist the e-catalog staff with the development of plans (short-term and annual) for the growth and expansion of the e-catalog purchasing system</li> </ul>	

\* This objective appears to have been transferred to another consultancy.

Source: U.S. Department of the Treasury Office of Technical Assistance. 2015. Workplan: January-December 2015.

## 5.2.2 Relevant questions

- Does the TCP Program result in an increase in public sector cost savings, without resulting in deterioration in the quality or value of public expenditure?

## 5.2.3 Baseline

### *Procurement process using the e-catalogue*

**Absent the E-Catalogue, decentralized government procurement was not getting good value for money and faced high transaction costs:** Government procurement in Honduras is divided into three types: a public tender (licitación/concurso pública), a private tender (licitación/consultoría privada), and a direct purchase (contratación directa) based on the amount of the good or service. For contracts related to construction work, consulting, investment projects, feasibility studies, supervision of work, and property leasing, procurements worth USD 100,000 or more must be bid as a public tender, between USD 50,000 and USD 100,000 as a private tender, and less than USD 50,000 as a direct purchase. For purchasing orders and contracts of goods and services, procurements worth USD 27,500 or more must be bid as a public tender, between USD 12,000 and USD 27,500 as a private tender, and less than USD 12,000 as a direct purchase.<sup>84</sup>

A direct purchase does not require the formality of a public or private tender; however, it is also not necessarily a sole source contract. While sole sourcing is possible as a direct purchase, the vast

<sup>84</sup> Honduran Procurement Law, Decree No.74-2001 Article 63; General Budget Provisions 2015

majority of direct purchases involve obtaining two to three quotes from potential vendors.<sup>85</sup> As many purchases fall below this limit, different procurement units were often purchasing the same types of goods without the benefit of a market study or a more formal tender, resulting in high transaction costs,<sup>86</sup> fiduciary risks, and high prices.

Direct purchases also provided procurement units with opportunities for corruption in the selection of vendors. Minimal regulation of direct purchases meant that procurement officials could seek or receive bribes. It is possible to falsify quotes, and units typically didn't upload procurement information for direct purchases onto *HonduCompras*, the online procurement portal of Honduras. According to an analysis of ONCAE statistics, 83 percent of the government institutions from the executive branch upload procurement processes, but only 38 percent upload the contract. In the Ministry of Health, 78 percent of the procurement units upload the procurement process (73 percent upload the contract), while in the Ministry of Education, only 22 percent of the procurement units upload the procurement process (16 percent upload the contract).<sup>87</sup>

In 2012, ONCAE started the E-catalogue as a pilot program with three products: Bond paper, bottled water, and software licenses, and it estimated significant savings for the government of HNL 1,224,389 (approximately USD 61,219).<sup>88</sup> In 2013, it included the catalogues for office and printing supplies and ONCAE-estimated savings of HNL 26,386,555 (approximately USD 1,319,327).<sup>89</sup> Based on the apparent success of the pilot, in August 2014, Congress passed the Law for Efficient and Transparent Purchases through Electronic Means, requiring government institutions to officially purchase many small products or services through an E-Catalogue using a Framework Agreement.

### *Current personnel contracting system in ONCAE*

**ONCAE confronts institutional uncertainty:** ONCAE contracted much of its professional staff in 2010 through a program financed by the Inter-American Development Bank. At its peak, the program financed approximately 36 positions. Once the program ended, ONCAE's staff diminished significantly. Throughout subsequent years, 7 to 10 employees on staff worked on a contractual basis with national funds. ONCAE's professional staff is currently not under the Civil Service Regime, and employees are hired on short-term/yearly contracts. This uncertainty leads to frequent turnover and a loss of institutional memory, both of which undermine the agency's ability to effectively oversee and support government procurement.

---

<sup>85</sup> For contracts for Construction Works, Consulting, Investment Projects, Feasibility Studies, Supervision of Works, and Property Leasing, a minimum of three quotes is required. For purchasing orders and contracts of goods and services until USD 3,750 a minimum of two quotes, and for purchases from USD 3,750 and USD 12,000 a minimum of three quotes is required.

<sup>86</sup> ONCAE's estimates of the internal cost of conducting the different types of procurement processes are as follows: public tenders USD 1,296, private tenders USD 432, direct purchases USD 108, and E-catalog purchases USD 21.

<sup>87</sup> Jacinto Reyes and Luis Villalta. 2015. Evaluación Inicial y Reporte de Incepción ONCAE

<sup>88</sup> ONCAE, Estudio de Mercado de Impresoras, Equipo de Reproducción y Consumibles, 2014.

<sup>89</sup> ONCAE Informe de Ahorros Obtenidos en Catálogo Electrónico (Powerpoint Presentation), 2013.

## 5.2.4 Improvements and challenges

### *E-catalogue*

**There are now six E-catalogues:** At the time of data collection, ONCAE had launched six E-catalogues organized by product as follows: (1) office supplies, (2) printers, scanners, and copiers, (3) ink cartridges and toners, (4) food and beverages, (5) IT assets (e.g., desktops, laptops, software licenses), and (6) tires and inner tubes. Combined, the E-catalogues had more than 3,000 items on offer at the end of 2015. Firms were selected to participate in the catalogue through a Framework Agreement. ONCAE determines the products or services to include in the E-catalogue, conducts a market study of these products or services, elaborates specifications and requests for proposals, invites possible vendors to bid, analyzes the capacity, solvency, and suitability of vendors, and selects one or more vendors to incorporate their products or services in the E-catalogue. ONCAE assess offers based on the following criteria: availability in the market, related services, useful life, performance, value for money, base price, lower price (may include a cost-benefit analysis), and other criteria depending on the product or service.

**ONCAE's studies suggest substantial savings, although the studies have some methodological limitations:** According to ONCAE's calculations in 2015, government institutions had purchased USD 4.7 million worth of goods from the E-catalogues, which resulted in substantial savings of USD 2.7 million.<sup>90</sup> Table 11 shows a summary of ONCAE's comparison of the cost of products if bought by the government through the e-catalog or through some other venue. ONCAE selected a sample of the most commonly purchased goods in each catalogue. For example, they looked at 10 items from the food and beverage catalogue, including bottled water, Coke, sugar, and paper towels. They then looked at purchases made by the seven largest government institutions and that account for 50 percent of the national budget. Information from the E-catalogue was accessible through the system and information for non-catalogue purchases was taken from HonduCompras "and other public sources." It was not entirely clear to the evaluation team how ONCAE selected the comparisons and if there were any potential biases in the selection process that could have overstated what appear to be significant savings when using the E-catalogues. The evaluation team understands that many of the E-catalogue prices used in the comparison were 2015 prices, while many of the market prices used were drawn from 2013 or 2014 data. If so, the result could actually understate the savings since it does not take into account an inflation rate of 2-to-6 percent during this period. Table 11 shows savings calculated by the evaluation team based on ONCAE's comparisons across goods analyzed for four of the catalogues. The table shows the "percent of savings" instead of the "percent overcharged," which ONCAE includes in its reports. Across 36 goods in the four catalogues, the catalogue price was on average 27.9 percent cheaper than the cost of the product bought in another way. This represents a substantial savings to the government even without taking inflation into account. There was important variation across institutions. Table 11 includes information for three major secretariats, SESAL, SEDUC, and INSEP and shows that savings in SESAL (38.3 percent across 36 goods) was considerably greater than the average.

---

<sup>90</sup> ONCAE "Comparación de Precios Obtenidos en Licitaciones de Catálogo Electrónico versus Compras vía Procesos Normales" (2015).

**Table 11: Savings from the E-catalogue**

Catalogue	Average savings across select goods	Average SESAL savings across select goods	Average SEDUC savings across select goods	Average INSEP savings across select goods
Office supplies	20.2%	54.1%	34.2%	21.4%
Printers and toners	31.2%	35.6%	19.4%	21.1%
IT assets	24.1%	29.7%	29.0%	25.3%
Food and beverages	24.8%	29.4%	26.5%	29.0%
Average	27.8%	38.3%	26.2%	23.7%
Median	20.9%	44.6%	17.7%	20.9%

Source: ONCAE “Comparación de Precios Obtenidos en Licitaciones de Catálogo Electrónico versus Compras vía Procesos Normales” (2015).

**Still some non-compliance:** A 2014 law requires government institutions to use the E-catalogue. If an institution needs an item, for example, pens, and pens are available in the catalog, then the institution must buy the pens from the E-catalogue. Compliance is generally good, but 12 out of 72 institutions are non-compliant, and these include major agencies such as the ministries of health, education, and INSEP.<sup>91</sup>

**Challenge meeting institutions’ needs:** Many institutions have been requesting authorizations to purchase products outside of the catalogue. According to ONCAE statistics, 732 authorizations were granted from July to December 2015. Justifications for the exceptions include that items are out of stock in the catalogs, products do not meet institutions’ needs (e.g., markers at a university, tires for police cars), or a need for products with high technology specifications (e.g., computers that require unique specifications to run specialized software).

In addition, ONCAE had to terminate the catalogue for printing and copying services because they didn’t have enough offers to the Framework Agreement.

**We can only partially attribute E-catalogue success to the TCP:** The E-catalogue was an internal initiative that the TCP facilitated and helped improve, primarily through helping create and fund a Help Desk. One reviewer noted that other help desk consultations about more general procurement issues are not captured here.

<sup>91</sup> ONCAE E-Catalogue Help Desk. “Informe de Observaciones a Instituciones Gubernamentales: Agosto – Diciembre 2015.” (ONCAE, 2015).



**Table 12: TCP-supported Help Desk outputs**

Help Desk Activities	Quantity until December 2015
Number of institutions defined to be monitored	84 institutions
Monitoring of institutions by email regarding purchases through e-catalogue, usage of publications module, and registry of contracts, warranties and sanctions	558 sent emails 218 emails received
Creation of users through Form FI-003 - Request to Access HonduCompras	527 to access E-catalogue 259 to access Publications Module 195 to access Registry of Contracts
Consultations by email	302 regarding Framework Agreement 247 regarding IT system 91 regarding Publications Module
Consultations by phone call	1,683 regarding Framework Agreement 1,543 regarding IT system 647 regarding Publications Module

Source: ONCAE

### ***Current personnel contracting system in ONCAE***

**Still only verbal commitment on Civil Service status:** ONCAE's professional staff remained under short-term contracts at the time of data collection. There have been several meetings with Honduran Civil Service to define the ONCAE positions that will be integrated into the civil service regime. After that, the SCGG, of which ONCAE is a part, will gradually incorporate these positions into its annual budget. Unfortunately, this is still a verbal agreement; there is no documentation to guarantee it.

## **5.3 Procurement Assessments**

### **5.3.1 The Intervention**

The second TCP intervention consists of providing support to increase ONCAE's capacity to meet its legal mandate and to increase the transparency, accountability, and quality of public procurement. This improved capacity is expected to help MCC/MCA-H achieve the TCP-expected outcome of a reduction in sole source purchases and large contract modifications. As seen in the consultancy description table below, technical assistance has been provided through two resident procurement advisors (Jacinto Reyes and Luis Villalta), who are developing and piloting a methodology for procurement assessments that ONCAE can use to monitor and assess the procurement processes of various government entities. The ability to assess procurements will allow ONCAE to determine how institutions are applying procurement norms and procedures, identify good and bad practices, establish potential causes, introduce improvements in the process, and train institution employees. The methodology will be applied in institutions by a team of five ONCAE personnel hired by the TCP; this team is called the Unit for Evaluation and Statistics. It is important to note that these assessments are not "audits," as audit authority is limited to the TSC.

At the time of data collection, the resident procurement advisors were also developing and piloting another methodology to support ONCAE to reduce sole source procurements and contract modifications. In addition, the team was preparing to conduct a procurement assessment in one



government institution called the Road Fund (Fondo Vial). They are planning to do assessments in INSEP and the Ministry of Education in the second quarter of 2016 and the Ministry of Health in the third quarter.

**Table 13: Consultant summary - Resident procurement advisors**

Consultants	Jacinto Reyes and Luis Villalta (Resident Procurement Advisors)
Period of performance	24 months, TBD
Objectives	The objective of the consultancy is to increase ONCAE's ability to meet its legal mandate and therefore increase the transparency, accountability and quality of public procurement.
Selected activities	<ul style="list-style-type: none"> <li>• Prepare Initial Assessment and Inception Report</li> <li>• Establish the capacity to undertake procurement assessments</li> <li>• Support ONCAE to reduce sole source procurements and contract modifications</li> <li>• Develop an Action Plan to improve the efficiency and transparency of government procurement</li> <li>• Support ONCAE to provide training</li> <li>• Prepare Final Report that documents the support provided, results achieved, lessons learned, and recommendations for ONCAE to sustain and build upon those results</li> </ul>

Source: Millennium Challenge Corporation. (2015) Terms of Reference: Two Procurement Residents (sic) Advisors.

### 5.3.2 Relevant questions

- Do procurement assessment recommendations lead to changes in practices?
  - Do procurement assessments lead to relevant recommendations that could improve procurement?
  - Are these recommendations implemented?

### 5.3.3 Baseline

**ONCAE is in a state of institutional decline and has not been able to carry out its functions:** ONCAE was created in 2001 by Article 30 of the General Procurement Law as a technical and consulting entity of the State of Honduras. ONCAE is responsible for developing procurement guidelines to develop and improve the procurement system in its operational, technical, and economic aspects. The role of ONCAE is to supervise and monitor that government entities correctly apply the General Procurement Law, that procurement practices are standardized among institutions, that incorrect and inefficient practices are detected on time, that training needs are identified and institutions are reinforced with good practices, and that norms and procedures are constantly evaluated and improved.

Since the end of IDB support and the subsequent decline of the agency, ONCAE has been unable to fulfill its role. Absent adequate oversight for at least a five-year period, it is difficult to know to what extent government institutions, including ONCAE, have been applying correctly the General

Procurement Law. The best source of information is a January 2016 report from the TSC.<sup>92</sup> The audit finds, for example, that the majority of government institutions (excluding municipalities) are publishing their processes in HonduCompras; however, they are not publishing their contracts, their annual purchase plans, or their usage of the electronic catalogue.

The TSC report identifies a number of irregularities in procurement processes, including cases where:

- Clarifications to the solicitation documents are not communicated to all bidders and not published in HonduCompras
- Bidders are not being informed of the award decision
- Contracts are signed with vendors who are not registered in ONCAE's registry
- Formal opening of bids is rescheduled
- Public tenders are not published in the official newspaper *The Gazette*
- Requests of additional information are not included in the solicitation documents
- Details of project execution are defined after the contract has been signed
- Procurements are not included in the Annual Procurement Plan
- Purchase orders on the same date and for the same type of product are split to avoid a public tender
- Solicitation documents that lack a due date
- Tender documents are different from the model approved by ONCAE
- A product is purchased from a company not authorized to distribute it
- There is no proof of evaluation criteria in the evaluation file
- Supporting documents lack the correspondent signature of the award committee
- Breaches of technical specifications are evident
- Supporting documents demonstrating compliance with tax payments, health care, and social security payments are insufficient
- Contracts are still unsigned 30 days after being awarded
- Guarantee of contract compliance was emitted without enough support to cover 15 percent of the contracted amount<sup>93</sup>

ONCAE has not been able to evaluate whether its norms and practices are compatible with international best practices.

As noted above, the TCP is trying to reduce sole source procurements and contract modifications. This effort will be challenging to monitor for two reasons. First, although it was expected that this indicator would be tracked in the M&E Plan's ITT, ONCAE has not been able to monitor sole sourced procurements or contract modifications. ONCAE is not able to monitor contract modifications because government institutions fail to upload them in the HonduCompras system. Government

---

<sup>92</sup> TSC Ejemplos de Casos en los cuales se violentó la Normativa en Procesos de Contratación incluidos en los Informes de Auditoría publicados en la página Web del TSC (2016).

<sup>93</sup> Tribunal Superior de Cuentas. 2016. Ejemplos de Casos en los cuales se violentó la Normativa en Procesos de Contratación incluidos en los Informes de Auditoría publicados en la página Web del TSC.

institutions also do not notify ONCAE of sole source procurements. As such, there is no indicator to track for progress in this area.

Second, sole sourced procurements, whereby a contract or purchase order is given to one firm without any competition, is understood by the evaluation team to be relatively rare in Honduras. The General Procurement Law envisions a category of procurements called “direct purchases” (contrataciones directas), which includes sole sourced procurements but also procurements with some limited competition. The law offers seven reasons to use direct purchases:

1. Provision of products and services needed to solve emergency situations as established by a Presidential Decree or Municipality. For example, natural disasters, epidemics, public calamities, defense needs, or situations related to exception status or other exceptional circumstances
2. Purchase of spare parts or other specialized products or services from makers that have a patent or registered trademark, if there are no convenient substitutes
3. Procurement of works, products, or consulting services whose value doesn't exceed the amounts established in the General Budget Provisions, in which case quotes from possible vendors must be obtained.
4. Protection of government operations that must remain secret
5. Coining and printing of money paper
6. Works are of specialized scientific, technical or artistic nature
7. Development of studies or designs by stages, in which the missing ones can be contracted with the same consultant that elaborated the preceding ones in a satisfactory manner

As this list demonstrates, direct purchase under Honduran law is not entirely the same as what is generally understood as sole source procurements. Reason number three on the list above requires institutions to obtain quotes for purchases under USD 50,000. Such purchases are common and official statistics of direct purchases include this type of procurement. Actual sole sourced contracts done for the other six reasons are understood to be rare as they require the authorization of the President of the Republic for the centralized government administration.

#### 5.3.4 Improvements and challenges

**Procurement assessments are expected in 2016; however, the work plan might be overly ambitious:** The technical assistance team has made a work plan identifying which institutions are going to be part of the procurement assessments. The institutions were selected so as to represent different sectors of the government and also by the magnitude of the procurement processes they execute. At the time of data collection, the Unit of Evaluation and Statistics has started a procurement assessment of the Road Maintenance Fund (Fondo Vial). The Unit plans to assess INSEP and the Ministry of Education in the second quarter of 2016 and the Ministry of Health in the third quarter. The ambitious workplan aims to complete procurement assessments of 12 institutions in one year. Even if the team is split into two groups, this will still be an ambitious target to meet. Survey of vendors to the government

To measure procurement-related challenges, the evaluation team undertook a survey of vendors, both firms and consultants, who sell to the government. All vendors to the government are required to be registered with ONCAE, and we sampled vendors from this registry. Among the 3,623 valid vendors that the data collection company Espirállica was able to validate, we were able to contact 1,876 vendors (52 percent). A total of 853 vendors cooperated with or responded to the survey, resulting in a cooperation rate of 45 percent and an overall response rate of 24 percent. As discussed above in the methodology section, these low contact and response rates produce a risk of non-response bias. For example, it seems likely that vendors engaged in irregular procurement practices would be less likely to respond to such a survey. This influence, as well as likely social desirability bias in responding to sensitive questions, should be kept in mind in interpreting these results.

## 5.4 Intervention

The vendors survey asks questions relevant to aspects of improvement in procurement capacity, planning, and controls (1.2). As part of these activities, and with TCP support, ONCAE will be conducting procurement audits of INSEP, SESAL, and SEDUC, among other institutions.<sup>94</sup> In addition, the grant facility for social accountability and the work of ASJ (1.4) addresses procurement concerns and targets INSEP, SESAL, SEDUC, and the Secretariat of Security. As of baseline data collection, Activity 1.2 was just beginning and is unlikely to have affected survey responses. Reports prepared by ASJ (1.4) profiling procurement concerns for SEDUC and the Secretariat of Security were released prior to baseline data collection, but reports regarding SESAL and INSEP had not been released by that time.

## 5.5 Relevant questions

The vendor survey is designed to answer primarily the following evaluation questions:

- EQ12. Does business confidence in public procurements and participation in procurements increase? Why or why not? What explains variation in perceptions of fairness of the procurement process?
- EQ13. Do changes to systems and processes reduce opportunities for corruption and/or improve perceptions of corruption?

## 5.6 About the vendors

**Vendor type:** The survey includes a variety of firms. Many firms or vendors are multi-product vendors and bid for government contracts that cut across specific industrial or sectoral boundaries.<sup>95</sup>

---

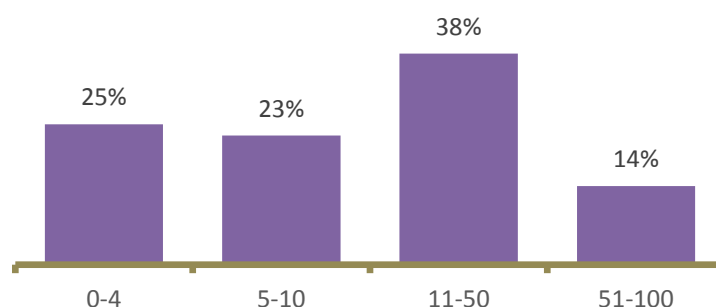
<sup>94</sup> Other targets for procurement assessments include the Fondo Vial, Secretaría de Agricultura y Ganadería, la Municipalidad de Tegucigalpa, la Municipalidad de Comayagua, el Instituto de Desarrollo Comunitario Agua y Saneamiento (IDECOAS), la Municipalidad de San Pedro Sula, Servicio Autónomo Nacional de Acueductos y Alcantarillados (SANAA), el Instituto Hondureño del Seguro Social (IHSS), and la Empresa Nacional de Energía Eléctrica (ENEE). It is likely that some of these will change. Jacinto Reyes and Luis Villalta (2015). Evaluación Inicial y Reporte de Incepción de la Oficina Normativa de Contratación y Adquisiciones del Estado (ONCAE).

<sup>95</sup> See Annex and Table A1 for detail.

More than one-third of surveyed vendors (34 percent) supply products related to trade, followed by construction (22 percent), consulting (20 percent) and services (20 percent). The number of surveyed vendors that supply manufacturing products is substantially lower (4 percent).

**Vendor size: number of employees:** Honduran law divides firms into micro, small, medium, and large based on the number of employees or the amount of revenues. Using the number of employees, the law considers firms with 0-10 employees to be micro, 11-50 to be small, 50-150 to be medium, and greater than 150 to be large.<sup>96</sup> None of the surveyed vendors report having more than 100 employees. Given that most of the survey respondents are from what would be considered micro firms by this categorization, we divide micro firms into 0-4 and 5-10 employees in Figure 5. The figure shows that among 853 surveyed firms, micro-sized firms represent 48 percent of the sampled population, small firms 38 percent, and medium firms 14 percent.

**Figure 5: Firm size and distribution (n=853)**



**Vendor size: total revenue:** Firm size can also be measured by annual revenue. Unfortunately, even though the survey only asked for salary ranges, 134 respondents (16 percent) were unwilling or unable to answer this question. The same reluctance to answer the question might have also led respondents to understate their revenue. As seen in Figure 6, of the 719 that responded, a high percentage (47 percent) of respondents report annual firm revenue of less than HNL 700,000 (approximately USD 30,000). In addition to a reporting bias, this low number is partially driven by the presence of so many consulting firms or individuals in the sampling frame. Of the 207 firms who report providing consulting services, 146 (71 percent) fall in this low-income category. Of the businesses that are not consultants or are individually run, 111 firms (15 percent) reported an annual revenue between HNL 700,000 and HNL 2 million (USD 30,800-88,000), while 139 firms (19 percent) reported revenues between HNL 2 million and 10 million (USD 88,000-440,000). All together, 81 percent of firms earned less than HNL 10 million in 2015. Among the firms that earned more than HNL 10 million, 36 (5 percent) fell in the revenue category of HNL 10 million to HNL 20

<sup>96</sup> See for discussion of the challenges in defining firm size: Mariano Alvarez and José E. Durán Lima (2009) Manual de la Micro, Pequeña y Mediana Empresa: Una contribución a la mejora de los sistemas de información y el desarrollo de las políticas públicas. San Salvador: GTZ.

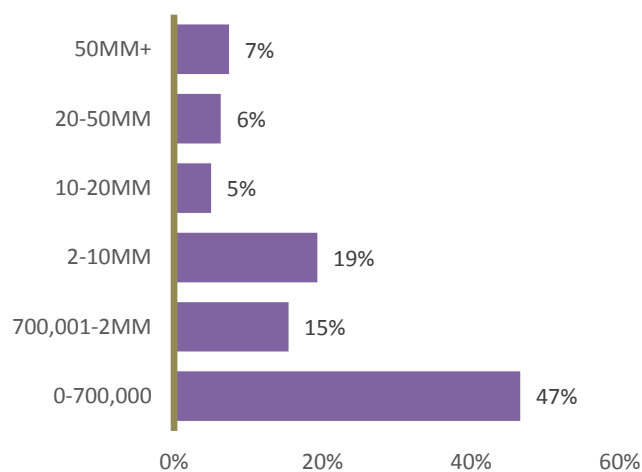
million (USD 440,000-880,000), 45 firms (6 percent) earned between HNL 20 million and HNL 50 million (USD 880,000-2.2 million), and 53 firms earned more than HNL 50 million in 2015.

**Share of total revenue from government contracts:** The vendor survey also asked the respondents about how much of their firm's total revenue for the previous year came from government contracts. As mentioned above, there was a reluctance to answer this question and many respondents might have genuinely not known the answer. Responses from 767 of 853 respondents to the question presented in Figure 6 reveals varied degrees of dependency on government contracts. Thirty-one percent of responding firms did not receive any revenue from the government and almost 50 percent earned less than 10 percent of their revenue from government contracts. About one-fourth earned between 10 to 50 percent, and the remaining approximately one-fourth earned 50 to 100 percent of their total revenue in 2015 from government contracts.

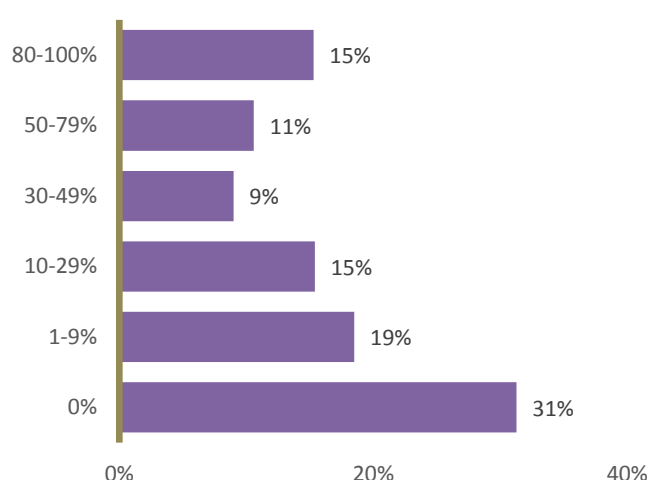
**Figure 6: Vendor financials**

a. Distribution of annual revenue of firms in 2015 (%)

(n=719)



b. Distribution of firms by revenue share from government contract (%) (n=767)



**Length of time doing business with the government:** We also asked respondents how long their firm or business had been selling to the government. Forty-two percent of firms had 5 years or less of experience selling to the government; 27 percent had 6 to 10 years; 21 percent 11 to 20 years, and 10 percent had more than 20 years of experience with government procurement. Not surprisingly, there is a very strong correlation between years in operation and years selling to the government. Twenty-two percent of firms had more than 20 years in operation.

## 5.7 About the survey respondents

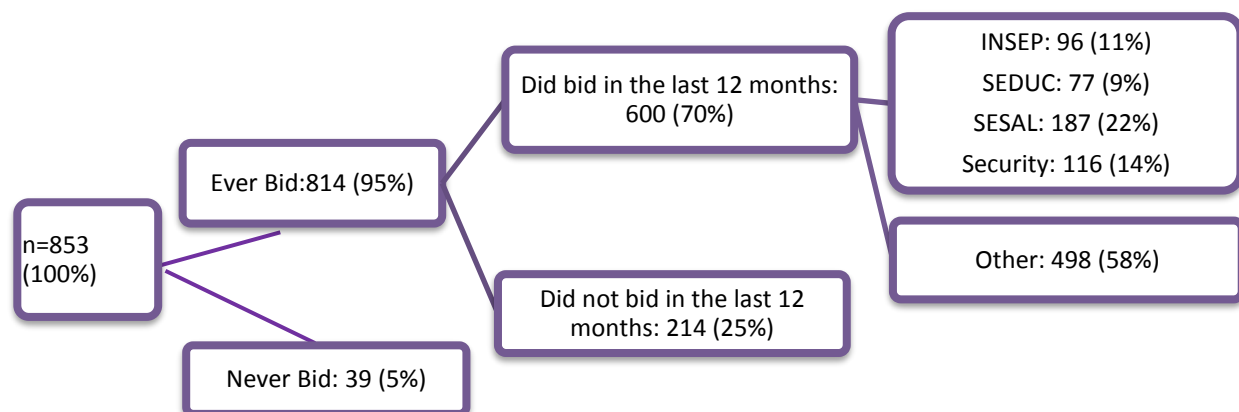
Once contact had been made with a vendor, the data collection firm asked to conduct the interview with the highest level official responsible for government procurements. Across the respondents, 56 percent of those officials were either the Chief Executive Officer (CEO) or the Managing Director (MD) of their firms. Twelve percent were the head of sales or sales personnel, and 28 percent identified as independent consultants or vendors. The remaining 4 percent fell into the “other” category. Respondents had varying degrees of experience with government procurement, ranging from zero years to 49 years with a median of 10 years of experience.<sup>97</sup> Most of the respondents were male, though women made up 33 percent of the respondent sample. Seventy-eight percent of the sample were university graduates, with 27 percent of the total sample holding a post-graduate degree. Twenty-two percent had less than university level education.

## 5.8 Government bidding experience

### Proportion of firms submitting bids to select government institutions:

Figure 7 provides an overview of how the surveyed firms have bid in the past. Thirty-nine (5 percent) in the sample have never bid on a government procurement. Seventy percent of firms have bid in the last year. Among those that have bid in the last year, 11 percent have bid with INSEP, 9 percent with SEDUC, 22 percent with SESAL, and 14 percent with Security.

**Figure 7: The flow chart of firms submitting bids to select government institutions**



*Note:* The last leg of the distribution adds up to more than 600 because firms could bid for more than one institution.

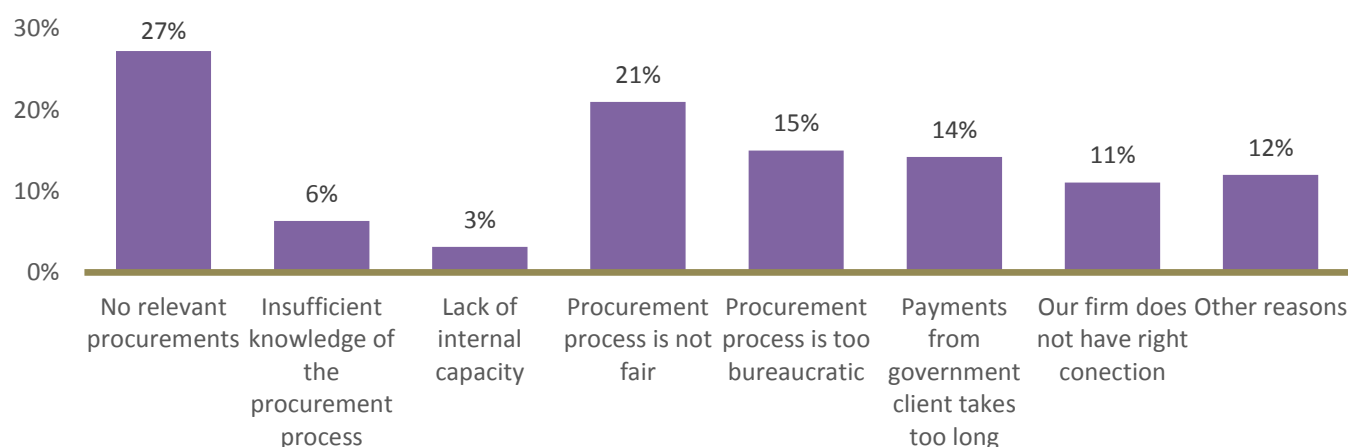
**Reasons for not bidding:** The 253 survey respondents who have never submitted a bid or did not submit a bid in the last year (2015) were asked why they had not done so (Figure 8). Respondents could choose a general option, “there were no relevant procurements,” or they could choose from the

<sup>97</sup> Only 24 respondents, or less than 3 percent, had zero years of experience with government procurement. There was no option for less than one year, so some of these respondents might have had some experience that wasn’t considered.

two options related to a limitation on the part of the vendor, that is: (1) lack of knowledge about the procurement process, and (2) lack of internal capacity to bid. Additionally, four options were provided that related to a problem the vendor may have had with the procurement process, such as (1) the procurement process is not impartial, (2) the process is too bureaucratic, (3) payments from government clients take too long, and (4) the firm doesn't have the right contacts to win bids.

The responses suggest that the most common limitation is simply a lack of relevant procurements, which was reported by 27 percent of respondents. Only a small percentage of vendors perceived there to be an internal problem of insufficient knowledge (6 percent) or a lack of capacity (3 percent). Of the concerns about the process, 21 percent felt that the process was not impartial, 15 percent reported it was too bureaucratic, 14 percent stated that government payments take too long, and 11 percent felt that they did not have the right connections. Slightly more than one in 10 bidders (12 percent) cited no specific reason. The low percentage that cite delayed payments is somewhat surprising, as qualitative interviews suggest such delays are a major frustration. One reviewer felt that respondents might have conflated "too bureaucratic" and "payments take too long." Taken as a whole, while the single most commonly cited single reason for not bidding is a lack of relevant procurements, a majority of non-bidders cite a problem with the procurement process as the reason.

**Figure 8: Reasons for not bidding (n=253)**



The firms that cited capacity constraints or lack of connections are relatively younger (less than 5 years median age) and have only around 10 employees on average. By contrast, firms that cited too much bureaucracy, unfairness, and delayed payments are all bigger and older firms, with more than 20 employees and more than 10 years in the business on average. This suggests that problems in the procurement process are likely reducing the pool of qualified bidders, even among this group that has borne the transaction costs of registering with ONCAE.



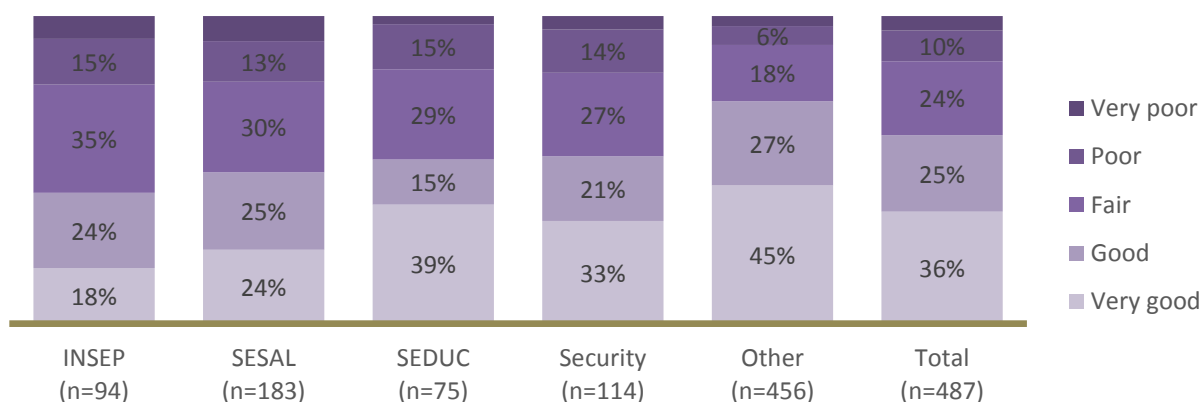
## 5.9 Experiences with specific institutions

As noted in the flow chart above, the 600 vendors that reported bidding in the last 12 months were asked to which institutions they had sought to sell goods or services. Given the focus of ASJ and ONCAE's work, we were particularly interested in experiences with INSEP, SESAL, SEDUC, and Security. If a respondent had bid with one or more of these institutions, they were asked a battery of questions about their experience with each of the selected institutions. The battery included questions about the fairness and transparency of the procurement process, the clarity of specifications, and the importance of diverse factors in winning a contract with one of these institutions. If firms had bid with institutions outside of these key four, they were asked which institution they most commonly bid with, followed by a similar battery of questions about their experiences with that institution. In presenting the results below, we distinguish between the four institutions, combine responses among all other institutions, and also aggregate the 974 experiences across all institutions. It is important to note that the sample sizes for INSEP and SEDUC are particularly small, and as such there is considerable sampling error in these data. We cannot always be confident that observed differences are statistically significant. We generally note in the text when differences are statistically significant, but the reader should refer to the methodology section for margin of error data across these samples.

**Evaluation of fairness of the procurement process:** For each institution, we asked respondents about the fairness or impartiality of the procurement process (Figure 9). Averaging across experiences with institutions, 61 percent of firms evaluated the fairness as either very good (36 percent) or good (25 percent). Only in 15 percent of experiences with institutions did firms rate the fairness as either poor (10 percent) or very poor (5 percent).

There are, however, some statistically significant differences across perceptions of different agencies. Respondents tended to evaluate the core institutions being studied worse than other government institutions. Just 24 percent of those with experience with SESAL and 18 percent of those with experience with INSEP rate impartiality of these agencies as “very good.” In contrast, 45 percent of respondents procuring with other institutions rate the fairness of specifications as “very good”.

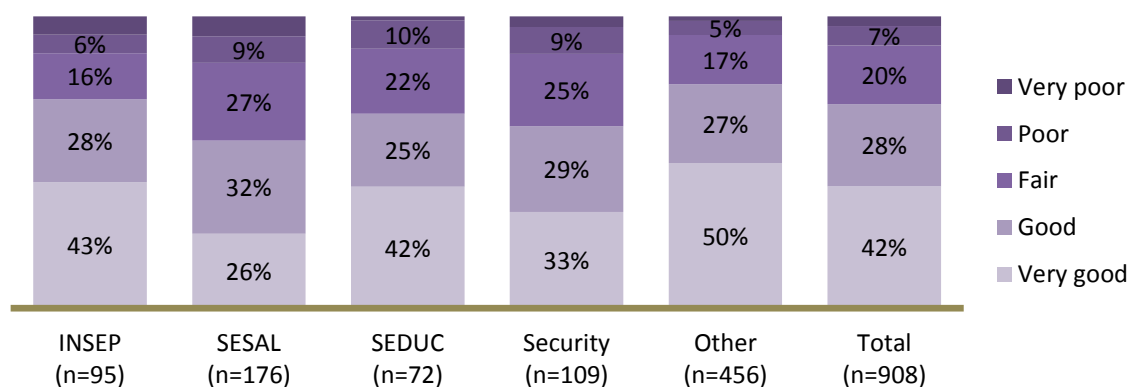
**Figure 9: Fairness in Procurement Process**



**Evaluation of transparency in the procurement process:** As seen in Figure 10, perceptions of transparency in the procurement process are generally similar to perceptions of fairness, if not slightly more positive. Overall, transparency in 70 percent of the 908 reported experiences with institutions was evaluated as very good (42 percent) or good (28 percent); firms only evaluated transparency as poor or very poor in 10 percent of cases (7 percent and 3 percent, respectively).

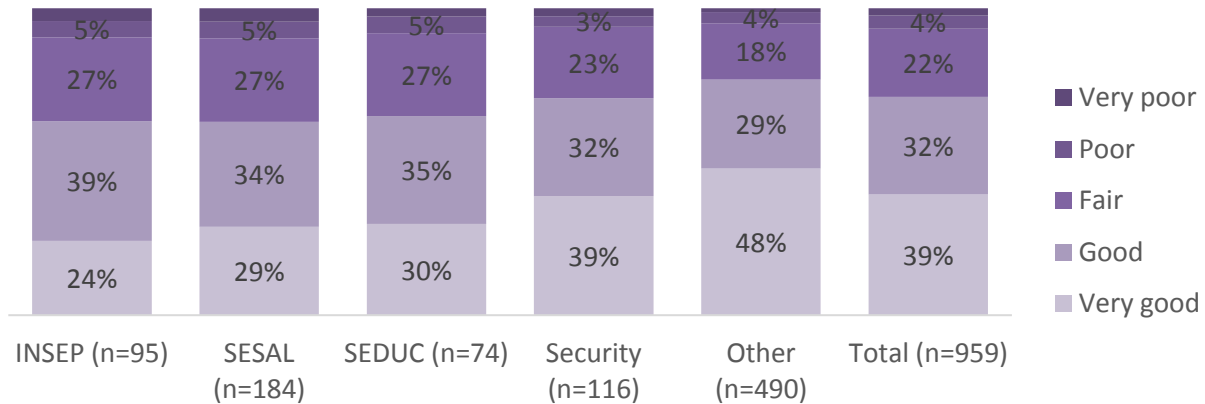
When we compare across institutions, firms' evaluations are significantly more positive for institutions other than the main four. Fifty percent reported that transparency in the procurement process for the other institutions was very good while 44 percent thought it was either good (27 percent) or fair (17 percent). By contrast, when asked about transparency, the "very good" option was chosen by 26 percent of respondents with respect to SESAL and by 33 percent of respondents with respect to Security.

**Figure 10: Transparency in procurement process**



**Evaluation of clarity of specifications in the bidding documents:** Overall, in 71 percent of cases, the respondents thought that the clarity in specification was either very good (39 percent) or good (32 percent) (Figure 11). As they did in responding to questions about fairness and transparency, respondents tended to evaluate the institutions named in the study more harshly than they do other government institutions. Around 48 percent of respondents procuring with other institutions rate the clarity of specifications as very good compared with just 24 percent in INSEP and similar percentages in SESAL and SEDUC. While we also observed some differences between the focus institutions, these differences were not generally statistically significant.

**Figure 11: Clarity of specifications in bidding documents**

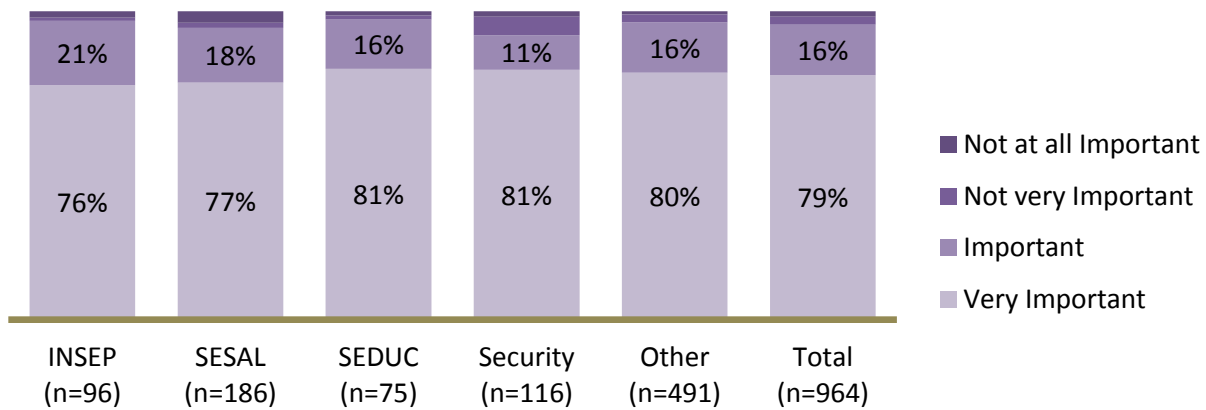


### 5.10 Experiences with specific institutions: Importance of diverse factors in winning government contracts

The vendor survey asked respondents the importance of diverse factors in winning a government contract. These included factors such as (a) compliance with the specifications laid out in bidding documents and (b) cost, but we also included factors that should not influence a merit-based procurement process, such as (c) knowing the right people, (d) affiliation with political party in power, and (e) giving a gift or making an unofficial payment (e.g. a bribe). Over 90 percent of respondents believe that both compliance with specifications and low cost are either very important or important across their experiences with diverse institutions. The other three factors are perceived as less important; however, almost half (48 percent) of respondents feel that knowing the right person is either very important or important.

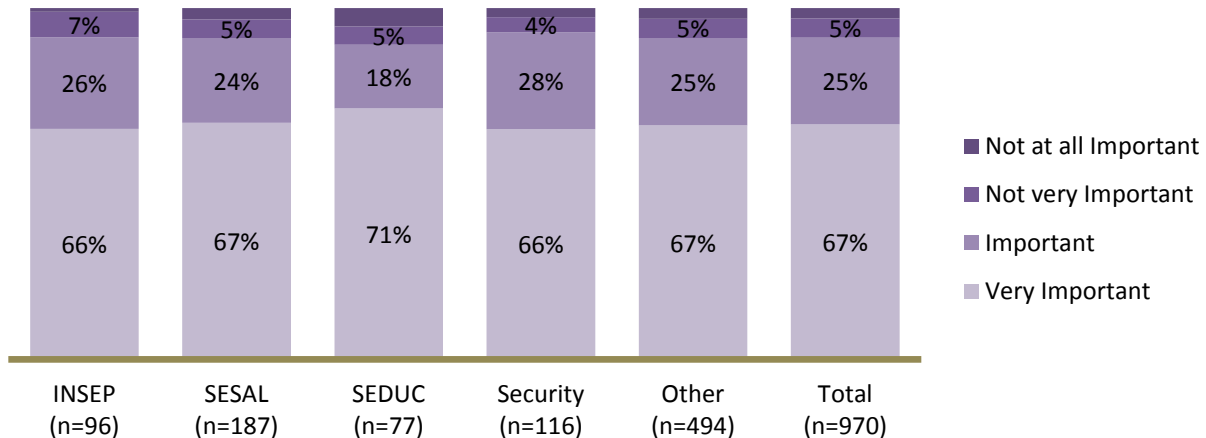
**Importance of compliance with specifications:** As seen in Figure 12, overall, 95 percent of firms, across institutions, stated that compliance with procurement specifications was very important (79 percent) or important (16 percent). There was no meaningful variation in the importance of this factor in firms' experiences across institutions.

**Figure 12: Importance of compliance with specifications to win a bid**



**Importance of cost:** Respondents viewed cost of similar importance to compliance with specifications (Figure 13). Overall, 92 percent of all firms viewed cost as either very important (67 percent) or important (25 percent). Among the rest, 5 percent viewed it as not very important and 3 percent as not at all important. Again, there were no major differences in experiences across agencies; cost is consistently important regardless of the institution.

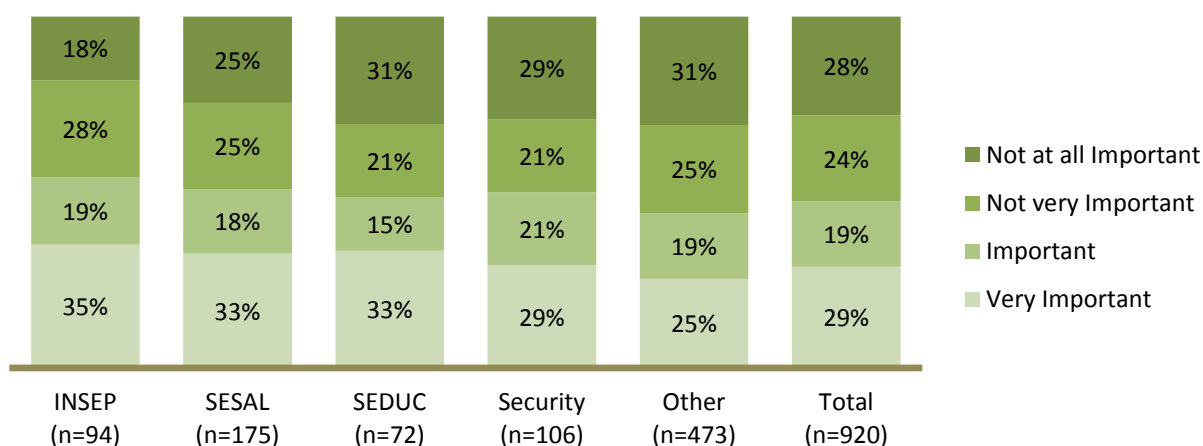
**Figure 13: Importance of cost in winning a bid**



**Importance of knowing the right people:** Knowing the right people is perceived as less important than compliance with criteria and cost, however almost half (48 percent) of respondents view knowing the right people as either very important (29 percent) or important (19 percent) (Figure 14). We observed slightly more variation across institutions on this factor, though these observed differences are not generally statistically significant. One exception is that knowing the right people

appears to matter more at INSEP than at the other institutions or compared with the total experiences.

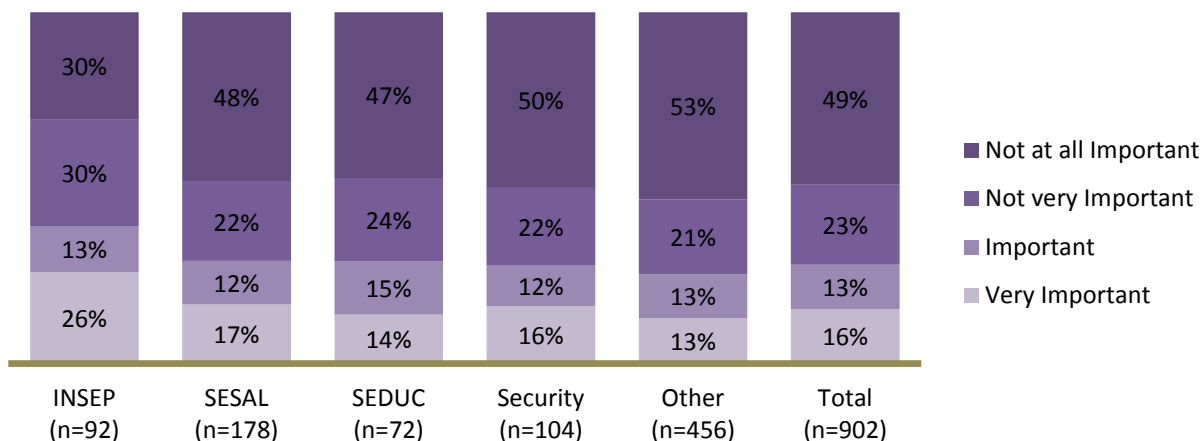
**Figure 14: Importance of knowing right people for winning contract**



In focus group discussions, one participant noted that his firm was unable to win bids despite their low costs. Instead, they are subcontracted by winning firms who buy the same goods from them to sell to the government at a higher price. He stated, “I don’t know how they do it, but they do it. They know the right people, and they earn a good mark up for what they do.”

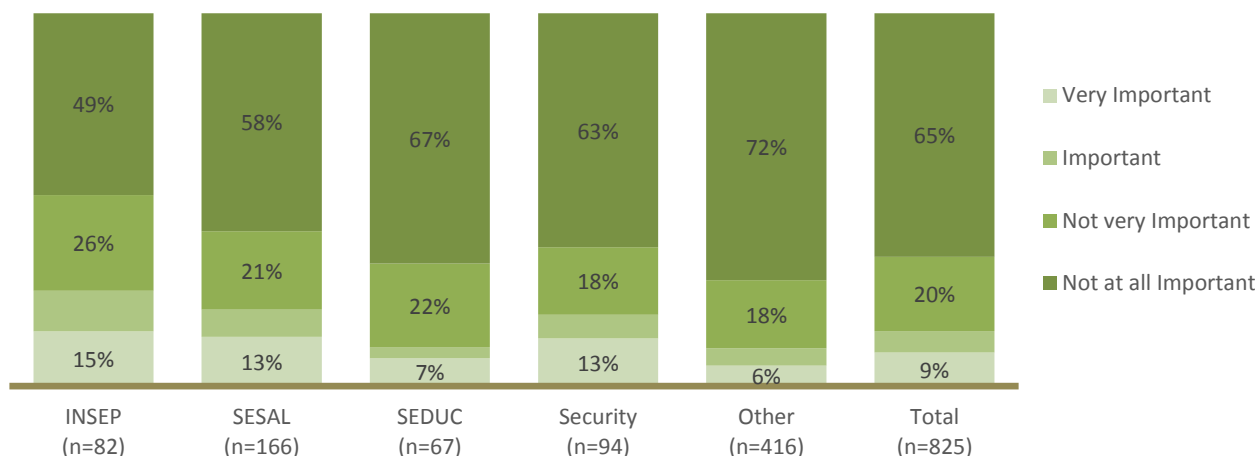
**Importance of affiliation with the political party in power:** Affiliation with political party in power was only viewed as very important (16 percent) or important (13 percent) in 29 percent of experiences with institutions (Figure 15). On the one hand, this percentage indicates less concern among respondents about the influence of political party than, for example, knowing the right people. On the other hand, it is concerning that even a small minority of respondents view partisanship as influencing procurement. As above, slight differences across institutions are not generally statistically significant, with the exception of INSEP, where there is a statistically significant, stronger perception that partisanship matters. There was a perception in qualitative interviews that many construction and supervision contracts often go to firms owned by, or connected to, political leaders.

**Figure 15: Importance of affiliation with political party**



**Importance of providing a gift or making an unofficial payment:** Providing a gift or making an unofficial payment was generally viewed as not at all important or not very important for winning a procurement (Figure 16). Only 15 percent view this type of corruption as very important (9 percent) or important (6 percent). While this is a generally positive finding, it does suggest that there are concerns of corruption among a minority of respondents. Furthermore, we observe some differences in experiences with different institutions. Corruption is more likely to be cited as important or very important in INSEP and SESAL than it is with other non-focus institutions. Averaged across institutions, corruption was perceived to be very important or important in 26 percent of firm experiences with institutions.

**Figure 16: Providing a gift or making an unofficial payment**



To further understand variation across government institutions, we asked respondents who had bid in the last 12 months which institutions were the best and the worst to work with. Among respondents who perceived a difference, the two institutions most frequently cited as the best were

SESAL (14 percent) and the National Autonomous University (12 percent). However, SESAL was also cited by 23 percent of respondents as the worst institution to work with, followed by INSEP (18 percent) and SEDUC (13 percent). When asked why some institutions were better to work with than others, the most commonly identified factor was the presence of a well-trained procurement team (49 percent), followed by an efficient payment system (45 percent), and less bureaucracy (37 percent). These results reflect some of the same concerns discussed above as reasons why some firms choose not to bid.<sup>98</sup>

## 5.11 Procurement challenges

All survey respondents, regardless of their bidding history, were asked their perception about which of the various procurement challenges were most common. These include perceptions that for procurement requests put out by the government (a) there is a preferred supplier in mind, (b) specifications are tailored to a preferred supplier, (c) legitimate competitors are declared ineligible, (d) there is insufficient time given to prepare a bid, (e) quotes are obtained from illegitimate businesses, known as “briefcase businesses,” or *empresas de maletín*, (f) awards are made to these illegitimate businesses, and (g) there is collusion in the bidding process. Each question is categorical, ranging from very common (1) to never occurs (5). Figure 17 presents the distribution of respondents’ perceptions of these challenges from most common to least common. Given that the topics are sensitive and given that some respondents felt that they did not know, there are some non-responses for each of these questions. Final sample sizes are presented in Figure 17.

### **Government officials have a preferred supplier or contractor in mind prior to releasing a bid:**

The most commonly perceived public procurement challenge was identification of a preferred supplier prior to the release of a bid. Sixty-six percent of respondents felt that it is very common (41 percent) or common (25 percent) for government officials to have a preferred supplier in mind prior to releasing a request for quotes or proposals. The pervasiveness of such perceptions risks scaring away legitimate competitors. The remaining one-third of the respondents think that this phenomenon is either occasional (19 percent), rare (7 percent), or never occurs at all (8 percent). Qualitative evidence suggests that this is primarily a problem with private bids and direct purchases, where institutions only need to obtain three quotes. Several interviewees contended that institutions simply get quotes from a set of favored firms with each new procurement.

**Government officials obtain quotes from or award contracts to illegitimate businesses:** The second most commonly perceived procurement challenge was allowing bids from or giving awards to illegitimate businesses known as briefcase businesses (*empresas de maletín*). Over half of respondents view awards to such firms as either very common (28 percent) or common (25 percent). Recent scandals have uncovered such cases, and it is concerning that these cases are viewed as common rather than exceptions. In the case of quotes, this problem is related to the previous issue of giving preference to certain suppliers. Several interviewees allege that institutions with a preferred supplier will request quotes from three businesses that are all linked to the same owner.

---

<sup>98</sup> For these questions, respondents could identify more than one institution and more than one reason.

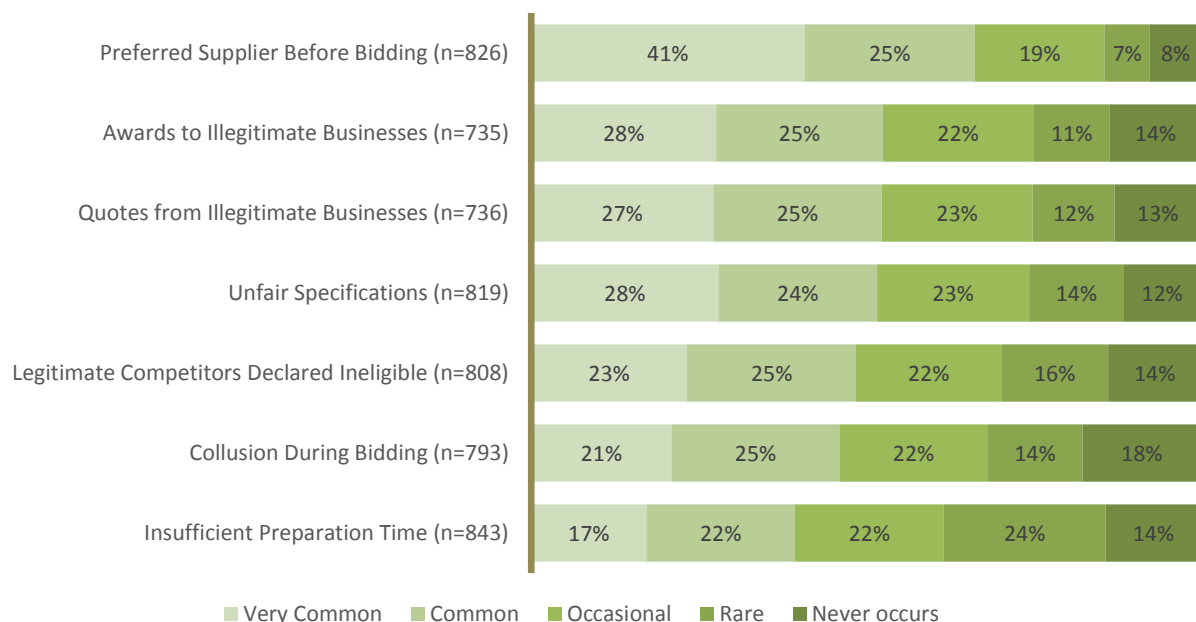
**Government officials tailor the specifications to ensure a specific firm wins:** One of the ways in which procurement officials may give preference to a supplier or contractor is by closely tailoring the specifications to fit that company’s qualifications. Slightly more than half (52 percent) of all respondents believe that this problem is either very common (28 percent) or common (24 percent). The remaining 49 percent of the respondents report this issue as either occasional (23 percent), rare (14 percent) or never occurs (12 percent).

**Government officials declare legitimate competitors as ineligible to ensure a favored firm wins:** Another way to favor a preferred firm would be to declare rival bidders as ineligible, for example, based on a technicality in the application. Similar to the previous option, 49 percent of respondents view this problem as either very common (23 percent) or common (25 percent).

**Firms collude in the bidding process:** While perceived as somewhat less common, 46 percent of respondents view collusion in the bidding process as either very common (21 percent) or common (25 percent). The rest of the responses indicate the problem is either occasional (22 percent), rare (14 percent), or it never occurs (18 percent).

**Government officials provide too little time to prepare an adequate bid or proposal:** Providing too little time to prepare an adequate quote or proposal was considered the least common problem. Thirty-nine percent view the challenge as either very common (17 percent) or common (22 percent).

**Figure 17: Commonness in Procurement Challenges**

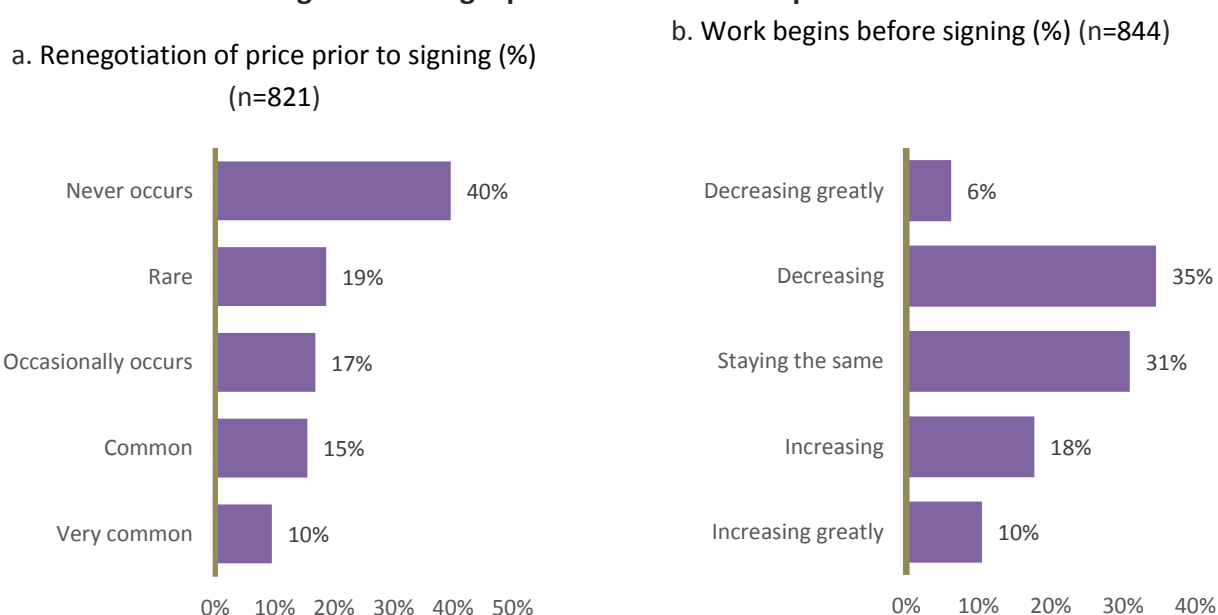




We also asked respondents about two potentially common irregularities in the contracting stage of a procurement: renegotiating the price immediately prior to or after a contract signing, and beginning work without a contract (Figure 18). The responses of 821 vendors suggest that government officials rarely (40 percent) or never (19 percent) renegotiate price prior to signing. (Figure 18). Very few respondents think it is very common (10 percent) or common (15 percent).<sup>99</sup>

Work also does not appear to typically start before a contract is signed, although there are clearly some exceptions. Among 844 respondents to this question, 39 percent think it never occurs and 18 percent think it is very rare (Figure 18). Another 17 percent of respondents think it is an occasional phenomena and 26 percent of respondents think it is either very common (12 percent) or common (14 percent). Two small businesses who typically participate through direct purchases (compras directas) reported in qualitative interviews that they are frequently asked to work without any contract or agreement. Both have had negative experiences of producing goods that the client then decided not to purchase.

**Figure 18: Illegal practices as common problems**

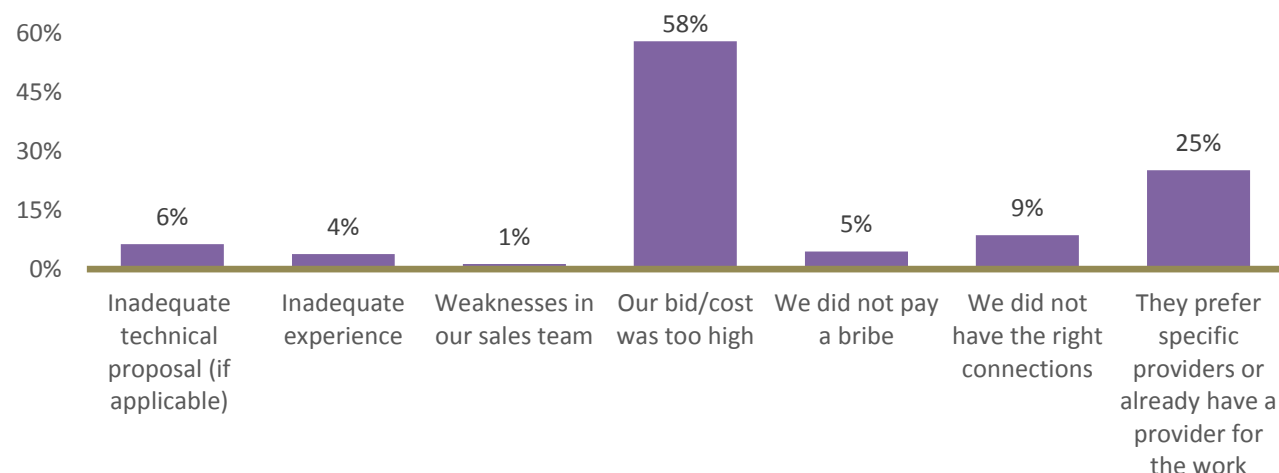


To get another perspective on irregularities in the procurement process, we asked respondents who had bid in the last 12 months and did not win a contract, why they thought they did not win the procurement. Options, included factors having to do with the firm and the bid, such as an inadequate technical proposal, insufficient experience, weaknesses on the firm's sales team, cost, and factors having to do with the procurement process, such as corruption, not having the right contacts, or a

<sup>99</sup> Prior price negotiations are prohibited by law for goods and works. Negotiations are permitted for consulting services; however, this rarely includes price negotiations.

preference for specific providers. Firms could select more than one option, but a majority of firms (58 percent) selected cost as the reason that they did not win the bid. Other bid or firm related factors were selected by less than 10 percent of respondents. On the procurement process side of the equation, bribery and a lack of contacts were also selected by less than 10 percent of respondents; however, 26 percent of firms felt that they lost awards because the procuring officials had a preferred provider.

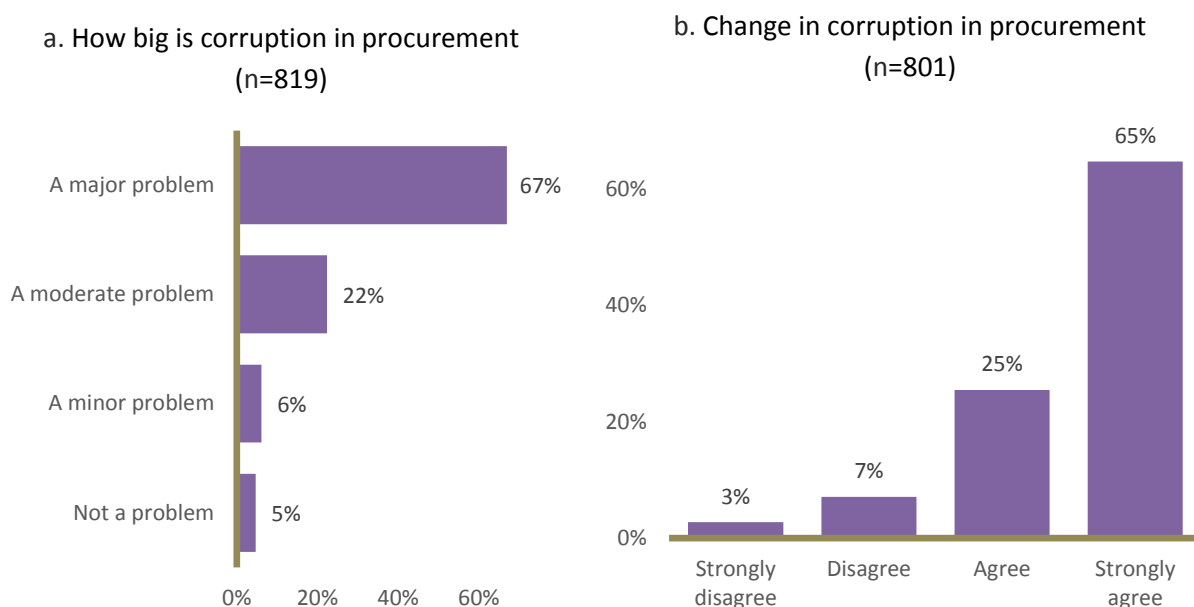
**Figure 19: Reasons for not winning a procurement contract (n=600)**



## 5.12 Corruption in procurement

Respondents were asked to comment on the existence of corruption in procurement (Figure 20). The majority of respondents, 67 percent, feel that it is a major problem, followed by 22 percent who believe corruption is a moderate problem in the procurement process. Only slightly more than 10 percent of vendors think that corruption is a minor problem or not a problem at all in government procurement processes.

**Figure 20: Level and change in corruption in procurement process**

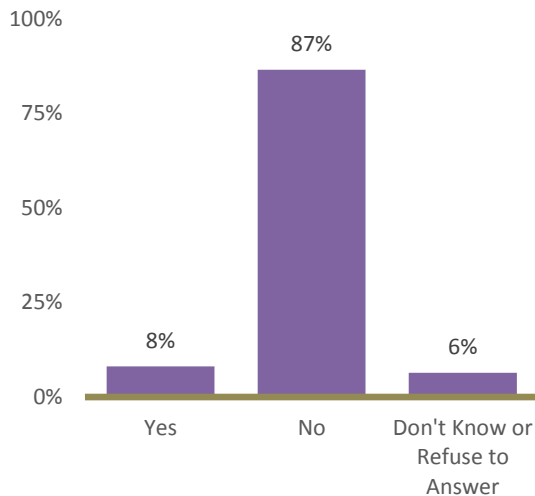


While corruption is generally viewed as a major problem, there is an important minority (41 percent) who feel that the problem is decreasing (35 percent) or decreasing greatly (6 percent). This minority includes many respondents who felt that corruption was a major problem. Another 31 percent feel that corruption is staying the same, 18 percent feel it is increasing, and 10 percent say it is increasing greatly.

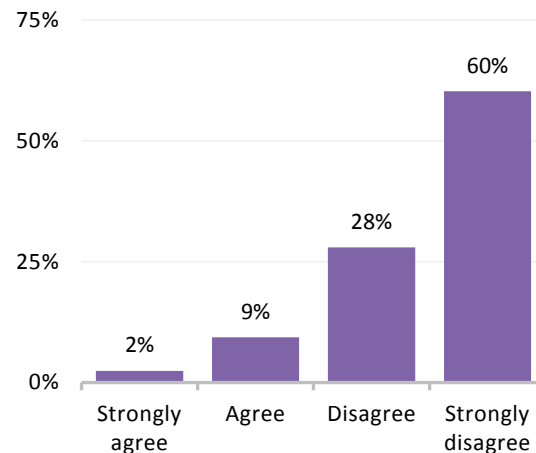
**Personal experiences with bribe solicitation:** To move from perceptions to experiences, respondents were asked if a government procurement official had ever solicited a bribe from them (Figure 21). Only 8 percent of those that answered the question reported that they had been asked to pay a bribe to win a contract. To encourage honest responses the question was intentionally asked in terms of “solicitation” rather than payment; however, it seems likely that some respondents would be uncomfortable reporting such a solicitation. In fact, one focus group participant noted that they had been asked for a bribe but had reported the opposite in the survey. Six percent of respondents refrained from responding to the question, and, as seen below, there is reason to believe that some of these might have had a bribe solicited and felt uncomfortable responding.

**Figure 21: Corruption in procurement**

a. Has a government official ever asked you or a member of your firm for a bribe? (n=853)



b. Bribe is justified (%) (n=436)



While the number of solicitations might be somewhat higher, various aspects of the survey consistently suggests that bribe payments are relatively low. First, as discussed above, respondents generally did not perceive bribe payments to be an important factor in contracting decisions. Across all experiences with different institutions, paying a bribe was viewed as very important or important by 15 percent of respondents, although there were some differences across institutions.

Second, when respondents who had bid and lost in the last 12 months were asked why they thought they had lost, only 5 percent selected, “because a competitor had paid a bribe” from among several options.

Third, to provide a more objective test, we also conducted a survey experiment with businesses that had bid on a government procurement in the last 12 months. These respondents were randomly divided into two groups. The first was told, “Now we are going to provide you with a series of measures that firms take to win government procurements. Please tell me the total number of measures that your firm has taken in the last 12 months to win a procurement. DO NOT TELL me the specific answers, just how many.” Respondents in the first group were given four options, including (a) taken a course on government procurements, (b) hired individuals with experience in public sector procurement, (c) regularly monitored HonduCompras, and (d) lowered prices below cost. The second group of respondents were asked the same question with the same four responses; however, a fifth response was also added: “provided a gift or unofficial payment.” If no one had paid a bribe, then the mean number of actions taken should be the same between the two groups. If all respondents had paid a bribe, then the mean number of actions taken would be one point higher in the second group. While the sample size was low for a survey experiment of this nature (which results

in a large standard error) we find only a small difference between the two groups. This also suggests that bribe payment is low.

While these results consistently suggest that bribes are not a regular feature of government procurement in the eyes and experiences of vendors, the evaluation team recognizes that any corruption-related question risks some measurement bias. It could also be that businesses involved in corruption were less likely to participate in the survey. In fact, qualitative evidence suggests that bribe payments are far more common than captured by the survey. While some focus group participants were insistent that they had never been offered a bribe, several interviewees complained about corruption at different stages of the process, from winning the procurement to being paid in a timely fashion. Bribe payments were typically cited as ranging from 5 percent to 10 percent of the contract value, although one business representative reported that an institution had recently requested a 40 percent bribe.

As discussed above, we are not able to provide an accurate measurement of bribery in the procurement process. There were some qualitative indications that bribe payments have decreased, and that it is personal and political connections that are the more salient source of irregularities in the procurement process, which would be consistent with the survey findings. Any level of bribery should be considered a concern, and these data do suggest that there is at least some bribery in the procurement process.

**Complex attitudes towards corruption:** Given that some level of corruption exists, we also wanted to measure attitudinal acceptance or rejection of corruption. Respondents were asked, “Given the way things are in Honduras, is it sometimes justifiable to pay a bribe?” Only a small minority of respondents (11 percent) strongly agreed (2 percent) or agreed (9 percent).<sup>100</sup> Qualitative interviews and focus groups suggest a series of complex attitudes towards corruption. It is true that many of the business owners interviewed said they were very frustrated by corruption and irregularities in the procurement process, but their larger concern was the loss of business or missed opportunities. One respondent who insisted that he had never been asked for a bribe reported that he would happily pay if asked. Another who had filed a challenge against what he perceived to be a rigged procurement process, stated that, “the bad part is not being on the inside.” A third, who had been highly critical of irregularities, lamented that she used to be able to pay a bribe and get business, but now she is locked out because she lacks connections.

**Processes to challenge procurement outcomes:** Respondents were asked if they agreed that there was a fair and impartial means to challenge awards: 47 percent agreed, 6 percent strongly agreed; 42 percent disagreed and 12 percent strongly disagreed.

---

<sup>100</sup> A similar question was posed to the general public in Honduras about paying a bribe in general - rather than paying a bribe in a procurement process -- as part of the AmericasBarometer of the Latin American Public Opinion Project. In response, 16 percent agreed that it was sometimes justifiable. Orlando J. Pérez and Elizabeth J. Zechmeister. 2014. Political Culture of Democracy in Honduras and in the Americas, 2014: Democratic Governance across 10 Years of the Americas Barometer. Latin American Public Opinion Project (LAPOP).

While a sizeable minority viewed the process as fair, only 6 percent of businesses reported having challenged a bid. The remaining 94 percent were asked why they had not submitted a challenge. As seen in Table 14, 51 percent of the latter group felt that the procurement process was fair and that there was no reason to protest. In the next largest group, 26 percent thought that it would be a waste of time, and 7 percent thought it would not change the results. Thirteen percent did not submit a challenge because they did not want to be excluded from future procurements. Another 5-to-8 percent did not want to be seen as a challenger or get into a fight with the client. This fear of reprisals was a theme that came up in all three focus groups. One interviewee reported they had filed a challenge and were subsequently locked out of future procurements with the client. Because many of the procurements are done as private bids, procurement officials have considerable discretion over who they invite or do not invite to participate. Only 6 percent thought that there was no process to protest. In summary, a slim majority do not protest because they feel that the procurement process has been fair, but for the remainder there is a perception that the protest process either will not produce results or could result in possible reprisals.

**Table 14: Reasons not to file a formal protest (n=793)**

Reason	Percent
No reason to protest	51%
Waste of time	26%
Would not change the results	7%
Fears future exclusion	13%
Does not want to be seen as a challenger	5%
Does not want to fight with a client	8%
Not aware of a process	6%
Other	4%

### 5.13 Explaining perceptions of fairness: Regression analysis

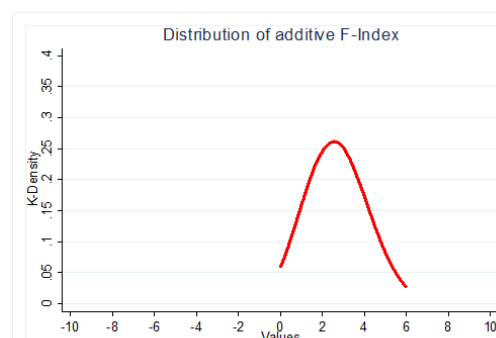
A sub-question of EQ13 asks: What explains variation in perceptions of fairness of the procurement process? To answer this question, we created an index based on questions related to the fairness of the procurement process. We then use regression analysis to test the effect of various factors.

We test the effect of respondents' characteristics, such as gender, level of education, age, and their professional characteristics, including position in the firm and length of time they are involved in government procurement process. We also test the effect of firm-level characteristics on variation in perception. We include firms' age, size in terms of total employment and revenue, government contracts as a percent of total revenue, and firm types, including construction, manufacturing, services, trade, and consulting. Recognizing that different client government agencies will offer different procurement environments that may have differential effects on vendor's perception, we also analyze experiences with diverse government agencies.

We also expect negative experiences with corruption to impact respondents' perception of fairness, and include the question, discussed previously, asking if government officials had asked them for a bribe or informal gift. As expected, given the gravity of the question, about 6 percent of respondents did not answer the question. We hypothesize that these respondents possibly did not answer the question because a bribe had been solicited from them in the past, and they were not comfortable with the question. As a result, we created a dummy variable to control for non-response.<sup>101</sup>

**Figure 22: Distribution of additive index**

To measure respondent's perception about procurement fairness, we created an additive index based on responses to seven questions, presented in Figure 22. Respondents were asked how common the following practices were: government procurement officials having a preferred supplier in mind, quotes received from illegitimate businesses, awards made to illegitimate businesses, specifications tailored to specific companies, loopholes used to disqualify legitimate competitors, collusion, and insufficient time to allow competitors to prepare bids. As discussed above, respondents were given five option responses ranging from 1, a very common problem, to 5, never occurs. As such, higher values imply a more merit-based procurement process. As shown in Figure 22 the additive index created is a well-behaved continuous variable with a normal distribution.



**Results:** One of the issues we confronted is that not all variables used for the regression analysis have a full set of information for all 853 respondents. In particular, respondents were hesitant to provide revenue-related information. To address this issue, we used two different models: one with all variables and a reduced sample size of 713 respondents, and one with fewer variables and 852 respondents. (See Annex VI)

**Vendor level factors:** Both models are presented in the table in the Annex VI, and they show similar results. Among vendor-level factors, vendor types, the size of the firm as measured by the number of employees, and the age of the firm did not correspond with statistically significant differences in perceptions of fairness. While the number of employees does not explain perceptions of fairness, vendors with higher revenue (more than HNL 10 million, or USD 425,000) tend to report fewer challenges in the government procurement process than the lower revenue firms (less than HNL 10 million). In addition, government contracts as a percent of vendors' revenue also explains variation in perceptions of fairness. As might be expected, firms that earn less than 30 percent of their revenue from government contracts perceive the process as less fair than those that earn more than 80 percent of their income from the government.

<sup>101</sup> In conducting the analysis, we noted that respondents varied based on the interviewer. In particular, one interviewer corresponded with lower values on the index. As such, we have also included a variable for interviews by this enumerator.

**Government institutions:** We tested the effects of procurement experience with INSEP, SESAL, SEDUC, and Security as compared with other government agencies. At first glance, it does appear that respondents who have bid on procurements with INSEP and SESAL view the procurement process as fairer than those who supply to other government institutions; however, this finding is likely spurious. Firms who have bid on procurements with these two institutions are more likely to have drawn a large percent of their income from government procurements, and once this variable is controlled for, experience with INSEP and SESAL loses its predictive power.

**Individual level factors:** We find that tested attributes of the individual level respondent do not influence perceptions of fairness. This includes position, education, age, or years of experience in government procurement.

**Geographic-level factors:** After breaking out vendors into three groups, Tegucigalpa, San Pedro Sula, and “Other,” we find that geography does not influence perceptions of fairness.

**Corruption:** As mentioned above, we include two indicators to capture corruption in the procurement process. Both are constructed from the variable that asks respondents if a procurement official has solicited a bribe from them. One of these indicators represents those who reported that a bribe was solicited, while the other represents those respondents who abstained from revealing their experience. Both are compared with those who said they did not have a bribe solicited in the model. The evidence suggests that both those who reported they were asked for a bribe and those who abstained from answering the question are more likely to report more problems in the procurement process than those vendors who reported no such experience.<sup>102</sup>

**Decomposition Analysis:** To better understand the relative impacts of different groups of variables we conducted a decomposition analysis using the Shapley decomposition method (Figure 23). Because we use two different regression models, Figure 23 also includes two different models. Since these two models are different in terms of number of observations and specification, they produce different estimates of the relative impact of these categories.

Model 1 includes firms’ revenue and the share of government contracts as a percent of revenue, while Model 2 excludes these variables. Given that Model 1 contains more relevant variables, we focus on it.<sup>103</sup> The decomposition of relative shares shows that firm-level information explains the largest share of the variation in respondent’s perceptions about procurement challenges. Firm revenue and

---

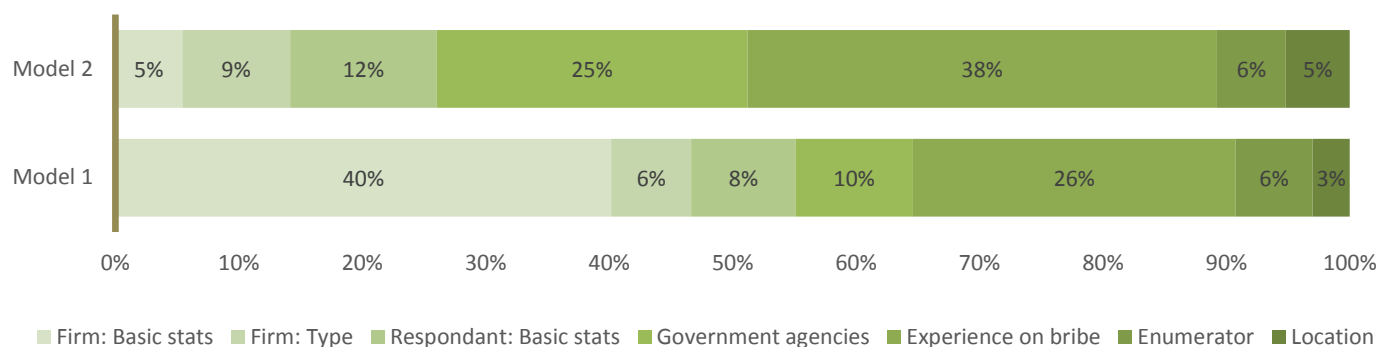
<sup>102</sup> The analysis also found that one interviewer corresponded with lower perceptions of fairness even when controlling for other factors. This interviewer was the most experienced of the survey team, and it is possible that she was better at putting interviewees at ease and reducing social desirability bias.

<sup>103</sup> Although the lower sample size in Model 1 could introduce some sampling bias, we have greater confidence in the findings of Model 1 than Model 2. Without revenue and government procurement as a percent of revenue, Model 2 excludes two important variables. Model 1 suggests that variables such as experience procuring with the big government agencies of INSEP, SEDUC, and SESAL are spurious, as these firms are also more likely to have higher revenues and a higher proportion of their revenue comes from government procurement. As such, the known omitted variable bias in Model 2 outweighs the risk of sampling bias in Model 1.



the percent of revenue from government contracts along with other basic information, such as age and number of employees, together make up almost 48 percent of the explained variation. The next most important set of factors is the two related corruption indicators, which account for 26 percent of the total explained variation. The specific government agency explains about 10 percent of the variation. Respondent-level information, including respondents' age, education, and position, only accounts for 8 percent of explained variation in vendors' perception about procurement challenges.

**Figure 23: Decomposition of relative shares of respondent and firm level drivers**



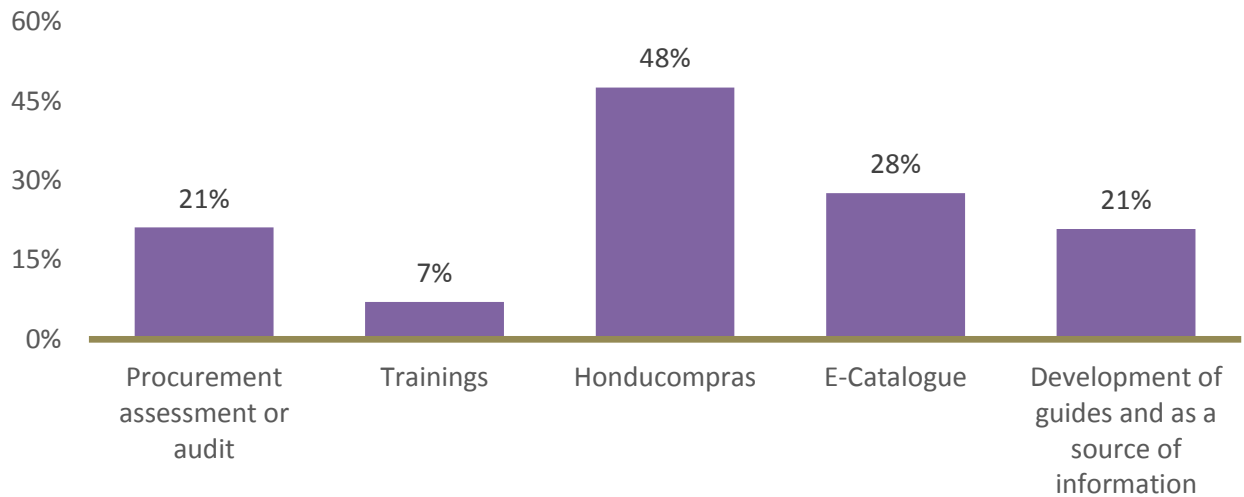
*Note:* Shapley decomposition is based on regression results provided in the Annex in this section.

## 5.14 Perceived ONCAE and ASJ impact

**ONCAE:** Given ONCAE's important role in government procurement, respondents were asked if they were aware of ONCAE and to evaluate ONCAE's work to improve public procurement. A high percentage (91 percent) of respondents reported that they had heard of ONCAE, which was not unexpected given that all of the firms were registered with ONCAE. Among these respondents, 49 percent evaluated ONCAE's work to improve public procurement as good (25 percent) or very good (23 percent), 35 percent as fair, and 17 percent as poor (12 percent) or very poor (5 percent).

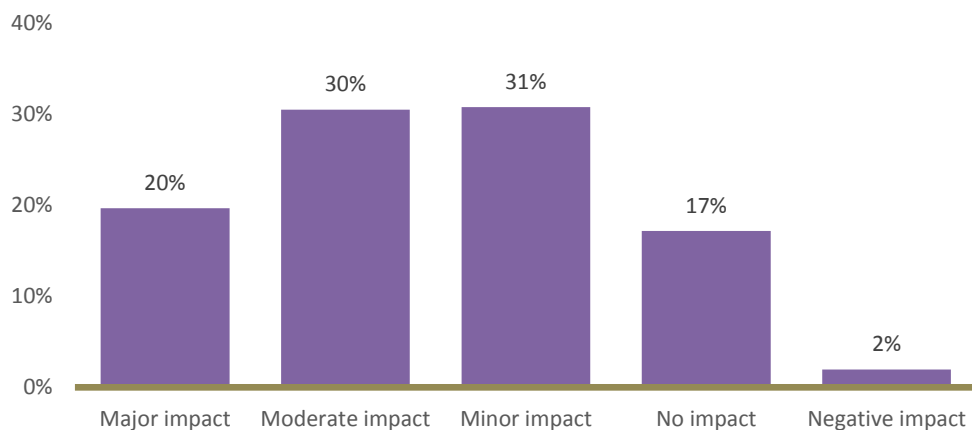
Respondents who gave ONCAE a positive evaluation were asked to indicate from a list of specific items what ONCAE was doing to improve public procurement. Almost half (48 percent) selected HonduCompras, 28 percent indicated the E-catalogue, and 21 percent indicated both the development of guides as a source of information and procurements assessments. Qualitative evidence supported the importance of the E-catalogue and HonduCompras; however, several business interviewees echoed the concerns of government employees who felt that the catalogue incentivized very low prices to the detriment of quality, therefore, risking poor value for money. In addition, several small businesses felt that they did not have the capacity to participate in the E-catalogue. Small businesses participating in focus groups also complained about ONCAE's registration process. They contended that it failed to prevent illegitimate businesses from registering while creating a major obstacle and expense for small businesses. As one respondent remarked, "ONCAE is for the big companies, not for us small ones."

**Figure 24: Examples of ONCAE's work (% of respondents) (n=355)**



**ASJ:** Compared to ONCAE, a smaller percentage of firms (44 percent) had heard of ASJ's work to improve public procurement. Among these 361 respondents, 20 percent perceived a major impact, 30 percent a moderate impact, 31 percent a minor impact, 17 percent no impact, and 2 percent a negative impact (Figure 25).

**Figure 25: ASJ's impact (n=361)**



Those that perceived a major or moderate impact were asked to explain what impact they had observed. Unlike the ONCAE question, this question was open ended. We divide the responses into four large buckets. First, most of those that answered this question generally noted the role that ASJ plays in monitoring government and contended that government procurement processes are more transparent, fair, and impartial as a result of ASJ's work.

Second, several of the respondents specifically referenced ASJ's reports about corruption that are covered in the media. As a result of these reports, they note that citizens are aware of the nature of corruption problems in specific institutions. Furthermore, as the possibility that corruption will be

found out increases, they note that problematic government employees restrict their behaviour for fear of being uncovered.

Third, other respondents noted that ASJ has created a hotline for citizens to report corruption in government institutions, and some vendors feel that they can trust the organization with their cases.

To a lesser degree, a few vendors mention ASJ's participation on a committee to clean up the police department and ASJ's oversight of the process to elect judges to the Supreme Court.

## 6 IMPROVING CAPACITY OF THE SUPREME AUDIT TRIBUNAL (TSC) (PFM 1.3)

### 6.1 The Intervention

The TCP is supporting the TSC to develop its capacity to conduct performance audits, that is, audits focused on the efficiency, effectiveness, and economy of public service delivery rather than on legal and financial compliance. According to the TCP program logic, these audits aim to enhance internal and public dialogue about results and to improve service delivery. TCP is providing technical support through consultant Elsa Lozano Rodriguez (see consultant summary below). The consultancy, which was extended for another year, provides training workshops, development of a performance audit manual, and support for four pilot audits. TCP provides the resources to conduct the audits, including laptops, printers, and travel expenses for TSC personnel. The TCP is also providing a sector specialist to support each pilot audit. At the time of data collection, the TSC and the consultant had completed one of four pilot audits, i.e., an audit of the Department of Customs Taxes (Dirección Adjunta de Rentas Aduaneras - DARA) of the DEI.

**Table 15: Consultant summary – Performance audit advisor**

Consultants	Elsa Lozano Rodríguez, Tribunal Superior de Cuentas Advisor
Period of performance	May 18, 2015 – December 2015 and extended to November 23, 2016
Objectives	Help the TSC of Honduras strengthen its technical capacity to develop and implement performance audits.
Selected activities	<ul style="list-style-type: none"> <li>• Increase capacity of TSC audit staff</li> <li>• Provide technical assistance to plan, execute, and produce four pilot performance audits</li> <li>• Update the performance audit manual according to the professional norms of International Standards of Supreme Audit Institutions (ISSAI)</li> </ul>

Source: Millennium Challenge Account-Honduras. (nd) Anexo A: Términos de Referencia: Asesorar al Tribunal Superior de Cuentas en Auditoria de Desempeño

### 6.2 Relevant questions

- Do performance audit recommendations lead to changes in practices?
  - Do performance audits conducted by the TSC with TCP support lead to relevant recommendations that could improve service delivery?
  - Are these recommendations implemented?

## 6.3 Baseline

Previous TSC audits are either systemic (of the agency as a whole), project-focused, or in response to a complaint/allegation. The audits follow a four-stage cycle of planning, implementing, reporting, and follow-up. Reports follow a basic structure of findings, identification of relevant legal norms or guidelines, evidence (usually in the form of an official document recognizing the shortcoming), and a recommendation. In theory, the performance audits are entirely new to the TSC, which has traditionally focused on legal and financial audits. The newness of performance audits, which focus on efficiency, effectiveness, and economy of public service delivery, should negate the need for a baseline; however, in practice, there are a number of similarities between the performance audits currently underway and pre-existing audits. For example, the TSC has experience with something similar to a performance audit, called a management audit (*auditoria de gestión*), which was described as a mix of different audit types. Furthermore, a review of a financial and legal audit of DEI conducted in 2011 revealed similar findings and recommendations to the pilot performance audit of the DEI.<sup>104</sup>

**There is a process for follow-up in place:** TSC already has a process in place for following up on audit recommendations, and that process will be used for the performance audits as well. Audited agencies are currently required to develop an action plan for implementing recommendations within 15 days of the report release, and there is a TSC team charged with ensuring compliance with those action plans. While in theory, the team is empowered to verify compliance, in practice human and financial resource constraints limit their ability to do so. The follow-up is typically done remotely without physical verification.

**Reports are public; however, there is limited information about what changes as a result of audits:** Audit reports are made available to the public on the TSC website. Information on whether audit report recommendations are implemented are not made public and are not posted on the website.<sup>105</sup> Consequently, the public may know what audit reports recommend, but they can't know whether those recommendations were acted upon. (TSC's website posts some global annual statistics publicly, but only for the years 2010 and 2011.)<sup>106</sup>

---

<sup>104</sup> The 2011 audit included a section on internal controls with findings such as personnel files are incomplete, there is no manual for positions and salaries, there is no signed payroll list with names and salaries. Tribunal Superior de Cuentas. 2011. Dirección Ejecutiva de Ingresos (DEI). Auditoría Financiera y de Cumplimiento Legal Informe No. 005-DASEF-DEI-A. [http://www.tsc.gob.hn/Auditorias/Informes de Auditoria/Sector Economico finanzas/2011/005-2011-DASEF-DEI-A.pdf](http://www.tsc.gob.hn/Auditorias/Informes%20de%20Auditoria/Sector%20Economico%20finanzas/2011/005-2011-DASEF-DEI-A.pdf)

<sup>105</sup> Audit reports do at times contain a section noting compliance with past audit recommendations. This is only summarized at a high level. For example, the 2011 audit of the DEI noted that from a 2008 audit 22 of 38 recommendations regarding legal non-compliance had been followed, 5 of 7 recommendations on internal control had been followed, and 1 of 4 recommendations regarding other legal norms were implemented. This suggests 57% compliance with recommendations. *Ibid.*

<sup>106</sup> The TSC reports that during 2010-2011 it produced 400 reports based on audits of centralized and decentralized institutions (i.e. not municipalities) with a total of 3,495 recommendations. Of these 2,451 (70 percent) were carried out,

The TSC does not track downloads of its reports, so it is difficult to know to what extent the reports are used by the public. The evaluation team conducted a review of TSC mentions in the *El Heraldo* newspaper for the period of January 1, 2015 to May 16, 2016, and found 91 references to TSC.<sup>107</sup> Most of the references were of little consequence; for example, a story might attribute a quote to a TSC representative or allude to a topic TSC was investigating. In 16 articles, however, (and 14 unique cases) the newspaper reported concrete results from audits, including irregularities in the Educadores program, enrichment of diverse public officials (e.g., manager of Hondutel, police leaders, municipal leaders, Congress members, education leaders), and irregularities in the Program Ampliando Horizonte. While the number is low, it does indicate at least some information on the impact of TSC recommendations available to the public. Nonetheless, interviewees in civil society were critical of the TSC, and TSC respondents report a poor relationship with civil society organizations and minimal communication or collaboration. In short, TSC audits could entail somewhat greater transparency and have a greater impact.

## 6.4 Improvements and challenges

Performance audits are intended to go beyond legal and financial compliance and focus on issues of economy, efficiency, and effectiveness. The TSC performance audit process compares the realities of the performance with the ideals reflected in the legal norms or performance standards. The audit teams use the difference to consider the causes and effects of the divergence, best practices, and recommendations that can be made based on best practices. The key difference with previous audits is that the new TSC performance audits incorporate a specific section on good practices and expected gains. The ultimate goal of the performance audit process is that the institution changes over time so that it is better placed to deliver public services.

The pilot audit resulted in a number of recommendations that, if followed, could lead to major improvements in DEI-DARA operations. In the area of efficiency, the audit noted that between 2013 and 2014, average wait times at customs increased from 25.63 to 29.88 days. In response, the team recommended that DEI-DARA conduct an analysis of causes of the delays and create a monitoring plan with targets for improvement. Developing a robust and sustainable performance audit practice that results in changes in the audited institution will require overcoming several challenges, which are discussed below.

**Consultancy implementation challenges:** TSC respondents had high praise for the training sessions offered by the consultant. Also, formal evaluations by participants of the consultant-run workshops were very positive.<sup>108</sup> However, respondents noted that there were challenges in other areas. For example, the timeline for the original period of performance was too short and had to be extended to allow more time for the consultancy to achieve its objectives. Respondents noted a need

---

695 (20 percent) were partially carried out, and 349 (10 percent) were not carried out. Tribunal Superior de Cuentas (nd). Estadísticas de Seguimiento Recomendaciones de Informes de Auditoría Años 2010-2011: [http://www.tsc.gob.hn/Auditorias/Estadisticas/Seguimiento\\_DACD.pdf](http://www.tsc.gob.hn/Auditorias/Estadisticas/Seguimiento_DACD.pdf)

<sup>107</sup> El Heraldo was selected as a well-respected newspaper, with a strong online presence and national coverage.

<sup>108</sup> Elsa Lozano Rodríguez. Informe Primer y Segundo Taller de Auditoría de Desempeño (Aug. 2015).

for better communication between the consultant and TSC leadership. They complained that the guide developed by the consultant wasn't adequately adapted to Honduras and the TSC, and further, that the guide would be more useful if it was revised to include a step-by-step manual for auditors. An update to the guide, based on the November 2015 pilot, was still pending at the time of data collection. Finally, concerns with the structure and content of the performance audit report are discussed in greater detail below.

### **Challenges identified in the pilot of DEI-DARA:**

- The initial pilot was conducted with eight auditors instead of ten, as planned (in addition to the two TCP-supported consultants). Unfortunately, five of the eight had no previous audit experience. Auditing is a complex skill that in many agencies requires a certification to perform. This lack of experience was identified by all respondents as a major limitation.
- Despite a robust preparation plan, much of the intended preparation did not occur. It was also noted that the team lacked a basic understanding of customs issues, and it was recommended that a topical training be part of their preparation for performance audits.<sup>109</sup> There is a concern that preparation time will continue to be a problem. At the time of interviews, a subject matter specialist had yet to be on-boarded for a soon-to-begin audit of the ENEE. Preparation time that was spent preparing for an audit of INSEP was lost as a result of the cancellation of the INSEP audit in favor of an audit of the Roads Fund (Fondo Vial).
- All respondents reported challenges with the production of the audit report. The draft was developed in November and as of March it still had not been finalized. This is somewhat to be expected with the implementation of a new report structure; however, some of the concerns raised went beyond format and presentation. Concerns mentioned by respondents included inadequately supported conclusions and concern for presenting best practices that could not be implemented in the Honduran context. The evaluation team's review of the pilot audit report raised several flags, including a concern that the focus on economy, efficiency, and effectiveness was subordinated to a different set of performance audit questions.<sup>110</sup> In addition, the structure of the report is exceptionally ambitious in that it seeks to not only identify problems, but their causes and their effects, and best practices to address them. As a result, the discussions of causes, effects, and best practices in the draft report often appear limited and insufficient.

**Accountability challenge:** There was consensus among respondents that the goal of the performance audits is more forward than backward looking. This is to say that the audits are more focused on improving future performance than about holding officials to account for past performance. While future prevention is extremely important, there is a concern that the accountability function of audits will be deprioritized. Although the evaluation team was not able to

---

<sup>109</sup> Javier Vasquez. 2015. 2nd Trip Report: Honduras Tribunal Superior de Cuentas.

<sup>110</sup> Questions included: Does the DEI through the DARA have defined, standardized, and systematized processes that permit the exercise of controls to mitigate risks? Do technological resources and physical infrastructure contribute and/or guarantee the operability of the DARA? Does the DEI possess and apply established, legalized, and socialized criteria for the administration of Human Talent to categorize and/or certify its personnel?

determine specifics, respondents did note that there were some indications of wrongdoing in DARA that were not fully pursued and were not included in the final audit report. Recommendations in the audits are theoretically mandatory but in practice are not enforced through sanctions and fines, thus undermining the process. In a related vein, one TSC auditor summarized performance audits, as “less detailed and more summarized,” than traditional audits, suggesting a perceived lack of rigor that could limit the accountability function of audits.

**Sustainability challenge:** MCC is supporting sector specialists for each of the current pilot audits. While such sectoral expertise is extremely important for performance audits, it raises concerns about the sustainability of the initiative, as the TSC will have a hard time bringing in highly skilled sector specialists with international experience to support the audits after the close of the TCP. Currently the TSC lacks resources to even pay the travel expenses of personnel, and TSC respondents report that most audits have focused on Tegucigalpa to avoid travel expenses. The performance audits are consistent with the current administration’s push for “Management for Results”; however, it is not clear if this push will lead to a greater budget allocation from the administration. TSC’s budget allocation for 2016 was reportedly lower than for the previous year.



## 7 GRANT FACILITY FOR SOCIAL ACCOUNTABILITY (PFM 1.4)

---

Through the TCP, an estimated four civil society organizations will be provided grants to foster social accountability. The evaluation focuses on the main grant, which has been awarded to the ASJ to conduct annual institutional assessments.

### 7.1 The intervention

In October 2014, the current administration of Juan Orlando Hernández signed a Collaboration Agreement (Convenio de Colaboración) with ASJ (the local chapter of Transparency International) for ASJ to undertake a social audit of the secretariats of Health (SESAL), Education (SEDUC), Security, Infrastructure and Public Services (INSEP), and the tax administration (DEI) focused in the areas of (1) procurement, (2) transparency in human resource (HR) management, and (3) accountability and integrity.<sup>111</sup> The agreement did not, however, include a mechanism to fund the activities, and, to its credit, the TCP stepped in to fill this financial gap. As seen in the summary table below, ASJ is primarily to conduct annual reports of the five institutions each year for three years, assist in the development of an “Improvement Plan” (Plan de Mejora) for each institution, and monitor the implementation of these plans.

---

<sup>111</sup> While the Agreement refers to accountability and integrity, this appears to have been replaced with “reliability of results” in subsequent documents.

**Table 16: Consultant summary - ASJ**

Consultants	ASJ (Asociación para una Sociedad más Justa)
Period of performance	From finalization of agreement until August 31, 2017
Objectives	<ul style="list-style-type: none"> <li>• Conduct independent monitoring and performance evaluation of public sectors including health, education, infrastructure, and tax</li> <li>• Strengthen civil society oversight of public finances</li> </ul>
Selected activities	<ul style="list-style-type: none"> <li>• Assessment of each sector <ul style="list-style-type: none"> <li>○ Definition of performance indicators</li> <li>○ Data collection through field work, interviews, and document review</li> <li>○ Develop a points-based system for evaluation and analysis</li> <li>○ Develop an institutional assessment report</li> </ul> </li> <li>• Compile an Annual Transparency and Good Governance Index (Índice Nacional de Transparencia y Buen Gobierno - INTBG), which will assess performance of the health, education, infrastructure, and tax sectors on indicators including human resources management, procurement, transparency, and accountability</li> <li>• Technical assistance for the design of a National Reporting System for anonymous complaints</li> <li>• Conduct a communications campaign to disseminate findings of the ASJ to civil society and society at large</li> </ul>

Source: Millennium Challenge Corporation and Asociación para Una Sociedad Más Justa. (2015). *Grant Agreement*.

## 7.2 Relevant questions

- Do civil society oversight and recommendations lead to changes in targeted institutions?
- Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?

## 7.3 Baseline

ASJ's studies offer a baseline by which to measure progress in the selected institutions. At the time of data collection, reports had been released for SEDUC and Security. Summary baseline results are profiled below:<sup>112</sup>

<sup>112</sup> Asociación para una Sociedad más Justa. 2015. Informe de Línea de Base de la Secretaría de Educación; Asociación para una Sociedad más Justa. 2015. Informe de Línea de Base de la Secretaría de Seguridad.

## Procurement in SEDUC

- **Methods:** ASJ reviewed five procurements for computers and four for textbooks and obtained and reviewed 85 percent of the documentation requested.
- **Summary results:** Average compliance with ASJ's criteria based on procurement law and international best practices was 18.8 percent for the computer procurements and 35.3 percent for the textbook procurements.
- **Irregularities:** A number of irregularities were encountered, including mobile laboratories purchased well above market rates, highly restrictive technical specifications that only one bidder could comply with, non-compliance with formal evaluation criteria, conflicts of interest within the evaluation committee and goods reception committee, inadequate documentation, a failure to enforce penalties stipulated in the contract for late deliveries, and a failure to enforce penalties for non-compliance with the contract.

## Human resource management in SEDUC

- **Methods:** Comparison of onboarding and removal of a sample of 352 personnel in three departments – Choluteca (selected because of past irregularities), Ocotepeque (selected because of past success), and Francisco Morazán (selected because of size and importance) – at two points in time, 2011 and 2014.
- **Summary results:** Compliance with criteria developed by ASJ in Ocotepeque was 75 percent in 2011 and 93 percent in 2014; in Francisco Morazán, it was 6 percent and 38 percent, respectively (developing a score for 2011 in Francisco Morazán was problematic because of a fire that destroyed the relevant records); and in Choluteca, 46 percent and 32 percent, respectively.
- **Irregularities:** In Francisco Morazán in 2014, 1,332 teachers were approved despite not reaching the legally required score of 75 percent on a knowledge test. A respondent in SEDUC disputed this finding, noting that ASJ was using criteria from a more recent law that wasn't applicable at the time of the teacher-approval process. In Choluteca in 2011, two teachers were replaced by their own children, who did not meet adequate requirements, and in 2014, 63 percent of the evaluated files presented anomalies. Despite the large size of SEDUC (over 70,000 employees) only eight people were fired for disciplinary violations in 2011 and only one was fired in 2014, suggesting an inadequately robust disciplinary regime. Because of lack of clarity in the law, Departmental Directors are appointed by the Secretary of Education with little restrictions or oversight, resulting in incentives for patronage and corruption.

## Reliability of results in SEDUC

- **Methods:** ASJ requested documentation of three data sources: teacher evaluations, student performance, and days of class.
- **Summary results:** For teacher evaluations, there was 46.2 percent complete documentation, 46.2 percent incomplete documentation, and 7.7 percent documentation not delivered. For

student performance it was 28.3 percent , 18.2 percent , and 54.5 percent , respectively. For class days, SEDUC had no documentation.

## Procurement in Security

- **Methods:** The ASJ team reviewed a procurement understood to be flawed (the purchase of bulletproof vehicles) and a procurement believed to have been done successfully (work contracts to remodel police posts with support from the IDB). A third set of procurements conducted as part of the Security Fund (Fondo de Seguridad) were dropped from the study as the Fund was determined to be outside the scope of the agreement between ASJ and the GoH.
- **Summary results:** Using similar criteria as above, the team scored the vehicle purchase as 14.3 percent compliant with national law and international best practices and the police posts work contracting as 36.6 percent compliant.
- **Irregularities:** The vehicles were purchased without a market study, more were purchased than were authorized, the evaluation report did not explain why the winning bid was selected (as it was not technically the cheapest bid),<sup>113</sup> and most of the purchased vehicles were provided to other government institutions. Despite being supported by the IDB, the procurement of work contracts also experienced irregularities, including a conflict of interest in the evaluation committee, insufficient time periods to submit bids (only 18 days), and competitive advantages given to the winning bidder despite having a higher price.

## Human resource management in Security

- **Methods:** The ASJ team conducted an analysis of the laws governing human resource management in the police and the Secretariat, reviewed HR management documentation for completeness, audited a sample of hiring personnel files for completeness (115 in 2013 and 115 in 2014), and audited a sample of the same size of discharged personnel files for completeness.
- **Summary findings:** Through a review of human resource management documentation (e.g., manuals, description of posts, strategic plan), ASJ found Security to be 29 percent compliant with its criteria. Relative to a review of personnel files, ASJ found Security to be 52 percent compliant in 2013 and 62 percent compliant in 2014. The review of discharged personnel revealed 10 percent and 9 percent compliance for 2013 and 2014, respectively. Overall, ASJ concludes that Security was 30 percent compliant with HR management criteria in 2013 and 33 percent compliant in 2014.
- **Irregularities:** There are a number of gaps in the 1998 police law, which did not have an accompanying implementation regulation. Security has multiple and inconsistent census information for its personnel and recent hires, and data is not properly secured. Personnel files lack important information (e.g., proof of training at the Police Technical Institute) and

---

<sup>113</sup> A government official in the security secretariat reported that while the winning bid was marginally more expensive per vehicle, it was actually cheaper because of the payment and delivery schedule.

not all recruits undergo vetting (pruebas de confianza). Poor documentation and an inability to demonstrate due process in discharging police officers opens the door for legal cases. Moreover, the agency with responsibility for discharging officers at the time of the report (Dirección de Investigación y Evaluación de la Carrera Policial - DIECP) did not have adequate legal authority for doing so.<sup>114</sup>

## Reliability of results in Security

- **Methods:** ASJ measured reliability of results by looking at the percent of requested information delivered, how homicides are calculated, how extortion is measured, how the distribution of patrol vehicles is tracked, and how patrol vehicles are inventoried. Summary findings: 28.7 percent of requested information was not provided and 33.3 percent was incomplete. Security has a complete protocol for measuring homicides, but ASJ was not able to verify its application. Security lacks a formal protocol for measuring extortion, but in practice it is well measured. There is no protocol for assigning and distributing patrols, and ASJ was not able to verify what procedures, if any, were followed. ASJ found there was no procedure for inventory management of patrol cars, nor was there a registry of all police vehicles.

## Improvements and challenges

**Progress with security, education, and health, delays with INSEP, cancellation of DEI:** As profiled above, year one reports for SEDUC and Security were made public in November 2015. The SESAL report was close to complete, but it is behind schedule and expected later in 2016.

DEI had to be dropped from the assessment study after its closure in March 2016. At the time of data collection, research had not begun with INSEP, reportedly due to foot-dragging by INSEP.

**The reports are an impressive achievement in and of themselves:** The reports issued to date are a substantial achievement for both the government and ASJ. We are not aware of other examples of such detailed civil society access to procurement and HR files or such a rigorous civil society led audit/compliance methodology. The report includes a series of quantifiable, transparent, and replicable findings complemented by detailed qualitative information. The reports, as well as supporting documentation for each, are available on ASJ's website: <http://asjhonduras.com/ti-asj/>.

**Some preliminary evidence of results:** Respondents were able to point to specific reforms and activities that had occurred since the release of the November 2015 reports in Security and SEDUC. Caution should be taken in attribution; however, as this likely captures internal initiative, other ASJ initiatives, and activities supported by other mechanisms (e.g., APRODE/GIZ, World Bank). Nonetheless, even in cases where the initiatives began prior to ASJ's work, respondents agree that

---

<sup>114</sup> In April 2016, new legislation was passed to allow the GoH greater flexibility in firing police.

the ASJ report helped create momentum to move some of these reform initiatives forward. For example, in Security, the report identified multiple and inconsistent registries of personnel and no security system for protecting payroll files. In response, Security is in the process of purchasing SAP, a comprehensive management information system. While Security reports that SAP has been in the works since 2012, it had not moved forward until the ASJ report.

Other successes listed by respondents include:

- **Security:** In addition to an intention to acquire SAP, The Secretariat's Betterment Plan (Plan de Mejoras) includes several actions taken in response to ASJ's recommendations.<sup>115</sup> In the area of procurement, the Secretariat is developing a procurement regulations and initiating a proposal to create a procurement department. In the area of human resources, the Secretariat is adding a polygraph unit to better vet police officers and applicants, revising how personnel are documented and tracked, and finalizing a manual on recruitment and selection and other HR processes. The ASJ report has also created added pressure to revise the Police Law and the Police Civil Service Law (Ley de Carrera Policial).
- **Education:** SEDUC's Betterment Plan (Plan de Mejoras) lays out a number of broad commitments related to ASJ's recommendations.<sup>116</sup> In the area of procurement, these commitments include development of guides, manuals, and instructions; training; an internal audit plan; and new agreements for social auditing oversight. In the area of human resources, as a result of the ASJ report, SEDUC will conduct a diagnostic study to identify ways to improve teacher hiring transparency, external oversight, and document management. The institution has committed to moving the appointment of departmental directors under the management of the civil service and to develop a mechanism to track class days. The commitments could represent a significant move toward reform. For example, oversight of appointment of departmental directors in civil service would reduce opportunities for patronage and corruption-based appointments. Additionally, SEDUC has created a committee to audit the candidate selection process and contracted with a firm to filter candidates.

**Reasonable basis for follow-up:** As demonstrated above, the agreement between the GoH and ASJ includes the development of a Improvement and Monitoring Plan within each institution. Also mandated are bi-annual reviews to discuss progress. The plans include actions in response to ASJ recommendations, a means to verify implementation, timelines, and who is responsible. In some cases, initiatives are underway to turn ASJ recommendations into actual reforms (e.g., GIZ's Promotion of the Quality of Basic Education Program - APRODE, World Bank's Education Quality, Governance, & Institutional Strengthening programming). A SEDUC committee has been named to follow up on progress made on the recommendations. Unfortunately, one member of the ASJ staff will be responsible for tracking the progress of all four government entities. In addition, it will be a

---

<sup>115</sup> Secretaría de Estado en el Despacho de Seguridad. 2015. Plan de Mejora.

<sup>116</sup> Secretaría de Educación. 2015. Plan de Mejora y Monitoreo Anual: En el Marco del Convenio Suscrito entre el Gobierno de Honduras y Transparencia Internacional.

challenge for bureaucratic government agencies to make major strides with only one year in-between studies.

**Methodological concerns:** Government respondents pointed out several methodological concerns in interviews. Many of these concerns stem from the poor quality of existing data. For example, ASJ reports that only 68 percent of the information requested from Security was provided. Inadequate data or multiple sources of conflicting data complicate ASJ's work. Nonetheless, while recognizing the data limitations, interviewed officials contended that ASJ arrived at incorrect conclusions (e.g., the above mentioned case of teachers' score in the selection process in Francisco Morazán). ASJ respondents contend that they hope to improve their protocols for requesting data and updating requests to allow adequate time for government institutions to respond.

The evaluation team is also concerned about the issue of comparability between waves. Because the ASJ methodology entails purposively selecting a sample of cases to examine (e.g., computers in education, bullet proofed cars in security, teacher hiring in three departments), it could be challenging to ensure that the procurement or HR cases that they compare between baseline and years two and three are comparable and that changes in scores demonstrate an improvement or worsening in procurement and human resource management rather than a difference in the cases selected.

**Maintaining independence while ensuring cooperation and good relations with government counterparts:** ASJ has to walk a fine line between ensuring a rigorous evaluation while also ensuring that government officials cooperate with them. The organization has been criticized by civil society organizations that consider ASJ to have been co-opted by the government, and it has faced criticism from government officials for being overly critical. For example, interviews with government officials suggest frustration that the ASJ reports do not reflect what they perceive to be major improvements in management as compared to the previous administration. Government officials also reported that their comments on the draft report were not adequately taken into account.<sup>117</sup> To date, ASJ appears to have successfully maintained this balance; however, there is a legitimate risk of both co-option and making inadequately supported criticisms.

---

<sup>117</sup> Some changes were made as a result of the government review. For example, the system for tracking homicides was originally poorly evaluated, but this was changed based on government comment and additional information.

# 8 PUBLIC EMPLOYEES SURVEY RESULTS

---

## 8.1 Intervention

The public employees survey asks questions relevant to different aspects of the TCP, including 1.2 Improving Procurement Capacity, Planning, and Controls, 1.3 Improving Capacity of the Supreme Audit Tribunal, and most importantly, 1.4 Grant Facility for Social Accountability and the work of ASJ. The three institutions surveyed here, the Secretariat of Health (SESAL), the Secretariat of Education (SEDUC), and the public works agency (INSEP) are all expected to be targeted by these three sub-activities. ASJ is expected to conduct three social audits of each of these organizations over the course of the TCP. The TSC is expected to conduct a performance audit of INSEP, and ONCAE is expected to carry out a procurement assessment at both INSEP and SESAL. As of baseline data collection, only ASJ's social audit of SESAL had been carried out.

## 8.2 Relevant questions

Of the 21 evaluation questions, the public employees survey will contribute to answering the following:

6. Does the Program result in an improvement in the quality of public service provision?
13. Do changes to systems and processes reduce opportunities for corruption and/or improve perceptions of corruption in PFM?
14. Do performance audit recommendations lead to changes in practices?
15. Does civil society oversight and recommendations lead to changes in targeted institutions?
16. Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?
17. Does the PPP project procurement process adhere to best practice?
23. Does the project result in greater transparency and awareness of PPP procedures for government, private sector, and civil society groups?

The latter two questions are addressed in the PPP section below. The survey methodology is summarized in the methodology section above. It is worth reiterating that the total sample size is 1,719 divided between INSEP (499), SESAL (550), and SEDUC (670). The samples are not intended to be representative of the agencies as a whole, but rather those personnel considered to be at a technical level and above in Honduras's civil service system. Because of the relatively small number of personnel classified as "administrative" in SEDUC, we include in the sample and in the summary statistics below an oversample of education administrators. Administrators tend to have different views on many of the key questions than do operational staff, such as health care workers, teachers, and road engineers. As such, this oversample was necessary to increase the comparability between the three institutions' samples. The survey has a response rate of 61 percent, and Annex V contains a detailed exploration of any potential biases.



### 8.3 About the survey respondents

Respondents of the public employees survey were, on average, 45 years old with a median of 16 years working in the public sector. Sixty-six percent of respondents were female and 53 percent of respondents had completed a university degree or higher. Thirty-three percent of respondents indicated that their work was in administration as opposed to technical work, and 48 percent described their job position at the technical level as being on the second rung on Honduras's five-rung civil service ladder. The median household monthly income was between 15,000 and 17,499 lempiras. As would be expected, there are several differences between survey respondents across the three institutions.

**INSEP:** Compared to the average across institutions, respondents at INSEP were quite different. On average, they were three years younger (42) and had six fewer years working experience in the public sector (10). Fewer respondents were female (48 percent), and they were less likely to have completed a university degree or higher (41 percent). Respondents at INSEP were more likely to be working in an administration capacity (48 percent) and slightly less likely than the average across institutions to describe their work as technical in nature (41 percent).

The final selected frame of respondents at INSEP also differed in some key areas from the total INSEP population and from the initial chosen sample. By design, the initial randomly selected sample was somewhat more educated, more likely to be permanent employees, and earned more than the broader population of INSEP employees. While the population is already highly concentrated in Francisco Morazán, the sample was even more Francisco Morazán based. When compared with the initial chosen sample, the final sample was even better educated (37 percent with at least a university degree) and more permanent (38 percent ) than the selected sample (31 percent and 28 percent , respectively) and the population (14 percent each). This was likely due to the elimination of a large department within INSEP that was included in the pulled sample. More information on these sampling differences can be found in Annex V.

**SESAL:** Compared to the average across institutions, respondents at SESAL were three years older (48) and had three years more working experience in the public sector (19). They were slightly more female (70 percent), and slightly less likely to have completed a university degree or higher (49 percent ). Respondents at SESAL were slightly less likely than the average across institutions to be working in an administration capacity (28 percent ) and much less likely to describe their work as technical in nature (32 percent ). As would be expected, respondents at SESAL reported slightly higher median monthly household incomes, at 17,500-20,000 lempiras, compared to INSEP and SEDUC at 15,000-17,999 lempiras.

Differences in SESAL between the population, initial chosen sample, and final sample were minimal. As expected, the chosen sample was somewhat better educated than the larger SESAL population and more concentrated in Francisco Morazán, though the difference in education was relatively minor. The distributions were similar in terms of gender, contracting modality, and age from population to initial sample to final sample (see Annex V).

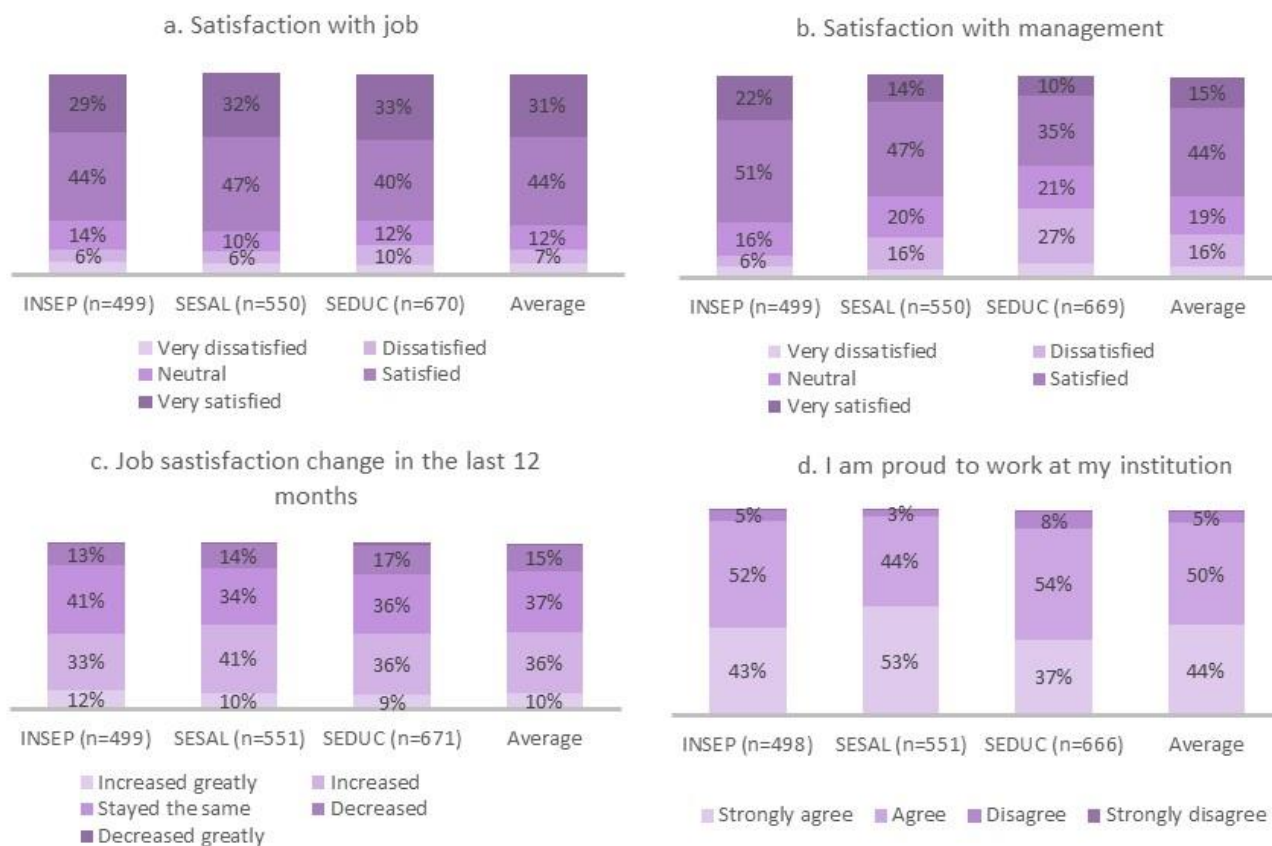
**SEDUC:** Compared to the average across institutions, respondents at SEDUC had two more years working experience in the public sector (18), were more female (77 percent ), and much more likely to have completed a university degree or higher (65 percent ). Respondents at SEDUC were less likely than the average across institutions to be working in an administration capacity (23 percent ) and much more likely to describe their work as technical in nature (73 percent ).

The selected SEDUC sample was more female, more permanent employees, more highly concentrated in Francisco Morazán, better paid, and more likely to be administrators than the population as a whole. The greater number of administrators is due to an intended oversampling of administrators designed to ensure greater comparability with respondents from SESAL and INSEP and greater knowledge about procurement and human resource issues. This oversampling also increased the percentage of respondents in Francisco Morazán compared to the population. The final sample was also slightly less educated than the initial sample (see Annex V).

## 8.4 Job satisfaction and pride

**Job satisfaction is reported as high and as increasing, but qualitative responses come with caveats:** Averaged across the institutions, a large majority of respondents were either satisfied (44 percent) or very satisfied (31 percent) with their job (Figure 26a), and a slightly smaller majority were satisfied (44 percent) or very satisfied (15 percent) with their management (Figure 26b). Reported satisfaction appears to be increasing, as 46 percent of respondents averaged across the three institutions reported that their satisfaction had increased or greatly increased in the last year compared to only 16 percent who reported that their satisfaction had decreased or greatly decreased (Figure 26c). Moreover, almost all respondents (94 percent averaged across institutions) either agreed or strongly agreed that they are proud to work for their institutions (Figure 26d).

**Figure 26: Satisfaction with job**



In focus groups, respondents were more candid about their job satisfaction. Most focus group participants noted that they were satisfied with the work itself, but they expressed considerable frustration with challenges that they face. For example, in SEDUC, participants mentioned poor treatment by ministry leadership, a contentious relationship with parent groups (*Padres de Familia*), a decline in respectability of their profession, and years without a salary increase.

**There are only minor differences in satisfaction across the three institutions:** While general satisfaction is fairly similar across the institutions (Figure 26a), INSEP employees are generally more satisfied with management than their peers in SESAL, who, in turn, are more satisfied than those in SEDUC (Figure 26b). Self-reported improvements in satisfaction were highest in SESAL (Figure 26c), and a slightly higher percentage of SESAL respondents strongly agreed that they were proud to work for their institution (Figure 26d).

## 8.5 Evaluation of the quality of service provision

**EQ6: Does the Program result in an improvement in the quality of public service provision?**

**Public employee evaluations of “quality” are biased but still potentially useful from an evaluation perspective:** To help answer Evaluation Question 6, the evaluation team asked

respondents about their perceptions of different aspects of public service provision. Of course, public officials are probably not the most objective judges of the quality of their work, and in fact they generally regard the quality of their work as either good or very good despite the numerous limitations in actual service delivery. These limitations are confirmed by survey responses from citizens in the 2014 LAPOP survey, which finds considerable dissatisfaction among ordinary citizens with their roads, health services, and public schools.

At least in SESAL and SEDUC, focus groups suggest that this biased assessment is perhaps less due to intentional misreporting than to the cognitive process respondents use in answering the question. Rather than objectively evaluate the quality of services, there is some indication that respondents might have evaluated the quality of the services *in light of* the many challenges that they face. Regardless of the cause of the bias, from an evaluation point of view, these biases should be the same at baseline as at endline, and, as such, any improvements between baseline and endline should correctly indicate an improvement in public service provision.

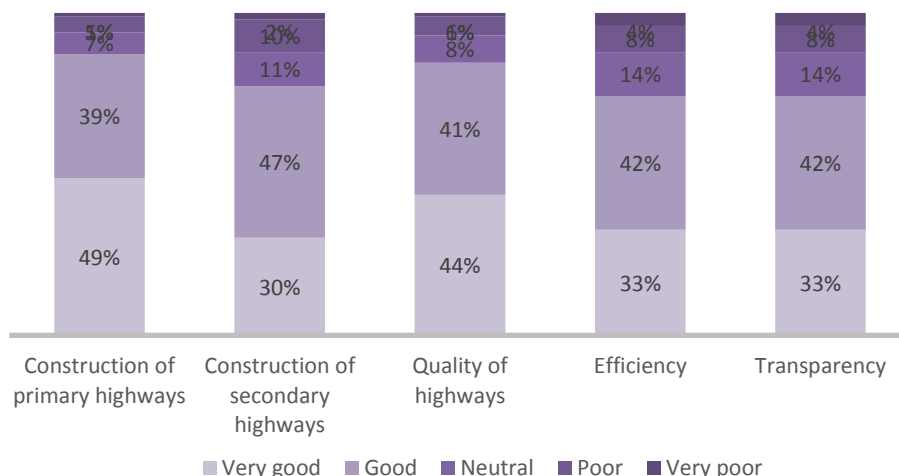
In the questions that follow, we look at “quality of public service provision” in four different ways: (1) an ability to reach intended beneficiaries, (2) the quality of the goods and services provided to these beneficiaries, (3) the efficiency with which services are delivered, and (4) transparency. Because some aspects of quality are highly contextualized based on the goods or services produced by the institution, we asked respondents from different institutions unique questions about reach of intended beneficiaries and the quality of the goods.

**Employees at INSEP offer positive assessments of the various aspects of service provision and overwhelmingly indicate improvements in the past 12 months** (Figure 27). When it comes to reach and quality of services, construction of primary highways, construction of secondary highways, and overall quality of highways were reported as very good or good by 88 percent, 77 percent, and 85 percent of respondents, respectively. Evaluations of efficiency and transparency, which were asked of all three institutions, evoked similarly positive assessments, resulting in very good or good responses among 75 percent of respondents for both measures. Further, INSEP employees perceive service provision to be getting better; 83 percent of employees indicated that general service provision, represented by the measure of development of roads, had improved or greatly improved in the past 12 months (Figure 28). As suggested above, this optimism is not echoed in public opinion surveys. The 2014 LAPOP survey found that 62 percent of respondents were either very dissatisfied (22 percent) or dissatisfied (40 percent) with roads in Honduras.<sup>118</sup>

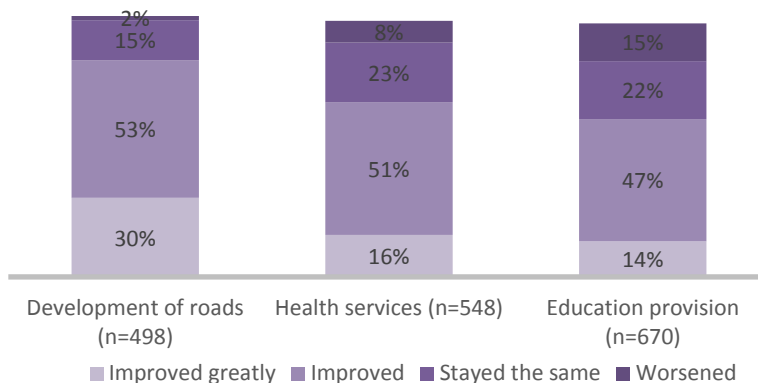
---

<sup>118</sup> Orlando J. Pérez and Elizabeth J. Zechmeister. 2014. Political Culture of Democracy in Honduras and in the Americas, 2014: Democratic Governance across 10 Years of the AmericasBarometer. Latin American Public Opinion Project (LAPOP).

**Figure 27: Perceived reach, quality of service, efficiency and transparency of INSEP (n=497)**



**Figure 28: Improvement in service provision in the past 12 months**

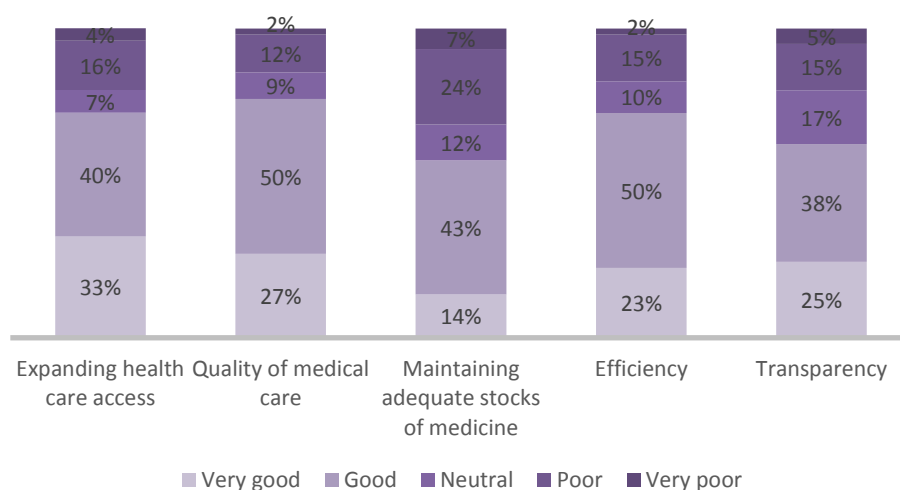


**Employees at SESAL also offer positive assessments and report substantial improvement** (Figure 29). For measures of beneficiary reach and quality, SESAL's work to expand health care access and the overall quality of medical care were reported as very good or good by 73 percent and 77 percent of respondents, respectively. Another measure of quality, maintaining adequate stocks of medicine, received the lowest overall positive responses with 57 percent indicating very good or good, and 31 percent indicating poor or very poor. Efficiency and transparency were reported as generally positive, receiving very good or good responses among 73 percent and 63 percent of respondents, and poor or very poor responses among 17 percent and 20 percent, respectively. As at INSEP, employees perceive service provision in SESAL to be improving. A sizable proportion (77 percent) of respondents reported that health service provision had improved or greatly improved in the past 12 months, with only 8 percent reporting that it had worsened (Figure 28). As with INSEP, surveyed Honduran citizens outside the institutions were more skeptical. The 2014 LAPOP survey

finds that 59 percent of respondents were either very dissatisfied (23%) or dissatisfied (36%) with health services in Honduras.<sup>119</sup>

Focus group discussion participants offered several potential explanations for the difference in perceptions between citizens and public servants. For example, participants at SESAL noted how stock outs in medicines and supplies, an ongoing problem, has a large effect on public perception, even if services are otherwise good. Likewise, one participant noted how several people might provide very good service but recognized that this perception can be ruined by the few who provide bad care. Participants also cited what they felt were unrealistic expectations on the part of some citizens for immediate surgeries and for service as fast as service in the private sector.

**Figure 29: Perceived reach, quality of service, efficiency, and transparency of SESAL (n=551)**

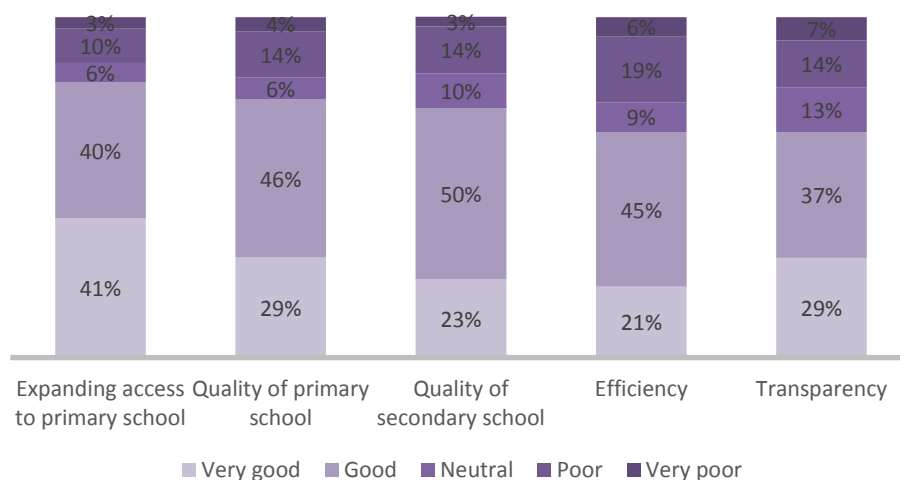


**Employees at SEDUC offer similarly positive assessments with somewhat less agreement about improvements** (Figure 30). For measures of beneficiary reach and quality, SEDUC's work to expand access to primary school was reported as very good or good by 81 percent of respondents. Measures of quality, particularly quality of primary and quality of secondary schools, were also reported as high at 75 and 73 percent, respectively. Efficiency and transparency received generally positive responses, either very good or good among two-thirds (66 percent), although there was a sizeable minority of respondents who assess efficiency (25%) and transparency (21%) as poor or very poor. While a majority of respondents at SEDUC indicate that service provision has improved over the past 12 months, these figures are somewhat lower than the overwhelmingly positive responses regarding services provision we see at INSEP and to a lesser extent at SESAL. Sixty-one percent indicate that provision of education services at SEDUC have improved or greatly improved over the past 12 months, 22 percent say it has stayed the same, and 15 percent say it has worsened. Unlike with roads and health services, Hondurans surveyed as part of the LAPOP AmericasBarometer

<sup>119</sup>*Ibid.*

were mostly satisfied with public schools, with only 39 percent of respondents either very dissatisfied (8%) or dissatisfied (30%) with public schools in Honduras.<sup>120</sup>

**Figure 30: Perceived reach, quality of service, efficiency, and transparency of SEDUC (n=666)**



**In general, survey respondents assess their work well and only small key differences exist across institutions and across measures.** Respondents tend to give more positive answers on reach and quality of services than they do on the measures of efficiency and transparency. This finding is generally consistent across institutions. When it came to measures of reach and quality, SESAL received the highest proportion of negative responses, particularly on expanding access to health care and maintaining adequate supplies of drugs. Of the three institutions, SEDUC employees gave the highest proportion of poor and very poor responses on measures of efficiency and transparency. On improvements in service provision over the past 12 months, responses of “worsened” were higher at SEDUC than at SESAL and INSEP. After endline data collection, we’ll test to see if there have been improvements in these already high evaluations.

## 8.6 Corruption

***EQ13: Do changes to systems and processes reduce opportunities for corruption and/or improve perceptions of corruption in PFM?***

Honduras’s most notorious corruption scandal involved the Instituto Hondureño de Seguridad Social (Honduran Social Security Institute – IHSS), which entailed a widespread conspiracy offering contracts to false firms as a means to siphon off HNL 325 million (USD 16 million).<sup>121</sup> While SESAL, SEDUC, and INSEP have not experienced corruption on such a grand scale, they have been the focus

<sup>120</sup>*Ibid.* Numbers do not add evenly due to rounding.

<sup>121</sup> Consejo Nacional Anticorrupción (2014) [Caso Instituto Hondureño de Seguridad Social](#). CNA-UIASC-001-2014.

of corruption allegations. A review of corruption-focused court cases, produced by ASJ, included a legal case against leadership at INSEP's predecessor organization SOPTRAVI for closing out a contract despite incompleteness of the work.<sup>122</sup> More recently, in 2016, INSEP was the target of several police investigations into allegations of corruption regarding travel expenses and the collection of illegal payments from transportation companies.<sup>123</sup> In fact, INSEP's Department of Transportation has experienced a long history of corruption allegations in the issuing of permits for bus routes and taxi permits, which ultimately contributed to the dissolution of the Department, the firing of 682 employees, and the creation of the Honduran Institute of Ground Transportation (IHTT).<sup>124</sup> The above-mentioned ASJ report also included a legal case against leadership at SESAL for intervening in the procurement process to purchase a product that was not wanted and ultimately had to be destroyed after it was purchased, and a case against internal auditors at SESAL, who falsified receipts to obtain higher travel reimbursements.<sup>125</sup> In addition, SESAL has witnessed a number of ongoing irregularities in the purchase, storage, and distribution of medicines.<sup>126</sup> In SEDUC, ASJ has documented a number of irregularities in procurement and human resource management, including the purchase of mobile laboratories at over twice the market rate.<sup>127</sup>

The result-level outcome of the TCP is a reduction in corruption, and Evaluation Question 13 looks specifically at corruption in public financial management. Given the role of corruption in the results framework, in the survey we opted to look at corruption broadly by asking about perceptions of the pervasiveness of corruption, personal experiences with corruption, and perceptions of what happens if a public employee engages in corruption.<sup>128</sup> A separate body of questions discussed below looks specifically at corruption in the procurement process.

**Most respondents perceive corruption to be widespread in the public sector:** Respondents were asked to evaluate how common (*generalizada*) corruption is among public servants throughout the country and then specifically within their institution. This question did not offer a specific definition of corruption and leaves the definition up to the respondent. When asked about corruption generally, answers of "very common" ranged from 39 percent of respondents at INSEP to 73 percent at SEDUC, with an average of 56 percent across all three institutions (Figure 31). This is actually somewhat worse than Hondurans reported in response to a similar question in the

---

<sup>122</sup> Lester Ramírez Irías (2016) [Judicialización de la Corrupción Pública: 2008-2015: Resultados de la Respuesta Institucional Anticorrupción](#). Tegucigalpa, HN: Asociación para una Sociedad más Justa.

<sup>123</sup> See for example, La Tribuna. 2016. [ATIC investiga actos de corrupción en la INSEP de la Ceiba](#). La Tribuna: April 19.

<sup>124</sup> See for example, La Prensa. 2016. [Red de corrupción se impone en transporte](#). La Prensa: April 29.

<sup>125</sup> Ramírez Irías. Judicialización de la Corrupción Pública.

<sup>126</sup> Transformemos Honduras. 2013. Informe: Transparencia y Calidad Técnica en los Procesos de Recepción, Almacenaje y Distribución de Medicamentos en la Secretaría de Salud Pública.

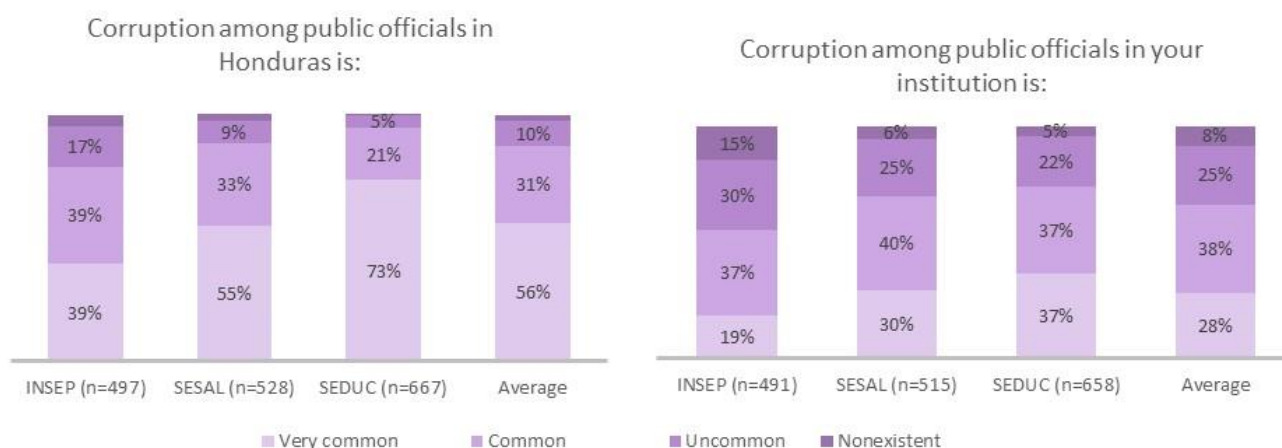
<sup>127</sup> Asociación para una Sociedad más Justa. 2015. Informe de Línea de Base de la Secretaría de Educación

<sup>128</sup> This decision to focus on corruption more broadly was primarily out of concern that respondents might be less familiar with many aspects of financial management anticipated to be influenced by the TCP within their institutions (e.g. the budgeting process). This is consistent with the overall result of the TCP. We do have more specific questions about corruption in procurement aspects of public financial management, a major focus of the TCP.



AmericasBarometer survey in 2014, where only 39 percent said very common, 40 percent said common, 17 percent said uncommon, and 4 percent said non-existent.<sup>129</sup>

**Figure 31: Perception of public corruption in Honduras**



**Respondents are less pessimistic about corruption in their own institution:** When asked about corruption in their own institutions (Figure 31), the percent reporting very common averaged 28 percent, in contrast to 56 percent when referring to widespread corruption in the country. It is difficult to interpret this large gap. On the one hand, it could mean that perceptions of corruption are sometimes misperceptions and that the more knowledgeable one is about the workings of a government institution the less corruption they find and perceive. On the other hand, it could also mean that respondents are simply unwilling to admit in a survey to the existence of corruption in their own agency. In fact, two groups – those who took the survey by tablet and those who report that they answered corruption questions “completely honestly” – were somewhat more likely to report that corruption was very common in their institution. The truth is likely a mix of the two. What is clear, however, is that while there is a gap between the perception of corruption in one’s own institution versus countrywide, corruption is still perceived to be relatively common within public employees’ own institutions. On average, only 8 percent report that corruption is nonexistent.

**There is considerable variation in reported corruption perceptions across institutions:** Forty-five percent of respondents at INSEP stated that corruption was very uncommon or uncommon within their own institution, compared to 31 and 27 percent of respondents at SESAL and SEDUC, respectively, who thought corruption was very uncommon or uncommon in their institution. This should not necessarily be interpreted to mean that actual corruption is less common in INSEP. While on a somewhat different topic, in the sections below, a survey experiment provides strong evidence that political patronage appointments are far more common in INSEP than in the other two

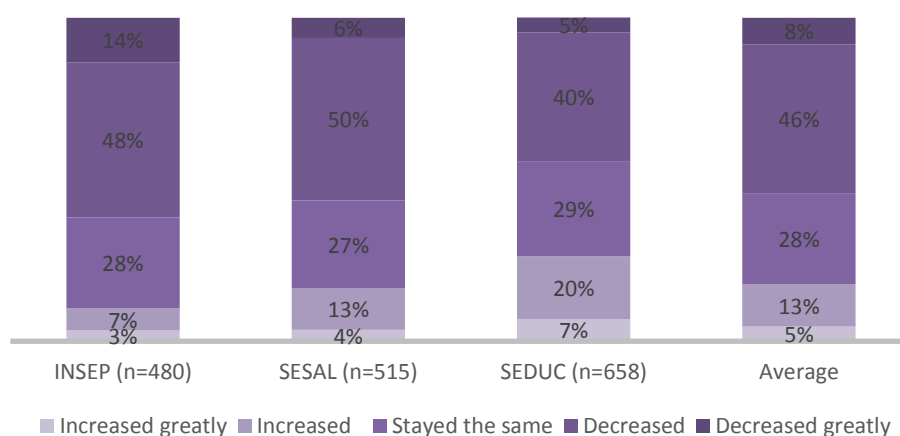
<sup>129</sup> *Ibid.* Some of this difference between the public and public employees could potentially be explained by the difference in time periods that the surveys were carried out, the former in 2014 and the latter in 2016.

institutions. Given the correlation between patronage and corruption, it seems that there is a reasonable chance that corruption is either the same or greater in INSEP and that INSEP employees were perhaps less willing to openly admit to the existence of corruption in their institution.<sup>130</sup> From an evaluation point of view, this is a problematic finding, as it suggests that a drop in actual corruption might lead to a greater willingness to admit the existence of corruption in a survey.

### **Respondents indicate that corruption has, on average, decreased over the past 12 months.**

Averaged across institutions, 54 percent of respondents indicated that corruption had decreased or decreased greatly in the past 12 months, though this ranged from 45 percent of responses at SEDUC to 62 percent at INSEP (Figure 32). Conversely, 27 percent of respondents at SEDUC indicated that corruption had increased or greatly increased in the past 12 months, compared to 10 percent at INSEP, with an average across institutions of 18 percent. As above, it is difficult to know how to interpret the inter-institutional differences.

**Figure 32: Changes in corruption in the past 12 months**



**Theft of resources and abuse of authority are the most commonly cited types of corruption, noted by nearly one-third of respondents across institutions.** Respondents were asked what type of corruption exists within their institution. The most common types of corruption reported, across institutions, were theft of resources (33 percent) and abuse of authority (32 percent). (See Table 17) In terms of bribery, only 6 percent averaged across institutions identified bribes from citizens “to obtain preferred or faster service” as a form of corruption in their institution, while 23 percent reported that bribes are paid within the institution “to obtain posts or promotions.” Seventeen percent of respondents across institutions report corruption in procurement, an issue that is discussed in greater detail below.

<sup>130</sup> INSEP employees were somewhat more likely to use the tablet than have a face-to-face interview. Fifty-seven percent of INSEP employees answered the questions by tablet compared to 48 percent in SESAL and 54 percent in SEDUC. More importantly, as discussed in the methodology section, there were some challenges with the administration of the survey in INSEP, which might have created an environment of distrust in the anonymity of the survey.

**Table 17: Percent of respondents reporting the following forms of corruption in their institution**

	INSEP (n=491)	SESAL (n=551)	SEDUC (n=671)	Average
Theft of resources	37%	33%	29%	33%
Abuse of authority	23%	26%	47%	32%
Bribes within the institution to obtain posts or promotions	27%	22%	20%	23%
Bribes from citizens to avoid fines/payments	20%	21%	10%	17%
Bribes from providers to influence procurement	20%	14%	15%	17%
Trafficking of influences	13%	15%	13%	14%
Bribes from citizens to obtain preferred or faster service	10%	5%	4%	6%
There is no corruption	10%	5%	4%	6%

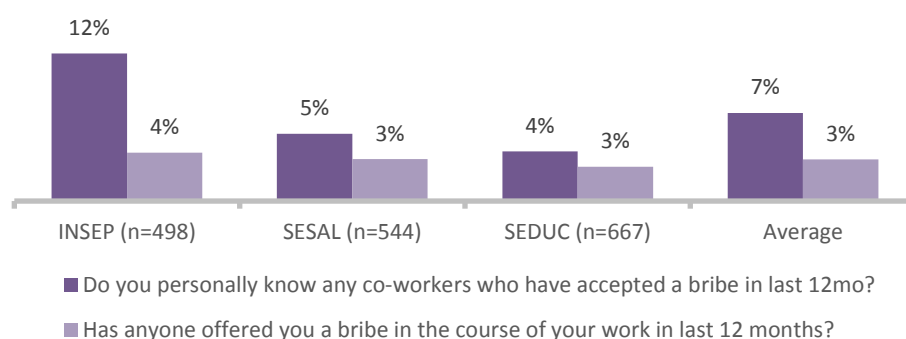
The evaluation team conducted focus group discussions (FGDs) to obtain a better understanding of the nature of corruption across the institutions. These FGDs revealed diverse understandings and views of corruption. Some participants held that corruption is limited to the upper levels of the institutions, but others provided examples of low-level, petty corruption. When asked to elaborate on the types of corruption listed in (Table 17), above, focus group participants suggest that “theft of resources” ranges from small items, such as office supplies, paper, and pens, to more serious items, such as medical supplies and equipment. Another FGD participant said one mechanism for theft of resources was unjustified per diems. Respondents’ understanding of “abuse of authority” also varied. Focus group participants cited diverse examples, including bosses who mistreat their subordinates, doctors who work in private clinics and avoid their public commitment (this problem has apparently declined), and authorities who force operational units to hire unqualified politically connected staff.

Focus groups suggest that much of the perception of pervasive corruption among public employees could be driven by the same uncertainty that occurs in the general public. Paraphrasing one respondent, “We receive so much help from so many countries in education, but we don’t get any of it or see any of it. Where does it go?” Paraphrasing another, “We are so poorly informed that we don’t know what to believe – so we assume the worst. People can say whatever barbarity, and we are going to believe it.”

**Minor variation across institutions:** Between institutions, the proportions of types of corruption cited were relatively similar (Table 17). The only exception here, however, was with abuse of authority, which was cited by as many as 47 percent of respondents in SEDUC (15 percentage points above the average across institutions) and as few as 23 percent of respondents in INSEP (9 percentage points below the average across institutions). All other forms of corruption between institutions fell no more than a few percentage points from the average across institutions. The proportion of respondents answering that there was no corruption (6 percent) roughly matched the 8 percent of respondents who indicated that corruption in institutions in Honduras was nonexistent.

**A very small proportion of public sector employees report any personal connection to corruption.** Averaged across institutions, only 7 percent of respondents stated they personally knew a coworker who had accepted a bribe in the last 12 months, and only 3 percent of respondents reported that they had been personally offered a bribe in the last 12 months, although more than three-quarters of the sample, in both cases, report frequent, direct contact with citizens. It is important to note that in order to encourage honest answers without fear of incrimination, respondents were asked if they had been offered a bribe rather than if they had accepted a bribe. However, some respondents might have been hesitant to answer honestly.<sup>131</sup> While SESAL and SEDUC maintained relatively similar averages of 4 and 5 percent, 12 percent of respondents at INSEP indicated they knew a coworker who had accepted a bribe in the past 12 months (Figure 33). This conflicts with the lower perceived levels of corruption in INSEP discussed above.

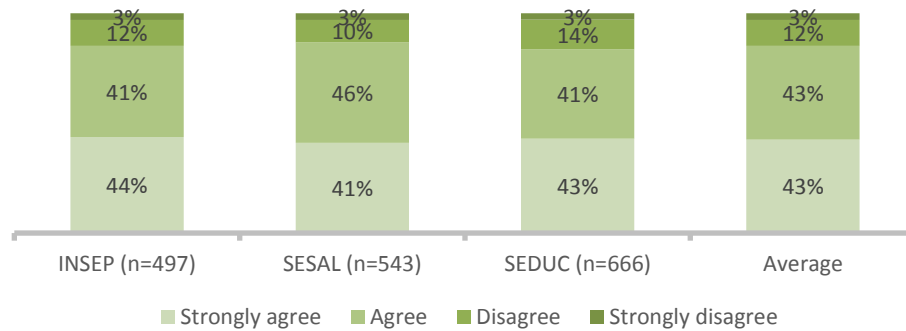
**Figure 33: Received bribes in the past 12 months**



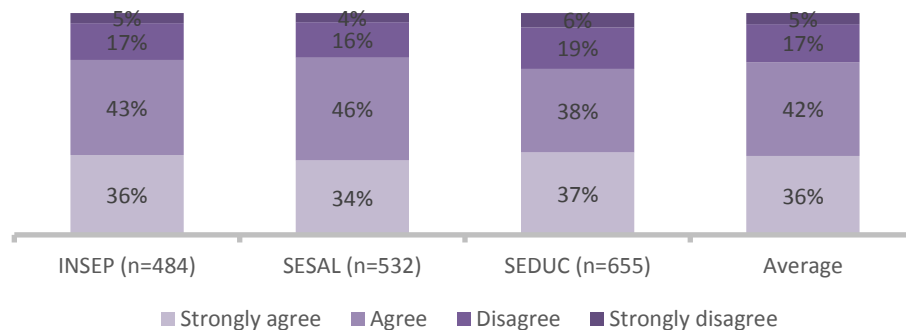
**Respondents overwhelmingly agree that corruption will be properly investigated and that perpetrators will be caught:** Averaged across institutions, 86 percent agreed or strongly agreed that allegations of corruption would be investigated. (Figure 34). Moreover, a similar percentage of 78 percent agreed or strongly agreed that employees who participate in corruption will likely be caught (Figure 35). These perceptions were generally consistent across the institutions.

<sup>131</sup> There was a statistically significant difference in observation of bribery between those using the tablets and those not. Of those using the tablet, 8.3 percent reported observing corruption compared to only 4.7 percent for those in a face-to-face interview. There was no statistically significant difference between these two groups about direct offers of bribes.

**Figure 34: Employees reported as taking bribes will be properly investigated**



**Figure 35: Employees who participate in corruption will likely be caught**



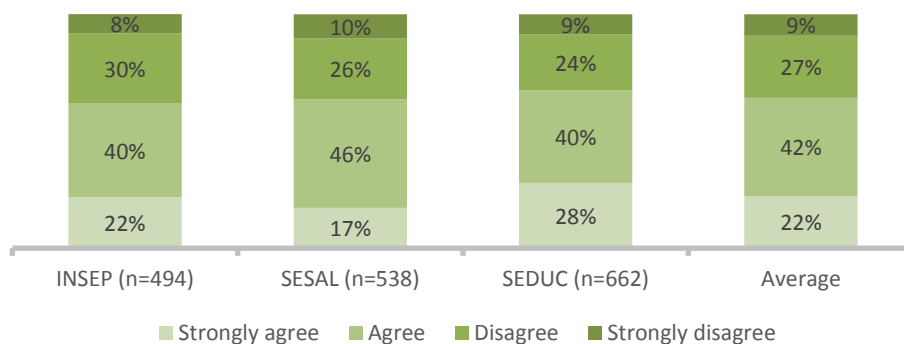
**Most respondents perceive moderate consequences for corruption:** Respondents were asked what punishment would likely follow if an employee was caught accepting a bribe in an amount equivalent to one day of his or her salary. This amount was selected to focus on moderate-size bribes. The most common response, given by 42 percent of respondents, averaged across institutions, was administrative sanctioning (e.g., suspended). Thirty-eight percent thought that firing was a likely punishment, and 14 percent said the employee could be criminally prosecuted. Only 11 percent indicated that no punishment would be given. These findings were once again largely consistent among institutions, though the punishment of being fired ranged from 45 percent of respondents at INSEP to 28 percent at SEDUC (Table 18).

**Table 18: Percent responding that the following is likely if an employee accepts a bribe equivalent to one day of his/her salary**

	INSEP (n=499)	SESAL (n=551)	SEDUC (n=671)	Average
<b>Sanctioned administratively (e.g., suspended)</b>	35%	44%	46%	42%
<b>Fired</b>	45%	40%	28%	38%
<b>Verbally admonished</b>	20%	23%	29%	24%
<b>Criminally processed</b>	17%	13%	12%	14%
<b>Nothing</b>	11%	8%	13%	11%

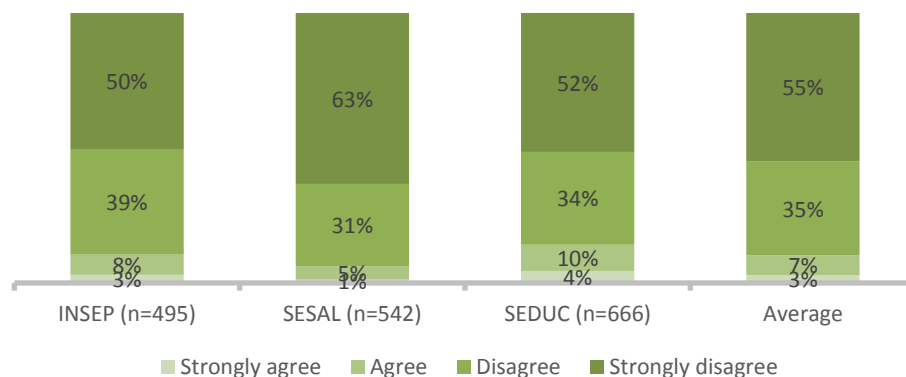
**The working environment is still not a good one for whistleblowers:** Respondents were asked if reporting a co-worker for accepting a bribe would lead to reprisals. Averaged across the institutions, 64 percent of respondents agree or strongly agree that there will be reprisals (Figure 36). The differences are relatively small across institutions, although 28 percent of respondents at SEDUC strongly agree that there will be reprisals as compared with only 17 percent at SESAL. Focus group participants underscored the fear of reprisals. In one focus group, all participants agreed that employees who denounce corruption would be found out and transferred. They further agreed that there was a strong code of silence. Discovery of corruption, therefore, occurs through external actors, namely the TSC or the Criminal Investigation Technical Agency (Agencia Técnica de Investigación Criminal).

**Figure 36: Reporting a coworker for accepting a bribe will likely lead to reprisals**



**Attitudinally, public sector employees report very strong opposition to accepting bribes:** Averaged across institutions, 90 percent of respondents disagree or strongly disagree with the statement that, “given the way things are in Honduras, it is sometimes okay for government employees to accept bribes.” This holds relatively constant across institutions, although a higher percentage in SESAL strongly disagree (63 percent) than in SEDUC and INSEP (52 and 50 percent, respectively). Fourteen percent of respondents at SEDUC agreed or strongly agreed with the statement compared to 11 percent at INSEP and 6 percent at SESAL (Figure 37).

**Figure 37: Given the way things are in Honduras,  
it is sometimes okay for government employees to take bribes**



In summary, corruption is perceived as widespread in the government generally, although it is viewed as somewhat less common in one's own institutions. Corruption manifests itself in diverse ways, but theft, abuse of authority, and internal corruption (e.g., to obtain posts) are reported as more common than petty corruption between citizens and public officials. In fact, only a very small minority of respondents report having directly observed corruption in the form of bribe payments. On the one hand, respondents report that those who engage in corruption are likely to be caught and punished. On the other hand, reports do not indicate a good environment for whistleblowers. At endline, we will look for changes in responses to determine if changes to systems and processes reduce opportunities for corruption and/or improve perceptions of corruption. Issues of corruption are further addressed in the following sections on human resource management and procurement.

## 8.7 Hiring processes

### ***EQ16: Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?***

The hiring and promotion process for civil servants is reasonably well laid out in Honduran laws and regulations; however, there is often a marked divergence between laws and practice. Perhaps surprisingly, this even applies to the hiring of doctors and medical staff in SESAL. The official process involves the creation of a selection committee with representatives from the hiring institution (e.g., a particular hospital) and from the Honduran Medical Association, followed by a public hiring process and a thorough review of candidates that includes a formal scoring procedure. Nonetheless, there has been an official hiring freeze in place since 2014. Despite the freeze, ASJ identified a number of personnel who had been hired on an interim basis. While this allowed SESAL to meet human resource needs by circumventing the freeze, SESAL also circumvented the civil service rules. Through an analysis of documentation of 240 hires in 2015, ASJ finds that these hires were on average only 40

percent compliant.<sup>132</sup> As discussed above, ASJ also identifies several irregularities in the hiring and promotion of personnel in SEDUC, including hiring teachers that do not meet requirements and naming directors outside of the civil service regime.

INSEP is perhaps the most problematic in terms of hiring and promotion processes. The public works agency is also bound by civil service laws requiring a public tender and a formal evaluation and scoring process; however, INSEP and its predecessor SOPTRAVI have had a reputation for patronage-based hiring. Of the ghost workers eliminated from the payroll during the current administration, INSEP had the highest number among central government agencies.<sup>133</sup>

To answer the evaluation question on human resources processes, this report divides the topic into two parts: hiring and promotions, both of which are addressed in ASJ's audits. We asked respondents about their perceptions of different aspects of the hiring and promotion process, disaggregating by employees who state that they are knowledgeable about these processes. Across institutions, we asked the importance of five factors in obtaining a job or being promoted: level of education, work experience, knowing the right people, affiliation with the political party in power, and providing a gift or unofficial payment. Both sets of human resource questions also include questions on transparency of the process and any improvements experienced in the last 12 months. We also present the results from a survey experiment that tests the use of political connections to obtain a position or promotion.

**Public sector employees have mixed opinions on whether employees at institutions are hired based on their merits.** Across institutions, a slight majority (52 percent) disagreed or strongly disagreed that employees were hired based on merit. Within institutions, this figure has a wide range: SEDUC employees were most likely to agree that employees were hired based on merit (59 percent agreed or strongly agreed) while employees at INSEP were the least likely to agree (60 percent disagreed or strongly disagreed) (Figure 38). Respondents were also asked if they perceived the hiring process to be transparent, and responses were very similar (Figure 39). Asked whether the hiring process had improved in the last 12 months, averaged across institutions, 23 percent said it has worsened or worsened greatly, 35 percent said it had improved or improved greatly, and 42 percent said it had stayed the same.

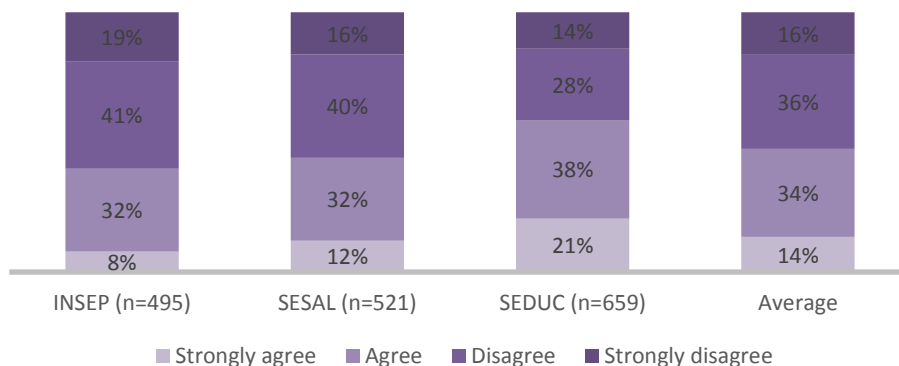
---

<sup>132</sup> Kurt Alan Ver Beek, Keila García, Yazmina Banegas, Yahayra Duce, Gianni Rivera, Seidy Ruiz, Jimena García Merino, José Herrera, Yosmary García, Blanca Munguía, Elena Espinal, Karen Lanza, Mario Romero. 2016. *Informe de Línea de Base de la Secretaría de Salud*. Asociación para una Sociedad más Justa.

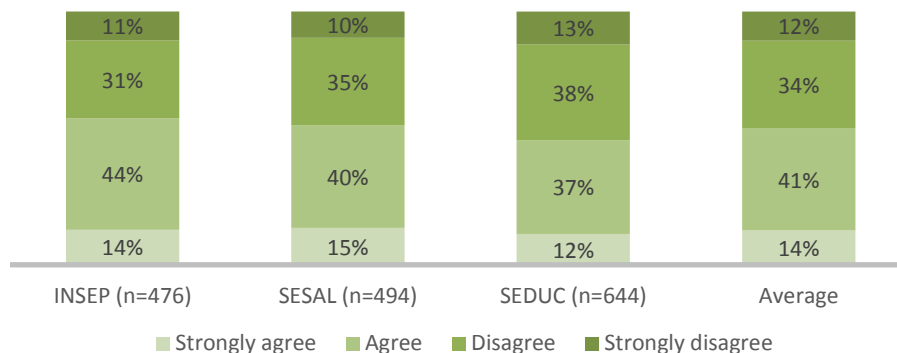
<sup>133</sup> La Tribuna. 2015. [Más de 33 mil “paracaidistas” abandonan el gobierno](#). La Tribuna: Nov. 15



**Figure 38: Employees at my institution are hired based on their merits**



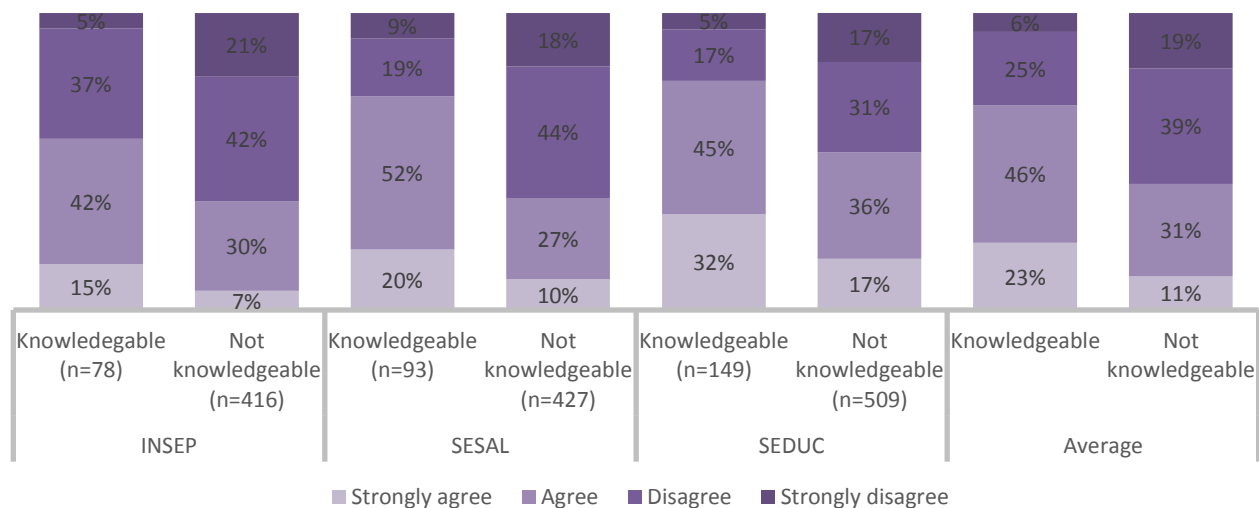
**Figure 39: The process of hiring new employees is done in a transparent manner**



**Employees who are knowledgeable about hiring processes perceive the process to be much more merit based than those who are *not* knowledgeable.** Employees were asked how knowledgeable they were about the process for hiring new employees. When perceptions of merit-based hiring are disaggregated by reported level of “knowledgeable about hiring processes,” results diverge substantially (Figure 40). Averaged across institutions, 69 percent of those knowledgeable about the hiring process agree or strongly agree that employees are hired based on their merits, while only 42 percent of those *not* knowledgeable about the process state the same. These large differences are consistent across institutions. This gap in perceptions is an important finding, as it could suggest that the hiring processes are better and more merit based than commonly perceived, suggesting a need for greater transparency to build confidence in the process.<sup>134</sup>

<sup>134</sup> An alternative potential explanation is that those knowledgeable about hiring processes have an incentive to show the hiring process in a positive light; however, the data do not appear to support this hypothesis. Self-reported knowledge of hiring processes is surprisingly not highly correlated with work in human resources (HR) or those directly involved in the hiring process, and there is only a negligible relationship between those involved in HR processes and perceptions about merit.

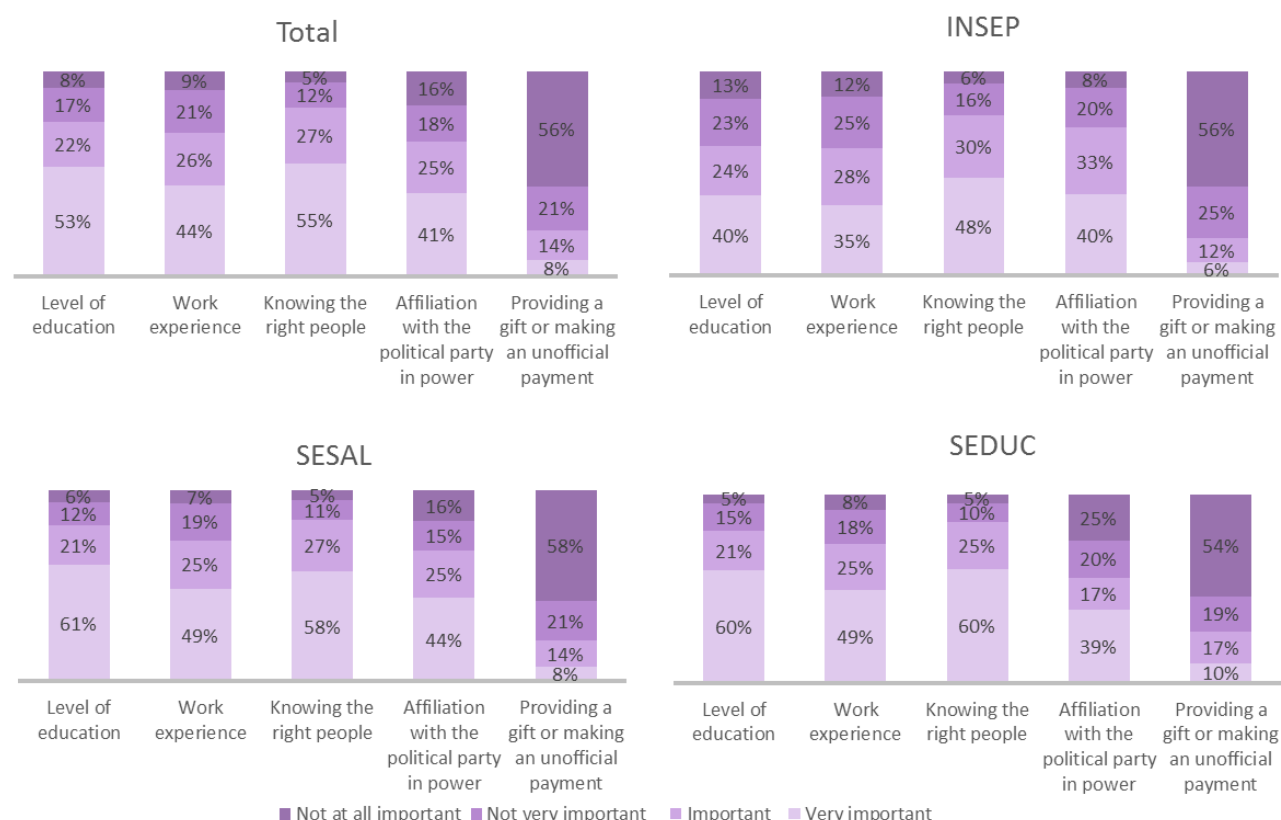
**Figure 40: Employees at my institution are hired based on their merits -  
By knowledge of hiring process**



**Knowing the right people and political party affiliation are equally important in obtaining a professional position at a public institution as are the level of education and work experience**

As suggested above, respondents were asked to rate the importance of five factors in obtaining a professional job in their institution: level of education, work experience, knowing the right people, affiliation with the political party in power, and providing a gift or unofficial payment. By noting that this is a “professional” position, the question is not asking about custodial personnel, guards, drivers, or secretaries, but rather the same professional positions surveyed here. On average, 75 percent of respondents cited level of education and 70 percent cited work experience as important or very important factors in obtaining a professional position, suggesting that these sources of merit do matter. Nonetheless, similar percentages of respondents averaged across institutions felt that knowing the right people (82 percent) and affiliation with the political party in power (66 percent) were also important, suggesting that non-merit based factors are also important. These answers ranged somewhat between institutions, that is, at the highest, 73 percent of respondents at INSEP indicated that affiliation with the political party in power was important or very important compared to a low of 56 percent at SEDUC (Figure 41). This is consistent with the survey experiment results below. There was general agreement that bribery was not an important determinant of hiring, although a minority of 22 percent of respondents averaged across the three institutions did feel that bribery was important or very important. This perception ranged from a low of 18 percent at INSEP to a high of 27 percent at SEDUC (Figure 41). These findings mirror responses, as reported above, to survey questions on corruption and suggest that corruption in the form of bribery does exist in the hiring process. For Figure 41, the sample size varies in range per the three institutions : INSEP (n=488-499), SESAL (n=507-551), SEDUC (n=648-670).

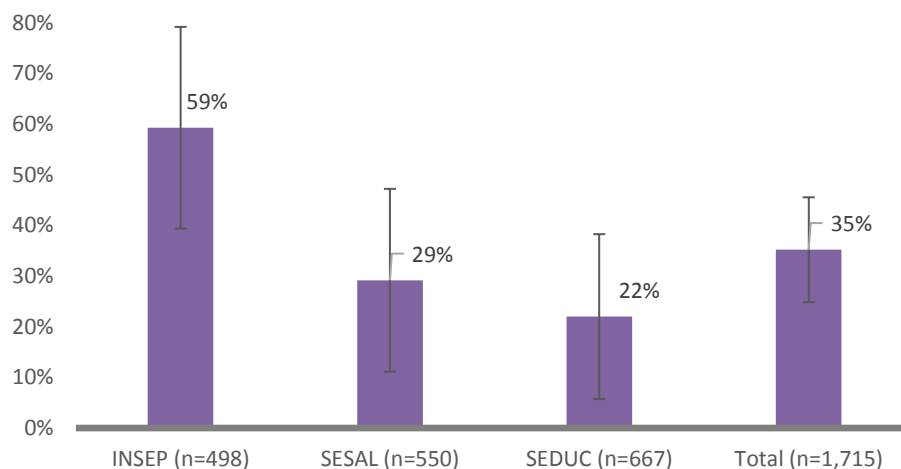
**Figure 41: Average importance of certain factors in obtaining a professional position in INSEP (n=499), SESAL (n=551), or SEDUC (n=670)**



**A survey experiment estimates that political connections matter in hiring, particularly at INSEP.** This study used a list experiment to move beyond perceptions of the hiring process and obtain a sense of actual behavior in the process. Asking respondents directly about their personal experiences is problematic, as individuals are unlikely to self-report undesirable behavior. Therefore, the list experiment presented the question to the respondents as: “Now I will provide a number of measures people take to get government jobs. Please tell me the total number of measures you took. Do not tell me about any specific actions, I just want to know the total number.” The respondents were then randomly placed into two groups by the survey tablet using a simple random number generator. The two groups were presented with the same four base options: “took a training course for the position,” “attended university,” “filled out an application,” and “spoke with a recruitment firm.” However, one of the groups was provided with a fifth option, “obtained a recommendation from a person with contacts,” which is the well-known method by which politically connected figures could influence potential hires. By only listing the *number* of options, respondents are not openly admitting to having obtained such a letter of recommendation and are therefore more likely to report honestly. If employees are using these letters of recommendation, then the average number given will be higher in the group with five options than the group provided with only four options.

Using this method and pooling all respondents, we estimate that 37 percent of respondents had obtained a professional position in this manner. There is, however, variation in respondents across the three institutions. We estimate that 59 percent of respondents at INSEP obtained a professional position this way, compared to 29 percent at SESAL, and 22 percent at SEDUC (Figure 42). As noted by the error bars, the process of halving the data and subtracting the means results in large standard errors. While the differences between INSEP on the one hand and SESAL and SEDUC on the other hand are statistically significant, the actual difference in the population might not be as large as observed here.

**Figure 42: Survey experiment: Estimations of the percentage of respondents who have ‘obtained a recommendation from a person with contacts.’**



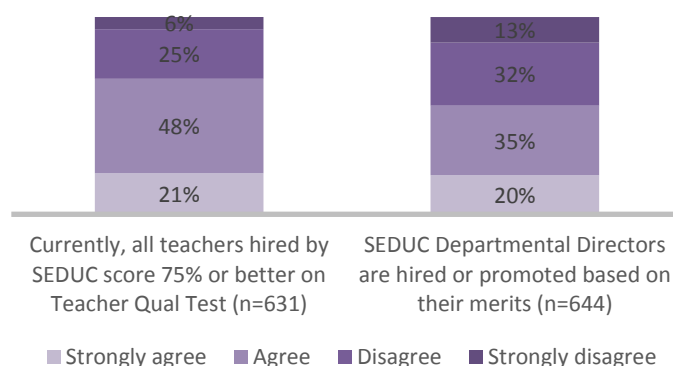
There was consensus across the focus group participants that political connections are important to obtaining a position in all three of the agencies. The political influence in hiring appears to be overt, with HR personnel reportedly asking outright, “Do you have a sponsor?” Contract employees are the most vulnerable to this influence, as they can be fired and replaced with changes in leadership; however, the problem is consistent across labor modalities. Several participants noted that even low-level appointments are approved through the Office of the President, which ensures politicization. There was a consensus that this practice undermines the quality of hires.

**At SEDUC, respondents generally perceive hiring of teachers as fair, though perceptions of fairness around promotion of Departmental Directors is mixed.** As noted above, ASJ’s civil society audit of the SEDUC reported the appointment of teachers who did not score adequately on the Teacher Qualification Test. The ASJ report also raised concerns about the process for appointing Departmental Directors.<sup>135</sup> As a result, the survey asked respondents in SEDUC specifically about these two issues. As defined by SEDUC, all teachers who teach in public schools in Honduras must

<sup>135</sup> ASJ. Informe de Línea de Base de la Secretaría de Educación.

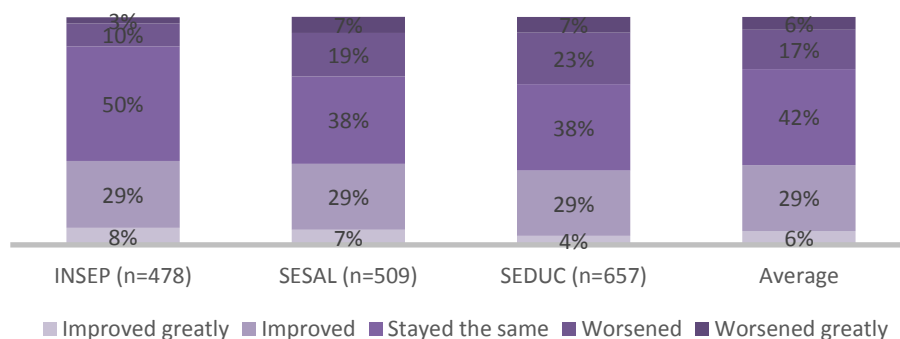
score 75 percent or better on the Teacher Qualification Test. Sixty-nine percent of respondents in SEDUC agreed or strongly agreed with the statement that all teachers hired had achieved the requisite 75 percent score. This suggests a general sense that SEDUC is complying with this criterion; however, there is still a sizeable minority, 31 percent, who disagree or strongly disagree. While promotion will be addressed in greater detail in the following section, when asked if SEDUC Department Directors were promoted based on merit, only a slight majority averaged across the institutions (55 percent) agreed or strongly agreed.<sup>136</sup>

**Figure 43: Opinions on hiring process at SEDUC**



**Responses were mixed on whether the hiring process has improved in the past 12 months.** Asked whether the hiring process has improved in the last 12 months, 23 percent averaged across institutions said it has worsened or worsened greatly, 35 percent said it had improved or improved greatly, and 42 percent said it had stayed the same (Figure 44).

**Figure 44: How has the fairness of the hiring process changed in the last 12 months?**



<sup>136</sup> There is no statistically significant difference between administrators and teachers in their responses to these two questions.

In summary, the survey identifies and confirms major problems with the hiring process. While merit clearly plays a role, there is also a strong perception that connections are equally important in hiring decisions. In INSEP, where patronage is known to be important, we estimate that 59 percent of professionals were hired with the support of connections. Furthermore, while bribery is not the norm in the hiring process, 22 percent of respondents across institutions still perceive it to be important. One important caveat to these findings is that those knowledgeable about the hiring process have generally better views on its fairness. At endline, we will compare these results with endline data to see if there have been changes in perceptions of the hiring process.

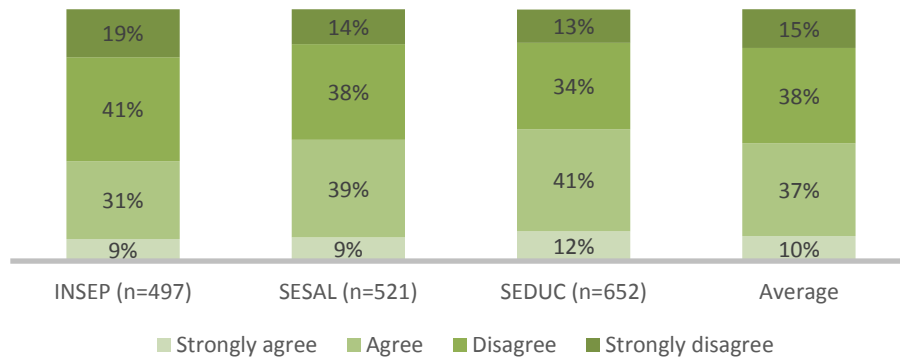
## 8.8 Promotion

***EQ17: Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?***

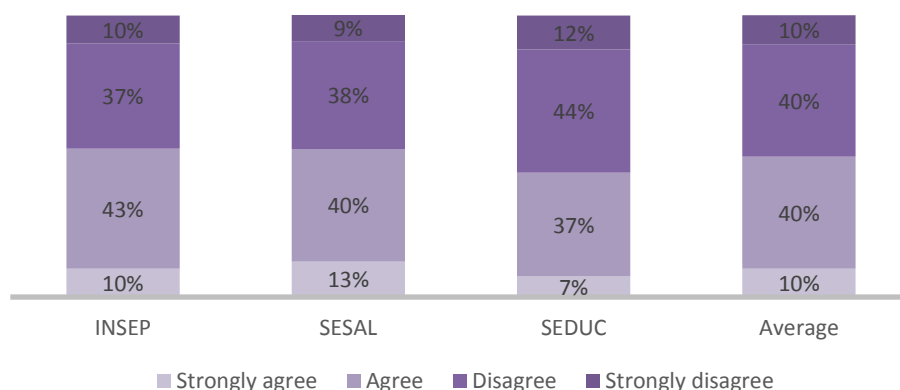
**Respondents indicate mixed feelings about the opportunities for promotion in their respective institutions.** Averaged across institutions, 35 percent of respondents were satisfied or very satisfied with opportunities for advancement, 22 percent felt neutral, and 43 percent were dissatisfied or very dissatisfied. This distribution was largely consistent across institutions.

**As with hiring, public sector employees are split on whether employees at institutions are promoted based on their merits.** Across institutions, a slight majority (53 percent) disagreed or strongly disagreed that employees were promoted based on merit. Within institutions, there is some variation: SEDUC employees were most likely to report that employees were hired based on merit (53 percent agreed or strongly agreed) while employees at INSEP were the least likely (40 percent agreed or strongly agreed). (See **Error! Reference source not found.**). Opinions on transparency are very similar (Figure 46).

**Figure 45: Agreement on promotion based on merit**



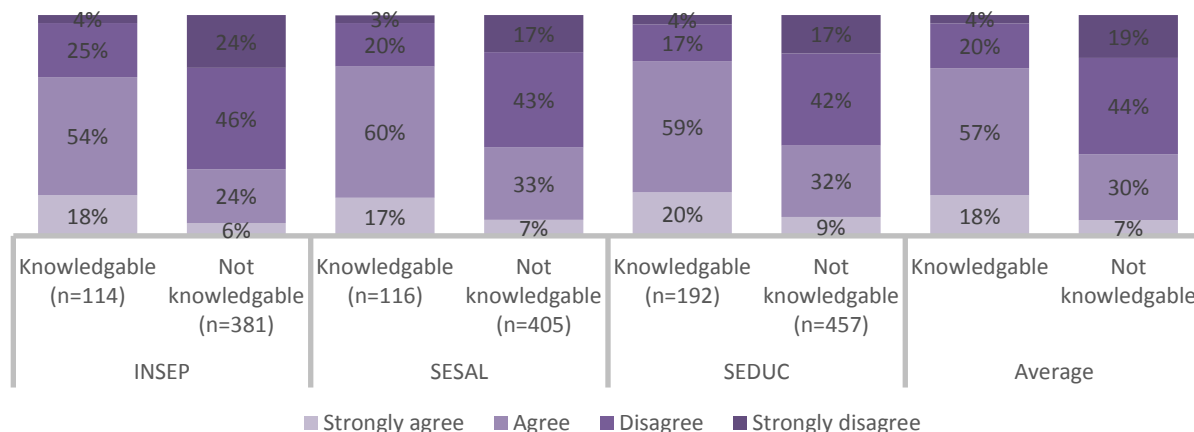
**Figure 46: The promotion process is done in a transparent manner**



**As with hiring, employees who are knowledgeable about promotion processes perceive the process to be much more merit based than those who are not knowledgeable.** When the question about merit-based promotions is disaggregated by employees who claim to be knowledgeable about hiring processes, results diverge substantially, even more so than when the same approach was used to ask about merit-based hiring. Averaged across institutions, 75 percent of those knowledgeable about the promotion process agree or strongly agree that employees are promoted based on their merits, while only 37 percent of those not knowledgeable on the process state the same (Figure 47). These large differences are mirrored within institutions. As above, this gap in perceptions could suggest that promotion processes are better and more merit based than commonly perceived, suggesting a need for greater transparency to build confidence in the process. It is important to note, however, that higher level officials who have been promoted also tend to be more knowledgeable about the promotion process and more likely to view it favorably, which appears to explain some but not all of this gap in perceptions.



**Figure 47: Employees at my institution are promoted based on their merits -  
By knowledge of promotion process**



**As above, knowing the right people and political party affiliation are as important as level of education and work experience in obtaining a promotion at a public institution.** Respondents were asked to rate the importance of the same five factors that were asked about hiring relative to promotion: level of education, work experience, knowing the right people, affiliation with the political party in power, and providing a gift or unofficial payment. On average, and similar to hiring responses, 73 percent of respondents cited level of education and 71 percent cited work experience as important or very important factors in promotions; however, also as in hiring, similar percentages of respondents felt that knowing the right people (80 percent) and affiliation with the political party in power (63 percent) was important or very important. As with hiring, the percentage of those indicating that affiliation with the political party was important or very important was highest at INSEP (70 percent) and lowest at SEDUC (55 percent) (Figure 48). There was general agreement that bribery was not an important determinant of promotions, although, as above, an important minority of 21 percent of respondents averaged across the three institutions did feel that bribery was important or very important. As with hiring, this ranged from a low of 19 percent at INSEP to a high of 24 percent at SEDUC (Figure 48). For Figure 48, the sample size ranges for the three institutions vary: INSEP (n=485-499), SESAL (n=509-547), SEDUC (n=645-668).

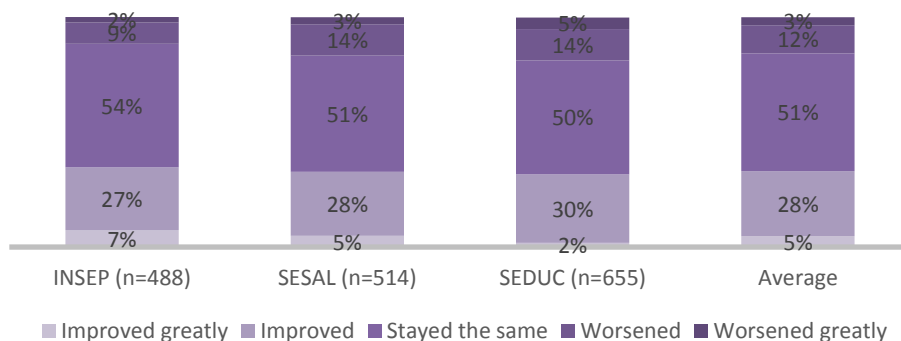
**Figure 48: Importance of certain factors in obtaining a promotion at INSEP (n=499), SESAL (n=547), and SEDUC (n=668)**



**Through a survey experiment, we estimate that recommendations from connected individuals are more common for hiring than for promotions.** Through the use of a survey experiment similar to that explained above, we calculated an estimate of the proportion of respondents who sought a promotion (n=851) and obtained a recommendation from a person with contacts as part of his or her bid for a promotion. Averaged across institutions, we estimate that 15 percent of applicants had sought a promotion in this manner; however, given the reduced sample, there is again a large standard error. The true population parameter likely falls within a rather large confidence interval: from 1 percent to 29 percent. Given the small sample sizes, we are not able to provide institution-level estimates.

**Respondents are mixed on whether the promotion process has improved in the past 12 months:** Asked whether the promotion process has improved in the last 12 months, 15 percent, averaged across institutions, said it has worsened or worsened greatly, 33 percent said it had improved or improved greatly, and 51 percent said it had stayed the same (Figure 49).

**Figure 49: Change in fairness in promotion process in the last 12 months**



Respondents view the promotion process in very similar terms to the hiring process. Averaged across institutions, roughly half of respondents do not feel that the promotion process is merit based. While education and experience are perceived to be important in the hiring process, so are connections. The survey experiment suggests that there is less external influence in the promotion process than the hiring process, but that fact still leaves room for internal irregularities. In the following section we explore two additional human resources related problems: ghost workers and party donations.

## 8.9 Ghost workers and donations to the party

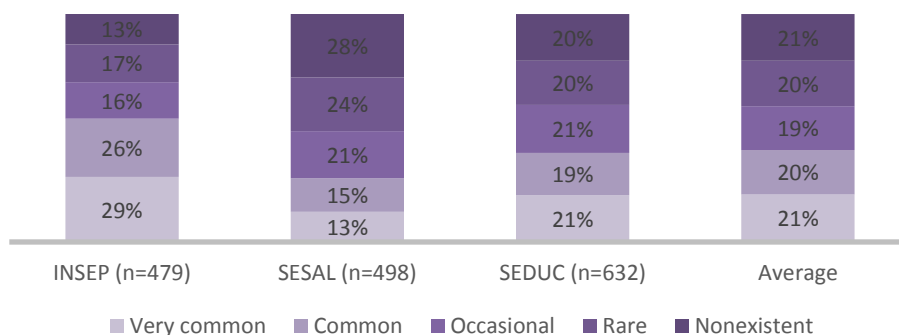
**EQ16: Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?**

**Nearly four in five employees indicate that ghost workers exist at public institutions, and their proliferation is particularly high at INSEP.** Ghost workers are defined as employees who appear on official institution staff salary payrolls, are paid a salary, but do not come to work. The Honduran government reports that it has fired approximately 20,000 ghost workers over the course of the current administration, a reform measure facilitated by the creation of the Public Employees Register and Control System (Sistema de Registro y Control de Empleados Públicos – SIREP).<sup>137</sup>

Averaged across institutions, a nearly equal number of respondents indicated that ghost workers are very common (21 percent), common (20 percent), occasional (19 percent), rare (20 percent), and nonexistent (21 percent). The range within institutions, however, was varied. Fifty-five percent of respondents at INSEP reported that ghost workers were common or very common, compared to 28 percent at SESAL and 40 percent at SEDUC. Only 13 percent of respondents at INSEP said ghost workers were nonexistent compared to 28 percent at SESAL (Figure 50).

<sup>137</sup> El Heraldo. (2016) [Honduras: 20,000 “empleados fantasma” cobraban L2,000 millones](#). El Heraldo: October 8.

**Figure 50: How common are ghost employees at your institution?**



It is possible that these perceptions are a legacy of experiences with past ghost workers; however, the perceptions likely indicate a continuation of the problem despite government reform efforts. Many focus group respondents reported that recent reforms, including the creation of the SIREP system and the use of electronic, fingerprint-based time stamps, had reduced the problem of ghost workers but not eliminated it. Several participants pointed out that not everyone is on the electronic fingerprint system and even those that are, in some cases, might simply sign in and later sign out without working.

**Almost all INSEP employees and most contract workers in SESAL pay donations to the political party in power:** Respondents were asked if they have a donation to a political party deducted from their salary. In INSEP, 93 percent report making such a donation compared with only 15 percent in SESAL and SEDUC. Along with findings on hiring practices in INSEP, these findings demonstrate the continued politicization and use of INSEP for patronage even in the current administration. Focus groups suggest that such deductions do not generally occur with teachers, and, in fact, only 4 percent of teachers reported paying a this quota. However, among surveyed administrators in SEDUC, around 49 percent reported paying the donation. Qualitative research suggests that pressure to pay the quota is particularly strong among contract employees, who risk not having their short-term contracts renewed if they do not contribute. In SESAL, 60 percent of contract employees paid the quota as compared with just 9 percent of permanent employees.

## 8.10 Procurement

### ***EQ16 Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?***

Many of the corruption cases that have come to light in Honduras in recent years, including the IHSS scandals, involve allegations of corruption in procurement. As discussed elsewhere in this report, ASJ finds several irregularities in procurements of computers, software, and textbooks in SEDUC. In the

area of health, the National Anticorruption Council (CNA) reports a case in which a family, including former employees of SESAL, set up six separate businesses to collude and bid on medical equipment between 2009 and 2013.<sup>138</sup> The CNA reports that through cooperation with SESAL procurement personnel, procurements were divided so they would qualify as “direct purchases” that only require three quotes. The procurements resulted in purchases that were over twice the market value price and were already oversupplied in SESAL inventory. That case is still in the courts. In another case, a former congresswoman stands accused of falsification of documents and fraud because of allegations that her family business won procurements from SESAL by dividing up procurements to avoid procurement rules.<sup>139</sup> Procurement corruption helped contributed to a situation whereby the health system was suffering from stock outs of essential medicines and goods. In response, in 2013 the Honduran government declared a national emergency and procurement functions were essentially contracted out.

While all public employees are affected by procurement, the evaluation team recognized that many respondents would not be able to answer procurement-related questions due to their lack of familiarity with the details of the process. As such, while we asked three general procurement questions to the whole sample, we asked more detailed questions only to those who reported to be knowledgeable or very knowledgeable of procurement issues. This sub-sample is considerably smaller, consisting of only 394 respondents, including 97 in INSEP, 82 in SESAL, and 215 in SEDUC. Given the small sample sizes in INSEP and SESAL, in the presentation of data on these questions below, we offer the pooled responses across the three institutions (rather than an average of the three institutions). Such an approach is further justifiable as there are generally no major differences observed between the three institutions. When such differences do exist, we note them in the narrative.

**Public sector employees have mixed views on the fairness of procurement processes, the quality of the goods procured, and the extent to which they represent a good value for money.** Averaged across institutions, 52 percent of respondents agreed or strongly agreed that the procurement processes in their institutions were fair, with the balance disagreeing or strongly disagreeing. The same percentage of respondents agreed or strongly agreed that procurement results in high quality goods and services, and 50 percent agreed or strongly agreed that procurement results in good value for money. Across the three questions, INSEP respondents were more likely to agree that procurements are fair, produce high quality goods and services, and result in a good value for money. For example, 60 percent of respondents at INSEP agreed or strongly agreed that the processes were fair, compared to 48 percent in SESAL (Figure 51). This is somewhat surprising and contrasts with qualitative data collected for this study, which found a strong politicization of procurements in INSEP. Asked whether the procurement process has improved in the last 12 months, 61 percent pooled across respondents reported that it had improved or improved greatly. It should

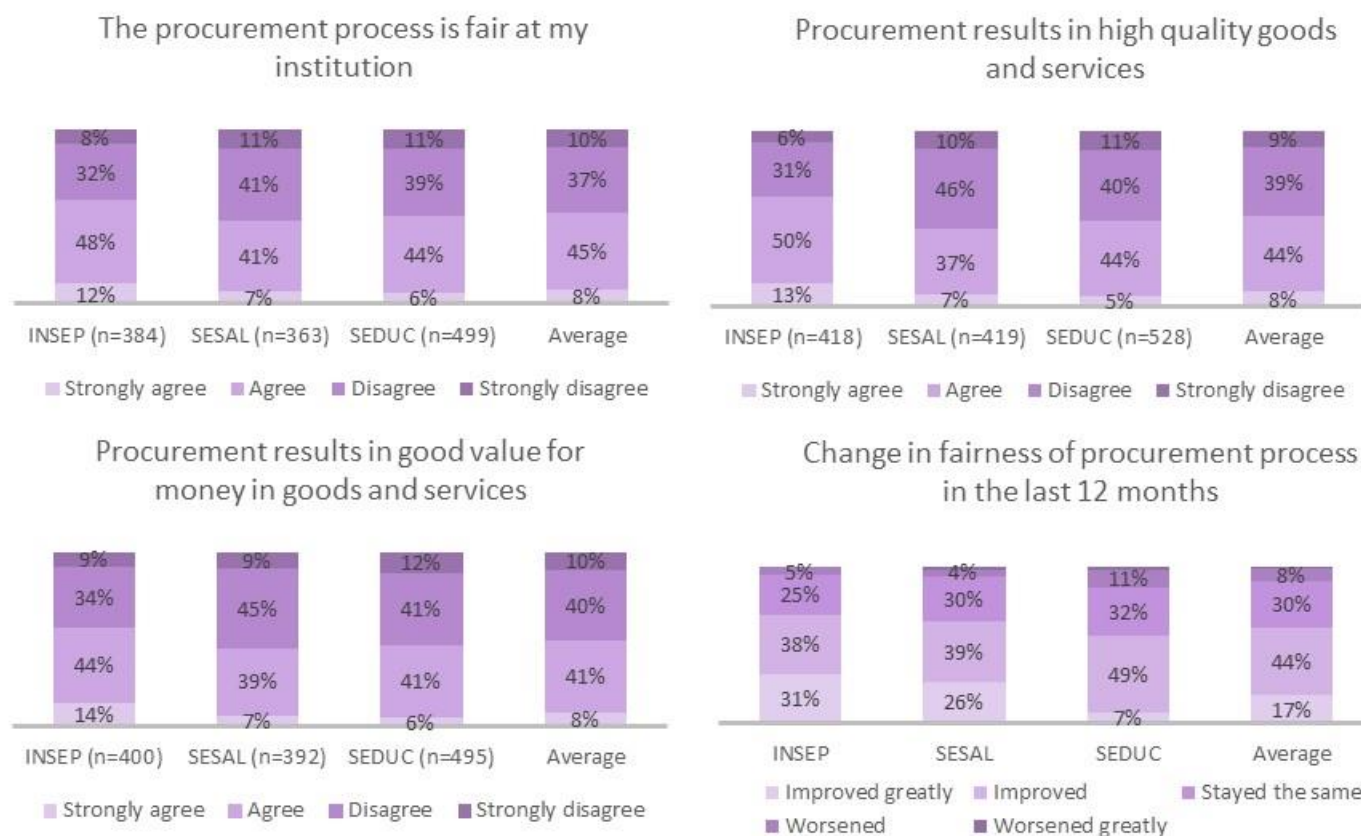
---

<sup>138</sup> Consejo Nacional Anticorrupción. 2014. [Caso: Compra sobrevalorada y fraccionada de medicamentos y equipo médico quirúrgico](#). CNA-UIASC-045-2014

<sup>139</sup> La Prensa. 2015. [Familia Gutiérrez intentó vender medicinas hace 2 meses al Estado](#). La Prensa: July 1.

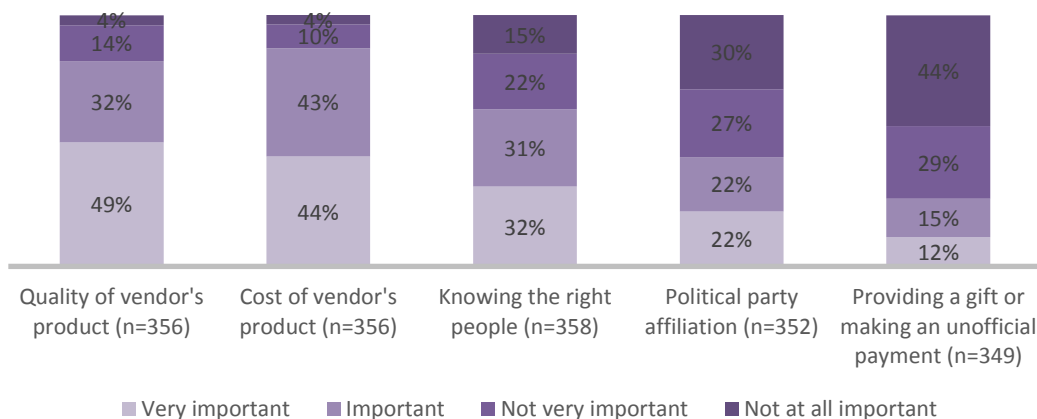
be noted that while these questions were asked to all respondents, many interviewees were unfamiliar with procurement processes and did not provide an answer.

**Figure 51: Opinions on key procurement indicators**



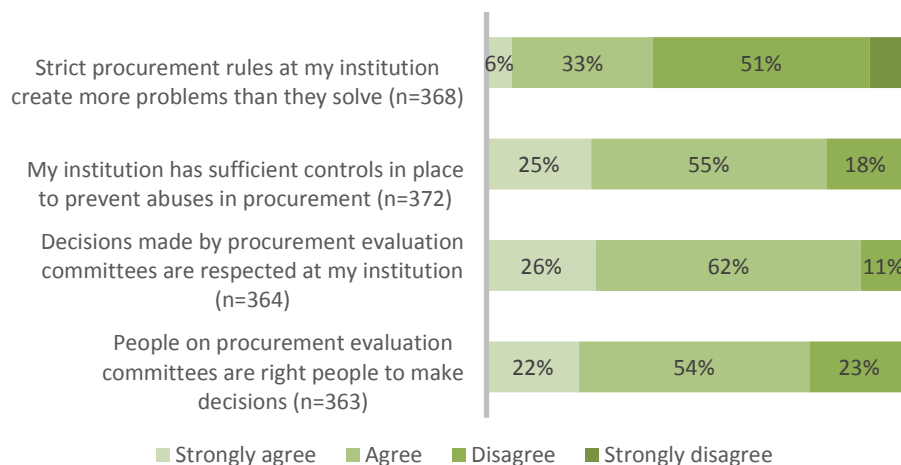
**Most respondents knowledgeable about the procurement process believe that providing a gift or making an unofficial payment is not an important factor in winning a procurement.** The quality and cost of a vendor's product were the most important factors in winning a procurement (cited as very important or important by 81 and 87 percent, respectively, of respondents averaged across institutions). As noted above, this question and the one that follows were only asked to those who reported that they were knowledgeable about the procurement process. Knowing the right people and political party affiliation received progressively fewer "very important" and "important" responses (63 and 44 percent, respectively), substantially lower than the averages of the same measures in hiring (82 and 66 percent) and promotion (80 and 63 percent). The proportion of respondents choosing "providing a gift or making an unofficial payment" as important or very important for winning a procurement (27 percent) was slightly higher than the averages across institutions in both hiring (22 percent) and promotion (21 percent) (Figure 52).

**Figure 52: Importance of certain factors in winning a procurement, average across institutions among those knowledgeable about procurement**



**Public sector employees knowledgeable about procurement have generally positive opinions regarding procurement processes at their institutions.** Pooled across the more than 360 respondents identified as knowledgeable about procurement, 76 percent agree or strongly agree that people on procurement evaluation committees are the right people to make decisions, 88 percent agree or strongly agree that decisions made by procurement evaluation committees are respected, and 80 percent feel that their institution has sufficient controls in place to prevent abuses in procurement. Respondents also generally disagreed or strongly disagreed (61 percent) with the statement that strict procurement rules at institutions create more problems than they solve, although a meaningful minority (39 percent) agreed or strongly agreed (Figure 53) with the statement.

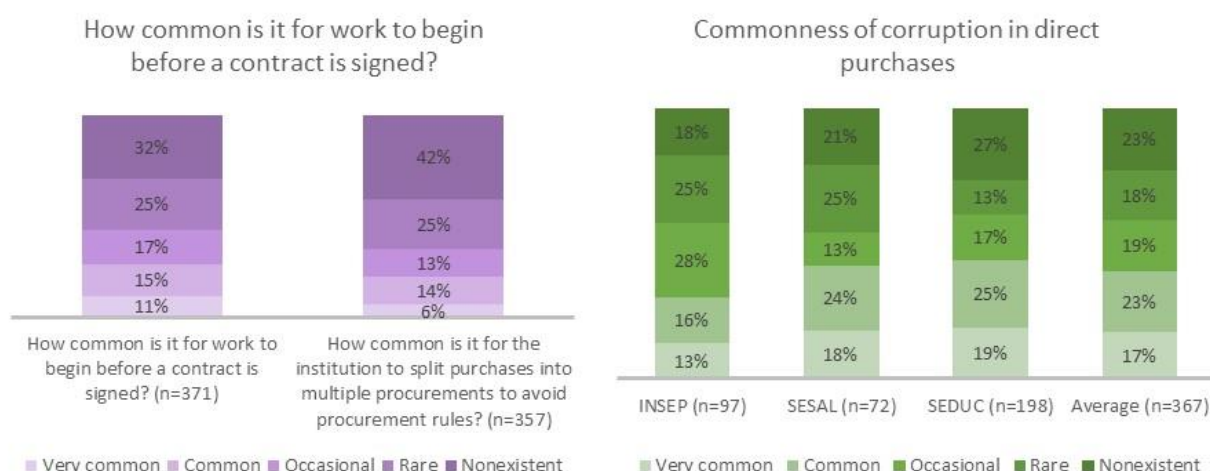
**Figure 53: Opinion on select procurement processes, pooled averages across respondents knowledgeable about procurement**





**Public sector employees report that procurement rules are generally followed correctly, although there are clearly exceptions, and that corruption is a common problem in direct purchases.** Respondents were also asked about two common procurement challenges in many organizations: beginning work before a contract is signed and splitting purchases into multiple procurements to avoid procurement rules. While the majority of respondents knowledgeable about procurement felt that these actions were rare or non-existent, 26 percent of respondents indicated that it is common or very common for work to begin before a contract is signed, and 20 percent stated that it is common or very common for an institution to split purchases into multiple procurements to avoid procurement rules (Figure 54). Those knowledgeable about procurement were also asked how common corruption was in “compras directas,” a category of small purchase procurements typically requiring only three quotes from firms and in some rare cases are sole sourced. Of the 367 individuals across the three institutions, only 23 percent reported that the practice was non-existent, and another 18 percent said it is rare. Twenty-three percent felt it was common and 17 percent very common.

**Figure 54: Opinions on key procurement processes among those knowledgeable about procurement**



## 8.11 Impacts of select organizations

Two evaluation questions speak to TCP work with the TSC and ASJ across the three institutions:

***EQ 14: Do performance audit recommendations lead to changes in practices? Do performance audits conducted by the TSC with TCP support lead to relevant recommendations that could improve service delivery? Are these recommendations implemented?***

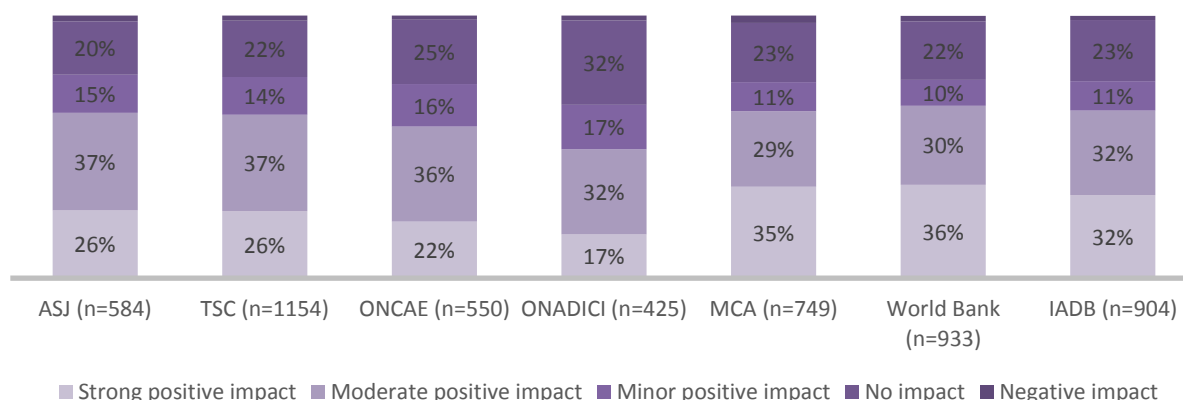
***EQ 15: Does civil society oversight and recommendations lead to changes in targeted institutions?***

**Respondents observe strong or moderate positive impact by the World Bank, MCA, the IDB, TSC and ASJ.** Respondents were asked if they recognized diverse institutions and donors involved in



reform efforts with their government agency. If they were aware, we then asked respondents to evaluate the impact of these groups on their government institution. Knowledge of these institutions and donors varied; however, the most well-known were the TSC, the World Bank, IDB, and MCA. External institutions and donors were generally viewed as having a positive impact, with between 49 and 66 percent reporting a strong or moderate positive impact. MCA and the World Bank received the highest proportion of *strong* positive impact responses, at 35 and 36 percent of respondents, respectively. The relatively new national internal control agency (Oficina Nacional de Desarrollo Integral de Control Interno - ONADICI) had the highest proportion of “no impact” responses at 32 percent of respondents, and no institution had more than 3 percent of respondents answer “negative impact” (Figure 55).

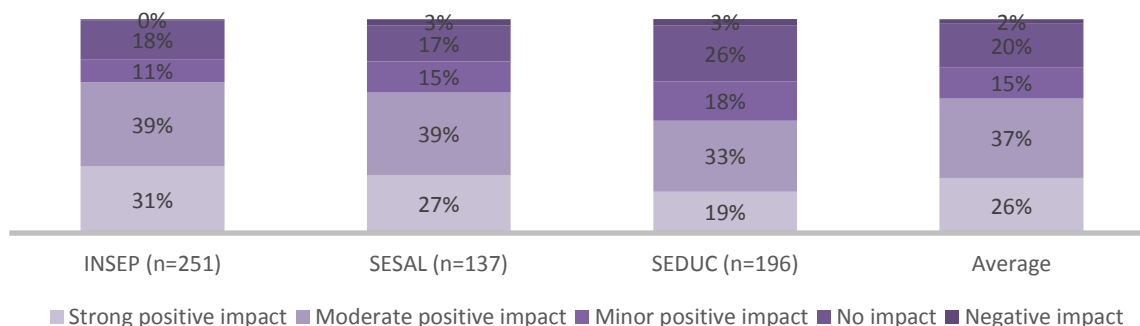
**Figure 55: Impact of select organizations in the past 12 months, averaged across institutions among those knowledgeable about the organizations’ involvement with their institution**



**A solid majority of employees who are aware of ASJ’s work with their institution indicate that it has had a positive impact.** Thirty-five percent of surveyed employees had heard of ASJ’s work in their institution. Surprisingly, the highest percentage, 51 percent, was in INSEP, given that while INSEP and ASJ had signed a public agreement prior to data collection, ASJ’s work in INSEP had not yet begun. Work under the TSC was still in progress at the time of data collection in SESAL, and only the SEDUC report (and a report on the Security Secretariat) had been published at the time of data collection.

Of those that were aware of ASJ’s work, 63 percent reported a moderate or strong impact on their institution; 15 percent said ASJ had a minor positive impact; 20 percent indicated no impact; and 2 percent stated that ASJ’s work had a negative impact. The range was somewhat varied: those in INSEP cited strong or moderate positive impact 70 percent of the time, while 52 percent of employees at SEDUC stated the same (Figure 56). Because only the TCP SEDUC report had been released at the time of data collection, these findings in INSEP and SESAL should not be interpreted as an evaluation of ASJ’s TCP-supported work but rather as a baseline, taking into account perceptions of other ASJ efforts in the public works, education, and health policy arenas.

**Figure 56: Observed impact from ASJ**



**Qualitatively, ASJ’s impact is generally positive among institutions, yet respondents at SESAL see specific improvements in the procurement process.** SESAL employees state that they have seen greater transparency in the procurement process for medicines and supplies. SESAL employees report that there have been reductions in corruption, with “...more control and monitoring of processes to purchase supplies, materials and professional services from firms.” They note that those in management “...do things more carefully in order to take good decisions.” Others at SESAL feel that employees are “...being observed more carefully and that political people are more cautious,” given that ASJ “...has criticized irregular actions inside the institution.”

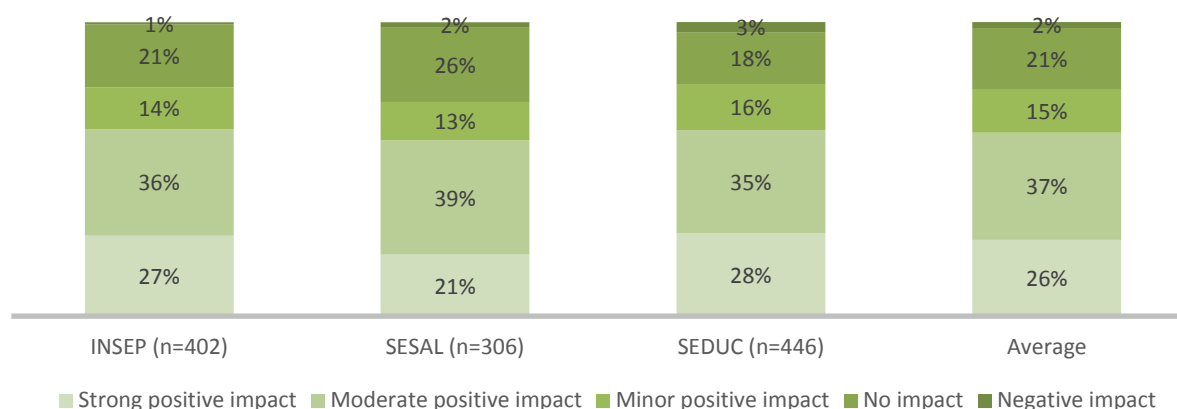
In SEDUC and INSEP, respondents typically do not relate ASJ’s impact to a particular process or activity within the institution, such as the recruitment process or the procurement process. For example, SEDUC employees mention ASJ’s role in promoting more transparency and less corruption in general, but they do not specify the process or activity that has benefitted the most from this impact. A small number of respondents provided noted that: “...[ASJ is] identifying irregular actions in the hiring process of department directors and district directors that have permitted [the resolution of] some cases,” or that “...the results of studies and research have [contributed to justifying] the actions taken by the institution,” a statement that appears to indicate that ASJ’s report on SEDUC was read and its findings acted upon by management. Still others mention that ASJ’s work has probably contributed to increased regulation of internal controls in the institution as well as improvements in the areas of budget and resource management.

Despite the fact that a larger percentage of respondents in INSEP reported a strong or moderate impact, INSEP employees tend to describe ASJ’s impact in general terms, such as helping to increase transparency. They associate ASJ’s work with “more control [and thus] better management of resources” and say “the employee now fears and thinks more [about] whether to do an action of corruption.”

**A solid majority of employees who are aware of TSC’s work with their institution indicate that it has had a positive impact.** Sixty-nine percent of respondents were aware of the TSC’s work in their institution. Averaged across institutions, 63 percent of respondents reported that this impact

was strongly positive or moderately positive; 14 percent said it was minorly positive; 21 percent indicated no impact; and 2 percent stated that there was negative impact (Figure 57).

**Figure 57: Observed impact from TSC**



**Qualitatively, TSC’s impact among institutions varies, with the greatest reported impact at SEDUC.** Of the three institutions, employees at SEDUC were the most likely to report TSC’s impact on a personal level. Several felt that as a result of TSC’s work, there is higher risk of being reprimanded for not doing something correctly or not showing up to work. They consider TSC “very important because employees now worry [about doing] their jobs and accomplishing their work].” One noted, “before, the expenses in schools were unorganized; now you have to be more careful in doing it and [must] prepare the reports in a more transparent way.” Respondents at SEDUC also recognized the importance of asset declarations conducted by TSC, as they prevent people from, “acquiring property overnight.”

Several SESAL employees noted the importance of TSC audits and suggested that there have been changes as a result of these audits. Some specifically mentioned the issuance of *pliego de responsabilidades*, a formal statement of an administrative violation that can result in reprimand, suspension, or firing. Nonetheless, in comparing SEDUC and SESAL audits, it is clear that the audits have not impacted SESAL employees in the direct way that they have at SEDUC.

At INSEP, employee responses were very general. Respondents generally know that the TSC has done audits in the institution and often note that processes and transparency are subsequently improved, but they don’t mention any specific actions taken as a result of TSC interventions. Respondents spoke in general terms without personal examples and without reference to a *pliego de responsabilidades*. They mostly mention the activities that the TSC does, including audits, asset declarations, and training, and how these generally improve processes.

# 9 DEVELOP CORE PUBLIC PRIVATE PARTNERSHIP (PPP) CAPACITY (PPP 2.1)

## 9.1 Background

PPPs are complex projects requiring extensive technical, financial, and legal capacities at every stage of the process, from initial identification and evaluation through contractual design and procurement and once the project has been signed, in the project management phase. The numerous steps in a typical PPP project cycle are illustrated in Figure 58.

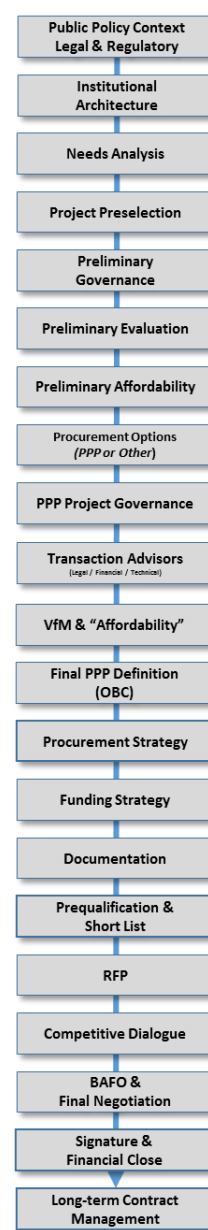
In Honduras, responsibility for the PPP process all the way through to final procurement rests principally with COALIANZA, which, for the first generation of projects, essentially handled the entire process with relatively little interinstitutional consultation with other interested parties. This approach excluded input from project sponsors, such as INSEP, and key stakeholders, such as SEFIN and SAPP. The Honduran PPP model is largely based on the Peruvian model, and COALIANZA plays role similar to the one PROINVERSION plays in Peru. The primary advantage of the Peruvian and Honduran model appears to be an ability to develop PPPs and sign contracts relatively quickly. The disadvantage, however, is that that these contracts might have limitations that could have been addressed if the relative expertise of other institutions were brought to bear on the PPP process. As such, there is a clear need to build the capacity of not just COALIANZA, but of other relevant institutions, including SEFIN, SAPP, and, in the case of roads concessions, INSEP.

## 9.2 Evaluation questions

The evaluation of PPP-related activities for both Activities 2.1 and 2.2 aims to answer the following questions:

- Does the PPP project procurement process adhere to best practice?
- Are there improvements in the efficiency and effectiveness of the process for developing and structuring PPPs?
- Are there improvements in the efficiency and effectiveness of the process for managing PPPs?
- To what extent does the Project facilitate greater capacity and coordination for PPPs within GoH?
- Do the systems put in place by the project reduce opportunities for corruption or improve perceptions regarding corruption?

Figure 58: PPP Project Cycle



- Does the project result in greater transparency and awareness of PPP procedures for government, private sector, and civil society groups?

### 9.3 The intervention

As stated in the official TCP program description, Activity 2.1 “seeks to improve the capacity of and procedures utilized by GoH agencies with key PPP responsibilities to develop and implement PPPs in accordance with best practice” by:

- Supporting COALIANZA in developing manuals and internal procedures needed to properly: (i) select, prioritize, structure and award PPP projects, and (ii) disseminate information about PPP projects in order to sustain public support and investor interest in PPPs; and
- Supporting SEFIN in properly identifying and managing fiscal risks in its PPP portfolio, including the development of internal procedures and manuals and implementation of related training.”<sup>140</sup>

Specifically, MCC is funding a Multiyear Road Investment Plan (Plan Plurianual de Inversiones Viales - PPIV) Consultant, who will build on work funded by the World Bank (WB) and Inter-American Development Bank (IDB), to support the GoH in developing (1) a multiyear road investment plan that will consider both costs and benefits, value for money, and financing options and (2) a strategy for strengthening GoH capacity to continuously update the PPIV and keep it current. As shown in Table 19, the consultant’s terms of reference include analyzing the work being conducted on highway procurement and performance monitoring, with a view to evaluating alternative investment options and project design. The consultant was also asked to review INSEP’s planning and multiannual investment program with a view to formulating a multiyear investment program, including potential financial options.

Activities under 2.1 link specifically to TCP outcomes as identified in the project’s M&E framework. Specifically, if the TCP carries out the activities described above, it is expected that the transparency of PPPs will improve, the technical capacities of key GoH institutions to oversee PPPs will be strengthened, and more value for money analyses of PPPs will be carried out.

---

<sup>140</sup> *Ibid.*

**Table 19: Consultant summary - Multiyear Road Investment Plan advisor**

Consultant	Roberto Armijo, Multiyear Road Investment Plan Advisor
Period of performance	July 2014 to Dec 2015
Objectives	<p>The principal objectives of the consultancy are:</p> <ul style="list-style-type: none"><li>• Assess the road pre-investment system, and in particular, road maintenance</li><li>• Formulate a short-term strategy to carry out studies of the pre-investment system necessary to facilitate access to new financial resources for the implementation of road investment plans and programs and road investment evaluation capacity of INSEP</li><li>• Identify human and technological resources required to implement planning activities in the road sector and confirm their availability</li><li>• Identify needs for field inspection of roads</li><li>• Develop a plan of action and strategies to obtain short-term results and a Road Investment Plan aligned with government plans and focusing on corridors and specific projects to facilitate the search for funding and to be implemented in the medium term within the current government administration.</li></ul>

Source: Millennium Challenge Corporation (nd) Public Private Partnership Project: Honduras Threshold Program Description.

In addition, the TCP is supporting a PPP Financial Advisor to strengthen the capacity of SEFIN, COALIANZA, and other GoH entities (as needed) to effectively conduct the financial analysis required to properly screen, prioritize, select, analyze, structure, tender, and implement PPP projects. As shown in Table 20, activities include assisting with the establishment of a Fiscal Contingencies Unit (Unidad de Contingencias Fiscales – UCF) within SEFIN and facilitating coordination among relevant government institutions on the financial aspects of PPPs.

**Table 20: Consultant summary - Financial advisor**

Consultants	Ronny Venegas, PPP Financial Advisor
Period of performance	23 Months: Sept/2015 –August/2017 <sup>141</sup>
Objectives	Strengthen the capacity of SEFIN (and other GoH entities as needed) to conduct financial assessment of projects (including contingent liabilities) to enable the GoH to structure PPP projects that offer optimal value for money while responsibly limiting fiscal costs and risks arising from PPPs.
Selected activities	<ul style="list-style-type: none"> <li>• Develop and implement a plan for the establishment of the “Unidad de Contingencias Fiscales (UCF).”</li> <li>• Develop contingent liability monitoring system</li> <li>• Facilitate coordination between SEFIN, COALIANZA, Ministry of Environment (SERNA), Ministry of Infrastructure and Public Services (INSEP), and other relevant GoH institutions</li> </ul>

Source: Millennium Challenge Corporation (nd) Public Private Partnership Project: Honduras Threshold Program Description.

A PPP Roads Concession Advisor is part of Activity 2.2 and is also working to build institutional capacity. While his focus is on INSEP, he has considerable interaction with other stakeholders, particularly COALIANZA.

MCC and the GoH have discussed modifications to the activity, including promoting a GoH commitment to hire a consultant to implement the strategy for strengthening government capacity to keep the PPIV current. At baseline, the parties were still considering how this subsequent work would be funded. In addition, because other donors (World Bank and Inter-American Development Bank) are active in the sector, MCC decided not to support upstream activities outside of the PPIV.

## 9.4 Institutional Capacity Building

In the following sections, we offer baseline assessments of PPP capacity in each of the key GoH institutions: COALIANZA, SEFIN, SAPP, and INSEP.

<sup>141</sup> The evaluation team was informed after data collection that this contract was cancelled for non-compliance with the terms of the contract. A new advisor is to be procured.

### 9.4.1 COALIANZA

#### *Baseline*

**Robust staffing:** The operational staffing of COALIANZA consists of six project advisers, eight legal advisers, four financial consultants, and one director, as part of an overall staff of approximately thirty people. Salaries in the institution were reported to be competitive with the private sector and therefore able to attract highly qualified candidates. In fact, salaries for Commissioners are considerably higher than what is paid to the Secretary at SEFIN (HNL 151,000 per month vs. HNL 90,000), although the salary divergence is minimal further down the hierarchy.<sup>142</sup> For example, COALIANZA project directors are paid salaries similar to those of SEFIN's deputy directors (HNL 40,000-55,000).

**Good risk management and reasonable documentation:** One of the consultants reported that COALIANZA has good risk management analysis capabilities and fairly extensive internal guidance manuals. The commission's website contains a good deal of information, but not a clearly documented description of the PPP process. The commission has

**A relatively young and inexperienced staff with limited institutional memory:** The evaluation team did not have access to data about age, experience, and tenure of COALIANZA personnel; however, interviews suggest that the agency depends on young inexperienced staff, and that the agency has a high rate of turnover. This means that there is not only inadequate experience, but that much of the institutional memory and learning is lost. Interviewees were critical that COALIANZA seems to have made the same mistakes on later generations of PPPs as it did on the original ones. For example, a failure to resolve rights-of-way and land title issues before the contracts were signed and work begun continue to create significant problems, especially in terms of arranging work schedules for the civil engineering contractors.

**The Commission is at risk of political influence:** Commissioners to COALIANZA are political appointees and part of the turnover in staff appears driven by clientelistic hiring. The removal of a senior person also leads to the departure of his or her key staff who are then replaced by a new senior person and his or her team. The presidency of COALIANZA has changed frequently since its inception in 2010, with "camp followers" of the new president or new commissioners pushing out some of the more experienced personnel. At the time of data collection, COALIANZA was in its third generation of staff. As is discussed in greater detail below, political influence continues to trump technical concerns in decisions to move projects forward.

**Success payments create perverse incentives for quantity over quality:** Various parties expressed concern about the distorting effect of the 2 percent commission COALIANZA receives when it closes a contract on a PPP. Critics suggest the practice incentivizes the commission to push through incomplete, poorly conceived and insufficiently vetted projects. COALIANZA mimics the

---

<sup>142</sup> Secretaría de Finanzas. Planilla Electrónica de Plazas Activas. (Nov. 2015): <http://www.sefin.gob.hn/?p=62238>; COALIANZA. Planilla de Sueldos (Nov. 2015): <http://coalianza.gob.hn/portaldetransparencia/wp-content/uploads/2015/02/Planilla-Nov151.pdf>



Peruvian PPP-management model, a model that fits the Honduran government's wish to push through as many PPPs in as short a time as possible. To that point, the Logistics and Touristic corridor concessions were structured by Peruvian advisers, and the concession agreements were so closely based on the Peruvian contracts that the word "Lima" was left in when the document was copied.

**COALIANZA dominates the project development process:** As will be demonstrated by the case studies below, COALIANZA was solely responsible for determining how projects would go forward as PPPs, developing the PPPs, and procuring the PPPs. As suggested above, this was partially in response to politically driven decisions to apply a flawed PPP methodology to priority projects. COALIANZA's lack of the proper experience or skilled staff to oversee and ensure the quality of the work led to a dependency on external advisors, whose quality of work was noted with concern by some interviewees. Reference was made specifically to the case of the legal adviser for the Civic Center (Centro Civico) PPP. Additionally, the dependence on transaction advisors (as opposed to technical advisors) means that very little technology/knowledge was transferred to COALIANZA for future projects.

### *Progress and challenges*

**Initial progress but severe limitations:** COALIANZA staff expressed satisfaction with the support being provided by the TCP through the consultants. Interviewees reported that COALIANZA appeared to be much more prepared to work with the other institutions as part of a team, and that they were listening to the advice provided by the consultants, especially in the case of the CA-4 road project. It should be noted that the scope of the consultancies are limited and not expected to address many of the fundamental weaknesses of the Honduran PPP model: specifically (a) the perverse incentives created by COALIANZA financing and (b) patronage-based appointments of staff, clientelistic hiring practices, and their corresponding political influence. Furthermore, it should be noted that the current TCP-supported team had not been involved in the design and development of many of the early projects and their expertise will not influence the entire project cycle of most projects, thus limiting their influence.

#### **9.4.2 SEFIN/UCF**

### *Baseline*

**Inadequate financial risk assessment:** In the early PPPs, financial risk assessments of PPPs were conducted by COALIANZA rather than SEFIN. While COALIANZA does have capacity in this area, it has hitherto been considered insufficient. In some cases, this has been supplemented by external transaction advisors; however, as noted in the case of the Civic Centro, this resulted in poor advice and little institutional learning. Moreover, COALIANZA leadership faces incentives to push projects forward regardless of financial risk, resulting in a tendency to overrule the opinions of mid-level technical staff. Greater control therefore needed to be introduced at the level of the management of PPP fiscal impacts.

**No value for money (VFM) studies:** International best practice dictates that PPP projects should go forward if they are considered to be a good value for money rather than if they are just financially viable; however, COALIANZA appears not to have conducted VFM studies in the early projects.<sup>143</sup> There was some suggestion that COALIANZA had done a VFM analysis in the case of the Centro Civico; however, the evaluation team did not see the study, and an analysis by the UFC of COALIANZA's work in this field concluded that it fell significantly short of a proper VFM analysis.

**Reliance on the bidder's financial model:** Interviewees criticized the fact that COALIANZA appeared to rely on the bidder's financial model rather than conduct their own analysis. It was also reported that this model was apparently not shared with SEFIN for its review. In the case of the Logistic Corridor, the table of payments under the minimum guaranteed annual payment was reported by two sources to have been altered without consulting SEFIN (UCF did not yet exist) in a manner that would seriously impact the scale of public sector liabilities. Interviewees reported that in certain cases, the minimum guaranteed annual payment had been put together on totally unsustainable premises, including, e.g., a 13-14 percent traffic growth rate, or the application of adjustments based on 50 percent Honduran inflation and 50 percent U.S. inflation, additionally adjusted by the exchange rate.

### *Progress and challenges*

**Successful creation of a Fiscal Contingency Unit (UCF) in SEFIN:** In 2014, an agreement between Honduras and the IMF stipulated that Honduras needed to provide full accounting for all financial risks in the public sector, which led to the decision to create the UCF. The UCF started operations in the fall of 2015. During the course of 2015, the Unit received support from the IMF's outreach unit for Central America and the Dominican Republic (Centro Regional de Asistencia Técnica de Centroamérica, Panamá y República Dominicana – CAPTAC-DR) and a TCP-supported consultant. The UCF's regulations give it the power to intervene at three distinct stages along the PPP project cycle. Key informants contend that these "gateways" now provided adequate circuit breakers or safety valves in the PPP project approval process.

**Well-regarded staff:** Strengthened by the relevant decree, the UCF team established in SEFIN was perceived by interviewees to be professionally committed and determined to fulfill the obligations of fiscal monitoring and control. In particular, the Unit's director was highly praised by those interviewed during data collection. Staff appear also to have acquired significant technical knowledge of PPP contract models through a review of international experience, participation in an online IDB-sponsored training, and with the support of external consultants, including the TCP consultant.

**However, UCF as limited staff especially to perform its considerable responsibilities:** The UCF team is composed of one director and three full-time employees (all from SEFIN), supported by the TCP financial advisor. The advisor felt that this was sufficient to deal with the workload; however,

---

<sup>143</sup> Financially viable means that the payment stream from users or government will serve to pay out lenders and generate sufficient profits for the business to survive. A financially viable project can still be bad value for money if it is more expensive than alternative procurement routes.

the UCF's responsibilities go beyond PPPs, and include any financial risks to the public sector, such as:

- Risks associated with guarantees to support public credit debt contracted by state institutions
- Risks associated with PPP contracts
- Risks associated with litigation brought against the state
- Risks associated with municipal indebtedness
- Risks associated with natural disasters
- Risk of public sector entity deficits (e.g., National Electric Energy Company (ENEE) in energy, Hondutel in telecommunications, National Autonomous Aqueducts and Sewerage Service (SANAA) in water supply, and National Port Company (ENP) in ports)
- "Quasi fiscal deficit"

Furthermore, SEFIN is technically a member of the PPP project Technical Committee (Comité Técnico), and the evaluation team understands that although certain SEFIN members attended committee meetings, the UCF has not been able to fully participate in this committee in large part due to a lack of staff and money.

**TCP activities have contributed to the operationalization of key UCF roles in the project cycle, though some resistance from COALIANZA remains:** With support from the TCP consultant, UCF has been able to operationalize its work – in the form of firm rulings called dictámenes – at three critical points in the project cycle, where it is legally required to do so. Those points are: (1) when the decision is made to deem a project as qualified to proceed on a PPP basis, (2) prior to publication of tender documents, and (3) before the concession contract is signed. COALIANZA has reportedly been somewhat resistant to UCF's role in this regard, though UCF was able to successfully push back at the second critical point with regard to the CA-4 concession. In that example, UCF held up the PPP on the grounds that COALIANZA had not provided a proper copy of the draft concession for them to review. Similarly, in the case of the Centro Civico and the Palmerola Airport concession, UCF was reviewing its options at the third point but had yet to issue a final ruling. In general, their ability to influence COALIANZA is supported by the threat of an audit from the Tribunal Superior de Cuentas (TSC).

**Part-time capacity:** UCF considers itself to be working in a part-time capacity that has led to significant delays in UCF fulfilling its mandate to assess financial risk. Given that the UCF is supposed to serve as a technical check on COALIANZA's incentives to push forward PPPs and the political desire to move forward projects, this lack of full-time commitment is a major threat to the ability of the UCF to do its job without undue influence.

**Low quality work and a wider focus of the TCP consultant's activities diminish the value of the consultant contract:** The consultant generally dedicated insufficient time to the defined work responsibilities, and as a result the consultant's deliverables were deemed to be of low quality. Further, the consultant became involved in providing technical support to El Tablón hydroelectric project, a task outside of his original scope of work. Interviews suggest that this involvement has come at a cost to support to the UCF and even caused UCF to fall behind on some of the deliverables

planned under the consultancy, including the preparation of internal guidance manuals. UCF's 2016 first quarter report should have included a methodology for risk assessment,<sup>144</sup> but had to use the Colombian National Planning Department methodology instead. UCF are also working on internal guidance manuals, as well as attempting to clarify the relationship with COALIANZA. Given the shortfall in support from the TCP advisor, the UFC has sought support from the IDB, not just in issues relating to PPPs, but also with regard to the risks associated with municipal projects or public sector company exposure.<sup>145</sup>

### 9.4.3 SAPP

SAPP is responsible for overseeing PPP contracts and contract enforcement. For example, it is SAPP's responsibility to determine if a concessionaire is compliant with the terms of the contract and if it is not, to issue appropriate sanctions. SAPP's official involvement in the PPP process begins once the contract has congressional approval and published in the Official Gazette (Gaceta Oficial). SAPP is therefore involved during the period between publication and financial close of the project. SAPP is financed through a "supervisory fee" of 1 percent of PPP project revenue, which is paid to SAPP by the concessionaire.

**Experience with contract management:** While the PPP law and creation of COALIANZA did not occur until 2010, SAPP's predecessor organization, the Superintendent of Concessions and Licences (Superintendencia de Concesiones y Licencias), dates back to 1999. The agency acquired experience in concession management through a USD 60 million airport concession, under which the public sector receives 34.4 percent of revenue. This concession and its management were considered by interviewees to be a success. The arrival of the PPP law modified and expanded the role of SAPP, and it is now supervising approximately USD 1 billion in service contracts. In addition to the airport, SAPP oversees four roads concessions and two ports concessions and has an energy project and Civic Center project in the pipeline.

**Employees with institutional memory but some future staffing concerns:** Many key technical roles at SAPP are filled by individuals who worked at COALIANZA during the previous administration, and as such they have a good understanding of the PPP process and the projects. While on the one hand, this arrangement might represent a conflict of interest in certain cases, a formal process should be instituted so that key parties don't repeat mistakes made in previous projects. Given the number of projects to be supervised, adequate staffing (which is currently estimated at less than 20, according to the consultant's report) is a concern. That same report notes the imbalance between the human resources at the disposal of the concessionaire, as compared with the supervisory function: where as the concessionaire typically has a large number of people on a project, SAPP continually struggles to field enough people to conduct supervisory functions.<sup>146</sup>

---

<sup>144</sup> According to the Consultant's contract and monthly activity reports submitted after Q1 2016.

<sup>145</sup> After data collection, the evaluation team has learned that this consultancy has been cancelled and is being re-procured. While this might be necessary, it will result in further delays.

<sup>146</sup> Leonel Vivallos, "Informe de Diagnóstico: Superintendencia de Alianza Público-Privada," (2015).

**Regular supervision is occurring:** Interviews suggest that with some exceptions, SAPP was participating in monthly interactions with concessionaires and subcontracted third party-supervisors for the majority of PPPs.

**Unclear relationship with external supervisors and INSEP:** SAPP typically works through and depends on project supervisors contracted by COALIANZA. The triangular relationship between SAPP, which has overall supervisory responsibility, the outsourced private sector supervisory group, and the ultimate project sponsor (INSEP in the case of roads concessions) appears to require greater procedural clarification.

**Not involved from the beginning:** International best practice in PPP recommends the timely involvement of contract managers and supervisors upstream in the project design process in order to ensure that the final contract is viable on matters relating to service performance. Nonetheless, in the PPP concessions to date, SAPP has not been involved in reviewing the contract prior to signing or prior to publication of the contract in the Official Gazette.<sup>147</sup> This means that SAPP's expertise in contract enforcement is not taken into account in the development of the contract. The non-participation of SAPP at a much earlier stage in the project design process and contract drafting means that there are likely to be significant challenges at the contract management stage, which in turn might well lead to significant fiscal impacts.

Furthermore, as mentioned above, the supervisory firms are also contracted by COALIANZA without SAPP involvement, meaning that the SAPP is not involved in the procurement of the firm that it will depend on for the life of the contract. Despite widespread recognition of these limitations among interviewees, the lack of SAPP involvement prior to contracting does not appear to be changing. In the most recent preparation of the Centro Civico project, no documentation was reported to have been shared with SAPP prior to the signing of the contract. This lack of early involvement appears to be both by design (COALIANZA has been given full authority) and by the low profile role that SAPP has chosen to play.

**Challenging contractual terms:** As suggested above, one of the primary challenges has been the issue of rights-of-way. Road concessions have been offered prior to obtaining full property rights, and the government has failed to deliver on its commitment to obtain required property rights. As a result, the concessionaires also are not meeting their contractual deadlines. SAPP has been largely unable to resolve these kinds of contractual challenges. The role of contract supervision is not only to resolve a problem once it occurs, but, equally importantly, to foresee and mitigate problems that may come up later. The lack of forward planning in some cases (e.g., Logistic Corridor) has led to significant delays and subsequent cost increases for the Honduran government. Failure by INSEP to clear rights-of-way permissions in a timely fashion has raised a concern that private sector concessionaires might sue the government to court for non-compliance.

**Contract modifications are the norm:** Senior SAPP management commented that all the PPP contracts had seen some level of renegotiation within the first two years. Although the modification is formally with COALIANZA, SAPP has led the renegotiations. This itself is not unusual in the PPP

---

<sup>147</sup> *Ibid.*

environment. However, damage limitation relies upon clear-cut provisions in the contract for the management of such renegotiations and the ability to manage change in a timely and cost efficient fashion.

### *Progress and challenges*

**Not a major TCP beneficiary to date:** SAPP is to receive capacity building support from the TCP Roads Concession Advisor. SAPP respondents report technical assistance and training have yet to be supplied through the TCP.

**Not clear if SAPP has a “PPP mindset”:** One of the interviewed concessionaires contended that SAPP lacks a PPP mindset, and instead monitors the project as if it was a standard public procurement. PPPs are complex contractually and require a large measure of subjective “diplomacy” and management to ensure that the long-term relationship with the concessionaire survives. Literal contractual interpretation, especially if the contract has failed to capture the full complexity of the services to be provided, is likely to cause undue friction.

#### **9.4.4 INSEP**

**Very low internal capacity to develop, procure, and manage complex long-term contractual relationships of the PPP variety:** Interview respondents confirm that INSEP is a weak link in the PPP chain, with very little internal capacity for the design and development or the management of complex projects. Responsibilities for PPP projects are not centralized but can be found in different parts of the Secretariat, including outside of the roads department. Although there are three PPP project coordinators who report directly to the Vice Minister, there is still much to be done to strengthen their capacity. While INSEP has experience overseeing small construction contracts, it does not have adequate experience with large PPPs, and it was reported to lack the appropriate “PPP mindset.” This is particularly the case in the area of legal and contract expertise. INSEP’s low capacity to deal with contractual issues has led to extensive delays. For example, as suggested above, INSEP has been unable to resolve property rights issues to allow for road construction timelines to be respected in a manner consistent with the relevant contracts. In a wider sense, INSEP respondents report that they lack the legal expertise to be able to challenge a private sector concessionaire on the substance of the contract.

**Larger human and financial resource concerns:** While not specific to PPP management, concern was expressed by interviewees about traditional overstaffing due to patronage-based hiring and a culture of low levels of productivity among staff at INSEP.<sup>148</sup> Most staff are understood to be on three-to-six month rollover employment contracts, which discourages good human resource management.

Interviews also suggest that INSEP is seriously underequipped and has inadequate resources for basic needs, including mobility (e.g., cars, fuel, per diems). For example, it was reported that INSEP was only able to attend three out of five recent project meetings in San Pedro Sula on the SPS Century XXI project. In a similar vein, the agency is not making adequate site visits to oversee work.

---

<sup>148</sup> INSEP underwent several large scale firings in 2014, 2015, and 2016.

**Not involved in PPP design:** INSEP reports that it has played no role in the design stage of PPPs, resulting in a missed opportunity for INSEP staff with roads expertise to inform the design and contract. INSEP reports basic problems with existing contracts that could have been avoided. For example, a certain measure of logistical overlap between the routes of Logistics Corridor and Touristic Corridor led to change orders for the location of a toll booth being first implemented and then reversed.

### *Progress and challenges*

INSEP has yet to establish a PPP unit as envisioned by the TCP agreement. While the Roads Concession Advisor has presented a proposal for this unit and staffing, INSEP has not made any financial or organizational commitments, and some respondents suggested that INSEP was “foot-dragging.” It does appear that INSEP lacks the budget for such a unit, but it is likely that the funding will be covered as part of the IDB loan for the Pacific Corridor along with TCP support. While this might offer a short term solution, it doesn’t assure financial sustainability.

Concern was also expressed about how to staff the unit. INSEP leadership raised concerns that the job profiles suggested by the TCP consultant did not fit INSEP’s requirements. One INSEP interviewee was skeptical that Honduras had access at a national level to personnel with the capacity and experience for such a unit. INSEP suggested the best course would be to hire a third country national (e.g., potentially from Chile) with adequate experience.

# 10 DESIGN AND IMPLEMENTATION OF PPPs (PPP 2.2)

---

## 10.1 Background

As described in Section 11 and Figure 58, PPPs are complex projects composed of several key chronological components. For the purposes of this analysis, we have divided the process of PPPs for infrastructure projects into four steps:

1. **Project identification, selection, and evaluation:** Identifying, pre-evaluating and approving a project to be developed and carried out as a PPP.
2. **Project development:** Defining and structuring of the PPP by relevant sectors and stakeholders.
3. **Procurement:** Tendering the PPP to outside private sector investors, typically civil engineering groups and technology providers.
4. **Post-signature long-term contract management:** Overseeing the concessionaire.

In Honduras, the four institutions identified and analyzed in Section 2.1 (COALIANZA, SEFIN-UCF, SAPP, and INSEP) play or should play interweaving roles in each of the key steps of the PPP process, particularly as it pertains to infrastructure concessions. In the analysis that follows, we explore each of these four stages across four road infrastructure PPPs.

## 10.2 The intervention

While the Multiyear Road Investment Plan Advisor and the Financial Advisor profiled above are technically part of Activity 2.1, they are also working to achieve the objectives of Activity 2.2. The Road Concessions Advisor is the key advisor under Activity 2.2. As shown in Table 21, the Road Concession Advisor is providing technical assistance to INSEP, including assistance in setting up a PPP unit. This unit is intended to provide assistance for the management of the Logistics Corridor and Tourist Corridor concessions, prepare for future PPPs, and liaise with COALIANZA in the prioritization and development of PPPs. The advisor will also help to build the capacity of SAPP to regulate concessions and other PPPs as they are signed.



**Table 21: Consultant summary - Road concessions advisor**

Consultant	Leonel Edmundo Vivallos, Resident Road Concession Advisor
Period of performance	12 Months: April/6/2015 – April/5/2016 with likely option periods through late 2017
Objective	To strengthen the capacity of INSEP, SAPP, and COALIANZA to manage their respective responsibilities related to the Road Concessions and other ongoing PPP contracts according to international best practice
Selected activities	<ul style="list-style-type: none"> <li>• Assist in setting up a PPP unit within INSEP</li> <li>• Develop a project management plan for each Road Concession and other ongoing PPP contracts</li> <li>• Strengthen compliance with PPP contracts for each Road Concession and other ongoing PPP contracts and agreements</li> <li>• Adhere to the output-based specifications and Minimum Performance Standards and Specifications (MPSS), as appropriate</li> <li>• Develop an early warning system to notify the GoH when a PPP project company is in danger of becoming non-compliant</li> <li>• Supervise maintenance program provided by the PPP project companies with regard to assets under their management and/or control</li> </ul>

Source: Millennium Challenge Corporation (nd) Public Private Partnership Project: Honduras Threshold Program Description.

MCC is also providing financial support to FIDE, a Honduran nonprofit organization that has a PPP concession to simplify, automate, and monitor the rules and procedures of three target processes:

- Starting a business: Registering a company, registering at chamber of commerce, registering to pay taxes, obtaining business operation permit, joining the public health system, national training institute and housing savings regime, and any other necessary registration and permits.
- Importing/exporting: Obtaining permits to import/export, including sanitary licenses, sanitary registrations, the Unified Central American Customs Form (FAUCA), zoosanitary (animal health) export certificates, phytosanitary (agricultural products) export certificates, and other necessary registrations and permits.
- Obtaining environmental licenses: This includes licenses for Category 1, 2, 3, and 4 projects and such other necessary registration and permits. MCC is supporting activities to reduce time to obtain an environmental license in San Pedro Sula and Distrito Central.

Businesses and individuals will be able to apply for these permits through the website <http://miempresaenlinea.hn/>.

### 10.3 Comparative case study of the PPP process

To explore changes over time in the PPP process, the evaluation team is conducting a comparative case study of road infrastructure PPPs. By the end of the TCP, five to six cases will be explored by the team in the four phases of the PPP process introduced above: (1) PPP selection, (2) project development, (3) procurement, and (4) contract management.

The evaluation team conducted a comparative case study of four current and future road concessions, including the first generation PPPs of (1) the Logistic Corridor and the (2) Touristic Corridor, and the second generation PPPs of (3) CA-4 (Carretera de Occidente) and (4) San Pedro Sula (SPS) Century XXI, which are summarized in Table 22. By comparing across these case studies, the evaluation team aims to identify if relevant improvements in the PPP process are occurring over time and to evaluate the TCP contribution to these improvements as appropriate.

**Table 22: Cases**

Concession	Summary	PPP Phase at baseline	Expected PPP phase at endline
<b>Logistics Corridor</b>	The Logistics Corridor connects Honduras's Caribbean port in Puerto Cortés with the capital Tegucigalpa and the CA-1 highway, which runs along Central America's Pacific Coast. The 2012-issued 20-year concession to Honduras Road Concessionaire S.A. de C.V. includes the expansion to four lanes (from 2 and 3) of 88 km of road, rehabilitation of 161 km of existing road, and maintenance of 392 km of road. The concessionaire operates tolls along the corridor and is expected to invest USD121 million in capital expenditure.	Contract management and project supervision	Contract management and project supervision
<b>Tourist Corridor</b>	The Tourist Corridor concession entails the construction, expansion, and maintenance of 122.6 km of road, including the CA-13 highway linking San Pedro Sula to La Tela on the coast, and a link between the CA-13 highway and the CA-5 from La Barca. The PPP is expected to require the concessionaire's USD 150 million investment to be recovered through tolls. The contract was awarded in December 2012 to Consorcio Autopistas del Atlántico, composed of CI Grodco of Colombia, CI Grodco of Panamá, and	Contract management and project supervision	Contract management and project supervision

	Profesionales de la Construcción (PRODECON) of Honduras.		
<b>San Pedro Sula Century XXI</b>	This project consists of the design, construction, financing, management, maintenance, and transfer of road infrastructure works in San Pedro Sula. An estimated USD 88 million will be invested over the 20-year concession period by San SPS Consortium Siglo XXI. The Century XXI project was an unsolicited proposal (USP), and there was no meaningful competition in the procurement process. In order to pay the concessionaire, a municipal tax was instituted on all vehicles registered in the SPS urban area according to the cubic capacity of the vehicle. Opposition to the tax was surprisingly small, although it appears that a number of residents registered their vehicles in neighboring localities in order to avoid the tax, lowering the expected revenue.	Contract management and project supervision	Contract management and project supervision
<b>CA-4</b>	The CA-4 project originally entailed rehabilitation, expansion, operation, and maintenance of 107 km of road along the CA-4, CA-10 and CA-11 highways with an estimated value of USD 270 million. The work was to entail the expansion of the CA-4 highway near San Pedro Sula and maintenance of the CA-4 in the northwest part of the country as well as the CA-11 highway running to the Copán Ruins along the Guatemala border. The initial procurement for this project did not attract bidders, and as of baseline data collection, a downsized project was in the process of being re-procured.	Procurement	Contract management and project supervision

### 10.3.1 Phase I: Identification, evaluation, and selection

#### *Baseline*

For traditional projects, the prioritization of projects begins in the national sectorial plans and the national development plans (currently the 2014–2018 Plan), which give priority to the concepts of competitiveness, welfare, and employment. Ideally, planners identify certain projects as possible PPP

candidates, which would then undergo value for money studies to confirm that developing the projects as PPPs would be preferable to traditional procurement.<sup>149</sup> The four cases discussed below all followed this trajectory. Table 23 provides a summary of the identification, evaluation, and selection process across the four projects. In the paragraphs that follow, we draw conclusions from across the cases.

**Table 23: PPP process phase 1: Identification, evaluation, and selection**

Concession	Summary
<b>Logistics Corridor</b>	Government officials determined that major investments like the Logistics Corridor would be procured as a PPP, funded by tolls, and would employ private sector financing, construction, and services. There is no evidence that a formal process was undertaken to ensure that a PPP was the most desirable process for the project. For example, there is no evidence of a value for money or affordability exercise was conducted. Instead, PPPs were perceived to be a faster way to ensure public works investments than traditional procurements.
<b>Tourist Corridor</b>	Same as the Logistics Corridor.
<b>Century XXI</b>	This is the first case of an unsolicited proposal (USP) PPP evaluated and approved by COALIANZA. The management of USPs is specifically covered in the PPP regulation, and a direct negotiation is possible in the absence of any counter bidders. The regulation foresees that a USP cannot involve a direct financial commitment from the public sector, but the granting of guarantees is a possibility, despite the contingent liabilities this creates. As above, a PPP offered San Pedro Sula a means to attract investment to address infrastructure needs in the medium term. No value for money study was conducted.
<b>CA-4</b>	Insufficient information collected by the evaluation team on the origins of the CA-4 PPP.

**PPP project selection was based on the desires of the political leadership at the time instead of on the results of a coherent needs analysis.** No evidence was provided of documentation evaluating procurement options in relation to the approved PPP projects, and there was no evidence of a value for money study for the four projects that are the focus of this report. Instead, it appears that GoH leaders made an executive decision to entrust the development of the PPP projects to COALIANZA. Interviews suggest that the GoH viewed PPPs as a means to accelerate investment, find alternative sources of financing given budgetary restrictions, and compensate the infrastructure deficit. The process in the early years was therefore driven less by concepts of “better value for money” and more by concern to get things done as rapidly as possible. While this reckoning is understandable given the infrastructure gap, it does raise concerns as to whether the GoH and the Honduran people will get a good return on PPPs. The lack of a clear and transparent process for

<sup>149</sup> See for example, Helen Martin (2013) Value-for-Money Analysis—Practices and Challenges: How Governments Choose When to Use PPP to Deliver Public Infrastructure and Services. Washington D.C.: World Bank Institute

project identification, evaluation, and selection creates other risks as well. In fact, some interviewees suggested that there might have been improprieties in the selection of projects. In particular, concern was expressed about the SPS Siglo XXI project (See below for more details).

### *Progress and challenges*

**There has been some progress in encouraging inter-institutional coordination, but guidelines on the PPP selection process remain unclear, making it easier for politically driven projects that lack clear justification.** The financial consultant retained under the TCP has instituted workshops between COALIANZA and SEFIN in order to promote collaboration and build capacity around financial evaluation of PPPs, particularly a value for money analysis. In accordance with currently accepted practice, in the future all projects that move forward as PPPs will require a formal ruling from the UCF in terms of their fiscal sustainability. This requirement will create incentives for such stakeholders as COALIANZA to undertake a formal VFM study; however, this has not yet been put into practice. Support from the financial consultant and TCP in the form of these workshops has been seen as positive. Significant inter-institutional dialogue issues still remain that constitute major challenges to improving coordination and quality of PPP selection and development. This is particularly the case between COALIANZA and INSEP. The PPP legislation and its supporting regulations do not put sufficient emphasis on the importance of a proper inter-institutional “architecture” at this and other stages of the project cycle.

**Progress in developing a Multiyear Road Investment Plan:** As noted above, the Multiyear Road Investment Plan supported by the TCP is close to completion. Nonetheless, one interview respondent suggested that the Minister responsible for INSEP had already decided which projects were priorities irrespective of any formal plan. Arguably, such a position might be appropriate given the massive investment deficit that the present government had inherited in the road sectors, but it should not determine future PPP project selection.

### **10.3.2 Phase II: Project Development and Preparation**

#### *Baseline*

The second phase is project preparation. Once a project is selected as a PPP, the GoH must develop the design of the project and prepare bidding documentation. There are a number of important decisions to be made at this stage in the process, including the construction routes, timelines of activities required of concessionaires, any minimum or maximum tariff rates, and any government guarantees, such as a minimum revenue guarantee (MRG). Sound decision making at this stage of the process requires strong institutional coordination that brings together expertise from throughout the government, including COALIANZA, SEFIN, SAPP, and INSEP. Unfortunately, the project preparation process has been dominated by COALIANZA, with the support of external transaction advisors. Table 24 lays out the project preparation process for each of the four case studies.

**Table 24: PPP phase II: Project development and preparation**

Concession	Summary
<b>Logistics Corridor</b>	COALIANZA contracted transaction advisor Helios from Peru and ALG from Spain to prepare the tender documentation and conduct the financial analysis. One of the interviewed TCP consultants expressed reservations about the quality of the work of the Peruvian advisers, noting that the Honduran tender documentation was largely copied directly from a Peruvian tender. The design did not take into account the specifics of the Honduran market or lessons learned from previous relevant road concessions. Neither SEFIN, INSEP, or SAPP played a meaningful role in this stage.
<b>Tourist Corridor</b>	COALIANZA contracted with the same transaction advisors as with the Logistics Corridor. Again, interviewees expressed a low opinion of the work done by the transaction advisors. The demand analysis for the Tourist Corridor overestimated the demand, and the operation and maintenance costs were estimated well above international norms of 4 percent of capital expenditure (CAPEX) per annum. As a result, the minimum return guarantee (MRG) was also set too high. More generally, interviewees noted that including an MRG in the bid eliminated the opportunity to include this as a bid variable and potentially save the GoH money. As above, other stakeholders were not involved in the process. The contribution from INSEP to the design of this project appears to have been limited to providing the Honduran and Central American road construction manuals. There was also insufficient public consultation with local communities. As a result, the project has faced protests and opposition from a public that doesn't understand why tolls would be charged on a highway that was built with grant funding.
<b>SPS Century XXI</b>	In the case of a USP, the private consortium develops the project; nonetheless, COALIANZA is responsible for conducting due diligence on the design. COALIANZA did not detect that the vehicle register on which the promoter had based his revenue calculation was out of date and contained a significant number of vehicles that no longer existed. This error produced a reduction in revenues from HNL 7.5 billion (USD 330 million) to HNL 5 billion (USD 220 million). Furthermore, the private sector promoter underestimated the investment cost, which was originally calculated at HNL 1.8 billion (USD 79 million) but later estimates came in at HNL 2.5 billion (USD 110 million). Proper due diligence would have shown that the costs were not in line with the market.
<b>CA-4</b>	<p>The preparation of this project was underpinned by a full feasibility study funded by the Central American Bank for Economic Integration (Banco Centroamericano de Integración Económica - BCIE) and carried out by a Honduran firm. The study covers the totality of the Western Corridor (Corredor de Occidente), including the CA-4, CA-10 and CA-11 highways. This study provided the necessary technical, topographical, and traffic information for the design of the project, which also benefited from the assistance of a BCIE expert. Despite these efforts, the socio-economic analysis did not include the cost of the land expropriations required for the project, which has delayed that process and generated public opposition to the routing.</p> <p>The project was originally intended to be developed under the auspices of a trustee bank, Banco Continental. This arrangement originally came about as a means to obtain</p>

	required congressional approval for PPPs during a PPP-friendly congressional term. However, after it was alleged that Banco Continental was involved in money laundering, responsibility for the project shifted back to COALIANZA. The financial modeling for this project was undertaken by COALIANZA. INSEP has played a much larger part throughout this stage for this project than it did in the previous PPPs.
--	---

**Historical absence of coordinated collaboration between actors, especially COALIANZA and INSEP.** In Phase II, Honduras suffers from some of the same major inter-institutional findings of Phase I – namely, a lack of coordination between COALIANZA and INSEP or other public sector project sponsors. The imbalance in the technical and financial capacities of the different stakeholders leaves COALIANZA very much in the driving seat, with the consequence that (partly owing to perverse financial incentives to COALIANZA) PPP project success may be judged by contract award, with less concern for the long-term viability and sustainability of the projects inherent value for money. More recent inter-institutional coordination in the case of CA-4 suggests that this trend may be reversing.

**The absence of SAPP at the project preparation phase leads to post-contract signature problems.** Under PPP legislation and regulation, SAPP is effectively shut out of the project preparation phase. Considering its pivotal supervisory role in post-signature contract management (Phase IV), the absence of SAPP’s technical input has led to significant post-signature management issues resulting in construction delays and legal disputes. Overall, the impression conveyed by interviewees was that contracts were drafted and agreed to by the parties on the assumption that some kind of solution would always be found to a problem when the time came. Depending on the significance of the problem, this is a high risk approach, exemplified by the delays in the construction schedule of the Logistics Corridor. INSEP’s inability to deliver access to the construction sites in a timely fashion has put the project significantly behind schedule and has resulted in an escalation in costs. The concessionaire and the public sector parties were unable to reach an agreement with respect to the economic situation before the contractual deadline. A well-designed contract should sufficiently foresee the likelihood of such a problem arising and establish means of resolution from the outset.

## Progress and challenges

**Some improvements but inter-institutional dialogue and lack of clarity on roles may continue to hamper effective and efficient PPP project development in Phase II.** MCA consultants have been addressing this issue by trying to get stakeholders, in particular INSEP, COALIANZA, SAPP and UCF, around the same table to address problems as they arise. The creation of the UCF and its proposed fiscal risk assessment as part of the design phase is perhaps the biggest achievement to date. Nonetheless, there is still work to be done to formalize inputs from stakeholders and build consensus.

### 10.3.3 Phase III: Procurement/selection

#### ***Baseline***

Once the design of the project and tender documents are finalized, the PPP process enters the procurement phase. The first part of this phase involves prequalifying eligible firms. Evaluation of the bids typically entails a review of the technical proposals followed by a review of financial bids of satisfactory technical proposals. If the project is designed well, then there should be a number of firms interested in competing. Their proposals should be evaluated under set criteria, and the winning consortium or firm should be the one that offers the best deal according to the criteria. Table 25 lays out the project procurement and selection process for each of the four case studies.



**Table 25: PPP phase III: Procurements**

Concession	Summary
<b>Logistics Corridor</b>	<p>The public tender was launched in November 2011, and the contract was awarded in March 2012, to Concesionaria Vial Honduras S.A. de C.V. Five firms were prequalified using a tick-the-box questionnaire approach. Selection criteria were based solely on the per-unit vehicle toll and the per-axle toll for heavy goods vehicles. The bidding document offered a narrow range of a minimum of USD 0.80 for the per-unit toll and a minimum of USD 2.60 for the per-axle toll. All four firms with technically sound proposals bid both of the minimums, suggesting that the established minimum was possibly higher than necessary. The contract was finally awarded through random selection. (Each of the bidders selected a ball with a number from 1 to 30 from a container; the highest number won the contract.) As such, the competitive process did not successfully identify the best possible price for Honduras but rather selected a consortium that met the basic criteria.</p> <p>The indicated capital expenditure (CAPEX) of this project as indicated in the tender documents was estimated at USD 90 million. The winning bidder proposed USD 97 million for the route extension, plus an additional USD 13 million for rehabilitation of the existing infrastructure. A December 2013 change in the treatment of value-added tax after the contract signature led to the value of CAPEX being increased. As a result of the tax change, financial close was delayed by the winning consortium's lenders who insisted that the winning consortium provide 60 percent equity to the project (only 40 percent to be financed by debt). This experience drew COALIANZA's attention to the importance of the bankability of a PPP project, which needed to be assured if delays in financial close and post-signature renegotiations are to be avoided.</p>
<b>Tourist Corridor</b>	<p>The tender was launched in December 2011, and the contract was awarded in December 2012 to the Consorcio Autopistas del Atlántico. Five bidders prequalified based on the tick-the-box approach; however, only two parties submitted bids. Of these two, only Consorcio Autopistas del Atlántico bid on all five-road segments and was therefore awarded the concession. Again, price was not the determining criterion. One of the non-bidding firms reported that it considered the length of the concession to be excessive with a risk that the contract would not generate an economic return owing to low traffic forecasts.</p> <p>In the wake of the award, SAPP, SEFIN, and INSEP agreed that the MRG should be increased to take the two extra segments into account. This seems a somewhat disingenuous explanation, given the fact that the bid documents foresaw up to five segments from the outset. The bid document contained the initially proposed payment schedule of the MRG, but the amended version had still not been formalized in terms of payment dates and amounts at the time of data collection. Other stakeholders were not involved in the procurement process, and INSEP commented that the first time they saw the PPP contract was when they were asked to sign it.</p>

Century XXI	<p>This project was a USP and was brought to COALIANZA by the sponsoring private sector investor for review and approval. Honduras’s PPP legislation does encourage competition, even for USPs. The regulation foresees a period of 30 to 90 days for formal expressions of interest (EOI). In this case, however, the maximum period of days was set to only 30 days, and requests from potential competitors for an extension to 90 days were refused. No EOI were submitted during this time, and the concession was awarded to the original consortium of SPS Siglo XXI. This, along with other aspects of this project, has fueled speculation that the project was pushed through with high level political support.</p>
CA-4	<p>The initial tender for the CA-4 attracted no bidders and had to be cancelled. There were a number of problems with the procurement that made it unattractive to private investors. Interviewees reported that political pressure to complete the project in the current administration led to an unrealistic project timeline: 106 km of road in 14 months. Furthermore, the tender shifted responsibility for obtaining and bearing the costs of rights-of-way entirely to the private sector, despite the fact that the private sector lacks the power of eminent domain. Finally, one private sector group commented that a 30-year concession with only 25 years of toll was unattractive.</p> <p>The project was redesigned on the basis of a more modest 33 km of road with an overall contract value of USD 70 million. The tender documents included an MRG and a sovereign guarantee and were released in January 2016. Nine groups expressed interest and four were prequalified. As of data collection, the process had not moved forward. The UCF has objected to the level of the MRG, which it saw as excessive. The CA-4 project team at COALIANZA admitted that the tender should not have been launched prior to the MRG issue being resolved.</p>

**Projects were awarded; however, the tick-the-box approach and single price criterion did not result in lower cost or a better value:** Credit must be given for the fact that both the Logistic and Tourist Corridors found bidders and were awarded, which is a significant and laudable achievement in itself. Nonetheless, consideration must be given to whether or not the process, particularly on a tick-the-box and single price criterion basis, is sufficiently sophisticated to enable the most appropriate award to be made, given the complexity and long-term nature of the contractual relationship. The “tick-the-box” approach means that a firm either meets or does not meet a given criterion. This approach is applied at both the prequalification stage as well as at the evaluation stage of the technical proposal. The advantage of the tick-the-box approach is that it is straightforward, and it limits discretion that could facilitate corruption. Nonetheless, it is contrary to international best practice, as PPPs involve crucial “qualitative” considerations, which are usually very difficult to reduce to a “tick the box” approach. From this same point of view, the single price criterion is also concerning. In practice, competition in both the Logistics and Tourist Corridors did not produce a lower price or better value.

**Concessions experience major delays in financial closing.** In the case of the Logistics Corridor, for example, delays in securing financial close meant that the period allocated to secure financial close had to be extended by 6 months to 15 months. Although the contract was signed in May 2012, it was not finally published, and therefore was not official, until 2013. This led to subsequent delays in the construction timeline. This reflects a situation in which the “bankability” of a project is insufficiently taken into consideration.

**The procurement methodology is not well defined under PPP law, and there is no scope for applying a “competitive dialogue.”** Under current regulations, there can be no contact between the sector sponsor and bidders once the bidders have presented their technical proposals. Again, this approach is meant to limit opportunities for corruption; however, the complexity of PPP proposals sometimes requires that the public sector sponsor be able to engage in a form of “competitive dialogue” in order to refine the public sector’s requirements and the manner in which they will be contractually expressed. This may be less important in the case of road transport, but it is likely to become significantly important in more complex sectors such as health.

**Unsolicited proposals are at risk of political influence and have not offered a reasonable opportunity for essential competition.** The problems besetting the SPS Century XXI project provide credence to claims that it was advanced under political pressure and that COALIANZA did not subject the investors’ proposal to adequate due diligence or opportunities for competition. Ironically, while direct negotiation is not allowed in the cases of the Logistic and Tourist corridors, the legislation does permit direct negotiation in the absence of counter bidders, which occurred in the case of Century XXI (because COALIANZA only allowed the minimum period for expressions of interest). In theory, the legislation does not allow direct government financial commitments in the case of USPs; however, the granting of guarantees is permitted and does put the government at fiscal risk.

### *Progress and challenges*

TCP consultants conducted a review of what went wrong in the initial CA-4 procurement and have been engaged in the re-procurement.<sup>150</sup> The TCP consultant identified the following issues with the initial contract: the winning bidder was given responsibilities that are typically assigned to INSEP and SAPP and for which it was unclear if the winning bidder had the legal authority to undertake; the transfer of financial risk to the winning bidder was unclear in many situations; more generally there was a lack of specificity regarding which risks were to be assumed by the winning bidder and which by the state; the process and definition of how rights-of-way were to be obtained and who would be ultimately responsible for any cost run-overs was unclear; there was an excessive number of actors stipulated as being involved in any potential disputes; it was unclear what would happen if persons on private properties refused to give rights of way; the proposed start date for work following contract signing (within 365 days) was potentially unrealistic; there was no clear link between the results of SEFIN’s analysis of the winning bidder’s financial model and assignment of risk; the process

---

<sup>150</sup> Vivallos, Leonel. Informe N° 2 Análisis Propuesta de Contrato CA-4 (17.04.2015).

for how the MRG was calculated was unclear; and there was a lack of clarity in general about the roles of each major actor.

While the revised tender process has been much improved from the original, it is not clear to the evaluation team how the tender was released without UCF approval.

### 10.3.4 Phase IV: Contract Management and Project Supervision

#### *Baseline*

Once the contract is published, the PPP passes to the contract management and project supervision stage. This stage requires coordination between the contracted supervisor, SAPP, and INSEP. Unfortunately, as noted above, INSEP to date has limited PPP oversight capacity, and there is a lack of clarity in the division of labor between these three institutions. Furthermore, the case studies make it clear that weaknesses in the design and procurement phases manifest as problems in the management and supervision phase.

Table 26 lays out the contract management and project supervision process for each of the four case studies.

**Table 26: PPP phase IV: Contract management and project supervision**

Concession	Summary
<b>Logistics Corridor</b>	<p>There is reportedly a very regular dialogue between SAPP and the supervisory group, a consortium of Honduran firms led by Cinsa. There are also monthly meetings on the project site and a monthly SAPP site inspection, largely to check on information provided by the supervisory consortium.</p> <p>Limitations and ambiguities in the contract have created several supervisory challenges. The contract left some routing and design issues to the concessionaire, the final resolution of which has delayed obtaining rights-of-way and increased costs. This also made it difficult for the concessionaire to arrive at a final costing of the project at the bid stage.</p> <p>The contract laid out a very ambitious and infeasible timeline given the challenges in obtaining rights-of-way. These challenges have also led to inefficiencies, such as the initiation of construction in areas where property rights are only partially secured. As a result, the USD 1 million foreseen as the concessionaire's contribution for the acquisition of rights-of-way has proven insufficient, and the concessionaire has had to advance additional funds to be reimbursed over the life of the contract. At the time of data collection, it was clear that the concessionaire would not complete construction by the contractual date in April 2016; however, the contract also provided limited guidance in</p>

	<p>addressing this shortcoming, particularly given the concessionaire's dependence on government to obtain rights-of-way.</p> <p>Another major issue has been determining and agreeing on costs for additional works not foreseen in the contract (e.g., an additional toll booth at Caracol). On the one hand, this is a common feature of roads projects, particularly in difficult terrain. On the other hand, some of these issues could have been resolved in the design phase.</p> <p>Additional problems have arisen in relation to costs associated with the management of existing fiber optic and public lighting infrastructure, the removal or displacement of which was not foreseen in the project costings. The concessionaire incurred additional costs following damage to fiber-optic cables, and those costs, in the view of the concessionaire, have reduced profitability.</p> <p>Another contractual point of debate has been the provision that limits the concessionaire's responsibility for topographical problems, such as a landslide. Under the contract, the concessionaire is only responsible for underwriting the cost of such events up to a maximum of 200 m<sup>3</sup>. This figure is small and shifts the risk to the government, causing some interviewees to wonder if it was a typo that should have included additional zeros.</p>
<b>Tourist Corridor</b>	<p>The supervision problems encountered on this project do not, in principle, differ greatly from those of the Logistic Corridor, apart from the fact that the lending banks to the project had insisted on certain modifications to the contract after its publication in order to fund the project at financial close. On the whole, this project has experienced somewhat fewer problems due to a more realistic timeline for implementation, a less technically complicated project, and perhaps a somewhat better supervisory group involving a Japanese and Honduran consortium.</p> <p>Work began in April 2015, but construction has encountered social protests relating to the location of the toll booths. This perhaps could have been mitigated by local consultation during the design stage. Many citizens do not understand why a toll is being charged for a road that was built with grant money.</p> <p>It was not clear to the evaluation team if the rights-of-way issues had been resolved. INSEP is responsible for providing the rights-of-way and the consortium for paying for the land rights, but there was disagreement among interviewees if either had been secured or not.</p>
<b>San Pedro Sula Century XXI</b>	<p>As in other projects, issues relating to rights-of-way or employment impacts have not been adequately foreseen in the contract and have therefore proven difficult to manage, leading to cost overruns.</p>

	<p>Another problem derives from the fact that SAYBE Asociados, the supervising entity procured by the trustee bank, FICOHSA, had been contracted earlier by the municipality to do the design for this project, raising a potential conflict of interest.</p> <p>At the time of data collection, the concessionaire was behind schedule, had failed to invest adequate resources, and was producing work that was considered to be low quality. The execution of the project has been heavily hampered by the fact that the owner of Esmeralda, the 40 percent shareholder in the winning consortium, is a leading figure in a recent Banco Continental money-laundering scandal. At the time of data collection, a fine of HNL 3.9 million (USD 171,000) was being prepared to address issues relating to construction delays and the failure of the concessionaire to make the necessary equity injection (total originally committed was HNL 360 million (USD 15.8 million)) or provide adequate financial information.</p>
CA-4	This contract had not been awarded at the time of data collection.

**The non-involvement of SAPP in the PPP preparation phase leads to significant management issues in the contract management phase.** As indicated in Section 2.1 on SAPP, SAPP does not formally become involved in the PPP process until the project has been published in the Official Gazette. The general consensus is that SAPP should become involved at a much earlier stage, an approach that would bring it into line with best practice internationally. In the Honduran case, SAPP inherits a contract to supervise to which it has not been able to contribute at the design stage. Some of the contractual challenges could have been avoided with earlier input from an experienced regulator.

**Supervisory roles of SAPP and the third-party supervisor hired by the concessionaire are confusing, potentially leading to difficulties.** Contract supervision (aside from SAPP) is subcontracted to private sector third parties, usually selected by COALIANZA, in certain cases procured by the fiduciary bank, and in every case paid for by the private sector concessionaire. As a result, the relationship between SAPP and the supervision subcontractor may encounter difficulties. Additionally, the dominant position of SAPP in the post-signature phase appears to have led to a measure of inertia on the part of INSEP, who, as discussed above, has been slow to fully engage in its contract management responsibilities. It should be noted that in many jurisdictions, contract management is the prime responsibility of the sponsoring institution (e.g., INSEP), rather than any third-party regulator. Here again, the Peruvian model appears to have been followed without taking due account of its limitations when applied to Honduran PPPs.

### ***Progress and challenges***

There have been regular consultations between stakeholders (INSEP, COALIANZA, SAPP) and the roads concession consultant, in particular, addressing specific problems arising out of the interpretation of the various contracts. Interviews suggest that the consultants have done a good job of bringing these stakeholders to the table and shifting the conversation from finger pointing to problem solving. It is to be expected that this experience will also be reflected in better contract drafting for future projects.

## 10.4 FIDE

The final aspect of TCP PPP support is financial support to improve the registration processes for new businesses and for obtaining export-import permits through the creation of a single window developed and run through a PPP with a Honduran NGO FIDE, Inversión y Exportaciones. FIDE is also involved in improving the process for obtaining environmental licenses; however, this function was not included in the evaluation.

### 10.4.1 Starting a business

#### *Baseline*

**Among the three processes to be addressed by FIDE, the largest delays come at the business registration phase.** Interviews suggest that registration can take up to three months because government reviews and inspections are performed on a cyclical basis. Once the registration begins, the length of time to complete registration depends on how well a business conducts its affairs and has its documentation in order.

Table 27 shows that at baseline in 2015, the World Bank's *Doing Business* report estimated that registering a new business in Honduras typically required 12 procedures and took 14 days.

**Table 27: *Doing Business* indicators for starting a business**

Indicator	Value (2014)
Number of procedures required to start a business	12
Time required to start a business (days)	14
Number of companies registered through MiEmpresaEnLinea	0

Source: World Bank (2015) *Doing Business: Honduras Economy Profile 2014*. Washington DC: World Bank

According to FIDE, small businesses bear the brunt of business registration delays, and some small businesses wait years for a registration. Large companies often employ attorneys who personally appear at agencies and guide the license application through the process; small businesses often cannot afford to pay for this kind of personal service. In addition, small and medium enterprises may not be aware of the requirements necessary to register a business and cannot afford the opportunity cost of appearing in person at official ministry offices. This requirement is particularly burdensome for rural-based businesses that must travel to urban areas to submit paperwork in person.

#### *Progress and challenges*

**Work on the single window has been severely delayed due to contracting issues between the government and FIDE.** The work of FIDE was originally envisioned as a PPP in 2011, but work on facilitating the three target processes was delayed to fall of 2015 (coincidental with baseline data



collection) due to delays in government approval for the contract. The extended delay meant FIDE had to do a new market analysis for the single window as well as reevaluate their cost proposal.

**The EmprendeGuía site is functioning, but it is not widely known or utilized.** The EmprendeGuía website is a repository for information on how to start a business. The website is complete and available to everyone, but it is hoped it will be especially helpful to business owners who can't easily visit government offices in person. Traffic to the website has been less than envisioned, but the hasn't been fully promoted as yet. When MiEmpresaEnLínea is complete, FIDE plans to launch an advertising campaign that will promote both sites. At the moment, EmprendeGuía is only publicized to customers already working with FIDE.

**MiEmpresaEnLínea is not yet complete and estimated time of completion is not known.** MiEmpresaEnLínea is an online portal known as a Single Window, or one-stop shop, where businesses can officially register with the government at one central location. Applicants will be able to begin an application, submit relevant documents, and receive notifications about the status of their application. The portal is a critical component of FIDE's work in simplifying the process for registering a business. According to FIDE, MiEmpresaEnLínea is still in beta version and undergoing testing. The project has experienced frustrating delays, and FIDE was unable to estimate when it would be ready for launch. The delays have come mostly on the contractual side (delays in approving the final contract) between FIDE and GoH.

**There is no marketing plan for MiEmpresaEnLínea.** A marketing plan for the window was not part of FIDE's original contract. FIDE advises it has no current plans on how to publicize the new platforms, but possible promotions include road shows, meetings with Chambers of Commerce, and Internet marketing. FIDE will not provide capacity building to institutions for this platform.

Given the delays in getting the work off the ground, FIDE has made impressive progress in the past several months, including bringing EmprendeGuía online. FIDE has strong leadership and its executive director is well known throughout the non-profit community in Honduras. The organization tracks all of its work through an internal monitoring system, which will aid in future evaluation data collection. The principal source of data for measuring this indicator comes from the World Bank's *Doing Business* report, an annual publication from which data can be easily extracted. Table 27 shows the indicators that will be used from the report to track FIDE's progress.

FIDE noted no date has been targeted for completion and launch of **MiEmpresaEnLínea**. Progress has been thwarted by technical challenges with the software, and FIDE is currently resolving these issues. Additionally, changes in the make-up of the Honduran government pose a perennial challenge to this work as any need to reapprove the contract between FIDE and the GoH will result in further delays.



## 10.4.2 Obtaining export/import permissions

### Baseline

**There is also room to make export and import permitting more efficient.** A business seeking an import or export permit must interact with a large number of government organizations that may include the Secretary of Economic Development, SENASA, SAG, DEI, BCH, the Régistro Mercantil, the Chamber of Commerce, ANDI, and COHEP. Registered companies receive permits within two to three weeks. It is important to note that a business must be registered to be able to import and export, which, though logical, does not appear to be widely publicized.

As shown in Table 28, the World Bank's *Doing Business* report estimates waits of 16 and 12 days for import and export permits, respectively.

**Table 28: *Doing Business* indicators for FIDE-related activities**

Indicator	Value (2014)
Number of documents required to import	6
Amount of time taken to import (days)	16
Number of documents required to export	5
Amount of time taken to export (days)	12

Source: World Bank (2015) *Doing Business: Honduras Economy Profile 2014*.  
Washington DC: World Bank

FIDE staff indicated that the largest delays in gaining approval to import or export come from Servicio Nacional de Sanidad Agropecuaria (SENASA), the agency regulating agricultural and livestock sanitation. SENASA is the approving agency for business applicants who plan to export agriculture-related products. Given that 95 percent of FIDE's target population for the import/export activity are small and medium enterprises working mostly in food and agriculture cooperative industries, interaction with SENASA is a required, pivotal step in the approval process that has the potential to add significant delays.

Due to ongoing delays in the import and export permission process, companies often prefer to pay a fine than wait for all the needed approvals. A business must currently go through 34 steps among 9 different institutions and submit 41 documents to export fruit and plant products. Waiting for export permits is not always an option for food-related industries, which must coordinate harvest and export properly in order not to lose their products to spoilage. One company who has opted not to wait for a permit is the ubiquitous Honduran Plantain Chips, which is sold at supermarkets around the country. Each bag contains a notice stating that "health inspection permission is pending."

### Progress and challenges

**FIDE has been making progress on harmonization of information and documents around obtaining permissions.** Currently there are 54 separate documents within 38 different steps and 14 different institutions which are required to obtain an import or export permit, most of which have

to be notarized. Many of the institutions within the process ask for the same documents from a single applicant. FIDE is currently negotiating with SENASA and others to simplify this process by harmonizing document submission across institutions and therefore lowering the required documents to be submitted by an applicant. As above, small and medium sized businesses are most affected by the confusion and cyclical nature of this system as they lack the financial resources to afford to pursue approval (i.e. retain lawyers) or to wait to conduct their operations (import or export). FIDE's website is the only place where public information exists on the process, yet the site does not seem to be heavily promoted.

FIDE reports the organization has good working relationships with the government institutions involved in the registration and permitting process. The organization is working toward reducing overall, average days required to obtain a permit, but they are doubtful that they can reduce the volume of documents needed to complete the process. FIDE suggested the organization could eventually contribute to a reduction in overall average days required to obtain a permit, though they did not feel they could necessarily reduce the number of documents needed. FIDE's website ([honduras.eregulation.org](http://honduras.eregulation.org)) is a very useful tool, especially given the lack of registration and permit information available to the public otherwise. It is clear that better promotion of the website would ensure better outcomes.

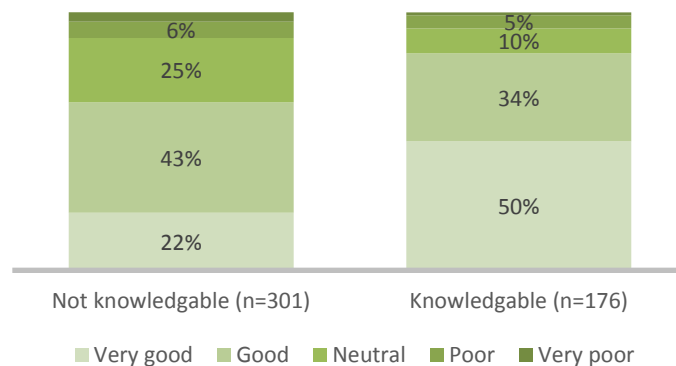
As in section 3.4.1, FIDE's internal monitoring systems will facilitate data collection for subsequent evaluations as well as extraction of secondary data from the World Bank's *Doing Business* report.

## 11.5 PPP Findings from the Public Employees Survey

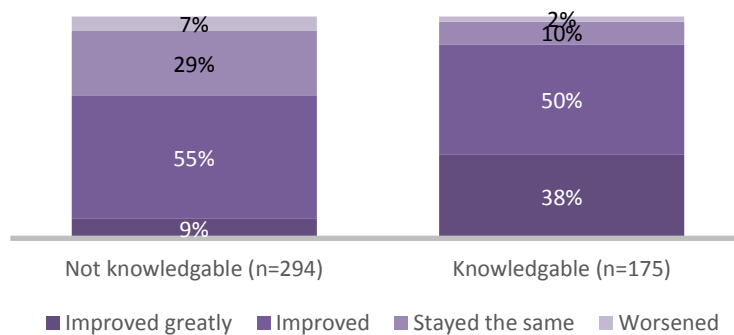
**In general, employees at INSEP have highly positive views of the work that their institution does to regulate PPPs, select partners for PPPs, and the value for money of current PPPs.** To gain insight into perceptions about current PPPs in road infrastructure, the evaluation team asked public sector employees four questions as part of the public sector employee survey (see Section 9 of this report). The questions asked the respondents to comment on the quality of INSEP's regulation of PPPs in road infrastructure, its process for selecting private partners for road infrastructure projects, and the idea that current PPPs in road infrastructure were of good value for the country.

Employees at INSEP believe that the institution does a good job of regulating PPPs in road infrastructure and that it had improved its performance substantially in the previous year. Of those knowledgeable about PPPs (37 percent of respondents), 84 percent believed that INSEP was doing very good or good at regulating PPPs in road infrastructure, compared to 65 percent of those who were considered not knowledgeable (Figure 59). Similarly, when asked how INSEP's regulation of these PPPs had changed in the past year, 88 percent of respondents considered knowledgeable on PPPs, answered that its regulation had improved or greatly improved compared to 64 percent of respondents considered not knowledgeable (Figure 60).

**Figure 59: How well is INSEP doing at regulating PPPs in road infrastructure?**

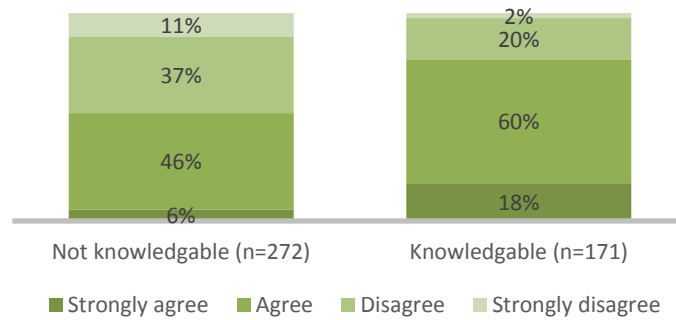


**Figure 60: How has INSEP's regulation of PPPs in road infrastructure changed in the past year?**



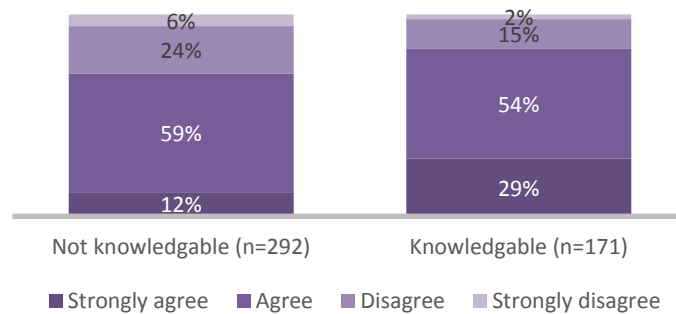
**Those knowledgeable about PPPs believe that the process for selecting private partners for road infrastructure is fair; those considered not knowledgeable are split on the matter.** More than three-fourths (78 percent) of those considered knowledgeable on PPPs agreed or strongly agreed that the process for selecting private partners for road infrastructure was fair, compared to 52 percent of those considered not knowledgeable (Figure 61).

**Figure 61: The process for selecting private partners for road infrastructure is fair**



**Employees at INSEP largely believe that existing PPPs in road infrastructure are a good value for Honduras.** Among those knowledgeable about PPPs, 83 percent agreed or strongly agreed with the statement, compared to 71 percent of those considered not knowledgeable (Figure 62).

**Figure 62: Existing public-private partnerships in road infrastructure are a good value for Honduras**



# 11 ADMINISTRATIVE

---

## 11.1 Institutional Review Board, data access, privacy, and documentation

Data collection was approved by SI's Institutional Review Board (IRB) and data collection followed IRB protocols, including informed consent. All respondents in structured and group interviews were guaranteed confidentiality, and no informants' names or specific titles are used in this report or its annexes. Transcripts of interviews and identifying information are stored in password-protected folders and will not be made publicly available.

Survey respondents also provided informed consent to participate in the study. To build confidence, the public employees survey is entirely anonymous with no identifying information. Once finalized and further anonymized (e.g., location and title information obscured), the data will be made publically available by MCC. The vendors survey does include identifying information. Vendors' data will also be fully anonymized before sharing it with MCC to be made available to the public.

## 11.2 Dissemination

The draft report will be made available to stakeholders, including key informants, with a comment period of 30 calendar days. The draft report will be gradually updated. The first iteration includes the qualitative baseline; the second iteration will include revisions to the qualitative baseline based on comments and the public employees survey; the third iteration will include all revisions and the vendors' survey. A fourth iteration will represent the final version. During this iterative process or soon after completing the report, SI will conduct dissemination events at MCC headquarters in Washington D.C., and in Honduras.

## 11.3 Evaluation team roles and responsibilities

Daniel Sabet serves as team leader; Andrew Carmona is the evaluation team's project manager; and program assistant Braden Agpoon provides support to the team. The team also includes public financial management specialist Albert Pijuan and public private partnership specialist Nick Livingston. As Social Impact's In-Country Coordinator, Irma Romero is responsible for qualitative data collection and oversight of survey research. The public employees survey data collection was carried out by ESA Consultores, and the vendors survey was carried out by Espirállica.

## 11.4 Budget

SI's five-year evaluation contract ceiling is \$1,567,174.78.

# 12 CONCLUSIONS

---

To conclude this report we return to the evaluation questions and consider what evidence we have at this stage to offer preliminary responses to the questions. Of course, it is still early in the TCP and the evaluation team's final responses to the question will occur at endline.

## 12.1 Core questions

1. **Were the Threshold Country Program Goals and Outcomes, as outlined in the Threshold Country Program document and M&E Plan, achieved? Why or why not?**
  - a. **Did the TCP assist Honduras to become eligible for a Millennium Challenge Compact?**
  - b. **Did PFM Project increase the efficiency and transparency of public financial management?**
  - c. **Did the TCP improve the efficiency and transparency of PPPs?**

Under MCC's current scorecard system, Honduras will not be eligible for a Millennium Challenge Compact in Fiscal Year 2016. Honduras's 2016 scorecard reflects non-passing scores across 11 of 20 indicators, including all four World Bank governance indicators on the scorecard.<sup>151</sup> Some interviewees were critical of the governance indicators and expressed concern that they did not offer Honduras a clear path forward to improving its governance ratings. Because of the lagged nature of such indicators, it was argued that MCC might be missing a chance to assist Honduras at a critical time in its development.

The PFM and PPP projects will likely increase the efficiency and transparency of public financial management and PPPs; however, it will be a question of degree. The PFM and PPP specific questions below provide a more detailed response to this question.

2. **What were the results of the interventions – intended and unintended, positive or negative?**

The TCP could be summarized as a relatively low cost, flexible and evolving initiative, spread over a variety of governance challenges related to PFM and PPPs. On the one hand, such an approach could be criticized as being too diffused and inadequately focused to achieve major results. In fact, it is unlikely that such an approach can lead to a transformation in Honduran PFM and PPPs, particularly given the relatively short-term nature of the TCP and limited investment. On the other hand, arguably such a transformation was never the intention. Instead, the approach allows MCC to add its efforts, in complementary fashion, to those IMF, World Bank, Inter-American Development Bank, and GoH

---

<sup>151</sup> Honduras FY16 Scorecard. 2016. Millennium Challenge Corporation. <https://assets.mcc.gov/documents/score-fy16-english-hn-honduras.pdf>

reform efforts. The approach has also allowed TCP the flexibility to respond to new opportunities and work closely with potential champions. Even if some aspects of the TCP produce little to no sustainable results, the TCP will likely be regarded as commendable for supporting the implementation of the Fiscal Responsibility Law (FIA and MTEF), reducing payment arrears, funding the unfunded ASJ mandate of citizen oversight, reinvigorating ONCAE after several years of decline, staffing the help desk to help make the E-catalogue a success, supporting UCF at a critical juncture to help make it an important check on fiscal indiscipline, and developing the UCF to counterbalance the perverse incentives within Honduras's PPP regime.

More specific prospective results of the intervention are discussed below in PFM and PPP specific questions. No unintended negative results were identified by the evaluation team.

### **3. What are the lessons learned and are they applicable to other similar projects?**

Successful consultancies require time to understand the context and causes of the problems they have been tasked with fixing. They also must take time to build a trusting, working relationship with their counterparts. On the one hand, OTA has successfully fielded and coordinated a host of highly qualified consultants to support the TCP. On the other hand, given that almost all of the OTA consultancies are intermittent consultancies, advisors unfamiliar with the Honduran or Central American context and unable to communicate in Spanish were not ideal for the intervention.

As it is currently implemented, TCP has a number of moving parts and its diverse interventions require coordination for its implementation to be successful. While OTA coordinates its pieces and MCA-H plays an extremely important coordinating role, the project is highly dependent on a part-time MCC country director. Fortunately, as of baseline data collection, it appears that the country director, in cooperation with MCA-H and OTA, has been effective in moving the numerous aspects of the intervention forward. Nonetheless, the TCP in Honduras has a risky organizational structure, and it is easy to imagine how opportunities could be missed or items allowed to fall through the cracks.

The advantage of the TCP's approach is that it allows the flexibility to add consultancies and shift funding streams to take advantage of opportunities. The risk in such an approach is that new initiatives may be added haphazardly or may not contribute to the objectives of the TCP. For example, it would be easy to imagine TCP officials being pressured by partners to fund pet GoH projects or initiatives. It was not clear to the evaluation team how new initiatives are added to the TCP, representing a risk of mission creep.

MCC/MCA-H has done a good job of coordinating its interventions with IMF-promoted reform efforts. Several aspects of the TCP dovetail well with IMF-promoted reforms, including support for MTEF and support to the UCF. The complementary relationship has allowed the TCP to make strategic use of limited resources to support reforms promoted by far more politically influential donors.

#### **4. What is the likelihood that the results of the Project will be sustained over time?**

The IDB's experience with ONCAE stands as a cautionary tale for the TCP. The IDB was largely successful in building up ONCAE as a regulatory body; however, the end of IDB funding resulted in a major retrenchment of ONCAE personnel and capacity. As such, sustainability will be a major challenge for several aspects of the TCP. Roadblocks to sustainability include: baseline budgeting does not quite match with GoH priorities, a change in Congress could undermine commitment to fiscal discipline, key positions and project beneficiaries have limited job stability (e.g., director of UCF), ONCAE personnel are still not part of the civil service regime, the TSC lacks adequate per diem funds to permit extensive auditing outside of Tegucigalpa, and PPP institutions are subject to political pressure and perverse funding incentives. MCC/MCA-H is aware of the sustainability challenges; however, without the carrot of future Compact funding, its ability to extract major reform concessions is limited.

#### **5. Does the Program result in an increase in public sector cost savings, without resulting in deterioration in the quality or value of public expenditure?**

Several aspects of the TCP could result in public sector cost savings. On the PFM side, improvements to cash management and the invoice process, and to procurement management could all result in savings. One area where savings are already evident is the E-catalogue; however, this is primarily a GoH initiative.

On the PPP side, it will be difficult to project if the PPPs result in better value for money than more traditional approaches in the absence of formal value for money studies at the project selection and design stages. Nonetheless, it seems likely the involvement and scrutiny of TCP technical advisors will help ensure PPPs are a better value than they would have been without TCP. Consider for example, the contracting error in an earlier PPP that made the government rather than the private sector concessionaire responsible for clearing roads damaged by landslides. Identification of such errors in the early phase of contract development could result in considerable savings.

#### **6. Does the Program result in an improvement in the quality of public service provision?**

Most of the TCP is only expected to have indirect impact on the quality of public service provision. For example, TCP promoted improvements to budgeting, budget reporting, cash management, payment processes, and procurement could indirectly contribute to improved public service provision; however, it will be very difficult for this evaluation to test such a link. In the case of PPPs, however, PPP advisors could have valuable inputs into contract development, the procurement process, or contract management that result in tangible and evident improvements to public service provision. Even in this case, the realization of such benefits might not occur for many years after the TCP is ended. SI will explore these potential benefits through the comparative case study. The greatest opportunity for direct improvements to public service provision will be in response to recommendations from ASJ, procurement assessments, the TSC, and through FIDE. With the



exception of some likely changes as a result of ASJ's work, no such impact had yet been observed at the time of baseline data collection.

## 12.2 PFM questions

### **7. Do partner institutions realize improvement in the effectiveness and efficiency in the processing of invoices and cash management?**

OTA consultants have made recommendations to tighten and clarify existing payment prioritization procedures with further payments categorization, new policies, and legal changes; however, it is too early to judge the uptake of these recommendations. OTA recommendations to standardize commercial bank revenue collection agreements through CUT between TGR, the Central Bank, and the private banking network, could lead to efficiency improvements. Unfortunately an OTA-proposed investment policy for idle CUT cash balances was deemed unworkable under Honduran law.

### **8. Does the accuracy of revenue forecasting increase? Why or why not?**

No radical changes are expected to the methodology; however, the incorporation of additional historical data should help improve accuracy.

### **9. Does the accuracy of budgeting increase in partner institutions? Why or why not?**

Baseline budgeting activities did not influence the 2016 budget, and while they could in the future, there is currently no mechanism in place to reconcile bottom-up developed budgets with top down ceilings. The MTEF offers potential to improve budget accuracy if it is updated annually, informed by baseline budgets, and if it then determines budget allocations to institutions.

### **10. Does the budget reporting and reporting of budget challenges improve in partner institutions? Why or why not?**

The use of OTA developed and proposed formats could improve the quality of reporting in piloted institutions. The challenge will be to ensure that new formats are used and continue to be used by institutions and are taken advantage of by the CBC. TCP-supported improvements to the congressional hearing process and an increase in congressional capacity makes this more likely.

### **11. Do procurement assessment recommendations lead to changes in practices? Do procurement assessments lead to relevant recommendations that could improve procurement? Are these recommendations implemented?**

Procurement assessments were yet to begin at the time of data collection.

**12. Does business confidence in public procurements and participation in procurements increase? Why or why not? What explains variation in perceptions of fairness of the procurement process?**

The first part of this question will be answered at endline. Our baseline vendors survey does, however, allow us to explore variation in perceptions of fairness. Attributes of the firm, such as firm revenue and the percentage of income derived from government contracts, offered the most explanatory power. Firms with more government income are more likely to view the process as fair. Personal experiences with corruption offer the second greatest explanatory power, as those who have been the victim of a corruption solicitation are more likely to view the process as unfair. Individual attributes such as position, education, age, or years of experience in government procurement do not influence perceptions of fairness, nor does experience with specific government institutions.

**13. Do changes to systems and processes reduce opportunities for corruption and/or improve perceptions of corruption?**

Several aspects of the TCP could reduce opportunities for corruption, including fiscal impact analysis (e.g., as a check on congressional action), procurement assessments (corruption in procurement), TSC performance audits (corruption in targeted institutions), and ASJ oversight activities.

**14. Do performance audit recommendations lead to changes in practices? Do performance audits conducted by the TSC with TCP support lead to relevant recommendations that could improve service delivery? Are these recommendations implemented?**

Several good recommendations emerged out of the DEI-DARA pilot that if implemented would improve service delivery (e.g., reduction in wait times). It is not clear how the dissolution of the DEI will affect incentives to implement the recommendations. Additional pilots with other institutions (e.g., Roads Fund) will be undertaken in 2016.

**15. Does civil society oversight and recommendations lead to changes in targeted institutions?**

It seems likely that ASJ's studies will result in tangible changes in SEDUC and the Secretariat of Security. Both SEDUC and Security have produced Improvement Plans that include pushing forward implementation of management information systems, development of procedures and manuals, and impetus towards legal reforms. Most importantly, SEDUC has stated its intention to turn over the responsibility for the appointment of the departmental directors to the Civil Service regime with civil society oversight. Such a move has the potential to reduce a major opportunity for patronage- and corruption- based appointments. Initial reports are still forthcoming for INSEP and SESAL.

### **16. Are there improvements in public employees' perceptions of human resources practices and procurement practices in targeted institutions?**

The baseline public employees survey identified several human resource and public procurement concerns. Respondents overwhelmingly agreed that education and work experience are important to obtaining a job and being promoted in their agency; however, respondents report that knowing the right people and having the political party affiliation are equally important. Despite government efforts to purge government payrolls of individuals who earn a salary but do not actually work, a large minority of respondents perceive ghost workers to still be common or very common. This perception is strongest at INSEP. INSEP employees are also the most likely to report that they have a donation to the governing party deducted from their salary.

Averaged across institutions, roughly half of respondents think that the procurement process is fair, yields high quality goods and services, and results in a good value for money. Additional questions were asked to those knowledgeable about procurement processes. Respondents who are knowledgeable about procurements generally agree that there are adequate controls in place, that the right people sit on evaluation committees, and that evaluation committee decisions are respected. Most knowledgeable respondents feel that corruption is occasional, rare, or nonexistent in direct purchases; however, a sizeable minority of 40 percent feels that corruption is common or very common. At endline, we will look for any changes overtime.

## **12.3 PPP questions**

### **17. Are there improvements in the efficiency and effectiveness of the PPP development and structuring process?**

At baseline COALIANZA handled almost the entire development and structuring process in isolation, developing and bringing to market projects on the basis of ministerial decisions, with only marginal involvement of such stakeholders as INSEP. In light of this limitation, advisers under contract to TCP emphasized the need for more consultation between the institutions - in particular COALIANZA, SEFIN and INSEP, and to a lesser degree SAPP - using a process of capacity building as well as problem-solving concerns with existing contracts. Nevertheless, concern was expressed by a number of interviewees about the extent to which COALIANZA is fully committed to the TCP's capacity building approach as well as whether COALIANZA is committed to incorporating lessons learned from previous PPPs. The weakest partner in the PPP process at the present time remains INSEP, which has to date received guidance from the Roads Concession Advisor as to the establishment of a dedicated PPP unit inside the Ministry. However, this initiative is constrained by the absence of budgetary resources in the Ministry, so that early funding is expected to come from the IDB and from MCA. It would appear that an additional factor might be attributable to the relatively precarious nature of the employment contracts in INSEP and COALIANZA and uncertainty regarding the stability of the UFC team. The PPP program has, since its beginnings, witnessed significant movements of specialized personnel, particularly out of COALIANZA towards SAPP. Subject to the constraints of general practice in the Honduran public sector, efforts and resources need to be mobilized in order to ensure the stability of personnel in the key stakeholders, so that lessons learned can inform future

projects. In summary, the TCP could improve key stakeholder cooperation at this stage in the process; however, their success will depend on COALIANZA support, continuity of personnel, insulation from politics, and a desire to incorporate lessons learned from previous PPPs.

### **18. Does the PPP project procurement process adhere to best practice?**

The PPP process generally respects the overall guidance and parameters laid down by the PPP law and by its subsequent regulation, which provides a measure of predictability, particularly from the point of view of potential bidders. Concerns were raised regarding the unsolicited proposal in the case of Century XXI. While unsolicited proposals are permitted in the PPP law, the short turnaround time for expressions of interest of other firms was unrealistic to create competition in the process.

Furthermore, in all phases of the PPP project cycle, the quality of the work, whether of such institutions as COALIANZA or of external transaction advisors retained by COALIANZA, appears to fall significantly short of international best practice in the major markets. To a certain extent, this can be attributed to the Honduran government's urgent determination to execute projects on a PPP basis, which, in terms of contracts awarded, might be regarded as a success. However, once signed, a number of the projects have run into significant delays at the construction stage, particularly with regard to rights-of-way, a situation that should have been foreseen and mitigated during the project design phase. It is not clear that any rigorous "value for money" or "affordability" analyses have been undertaken prior to development and procurement of the projects, again a reflection of the government's determination to secure the investment and upgrading of infrastructure, with overall transaction cost appearing to be of secondary concern at this stage.

On the positive side, the decree establishing the role and responsibilities of UCF and efforts by the UCF to ensure a financial check at three points in the PPP process, including at the procurement and contracting phase, is likely to bring a measure of control to the fiscal impact of potential and existing projects.

### **19. Are there improvements in the efficiency and effectiveness of the process for managing PPP?**

There are clearly a number of challenges to contract management, including (1) a very weak INSEP that lacks adequate PPP knowledge or capacity and (2) several weaknesses in the existing contracts (e.g. rights of way, removal of landslide rubble allowance, Caracol toll booth). Improvements upstream in the PPP process can go a long way to improving contract management. In addition, at the time of data collection, TCP consultants were working to bring the parties to the table to problem-solve existing contractual issues.

**20. To what extent does the project facilitate greater capacity and coordination for PPPs within GoH?**

The efforts of the three consultants retained to date have been focused on capacity building and on securing a higher level of inter-institutional coordination between the major stakeholders. Subject to the constraints of public sector personnel instability (short-term contracts and premature departures in certain institutions), it is possible to already see a measure of improvement, in particular at the level of UCF/SEFIN. The consultants have participated in regular working sessions to address specific issues relating to existing contracts, sometimes with variable attendance from individual stakeholders such as COALIANZA or SAPP, and the overall impression gained during baseline data collection was that these efforts were both appreciated and seen as desirable. More effective institutional arrangements need to be put in place, particularly in INSEP, where budgetary and human resource constraints need to be overcome.

**21. Do the systems put in place by the project reduce opportunities for corruption or improve perceptions regarding corruption?**

It is extremely difficult to say if there was any corruption involved in the PPPs to date. Some interviewees reported the perception of corruption in the case of Century XXI, which appears likely given it was an unsolicited proposal. Interviewees also raised concerns about irregularities in the case of the Civic Center and the first CA-4 procurement, which was eventually abandoned. The most likely TCP-promoted effort to reduce corruption appears to be support for the UCF. If the UCF as it is currently staffed were to issue official statements at the three proposed stages of the PPP process, this would likely reduce opportunities for corruption.

**22. Does the project result in greater transparency and awareness of PPP procedures for government, private sector and civil society groups?**

Whereas the COALIANZA website provides key documents regarding the individual projects, which is in itself a measure of transparency, more information would be required on project preparation and the decision-making processes that govern the procurement process, to describe a definitive result in greater transparency. From the point of view of the private sector, to judge by the interest shown by different groups in the tenders, the perception of reliability and predictability of the procurement process is adequate. However, little information is available on subsequent contract management nor is information that inform the general public as to the conduct of the project.

# ANNEX I: QUALITATIVE DATA COLLECTION TOOLS

---

## Qualitative Informed Consent Language

**Introduction:** Thank you for taking the time to meet with us today. We are conducting interviews as part of an evaluation of the Honduras Threshold Project, which includes technical support to the Government of Honduras to improve public financial management and public private partnerships. I would like to introduce myself and my colleagues...

**Purpose of the interview:** Example: (In this interview, we would like to ask you a number questions about the \_\_\_\_\_ consultancy. Some of these are standard multiple choice evaluation questions, but we would like to use these questions to engage in a more in-depth conversation. So we have a series of questions asking you about the day-to-day working relationship with the consultant, the quality of the work performed by the consultant, and the usefulness or the impact of the consultancy.)

**Time:** The interview should take between 1 hour and 1.5 hours.

**Informed consent:** There are a few things that I would like to note before we get started:

1. Your participation is voluntary. If you do not want to participate or to answer specific questions you do not have to.
2. Your responses in this interview are confidential. Your name will not appear in any reporting.
3. The information that you and others provide will be used to write an initial report on the Honduras Threshold Project, which will be shared with stakeholders for comment and made publically available.
4. With your permission, we would like to record this interview. This is mainly because we are doing so many interviews at once, and we want to ensure that we do not misunderstand or misrepresent anything.

## Informed consent questions

- Do you have any questions for us before we get started?
  - Are you willing to participate in this interview? Yes / No
  - Would you prefer that we do not record? Ok to record / Not ok to record
- Standardized Evaluation Questions

## Standard information

To begin, I just want to make sure we have your basic information correct. Do you have an up to date business card or would you mind if I asked for basic contact information.

Topic	Information
Name of respondent	
Organization	
Official name of consultancy	
Telephone number	
Email	
Interview attendees	
Transcriber	
Date of interview	
Start time	
End time	
Description of any problems with the interview	

## Standard questions for TCP consultants

Question	Response
<p>1. We would like to start out with a few questions about the “process” as serving as a consultant. Can you confirm the period of performance of your consultancy?</p> <p>[Note: Insert period of time included in the TOR. Note any deviations and the reasons why.]</p>	
<p>2. Was this (or will this be) a sufficient period of time to successfully complete your work, or would you have benefitted from additional time to complete the deliverables and tasks? If no, what would the additional time be needed for?</p>	
<p>3. How would you evaluate the working relationship between you and your counterparts? What have been the challenges?</p>	
<p>4. How frequently do you meet with your counterparts? (Prompt: frequency of meetings, reporting documents, formal vs. informal). Have you had any trouble getting meetings? Getting responses or feedback to reports or recommendations?</p>	
<p>5. What about your relationship with MCC and MCA? Have you obtained adequate support from them? Have they intervened on your behalf to address any problems or concerns?</p>	

Has there been any challenges with MCC or MCA?	
6. Now we would like to ask you about the substance of the consultancy...	
[insert specific questions]	
[insert specific questions]	
7. What concrete results have you seen or do you expect to see by the end of the Threshold? What will be different?	
8. Is there anything else that you think is important to note about the consultancy that we have not touched on? (Prompt: Are there any lessons learned from the consultancy)	

### Standard questions for TCP consultants' point of contact

Question	Response
1. How would you evaluate the working relationship between you and the TCP consultant? What have been the challenges?	
2. How frequently do you meet with the consultant? (Prompt: frequency of meetings, reporting documents, formal vs. informal). Have you had any trouble setting up meetings? Getting deliverables?	
3. Now we would like to ask you about the substance of the consultancy...	
4. [insert specific questions]	
5. [insert specific questions]	
6. What concrete results have you seen or do you expect to see by the end of the Threshold? What will be different as a result of the consultancy?	

### Example of consultant specific questions (Procurement)

Question	Response
Now we would like to ask you about the substance of the consultancy. First we would like to ask you some general questions about procurement assessments	
1. According to the Inception Report, ONCAE hasn't had the capacity to	



supervise/verify how government institutions have applied the current procurement policies. Could you explain in greater detail what ONCAE should be doing and why they haven't been doing it?	
2. According to the Report, 12 institutions were selected for procurement assessments, could you tell me the main reasons to select these specific institutions? More specifically, why INSEP, SESAL and SEDUC?	
3. When do you expect to start doing the procurement assessments? Have there been any interactions yet with the government institutions to be assessed?	
4. According to the Report, there are 6 types of risks that can be found in procurements (compras y contrataciones), which ones do you think you will find most often for INSEP, SEDUC and SESAL? How will this affect the assessments?	
5. You recently designed the Unit for Evaluations and Statistics. What are the main tasks that they will perform? What are your short/medium term expectations with this team?	
6. Sole source procurement assessments: According to the Report, you list 6 possible causes that generate sole source procurements, would you explain each? Which ones do you think you will find most often in INSEP, SESAL and SEDUC?	
7. Contract modifications: According to the Report, you list 8 possible causes that generate contract modifications, could you explain these in greater detail? Which ones do you think you will find most often in INSEP, SESAL and SEDUC?	
8. What kinds of recommendations do you anticipate emanating from the procurement assessments? What kinds of recommendations do you think can realistically be implemented by the end of the Threshold and which are more likely to be longer term recommendations?	
9. What do you see as the primary challenges confronting the procurement assessments?	

10. What concrete results do you expect to see by the end of the Threshold? What will be different?	
11. Is there anything else that you think is important to note about the consultancy that we have not touched on? (Prompt: Are there any lessons learned from the consultancy)	

### Example of point of contact/partner institution specific questions (Procurement)

Question	Response
Now we would like to ask you about ONCAE and procurement assessments. We understand that ONCAE has not really had the capacity to supervise/verify how government institutions have applied the current procurement policies.	
1. What oversight provided of government procurements to date? What were or are the obstacles to developing a more robust oversight regime?	
2. They recently designed the Unit for Evaluations and Statistics that you will be leading. What are the main tasks that this unit will perform? Who will be in the unit? What are your short/medium term expectations with your work?	
3. Could you tell us a little about your background and how you came to lead this unit?	
4. When do you expect to start doing the procurement assessments? Have there been any interactions yet with the government institutions to be assessed?	
5. According to the consultant's Inception Report, there are 6 types of risks that can be found in procurements (compras y contrataciones), which ones do you think you will find most often for INSEP, SESAL and SEDUC?	
6. What do you think are the main causes of sole source procurements in institutions like INSEP, SESAL, and SEDUC?	
7. What do you think are the main causes of contract modification in institutions like INSEP, SESAL, and SEDUC?	
8. What kinds of recommendations do you anticipate emanating from the procurement assessments? What kinds of recommendations do you think can realistically be implemented by the end of the Threshold and which are more likely to be longer term recommendations?	

9. What do you see as the primary challenges confronting your unit and the procurement assessments?	
10. What concrete results have you seen or do you expect to see by the end of the Threshold? What will be different as a result of the consultancy?	

### Example of indirect beneficiary interview (INSEP, SESAL, SEDUC) (Procurement)

Question	Response
1. General: Number of procurement units per institution and where are they located	
2. Number of personnel in each unit; experience in procurement	
3. Number of procurements in the last year and types of processes	
4. Work methods used: PAAC	
5. E-Catalogue: Which has been your general experience using the e-catalogue? Which aspects do you like? Which aspects you don't like? Prioritize them.	
6. Which items have you purchased more frequently with the e-catalogue? What percent of your procurement (in lempira value) do these make up?	
7. Do you think the prices that you pay for these goods through the e-catalogue is higher, lower, or the same for each of these items? (Would it be possible to obtain actual price data for these core goods for what you paid in the past and what you pay now? )	
8. Do you track data on your procurement activity: no. of procurements by type of good, by type of procurement process [(1) Licitación Pública; (2) Licitación Privada; (3) Concurso Publico; (4) Concurso Privado; (5) Contratación Directa], by lempira value? We would like to be able to track over time how your procurements change as a result of the e-catalogue. (If data is not available they try to get estimates)	
9. Procurement norms lay out rules for all of these types of procurements. In practice some norms aren't followed or are very difficult to follow. Can you give us some examples of procurement rules that are difficult to follow?	
10. Walk us through a typical procurement (Licitación pública). What are the main steps?	

11. Time: How long do the different stages take? (e.g. identification of a need to RFQ, RFQ to bids, bids to evaluation report, evaluation report to purchase order, purchase order to delivery, invoice to payment) Are there ways that this process could be more efficient?	
12. Out of a 100 bids: <ul style="list-style-type: none"> <li>• How many have problems with the specifications?</li> <li>• How many are compliant with all the procurement norms?</li> <li>• How many produce adequate competition?</li> <li>• How many result in goods of satisfactory quality?</li> <li>• How many results in goods that are a good value for the money paid?</li> <li>• How many times are goods delivered on time?</li> </ul>	
13. What are the main challenges to conducting an efficient, legal procurement that produces good value for money?	
14. Sole Sourced: Do you think that [INSEP, SESAL, SEDUC] relies too much on sole source procurements or is the amount of sole sourcing appropriate?	
15. What are the typical causes of sole source procurements in this institution (INSEP, SESAL, SEDUC)?	
16. Contract modification: Do you think that [INSEP, SESAL, SEDUC] relies too much on contract modifications or is the amount of contract modifications appropriate?	
17. What are the typical causes of modifications in this institution (INSEP, SESAL, SEDUC)?	

## ANNEX II: INTERVIEWEES

**Table 29: PFM interviewees**

Category	Group	Total	Male	Female
<b>TCP</b>	Consultant	10	5	5
	ASJ	12	2	10
	MCC/MCA	4	1	3
<b>Partner</b>	SEFIN	18	6	12
	Treasury	3	0	3
	ONCAE	4	0	4
	Congress	4	3	1
	TSC	4	0	4
<b>Indirect partner</b>	SEDUC	5	2	3
	Security	2	0	2
	INSEP	3	1	2
	SESAL	3	1	2
<b>Other</b>	Civil society	7	5	2
	Donor	1	0	1
<b>Total</b>		80	26	54

**Table 30: PPP interviewees**

Category	Group	Total	Male	Female
<b>TCP</b>	Consultant	3	3	0
	MCC/MCA	2	0	2
<b>Partners</b>	COALIANZA	8	7	1
	INSEP	4	3	1
	Sapp	7	6	1
	SEFIN	1	1	0
	FIDE	4	1	3
<b>Indirect</b>	Concessionaire	4	4	0
<b>Other</b>	Donor	2	2	0
<b>Total</b>		35	27	8

## ANNEX III: VENDORS SURVEY INSTRUMENT

Question number	Question	No.	Response options	Note
	Hello, my name is ____ and I am here on behalf of the evaluation and research firms, Social Impact and Espiralica. We would like to invite you to participate in a survey. We are surveying firms who are registered to sell items to government entities. We are interested in learning about the challenges to selling to government entities from the perspective of vendors and we want to learn if procurement processes are getting better or worse for firms like yours. This study has been contracted by the Millennium Challenge Corporation (MCC) of the United States as part of an evaluation of its work in Honduras. This is the first part of our study, and we intend to return in one year's time to conduct a follow-up survey to see if things have improved or worsened. We would like your help in completing our study, but your participation is voluntary, and you are free to opt out of any questions you do not feel comfortable answering. If you decide to take part, your responses will be confidential. Only researchers at SI and Espiralica will have access to personal or company information. The data generated by the survey will be used to write a report that will be public and be made available to you. No names of firms or people will appear in any reports. This survey will take approximately 20-30 minutes to complete. If you have any questions or concerns you may contact Social Impact's representative in Honduras Irma Romero at XXXXXXXX. Do you have any questions?			
consent	Do you provide your consent to begin?	1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<b>Business Information</b>			
a1	What is the full name of this establishment?			
a2	Approximately how many employees (permanent) work here?			
a5	Approximately how many employees (temporary) work here?			

a3	Is this a construction, manufacturing, commerce, or service firm?			
		1	Construction	
		2	Manufacturing	
		3	Trade	
		4	Services	
		5	Consulting	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
a4	In what year did this business begin operations?			
	<b>Procurement Experience</b>			
b1	Has this firm EVER submitted a bid, proposal, or quote to provide goods or services to a Honduran government entity?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
b2	IN THE LAST 12 MONTHS, has this firm submitted a bid, proposal, or quote to provide goods or services to a Honduran government entity?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
b3	When was the last time your firm submitted a bid, proposal, or quote to provide goods or services to a Honduran government entity? In what year was this?			
		1	2015	
		2	2014	
		3	2013	
		4	2012	

		5	2011	
		6	2010	
		7	2009	
		8	Prior to 2009	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
b4	Why have you not submitted a bid (or not submitted a bid in the last 12 months)?			
		1	There have been no relevant procurements	
		2	Insufficient knowledge of the procurement process	
		3	Procurement process is too time consuming	
		4	Lack of internal capacity	
		5	Payment from government clients takes too long	
		6	Our firm does not have the right connections	
		7	The procurement process is not fair	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
b5	What kinds of goods or services does this firm sell to the government, or if you haven't sold to the government, what types of products would you like to sell to the government?			
		1	Fuels, fuel additives, lubricants and anticorrosive materials	
		2	Machinery and accessories for construction and building	
		3	Commercial, military and private vehicles, accessories and components	
		4	Electrical and lighting supplies, components and accessories	
		5	Systems, equipment and components of distribution and conditioning	
		6	Laboratory Equipment, Measurement, Observation and Testing	
		7	Medical equipment, accessories and supplies	



		8	Telecommunications and information technology broadcasting	
		9	Office Equipment, Supplies & Supplies	
		10	Equipment and supplies for defense, public order, protection and security	
		11	Cleaning Equipment & Supplies	
		12	Food, beverages and tobacco	
		13	Medicines and pharmaceuticals	
		14	Published products (print media, electronic material, labeling and accessories)	
		15	Furniture and furnishings	
		16	Musical instruments, games, toys, crafts and equipment, supplies, accessories and supplies for education	
		17	Construction and maintenance services	
		18	Transport, storage and mail services	
		19	Management, business and administrative professionals	
		20	Editorial, design, graphics and fine arts services	
		21	Travel, food, accommodation and entertainment services	
		22	National defense, public order and security services	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
b6	Do you anticipate bidding on a government procurement in the next 12 months?			
		1	Yes	
		2	No	
		3	Maybe/perhaps	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	

b7	In the last 12 months, to which of the following government entities have you submitted a bid, a proposal, or a quote?			
		1	INSEP	
		2	Secretary of Health	
		3	Secretary of Education	
		4	Secretary of Security	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
b8	In the last 12 months, have you submitted a bid, a proposal, or a quote to government agencies other than INSEP, Security, Health, or Education?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
<b>Experience with Institutions (repeated for each institution)</b>				
	Now we would like to ask you a series of questions about your experience with procurements in _____. Please remember that your responses are confidential.			Pull name from b7
c1	In the last 12 months, how many bids, proposals, or quotes have you submitted to _____?			Pull name from b7
c2	Of these bids you submitted to _____, how many did you win or expect to win?			Pull name from b7
		1	All	
		2	A majority	
		3	Half	
		4	A minority	
		5	None	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c3	For what types of procurements did you submit bids, proposals, or quotes to _____?			Pull name from b7
		1	Public tenders	
		2	Private tenders	
		3	Direct purchases	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c4	Generally speaking, how would you evaluate the clarity of the specifications provided by _____ in the bidding documents?			Pull name from b7
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c5	Why did you evaluate the specifications in this way?			
		1	Specifications do not have sufficient details	
		2	Specifications are adjusted for a specific brand or supplier	
		3	Specifications are higher than what is needed	
		4	Specifications are lower quality than what is needed	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c6	According to your experience, typically how much time passes between the deadline to submit the proposal and when the winner is announced?			
c7	Days, weeks, or months?			
		1	Days	
		2	Weeks	
		3	Months	
	Now I would like to ask you about the importance of several factors in winning a procurement at _____. I'd like to ask you about your perception of the importance of each one of these factors in winning a contract with _____.			Pull name from b7
c8	In general, how important is COMPLIANCE with the specifications to winning a procurement contract with _____?			Pull name from b7
		1	Very important	

		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c9	In general, how important is the COST of the vendor's product, service, or work to winning a procurement contract in with _____?			Pull name from b7
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>For the next 3 questions, please give the tablet to the interviewee.</i>			
c10	In general, how important is KNOWING THE RIGHT PEOPLE to winning a procurement contract with _____?			Pull name from b7
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c11	In general, how important is AFFILIATION WITH THE POLITICAL PARTY IN POWER for winning a procurement contract with _____?			Pull name from b7
		1	Very important	
		2	Important	
		3	Not very important	

		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c12	In general, how important is PROVIDING A GIFT OR MAKING AN UNOFFICIAL PAYMENT to winning a procurement contract with _____?			Pull name from b7
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>Please return the tablet to the interviewer.</i>			
c13	How would you evaluate the transparency of the procurement process with _____?			Pull name from b7
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c14	Overall, how would you evaluate the fairness of the procurement process with _____?			Pull name from b7
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c15	In the last 12 months has the fairness of the procurement process with _____ improved, worsened, or stayed the same?			Pull name from b7
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c16	When you win a procurement and successfully provide the goods or services, how long does it typically take from the time you submit an invoice to _____ until you are paid?			Pull name from b7
c17	Days, weeks, or months?			
		1	Days	
		2	Weeks	
		3	Months	
c18	(Interviewer: if the average time between presenting an invoice and being paid is less than 6 weeks, pass to the next question)  When the period between presenting an invoice and getting paid exceeds 45 days, do they pay interest on the amount that is owed?			
		1	Yes, always	
		2	Yes, sometimes	
		3	No	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
c19	In the last 12 months has the speed of the payment process with _____ improved, worsened, or stayed the same?			Pull name from b7
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>For the next question, please give the tablet to the interviewee.</i>			
c20	Given that in many cases the government is late in paying invoices, what if any steps do you take to speed up the payment process with _____?			Pull name from b7
		1	None	
		2	Maintain regular communication with counterparts	
		3	Pressure other contacts within the Secretaría	
		4	Pay a bribe	
		5	Threaten to withhold future services or goods	

		6	Threaten with legal action	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>Please return the tablet to the interviewer.</i>			
c21	Do you have any other comments on the procurement process with _____?			Pull name from b7
	<b>Procurement experience with other government institutions and non-bidders</b>			
	Now we would like to ask you a series of questions about your experience with procurements with government institutions other than the 4 main ones (INSEP, Education, Health, and Security). Please remember that your responses are confidential.			
d1	With which government entity do you have the most procurement experience?			
		1	ENEE	
		2	Secretaría de Defensa	
		3	INJUPEMP	
		4	UNAH	
		5	Secretaría de Justicia, DDHH, Descentralización	
		6	IHSS	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d2	In the last 12 months, how many bids, proposals, or quotes have you submitted to government entities?			



d3b	Of these bids you submitted to _____, how many did you win or expect to win?			Pull name from d1
		1	All	
		2	A majority	
		3	Half	
		4	A minority	
		5	None	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d5	For what types of procurements did you submit bids, proposals, or quotes?			
		1	Public tenders	
		2	Private tenders	
		3	Direct purchases	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d6	Generally speaking, how would you evaluate the clarity of the specifications provided by government entities?			
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d7	Why did you evaluate the specifications in this way?			
		1	Specifications do not have sufficient details	

		2	Specifications are adjusted for a specific brand or supplier	
		3	Specifications are higher than what is needed	
		4	Specifications are lower quality than what is needed	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d8	In your experience, how long does it typically take from the time the bid period closes until government entities announces the award?			
d9	Days, weeks, or months?			
		1	Days	
		2	Weeks	
		3	Months	
	Now I'd like to ask you some questions about the importance of various factors for _____ awarding a contract.			Pull name from d1
d10	In general, how important is COMPLIANCE with the specifications to winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	

d11	In general, how important is the COST of the vendor's product, service, or work to winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	For the next 3 questions, please give the tablet to the interviewee.			
d12	In general, how important is KNOWING THE RIGHT PEOPLE to winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d13	In general, how important is AFFILIATION WITH THE POLITICAL PARTY IN POWER for winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d14	In general, how important is PROVIDING A GIFT OR MAKING AN UNOFFICIAL PAYMENT to winning a procurement contract with these government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	Please return the tablet to the interviewer.			
d15	How would you evaluate the transparency of the procurement process with (these) government entities?			
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d16	Overall, how would you evaluate the fairness of the procurement process with (these) government entities?			
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d17	In the last 12 months has the fairness of the procurement process with government entities improved, worsened, or stayed the same?			
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d18	When your firm wins a procurement and successfully provides the goods or services, how long does it typically take from the time you submit an invoice to these government entities until you are paid?			
d19	Days, weeks, or months?			
		1	Days	
		2	Weeks	
		3	Months	
d20	In the last 12 months has the speed of the payment process with government entities improved, worsened, or stayed the same?			
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d21	Do you have any other comments on the procurement process with government entities?			
	Now I'd like to ask you some questions about the importance of various factors for _____ awarding a contract.			Pull name from d1
d22	In general, how important is COMPLIANCE with the specifications to winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d23	In general, how important is the COST of the vendor's product, service, or work to winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	

d24	In general, how important is KNOWING THE RIGHT PEOPLE to winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d25	In general, how important is AFFILIATION WITH THE POLITICAL PARTY IN POWER for winning a procurement contract with (these) government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d26	In general, how important is PROVIDING A GIFT OR MAKING AN UNOFFICIAL PAYMENT to winning a procurement contract with these government entities?			
		1	Very important	
		2	Important	
		3	Not very important	
		4	Not at all important	
		-97	N/A	
		-98	Don't know	

		-99	Refuse/don't want to answer	
	<i>For the next 3 questions, please give the tablet to the interviewee.</i>			
d27	How would you evaluate the transparency of the procurement process with (these) government entities?			
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d28	Overall, how would you evaluate the fairness of the procurement process with (these) government entities?			
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d29	In the last 12 months has the fairness of the procurement process with government entities improved, worsened, or stayed the same?			
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	
		-97	N/A	



		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>Please return the tablet to the interviewer.</i>			
d30	When your firm wins a procurement and successfully provides the goods or services, how long does it typically take from the time you submit an invoice to these government entities until you are paid?			
d31	Days, weeks, or months?			
		1	Days	
		2	Weeks	
		3	Months	
d32	In the last 12 months has the speed of the payment process with government entities improved, worsened, or stayed the same?			
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
d33	Do you have any other comments on the procurement process with government entities?			
	<b>Comparison of experience across agencies</b>			
e1	Are some government entities better to work with than others?			
		1	yes	
		2	no, they are all the same	
		-97	N/A	

		-98	Don't know	
		-99	Refuse/don't want to answer	
e2	Which ones are better to work with?			
		1	INSEP	
		2	Secretaria of Health	
		3	Secretaria of Education	
		4	Secretaria of Security	
		5	ENEE	
		6	Secretaría de Defensa	
		7	INJUPEMP	
		8	UNAH	
		9	Secretaría of Justice, DDHH, Decentralization	
		10	IHSS	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
e3	Which ones are worse to work with?			
		1	INSEP	
		2	Secretaria of Health	
		3	Secretaria of Education	
		4	Secretaria of Security	
		5	ENEE	
		6	Secretaría de Defensa	
		7	INJUPEMP	
		8	UNAH	
		9	Secretaría of Justice, DDHH, Decentralization	

		10	IHSS	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
e4	Why are some better than others?			
		1	Better payment system (faster)	
		2	Less bureaucratic	
		3	Less documents needed	
		4	Well trained personnel	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
e5	Speaking generally, how would you evaluate the financial management within government institutions with which you have had contact?			
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
e6	In the last 12 months, has the financial management within government institutions with which you have had contact improved, worsened, or stayed the same?			
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	

		5	Greatly improved	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
e7	In your opinion, financial management in the current administration has:			
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<b>Procurement Challenges</b>			
f1	With what type of procurement do you have the most experience?			
		1	Public tenders	
		2	Private tenders	
		3	Direct purchases	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
note5	Now we would like to ask you some questions about procurement in government more generally. Below are a list of problems that can occur in the procurement process. In your view, how common are the following problems in government procurement in Honduras?			

f2	Government officials have a preferred supplier or contractor in mind prior to releasing a bid.			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	
		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f3	Government officials tailor the specifications to ensure a specific firm wins.			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	
		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f4	Government officials declare legitimate competitors ineligible to ensure a favored firm wins.			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	
		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f5	Government officials provide too little time to prepare an adequate bid or proposal.			

		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	
		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f6	Government officials obtain quotes from illegitimate businesses, such as empresas de maletín.			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	
		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f7	Illegitimate businesses, such as empresas de maletín, are awarded contracts			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	
		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f8	Firms collude in the bidding process.			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	

		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f9	Would you agree or disagree with the following statement: The government provides a fair and impartial means to challenge award decisions.			
		1	Strongly agree	
		2	Agree	
		3	Disagree	
		4	Strongly disagree	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f10	Have you ever filed a bid challenge?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f11	Could you briefly explain the filing and what was the outcome?			
f12	Why have you not filed a bid challenge to a procurement process that you had participated in?			
		1	Procurement processes were successful	
		2	There is no means to file a challenge.	
		3	There are no changes based on a challenge.	
		4	I want to avoid a reputation as a contender.	

		5	Do not want to quarrel with a client or potential client	
		6	Do not want to be discarded as a supplier in the future	
		7	Considers it a waste of time to initiate a challenge process	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	In your view, how common are the following CONTRACTING challenges in government procurement in Honduras?			
f13	The winning bidder is able to renegotiate the price prior to or immediately after signing of a contract.			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	
		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f14	Work begins before a contract is signed.			
		1	Very common	
		2	Common	
		3	Occasionally occurs	
		4	Rare	



		5	Never occurs	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f15	In thinking about these procurement challenges, on the whole have government procurement processes improved, worsened, or stayed the same during the current administration? (That is to say 2014-present)			
		1	Greatly worsened	
		2	Worsened	
		3	Stayed the same	
		4	Improved	
		5	Greatly improved	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>For the next question, please give the tablet to the interviewee.</i>			
f16	<p>Now I will provide a number of measures firms take to win government procurements. Please tell me the total number of measures your firm has taken in the last 12 months to win a procurement. DO NOT tell me the specific answers, only how many.</p> <p>How many of the following measures did you take to win a procurement? (A) had personnel take a training course on government procurement, (B) hired personnel with experience in government procurement, (C) monitored HonduCompras regularly for opportunities, (D) gave a gift or made an unofficial payment; (E) lowered prices below cost</p>			Randomly chosen half of respondents will be asked f16, others asked f17
		0	0	
		1	1	
		2	2	
		3	3	
		4	4	
		5	5	
		-97	N/A	
		-98	Don't know	

		-99	Refuse/don't want to answer	
f17	<p>Now I will provide a number of measures firms take to win government procurements. Please tell me the total number of measures your firm has taken in the last 12 months to win a procurement. DO NOT tell me the specific answers, only how many.</p> <p>How many of the following measures did you take to win a procurement? (A) had personnel take a training course on government procurement, (B) hired personnel with experience in government procurement, (C) monitored HonduCompras regularly for opportunities, (D) lowered prices below cost</p>			Randomly chosen half of respondents will be asked f16, others asked f17
		0	0	
		1	1	
		2	2	
		3	3	
		4	4	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>Please return the tablet to the interviewer.</i>			
f18	In thinking about the times when your firm was not awarded procurement contracts, why do you think your firm was not awarded these contracts?			
		1	Inadequate technical proposal (if applicable)	
		2	Inadequate experience	
		3	Weaknesses in our sales team	
		4	Our bid/cost was too high	
		5	We did not pay a bribe	
		6	We did not have the right connections	
		7	They prefer specific providers or already have a provider for the work	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>For the next 4 questions, please give the tablet to the interviewee.</i>			
f19	Do you agree or disagree with the following statement: Given the way things are in Honduras, it is sometimes justifiable to pay a bribe?			
		1	Strongly disagree	
		2	Disagree	
		3	Agree	
		4	Strongly agree	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f20	In your opinion, how big a problem is corruption in procurement in Honduran government agencies?			
		1	A major problem	
		2	A moderate problem	
		3	A minor problem	
		4	Not a problem	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f21	In thinking about the last 12 months, do you think that corruption in procurement in Honduran government entities is increasing or decreasing?			
		1	Increasing greatly	
		2	Increasing	

		3	Staying the same	
		4	Decreasing	
		5	Decreasing greatly	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f22	In the last 12 months has a government official asked you or a member of your firm for a bribe to facilitate a procurement?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
f23	Do you agree or disagree with the following statement: Given the way things are in Honduras, it is sometimes justifiable to pay a bribe?			
		1	Strongly disagree	
		2	Disagree	
		3	Agree	
		4	Strongly agree	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
	<i>Please return the tablet to the interviewer.</i>			
	<b>ONCAE and ASJ</b>			
g1	Have you heard of the Ofina Normativa de Contratacion y Adquisiciones del Estado, known as ONCAE?			
		1	yes	
		2	no	
		-97	N/A	

		-98	Don't know	
		-99	Refuse/don't want to answer	
g2	How would you evaluate the work of ONCAE to improve the procurement process with government agencies?			
		1	Very good	
		2	Good	
		3	Fair	
		4	Poor	
		5	Very poor	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
g3	Can you point to any concrete examples of how ONCAE is working to improve the procurement process?			
		1	No	
		2	Procurement assessment or audit	
		3	Trainings	
		4	HonduCompras	
		5	E-Catalogue	
		6	Development of guides and as a source of information	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
g4	Have you heard of the work that the Asociación para una Sociedad más Justa, also known as ASJ o Transparencia Internacional, is doing to improve government procurement processes?			
		1	yes	
		2	no	
		-97	N/A	

		-98	Don't know	
		-99	Refuse/don't want to answer	
g5	Do you think that the work of ASJ or Transparency International has had:			
		1	Major impact	
		2	Moderate impact	
		3	Minor impact	
		4	No impact	
		5	Negative impact	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
g6	I would like to know what impact you have observed. Can I record your answer using the tablet?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
g7	Record the answer to: What impact have you observed?			
g8	If the encuestado is uncomfortable, you may write answer here.			
	<b>Company Information</b>			
h1	What is this firm's current legal status?			
		1	Individual Merchant	
		2	Limited Liability Company	
		3	Anonymous society	
		4	Society in Comandita Simple	

		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
h2	What was this firm's total revenue in Lempiras in 2015?			
		1	0-700,000	
		2	700,001-2,000,000	
		3	2,000,001-10,000,000	
		4	10,000,001-20,000,000	
		5	20,000,001-50,000,000	
		6	Greater than 50,000,000	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
h3	Thinking about the last 12 months, what percent of the firm's total revenue comes from government contracts?			
		1	0	
		2	1-9%	
		3	10-19%	
		4	20-29%	
		5	30-39%	
		6	40-49%	
		7	50-59%	
		8	60-69%	
		9	70-79%	
		10	80-89%	
		11	90-100%	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
h4	For how many years have you (as a business) been selling to the government?			

h5	Do you have dedicated, full-time staff responsible for responding to bids? (Including yourself)			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
h6	If yes, how many? (Including yourself)			
	<b>Personal Information</b>			
i0	Interviewer: How many people are in this interview?			
		1	1	
		2	2	
i1	Name of the respondent			
i2	Position/title of the respondent			
i3	Coding of the position of the first respondent			
		1	Head of sales	
		2	Other sales personnel	
		3	CEO or MD	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
i4	Gender of respondent			
		1	Male	
		2	Female	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
i5	What is the highest level of education you have completed?			
		1	None	
		2	Primary school incomplete	
		3	Primary school complete	



		4	Secondary incomplete	
		5	Secondary complete	
		6	Technical university complete	
		7	Technical university incomplete	
		8	University incomplete	
		9	University complete	
		10	Postgraduate incomplete	
		11	Postgraduate complete	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
i6	How old are you?			
i7	How many years have you been working in government procurement, here at this company or elsewhere?			
i8	Phone number of the interviewee			
	<b>Personal Information - second person</b>			
i9	Name of the respondent			
i10	Position/title of the respondent			
i11	Coding of the position of the first respondent			
		1	Head of sales	
		2	Other sales personnel	
		3	CEO or MD	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
i12	Gender of respondent			
		1	Male	
		2	Female	
		-97	N/A	

		-98	Don't know	
		-99	Refuse/don't want to answer	
i13	What is the highest level of education you have completed?			
		1	None	
		2	Primary school incomplete	
		3	Primary school complete	
		4	Secondary incomplete	
		5	Secondary complete	
		6	Technical university complete	
		7	Technical university incomplete	
		8	University incomplete	
		9	University complete	
		10	Postgraduate incomplete	
		11	Postgraduate complete	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
i14	How old are you?			
i15	How many years have you been working in government procurement, here at this company or elsewhere?			
i16	Phone number of the interviewee			
i17	We would like to interview other firms like yours that bid on government contracts. Would you be able to tell us names and contact information for other firms?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	

		-99	Refuse/don't want to answer	
i18	What is the name of the business?			
i19	Who should we contact at that business?			
i20	What is the phone number?			
i21	INTERVIEWER: are there more businesses to enter information for?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
i22	What is the name of the business?			
i23	Who should we contact at that business?			
i24	What is the phone number?			
i25	INTERVIEWER: are there more businesses to enter information for?			
		1	yes	
		2	no	
		-97	N/A	
		-98	Don't know	
		-99	Refuse/don't want to answer	
i26	What is the name of the business?			
i27	Who should we contact at that business?			
i28	What is the phone number?			
	<b>End of Survey</b>			

## **ANNEX IV: PUBLIC EMPLOYEES SURVEY INSTRUMENT**

---

Name	Question	Option codes	Options	Instructions on the tablet	Skip patterns	Constraints/ Comments
	Informed consent					<i>Time stamp taken here</i>
C1	<p>Hello, my name is ____ and I am here on behalf of the evaluation and research firms, Social Impact and _____. We would like to see if you will participate in a survey.</p> <p>We are surveying employees of different government institutions to assess the impact of a multi-year project to improve public sector governance in Honduras. The government of Honduras and the Millennium Challenge Corporation (MCC) of the United States have contracted this study. This is the first part of our study, and we intend to return in one year's time to conduct a follow-up survey.</p> <p>We would like your help in completing our study, but you do not have to take part if you do not want to, and you are free to opt out of any questions you do not feel comfortable answering. If you decide to take part, your responses will be entirely anonymous. To allow you to answer the questions openly and honestly, we will not ask for your name or identifying information as part of this survey.</p> <p>You were selected randomly from a list of employees above the Apoyo Tecnico level at your Ministry. We will be surveying 2800 public employees about accountability and transparency of public finances.</p> <p>All of your responses will be kept confidential. Only Social Impact and the MCC will have access to the data through a secure online platform, and will not share it with anyone.</p> <p>The general results of our analysis will be used by the government of Honduras and MCC to evaluate their</p>					<p>Smile and greet respondent. Interviewer should read.</p>

	<p>efforts and to help identify additional support that is needed to improve public sector governance.</p> <p>This survey will take approximately 20-30 minutes to complete. The survey is self-administered; however should you have any questions I will be nearby to assist you. There are no anticipated risks or benefits to you for participating in the survey. Participation in the survey is completely voluntary.</p> <p>If you have any questions or concerns you may contact Irma Romero at (504) 9982-4086 . If you have ethical concerns, you may also contact Jim Fremming, the chair of Social Impact's Institutional Review Board at +1.703-465-1884 x208 or jfremming@socialimpact.com</p> <p>Your responses are anonymous. Do you have any questions? <b>Do you provide your consent to begin?</b></p> <p>CONSENT STATEMENT: I understand and agree to participate in this reading research study by filling out this questionnaire as completely and accurately as possible.</p>				
		1	Yes		
		2	No		
T1	<p>Great! Thank you for your participation! First, I would like to show you how to use this device so that you can take the survey on your own. We let you take the survey on their own so that you can feel comfortable answering honestly. It's easy to learn but if you feel more comfortable with me reading the questions, I am happy to do so. Let's say I want to know what your favorite color is, and I give you four options: red, green, yellow, and blue. All you need to do is select the bubble next to the color that you like the best. Then once you are done, simply place your finger on the center of the tablet and slide to the left.</p>				<p>Enumerator should read this aloud as the respondent looks at the screen and help the respondent if he or she has a hard time.</p>
		1	Red		
		2	Green		

		3	Yellow			
		4	Blue			
T2	Good job. Let's try another. What is the capital of Honduras?					Enumerator should read this aloud as the respondent looks at the screen and help the respondent if he or she has a hard time.
		1	San Pedro Sula			
		2	Tegucigalpa			
		3	La Ceiba			
		4	Juticalpa			
T3	Pretty easy, right? In some cases you might need to type in an answer. Let me show you how to do that. Let's say the question is the same: What is the capital of Honduras? But this time there is no answer that you like. In this case, you can select "other" and type in the answer.					Show the respondent how to type
		1	San Pedro Sula			
		2	La Ceiba			
		3	Juticalpa			
		4	Other			
			String			
T4	If you want to go back and change an answer, place your finger in the middle of the tablet and move your finger to the right. Do you have any questions?					Enumerator should read this aloud as the respondent looks at the screen and help the respondent if he or she has a hard time.
T5	Are you willing to take the survey on the tablet or would you like for me to read you the questions?					If the respondent answers 1, state, "Great! Please let me know if you have any questions."
		1	Willing to use the tablet			
		2	Have researcher read the questions			

	<b>Introduction:</b> <i>I'll just watch you answer the first few questions to make sure you are in good shape. We would like to begin with some introductory questions.</i>					<i>Time stamp taken here</i>
i.	I swear that I will answer all questions in this survey truthfully and honestly to the best of my knowledge.					
		1	Acknowledge and sign name			
		2	Refuse and end survey		If chosen, survey ends.	
1a	What is the name of the government agency where you work?					
		1	Secretaría de Infraestructura y Servicios Públicos			
		2	Dirección Ejecutiva de Ingresos			
		3	Secretaría de Salud			
		4	Secretaría de Educación			
		5	Secretaría de Seguridad			
1b	Please describe your employment status?					
		1	Empleado Permanente (Con Acuerdo)			
		2	Empleado por Contrato (con puesto)			
		3	Empleado por Contrato (sin puesto)			
		4	Empleado con Contrato Especial			
		5	Empleado Excluido			
		6	Empleado Interino			
		7	Empleado por Jornales			



		-96	Other			
1c	En relación a las responsabilidades y tareas que desempeña, ¿Usted es considerado...?					
		1	Empleado Regular			
		2	Empleado de Confianza			
1d1	Which of the following best describes your position at INSEP?				If 1a=1	Categories to be adjusted with input from relevant Secretaría
		1	Nivel Alto Funcionario: Secretario General o Subsecretario General			
		2	Nivel Directivo: Director, Subdirector, Gerente, Subgerente, o Asesor Principal			
		3	Nivel Ejecutivo: Asistente, Oficial, Ingeniero Coordinador, Analista, Técnico			
		4	Nivel Técnico			
		5	Nivel Apoyo Técnico			
1d3	What best describes your position at the Secretaría de Salud				If 1a=3	Categories to be adjusted with input from relevant Secretaría
		1	Nivel Alto Funcionario: Secretario y Subsecretario de Estado, Médico Especialistas Director de Programas			
		2	Nivel Directivo: Secretario y Subsecretario de Estado, Médicos Especialistas Directores de Programas			
		3	Nivel Ejecutivo: Enfermeras y Personal Administrativo			

		4	Nivel Técnico			
		5	Nivel Apoyo Técnico			
1d4	What best describes your job at the Secretaría de Educación				If 1a=4	Categories to be adjusted with input from relevant Secretaría
		1	Nivel Alto Funcionario			
		2	Nivel Directivo			
		3	Nivel Ejecutivo			
		4	Nivel Técnico			
		5	Nivel Apoyo Técnico			
	<b>Satisfaction</b>					Time stamp taken here. Enumerator should no longer be watching responses
2a	How satisfied or dissatisfied are you with your current job?					
		1	Very dissatisfied			
		2	Dissatisfied			
		3	Neutral			
		4	Satisfied			
		5	Very satisfied			
2b	How satisfied or dissatisfied are you with _____'s management?				Pull name from 1a	
		1	Very dissatisfied			
		2	Dissatisfied			
		3	Neutral			
		4	Satisfied			
		5	Very satisfied			

2c	In thinking about the last twelve months, would you say that your satisfaction with your current job has increased or decreased?					
		1	Increased greatly			
		2	Increased			
		3	Stayed the same			
		4	Decreased			
		5	Decreased greatly			
	<b>Services:</b> Now I would like to ask you to evaluate the work of your institution					Time stamp taken here
3a1	How would you evaluate INSEP's work to develop highways BETWEEN Honduras's cities?				If 1a=1	Only for INSEP respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3a2	How would you evaluate INSEP's work to develop road infrastructure WITHIN Honduras's cities?				If 1a=1	Only for INSEP respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3a3	How would you evaluate the QUALITY of the roads developed by INSEP				If 1a=1	Only for INSEP respondents
		1	Very good			
		2	Good			
		3	Neutral			

		4	Poor			
		5	Very poor			
3a4	How would you evaluate INSEP's EFFICIENCY in developing roads?			By efficiency we mean doing the job with the least amount of waste of time and effort.	If 1a=1	Only for INSEP respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3a5	How would you evaluate INSEP's TRANSPARENCY?			By transparency we mean making information available to the public	If 1a=1	Only for INSEP respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3a6	In thinking about the last 12 months, would you say that INSEP's efforts to develop Honduras's roads has improved or worsened?				If 1a=1	Only for INSEP respondents
		1	Improved greatly			
		2	Improved			
		3	Stayed the same			
		4	Worsened			
		5	Worsened greatly			
3c1	How would you evaluate the Secretaría de Salud in EXPANDING health care access to all Hondurans?				If 1a=3	Only for Salud respondents
		1	Very good			

		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3c2	How would you evaluate the QUALITY of the medical care provided by the Secretaría de Salud to its patients?				If 1a=3	Only for Salud respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3c3	How would you evaluate the Secretaría de Salud in maintaining adequate stocks of necessary medication in clinics and hospitals?				If 1a=3	Only for Salud respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3c4	How would you evaluate the Secretaría de Salud's EFFICIENCY in providing health services?			By efficiency we mean doing the job with the least amount of waste of time and effort.	If 1a=3	Only for Secretaría de Salud respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3c5	How would you evaluate Secretaría de Salud's TRANSPARENCY?			By transparency we mean making information	If 1a=3	Only for Secretaría de Salud respondents

				available to the public		
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3c6	In thinking about the last 12 months, would you say that the Secretaría de Salud's efforts to provide health services in Honduras has improved or worsened?				If 1a=3	Only for Secretaría de Salud respondents
		1	Improved greatly			
		2	Improved			
		3	Stayed the same			
		4	Worsened			
		5	Worsened greatly			
3d1	How would you evaluate the Secretaría de Educación in EXPANDING education access to all eligible primary school age children?				If 1a=4	Only for Education respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3d2	How would you evaluate the QUALITY of the education provided by the Secretaría de Educación to enrolled primary students?				If 1a=4	Only for Education respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			

3d3	How would you evaluate the QUALITY of the education provided by the Secretaría de Educación to enrolled secondary students?				If 1a=4	Only for Education respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3d4	How would you evaluate the Secretaría de Educación's EFFICIENCY in providing education services?			By efficiency we mean doing the job with the least amount of waste of time and effort.	If 1a=4	Only for Secretaría de Educación respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3d5	How would you evaluate Secretaría de Educación's TRANSPARENCY?			By transparency we mean making information available to the public	If 1a=4	Only for Secretaría de Educación respondents
		1	Very good			
		2	Good			
		3	Neutral			
		4	Poor			
		5	Very poor			
3d6	In thinking about the last 12 months, would you say that the Secretaría de Educación's efforts to provide education services in Honduras has improved or worsened?				If 1a=4	Only for Secretaría de Educación respondents
		1	Improved greatly			
		2	Improved			

		3	Stayed the same			
		4	Worsened			
		5	Worsened greatly			
3f	How would you evaluate the quality of YOUR OWN work at _____ ?				Pull name from 1a	
		1	Very poor			
		2	Poor			
		3	Neutral			
		4	Good			
		5	Very good			
	<b>Corruption general:</b> Now we would like to get your views on a number of important topics, including some sensitive topics like corruption. Please remember that this survey is anonymous. We want to know what you really think and we encourage you to answer honestly.					Time stamp taken here
4a	Teniendo en cuenta su experiencia o lo que ha oído mencionar, La corrupción de los funcionarios públicos en el país está					
		1	Muy generalizada			
		2	Algo generalizada			
		3	Poco generalizada			
		4	Nada generalizada			
4b	Teniendo en cuenta su experiencia o lo que ha oído mencionar, La corrupción de los funcionarios públicos en la _____ está				Pull name from 1a	
		1	Muy generalizada			
		2	Algo generalizada			
		3	Poco generalizada			
		4	Nada generalizada			



4c	In thinking about the last twelve months, would you say that corruption in _____ has increased or decreased?				Pull name from 1a	
		1	Increased greatly			
		2	Increased			
		3	Stayed the same			
		4	Decreased			
		5	Decreased greatly			
4d	How honest do you think you have been in answering these questions?					
		1	Completely honest			
		2	Generally honest			
		3	Somewhat honest			
		4	Dishonest			
4e	What of the following forms of corruption exist in your institution?			Select all that apply		
		1	Bribes from citizens to obtain faster service or preferred treatment			
		2	Bribes from citizens to avoid paying money they owe			
		3	Bribes from vendors to influence the procurement of goods and services			
		4	Bribes within the agency for positions and promotions			
		5	Other (specify)			
		6	There is no corruption			
4f	Do you personally know any co-workers who have accepted a bribe in the last 12 months?					
		1	Yes			
		2	No			

		-99	Refused			
4g	In the last 12 months, has anyone offered YOU a bribe in the course of your work?					
		1	Yes			
		2	No			
		-99	Refused			
4h	Would you agree or disagree with the following statement: Employees in the _____ who participate in corruption will likely be caught.				Pull name from 1a	
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
4i	If an employee is caught accepting a bribe worth one day of his salary, what is likely to happen to that employee?			Select all that apply		
		1	Nothing			
		2	Verbally admonished			
		3	Administratively sanctioned, for example suspended			
		4	Fired			
		5	Criminally prosecuted			
		-96	Other (specify)			
4j	Would you agree or disagree with the following statement: If an employee reports a co-worker for accepting a bribe, the allegation will be properly investigated.					
		1	Strongly agree			
		2	Agree			
		3	Disagree			

		4	Strongly disagree			
4k	Would you agree or disagree with the following statement: If an employee reports a co-worker for accepting bribes, that employee will likely suffer reprisals.					
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
	<b>Human Resources:</b> Now I would like to ask you about the human resource issues and processes at your institution					Time stamp taken here
5a	Are you satisfied or dissatisfied with the training provided by your institution?					
		1	Very dissatisfied			
		2	Dissatisfied			
		3	Neutral			
		4	Satisfied			
		5	Very satisfied			
5b	Are you satisfied or dissatisfied with the opportunities for advancement provided by your institution?					
		1	Very dissatisfied			
		2	Dissatisfied			
		3	Neutral			
		4	Satisfied			
		5	Very satisfied			
5c	Do you work in the human resources department or have you participated on hiring or promotion committees?					

		1	Yes			
		2	No			
5d	Do you consider yourself knowledgeable about your institution's process for hiring new employees?					
		1	Very knowledgeable			
		2	Knowledgeable			
		3	Not very knowledgeable			
		4	Not at all knowledgeable			
5e	Would you agree or disagree with the following statement: employees at my institution are hired based on their merits.					
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
5f	<p>Now we would like to know how important you think different factors are in obtaining a PROFESSIONAL position in your institution. A PROFESSIONAL position is any position above the level Apoyo Técnico.</p> <p>In general, how important is LEVEL OF EDUCATION for obtaining a professional position in_____?</p>			A professional position is any position above the level Apoyo Técnico	Pull name from 1a	Considerations for pilot: Is "professional" understood
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
5g	In general, how important is WORK EXPERIENCE for obtaining a professional position in_____?			A professional position is any position above the level Apoyo Técnico	Pull name from 1a	
		1	Very important			

		2	Important			
		3	Not very important			
		4	Not at all important			
5h	In general, how important is KNOWING THE RIGHT PEOPLE for obtaining a professional position in _____?			A professional position is any position above the level Apoyo Técnico	Pull name from 1a	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
5i	In general, how important is AFFILIATION WITH THE POLITICAL PARTY IN POWER for obtaining a professional position in _____?			A professional position is any position above the level Apoyo Técnico	Pull name from 1a	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
5j	In general, how important is PROVIDING A GIFT OR MAKING AN UNOFFICIAL PAYMENT for obtaining a professional position in _____?			A professional position is any position above the level Apoyo Técnico	Pull name from 1a	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
5k	In the last 12 months has the fairness of the process for hiring new employees improved or worsened?					
		1	Greatly improved			

		2	Improved			
		3	Stayed the same			
		4	Worsened			
		5	Greatly worsened			
5l	Would you agree or disagree with the following statement: Currently, all teachers who are hired by the Ministry of Education score 75% or better on the Teacher Qualification Test.					Only for Education
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
5m	Would you agree or disagree with the following statement: Currently, Ministry of Education Departmental Directors are hired or promoted based on their merits.					Only for Education
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
5n1	Now I will provide a number of measures people take to get government jobs. Please tell me the total number of measures you took to get this job. DO NOT tell me the specific answers, only how many. How many of the following measures did you take to get your current job? (1) Took a training course for the position, (2) Attended university, (3) Filled out an application, (4) Spoke with a recruiting firm				Randomize who receives 5n1 or 5n2	This is a survey experiment. Please see the design document for an explanation
		0				
		1				
		2				
		3				
		4				

5n2	<p>Now I will provide a number of measures people take to get government jobs. Please tell me the total number of measures you took. DO NOT tell me the specific answers, only how many.</p> <p>How many of the following measures did you take to get your current job? (1) Took a training course for the position, (2) Attended university, (3) Filled out an application, (4) made an informal payment, (5) Spoke with a recruiting firm</p>				Randomize who receives 5n1 or 5n2	<i>This is a survey experiment. Please see the design document for an explanation</i>
		0				
		1				
		2				
		3				
		4				
		5				
6a	In the last 12 months, have you received any direct training from your employer?					
		1	Yes			
		2	No			
6b	In the last 12 months, has your employer helped you obtain training from other institutions?					
		1	Yes			
		2	No			
7a	Do you consider yourself knowledgeable about your institution's process for promoting employees?					
		1	Very knowledgeable			
		2	Knowledgeable			
		3	Not very knowledgeable			
		4	Not at all knowledgeable			

7b	Would you agree or disagree with the following statement: Employees at my institution are promoted based on their merits.					
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
7c	<p>Now we would like to know how important you think different factors are in being promoted in your institution.</p> <p>In general, how important is LEVEL OF EDUCATION for being promoted in _____?</p>				Pull name from 1a	Considerations for pilot: Do we need to specify "professional"
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
7d	In general, how important is QUALITY OF PAST WORK for being promoted in _____?				Pull name from 1a	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
7e	In general, how important is KNOWING THE RIGHT PEOPLE for being promoted in _____?				Pull name from 1a	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			



7f	In general, how important is AFFILIATION WITH THE POLITICAL PARTY IN POWER for being promoted in _____?				Pull name from 1a	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
7g	In general, how important is PROVIDING A GIFT OR MAKING AN UNOFFICIAL PAYMENT for being promoted in _____?				Pull name from 1a	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
7h	In the last 12 months has the fairness of the process for determining promotions improved or worsened?					
		1	Greatly improved			
		2	Improved			
		3	Stayed the same			
		4	Worsened			
		5	Greatly worsened			

7i1	Now I will provide a number of measures people take to get a promotion. Please tell me the total number of measures you have taken. DO NOT tell me the specific answers, only how many. How many of the following measures have you taken to try to obtain a promotion? (1) Attended university while working; (2) Formally applied for a promotion; (3) Threatened to resign if not promoted; (4) Worked extra hours on a regular basis.				Randomize who receives 7i1 or 7i2	<i>This is a survey experiment. Please see the design document for an explanation</i>
		0				
		1				
		2				
		3				
		4				
		-97	Not applicable. I have not tried to get promoted			
7i2	Now I will provide a number of measures people take to get a promotion. Please tell me the total number of measures you have taken. DO NOT tell me the specific answers, only how many. How many of the following measures have you taken to try to obtain a promotion? (1) Attended university while working; (2) Formally applied for a promotion; (3) Threatened to resign if not promoted; (4) Made an informal payment to a superior; (5) Worked extra hours on a regular basis.				Randomize who receives 7i1 or 7i2	<i>This is a survey experiment. Please see the design document for an explanation</i>
		0				
		1				

		2				
		3				
		4				
		5				
		-97	Not applicable. I have not tried to get promoted			
7j	When was the last time you were promoted?					
		1	I have not been promoted			
		2	Less than a year ago			
		3	1 to almost 2 years ago			
		4	2 to almost 3 years ago			
		5	3 to almost 5 years ago			
		6	5 or more years ago			
7k	When was the last time your work was formally evaluated by a superior or supervisor?					
		1	Less than 6 months ago			
		2	Less than one year ago			
		3	More than one year ago			
		4	I have never been formally evaluated			
7l	How was this evaluation used?			Select all that apply		
		1	To provide feedback on my work			
		2	In a promotion or salary decision			
		3	To apply an administration sanction			
		4	I don't know how it was used			
		-96	Other (specify)			

7l	At the _____, how common are people who draw a salary but do even show up to work?			These are sometimes call ghost workers	Pull from 1a	
		1	Very common			
		2	Common			
		3	Occasional			
		4	Rare			
		5	Nonexistent			
	<b>Procurement:</b> Now we would like to ask you about the procurement processes at your institution					Time stamp taken here. Battery largely excludes DEI.
8a	Do you work in the procurement department or have you participated in procurement evaluation committees?					
		1	Yes			
		2	No			
8b	Do you consider yourself knowledgeable about your institution's procurement process?					
		1	Very knowledgeable			
		2	Knowledgeable			
		3	Not very knowledgeable			
		4	Not at all knowledgeable			
		-99	Other			
8c	Would you agree or disagree with the following statement: The procurement process for selecting vendors is fair at _____.				Pull name from 1a. Only ask for 1a=2 if 8b=1 2	
		1	Strongly agree			
		2	Agree			
		3	Disagree			

		4	Strongly disagree			
8d	Would you agree or disagree with the following statement: The procurement process at _____ results in HIGH QUALITY goods and services.				Pull name from 1a. Only ask for 1a=2 if 8b=1 2	
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
		-98	Don't know			
8e	Would you agree or disagree with the following statement: The procurement process at _____ results in goods and services that are a GOOD VALUE FOR THE MONEY paid.				Pull name from 1a. Only ask for 1a=2 if 8b=1 2	
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
		-98	Don't know			
8f	Now we would like to know how important you think different factors are in the procurement process.  In general, how important is QUALITY of the vendor's products to winning a procurement contract in _____?				Pull name from 1a. Only ask for 1a=2 if 8b=1 2	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
		-98	Don't know			

8f	In general, how important is the COST of the vendor's product to winning a procurement contract in _____?				Pull name from 1a. Only ask for 1a=2 if 8b=1   2	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
		-98	Don't know			
8g	In general, how important is KNOWING THE RIGHT PEOPLE to winning a procurement contract in _____?				Pull name from 1a. Only ask for 1a=2 if 8a=1	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
		-98	Don't know			
8h	In general, how important is AFFILIATION WITH THE POLITICAL PARTY IN POWER for winning a procurement contract in _____?				Pull name from 1a. Only ask for 1a=2 if 8b=1   2	
		1	Very important			
		2	Important			
		3	Not very important			
		4	Not at all important			
		-98	Don't know			
8i	In general, how important is PROVIDING A GIFT OR MAKING AN UNOFFICIAL PAYMENT to winning a procurement contract in _____?				Pull name from 1a. Only ask for 1a=2 if 8b=1   2	
		1	Very important			

		2	Important			
		3	Not very important			
		4	Not at all important			
		-98	Don't know			
8j	Who is the current president of Honduras?			We just want to see if you are paying attention ☺		<i>This is a check to see if respondents are reading the questions or just selecting answers. Individuals with below average times who answer this incorrectly will likely be thrown out of the sample.</i>
		1	Roberto Micheletti			
		2	Francisco Morazán			
		3	Juan Orlando Hernández			
		4	Manuel Zelaya Rosales			
8k	In the last 12 months has the fairness of the procurement process improved or worsened?				Only ask for 1a=2 if 8b=1   2	
		1	Improved greatly			
		2	Improved			
		3	Stayed the same			
		4	Worsened			
		5	Worsened greatly			
		-98	Don't know			
8l	<p>Since you are knowledgeable about the procurement process we would like to ask you a few additional questions.</p> <p>Would you agree or disagree with the following statement: The people that participate on procurement evaluation committees are the right people to make procurement decisions.</p>				If 8b=1   2	<i>To be asked of those knowledgeable about procurement</i>

		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
		-98	Don't know			
8m	Would you agree or disagree with the following statement: Decisions made by the procurement evaluation committee are respected by the institution.				If 8b=1   2	To be asked of those knowledgeable about procurement
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
		-98	Don't know			
8n	Would you agree or disagree with the following statement: My institution has sufficient controls in place to prevent abuses.				If 8b=1   2	To be asked of those knowledgeable about procurement
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
		-98	Don't know			
8l	Would you agree or disagree with the following statement: Strict procurement rules in my institution create more problems than they solve				If 8b=1   2	To be asked of those knowledgeable about procurement
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
		-98	Don't know			
8m	How common is it for sole source contracts to involve corruption?				If 8b=1   2	To be asked of those knowledgeable about procurement



		1	Very common			
		2	Common			
		3	Occasional			
		4	Rare			
		5	Never			
		-98	Don't know			
8n	How common is bidder collusion?				If 8b=1   2	To be asked of those knowledgeable about procurement
		1	Very common			
		2	Common			
		3	Occasional			
		4	Rare			
		5	Never			
		-98	Don't know			
8o	How common is it for work to begin before a contract is signed?				If 8b=1   2	To be asked of those knowledgeable about procurement
		1	Very common			
		2	Common			
		3	Occasional			
		4	Rare			
		5	Never			
		-98	Don't know			
8p	How common is it for the institution to split purchases into multiple procurements to avoid procurement rules?				If 8b=1   2	To be asked of those knowledgeable about procurement
		1	Very common			
		2	Common			
		3	Occasional			
		4	Rare			

		5	Never			
		-98	Don't know			
	<b>Public private partnerships:</b> Now we would like to ask you about private concessions responsible for road maintenance or expansion, also known as public private partnerships.				If 1a=1	Time stamp here. Questions just asked of INSEP
9a	Do you consider yourself knowledgeable about public private partnerships in road infrastructure?			Public private partnerships typically involve a concession to a private firm to maintain, expand, or build roads. In exchange, these firms charge drivers tolls.	If 1a=1	
		1	Very knowledgeable			
		2	Knowledgeable			
		3	Not very knowledgeable			
		4	Not at all knowledgeable			
9b	Would you agree or disagree with the following statement: The process for selecting private partners for road infrastructure is fair.				If 1a=1 and 9a=1   2	
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			
		-98	Don't know			
9c	Would you agree or disagree with the following statement: Existing public private partnerships in road infrastructure are a good value for Honduras.				If 1a=1 and 9a=1   2	
		1	Strongly agree			
		2	Agree			
		3	Disagree			
		4	Strongly disagree			

		-98	Don't know			
9d	How good a job do you think INSEP is doing regulating public private partnerships in road infrastructure?	1	Very poor		If 1a=1 and 9a=1 2	
		2	Poor			
		3	Neutral			
		4	Good			
		5	Very good			
		-98	Don't know			
9e	In the last 12 months, has INSEP's regulation of public private partnerships in road infrastructure improved or worsened?	1	Improved greatly		If 1a=1 and 9a=1 2	
		2	Improved			
		3	Stayed the same			
		4	Worsened			
		5	Worsened greatly			
		-98	Don't know			
	<b>External organizations:</b> Have you heard of the following groups working with _____ in the last year?				Pull name from 1a	Time stamp here
10a	Asociación para una Sociedad Más Justa (ASJ)					
		1	Yes			
		2	No			
		-98	Don't know			
10b	Tribunal Superior de Cuentas					
		1	Yes			
		2	No			
		-98	Don't know			
10c	Oficina Normativa de Contratación y Adquisiciones del Estado (ONCAE)					
		1	Yes			
		2	No			

		-98	Don't know			
10d	Oficina Nacional de Desarrollo Integral de Control Interno (ONADICI)					
		1	Yes			
		2	No			
		-98	Don't know			
10e	Cuenta de Milenio					
		1	Yes			
		2	No			
		-98	Don't know			
10f	Banco Mundial					
		1	Yes			
		2	No			
		-98	Don't know			
10g	Banco Interamericano de Desarrollo					
		1	Yes			
		2	No			
		-98	Don't know			
	Now I would like to ask you if any of these groups have had an impact on _____:				Pull name from 1a	
11a	Asociación para una Sociedad Más Justa (ASJ)				If 9a=1	
		1	Strong positive impact			
		2	Moderate positive impact			
		3	Minor positive impact			
		4	No impact			
		5	Negative impact			
11a1	What impact have you observed?			Please press the button to begin recording a response. Then speak into the	If 9a=1 and unless 11a=4	

				tablet and let us know briefly what changes you have observed. Press the button again when you have finished.		
			String			
		-98	Don't know			
11b	Tribunal Superior de Cuentas				If 9b=1	
		1	Strong positive impact			
		2	Moderate positive impact			
		3	Minor positive impact			
		4	No impact			
		5	Negative impact			
11b1	What impact have you observed?			Please press the button to begin recording a response. Then speak into the tablet and let us know briefly what changes you have observed. Press the button again when you have finished.	If 9b=1 and unless 11b=4	
			String			
		-98	Don't know			
11c	Oficina Normativa de Contratacion y Adquisiciones de Estado (ONCAE)				If 9c=1	
		1	Strong positive impact			
		2	Moderate positive impact			
		3	Minor positive impact			
		4	No impact			
		5	Negative impact			

11c1	What impact have you observed?			Please press the button to begin recording a response. Then speak into the tablet and let us know briefly what changes you have observed. Press the button again when you have finished.	If 9c=1 and unless 11c=4	
			String			
		-98	Don't know			
11d	Oficina Nacional de Desarrollo Integral de Control Interno (ONADICI)					
		1	Strong positive impact			
		2	Moderate positive impact			
		3	Minor positive impact			
		4	No impact			
		5	Negative impact			
11d1	What impact have you observed?			Please press the button to begin recording a response. Then speak into the tablet and let us know briefly what changes you have observed. Press the button again when you have finished.	If 9d=1 and unless 11d=4	
			String			
		-98	Don't know			
11e	Cuenta de Milenio				If 9e=1	
		1	Strong positive impact			
		2	Moderate positive impact			

		3	Minor positive impact			
		4	No impact			
		5	Negative impact			
11e1	What impact have you observed?			Please press the button to begin recording a response. Then speak into the tablet and let us know briefly what changes you have observed. Press the button again when you have finished.	Unless 11e=4	
			String			
		-98	Don't know			
11f	Banco Mundial				If 9f=1	
		1	Strong positive impact			
		2	Moderate positive impact			
		3	Minor positive impact			
		4	No impact			
		5	Negative impact			
11f1	What impact have you observed?			Please press the button to begin recording a response. Then speak into the tablet and let us know briefly what changes you have observed. Press the button again when you have finished.	If 9f=1 and unless 11e=4	
			String			
		-98	Don't know			

11g	Banco Interamericano de Desarrollo				If 9g=1	
		1	Strong positive impact			
		2	Moderate positive impact			
		3	Minor positive impact			
		4	No impact			
		5	Negative impact			
11g1	What impact have you observed?			Please press the button to begin recording a response. Then speak into the tablet and let us know briefly what changes you have observed. Press the button again when you have finished.	If 9g=1 and unless 11g=4	
			String			
		-98	Don't know			
<b>Employee information:</b> Now I would like to ask you more about your position here at the institution						Time stamp taken here
12a	How many years have you worked at _____?			You must enter a whole number. If you have worked for less than one year, please write '0.'	Pull name from 1a	0 to 50
			Numeric			
12b	How often do you have direct interaction with citizens in the course of your work?					
		1	Frequently			



		2	Sometimes			
		3	Rarely			
		4	Never			
12b	Prior to this job, where did you work?					
		1	Other government agency			
		2	Private sector			
		3	NGO or civil society organization			
		4	Informal economy			
		5	Unemployed			
		-96	Other, Please explain			
			String			
12c	Two years in the future, where do you see yourself working?					
		1	Continuing to work for this institution			
		2	Other government agency			
		3	Private sector			
		4	NGO or civil society organization			
		5	Informal economy			
		6	Unemployed			
		7	Retired			
		-96	Other, Please explain			
			String			
12d	Would you agree or disagree with the following statement: Given the way things are in Honduras, it is sometimes justifiable for government employees to accept a bribe?					
		1	Strongly agree			

		2	Agree			
		3	Disagree			
		4	Strongly disagree			
	<b>Personal Information:</b> Now I would like to ask you some questions about you?					<i>Time stamp taken here</i>
13a	What is your gender?					
		1	Male			
		2	Female			
13b	What is your gross monthly wage from _____				Pull name from 1a	
		1	0-9,999			
		2	10,000-19,999			
		3	20,000-29,999			
		4	30,000-39,999			
		5	40,000-49,999			
		6	50,000-59,999			
		7	60,000-69,999			
		8	70,000-79,999			
		9	80,000-89,999			
		10	Greater than 90,000			
13c	Do you have a donation to a political party deducted from you pay?					
		1	Yes			
		2	No			

		-98	Don't know			
13d	Would you consider yourself the primary income earner for your family?					
		1	Yes			
		2	No			
13e	How many people depend on your salary?					1 to 25
			Numeric			
13f	What is your gross monthly household income?			This is from all sources, including wages, business income, remittances.		
		1	0-9,999			
		2	10,000-19,999			
		3	20,000-29,999			
		4	30,000-39,999			
		5	40,000-49,999			
		6	50,000-59,999			
		7	60,000-69,999			
		8	70,000-79,999			
		9	80,000-89,999			
		10	Greater than 90,000			
13g	What is the highest education you have completed?					
		1	Ninguno			
		2	Básica Incompleta			
		3	Básica Completa			
		4	Secundaria Incompleta			

		5	Secundaria Completa			
		6	Técnico Universitario Incompleto			
		7	Técnico Universitario Completo			
		8	Universidad Incompleta			
		9	Universidad Completa			
		10	Postgrado Incompleto			
		11	Postgrado Completo			
13h	Did you complete training at the Instituto Técnico Policial (ITP)?				If 1a=5	Only for seguridad
		1	Yes			
		2	Started but did not complete			
		3	No			
13i	Did you attend the Academia Nacional de Policía (ANAPO)				If 1a=5 AND If 12g = 6 7 8 9 10 11	Only for seguridad
		1	Yes			
		2	Started but did not complete			
		3	No			
13j	What is your age in years?					16-85
			Numeric			
	<b>Final:</b> Thank you for your time and participation in this survey! Please pass your tablet to one of the researchers.			To be filled out by enumerator and supervisor		
						Tablet will display output of summary statistics including: Number of questions

						answered, percent eligible answered, number and percent of sensitive questions answered, total time, and time for key sections.
F1	You finished the survey very quickly. Did you read all the questions carefully before answering?			Select yes or no and add a comment if helpful.	If time is one standard deviation below average	
		1	Yes			
		2	No			
		3	Comment			
F2	You skipped a lot of questions, could you tell me why?			Open ended. Select all that apply.	If more than 5% of the questions are skipped	
		1	The survey was too long			
		2	I'm too busy			
		3	I didn't like the questions			
		4	Many of the questions asked about corruption or sensitive topics			
F3	Enumerator code					
		1	Fulano			
		2	Mengano			
		3	Zutano			
		4	...			
		5	...			
F4	Location code					
			TBD			
F5	Reviewed by supervisor			Only the supervisor should answer this question.		

		1	Yes			
		2	No			
F6	Supervisor code					
		1	Fulano			
		2	Mengano			
		3	Zutano			
		4	...			
		5	...			
F7	Are there concerns with this survey?			Provide in the comment section any concerns or recommendations		
		1	Yes			
		2	No			
			Comment			

# ANNEX V: SAMPLING IN THE PUBLIC EMPLOYEES SURVEY

---

## Introduction

This survey's sampling methodology means that the pulled sample was often rather different from the overall population. In addition, the survey had a response rate of 61 percent, with individual rates of 53 percent in INSEP, 59 percent in SESAL, and 70 percent in SEDUC, which invites the possibility of sampling error despite the presence of randomly selected replacements. This annex explores differences between the population and the pulled sample and differences between the pulled sample and the final sample. The analysis suggests that there are in fact considerable differences between the population and the pulled sample; however, these were generally to be expected. In addition, in some cases there were differences based on the pulled sample and the final sample. All but one of these differences were in INSEP, where the dissolution of the General Directorate of Transport meant that 168 sampled individuals from this department could not be interviewed.

## INSEP

**Intended differences:** As expected, the selected sample is somewhat more educated, more permanent employees, and earns more than the broader population of INSEP employees. While the population is already highly concentrated in Francisco Morazán, the pulled sample is even more Francisco Morazán based. Non-negligible differences are presented in bold in Table 31.

**Unintended differences:** The final sample is even slightly better educated and more likely to be a permanent employee than the pulled sample. This could be because those in the transport department were both lower educated and more contract employees.

**Table 31: Differences between the INSEP population, pulled sample, and final survey sample**

Variable	Value	INSEP population	INSEP sampled	INSEP surveyed
Observations	Number	3,886	500	520
Gender	Male	57.4%	53.0%	52.7%
	Female	42.6%	<b>47.0%</b>	47.3%
Education	None	1.1%	0.8%	0.6%
	Primary	19.4%	<b>5.6%</b>	5.0%
	Secondary	66.0%	63.0%	<b>57.5%</b>
	Superior	13.6%	<b>30.6%</b>	<b>36.9%</b>
Modality	Other	2.8%	6.2%	6.9%
	Contract	83.1%	<b>66.0%</b>	<b>55.4%</b>
	Permanent	14.2%	<b>27.8%</b>	<b>37.7%</b>
Department	Atlántida	3.7%	2.0%	3.3%
	Intibucá	0.6%	0.2%	0.0%
	Olancho	0.1%	0.0%	0.0%
	Santa Barbara	0.0%	0.0%	0.0%
	Comayagua	0.0%	0.0%	0.0%
	Cortés	3.3%	1.8%	<b>0.0%</b>
	Choluteca	1.3%	0.8%	0.6%
	El Paraíso	0.2%	0.0%	0.0%
Salary (monthly HNL)	Mean	11,854	16,500	16,433
	Median	10,263	15,000	14,890
Age	Mean	43.6	42.4	43.5
	Median	42	41	42

## SESAL

**Intended differences:** The SESAL sample is also somewhat better educated than the larger SESAL population and more concentrated in Francisco Morazán (Table 32). Given the nature of health care, the difference in education is relatively minor as compared to that found in INSEP, where there is a major difference. The distributions are similar in terms of gender, contracting modality, and age.

**Unintended differences:** The final surveyed sample is very similar to the pulled sample and we observe no meaningful differences.



**Table 32: Differences between the SESAL population, pulled sample, and final survey sample**

		SESA population	SESA sampled	SESA surveyed
Observations	Number	12,406	543	518
Gender	Male	32.1%	28.9%	29.9%
	Female	67.9%	<b>71.1%</b>	70.1%
Education	None	0.2%	0.2%	0.2%
	Primary	12.0%	<b>8.1%</b>	7.5%
	Secondary	45.7%	42.4%	42.4%
	Superior	42.1%	<b>49.4%</b>	49.9%
Modality	Contract	9.0%	10.3%	11.1%
	Permanent	91.1%	89.7%	88.9%
Department	Atlántida	5.8%	5.9%	5.5%
	Choluteca	5.5%	4.4%	4.8%
	Colón	3.8%	4.4%	4.1%
	Comayagua	4.5%	3.0%	2.9%
	Copán	4.3%	1.5%	1.4%
	Cortés	12.8%	<b>16.2%</b>	16.1%
	El Paraíso	3.3%	1.5%	1.4%
	Francisco Morazán	31.7%	<b>41.3%</b>	41.9%
	Gracias a Dios	1.8%	0.0%	0.0%
	Intibucá	2.4%	5.9%	5.7%
	Islas de Bahía	1.0%	0.0%	0.0%
	La Paz	2.3%	0.0%	0.0%
	Lempira	3.1%	0.0%	0.0%
	Ocatepeque	2.7%	1.8%	1.8%
	Olancho	5.1%	5.3%	5.6%
	Santa Bárbara	2.8%	5.9%	6.1%
	Valle	1.3%	0.0%	0.0%
	Yoro	5.9%	3.0%	2.7%
Age	Mean	49.11	49.06	48.4
	Median	50	50	49

## Education

**Intended differences:** There are a number of differences between the population and the sampled group. The sample is more female, more permanent employees, more highly concentrated in Francisco Morazán, better paid, and more administrators. The greater number of administrators is because of the administrator oversample. This also increased the percentage of respondents in Francisco Morazán. The more permanent employees and better pay is likely a result of the sampling method.

**Unintended differences:** The final sample is slightly less educated than the original sample. Otherwise there is little additional sampling error.

**Table 33: Differences between the SEDUC population, pulled sample, and final survey sample**

		SEDUC Population	SEDUC sampled	SEDUC surveyed
No. of observations		90,849	645	661
Gender	Male	34.8%	<b>23.39%</b>	22.5%
	Female	65.2%	<b>76.61%</b>	77.5%
	<i>Sample size</i>	<i>90,832</i>	<i>600</i>	<i>630</i>
Education	Maestro Titulado	34.3%	<b>51.69%</b>	<b>48.51%</b>
	Profesor Empirico	1.0%	0.00%	0.00%
	Profesor Titulado	53.6%	<b>38.14%</b>	<b>41.19%</b>
	Sin Tipo de Profesional	5.2%	<b>0.28%</b>	<b>2.70%</b>
	Tecnico Universitario	6.5%	<b>9.89%</b>	10.03%
	<i>Sample size</i>	<i>70902</i>	<i>354</i>	<i>369</i>
	Other	13.7%	<b>8.9%</b>	9.6%
	Permanent	86.3%	<b>91.1%</b>	90.4%
	<i>Sample size</i>	<i>81,629</i>	<i>526</i>	<i>554</i>
Department	Atlántida	4.8%	3.72%	3.6%
	Choluteca	5.0%	4.96%	4.8%
	Colón	5.0%	4.96%	5.0%
	Comayagua	6.7%	<b>3.72%</b>	3.6%
	Copán	4.0%	2.64%	2.4%
	Cortés	13.4%	12.40%	12.1%
	El Paraíso	5.3%	3.72%	3.8%
	Francisco Morazán	20.5%	<b>40.47%</b>	42.4%
	Gracias a Dios	1.2%	0.00%	0.0%
	Intibucá	3.3%	2.48%	2.4%
	Islas de Bahía	0.6%	0.00%	0.0%
	La Paz	3.0%	2.48%	2.4%
	Lempira	3.5%	3.72%	3.0%
	Ocatepeque	2.1%	0.00%	0.0%
	Olancho	7.0%	6.05%	6.1%
	Santa Bárbara	4.7%	0.00%	0.0%
	Valle	3.1%	1.24%	1.2%
	Yoro	6.9%	7.44%	7.1%
	<i>Sample size</i>	<i>90,830</i>	<i>645</i>	<i>661</i>
Salary	Mean	14,331	<b>16,780</b>	16,847
	Median	.	16,332	16,332
	<i>Sample size</i>	<i>77,119</i>	<i>512</i>	<i>536</i>
Age	Mean	43.6	45.3	45.6
	Median	.	47	47
	<i>Sample size</i>	<i>77,101</i>	<i>529</i>	<i>553</i>
Teacher	Teacher	93.15%	<b>72.0%</b>	70.98%

Administrator	6.85%	<b>25.1%</b>	26.05%
Missing/(Other in final sample)	0	2.9%	2.96%
<i>Sample size</i>	<i>90,849</i>	<i>629</i>	<i>641</i>

---

# ANNEX VI: VENDORS SURVEY REGRESSION

## TABLE EXPLAINING VARIATION IN THE FAIRNESS INDEX

Dependent variable for the following analysis is based on an additive index of 7 questions on perception of fairness in procurement, scored 1-5.

Independent variables	(1) Model 1	(2) Model 2
<b>A1. Firm level information</b>		
Age of the firm in years	0.00126 (0.00513)	-0.00104 (0.00463)
Total number of employees at firm	0.000143 (0.000339)	0.000343 (0.000296)
Construction firm	0.124 (0.116)	0.0993 (0.110)
Manufacturing firm	-0.223 (0.184)	-0.292* (0.176)
Trade firm	0.0233 (0.106)	0.00898 (0.0983)
Service firm	-0.107 (0.0941)	-0.108 (0.0881)
Consulting firm	-0.0631 (0.121)	-0.0345 (0.115)
Firm's total annual revenue in Lempiras (over HLN 10 million)	0.358*** (0.116)	
No. of years firm has been selling to the government	0.00435 (0.00720)	0.00930 (0.00667)
<b>A2. Share of revenue from govt. sources (Ref: 80-100%)</b>		
0%	-0.692*** (0.138)	
1-9%	-0.348** (0.143)	
10-29%	-0.278** (0.141)	
30-49%	0.0520 (0.161)	
50-79%	-0.00151 (0.150)	
<b>B. Respondent's information</b>		
Years working in government procurement, this company or elsewhere	-0.00694 (0.00616)	-0.00417 (0.00583)
Gender (Male=1) of the first respondent	-0.0859 (0.0836)	-0.106 (0.0788)

Position of respondent: other sales personnel (Ref: head of sales)	-0.00794 (0.271)	0.234 (0.214)
Position of respondent: CEO/MD (Ref: head of sales)	0.286 (0.200)	0.239 (0.164)
Position of respondent: Other (Ref: head of sales)	0.180 (0.212)	0.0516 (0.177)
Level of education: university (Ref: less than university-level)	-0.0404 (0.103)	-0.0630 (0.0949)
Level of education: post-graduate (Ref: less than university-level)	-0.143 (0.118)	-0.104 (0.110)
Respondent's age	-0.00470 (0.00399)	-0.00467 (0.00384)
Whether the firm ever bid (1=yes)	-0.253 (0.208)	-0.0585 (0.181)
If respondent did not answer question on solicitation of a bribe (Ref: respondent answered no to solicitation of a bribe)	-0.503*** (0.170)	-0.584*** (0.152)
If respondent answered 'yes' to question on solicitation of a bribe (Ref: respondent answered no to solicitation of a bribe)	-0.797*** (0.141)	-0.832*** (0.135)
<b>C. Information on key institutions that the firm sells to</b>		
Bid submitted to INSEP	0.0675 (0.145)	0.383*** (0.132)
Bid submitted to SEDUC	-0.00968 (0.142)	0.114 (0.133)
Bid submitted to SESAL	0.0658 (0.118)	0.367*** (0.105)
Bid submitted to Sec. of Security	-0.137 (0.128)	-0.0210 (0.117)
Don't know to which institution bid was submitted	0.136 (0.132)	0.282** (0.124)
Bid submitted to other institution	-0.142 (0.115)	0.0589 (0.104)
<b>D. Interviewer-level controls</b>		
Interviewer 23	0.313*** (0.104)	0.275*** (0.101)
<b>E. Geographic controls</b>		
Tegucigalpa (Ref: Other location)	-0.117 (0.152)	-0.159 (0.150)
San Pedro Sula (Ref: Other location)	0.148 (0.226)	0.146 (0.208)
Constant	3.474*** (0.372)	2.850*** (0.316)
Observations	712	849
R-squared	0.188	0.131
Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1		

# ANNEX VII: MCC COMMENTS MATRIX

## First Round of Comments (Prior to April 2017)

Section	Sub-section	Institution	MCC Comment	SI Response
Overall Comment		MCC	<p>I have a few overall comments that I will share here, so they don't get lost in an email chain.</p> <p>I think one thing that is missing from the report is the overall "big picture", and how each piece is connected to these goals, along with how likely it is that we would logically see an impact on these goals (or more intermediate impacts or outcomes), and what risks or assumptions are attached to those results and their sustainability. We can speak about this further on a phone call.</p> <p>I liked the layout of activity sections, starting with the baseline, and moving to progress/challenges and expected results. In these sections, it would be useful to be clear about what the TCP is a part of and what it is not. This wasn't always obvious in the progress/challenges sections. I know this isn't necessarily a clear delineation, but an explanation would be helpful, and help us to think about how much change may or may not be attributable to the TCP (which, finally, it would be helpful to have a bit more discussion on. I think this will come out more clearly with the revised baseline report outline).</p>	<p>SI: We have really struggled with this comment. We agree that this is necessary but also feel that a more detailed program logic/theory of change and assumptions should have been developed by MCC as part of its project documentation/ M&amp;E Plan. We have attempted to develop such a program logic in the absence of an official MCC one and it is now presented in the executive summary and body of the report; however, we do this with a bit of hesitation, as we do feel that it is MCC role to state a clear theory of change linking its activities to the results.</p> <p>We have attempted to clarify this throughout</p> <p>As discussed over the phone: Kartik did approve the outline on which this is based. Our strong preference is to maintain the current structure. We feel that dividing the baseline and progress to date will be confusing for the reader given the many moving parts of the TCP and the complementarity of the baseline and progress to date sections.</p>

Section	Sub-section	Institution	MCC Comment	SI Response
			<p>Did Kartik share our Baseline report outline? I saw a note saying he would, but not sure if that happened. I'll share the outline, and this will need to be changed up a bit.</p> <p>I think following the outline will also help differentiate the baseline report vs. the "progress to date". We can talk about the best way to outline this – maybe two Section 6: Findings, one for baseline and one for the update.</p>	
Executive Summary		MCC	It could be good to define the intended meaning of institution at the beginning of the document or in a footnote, as it is used throughout the summary.	Good point, following MCC, we use institution throughout merely to refer to any governmental agency/organization/center/corporation. As such, this is not the political science concept of "institution," but a synonym for agency. Changed the usage here and added a footnote at first mention.
Executive Summary		MCC	Suggest adding the goal here to give the motivation of why we are working in these two sectors – perhaps the problems that were found and/or the overall intended outcome/goal.	Revised to include goals
Executive Summary		MCC	The PMF section is written as a goal, suggest changing this to read as the same – motivation on why we are doing this project.	Edited
Executive Summary		MCC	It's a bit fuzzy where the lines between the problem definition, activity objective, current progress, and likely progress over the reminder of the program are.	Yes, this is a bit of a challenge. We could mimic the body format with each of these separated out with a separate header, but we think that this would not be very reader friendly. We have opted to focus more on what we see as the core points rather than try cover everything. Toward

Section	Sub-section	Institution	MCC Comment	SI Response
				that end we have opted for a more narrative summary approach that focuses on the most salient points. As such, we don't necessarily mention each of these factors in every paragraph. We've reviewed the presentation and made some changes for clarity throughout but the approach remains unchanged.
Executive Summary		OTA	I disagree with this statement. Budget process reform is going to occur regardless of Congress. Because of the way Congress operates and will operate for much longer than in the long run, they do not consider this to be their responsibility.	SI: changed to "partially"
Executive Summary		MCC	Would be good to add a note on this – perhaps short here and then in more detail in the main report.	Edited
Executive Summary		MCC	I thought it was broader to include any proposed laws with fiscal impacts even those outside the budget formulation process.	SI: That is correct. Deleted.
Executive Summary		OTA	Fiscal Responsibility Law limits technical opinions (FIA) to tax waivers only. The FIA work group briefly considered using the forensic institute as a possible example, but abandoned that quickly because of lack of information. Ultimately the work group used the minimum wage law applying to a specific set of employees to populate the FIA example. Training for all affected ministries will be conducted. SCGG, SEFIN and CBC supports FIAs and we expect the revised Organic Budget Law to require them.	SI: Deleted. To our surprise, the law doesn't seem to say anything about FIA. SEFIN authorizes tax exemptions through an automated system (Article 19). SEFIN doesn't seem to issue any technical opinions under the law. It is only required to issue a Declaration (Article 13) and a report (Article 14), both in relation to deviations against the Marco Macrofiscal de Mediano Plazo.
Executive Summary		MCC	Unclear on how to interpret – passed with our support or will benefit from our input?	SI: Clarified. Just input.



Section	Sub-section	Institution	MCC Comment	SI Response
Executive Summary		OTA	OTA project is only working on the quarterly reports, not the monthly.	Edited here and below
Executive Summary		MCC	Current or proposed end?  SI: Whenever TCP implementation concludes.	Whenever TCP implementation concludes.
Executive Summary		MCC	Do we expect change from this or use of this information?	Added
Executive Summary		MCC	While this initiated in congress most of this work is being done in SEFIN with MCC support.	Added SEFIN
Executive Summary		MCC	This is an important issue throughout the document worth some discussion.	See comment below to Sarah Bishop .
Executive Summary		MCC	Is this overall or for just this one element? Nice to have a bit of clarity on whether it is seen that these changes have been or will be built into the system or are they likely to be changed with a change in administration?	SI: Staff turnover is a concern throughout, but in this case it is specific to Congress because the staffers are political appointees. Edited to clarify. This is different than the renewable contract issues that affect some of the other TCP relevant institutions.
Executive Summary		MCC	In general for this section can you clarify how arrears are defined (particularly in time lapsed)	SI: Added. Discussed in greater detail below.
Executive Summary		MCC	Within what time period are we talking about here?	Addressed in footnote.
Executive Summary		MCC	Can you help clarify and put into context what these recommendations are intended to be focused around?  For example, are these all aligned with our initially outlaid objectives or are these new ones to consider?	SI: This section is somewhat challenging as 1.1 makes up a large portion of the report. They are ordered topically and we've dived them more clearly. We've also tried to emphasize who the recommendation is directed at. Finally, we

Section	Sub-section	Institution	MCC Comment	SI Response
			Are there categories of recommendations or at different programmatic levels?	added an introduction noting that the recommendations fall into two general categories.
Executive Summary	Budget formulation and execution	OTA	Minimum wage law?	Not sure what this is reference to. No change made.
Executive Summary	Budget formulation and execution	OTA	This overstates the impact of the FRL.	We maintain this recommendation. The FRL doesn't say much about formal FIA, but we would recommend that they are conducted in order to support the justification for any deviations from planned revenues and expenditures presented in the Marco Macrofiscal
Improving procurement capacity, planning, and controls (PFM 1.2)	E-catalogue:	MCC	What kind of savings? How is this measured and estimated?	Clarified and discussed in greater detail below. Their methodology is not perfect, but it is reasonable.
Improving procurement capacity, planning, and controls (PFM 1.2)	E-catalogue:	MCA-H	<p>No estoy segura que se usen cifras de ahorro para la ONCAE, tomando en cuenta la forma en la que ellos los calculan.</p> <p>SI: Noted and edited. We do still cite the study in the report, but your point about the dates (below) was new to us. The receipts that they include in the report annexes do not include dates for the e-catalogues so this is helpful insight. Still, it seems that the effect of this difference would understate the savings and not</p>	Noted and edited. We do still cite the study in the report, but your point about the dates (below) was new to us. The receipts that they include in the report annexes do not include dates for the e-catalogues so this is helpful insight. Still, it seems that the effect of this difference would understate the savings and not be too substantial given relatively low inflation during this time.

Section	Sub-section	Institution	MCC Comment	SI Response
			be too substantial given relatively low inflation during this time.	
Improving procurement capacity, planning, and controls (PFM 1.2)	E-catalogue:	MCC	Can you clarify who you are intending to mean here – Is ONCAE is non-compliant? Who is not meeting the needs of institutions?	SI: Clarified
Improving procurement capacity, planning, and controls (PFM 1.2)	Procurement assessments:	MCC	This is should a separate sub-section as it's a separate workstream (that is still in-progress) and effects all of ONCAE.	SI: Addressed
Improving procurement capacity, planning, and controls (PFM 1.2)	Procurement assessments:	MCC	Is MCC helping with this at all? Is that a recommendation, in order to increase the potential for reaching the intended outputs?	M CCs advisor helped elaborating ONCAEs strategic plan 2016-2018. In it, its established that 15%, 30%, 50% of personnel will be incorporated respectively.
Improving procurement capacity, planning, and controls (PFM 1.2)	Procurement assessments:	MCC	I think you are referring to IDB funding that ended in 2005 or 06 for procurement assessments and specifically to that function. This statement is too broad.	SI: Edited
Improving procurement capacity, planning,	Procurement assessments:	MCC	Include more specific reference and link. Do you mean TCP not TSC?	This is a TSC report. Citation added.

Section	Sub-section	Institution	MCC Comment	SI Response
and controls (PFM 1.2)				
Improving procurement capacity, planning, and controls (PFM 1.2)	Procurement assessments:	MCC	Please also mention the creation and staffing of the new procurement statistics and assessment unit. This shows that the program is not just doing the assessments but creating the unit and building their capacity to do these assessments.	Added
Improving procurement capacity, planning, and controls (PFM 1.2)	Procurement assessments:	MCA-H	Maybe would be relevant to mention supporting of TCP on Unidad de Estadísticas.	Added
Improving capacity of the Supreme Audit Tribunal (TSC) (PFM 1.3)	Performance audits	MCC	Since when – before TCP or after?	Clarified
Improving capacity of the Supreme Audit Tribunal (TSC) (PFM 1.3)	Performance audits	MCC	With whom?	Clarified. Between the consultant and the TSC leadership.

Section	Sub-section	Institution	MCC Comment	SI Response
Improving capacity of the Supreme Audit Tribunal (TSC) (PFM 1.3)	Grant facility for social accountability (PFM 1.4)	MCA-H	Tenemos en camino dos nuevos convenios, uno en pie ACI ERP sobre Mejoramiento de la calidad de los servicios de Atención Primaria en Salud Pública municipal para las mujeres y adolescentes. Should that be included? And not only ASJ?	SI: We had decided to leave the other grants out of the evaluation and focus on ASJ. We could revisit this if it would be of value. Please feel free to send us information on any of the additional grants and we could rapidly assess.
Develop core PPP capacity (PPP 2.1)		MCC	<p>The PPP sections provide a good overview of the situation in the country. However, in general it does not seem to highlight or mention the work of the consultants and overall technical assistance that has been provided until this point.</p> <p>It also does not mention FIDE or clearly stated the training and coaching components</p>	Added pieces in most of the paragraphs on the role of MCA consultants. FIDE has been added at the end.
Develop core PPP capacity (PPP 2.1)	COALIANZA	MCC	The commissioners do but the rest of the staff do not have very high salaries. And all are below the trustfund banks, I would guess.	SI: Noted.
Develop core PPP capacity (PPP 2.1)	COALIANZA	MCA-H	Don't agree, I thought it was a weakness	SI: The original sentence was erroneous. We have corrected it.
Develop core PPP capacity (PPP 2.1)	COALIANZA	MCA-H	One of the greatest problems COALIANZA has is identifying a real, viable, PPP project. Vivallos has been supporting this issue.	SI: good point. Language added. Historically the problem has been that COALIANZA did not actually evaluate and select projects - they were told which ones to do and then got on with it.

Section	Sub-section	Institution	MCC Comment	SI Response
Develop core PPP capacity (PPP 2.1)	SFIN	MCC	What does VfM mean here? Is it a study of whether a project costs the GoH less on a risk adjusted basis if done via a PPP vs a traditional public procurement? If so, does this make sense when the GoH has no public budget to develop the project under a traditional public procurement? When there is no public budget for the project, should the VfM study instead simply determine what terms of the PPP are a “good deal” for Honduras (by comparing the PPP to the terms of similar deals in other countries)? And, when sufficient public budget exists to fund the project via a traditional public procurement, does it make sense to use limited public budget on a project that private capital can fund and thereby leave less public funding for social services that the private sector isn’t willing to fund. In other words, should the VfM/public private comparator also account for the opportunity cost of losing the chance to fund a more projects through a mix of PPPs and public funding than the country can fund with public funding alone. In short, the type of VfM study that should be made depends on the facts/circumstances of each project (no one size fits all).	SI: Please see the separate email sent with explanation.
Develop core PPP capacity (PPP 2.1)	SFIN	MCA-H	Confirm this, I think they are permanent employees on SEFIN	SI: edited to reflect the more part-time nature of UCF, a fact which was recorded in meetings with Carlos Cuadra and UCF.

Section	Sub-section	Institution	MCC Comment	SI Response
Develop core PPP capacity (PPP 2.1)	SAAP	MCC	I don't think this is SAPP's responsibility but rather INSEP who has in many cases passed it to INVEST.	SI: The main message here is that the involvement of SAPP lawyers and technical experts at an earlier stage could help to expose critical risks posed by infeasible contract stipulations. Yes, the right-of-way issue is INSEP's responsibility, though.
Develop core PPP capacity (PPP 2.1)	SAAP	MCC	How many PPPs have had contract modifications?.	SI: The main message here is that the involvement of SAPP lawyers and technical experts at an earlier stage could help to expose critical risks posed by infeasible contract stipulations. Yes, the right-of-way issue is INSEP's responsibility, though
Develop core PPP capacity (PPP 2.1)	SAAP	MCC	Can you note whether this is intended to change as the program continues? It looks like there are some recommendations about SAPP below.	SI: This is not intended to change. SAPP has good technical capacity but simply lacks advocacy for a larger presence in earlier stages of the PPP process. We do not advocate for TCP to technically assist SAPP but rather for their inclusion in earlier, relevant phases of the PPP process.
Develop core PPP capacity (PPP 2.1)	SAAP	MCC	MCA-H and INSEP recently signed an MoU agreeing to the terms of forming a PPP unit within INSEP. We'll see if INSEP now moves faster in forming this unit.	SI: noted and language added.
Design and Implementation of PPPs (PPP 2.2)	SAAP	MCC	This isn't mentioned in the "evaluation activities" list for the PPP component on pg. 10. Should it be included there?	SI: Added.

Section	Sub-section	Institution	MCC Comment	SI Response
Design and Implementation of PPPs (PPP 2.2)	SAAP	MCC	How do they represent the first generation? Because they were the first two? Or were they selected for another reason?	SI: They are the first major PPPs after the 2010 PPP Law. Language added
Design and Implementation of PPPs (PPP 2.2)	SAAP	MCC	Same comment as above on selection.	SI: Added to methodology
Design and Implementation of PPPs (PPP 2.2)	Project identification , selection, and evaluation:	MCC	<p>If the GoH does not have public budget to develop these roads under a traditional public procurement, does it even make sense to compare the cost of developing the project via a PPP vs a traditional public procurement? In this case, does it instead make more sense to use a VfM study to define what reasonable terms of the PPP should be (based on experience in other comparable countries). This probably didn't happen either, but we want Honduras to do the right kind of analysis for each project based on the circumstances of that project (vs a knee jerk public private comparator study that makes little sense when there's no public budget for the project).</p> <p>SI: Please see the separate email sent with explanation.</p>	
Design and Implementation of PPPs (PPP 2.2)	Project identification , selection, and evaluation:	MCC	Highlighting where we are or aren't making systematic changes or the potential is high for them to last after MCC is helpful.	SI: noted.



Section	Sub-section	Institution	MCC Comment	SI Response
Design and Implementation of PPPs (PPP 2.2)	Project identification , selection, and evaluation:	MCC	<p>Do we know how much was bad advice vs not listening to the advice to meet political pressures. In anycase I don't the problems were from following guidance that worked in peru and were not appropriate to Honduras</p> <p>Before dismissing the Peruvian experience, I would be interested in understanding what the Peruvian experience is and why SI thinks it was erroneously applied to the Honduras' PPP process. .</p>	SI: Corrected to note that this wasn't just an issue of adaptation but of failing to learn the lessons from Peru. The Peruvian process has generated some poor PPPs in the early years for some of the same reasons that are criticized in Honduras (e.g. the conflict of interest for Coalianza (Proinversion in Peru) in being paid on a success basis). This generated a number of poorly but rapidly structured projects in Peru. Some of these projects were similarly plagued by delayed land title transfers.
Design and Implementation of PPPs (PPP 2.2)	Project identification , selection, and evaluation:	MCC	Which project?	SI: Siglo XX1 is where the demand - as based on vehicle registrations - was grossly overestimated since Coalianza did not confirm if registration figures were correct. There are further comments on this in the section on PPP case studies further down in the document.
Design and Implementation of PPPs (PPP 2.2)	Project identification , selection, and evaluation:	MCC	So who is paying for that mistake?	SI: They are paying for it by reducing the investment and swapping financial resources around - i.e. downsizing the project. SI was not provided with details of how exactly
Design and Implementation of PPPs (PPP 2.2)	Contract management and project supervision	MCC	This is interesting, but I cannot clearly see how the TCP is connected to this, our work, influence, etc. Can you clarify?	SI: Technically TCP does not play a role in this part of the process, however given its investment in earlier components of the process, it would behoove TCP to advocate for involvement of contract management and supervision actors' (SAPP) involvement in the earlier phases. Language added below.

Section	Sub-section	Institution	MCC Comment	SI Response
Design and Implementation of PPPs (PPP 2.2)	Contract management and project supervision	MCC	Be sure to provide background on the Peruvian model above so that the reader understands this statement.	SI: Added language.
1.1 Background	PFM	MCC	There has not been much real depreciation of the currency, just nominal depreciation.	Noted
1.1 Background	1.1.1PFM	MCC	So, this is not exactly right. Control of corruption is a hard hurdle for the scorecard and Honduras does not pass this indicator. However, they also do not pass because they do not pass on half of the indicators (now have 9 of 20). Therefore they do not pass on 2 of the 3 hard hurdles. While rule of law and government effectiveness are important indicators and they do not pass on these indicators, they could get selected for a compact without passing them.	SI: Thanks for the clarification. We have removed the focus on Compact eligibility.
1.1 Background	1.1.1PFM	MCA-H	Should be mentioned in PPP section. Included in TCP given the PPP contract with FIDE.	
1.1	1.1.2 PPP	MCC	Didn't the TCP provide at least some support in setting up this unit? If so the good to mention.  SI: Role discussed below.	
Threshold Goals and Objectives	N/A	MCC	Would it be possible to include a more detailed program logic, with the different activity pieces separated out and linked to outcomes? I think standard baseline report outline (I will share) will help clarify what else is needed.	SI: This has been added. See note in the first comment about this.

Section	Sub-section	Institution	MCC Comment	SI Response
Threshold Goals and Objectives	N/A	MCC	This breakdown makes sense and the clarifies the logic a bit. Could be beneficial to spell out in more detail as we work to update the M&E Plan.	SI: Given the addition of the more detailed program logic above we have opted to remove this so as not to present too many distinct logics
Threshold Goals and Objectives	N/A	MCC	It's in the diagram, but the text should also note about the elements that actually seek to change procedures, or more fundamental ways in which the institutions are structured or conduct business, it seems that work at that level is missing from this description.	SI: Clarified
Threshold Goals and Objectives	Activity 1.2 Improving Procurement Capacity, Planning and Controls.	MCC	Clear sustainability risk given that they are not yet part of the civil service regime.	Changes made
Threshold Goals and Objectives	Activity 1.2 Improving Procurement Capacity, Planning and Controls.	MCC	Im not sure if the intent is to for the first part to provide a description of the planned activities (from the agreement) and the second section to provide information as to what TA had been provided to date? But then section 4 is where you are reporting on what was been done to date, so I would not duplicate that here.	SI: Agreed
Threshold Goals and Objectives	2.2 Design and Implementation of PPPs.	MCC	MCA-H will terminate this FIDE agreement and either discontinue any further support for this project or execute a new grant agreement with an entity that is	SI: Footnote added below.  Text cut to avoid repetition

Section	Sub-section	Institution	MCC Comment	SI Response
			best able to implement this project (i.e., could be FIDE or another entity like the Chamber of Commerce).	
Evaluation types and questions	Table 1 Eval Questions	MCC	Is this because there are too many disparate parts to the TCP? Or is this referring to question of attribution of any results to the TCP and our inability to make that assertion?	SI: A mix of the two. Clarified in the text.
Evaluation types and questions	Table 1 Eval Questions	MCA-H	? que es KII ?	SI: Added definition above and added to the acronym table.
Evaluation types and questions	Table 1 Eval Questions	MCC	Look forward to getting insights into this question – systematic level changes, etc. Currently, does the baseline analysis indicate areas where we could make small adjustments to the program to increase the probability that this occurs?	SI: We do offer some areas of concern (e.g. Congressional turnover, sustainability of TSC, short term contracts in SEFIN and ONCAE). Recommendations could perhaps be more specific but suggest, for example, developing a sustainability plan for the TSC performance audits.  We deleted the repeated sustainability question.
Evaluation types and questions	Table 1 Eval Questions	MCC	Same for transparency. Feel like this word is missing from this section. Can we include? Likely MCC missed out on including this wording earlier.	SI: Ok to add.
Evaluation methodology	M&E Plan/PEFA data	MCA-H	Last PEFA was in 2012	SI: Thanks. Edited
Evaluation methodology	M&E Plan/PEFA data	MCA-H	It is being done for 2011 and 2016 methodologies	SI: Thanks. Edited

Section	Sub-section	Institution	MCC Comment	SI Response
Evaluation methodology	M&E Plan/PEFA data	MCA-H	Thought Hernán Pflucker's fast review going to be considered as baseline	SI: We opted not to include the existing PEFA. The old PEFA is based on 2012 data and would be out of date as a TCP baseline. We consider our own PFM assessment laid out below to be more up to date and activity specific (albeit more qualitative). We look forward to incorporating PEFA data into the endline study. We considered including the new draft 2016 PEFA; however, the PEFA secretariat are always very cautious on the formal issuing of their reports. The scores need to be discussed with Government, giving them an opportunity to comment. We understand that they are still at that stage and it will take time. I don't think we can be using an unreleased document in a public report. Moreover, we generally take the approach not to update draft reports with new information as it becomes available. Finalizing reports takes a long time and constantly updating it to reflect new information creates a never ending review process. Furthermore, using the new PEFA would mean looking at every single related PEFA indicator presented in the tables (provided under the endline sections) and providing our comments. There could be differing findings between our assessment and PEFA's, which we would have to comment on and this would require significant work.

Section	Sub-section	Institution	MCC Comment	SI Response
Evaluation methodology	M&E Plan/PEFA data	MCC	Do you know how often PEFA will be updated? Will it be updated enough to allow monitoring of changes of time (as in the first sentence, next paragraph)?	SI: Our understanding is that it will continue to be updated such that we can use it as baseline and endline; however, we do not have confirmation of this. From an evaluation point of view, this will be important.
Evaluation methodology	2.1.1 Document review and interviews	MCA-H	What will be the issue date for this report? Because sometimes it refers to elements that happened in the last quarter of 2015, as if they were the most recent, and here, for example, it mentions a March 2016 event.	SI: We try to use the phrase, “As of data collection...” throughout the report. We recognize that the report might take some time until it is formally “issued,” which might be late this year or early next year. Rather than try to continually update it, we use the data collection mission as our point of reference.
Evaluation methodology	2.1.1 Document review and interviews	MCC	Given that we don’t have a counterfactual, are there other activities or changes in the GoH that stand out as confounding this potential relationship between results and the TCP? I’m sure there are, but since the TCP is so comprehensive, I’d be curious to hear your thoughts on that.	SI: Added some potentially rival explanatory factors to the text. These are the big categories.
Evaluation methodology	2.1.1 Document review and interviews	MCC	Who were these people, and how were they selected? Why were these numbers decided upon?	Clarified
Evaluation methodology	Public employees survey	MCC	What outcome was used in these power calculations?	SI: We didn’t use a specific outcome but assumed p and q both = .5 (i.e. maximum variation for a proportion). See footnote 29.

Section	Sub-section	Institution	MCC Comment	SI Response
Evaluation methodology	Public employees survey	MCC	I think your formulas are wrong, it should just have pq/n once. But the mde etc in the table is right.	SI: Thanks! Corrected.
3.2 PPP Evaluation Methodology	Intro Paragraph	MCA-H	What about INFRASCOPE?	SI: Our PPP expert did not have a lot of faith in the Infascop scoring for Honduras
3.2 PPP Evaluation Methodology	Intro Paragraph	MCC	Could be helpful to elaborate on these, as the other methodologies are, below. It isn't clear to me how the "Doing Business Report" is or will be incorporated	SI: Added clarification on the monitoring data. We deleted the Doing Business reference as it is a minor source used in the FIDE section.
3.2.2 Methodology	3.2.2 Key informant and group interviews		It would be helpful to understand why this number and these particular people were chosen for interviews (especially civil society)	SI: Clarified
	3.2.4	MCC	It would be helpful to include the reason why these cases were chosen – I don't think there are many (any?) other possible cases, but it would be useful to document	SI: Brought up some material from below.
Section 4	Figure 3	MCC	Reduce payment arrears should be in here	SI: This is taken from MCC's Honduras TCP Indicator and Targets Aug15 document, which does not include reducing arrears. We have added this here with a caveat.
Section 4	4.1	MCC	We also funded a 2013 PEFA that covers 2009-2011 and 2012. We also did an update of that at the beginning of the THP with the same consultant that did the previous one. The 2013 PEFA is at <a href="https://pefa.org/sites/default/files/assements/comments/HN-Mar13-PFMPR-Public.pdf">https://pefa.org/sites/default/files/assements/comments/HN-Mar13-PFMPR-Public.pdf</a>	SI: Edited

Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	4.1	MCA-H	PEFA report 2016 is being worked with two methodologies: 2011 and 2016. Also, in any case, what information could be used for the analysis?	SI: See comment in the executive summary.
Section 4	4.1	MCC	How was it upgraded?	SI: Footnote added
Section 4	4.1	MCC	I think this should be ready to include in the next draft of the report.	SI: See comment in the executive summary
Section 4	4.2	MCC	The Section titling numbering is confusing. I think this should be Section 4.2 for budget formulation?	SI: Correct. This was a mistake
Section 4	4.2.2	MCC	It looks like Table 5 is just budget formulation	SI: This covers both
Section 4	4.2.2	MCC	What is the source of this table? Is it the consultant's TORs?	SI: We have added sources throughout.
Section 4	4.2.2	OTA	I don't understand this date. It's beyond the scope of the report period and it doesn't relate to any end date that I'm aware.	SI: We might be wrong as we don't have it in official documentation, but our understand is that Aug 2017 is the end of the TCP, pending an additional extension. We also understand from an email dated 8/16/15 that that all the OTA advisors with the exception of Jean Tesche will be working through the end of the Threshold. Please advise what date we should use.



Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	4.2 Baseline	MCC	Does this mean that policy changes reducing expenditures are planned for? But the planned public investment and public service delivery continues in reality, and is not cut, meaning the proposed budgets are not enough? I'm a little confused by these two sentences.	SI: Attempted to clarify. All we are saying is that rather than build the budgets based on their needs the budgets are based on the previous year's budget.
Section 4	4.2 A successful MTEF would require close coordination across Government:	MCC	How can the MTEF support the results framework of SCGG? The connection isn't clear to me. And how is the results framework related to the TCP? Is the logic that the coordination challenge of MTEF is constraining the results framework, which is constraining government transparency (a TCP objective)?	SI: In a fully-fledged MTEF, multi-year cost estimates of expenditure by the Institutions would present the policies they seek to achieve, constrained by the macrofiscal framework. Any centre of government results framework, which would establish the results the institutions have to achieve, needs to be consistent with the MTEF. We did not see anything from the results framework as it was just being developed. We are just making this link in the sentence.
Section 4	Progress and Challenges	MCC	Was there anything else besides the IMF's training and implementation manual? Did this happen before TCP activities started?	SI: To our knowledge this was it.
Section 4	An MTFF document was developed for the first time	MCC	What about the impact of the MTFF? Is the goal at the MTFF numbers are used to create Pillar 1 of the MTEF? Is that happening, and/or likely to continue to happen?	SI: Exactly. The MTFF will provide the numbers for the MTEF. The other questions are addressed below in the report. Baseline exp (Pillar 2) and the reconciliation (Pillar 3).

Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	Slow start but SEFIN buy-in achieved	MCC	This seems like a key accomplishment. How do we know there is buy-in? Can you cite some evidence?	SI: Added interview bases for the statement.
Section 4	Initial disagreement on coverage but focus on key secretariats	MCC	Does this mean they received the advanced methodology training as part of one of the two sectoral cabinets named above? Which one do they belong to?	SI: Clarified
Section 4	Initial disagreement on coverage but focus on key secretariats	MCC	Do they have any plan to address this?	SI: Not that we are aware of. They were working on this at the time of data collection.
Section 4	Initial disagreement on coverage but focus on key secretariats	MCC	Will this be updated later? It would be helpful to understand the bigger picture on this issue. If those institutions that cannot identify a credible demand driver are excluded from the exercise, will it still meet its intended goal? For example, it mentions about that Health and Education make up a significant portion of the budget, but that Health doesn't have a reliable estimate of demand. (Maybe this is addressed later in the text, just noting it now).	SI: Addressed below: (critical mass of institutions)
Section 4	Pillar 3 - Reconciliation	MCC	Is this any different from the baseline scenario? If not, is there any reason it hasn't changed? Did TCP make any efforts on this Pillar?	SI: No progress on this pillar. It will take political will to introduce this as it requires new institutional processes. We believe this beyond the ambition of the current programme.

Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	Conflict between SEFIN and SCGG in the budgeting process poses a short and long term challenge.	MCC	I see how this is a challenge, but what is the long/short term nature of it, as described in the heading?	SI: Deleted the short and long term.
Section 4	Dependence on Congress:	MCC	<p>? I thought virements were by definition executive actions. See IMF Note on Virements</p> <p>“Virements (a) take place after the budget has been authorized by the legislature, (b) do not affect the total level of budgeted expenditure, (c) should not fundamentally alter the composition of expenditure appropriated by the legislature, and (d) are carried out under the executive authority of the government and do not require legislative authorization.”</p>	SI: Addressed. The sentence was referring to supplementary budgets, not virements.
Section 4	Dependence on Congress:	MCC	The Fiscal Responsibility Law will limit this.	SI:Noted

Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	Endline	MCC	How much is a “critical mass”? a % of the budget share? Would you still consider this to be an improvement in the accuracy of budgeting, even if Pillar 3 isn’t implemented (i.e. the baseline expenditures have no impact on the overall MTEF)?	SI: Changed critical mass to institutions heavily supported by the TCP.
Section 4	Endline	OTA	TCP has no control, only the ability to educate, incentivize and persuade.	SI: Agreed. No change needed.
Section 4	4.2.4 Revenue Forecasting	MCC	How, in the big picture, does an improvement in revenue forecasting impact the MTFF and therefore the MTEF? It might be helpful to understand this logic at the beginning.	SI: Text added to clarify the comment below.
Section 4	4.2.4 A reasonable forecasting methodology exists; however, it has not been updated since 2005:	MCC	Is updating the methodology the same as updating the data? Or, are they two separate challenges?	SI: The methodology has not been updated.
Section 4	4.2.4 Progress and Challenges	MCC	Is this an effort to update the system with more recent data?	SI: See below, the consultant has not recommended changes to the model specifications; however, she has recommended

Section	Sub-section	Institution	MCC Comment	SI Response
				that they use greater historical data (fifteen years, as opposed to eight years).
Section 4	4.2.4 Progress and Challenges	MCC	What were the problems in coordination, in the baseline scenario?	SI: Added some text in the baseline section. A common issue would be that DEI would forecast lower revenues than UPEG. The reason being that DEI would have an incentive to forecast lower revenues than they would be able to collect, as they would then easily meet their targets.
Section 4	4.2.4 No major changes to the SIAFI models but an expected increase in the amount of historical data used	MCC	Above paragraph implies they are working towards new methodologies. What is changing, if they are using the same models with updated data?	SI: It is somewhat more than updating the data. It is changing the methodology to account for more years. But yes, we would have expected greater change to the methodology as a whole.
Section 4	Opportunity for improvements in interagency cooperation:	MCC	Did the TCP fund anything in particular that got key players to talk together?	SI: Our understanding is that Jean Tesche encouraged meetings between DPMF and DEI.
Section 4	Opportunity for improvements in	MCC	What agencies need to cooperate in this effort? Who are the “key players” referenced above?	SI: Added key players.

Section	Sub-section	Institution	MCC Comment	SI Response
	interagency cooperation:			
Section 4	Interagency cooperation:	MCC	It might help to include the text of the question in a footnote, so its readily seen	SI: Clarified
Section 4	4.2.5 Fiscal Impact Analysis	MCA-H	Or any initiative that represents any intention of more expense from any institution during budget execution	SI: Agree. Amended.
Section 4	4.2.5 Baseline	MCA-H	A section regarding FIA will be included in new OBL that we are supporting through TCP	SI: Noted
Section 4	4.2.5 Fiscal Reasonability Law Passed	OTA	This section needs to be revised because the consideration of using the Forensic Institute was brief and was discarded. Also the FRL requirements are inaccurate.	SI: Noted: deleted and approach revised.
Section 4	4.2.5 Endline	MCC	We are planning on having a large portion of Jennifer's and some of Lori's time spent on this. There will be a good amount of support on this, a lot more than revenue forecasting.	SI: Noted
Section 4	4.3.2 Endline	MCC	Was this considered as a key area to address in the gap analysis? If so, do we know why the consultants decided not to address it?	SI: We unfortunately don't have further info on this.

Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	4.3.2 Endline	MCC	FYI. This revision of the OBL is being supported by two TCP consultants (one legal and one technical) contracted by MCA (not OTA).	SI: Thank you, this is helpful. Added.
Section 4	4.3.3 General Budget Provisions detract from the budget approval process:	MCC	Do they read them aloud for all three readings?	SI: They have a max of 3 debates to approve. It takes them 3 days. In each debate they read them, discuss them, and partially approve. For example the first day they approve the first 15, second day another group and third day the rest.
Section 4	Table 11	MCC	So, are you saying that congress scheduled hearing for 32 institutions and 11 just did not show up to their budget hearing? I think the interpolacion system in Guatemala is crazy but this is the other extreme.	SI: Yes, thats what the Report says. CBC president Diputado Rivera mentioned that they are wanting to decrease the number of institutions called for hearings.
Section 4	Table 11	MCC	Civil Society organizations have decreased their participation. Is this because they can watch it on TV?	SI: It could be a reason but the civil society organizations we interviewed were not interested in participating in the process. The ones we interviewed did not want to be seen as validating the government.
Section 4	Section 4.3.3	MCC	Any additional detail that is possible here would be helpful. Why does it seem that the changes were (or could be) part of the natural trajectory of the Commission?	SI: Clarified
Section 4	Section 4.3.3 Endline	MCC	How does this connect to the “Budget Execution Reporting” challenges? Given that DGP can’t really get good explanations for problems with expenditures, and the TCP hasn’t proposed a solution to that, will that	SI: It’s a good point. One could argue that if Congress has a good hearing process, then they would pressure government institutions to improve their reporting.

Section	Sub-section	Institution	MCC Comment	SI Response
			have an impact in achieving this goal? Or, are they not related? (I might not be understanding correctly)	
Section 4	4.4.2	MCC	I think this is missing from the table – would be helpful to know	SI: Apologies. This is from an earlier table that was revised to the current form to provide greater detail.
Section 4	4.4.2	OTA	Again, the date reference.	SI: See comment above. Please advise on correct date.
Section 4	4.4.3 Baseline	MCC	I don't think so. The payment is due 45 days from the acceptance of goods/services and is in arrears immediately thereafter. The way drafted it says 45 days from acceptance to due and then another 45 days from due to overdue.	SI: Corrected.
Section 4	4.4.3 Baseline	MCC	For Hondutel in particular? Are they expected to be owed (owing?) a lot? Could you explain why this is important to know?	SI: Clarified.
Section 4	4.4.3 Baseline	MCC	I don't think either of these is true.	SI: Clarified comment on vendors that are not up to date with tax obligations. One interview at treasury raised the Fideicomisos point but we don't have corroborating evidence of this.
Section 4	4.4.3 Baseline	MCC	This has nothing to do with payment arrears. The calendar is for current payments only.	SI: Agreed, deleted.



Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	4.4.3 Progress and Challenges	MCC	Can you provide any additional detail on how the TCP is planning to support the audit?	SI: clarified
Section 4	4.4.3 Delays in payment start in the government institutions	MCC	This seems like a very useful point to have discovered. Does the TCP plan to do anything to build on this or correct it? If not, is there a reason?	SI: This comes from findings in Kay Blackburn's report. We have not followed up how TCP will address recommendations from Kay's report.
Section 4	4.4.3 Progress and Challenges	MCC	This was also looked at in the study and yes this is a problem. See table I inserted using data from Kay's March 10, 2016 report.	SI: Great study! We've added the table and text.
Section 4	4.4.3 Progress and Challenges	MCC	The reception date of the good received from the vendor? Or of the payment from TGR? It would be helpful to include in this paragraph an overall description of the process (vendor submits invoice, institution approves, TGR processes payment – is that correct? And the delay is between when the vendor submits the invoice and the institution approves?)	SI: Added text to clarify
Section 4	4.4.3 Endline	MCC	I don't think so. The audit will determine the validity of payments in arrears with the objective of non-valid payments being written off and SEFIN paying off the valid ones. You should be using SIAFI data to see the decline in payment arrears and SAIFI data and data from follow-up work of the comparison of physical invoices with SIAFI data for timely payment of current payments.	SI: Agreed. Corrected

Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	4.4.3 Endline	MCA-H	Se debería de incluir que Deloitte está haciendo la nueva auditoría?	SI: Ok. Added above.
Section 4	4.4.3 Endline	MCC	There will be substantial work on this. Lori has supported SEFIN's Treasury, budget and transparency units to formulate an action plan to address the findings of Kay's report and they are beginning a pilot of this in INSEP.	SI: Ok, good to know. Added above.
Section 4	4.4.3 Endline	MCA-H	A proposal for indicators for payment arrears are defined in the ITT since the beginning of 2015: 46-90, 91-180, 181-365, more than 365 days. At that time, we were not able to calculate values, due to Secretariat of Finances hadn't sent us the information of the F01s.	SI: Between what Kartik has shared with us and the M&E folder on the shared Google drive but we have not seen this. The latest document is the Matriz de Indicadores, which is very much a working document. We have left this as is, but please send along any updated documentation.
Section 4	4.4.4 Baseline	MCC	How is the commitment date defined, for a layperson? Is that the day the invoice is due? It might be helpful to include a diagram or at least description of how things go vs. how they should	SI: Amended
Section 5	5.2.5 Endline	MCA-H	Until they not calculate new figures for savings using a "good" methodology, those numbers cannot be used as part of a baseline.	SI: Added
Section 5	5.2.5 Endline	MCC	It would be helpful to better understand TCP's support in these activities. It doesn't seem clear that these are relevant endline scenarios to explore, unless more detail on the TCP activities is possible (but maybe they just aren't planned yet?)	SI: It's a fair point. Our focus here is more on the E-catalogue rather than the TCP support for the catalogue. We added a sentence above noting that one of the outcomes is increased use of the catalogue. Our approach at endline (here and in

Section	Sub-section	Institution	MCC Comment	SI Response
				other elements of PFM) will be to explore the effectiveness/limitations of the e-catalogue and then try to identify what role the TCP had.
Section 5	5.3.1	MCC	It might be helpful to include a sentence linking the intervention logically to the goals of the TCP – how does the procurement assessment lead to cost savings/better service delivery/reduced corruption? It seems pretty simple but would be good to clearly lay it out as a reminder.	SI: Added here and above. The concern we have and discuss below is that sole source purchases does not appear to be as large of a concern as originally understood. Very few procurements are actually sole sources, and instead most are “compras directas,” which typically entail three quotes. This is a low bar, however, and there is plenty of room for abuse of compras directas.
Section 5	5.3.3	MCA-H	I don't know if this comment is correct here but, there were never available information about modifications and sole source procurement in ONCAE. Maybe is relevant to say it somewhere in this section.	SI: Ok, thank you. Added. Also clarified the point a little more.
Section 7	7.1 The Intervention	MCC	Would be helpful to explain here how this activity links to the broader logic of the PFM project and TCP goals	SI: Added
Section 7	7.3 Baseline	MCC	Would help to include more specific definitions of the types of audits. What about existing audits is lacking that makes apparent a need for performance audits?	SI: Added here and in the introduction
Section 7	7.3 Baseline	MCC	Could you be more specific about the constraints?	SI: Added
Section 7	7.3 Baseline	MCC	What additional benefit/link to the TCP goals is related to the public release of information about what changes as the result of the audits?	

Section	Sub-section	Institution	MCC Comment	SI Response
Section 7	7.4 Improvements and Challenges	MCC	How does this “go beyond” the legal norms described in the previous sentence? Is it beyond mere compliance to a higher level of legal norms?	SI: It was not clear to us that it does “go beyond” in a major way. The main difference as noted below appears to be the section on good practices. This is our concern.
Section 7	7.4 Improvements and Challenges	MCC	Can you give any detail (in brief) on the different set of questions that drew the focus of the report?	SI: Footnote added
Section 8	8.1	MCC	A link in this section between the activity and the overall TCP goals would be helpful	
Section 10	10.3	MCC	Can you provide greater detail on who was interviewed? Why they were selected, why that number was selected, etc	SI: Cut this section and focused methodology above in the methodology section.
Section 10	10.3	MCC	Why these cases? Why were they selected?	SI: Cut this section and focused methodology above in the methodology section.
Section 10	10.3 The Intervention	MCC	Again, an overall link of this activity to the project and threshold goals would be helpful.	SI: Language has been added below which links activities to TCP M&E framework outcomes.
Section 10	10.3 Table 24	James Hallmark	Note that MCA-H terminated Ronny Venegas’ contract and currently seeks to hire a new PPP Financial Advisor.	SI: This has been noted in a footnote.
Section 10	10.3 The Intervention	MCC	Could you explain what those activities are? Upstream in terms of general procurement? Or upstream for	SI: Addressed

Section	Sub-section	Institution	MCC Comment	SI Response
			roads procurements/road strategic planning in particular?	
Section 4	4.4.4 Baseline	MCC	How does this tie into the overall problem of payment prioritization?	SI: Added text to link back to opening para.
Section 4	4.4.4 Baseline	MCC	<p>They can physically pick up a pen and sign a contract, but they cannot enter a commitment into SIAFI without the commitment budget ceiling. I understand (but confirm with lori) that the general budget provisions from 2014 and on require a contract to have an attached copy of budget availability from SIAFI to be valid.</p> <p>Of equal import is that SAIFI will not allow users to enter a payment that exceeds the monthly cash quota. So institutions have to sit on legally valid invoices and SEFIN does not even know they exist. In my view, if an invoice is valid and the GoH accepted the goods/services/works they should enter the invoice immediately. I suspect part of the motivation of this practice is to give SEFIN control to meet deficit targets (or appear to), but this leads to all sorts of opportunities for corruption and distorts the financial statements of the GOH. They need to control spending at the commitment point not the payment point.</p>	SI: Fully agree. Added text to reflect this.
Section 4	4.4.4 Endline	MCC	It would be helpful to refer to the question, maybe in a footnote	SI: Clarified

Section	Sub-section	Institution	MCC Comment	SI Response
Section 4	4.4.5 Relevant Question	MCC	Above it is noted that cash management is one of the root causes of payment arrears. How is that the case? It would be helpful to explain this connection.	SI: Addressed in intro.
Section 4	4.4.5 Baseline Cash Rationing has declined	MCC	Im not so sure. Yes treasury has cash to pay approved payments, but this is in part because the cash quotas wont let line ministries even enter invoices without the cash quota.	SI: Added 'partially' and reflected this point again.
Section 4	4.4.5 Baseline The line item cash planning system:	MCC	They can accrue them, they just cant enter them into SIAFI.	SI: Agreed, added.
Section 4	4.4.5 Baseline The line item cash planning system:	MCC	They need to control commitments not cash. Controls on cash just lead them to not entering invoices into the system. So this doesn't affect the stock of arrears but the accuracy of the government's accounting of those arrears.	SI: Agreed. Reflected in the text.
Section 4	4.4.5 Progress and Challenges	MCC	What was the baseline problem of this existing system?	SI: Added in baseline.
Section 5	5.2.3	MCC	Provide full ref to this report.	SI: This was incorrectly cited. It came from Jacinto and Luis's inception report. Apologies. Has been corrected.

Section	Sub-section	Institution	MCC Comment	SI Response
Section 5	5.2.3	MCA-H	For all the estimated savings, I'm not sure they are using a reliable methodology to calculate them.	SI: We have clarified to just list what they report. We note the methodological problems below. We are less worried about the time difference. Our larger concern is if market comparisons were intentionally selected to overstate the savings.
Section 5	5.2.4	MCC	Did the TCP support this? If so, how?	SI: This is briefly noted above in the intervention section. TCP support was staffing the help desk and some technical support.
Section 5	5.2.4	Marian Rios	You say in the footer 66, that Social Impact have calculated the savings yourself to get better figures, but I can imagine that you used the data in the "Comparación de Precios..." document. Yesterday I had a meeting with ONCAE where they agreed with me that the numbers on the invoices that they use to make comparison, are not correct, because they sometimes compare a market price in 2013 with a catalogue price on 2015. We agreed that they are going to define a new methodology to do that, and for now I don't think that we can use those data.	SI: Thanks for this information. We did use the data that they generated. While they are transparent in providing the original receipts the electronic catalogue receipts does not contain the date. We still site the reports but note the methodological problem. It seems that this would understate rather than overstate the savings. Inflation appears to have averaged between 4 and 5% during this time period. So if we observed a 10% savings it could be more like 11% savings with two years of adjusted inflation.
Section 5	5.2.4 Table 18	MCC	Are these supplies added to the e-catalogue as part of the TCP-supported expansion? Or were some already on the e-catalogue? (Related, was the "re-launch" the same as the "expansion"?)	SI: Expansion is for: 1) Supplies and Services for Cleaning and Fumigating, 2) Minor Medical Surgery Materials and Instruments, 3) Hardware and Construction, and 4) Lubricants for Vehicles

Section	Sub-section	Institution	MCC Comment	SI Response
Section 5	5.2.4 Still some non-compliance:	MCC	Did TCP support this development? (I assume this is new over the baseline scenario?)	SI: No, the TCP was not involved in the development of the Law. Added that this was passed in 2014.
Section 5	5.2.4	MCC	Aside from the helpdesk, would it be possible to describe more specifically TCP's involvement in the achievements above?	SI: We have tried to clarify above in the intervention description and here that the technical assistance does not appear to be a game changer. The most important TCP support is through the Help Desk.
Section 5	5.2.5 Endline	MCC	Is there any expected endline scenario for the helpdesk support activity?	SI: The 3rd and 4th are a result of the Help Desk monitoring activity. We have added an additional point
Section 10	10.4.1	MCC	<p>The salaries by position for both institutions are available online. The commissioners of Coalianza get L151,000 per month vs the Minister at L90,0000. But project directors get 40-55,000 that compares to sefin deputy directors.</p> <p>So for Nov 2015 for example:  <a href="http://www.sefin.gob.hn/?p=62238">http://www.sefin.gob.hn/?p=62238</a></p> <p><a href="http://coalianza.gob.hn/portaldetransparencia/wp-content/uploads/2015/02/Planilla-Nov151.pdf">http://coalianza.gob.hn/portaldetransparencia/wp-content/uploads/2015/02/Planilla-Nov151.pdf</a></p>	SI: Thanks for the citations. We have used your research as examples.
Section 10	10.4.1	MCC	Given the good pay, competitive with the private sector, is there anything driving the high turnover? (I see below that some is due to political appointees and their staff...anything else?)	SI: We backed off this conclusion in response to John's comment above. But yes, our understanding is that this is driven by changes in political appointments, which lead to changes in the personnel below them. We did not hear



Section	Sub-section	Institution	MCC Comment	SI Response
				other reasons although there might be other factors.
Section 10	10.4.1 Endline	MCA-H	Concerned about political space to change law.	SI: caveat added.
Section 10	10.4.1 Endline	MCC	This section discusses the lack of good financial risk assessments of PPPs by COALIANZA. Is SEFIN capable of doing this, but just hasn't been looped in? Or is there also a need for capacity building within SEFIN? I think this applies to the two headings below as well.	SI: The structure here is potentially confusing. At baseline COALIANZA had responsibility, but we note SEFIN's increasing role. In the past, SEFIN has been kept largely at arm's length in the project design and development process, although from our assessment, this is improving. There may also be a territorial issue here insofar as SEFIN is supposed to review the financial / fiscal impacts of PPP projects - VfM and affordability - and therefore it would not make sense for them also to undertake this work directly. Both COALIANZA and SEFIN however need to build capacity to do the work - the first to assess the impact of their project design work, the second to check whether the project (as designed) is sustainable in fiscal terms. Usually this kind of risk assessment work is conducted at the design stage by external advisors.
Section 10	10.4.2	MCC	Again, what does VfM mean here? Is it a study of whether a project costs the GoH less on a risk adjusted basis if done via a PPP vs a traditional public procurement? If so, does this make sense when the GoH has no public budget to develop the project under a traditional public procurement? When there is no	SI: Please see the separate email sent with explanation.

Section	Sub-section	Institution	MCC Comment	SI Response
			public budget for the project, should the VfM study instead simply determine what terms of the PPP are a “good deal” for Honduras (by comparing the PPP to the terms of similar deals in other countries)? And, when sufficient public budget exists to fund the project via a traditional public procurement, does it make sense to use limited public budget on a project that private capital can fund and thereby leave less public funding for social services that the private sector isn’t willing to fund. In other words, should the VfM/public private comparator also account for the opportunity cost of losing the chance to fund a more projects through a mix of PPPs and public funding than the country can fund with public funding alone.	
Section 10	10.4.2	MCC	This is a serious issue. 1. Do we have the documents to back up the claim (IMAGs in the draft contract in the tender and those in the final contract). 2. not clear this relates to the title of reliance on bidders financial model.	SI: We have no back up but were simply informed that this had been the case. This this claim was made at two separate meetings. As to relevance, in the absence of any other financial model developed by UCF, as far as we know, COALIANZA would have used the bidder’s model.
Section 10	10.4.2	MCC	were these the weights? So an average of a 2% us inflation and a 8% Honduran inflation? And you would want to adjust the us inf for currency changes if payments wer in Imps. I don’t want to accuse them of doing this wrong without seeing the source document.	SI: Again, unfortunately, we do not have documentation of this. This is what we were told in our meetings. We have clarified that the source of data was based on interviews.

Section	Sub-section	Institution	MCC Comment	SI Response
	10.4.2 Progress and Challenges	MCC	In the below headings, could you specify where TCP had involvement and where it did not?	SI: Headings have been edited to reflect the role of TCP in these findings.
Section 10	10.4.2 Progress and Challenges	MCA-H	Other staff from SEFIN attend the Committees	SI: Clarification added; the overall finding is important, though, and does not change.
Section 10	10.4.2 Progress and Challenges	MCA-H	The staff of UCF were permanent. In that moment the minister took employees from distinct Direcciones of the ministry to conform the unit, but they were personnel with stability on the institution.	SI: Upgraded to be more about part-time nature rather than job insecurity. This was directly recorded from relevant meetings with UCF.
Section 10	10.4.2 Progress and Challenges	MCA-H	Las personas que trabajan en la UCF han sido trasladadas de otras unidades de SEFIN y cuentan con plaza.	SI: See comment directly above.
Section 10	10.4.2 Endline	MCA-H	Maybe can be added an element to look for, related to the truly consideration of their job, I mean, their dictámenes taken in account in COALIANZA	SI: Added to Evelyn's suggestion
Section 10	10.4.2 Endline	MCC	What about financial risk assessments and financial models other than the bidders? Are those already adequately used, compared to the baseline scenario? Or not priority?	SI: Yes, included in bullets 3 and 5.
Section 10	10.4.4 INSEP	MCC	This is true of the ministry as a whole but not really the problem with PPP except for the resource drain that limits adequate resources for a PPP unit. In all fairness INSEP has cut staffing dramatically.	SI: We have added this context, however the larger finding remains unchanged.
Section 10	10.4.4 Progress and Challenges	MCC	Any idea as to why they might be doing so?	SI: It's not entirely clear. We heard from the Vice Minister that she was not happy with the consultant (Vivallos') recommendations regarding the PPP Unit. This may be potentially

Section	Sub-section	Institution	MCC Comment	SI Response
				contributing to a situation in which progress in setting up the Unit is slow. Could also be resource constraints or a lack of expertise.
Section 11	11.2	MCC	Is there much of a difference between activities 2.1 and 2.2? They sound very similar. Any recommendation of how to see them as distinct would be helpful.	SI: In design, 2.1 addresses institutional issues, whereas 2.2 focuses on the stages of the Project cycle. MCC might have some thoughts on this. Our perception is that as the project has been rolled out the distinction between the two has somewhat faded.
Section 11	11.3	MCC	Would it be possible to comment on how likely/unlikely it will be able to discern the impact of TCP itself on these case studies? The explanation of the logic behind the choice of case studies is useful in that regard, but a little more context might be helpful.	SI: We are shifting more of this material up to the methods section so as not to be redundant (see Wingle comment above). The design allows us to see improvements overtime, but we are somewhat limited in our ability to attribute any observed changes to the TCP vs. learning vs. other potential causal factors.
Section 11	11.3 Baseline	MCC	Again, does this make sense if there is no public budget for the project? Also, when there is adequate public budget, should the VfM study take into account the opportunity cost of using public budget to finance a project that private capital can fund via a PPP, thereby losing the ability to fund social services that a private operator wouldn't be willing to fund.	SI: Please see the separate email sent with explanation.
Section 11	11.3 Progress and Challenges	MCA-H	Vivallos has been supporting COALIANZA analyze project ideas that come up, in order to teach them variables that should be considered when determining if a project is ppp-able.	SI: Correct. This is specified in the sentence just following the bolded topic sentence.

Section	Sub-section	Institution	MCC Comment	SI Response
Section 11	11.3 Table 28	MCC	One might ask why the revenues are so much higher than the costs. Are there other costs for operation and finance not included?	SI: This is just the investment cost (CAPEX) and does not include long-term O&M (OPEX) of the project.
Section 11	11.3.3 Table 29	MCC	The law in 2013 increased VAT from 12 to 15%. I don't see how that caused an increase from 97 to 121. Should the contract insulate them from Tax changes? Do the taxes get refunded as the road is an input and the final tax in the value added chain is collected from users of the road with the tolls?	SI: Our understanding from interviews and some documentation was that the bidder increased the bid value from 97 to 110 (97 + 13). The VAT change took it up further. That still doesn't add up to the full \$121, so we must be missing something. Have left it less specific.
Section 11	11.3.3 Progress and Challenges	MCC	Was any of this "what went wrong" related to the baseline scenario above? If so, which pieces? Can you include any detail of what the TCP consultants focused on, specifically? Is TCP addressing any of the other challenges identified?	SI: A summary of the findings has been inserted in the paragraph.
Section 11	11.3.4 Table 30	MCC	The combination of design and supervision consultancies is very common for traditional gov procured works. What is the problem in the PPP context?	SI: Yes, this makes more sense in a traditional procurement. In a PPP, the government is transferring risk to the private sector – including the transfer of the design risk. If you design the project and the winning bidder builds it to your specification, you are ill-placed to penalize him for non-performance. Transfer of design risk is a pillar of PPPs.
Section 11	11.4 Fide	MCC	And environmental licenses	SI: background on this added. We opted not to look at this in our proposed design. MCC documentation was focused on the import/export window.

Section	Sub-section	Institution	MCC Comment	SI Response
Section 11	11.4.1 Baseline	MCC	<p>I would slice this by Document the existing process and put a description of the process on line. Streamline the process. Create the ability to complete the process online0</p> <p>Rather than by each process.</p>	SI: Thank you for this suggestion. As the FIDE-specific portion of the evaluation targets these two processes specifically, we prefer to organize the evaluation report as such.
Section 11	11.4.1 Baseline	MCC	<p>Are you sure? I don't see it in e-reg or doing business</p> <p><a href="https://honduras.eregulations.org/procedure/4/5?l=es">https://honduras.eregulations.org/procedure/4/5?l=es</a></p> <p><a href="https://honduras.eregulations.org/procedure/197/244?l=es">https://honduras.eregulations.org/procedure/197/244?l=es</a></p> <p>this is for exporting fruits and veggies see <a href="https://honduras.eregulations.org/procedure/258/455?l=es">https://honduras.eregulations.org/procedure/258/455?l=es</a></p>	SI: Given that 95% of FIDE's target population for EmprandeGuia are small and medium enterprises mostly in the food and ag coop businesses, SENASA plays a large role in the majority of business registrations. I'm not sure that this really makes sense. This appears to be obtaining a sanitary license and not everyone needs to go through the SENASA. I thought you were also going to add FIDE data to this. There is a lot of data online + the doing Business reports.
Section 11	11.4.1	MCC	Can you explain what this is? Apologies if it is elsewhere in the document and I missed it.	SI: Language added to explain MiEmpresaEnLínea.
Section 11	11.4.1 Endline	MCA-H	Positive change may be probably happening during 2017	SI: Good point, and given the extension of the evaluation to 2018, I have edited this to include the 2017 report.

Section	Sub-section	Institution	MCC Comment	SI Response
Section 11	11.4.1 Endline	MCC	Is it likely to expect to see changes here, given the TCP activities and challenges mentioned above? Just wondering if there are other challenges that might stand in the way of changes to these indicators as a result of the TCP	SI: Now that the acuerdo has been signed finally between FIDE and the government, progress is expected to be made on FIDE's interventions and we do expect to see some change. Main obstacles that remain surround changes in government party (after election, for example) and/or any technical difficulties around implementation of the software online. Given the extension to 2018, we think there is sufficient time to see changes, particularly among some Doing Business indicators.
Section 11	11.4.2 Obtaining export/import permissions	MCC	Is there any work done on the environmental licensing component? I don't remember reading about why it isn't included, but I might have missed something	This component was not included in the evaluation.
Section 13		MCC	Is this section describing the baseline scenario of each question, or a "progress to date" update? It seems to be a mix of both, and it would be useful to separate them out for each question.	
Section 13	13.1	MCC	Some of the questions below are different, or in addition to, those in the EDR I have (October 2015). Is there a more recent EDR that includes these questions?	
Section 13	13.1 Question 3	MCC	Most are not short term. Most have two – three years, but yes are intermittent. Kay was one of the few short-term advisors but does speak Spanish and accomplished a lot in a short time.	SI: Ok

Section	Sub-section	Institution	MCC Comment	SI Response
Section 13	13.1 Question 3	MCC	Are there any examples of this currently? Or is it just a future risk?	SI: We present it here as more of a potential risk.
Section 13	13.1 Question 4	MCC	<p>Given that this is a baseline, it would be more helpful if this was structured as a bulleted list of things that need to be done for each element to be sustainable.</p> <p>SI: We have attempted to address sustainability concerns in the recommendations that we provide throughout the report. We realized the recommendations that appear in the executive summary do not reappear here at the end so we have added them below.</p>	
Section 13	13.1 Question 5	MCC	If a public-private comparator study doesn't make sense because there's no public funding for the project, an alternative is to simply determine what terms of the PPP are a "good deal" for Honduras (by comparing the PPP to the terms of similar deals in other countries)? And, even when sufficient public budget exists to fund the project via a traditional public procurement, the costs of the traditional public procurement might need to take into account the opportunity cost of funding a project that could be financed with private capital with public monies instead, thereby reducing the ability of the government to fund social services that the private sector is less willing to fund.	SI: This has been addressed earlier in the document, in the PPP section.



Section	Sub-section	Institution	MCC Comment	SI Response
Section 13	13.3 PPP Questions	MCC	Not generally true in SEFIN. Director and below positions are very stable and I have had many of the same counterparts for 10 years.	SI: We refer to UFC.

## Second Round of Comments (April-May 2017)

Section	Sub-section	MCC Name	MCC Comment	SI Response
Executive Summary	Evaluation questions and evaluation methodology	ONCAE	Currently, major efforts in training are being done; I think that training is key to the changes in practices and procedures in procurement. I think we should had include some questions about training not only on assessment	SI: The evaluation team originally included data collection activities focused on training. This was removed in subsequent drafts at the request of MCC. The understanding at the time was that training would not be a major part of the intervention. The evaluation team requests additional information on how the intervention has evolved.
Executive Summary	Budget and treasury management (PFM 1.1)	MCA-H	And Program proposals.	SI: Added
Executive Summary	Budget and treasury management (PFM 1.1)	OTA	This primarily due to the project and the study tour.	SI: That likely had some influence and the study tour is mentioned in the body of the report. No change.
Executive Summary	Budget and treasury management (PFM 1.1)	OTA	Implies TCP consultants were party to this. Staff was deeply divided from the beginning of the project and the lead staffer was opposed to the project. In fact, he announced to MCC and OTA leadership that the project could end in September 2015 and use the remaining funds for his training. The Chairman of the Budget Commission quickly intervened to continue the project.	SI: We believe that this statement does not allocate blame and simply states that the relations were not ideal. Commission staff did raise concerns about the consultants. No change.
Executive Summary	Budget and treasury management (PFM 1.1)	OTA	This analysis was unrelated to the audit of payment arrears. It was done to improve timely payment procedures. You are confusing payment processes with payment arrears.	SI: Yes, we understand that. The analysis is referenced here to note where the cause of the arrears lies.

Section	Sub-section	MCC Name	MCC Comment	SI Response
Executive Summary	Budget and treasury management (PFM 1.1)	MCA-H	Just FYI, now THP is supporting some tasks for automatization of the prioritization process of payments, thru the contracting of an external consultant to do some changes in SIAFI treasury module.	SI: Noted. No change.
Executive Summary	Budget and treasury management (PFM 1.1)	OTA	A new intermittent advisor made and assessment and recommendations, resident advisor is carrying out the work.	SI: Text edited to reflect this.
Executive Summary	Budget and treasury management (PFM 1.1)	OTA	OTA is currently providing support for this.	SI: Language edited to note that limited interventions were only as of baseline.
Executive Summary	Budget and treasury management (PFM 1.1)	OTA	The Organic Budget Law draft revisions include language to permit TGR to make these investments.	SI: Added language noting this.
Executive Summary	Improving procurement capacity, planning, and controls (PFM 1.2)	MCA-H	And training the new unit.	SI: Added
Executive Summary	Improving procurement capacity, planning, and controls (PFM 1.2)	ONCAE	It is necessary to clarify the scope of the assessment to avoid misunderstandings/overlap with the duties of TSC. We have defined the assessment process as a “review of the application of the operational procedures” of the LCE”, which will produce an improvement plan to be supervised by ONCAE	SI: Statement that this is not an audit has been added here and in the body.

Section	Sub-section	MCC Name	MCC Comment	SI Response
Executive Summary	Improving procurement capacity, planning, and controls (PFM 1.2)	ONCAE	Up to March 2017, 11 institutions are being evaluated.	SI: Edited but still notes ambitious schedule
Executive Summary	Vendors survey	MCA-H	This is a strong confirmation, from my point of view needs to be written with more scientific support.	SI: Revised to propose this as a possibility
Executive Summary	Vendors survey	ONCAE	INSEP by its own natures, bids major contracts	SI: Noted. This is one potential explanation. No change
Executive Summary	Vendors survey	ONCAE	This perception would clearly have a negative impact on the number of proposals received...bad perception	SI: Agreed. No change
Executive Summary	Vendors survey	ONCAE	It should be clarified that briefcase businesses are not illegitimate; most of them are legally established but are used in fraudulent schemes.....this perception is biased for the latest publications on IHSS.	SI: edited.
Executive Summary	Grant facility for social accountability (PFM 1.4)	ONCAE	We have ONCAE and ASJ working in the same institutions,...	Noted: no change
Executive Summary	Grant facility for social accountability (PFM 1.4)	MCA-H	Also Tax management-Customs	SI: Added
Executive Summary	Public employees survey	ONCAE	Im afraid that its not fair to compare respondents answers in 2016 with a survey in 2014...I perceive that some progress or not may have been achieved.	SI: Edited, and language softened.
Executive Summary	Public employees survey	ONCAE	Curiously, no link between corruption and procurement	SI: Procurement corruption was one of the options and was mentioned but not to the degree these other factors were.

Section	Sub-section	MCC Name	MCC Comment	SI Response
Executive Summary	Develop core PPP capacity (PPP 2.1)	MCA-H	Should mention the trust funds' roll	SI: Added
Executive Summary	Develop core PPP capacity (PPP 2.1)	MCA-H	Responsible for the regulation, control and monitoring of signed ppp contracts	SI: Edited
Section 1	1.2 Threshold Goals and Objectives	ONCAE	The procurement advisors are also investing a good percentage of their time to train GoH procurement officials, this should also result in changes in procedures, practices and behavior.	SI: Noted. No change. This reference is just illustrative.
Section 1	1.2 Threshold Goals and Objectives	OTA	Over the implementation of the TCP, some of the TGR and the Congressional activities were eliminated from the work plans. As a baseline report these activities were in the original plan.	SI: Noted. We would like to obtain more information about what changed for the midline.
Section 1	1.2 Threshold Goals and Objectives	MCA-H	Base on MTEF	SI: Added
Section 1	1.2 Threshold Goals and Objectives	MCA-H	Also do a diagnosis of ONCAEs whole IT System	SI: Added
Section 1	1.2 Threshold Goals and Objectives	MCA-H	En el caso nuestro, el tema de género no fue un criterio para seleccionar NGOs	SI: Deleted
Section 1	1.2 Threshold Goals and Objectives	ONCAE	As a recommendation maybe we should avoid the use of audit because this is an exclusive responsibility of TSC; we should use assessing quality of spending and service delivery ...	SI: Changed to assessment
Section 3	3.1.3 Public employees survey	ONCAE	Please review this total..it doesn't match	SI: corrected

Section	Sub-section	MCC Name	MCC Comment	SI Response
Section 3	3.1.4 Vendors survey	ONCAE	Out of how many vendors registered in ONCAE's data base?	SI: added.
Section 3	3.1.4 Vendors survey	ONCAE	This is a serious issue ONCAE should work on...inaccurate data bases is a major issue.	SI: we agree.
Section 4	4.2.3 Medium Term Expenditure Framework	Advisor	I believe ceilings are set at the Institutional level by grupo de gasto. I do not believe they are allocated at the execution unit level.	
Section 4	4.2.3 Medium Term Expenditure Framework	OTA	This seems to be too strong a term to use. I would suggest that change is a more important term.	SI: Changed to "trust."
Section 4	4.2.4 Revenue Forecasting	Advisor	DEI staff may have been unable to attend all meetings. They did attend important meetings and training even after the termination of the entity.	SI: Comments might reflect changes since baseline data collection. Interviews at the time suggested understandable but limited engagement. No change.
Section 4	4.3.2 Budget Execution Reporting	Advisor	Is this reference correct? Sub section 2.3.3 does not exist.	SI: Corrected
Section 4	4.3.2 Budget Execution Reporting	MCA-H	Should the Boletines/Newsletters about fiscal topics be mentioned as progress?	SI: While definitely an important output for the activities, here we are focused on the hearing process.
Section 4	4.3.2 Budget Execution Reporting	OTA	See previous comments.	SI: Noted. No change.
Section 4	4.4.5 Cash Management	Advisor	The government issued bonds in the international market in 2014 and again in 2017.	SI: Corrected

Section	Sub-section	MCC Name	MCC Comment	SI Response
Section 4	4.4.5 Cash Management	Advisor	Commitments may be entered as long as the overall budget has amounts available. While institutions create an monthly expenditure plan for the entire year in January quarterly they create a plan for each month of the quarter. Expenditures cannot be entered unless they are in this quarterly plan which does not have to match the original plan developed in January.	
Section 4	4.4.5 Cash Management	Advisor	This doesn't mention the General Budget Provision that requires the vendors to get proof of a commitment in SIAFI, which the SEFIN authorities believes relieves them of the responsibility to pay.	
Section 5	5.2 E-catalogue and ONCAE's Contracting System	ONCAE	The concept is to centralize purchase of commodities used by all institutions across central government, imitating the strategy of private sector	SI: Text edited
Section 5	5.2 E-catalogue and ONCAE's Contracting System	ONCAE	The term used in Honduras is Concurso Público for the process of hiring consultants firms	SI: Corrected
Section 5	5.2 E-catalogue and ONCAE's Contracting System	ONCAE	This is one of the most confusing term used in Hondurass. Direct purchase is a sole source and at the same time is a competitive direct purchase. Please review art. 63 of the LCE	SI: Language corrected.
Section 5	5.2 E-catalogue and ONCAE's Contracting System	ONCAE	Literally speaking, only framework agreement is implemented through a e-catalogue. No Joint purchase or reverse auction is really performed under a e-Catalog	SI: Edited

Section	Sub-section	MCC Name	MCC Comment	SI Response
Section 5	5.2 E-catalogue and ONCAE's Contracting System	ONCAE	There are many other type of consultations made through helpdesk, those who are really linked to procurement procedures that unfortunately are not taken in account here. How to conduct procurements, request for advise on complex procurements, TCP resident advisors have contributed to support those institutions in coordination with the legal department and help desk	SI: Text added to note this
Section 5	5.2 E-catalogue and ONCAE's Contracting System	ONCAE	It should be added that a Memorandum of Understanding MOU was signed between ONCAE and MCA in which commitments to integrate staff to the civil service are done..please review.	SI: We understand that this occurred after baseline and will be incorporated in the midline report.
Section 5	5.3 Procurement Assessments	ONCAE	Why are we not including a training related question? Do training provided by ONCAE lead to changes and practices?. It wouldn't be so much difficult to find an indirect relationship between training and changes in some bad practices	SI: See comment above. This is something that we could look into at midline.
Section 5	5.3 Procurement Assessments	ONCAE	HonduCompras may offer a very accurate information on the correct application of the General Procurement Law.	SI: We will explore this further at midline
Section 5	5.3 Procurement Assessments	ONCAE	Splitting of contracts to avoid a more formal bidding method	SI: corrected
Section 5	5.3 Procurement Assessments	ONCAE	The issue is that the concept of direct purchases includes processes with competition and at the same time, with no competition. Direct purchase includes sole source...	SI: Clarified



Section	Sub-section	MCC Name	MCC Comment	SI Response
Section 5	5.3 Procurement Assessments	ONCAE	Starting April 2016 a non formal review of sole source procurements was established within ONCAE with the objective of providing a technical assessment previously to the authorization by the President. Rough numbers indicates that around 200 request for authorization for sole sourcing came in and only a 20% of it was approved. I think this should be mentioned. Also the General Budget Provisions for 2017, approved in December 2016 derogated all emergency decrees which included approval of sole sourcing method to procure.	SI: This will be noted at midline
Section 5	5.3 Procurement Assessments	MCA-H	Why? Comment needs more support.-	SI: This was simply an ambitious goal given the amount of work that goes into a well done assessment. Text edited to clarify.
Section 5	5.3 Procurement Assessments	ONCAE	They were very close to achieve that number, around 9.	SI: This will be noted at midline
Section 6	6.5 Government Bidding Experience	ONCAE	Interesting. This should account by far more than 14%	SI: This was an open-ended question and respondents were not prompted with answer choices. More than one answer was possible. We display the proportions of answer choices that were given by respondents.
Section 6	6.6 Experiences with Specific Institutions	ONCAE	Here we have a complexity. Many firms did not submit a bid because they were not invited to submit a proposal. Most of the procurement processes are done through a "by invitation bidding process (Licitacion Privada) so the insitutions have the discretionary power on what firms will be invited.....	SI: Yes, no relevant procurements was one of the answers above. Despite this we interviewed a sizable number of firms that had bid within the past 12 months.
Section 6	6.6 Experiences	ONCAE	Its not acceptable that 30% of cases the clarity of specifications are not clear	SI: The next largest group (22%)evaluate the specifications as fair. Only 7% rate the specs as poor or very poor.

Section	Sub-section	MCC Name	MCC Comment	SI Response
	with Specific Institutions			
Section 6	6.8 Procurement Challenges	ONCAE	We should have made a difference when the procurement is by invitation only versus a public bidding.	SI: Yes, it seems likely that many respondents might be thinking of licitaciones privadas but we don't know for sure.
Section 6	6.8 Procurement Challenges	ONCAE	Its really concerning.	SI: Edited
Section 6	6.8 Procurement Challenges	ONCAE	Im not sure whether they know that collusion is the most difficult thing to prove or have evidence.	SI: Yes, this is just their perception.
Section 6	6.8 Procurement Challenges	ONCAE	The LCE supports short time for bid submission,	SI: Noted
Section 6	6.8 Procurement Challenges	ONCAE	When procuring goods and works, prior price negotiations are prohibited by law and good practices. When procuring consulting services prior price negotiations are allowed and encouraged by law...however allowed negotiations rarely include price negotiations	SI: Language added in a footnote
Section 6	6.9 Corruption in Procurement	ONCAE	High percentage expected	SI: noted.
Section 6	6.9 Corruption in Procurement	ONCAE	Very high..	SI: noted.
Section 6	6.9 Corruption in Procurement	ONCAE	Divided opinions	SI: agreed and noted.

Section	Sub-section	MCC Name	MCC Comment	SI Response
Section 6	6.11 Perceived ONCAE and ASJ Impact	ONCAE	We have been doing a lot of training..may be dates do not match the baseline elaboration dates.	SI: baseline data collection for the vendors survey took place between June and November 2016. "Respondents were asked "Can you point to any concrete examples of how ONCAE is working to improve the procurement process?" The respondent was not prompted with answer choices, though "trainings" were a hard-coded choice that could be marked by an enumerator. Less than 3% of respondents chose "trainings" as an answer. Of course, vendors might not be aware of trainings.
Section 9	9.10 Procurement	ONCAE	I consider that not being familiar with the technicalities of procurement, would disqualify any employee of being interviewed in this part of the survey.	SI: Respondents were given the option to respond "Don't know" when asked these questions and many did not provide a response. Our assumption is that those that did respond had enough information (correct or incorrect) to develop a perception. As public employees use the goods that are procured, we expected some responses to these questions even among those that are not familiar with the process itself. More detailed questions were only asked of those familiar with procurement.
Section 9	9.10 Procurement	ONCAE	I suggest to change colors to have more contrast..with this colors is hard to differentiate	
Section 9	9.10 Procurement	ONCAE	In Honduras the term Value for Money is, in the procurement community, not well understood.	SI: In the survey, this question was translated as "El proceso de compra y contratación en [institución] resulta en bienes y servicios que valen lo que pagó.

Section	Sub-section	MCC Name	MCC Comment	SI Response
Section 9	9.10 Procurement	ONCAE	So, its not understandable the bad perception on corruption in procurement stated in the paragraphs above	SI: not necessarily, rather these findings suggest that those who are knowledgeable about procurement think significantly differently about corruption in procurement than those who are not knowledgeable about procurement. This could be for many reasons, from social desirability bias to understanding the degree to which corruption in procurement is ubiquitous or not given first hand exposure. The results are open to interpretation, but sample sizes are large enough to say that there is a significant difference.
Section 13	13.2 PFM Questions	ONCAE	Improvements in Procurement practices and procedures can be traced through the publications of the bidding processes in HonduCompras. Nowadays for example, Im sure more institutions are using the standard bidding documents, some have reduced the cost of bidding documents and improve many aspects. How to measure this at the end line. For this, no need for surveys.	SI: Yes, while earlier questions are focused on objective improvements, here we are interested in perceptive changes. If there are improvements in procurement processes yet those improvements don't influence perceptions, then the impact on higher level outcomes (e.g. more bidders) might not be achieved.
Section 13	13.2 PFM Questions	ONCAE	Improvements in Procurement practices and procedures can be traced through the publications of the bidding processes in HonduCompras. Nowadays for example, Im sure more institutions are using the standard bidding documents, some have reduced the cost of bidding documents and improve many aspects. How to measure this at the end line. For this, no need for surveys.	SI: Yes, while earlier questions are focused on objective improvements, here we are interested in perceptive changes. If there are improvements in procurement processes yet those improvements don't influence perceptions, then the impact on higher level outcomes (e.g. more bidders) might not be achieved.

### Third round of comments (June-August, 2017)

Section	Page #	Source	MCC Review Comment	Social Impact Response
Executive Summary	11	MCC	Regarding the governing party donation from salaries, is it known that the employees consistently have the governing party donation across administrations or if this practice has increased/decreased over time/across administrations?	We have added some information to this section in the report and the executive summary, including that such payments are rare among teachers but common among SEDUC administrators and rare among SESAL permanent employees but common among contract employees. Focus group respondents report that this is an old practice, and the general sense was that it has remained fairly constant. There is no evidence to suggest that it has decreased with the current administration - this is particularly evident in the case of INSEP.
Executive Summary	12	MCC	Regarding ASJ report impacts on institutions, I think the explanation can be made more clear. As I read it, SEDUC is the only social audit report that was published, but SESAL reports specific improvements in processes. That is to say, interviewees notice changes only after the audit was performed but before the report was published for SESAL? This comes up a number of times in the report, and isn't necessarily more clear.	Clarified to note that ASJ has been conducting other projects in the area of health such as the 2014 Informe de Sistematización focused on medical procurements.
Executive Summary	13	MCC	Regarding the case study methodology for evaluating PPPs, I wonder if there are other competencies or challenges to the PPP process that will not be encompassed through the focus on roads cases. A discussion of this would be helpful.	Yes, we were trying to keep the focus on roads to observe if there were improvements overtime while controlling for the type of good being procured. However, there are trade offs to this, and as such, at interim data collection, we have chosen 2 additional case studies that are not roads: the Centro Civico (a large office

Section	Page #	Source	MCC Review Comment	Social Impact Response
				park) and El Tablon (a hydro/dam/power/irrigation project). We will compare and contrast differences in these two types of PPPs at endline.
Executive Summary	14	MCC	Regarding the greater INSEP participation in the CA-4 PPP, would the authors attribute this to learning by doing through other PP cases or something special about the CA-4 case?	We would attribute this to the fact that the process was coordinated more formally by the financial adviser to UCF, supported by the implementation adviser to INSEP, bringing together those directly concerned with restructuring the project following indications from the prequalified groups in the second tender attempt that this would also receive no bids unless changed. In this respect, can be regarded as a priority situation, driven by significant political pressure from the top echelons of government. There will inevitably have been a measure of "learning by doing."
1	17	MCC	A general question: When will this report be dated? Throughout the document, the authors refer to issues that could be corrected/updated. For the present review process, it's hard to know if things should be updated, or if the document will be dated in the past. Eg "... it is currently expected that the TCP will be extended and conclude in August 2018."	We have updated the 2018 end date for the TCP but we have not updated programmatic expectations that will be addressed in the interim report. To address this concern we include two dates: First submitted June 2016; Finalized September 2017.
1	25	MCC	Same issues as above "Additional awards expected in 2016."	See above.
2	31	MCC	How is PPP "best practice" being defined?	The definition of best practice is based on PPIAF training manuals, which the TCP is

Section	Page #	Source	MCC Review Comment	Social Impact Response
				using in its training. Added as a footnote in the report.
2	31	MCC	How is improved efficiency being understood for PPP development and structuring, especially in the HND context, where PPP development has been hasty?	Improved efficiency would relate, inter-alia, to the fact that the latest projects take into account lessons learned from the first generation of Corredores and incorporate these into the design of the project structure, the draft of the project contract, the process of tendering, evaluation and contract award.
4	52	MCC	Update? "...would be used in the preparation of the 2016 budget"	This kind of issue we have left to the interim report to update.
4	57	MCC	Since analysts generated the off-SAIFI forecasts, are we sure that they didn't update the models with more historic data from 2005-present?	UPEG/DPMF did not use any pre-2005 data at baseline from SEFIN. This was now revised at midline.
4	58	MCC	"DPG, in particular, now understand better the underlying model that produces SAIFI forecasts." How are we measuring and assessing "understanding"?	This is based off of interviews with the consultant and DPG staff and is self-reported. There was no formal assessment of understanding.
4	71	MCC	Is there a strategy in place to get Hondutel data for the future? This is a significant gap.	Hondutel indeed featured in the audit and information on arrears was obtained directly from them, despite not being on SAIFI. We confirm that Hondutel was part of the exercise done after baseline by Deloitte (agreed upon procedures, not formal audit).
4	71	MCC	Is it possible for SI to discern, through the data, which arrears are those special cases that are dealt with separately through meetings at the Treasury?	Unfortunately, not at this stage. We did ask at baseline, but TGR were secretive about it.
4	72	MCC	Update? "...expected that the audit will take place in 2016."	This kind of issue we have left to the interim report to update.

Section	Page #	Source	MCC Review Comment	Social Impact Response
4	75	MCC	Update? "Revised procedures are projected to be implemented in the very near future."	This kind of issue we have left to the interim report to update. Changed wording to 2016.
6	101	MCC	Could the Figure 17 be broken out by respondent Ministry? This would add good insight.	No, these questions were asked generally about procurement in Honduras.
8	122	MCC	Regarding the concern about comparability between waves of the ASJ audits, are we certain that different cases will be used (eg, Educ's computers, Security's cars, etc), or just suspect/worry that will be the case?	Yes, our understanding is that different cases are being used.
9	123	MCC	The 9.1 Intervention appears to contradict what is said about published reports in the Executive Summary, this could be lack of clarity. This section says only SESAL's audit had been performed, but in other places, it seems like Security and SEDUC's have been performed and SEDUC's results published. Please clarify.	This has been clarified. INSEP's had not yet begun, SESAL's was in progress, and SEDUC's was published at the time of data collection.
9	142	MCC	How meaningful is the threshold of a 1 day salary equivalent bribe? Was this arbitrary?	Had we asked the question in more general terms, some might have been thinking of a small bribe "to buy a soda," others a moderate bribe like the example here, and others major corruption. We wanted a number that would be common but not insignificant - such as money to buy a soda. This number is not fixed, however, and will also adjust to the pay level of the individual. Clarification added.
11	181	MCC	Table 21. For reader clarity, it would be helpful to have the PPP phase/status as of baseline and expected status as of endline in this table.	Added.



Section	Page #	Source	MCC Review Comment	Social Impact Response
6	Throughout	Comments at dissemination event	Desire for more context to be added to the vendors survey presentation.	Additional information from focus groups and feedback in dissemination events have been incorporated throughout this section.
6	88	Comments at dissemination event	Concern that estimated bribe payment solicitation statistic is too low.	We have substantially edited this section, recognized likely biases in the data, and added in material from qualitative research.
6	Figure 8	Comments at dissemination event	One could have the incorrect impression that the main reason businesses do not bid is because there are no relevant procurements.	Bars are organized to distinguish between firm related factors and process related factors. Text has been added to clarify this distinction and note that process concerns are expressed by a higher percentage.
6	89	MCC	Incorporate findings from questions on procurement challenges	This has been added.