

Honduras - Public Financial Management

Report generated on: October 2, 2020

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Overview

Identification

COUNTRY

Honduras

EVALUATION TITLE

Public Financial Management

TRANSLATED TITLE

Servicios de diseño e implementación de evaluación para Honduras

EVALUATION TYPE

Independent Performance Evaluation

ID NUMBER

DDI-MCC-HND-TCP-2020-v01

Version

VERSION DESCRIPTION

Anonymized dataset for public distribution

Overview

ABSTRACT

This evaluation is an observational study and a longitudinal, performance evaluation, meaning that we are not able to estimate a counterfactual. Instead we attempt to triangulate among diverse data sources to measure changes over time between 2014 and 2019 and then use qualitative data to consider TCP contribution to any observed changes. Data sources include (1) monitoring and administrative data, (2) documents generated by TCP implementers, (3) qualitative interviews, (4) a survey of vendors who sell goods and services to the government, (5) a survey of public employees in three key government agencies, and (6) online surveys with government officials that participated in the TCP-promoted PPP and procurement training courses.

Strengthening budget and treasury management: On the treasury aspects of the intervention, the evaluation team considers that both the Honduran treasury, General Treasury of the Republic (TGR), and partner pilot institutions (the secretariats of health, education, and public works) achieved some tangible results, but these did not translate into significant improvements in the effectiveness and efficiency of invoice processing and cash management. With TCP support, the finance ministry (SEFIN) worked to close the loopholes that allow institutions to procure goods and services without financial commitments. Nonetheless, there is still little evidence that secretariats are promptly entering and approving invoices. In addition, we do not find a significant reduction in arrears or borrowing costs by the end of the TCP. Building on the existing foundation to achieve these medium-term outcomes will require additional government efforts and technical assistance post-TCP.

On the budget aspects of the intervention, TCP support has focused on supporting a medium-term approach to budgeting, known as a medium-term expenditure framework (MTEF). These efforts started on a strong footing with local ownership and consistency with International Monetary Fund (IMF) requirements. With TCP support, the GoH has consolidated a Medium-Term Macroeconomic and Fiscal Framework (MTMFF), a key part of the MTEF, and introduced “baseline budgeting,” an approach to better predict revenue needs, which was rolled out to 43 institutions (out of a total of 109). Nonetheless, these baseline budgets are not reconciled with top-down budget ceilings. In addition, SEFIN is currently working to improve “programmatic budgeting,” prior to further advancing baseline budgeting and the incomplete MTEF. Similarly, the TCP made progress in developing SEFIN capacity to conduct Fiscal Impact Analysis, but application remains limited.

Improving procurement capacity: This activity has been one of the more successful parts of the TCP. With TCP support, the Regulatory Office of Contracting and Acquisitions of Honduras (ONCAE) established an evaluation unit and conducted 21 evaluations of GoH institutions, successfully implemented 180-hour procurement training courses to 195 participants, created a process for certifying public purchasers, increased offerings in the e-catalogue, and took steps towards

strengthening the overall regulatory framework. It is not clear that ONCAE and the GoH will continue to build upon TCP-promoted efforts, however. The evaluation unit lost momentum with the departure of staff and one of the TCP-supported consultants, and the evaluations were not used to incentivize change in assessed institutions. While universities still offer the procurement course, high cost remains a potential barrier. The status of the certified public purchasers remains uncertain and will depend on future legal reforms. The e-catalogue has likely reduced costs, but framework agreements need to better maximize value for money. In addition, an effort to update the procurement platform HonduCompras has not moved forward as planned.

Building the capacity of the Supreme Audit Tribunal (TSC): With TCP support, the TSC produced five pilot performance audits. Of the four assessed, the evaluation team can only confirm that one led to meaningful change. In the absence of a stronger follow-up process, use of sanctioning authority, broader dissemination, or civil society or media interest, performance audits might not have an adequately strong theory of change to affect reform. While some form of performance auditing appears likely to continue in the TSC, it is unlikely to be a major focus. The TCP also supported efforts to improve TSC investigations of illicit enrichment and made some advances in the investigations process. However, given the low number of investigations, long bottlenecks, and few cases referred to prosecutors, among other factors, the TSC remains unable to make a meaningful dent in the issue of illicit enrichment.

Grants for social accountability: The TCP awarded grants to four Honduran civil society organizations (CSOs) to conduct citizen oversight and monitoring of government. The evaluation focused on the main grant to the Association for a More Just Society (ASJ) to undertake social audits of key government institutions, an innovative intervention that combined bottom-up accountability with top-down presidential support. The intervention appears to have had a positive impact on how procurement and human resources processes are carried out. Yet, both the qualitative and survey data suggest that ASJ's impact has been somewhat limited by larger governance challenges, including dependence on agency leadership, turnover in personnel, and patronage-based administrative staff appointments. ASJ intends to continue its activities beyond the TCP and has started on a fourth round of evaluations, assuring a degree of sustainability despite concerns over funding.

Improving the capacity for and design and implementation of PPPs: The TCP deployed several international advisors, who provided extensive technical assistance and support to varying degrees on approximately 11 PPPs. However, the TCP was unable to gain adequate cooperation from the key PPP stakeholder COALIANZA (Commission for the Promotion of Public-Private Partnerships or from conceding authorities. This severely limited the activities that could be undertaken and the reach of those activities. As a result, technical assistance to the public works agency, Secretariat of Infrastructure and Public Services (INSEP), did not lead to meaningful changes in the institution, legacy contracting problems could not be resolved, and no TCP-supported PPPs can be held up as a model. The TCP adapted by concentrating its support on supporting a Fiscal Contingencies Unit (UCF), carrying out a more general training course for GoH personnel, and identifying opportunities to improve PPPs and their governance where possible. In addition, after INSEP's continual delay in establishing a PPP unit, the GoH transferred INSEP's role as the roads contract management authority to Strategic Investment for Honduras (Inversión Estratégica de Honduras - INVEST-H), a government institution that originated as and still partially functioned as MCC's counterpart: Millennium Challenge Account-Honduras (MCA-H), which was originally established as part of MCC's Honduras Compact (2005-2010). Overall, MCC and MCA-H pressure on the government has led to a recognition that the existing PPP regime is in need of radical reform. In 2019, the GoH decided to undertake a full-scale review of the national PPP program with support from the Inter-American Development Bank (IADB), which led to a resolution of the Council of Ministers identifying the changes that would be introduced. In short, while the PPP activity may not be a success for what it has achieved directly, it might be a success for preventing future liabilities.

EVALUATION METHODOLOGY

Other (Performance Evaluation)

UNITS OF ANALYSIS

Individuals, administrative units, enterprise

KIND OF DATA

Sample survey data [ssd]

TOPICS

Topic	Vocabulary	URI
Capacity Building and Institutional Development	public financial management, public-private partnerships	

KEYWORDS

Evaluation Design and Implementation Services, Performance evaluation, Survey data, Public institutions, Public financial management, Public-private partnerships

Coverage

GEOGRAPHIC COVERAGE

National coverage

UNIVERSE

Qualitative interviewees generally fall into four classifications: TCP implementers (e.g., MCC, MCA-H, OTA, consultants, ASJ), government partners (e.g., personnel in SEFIN, ONCAE, TSC), personnel at government ministries targeted or benefiting from the TCP (e.g., ministries of health, education, and infrastructure), and external observers (e.g., civil society organizations and leaders). Interviewees in the first two categories were selected given their participation in the TCP. For the third category we first selected targeted institutions and then interviewed relevant personnel (e.g., budget or procurement officials). Those from the fourth category were generally individuals who were knowledgeable about a given TCP activity but were not generally involved.

To address questions related to activities 1.2 and 1.4, we undertook a panel survey of vendors who sell goods and services to the government. Between June and November 2016, the evaluation team surveyed 850 vendors to the government sampled from a registry of vendors maintained by ONCAE.

To speak to several PFM-related questions, the evaluation team undertook a survey of public employees in three government institutions targeted by the TCP: Secretariat of Infrastructure and Public Services (INSEP), Secretariat of Health (SESAL), and Secretariat of Education (SEDUC).

Producers and Sponsors

PRIMARY INVESTIGATOR(S)

Name	Affiliation
Social Impact, Inc.	Independent Evaluator

FUNDING

Name	Abbreviation	Role
Millennium Challenge Corporation	MCC	

Metadata Production

METADATA PRODUCED BY

Name	Abbreviation	Affiliation	Role
Millennium Challenge Corporation	MCC		Review of Metadata
Social Impact, Inc.	SI		Preparation of Metadata

DATE OF METADATA PRODUCTION

2020-06-24

DDI DOCUMENT VERSION

Version 1 (June 2020)

DDI DOCUMENT ID

DDI-MCC-HND-TCP-2020-v01

MCC Compact and Program

COMPACT OR THRESHOLD

Honduras Threshold

PROGRAM

The Millennium Challenge Corporation (MCC) and the government of Honduras's (GoH) Millennium Challenge Account Threshold Program Grant Agreement ran from August 2013 to May 2019 and included investments of US\$15,650,000. The

agreement emerged in response to a constraints analysis that identified a lack of transparency and government inefficiency as major constraints to economic growth. As such, the Threshold Country Program (TCP) aimed to increase the efficiency and transparency of public financial management (PFM) and public-private partnerships (PPPs).

MCC SECTOR

Capacity Building and Institutional Development (Cap Bldg & Inst Dev)

PROGRAM LOGIC

The objective of the TCP was to “increase the efficiency and transparency of the Government” through technical assistance in the two areas mentioned above: public financial management and public private partnerships. The TCP intended results were to (a) increase cost savings, (b) improve public service delivery, and (c) reduce corruption. The PFM Project evolved considerably over the lifetime of the TCP; however, it involved four activities focused on (1) strengthening budget and treasury management, (2) improving procurement capacity, planning and controls, (3) building the capacity of the Supreme Audit Tribunal (TSC), and (4) providing grants to civil society organizations to foster social accountability. The PPP Project could not be implemented as planned and had to be adapted due to a lack of cooperation from key stakeholders. This project sought to (1) develop capacity within the Honduran government to carry out PPPs and (2) support the design and implementation of PPPs.

PROGRAM PARTICIPANTS

Qualitative interviewees generally fall into four classifications: TCP implementers (e.g., MCC, MCA-H, OTA, consultants, ASJ), government partners (e.g., personnel in SEFIN, ONCAE, TSC), personnel at government ministries targeted or benefiting from the TCP (e.g., ministries of health, education, and infrastructure), and external observers (e.g., civil society organizations and leaders). Interviewees in the first two categories were selected given their participation in the TCP. For the third category we first selected targeted institutions and then interviewed relevant personnel (e.g., budget or procurement officials). Those from the fourth category were generally individuals who were knowledgeable about a given TCP activity but were not generally involved. To address questions related to activities 1.2 and 1.4, we undertook a panel survey of vendors who sell goods and services to the government. Between June and November 2016, the evaluation team surveyed 850 vendors to the government sampled from a registry of vendors maintained by ONCAE. To speak to several PFM-related questions, the evaluation team undertook a survey of public employees in three government institutions targeted by the TCP: Secretariat of Infrastructure and Public Services (INSEP), Secretariat of Health (SESAL), and Secretariat of Education (SEDUC).

Sampling

Study Population

Qualitative interviewees generally fall into four classifications: TCP implementers (e.g., MCC, MCA-H, OTA, consultants, ASJ), government partners (e.g., personnel in SEFIN, ONCAE, TSC), personnel at government ministries targeted or benefiting from the TCP (e.g., ministries of health, education, and infrastructure), and external observers (e.g., civil society organizations and leaders). Interviewees in the first two categories were selected given their participation in the TCP. For the third category we first selected targeted institutions and then interviewed relevant personnel (e.g., budget or procurement officials). Those from the fourth category were generally individuals who were knowledgeable about a given TCP activity but were not generally involved. To address questions related to activities 1.2 and 1.4, we undertook a panel survey of vendors who sell goods and services to the government. Between June and November 2016, the evaluation team surveyed 850 vendors to the government sampled from a registry of vendors maintained by ONCAE. To speak to several PFM-related questions, the evaluation team undertook a survey of public employees in three government institutions targeted by the TCP: Secretariat of Infrastructure and Public Services (INSEP), Secretariat of Health (SESAL), and Secretariat of Education (SEDUC).

Sampling Procedure

Public Employees Survey (PES):

An initial survey was conducted between March and October 2016 and resulted in a sample size of 1,739 divided between INSEP (501), SESAL (563), and SEDUC (675). The survey was anonymous to encourage honest responses to sensitive questions. An endline survey was conducted between October 2018-January 2019 with government employees in INSEP, SESAL, and SEDUC offices across the country. 1,240 endline respondents participated in the baseline and another 421 replacements were sampled from the same sampled office locations.

The survey is not intended to be a representative sample of all public servants working in the selected government institutions. The evaluation team, in consultation with MCC, 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 surveying a population more likely to be knowledgeable about procurement and human resource issues within the institutions of interest.

The evaluation team confronted several challenges in making this distinction. The public employees database Public Servants Registration and Control System (Sistema de Registro y Control de Empleados Públicos - SIREP) used to create the sampling frame, surprisingly, did not include the civil service categorizations. The database did contain salary information, and in theory, non-technical staff should have at that time earned less than 11,200 lempiras per month. As such, we excluded 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 tend 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 intentional 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 (two times the cluster size of eight) 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 (two times the cluster size of eight) 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 Bahía, who were fewer in number and dropped because of the expense in reaching these sparsely populated 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 are unweighted; however, the SEDUC sample includes an over-sample of administrators. Because administrators only accounted for seven 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.

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. 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.

Vendors Survey (VS):

Between June and November 2016, the evaluation team surveyed 850 vendors to the government sampled from a registry of vendors maintained by ONCAE. An abbreviated interim survey was conducted in 2018 and an endline was conducted between July-October 2019. Baseline and endline samples are balanced on most fixed indicators, leaving us relatively confident in comparisons over time for most variables.

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.

Given attrition at interim, we opted to replace firms at endline. Replacements were randomly drawn from the list of firms that registered with ONCAE in 2016 and 2017. In this sense, they were from the start a potentially somewhat different population than the baseline, which had registered earlier. We selected respondents randomly from the list within geographical strata for Tegucigalpa, San Pedro Sula, and other.

Deviations from Sample Design

N/A

Response Rate

Public Employees Survey (PES): The endline 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.

Vendors Survey (VS): The baseline contact rate (52 percent) and cooperation rate (45 percent) were relatively low, 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, creating an under-estimate of sensitive outcome measures such as corruption, dissatisfactory bidding experiences, and procurement irregularities. This sampling bias might be further exacerbated by measurement bias, as respondents might be hesitant to report such problems in a survey. While impacting descriptive inferences, these forms of bias should still allow for a measurement of change over time. Nonetheless, there is a risk of attrition bias in subsequent waves of the survey. The vendors survey had high rates of attrition, 27 percent at interim and 43 percent by endline.

Weighting

Public Employees Survey (PES): We analyze changes in public employee responses averaged across institutions, meaning that we give equal weight to each institution in the reported statistics, and disaggregated by institution. 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 are unweighted; however, the SEDUC sample includes an over-sample of administrators. Because administrators only accounted for seven 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.

Vendors Survey (VS): We have decided not to weight these data given the potential for change over time, the select multiple status of sector, and error in baseline location data.

Questionnaires

Overview

Public Employees Survey (PES) - baseline/endline: To speak to several PFM-related questions, the evaluation team undertook a survey of public employees in three government institutions targeted by the TCP: Secretariat of Infrastructure and Public Services (INSEP), Secretariat of Health (SESAL), and Secretariat of Education (SEDUC). The survey asked public employees about outcomes anticipated to occur as a result of participation in TCP activities, including service provision, corruption, human resource related issues surrounding hiring and promotion, and procurement.

Vendors Survey (VS) - baseline/interim/endline: To address questions related to activities 1.2 and 1.4, we undertook a panel survey of vendors who sell goods and services to the government. The survey asks vendors about bidding experience, perceptions about the procurement process, experiences with different government institutions, and corruption.

Data Collection

Data Collection Dates

Start	End	Cycle
2016-06-01	2016-11-01	Vendors Survey baseline
2018-07-01	2018-10-01	Vendors Survey interim
2019-07-01	2019-10-01	Vendors Survey endline
2016-03-01	2016-10-01	Public Employees Survey baseline
2018-10-01	2019-01-01	Public Employees Survey endline

Data Collection Notes

N/A

Questionnaires

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Data Collectors

Name	Abbreviation	Affiliation
Espiratica		Vendors Survey data collection firm
ESA Consultores		Public Employees Survey data collection firm

Supervision

Public Employees Survey: ESA's management for this project was overseen by the Project Manager or Team Leader (TL). The fieldwork team included a Field Work Coordinator and 5 survey teams composed by 1 Supervisor and 3 Interviewers, this team was responsible for data collection according to sample lists and survey protocols including address any questions asked by participants or Secretariat's staff. The Quality Control Team included a Quality Control Supervisor and 1 assistant. This team was responsible for backcheck interviews to verify compliance with protocols.

Vendors Survey: Espiratica's data collection/fieldwork team was comprised of 2 teams. Each team consisted of 1 supervisor, 6 interviewers, and 1 driver. 2 interviewers from each team conducted preliminary contact with survey respondents to reduce attrition. In addition, Espiratica's team contained a supervisor who oversaw data entry of responses, as well as technical aspects such as the functioning of tablets. Backchecks were conducted for 10% of surveyed respondents to verify compliance with protocols.

Data Processing

Data Editing

Data cleaning for the Public Employees Survey was fairly limited. Due to privacy concerns, we did not collect identifiable information on respondents and were unable to go back to address specific data collection errors. To ensure high data quality, we:

- Examined general summary statistics to see if data collection was accurate, and if not, we provided feedback to the data collection firm to improve their quality assurance
- Used a backcheck form to see whether the data collection firm was adhering to protocols. The backcheck did not allow us to assess data entry consistency, since we had no ID to match respondents. Instead, we asked questions about enumerator behavior, whether consent was actually acquired, etc. We flagged issues for the data collection firm so that they could re-train or manage their enumerators.
- We asked the data collection firm to track meta-data, such as respondent government ministry and office building location. If their tracking did not match the data, we asked them to provide corrections and manually merged them in.
- All additional data entry corrections were provided in a separate file by the data collection firm. We then merged in the corrections ourselves. The data collection firm did not make changes to the raw dataset.
- We relied on SurveyCTO programming to manage some data entry errors.

After data collection issues were cleaned, we performed standard variable creation cleaning (e.g. creation of dummies, reorienting ordinal variables, etc.) before analysis. We also ensured there was consistency in variable format before merging different waves together.

Data cleaning for the Vendors Survey was more extensive, since we had identifiable information on respondents. Our procedure relied on:

- High frequency checks during data collection to detect data entry errors
- Randomly administered backchecks to catch data entry inconsistencies
- SurveyCTO programming to restrict answers to valid entries
- Flagging outliers for the data collection firm to address

When errors were found, we asked the data collection firm to provide corrections in a separate document. The data collection firm used a combination of asking enumerators and re-calling vendors to address data errors. We then imported the corrections ourselves, so that the raw data file would be preserved as originally collected. After data collection, we performed standard variable creation cleaning before analysis. We also ensured there was consistency in variable format before merging different waves together.

We did not use any data imputation methods for the Public Employees Survey or the Vendors Survey.

Other Processing

Data entry for both the Public Employees Survey and the Vendors Survey used SurveyCTO software. Raw data was uploaded to our SurveyCTO server via tablets in the field, so that we could independently download it ourselves. The instruments included skip logic and constraint code to ensure higher data quality. Open-ended text responses were translated into English by the data collection firm. The Public Employees Survey was conducted in-person, and no follow-ups were possible due to privacy concern. The Vendors Survey was conducted in-person, and follow-up calls were conducted as needed to address data entry issues.

Data Appraisal

Estimates of Sampling Error

Standard errors for the public employees survey and vendors survey are unadjusted. The margin of error for the public employees survey, assuming a 95 percent confidence interval and a sample proportion of 50 percent, is plus or minus 2.1 percent. For INSEP it is 4.1 percent, SESAL 3.9 percent, and SEDUC 3.7 percent. For the vendors survey the margin of error, assuming a 95 percent confidence interval and a sample proportion of 50 percent, is plus or minus 3.4 percent.