

# Honduras: Smoothing the Process of the Project Cycle

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*A project may be have an excellent design, but without good implementation, its chances of success are slim. Both computers and the Internet can play a major role in smoothing the implementation process of education and other social projects, as is the case in the Honduran Social Investment Fund (FHIS, for its abbreviation in Spanish). Under the Fund, the project cycle in the 20 participating municipalities is being computerized to ensure adequate administrative and technological infrastructure. This computerization process allows for the delegation and decentralization of responsibilities, contributing to an increased local ownership of different projects. The projects are also more transparent and many of the bureaucratic and administrative burdens are reduced. Given that computerized administrative systems work best when supported by teams of qualified professionals, staff training should be seen as a precondition for benefits to be maximized.*

## **Social Investment Funds**

Drawing from recent experiences in the world of development policy, the social investment funds (SIFs) provide particularly illustrative examples of the relation between project design, implementation and results. Social investment funds are autonomous entities originally created (early 1990s) as temporary mechanisms for mitigating the adverse effects of structural adjustment on the poor (see Goodman, et al., 1997; Tandler and Serrano, 1999). Most remain in operation today. Justifications leading to their creation and prolonging their existence may vary, but largely they are grounded in a belief that social investment funds offer what line ministries generally lack: institutional capacities, flexibility, and demand drive. Social investment funds owe their creation precisely to a desire to get around weak, overly centralized and fiscally strapped ministries and to rapidly deliver goods and services to local communities. Insofar as these structures are parallel to but distinct from line ministries, they are not subject to civil service or procurement regulations of the state. Disbursement of funds and implementation of works thus are deemed to be more timely and efficient.

The Honduran Social Investment Fund, created in 1990 as a decentralized arm of the Office of the Presidency and recently extended through 2012, falls squarely along these lines. Its main activities, past and present, focus on the formulation and implementation of local development projects in the fields of education, health, potable water, sewage, and small-scale roads. Indeed, the Fund has had considerable success: since its inception, an estimated US\$35-40 million is invested annually and various indicators of poverty have shown improvement. The construction of rural health centers has increased access to professional medical care, and water quality has been improved throughout the FHIS target area. In addition, more than half of the net increase in supply of education can be traced to public works initiated by the FHIS; this, in turn, has led to a reduction in student/teacher ratio from 45 in 1993 to 37 in 1998. Yet, in the wake of Hurricane Mitch, US\$80 million in projects has been backlogged and capacities for rapidly disbursing funds and responding to local demands have been stretched, perhaps too thinly.

## **Computerization of Process**

To ease these processes and smooth the operation, FHIS is banking on the potential of computers and the Internet. With the support of the Inter-American Development Bank, the Fund is in the process of computerizing the project cycle in the 20 municipalities with adequate administrative and technological infra-

structure.<sup>1</sup> Technology is seen as an immediate and effective means for boosting the institutional capacities of these municipalities, especially in matters dealing with the formulation and implementability of projects. As computerization of the FHIS project cycle takes hold, many responsibilities will be delegated directly to local communities, thus generating gains in administrative efficiency and local ownership of projects. The transition between project formulation and implementation also will be smoothed. Computerization not only boosts capacities necessary to translate ideas into concrete policy (e.g., the timely payment and processing of requests, communication between interested parties, and community participation). It also insulates the project cycle from undue politicization, making it more transparent and easily accessible to local populations. Technology is a technical tool to help ensure that all projects created and implemented through the FHIS are, in the end, good—implementable—projects.

### **Operational Delegation of the Project Cycle**

FHIS, like most social investment funds, seeks to reduce poverty by increasing access to basic social services. Its modus operandi relies on participation from local communities and governments. Indeed, all FHIS projects start with the needs of and input from intended beneficiaries, building up—and outwards—to frame these needs in a parlance and format understood by governments and their technocrats. The delegation of the project cycle and its computerization both strengthens and eases these processes.

Operational delegation of the project cycle complements a decentralized mode of service delivery. The starting point is the local level, and in the case of Honduras, the 20 municipalities referred to above. These municipalities will assume responsibilities for the identification of FHIS projects, the formulation of these projects, their execution and all maintenance; the FHIS retains the roles of financier and evaluator.

The relationship between the municipal government and the FHIS perhaps is best understood through the analogy of a second-tier institution. Even in instances where resources transferred from the FHIS to the municipality are not reimbursable, the analogy still holds. First, the FHIS extends a line of financing to the municipality and does so with strings—controls—attached. For one, initial disbursement does not exceed 40 percent of total projected costs. The municipality is expected to have resources on hand to cover advancements to contractors. These resources serve to “guarantee” the municipality’s commitment to the project at hand. As costs are estimated and verified, the FHIS reimburses the municipality. Secondly, management information systems utilized for purposes of the project cycle are to be kept separate from those utilized for the municipality more generally. Although some overlap between such systems is likely to occur, independence is necessary to ensure transparency and proper accounting of FHIS resources. Third, project cycle systems are to be made public and are subject to review by FHIS.

### **What Technology Adds**

Local communities rarely speak the same “language” as government bureaucrats and technocrats. Regardless of at what level of governments these staff are found or what positions they hold, chances are that “something” will be “lost in the translation” of ideas to projects. Even if this translation is perfect, differences in opinion may exist in how a project should be implemented or how its progress should be reported or what format communication between beneficiaries and financiers should take. Any such loss in “translation” reduces efficiency and reductions in efficiency, in turn, increase project costs. Undesirable by any count.

Computerization of the project cycle eases these processes. It is a technical tool that eases the project cycle by: 1) making the translation of local needs into bureaucratic parlance practically seamless—that is,

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<sup>1</sup> San Pedro Sula, Danli, La Ceiba, Tegucigalpa, Santa Roca de Copán, Puerto Cortés, El Progreso, Villanueva, Choloma, Comayagua, La Lima, Roatán, Olanchito, San Lorenzo, Caracamas, Santa Cruz de Yojoa, Choluteca, Juticalpa, Santa Bárbara, and La Libertad.

getting the resources to fund a project in the first place; and 2) smoothing, if not altogether removing, bureaucratic and administrative burdens—that is, maintaining the project’s implementability. Indeed, it is well known that projects often suffer from a host of problems related to the mismatch between project objectives and institutional capacities for implementation. In some cases, procurement and reporting procedures are simply too complex for implementing institutions to comply with. In others, coordination between different ministries proves impossible and local participation falls short of expected levels. Herein lies the appeal of computerization and Internet technology: to a very real extent, they have the potential to narrow the gaps that jeopardize implementability.

## **Nuts and Bolts**

Municipal governments eligible for the delegation of the project cycle can choose either to adopt the FHIS software or adapt their existing software to FHIS requirements. In the case of the latter, eleven data fields must appear:

### **I. Project Eligibility**

### **II. Project Identification**

Field 1: Prioritization of request

Field 2: FHIS acceptance of project

### **III. Project Formulation**

Field 3: Design of project

Field 4: Evaluation of project design

Field 5: Revision of project design

Field 6: Approval of design by Operations Committee

Field 7: Work out details for contractual arrangements with FHIS. Presentation of municipal guarantee to FHIS

Field 8: Receipt of initial disbursement from FHIS

### **IV. Project Execution**

Field 9: Control and monitoring of implementation; supervision and inspection; subsequent disbursements as costs are estimated

### **V. Project Termination**

Field 10: Completion of works certified

Field 11: Financing closed

### **VI. Maintenance**

It is through these common data fields that the FHIS monitors the progression of local projects. Indeed, each step can be seen as a decision point: the information presented in each field can either be accepted or rejected by the FHIS.

The municipalities also monitor the progression of the project cycle. Yet their responsibilities for monitoring extend far beyond those of the FHIS. Areas subject to FHIS oversight largely remain limited to the eleven data fields outlined above. The municipalities, in contrast, monitor those areas often referred to as pre- and post-project—i.e., the steps leading to the project concept and determination of eligibility for FHIS support on the one hand, and all processes ensuring maintenance of works upon termination, on the other.

Notably, however, with the operational delegation of the project cycle software, most of the administrative burdens associated with monitoring are removed. Once a municipality has a project concept in mind, it simply enters basic and baseline data into its computer (linked with FHIS via PC Anywhere), and the software does the rest. Project monitoring - at least from an administrative point of view - is all but automatic. The software indicates next steps, prompts attention to necessary forms and follow-up correspondence. Communication—e.g., regarding contractual agreements, procurement, payments, environmental specifications, etc.—during this process takes place online, through email and the Internet.

## Technology Plus

Machines, of course, cannot make all decisions. Also, information in and of itself cannot substitute for knowledge and experience. Technology may ease the flow of information and keep a given process on track but, in many instances, technical criteria will give way to judgement calls. For instance, FHIS inspectors control the quality of projects and assure compliance with FHIS norms and standards.

Evidence exists to suggest that computerized administrative systems work best when supported by teams of qualified professionals. Delegation of the project cycle thus requires that the human side of the equation be in place. Indeed, the creation of a municipal office of technical assistance and the training of staff are preconditions for participation. These offices are comprised of an engineer, a general administrator, and an information technology specialist, and are supported by specialists in the municipal environmental units. Staff at the municipal level, in turn, are supported by staff in the FHIS, and vice versa.

## The Advantages and Challenges

The challenges of computerizing and delegating projects cycles loom large. Especially in a country like Honduras, where poverty remains widespread and much of the nation's institutional memory was carried away by Hurricane Mitch, any computerized network will be vulnerable to limitations of infrastructure and resources, human and otherwise. Arguments could also be made that other investments—e.g., in basic social services—merit priority over technology.

Yet counter arguments, too, are many. Information flows more efficiently, responses are timelier, participation becomes broader based, as is ownership of projects, and decentralization is strengthened. In countries like Honduras, technology allows for leapfrogging across the board. For example, many of the projects included in the FHIS's present US\$80 million backlog fall in the fields of education, health and potable water. The causes of this backlog, although varied, stem from the destruction and emergencies left in the wake of Hurricane Mitch. The infusion of technology into the project cycle will allow for a more fluid and rapid exchange of information within and throughout all affected ministries. Bureaucratic snares are minimized and the efficiency with which goods and services—e.g., schools, teachers, and textbooks—are delivered to communities, is maximized.

These factors all are necessary conditions for good projects. Yet, they are insufficient. Good projects also are cost-effective responses to local needs and are "owned" by local communities. It is in this regard that the benefits of delegation and computerization of the project cycle may be greatest. These processes are specifically designed to bring local decision-making and participation to bear throughout the project cycle. And, as experience—and empirical evidence—illustrates, locally designed and owned projects often are more cost-effective in the short to medium term and sustainable over the long term.

## Sources

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