

ACRONYMS AND ABBREVIATIONS

CCERP	Consejo Consultivo de la ERP (ERP consultative council)
ERP	Estrategia de Reducción de la Pobreza (poverty reduction strategy)
GTI	Grupo Técnico Inter-Institucional (interinstitutional technical group)
INE	Instituto Nacional de Estadística (National Institute of Statistics)
SEDP	Secretaría de Estado del Despacho Presidencial (State Secretariat of the Office of the Presidency)
SIAFI	Sistema Integrado de Administración Financiera (integrated financial and administrative system)
SIERP	Sistema de Indicadores de la Estrategia de Reducción de la Pobreza (system of indicators for the poverty reduction strategy)
SISPU	Sistema de Inversiones del Sector Público (public sector investment system)
UNAT	Unidad de Apoyo Técnico (technical support unit)
UPEG	Unidad de Planificación y Evaluación de la Gestión (unit of management planning and evaluation)

This chapter is based on a background country report by Margarita Diaz (2004) and inputs by Dante Mossi and Florencia Castro-Leal. The study was undertaken in the second half of 2004 and has been partially updated to reflect conditions in the summer of 2005. Substantial changes may have occurred that are not reflected in this chapter, and readers are encouraged to seek additional information if they wish to focus on the system of this particular country.

History and Context

The Estrategia de Reducción de la Pobreza (ERP), the Honduran poverty reduction strategy (PRS), emerged in response to the need for a long-term planning framework that would make it possible to reduce, in a sustainable fashion, the social vulnerability affecting Honduras throughout its history and compounded by Hurricane Mitch in October 1998. The National Reconstruction and Transformation Master Plan, which was presented by the government and Honduran civil society at the meeting of the Advisory Group for the Reconstruction of Central America, proposed the development of such a strategy.

Two milestones marked the preparation of the ERP: the declaration of eligibility by the Board of the International Monetary Fund and the Board of Executive Directors of the World Bank inviting Hondurans to partake in the benefits of the Heavily Indebted Poor Countries (HIPC) Initiative in December 1999 and the country's signature of the United Nations Millennium Declaration in February 2000. The ERP emerges not only as evidence of an awareness of the problems generated by poverty, but also as a means to comply with agreements reached with international development agencies.

The ERP was approved by the government in August 2001 and endorsed by the executive boards of the International Monetary Fund and the World Bank two months later. Implementation of the ERP coincided with the formation of a new government, which revised the strategy in January 2002.

The first ERP progress report was presented in February 2004. The report incorporated a recalibration of the ERP goals to ensure their consistency with medium-term forecasts of the macroeconomic and fiscal situation.

The PRS Law was modified in 2004 (through decree 76-2004); one important advance was the inclusion of more civil society representatives and the Consejo Consultivo de la ERP (ERP consultative council, CCERP).

In March 2005, Honduras reached its HIPC completion point, resulting in an influx of relief funds that was greater than the influx of interim relief funds provided until then.

Description of the PRS Monitoring System

Origins of the system

The ERP established the need for a viable and efficient scheme to facilitate adequate follow-up and monitoring of ERP implementation and of global and intermediate indicators. Accordingly, the *Secretaría de Estado del Despacho Presidencial* (State Secretariat of the Office of the Presidency, SEDP), which is in charge of the coordination of the ERP, defined the institutional framework for monitoring and evaluation (M&E). This was accomplished in consultation with the CCERP.

Main institutional actors

The *Secretaría de Estado del Despacho Presidencial* is directly involved in the development of the Sistema de Indicadores de la Estrategia de Reducción de la Pobreza (system of indicators for the poverty reduction strategy, SIERP), the information system for tracking ERP progress. Among other functions, the SEDP is also responsible for coordination of the Council of Ministers and for leading the working sessions of the Economic Cabinet and other sectoral and multisectoral cabinets on behalf of the president of the Republic in the president's absence.

In addition to the SEDP, three intergovernmental institutional structures are in charge of coordinating and guiding sectoral agencies in the implementation and monitoring of ERP activities, as follows.

1. The *Gabinete Social* (Social Cabinet) provides institutional leadership for the ERP process. It is the decision-making body for all matters regarding the ERP and is presided over and coordinated by the president of the Republic. Members of the Social Cabinet include the Secretariats of Education; Health; Labor and Social Security; Agriculture and Livestock; and Culture, Arts, and Sports; the Directorates of the Honduran Social Investment Fund; the National Agrarian Institute; and the Technical Secretariat of International Cooperation. When necessary, the cabinet includes representatives from other agencies that play a role in the monitoring of ERP implementation, especially the Secretariat of Finance. The Instituto Nacional de Estadística (National Institute of Statistics, INE) and the Central Bank of Honduras may be requested to join meetings that deal with M&E for the ERP. The Social Cabinet is responsible for establishing guidelines and setting priorities for ERP

- actions, coordinating the initiatives of the institutions responsible for ERP implementation, defining the eligibility criteria for HIPC projects, and discussing relevant M&E.
2. The *Consejo Consultivo de la ERP* was created by decree in 2002; it is presided over by the president of the Republic. The council supports the Social Cabinet, acting as an advisory body. Its members include the coordinator of the Social Cabinet, the Secretariats of Finance, Education, Health, Natural Resources and the Environment, and Interior and Justice, as well as a representative of the Association of Municipalities of Honduras. The CCERP includes representatives of key civil society organizations (CSOs), including manufacturing and agricultural worker unions, women's organizations, local community organizations, indigenous group organizations, entrepreneur organizations, and non-governmental organizations. Two representatives of the donor community participate as observers. The CCERP is mainly responsible for advising the Social Cabinet on the eligibility and prioritization of ERP interventions, discussing M&E issues and ERP progress reports, and supporting the implementation and monitoring of the ERP at the local level. Two important recent activities of the CCERP are an assessment of the progress of the implementation of a tracking mechanism for HIPC resources and the design and implementation (together with the SEDP) of the SIERP.
 3. The *Instituto Nacional de Estadística* is a small, highly efficient entity that is mandated by law to carry out surveys. In order to maintain control of its size, the INE contracts out most of its survey work. It is also important to note that line ministries, such as health and education, can and should contract the INE to carry out these surveys since the INE is well positioned to incorporate these requests into its own survey work. Thus, resources to finance the surveys necessary for identifying new indicators could come from the same relief funds.

The *Grupo Técnico Inter-Institucional* (interinstitutional technical group, GTI) provides technical support to the Social Cabinet. Members include deputy ministers and the management planning and evaluation directors of the Secretariats of the Office of the Presidency; Finance; Interior and Justice; Education; Health; Public Works, Transport and Housing; and Agriculture and Livestock. Representatives of the Honduran Social Investment Fund, the Program of Family Allowances, the Women's National Institute, and the INE are also members. The GTI plays

a key role in articulating programs and interventions across sectors within the ERP framework.

The system of indicators

The initial 2002 design proposal for the SIERP was comprehensive, but ambitious in terms of financial, technological, and human resource requirements. It did not explicitly include a set of indicators to track financial and physical advances in ERP projects and programs, since this was delegated to the national system of management, another monitoring system designed at the time. The national system of management was never implemented, however, and a new proposal was elaborated for the SIERP that involved easier requirements in terms of technology and human resources. The implementation of the new proposal is to be supported by a five-year master plan.

The SIERP is a second-tier monitoring system; it builds on existing management information systems and monitoring systems in line ministries (secretariats) and program implementation units. SIERP objectives include the following:

- coordinating the collection of information regarding physical and financial indicators of the progress achieved in ERP projects and programs and intermediate and impact indicators; hence, the SIERP is conceived as a management tool to inform decision making and the allocation of resources that works in coordination with the Sistema Integrado de Administracion Financiera (integrated financial and administrative system, SIAFI) and the Sistema de Inversiones del Sector Público (public sector investment system, SISPU)
- improving the operational and institutional capacity of the agencies involved in ERP implementation
- strengthening the capacity of institutions to manage their monitoring subsystems
- providing a consultation and dissemination mechanism for the results of ERP implementation

In the original SIERP design, the day-to-day operation of the SIERP was the responsibility of the SIERP central unit within the Unidad de Apoyo Técnico (technical support unit, UNAT) of the SEDP. In practice, however, this central unit relies on the work carried out by the UNAT sectoral specialists, and the UNAT as a whole is, in fact, in charge of the

SIERP operation. Its mandate includes the coordination of the system; updating the database and maintaining the reliability of information; the provision of technical support to sectoral agencies in the production of primary information in coordination with and following the standards determined by the INE; the analysis and preparation of ERP progress reports; the provision of technical support to the Economic, Social, and Sectoral Cabinets in the formulation, monitoring, and analysis of economic and social policies; and the dissemination of SIERP data, including the administration of the SIERP Web page.

The SIERP obtains its information from three sources: (1) information relating to macroeconomic variables, internal and external financing, public revenues and expenditures, and financial and physical indicators of progress in programs financed through the Poverty Reduction Fund is collected through the SIAFI and is delivered by the Central Bank, the Secretariat of Finance, and the Technical Secretariat of Cooperation; (2) sectoral information on the outputs and outcomes of the implementation of ERP activities is provided by line secretariats, as well as deconcentrated and decentralized structures; and (3) information derived from household surveys and population censuses is provided by the INE.

The SIERP design calls for a liaison person in each member agency. In the sectoral ministries, these are usually the directors of each of the Unidad de Planificación y Evaluación de la Gestión (unit of management planning and evaluation, UPEG). The SIERP design also includes plans to sign interinstitutional agreements between the SEDP and secretariats and other deconcentrated or decentralized agencies that implement ERP programs.

Overall Status

In March 2004, the SIERP was presented on the official Web site of the system (www.sierp.hn). An intensive review of the current prototype and the consolidation of links with the national information network is under way to establish a solid foundation for the SIERP. The main result of this process is the design of the master plan for SIERP implementation, which is conceived as a tool for determining the strategic guidelines, main theories, and specific activities required for SIERP implementation.

It might be said that the SIERP is in a pilot implementation stage. There are already clear indications of a need to strengthen information flows, however. Improving interinstitutional coordination will, in turn, lead to enhanced information flows.

Key Topics

Leadership of the system

The government's ownership of the process and its commitment to the full implementation of the SIERP were reaffirmed during the consultative group meeting held in June 2004. The government commitment is the result of the stance taken by the institutional structure in charge of coordinating ERP implementation (the Social Cabinet, the CCERP, and the GTI) and monitoring (the UNAT). This structure favors cross-sectoral work and interinstitutional coordination and supports a technical approach to the design, implementation, and evaluation of ERP programs and projects.

Despite the strength of the ownership of the system at the center, the ownership is weak among intermediate-level technical personnel in the line ministries and sectoral agencies in charge of the execution of the ERP. This represents a threat to the full implementation of the SIERP.

Legal framework and procedures

The legal framework for the implementation of the SIERP is not firmly established. The implementation plan calls for the stipulation of interinstitutional agreements between the SEDP and the line ministries and other governmental institutions in charge of ERP implementation. These agreements are expected to include a binding definition of the type of information that should be provided to the SIERP, along with the frequency of provision. Moreover, they should also specify the responsibilities of the UNAT in feeding information back to sectoral agencies. While the agreements have not yet been stipulated, they are under discussion.

The INE, the Central Bank, the Secretariat of Finance, and other members of the GTI are in the process of discussing issues related to the content, format, and frequency of the periodic information exchanges required by the SIERP. This will be the first step toward the establishment of a more institutionalized link among the SIERP, the SIAFI, and the SISPU and will strengthen the link between the monitoring of results and the feedback into the budgetary process.

Coordination

The definition of the roles and functions of the central government agencies participating in the SIERP is relatively clear. There are no indications

that key institutions have been excluded from the SIERP institutional arrangements, with the important exception of local governments. Discussions regarding the role of local governments as a source of primary information for the SIERP are still at an initial stage. Addressing this issue will be important given the interest of donors in disaggregating ERP indicators at departmental and municipal levels.

In practice, the fulfillment of stated roles and functions has not been completely satisfactory. Although the UNAT, the INE, and the Secretariat of Finance have been most successful in fulfilling their functions, there is room for improvement. The UNAT and the Secretariat of Finance, in particular, are working on the full integration of the SIERP with the SIAFI and the SISPU based on a common technological platform.

The statistical departments of the line ministries have not demonstrated a full understanding of the overall purpose and function of the SIERP. The work plans developed by line ministries do not include the interinstitutional coordination activities required by the SIERP as priority tasks. Moreover, ministries have not budgeted for their SIERP responsibilities. Improvements in the quality and use of administrative data at sectoral levels are critical for ensuring the monitoring of intermediate indicators.

In terms of processes, the UNAT is preparing a five-year master plan for the SIERP, with technical assistance from the U.K. Department for International Development. The objective of the master plan is to define the steps required to achieve the technical and institutional consolidation of the SIERP. The plan should contain a better definition of procedures and data collection and processing methodologies by the INE and an estimation of resource requirements.

Capacity

Given the second-tier nature of the system, the SIERP relies on information and data produced by other agencies. The success of the system therefore depends on the capacity within agencies. The weak M&E capacity within line ministries and sectoral institutions is a critical problem that threatens the viability of the overall system.

The recent history of the implementation of sectoral M&E systems helps elucidate the challenges being faced in the full implementation of the SIERP. After the elimination of the Secretariat of Planning, the UPEGs were created in each secretariat to plan and evaluate programs and activities. It is widely recognized that most UPEGs never fulfilled their

mandate. Although the situation is slowly changing in some secretariats, the UPEGs generally rely on low-paid, long-tenured staff with insufficient technical qualifications, few training opportunities, and limited or no technological support. Quality control processes on information and data are rare. The supervision of local data collection by the central level is usually very weak. Even within secretariats, some project- or program-implementation units manage their own information systems, with no or weak links to the systems administered by the UPEGs. As a result, multiple monitoring systems often exist within a single institution.

Similarly, the reliability of the information produced by the SIAFI and the SISPU depends on the quality of information input by public sector agencies. Quality control mechanisms are currently weak, and most administrative registers follow protocols that have never been submitted to rigorous evaluation. Another important issue relates to the poor analytical capacity of public sector agencies in using the information produced by their M&E systems. This is reflected in the lack or sporadic production of periodic reports based on the information produced by the M&E subsystems of the secretariats.

The recently created INE is gradually assuming a leadership role in the national statistical system. It is responsible for providing technical assistance to sectoral agencies so as to improve the quality of administrative records, promote methodological standardization, and, in data collection activities, avoid the duplication of efforts and the wasting of resources.

Participation

The majority of the population and civil society representative bodies are unaware of the existence of the system. A key problem is the lack of technical capabilities among CSOs. The efforts to be made by the government and by development partners to increase the potential of civil society in the development of the SIERP will be laid out in the master plan currently under development.

The government is taking steps to institutionalize six existing sectoral working groups to ensure civil society participation in the M&E of PRS implementation. Each working group is a tripartite structure composed of representatives of the donor community, the government, and CSOs. The main function of these groups is to ensure a participatory approach in the design, implementation, and monitoring of sectoral programs. They should guarantee the institutionalization, on a permanent basis, of the national dialogue that is currently taking place in the context of the consultative group.

The vice-ministry in charge of the relevant sector will coordinate the work of each sectoral working group. Representatives of other governmental agencies will be appointed by the GTI. The UNAT will support the six working groups. CSO members will be selected and supported by the CCERP and a national civil society forum.

In addition, CSOs have independently mobilized to ensure their own participation. For instance, as a result of the increased capacity of CSOs, participatory M&E in four projects in education and health was due to start in late 2004. This will involve CSOs and the government and will use citizen report cards.

Decentralization

One of the commitments assumed by the government with respect to development partners is the disaggregation of information at the departmental and regional levels. Although compliance with this commitment seems rather complex, the authorities have expressed their interest in achieving it using available technical instruments. To this end, the INE and the SIERP central unit are conducting an exhaustive review of the Living Standards Measurement Survey, which will make it possible to disaggregate indicators at the departmental level.

Obtaining disaggregated information at the municipal level is, for the time being, not viable because of limitations in the instruments currently used to measure living conditions in municipalities.

Products and dissemination

The dissemination plan for information on ERP progress includes a Web page, ERP progress reports, analysis produced by the UNAT based on the information contained in the SIERP, and pamphlets or straightforward publications distributed to a wider audience.

The SIERP Web page has been a recent achievement and has the potential to become an important element of dissemination for SIERP information. The content of the Web page is not yet complete, and information about progress in ERP implementation at the departmental and municipal levels is limited. This is not surprising given the outstanding issues regarding the production of primary information at both the central and local government levels that will need to be tackled in order to achieve a fully functioning SIERP. In the medium term, the SIERP Web page is

expected to include quarterly information on the financial and physical implementation of ERP programs and projects.

To date, progress reports have been carried out on an ad hoc basis and entirely by the UNAT. They are therefore not, strictly speaking, the outcome of the SIERP system, which is not yet fully functional. Until now, the government has considered the consultative group meetings the most appropriate forum for the dissemination and discussion of ERP progress reports with the donor community and CSOs.

Finance and donor support

The Poverty Reduction Fund mandates the allocation of resources for M&E activities and pro-poor public expenditure tracking. In practice, however, no funds have yet been allocated to the SIERP from this fund.

The government has preliminarily estimated that the full operation of the SIERP would require an additional \$800,000 over the next four years. The World Bank, the Swedish government, and the U.K. Department for International Development are important cofinanciers of the recently approved PRS technical assistance credit. Through this credit, the World Bank and the U.K. Department for International Development are providing technical assistance to the UNAT and the UPEGs to improve coordination and the production of sectorwide data and to strengthen the monitoring of PRS implementation. This credit has also involved the allocation of resources to strengthen the responsibilities of the INE, in particular to ensure the quality of administrative records. The Inter-American Development Bank financed the preparation of the first SIERP proposal. The early stages of the implementation of the revised SIERP proposal prepared by the UNAT have been financed through internal resources.

Lessons

The government, civil society, and partner agencies have identified a number of shortcomings in the implementation of the SIERP. Although the system appears coherent on paper, the actual system fails to address severe capacity constraints and the issue of the weak ownership among line ministries. Planning and evaluation units in the ministries have limited capacity. Moreover, there is a problem of fragmentation across agencies. Monitoring is generally not seen as a priority within the administrative culture.

The development of a national M&E system implies an interinstitutional pooling process through which there are clearly defined roles and responsibilities, agreement on technical and computer requirements, and a will to participate and collaborate. Partnerships and institutional agreements strengthen institutional capacities and lead to the identification of shared purposes and the achievement of specific goals. Currently, there are no information flows throughout government. There is a strong need for M&E activities to become a priority and for clear channels to be established for information to flow, particularly between the UNAT and the other agencies.

The complex structure for monitoring and evaluating multisectoral programs and projects relying on different financing sources and responding to the diverse requirements of development partners presents a fundamental challenge. Although there is familiarity with the implementation aspects of projects and the various monitoring formats of the development partners, the country lacks experience in the execution of a portfolio of projects involving a sectoral approach and a national monitoring system.

The lack of an institutionalized culture of continuous M&E makes it necessary for the coordination unit of the SIERP to redefine indicators, identify reliable sources of information, and verify the periodicity of information flows so as to improve the quality and the relevance of institutional records and national statistics. This means there must be an expanded vision of the importance of up-to-date and good-quality data for decision making.

Moreover, agencies lack the analytical ability to use information, though the INE is now starting to assist sectoral agencies in improving the quality of their records. Given that the INE is a relatively new institution, its capacity will need to be strengthened in order for it to fulfill this role. The development and implementation of a national statistical plan, in coordination with all the agencies of the national statistical system, but first and foremost the secretariats, should be a medium-term objective of the institution.

There are major human resource constraints and no real quality control. Tackling the weaknesses of the sectoral subsystems and taking steps to integrate and rationalize these subsystems are of paramount importance for the success of the SIERP. Such consolidation is required before subsystem outputs can be fed into the SIERP.