

Baseline Report for the Ministry of Infrastructure and Public Services (INSEP)

EXECUTIVE SUMMARY

The present Baseline Report for the Ministry of Infrastructure and Public Services (INSEP) was written by ASJ/TI under the framework of the Collaboration and Good Faith Agreement for the promotion of transparency, combating of corruption and strengthening of integrity systems. The report was developed during the year 2016 and presented in 2017. This report presents the results of independent investigations carried out with the purpose of strengthening institutions through the identification of weaknesses in certain processes, with the goal that the Ministry would improve its internal management and that this would translate into the provision of better public services.

Framework for action

The Collaboration and Good Faith Agreement was signed between the government of the Republic and ASJ/TI, and aims to strengthen the public institutions of five sectors by shaping and/or reforming public policies to increase efficiency and effectiveness, and thus continuously improve the quality of services provided to citizens, as well as the governance of institutions.

Objectives of the agreement:

- Carry out an independent monitoring and evaluation of the results of institutional performance and its improvements in the areas of integrity, transparency and accountability in five public sectors of the Government identified among the most vulnerable: a) Health, b) Tax management, c) Infrastructure, d) Education and e) Security. The areas of study are: Purchases and Contracting, Human Resource Management and Reliability of Statistics.
- Strengthen public institutions through civil society participation in matters of integrity, transparency, citizen participation, controls and accountability, in order to obtain quality public services and respond to the requests and needs of citizens.

In addition to evaluations conducted in the five sectors, baseline studies have been carried out and progress has been monitored in the governing bodies of the public administration, in particular those related to the monitoring, such as the Office State Purchasing and Procurement Regulatory Office (ONCAE), the National Office for Integral Development and Internal Control (ONADICI) and the Superior Court of Accounts (TSC). These institutions have been under study, in order to identify opportunities for improvement that strengthen the legal framework and facilitate control.

All of the above will contribute in the long term to substantial improvements in the public services of health, education, security, infrastructure, and tax management that will allow these ministries to respond efficiently to the needs of citizens.

What the Agreement is NOT

- This agreement is not an award to the Government of Honduras for being transparent. It does not mean that TI/ASJ is endorsing the government's actions, nor does it mean that an accompaniment is being carried out in every process that the different entities develop in the areas of purchases and contracting and human resources management. Likewise, it does not seek to replace any institution, nor any function of the State, given that the Superior

Court of Accounts is responsible for executing periodic audits and the Attorney General is responsible for carrying out relevant investigations and sanctions.

What the Agreement IS

- This agreement is a recognition by the Government that one of the most serious problems in Honduras is corruption, which is why it seeks the support of TI/ASJ to combat it. Despite progress in recent years, Honduras continues to be one of the lowest-scoring countries in Latin America in Transparency International's Corruption Perceptions Index, ranking 123th in the world in 2016.

This Agreement is, above all, a shared commitment between the Government and TI/ASJ to build a system of transparency and integrity that, based on mechanisms of citizen participation, encourages citizens to become involved in the process of creating stronger institutions, and for the State to open spaces for Hondurans who want to join their efforts.

Baseline for the construction of public policies that improve public services

This document presents the civil society baseline for the monitoring and evaluation of the improvements or corrective actions that should be prioritized by the Ministry of Infrastructure and Public Services considering the results and recommendations of the research.

Therefore, the present study should be complemented by an Improvement Plan established by the Ministry itself to improve performance, particularly in the areas in which the law is being violated, or in areas of poor management of economic, material, human and statistical resources.

Continuously and systematically, every six months, the monitoring and evaluation of the Improvement Plan of the Ministry will be carried out, qualifying the level of compliance in terms of its progress over time.

Compliance with the agreement by the government of Honduras

Throughout this process, the Government of Honduras has reiterated its interest and willingness to fight corruption, opening the doors of these five ministries and governing bodies to the scientific and thorough evaluation that ASJ/TI has developed. This allows for the confirmation, with documented facts, of the structural problems and weaknesses of the public administration. At this point in time, despite knowledge of these weaknesses, little or nothing has been formulated or executed to improve the management of these State entities.

ASJ/TI recognizes the commitment of the current administration to strengthen the institutionalism, governance, competence and transparency of public institutions. Honduras is the first country to decide with determination to be subject to an ongoing social evaluation by Transparency International, despite the risk that results might be used negatively by some groups or individuals. This is the first step towards building a functional rule of law. The Government commits itself to directing its efforts of decision-making, as well as the implementation, design, modification or implementation of public policies, institutional strategies, and other components of management that respond to the needs of the public, in terms of health, safety, education, taxes and infrastructure.

Nonetheless, ASJ/TI expects full compliance with the law, understanding that situations exposed require investigation by the relevant judicial entity, which, in turn, must assume the responsibility of determining sanctions under transparent due process.

Concrete actions by the Honduran government to combat corruption

One relevant achievement of the current government is the implementation of the Public Employees Registration and Control System (SIREP), which was developed by the Ministry of Finance, and launched in December 2014. A census of all officials for each State entity helped to identify and remove ghost employees. Once the censuses of all the public entities in the SIREP were collected, the Finance Ministry contracted the firms Ernst & Young, DLA Consulting and an individual consultant with the objective of conducting payroll studies in the Ministries of Security, Health, Education, Infrastructure and the Executive Department of Revenue. This project was carried out in the first half of 2015.

Subsequently and in a complementary manner, they proceeded to execute the functional analysis of the Ministries of Security, Health, Education, Infrastructure and Finance, which was carried out by the firm Deloitte Touche. This study made it possible to identify structural problems, in terms of organization and personal management of the public administration in these entities.

The Ministry of Infrastructure and Public Services has been using the SIREP since December 2014. This system allows for the verification that employees who appear on the schedules are performing their duties. Likewise, it has raised an alert about the high volume of personnel, in some institutions such as INSEP, in which case both institutions are designing an action plan for the reduction of employees.

What we did and how we did it

It is important to clarify that the evaluation presented in this report does not represent a qualification of the total management of the Ministry of Infrastructure and Public Services. Rather, it is part of a particular study of a sample of processes, in which compliance with certain procedures was verified based on the applicable law and recognized international and national best practices. Likewise, it does not reflect a status in terms of transparency and accountability, since the compliance with the Law of Transparency and Access to Public Information was not fully analyzed.

That said, it should be mentioned that for each area of study – Purchasing and Contracting, Human Resource Management, and Reliability of Statistics – some of the processes inherent to each area were selected for different periods, in which they were carried out. These processes were used as a sample, allowing a number of cases to be studied in statistical terms, without evaluating the total number of operations carried out by the Ministry.

The criteria were determined by considering the total information collected to which each indicator is subject, and in the understanding of the need to establish a baseline study. In addition, three years of reference were adopted, which allowed the analysis to be carried out with results that do or do not exemplify progressive results in the correct management of the processes over time.

ASJ/TI technically and objectively designed the methodology of study and evaluation, thus guaranteeing reliability in the results presented. This methodology was shared and verified in May 2015 by the General Coordination Ministry of the Government, which plays a leading role in the development of the agreements of the Convention. This methodology consists of 10 stages and was

designed by the ASJ/TI team in cooperation with Price Waterhouse Coopers. It is based on process verification components, which include, among others: a) identification of evaluation objectives, indicators and study factors, b) information collection, processing and analysis, and c) on-site verification.

AREA OF PURCHASING AND CONTRACTING

Methodology and Documentation Request

Analysis of Information Collected: Once the information survey tools were developed and the verification criteria were adjusted to the particular characteristics of the institution, ASJ/TI proceeded to analyze the information collected about the purchasing and contracting processes executed by INSEP during the three years of the study (2013, 2014, and 2015), which constitutes a total of 783 processes, as reported by the Ministry.

The method used most frequently by the General Road Department (*Dirección General de Carretera*) and the Department of General Public Works (*Dirección de General Obras Públicas*) to conduct the contracting processes in the three-year period was private bids and competitions. A total of 939,377,538.38 lempiras was invested (approximately \$40 million), representing 94% of the processes (712 of 758 awarded) and 63% of the total investments reported by the Ministry (without taking into consideration the minor purchases that have not been a part of this study). The total investment of both departments in the three-year period including all of the methods used was L1,484,321,689.88 (approximately \$63.4 million).

Selection of the Sample: Of these 783 processes, a total of 10 were selected as objects of study, distributed in:

- 9 contracting processes
 - 3 private national bids
 - 3 public national bids
 - 3 public and private bids with the World Bank
- 1 prequalification process

Collection of information: Information relative to each process was requested. Different visits to INSEP were conducted with the purpose of obtaining and evaluating the supporting documentation for the contracts and the prequalification of bidders. The collection of information generated 22,391 scanned pages corresponding to 373 files, which were reviewed in detail. The analysis of these documents lead to the results presented below.

Consolidated Results of Bids

The compliance percentages of each indicator for processes evaluated are presented below.

Table 1.- Consolidated score of the evaluated processes during the years 2013-2014-2015

Type of Bid:	World Bank Public Bids	National Public Bids	Private National Public Bids	Average per Indicator
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No.	Indicator	LPI-DGC-001-UEBM-2014	LPN-DGC-003-UEBM-2012	LPI-DGC-001-UEBM-2014	LPN 001-DGOP-EPPP-2014	LPN 002-DGOP-OO.UU-2013	Not indicated	Not indicated	LPR N011/DGC/UATSV/2014	LP-NO 036-DGOP-OO.UU.-2015	Average per Indicator
	Abbreviated Name of the Project	Falla Chancaya	Bridges Rivers Monga y Eucalipto	Falla Tegucigalpa Danlí	Central Regional National University of Agriculture	Municipality Jesús de Otoro	El Lolo-Cerro Grande	Bella Oriente El Hato	Municipality La Iguala	Municipality Gualcinces	
	Allocated / Approximate Amount	SERMACO L90,144,555	CORDONS HEAVY L29,923,695	SERMACO L62,743,595	INGECOM L9,227,410	SAUL EMAN L9,586,159	ETERNA L83,308,658	INGENIERÍA UNO L2,174,577	ROENGE L1,860,371	DAVID A. PINEL M. L1,985,151	
1	Previous Requirements	79%	65%	13%	15%	15%	52%	69%	71%	71%	51%
2	Contract Procedure	43%	45%	49%	77%	64%	56%	29%	37%	56%	49%
3	Formalization and Execution of Contract	64%	71%	73%	9%	69%	4%	60%	57%	51%	55%
4	Delivery and Reception of the Works	0%	2%	21%	0%	0%	0%	61%	61%	33%	17%
5	Internal Auditing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
6	Administrative Sanctions	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
7	Citizen Participation	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Average per process		26%	26%	22%	14%	21%	16%	31%	32%	30%	25%

Average of the 9 processes 25%

The evaluation of the processes subject to this study reflects a low compliance with the law and legal procedures, the general average being a 25% compliance rate. Some good practices were observed in the phases of contracting procedures and the formalization of the execution of the contract, above all in processes under the regulations of the World Bank. However, opacities were observed in the lack of compliance with procedures in the rest of the phases.

Key Results

Results in relation to the regulation of purchasing and contracting:

- Lack of a legislative decree changing the name of SOPTRAVEP to INSEP
 - Neither a Legislative Decree nor an Executive Decree was found that endorsed the changing of the name SOPTRAVEL to the current name of the Ministry of INSEP.
 - There is no express reform about the change of the name to INSEP in the General Law of the Public Administration which gives rise to the Ministries of the Executive Power.
 - **Though in PCM-001-2014, dated February 3rd, 2014 INSEP is mentioned for the first time, it is not linked to nor mentioned that this entity would absorb the functions of SOPTRAVEP.**
- Only three contractors were invited to participate in private bids:
 - The law establishes that in the case of private bids a *minimum* of 3 bidders should be invited to participate, which is not to say that when a private bid is carried out, only 3 participants should be invited. Inviting only 3 bids is a breach of the principles of competition, transparency, and publicity.

Evaluation Results

Previous Requirements

- **Potential Collusion.** In the Bell Oriente-Hato bid the base proposal of L1,894,934.63 (\$80,980) was precisely the same amount of the offer presented by the company INGENIERÍA UNO, S. DE R.L.
- **Potential Inflation.**
 - In the project for paving the road Bella Oriente – Hato de Enmedio, the initial offer of the contract of INGENIERÍA UNOD, S. DE R.L, was for 1,894,934.63 lempiras (\$80,980). However, the contract was signed with a change order that modified and raised the amount to 2,174,580.27 lempiras (\$92,931), a difference of \$11,951.
- **Limitation on participation:** INSEP has a database of providers in which 324 prequalified companies can be found. However, in all of the private bids (94% of the total processes carried out) the invitation to present offers in the biddings was only extended to 3 providers in each process.
- **Lack of planning and control over execution by INSEP.**
 - In 2013, the National Congress increased the original budget of the Ministry and defined projects that would be executed by said institution with the approved increase.
- **Lack of authorization of the Secretary of State for the beginning of the contracting processes.**
 - No evidence of Annual Operative Plans (POAs by its Spanish acronym) nor of the Annual Plan of Purchasing and Contracting (PACCs by its Spanish acronym) that had

been duly approved by the competent authority, as required by law, were found in any of the files.

- Approval of the National Congress for the investment of L6,363,895.97 (\$271,961) in the football field in Amatillo, municipality of Goascorán, department of Valle (2013).
- There is no mechanism for prioritization using objective criteria for the selection of projects: Market studies, needs studies, environmental studies, viability studies and financial studies, among others, have not been conducted in any of the projects evaluated. In the absence of a mechanism for prioritization, projects are selected based on other criteria and/or interests. An example of which can be seen in the following:

Table 2.- Examples of the Ministry's selection of projects during the years 2013-2015

Dates	Area of Investment			
	Olancho	Lempira	Intibucá	Choluteca
2013	L52,138,983	L7,486,141	L108,221,271	L13,523,025
2014	L24,237,438	L30,833,117	L12,698,301	L18,959,228
2015	L41,469,059	L40,946,291	L6,810,640	L135,855,656
Comparison of the percentage of investment by year.	In 2013, the region represented 10% of the annual investment. In 2014 it dropped to 7% and although in 2015 the budget investment remained at 7%, the annual budget increased considerably.	In 2013, the region represented 1% of the annual investment. In 2014, it increased to 9%, and although in 2015 the investment dropped to 7%, the annual budget increased by 10 million lempiras more than the previous year.	From 108 million lempiras in 2013 (10% of the annual investment), its budget dropped in 2014 to 12 million (4%) and again to 6 million in 2015 (1% of the total annual investment).	From 12 million in 2013 (3% of the annual investment), it increased in the years following. In 2014 it increased by 5% of the investment with a total of almost 19 million and in 2015, with an increase of 23% of the budget investment, a total of 135 million lempiras.
Percentage of Honduras' total population residing in the region	Inhabitants of Olancho represent 6% of the national population. <i>(Information obtained from the official webpage of the National Statistical Institute of Honduras)</i>	Lempira represents 4% of the national population.	The region of Intibucá represents 3% of the national population.	The population of Choluteca represents 5% of the national population.

Contracting Procedures

- **Lack of official appointments for the Evaluating Committees.** Evidence of legal nomination of evaluating committees was found in five of the nine samples of documents taken; nonetheless, this information was delivered on different occasions, the most recent of which was nearly a year after the completion of this report. In the case of the General Roads Department, engineer Walter Maldonado appointed the committee despite not having the official delegation of the Secretary of State by law.
- Evidence of the appointment of an evaluating committee was only found in one of the nine processes, which was made up of two members when the law established a minimum of three or five.
- **Lack of criteria or objective mechanisms for the evaluation of offers in the 9 processes.** The criteria used to grant bids to businesses whose offers were not the most economical is not known, particularly in the following cases whose specifications established that the contract would be granted to the offer with the lowest price.

Table 3. – Comparison of Bid Offers

Number	Year	Bid	Business	Amount of the offer
1	2012-2013	Public-international . Falla Chancaya	SERMACO (Empresa adjudicada)	L 90,144,555.45
2			Cordons Heavy Equipment S. DE R.L	L 73,189,130.93
3			COPRECA	L 82,258,614.98
4	2014	Public-international Falla Tegucigalpa- Danlí	SERMACO (Empresa adjudicada)	L 62,743,594.75
5			Santos y Compañía	L 53,140,998.88
6			ETERNA, S.A. de C.V.	L 55,530,830.87
7			SERPIC, S. de R.L.	L 58,454,928.78

Controls and Auditing

- **Complete absence of internal controls and internal and external auditing:** There is no evidence of internal controls or of the execution of internal or external audits.
- **Lack of controls that identify irregularities** such as:
 - 12 processes awarded under the private bidding method when, due to their costs, they should have been public bids. Example: the paving of the road to San José Intibucá, Intibucá for the amount of 3,122,750.13 lempiras (\$133,451) awarded to Construction and Investments, S. of R.L. of C.V. (CRACO);
 - 102 construction contracts that failed to include a supervisor contract, when the law requires that all construction contracts be supervised (either by the Ministry or by a contracted consultant).
 - At least four processes with possible inflation, collusion and/or without evaluation committees as established in the law, as evidenced by this report.

Administrative Sanctions

- **No contract was submitted to the ONCAE or the TSC.** Neither the ONCAE nor the TSC received information about the contracts signed by the Ministry or of its modifications or compliance reports. The fourth report confirmed that no Ministry complies with this

provision. However, neither was there evidence that either the ONCAE or the TSC requested or demanded this information from any Ministries.

- **No public official, employee or provider was sanctioned by the Ministry.** The Ministry, ignoring high levels of non-compliance with purchasing and contracting law, does not allow corrective actions to be taken that would result in appropriate sanctions.

Citizen Participation:

- **Absence of citizen participation:** There is no evidence of citizen participation in any process carried about by INSEP.

Prequalification Results

- The percentage of compliance with the prequalification process established in the law is **10%.**
- Between 2013 and 2015, 199 contracts were awarded to contractors/consultants without prequalification for a total amount of L836,026,461.60 (\$35.7 million)
- Annual prequalification was not conducted as established in the law:
 - Prequalification was only carried out in 2014. It was not carried out in 2013 or 2015, nor was there evidence of an update or of opening the process to the public for new entries. Limiting the participation of potential providers despite the required prequalification is a clear violation of the law and the principles of participation and publicity.
 - The lack of compliance with the law in failing to carry out annual prequalification or, in its absence, to allow the list of contractors to be updated, evidences a high risk of corruption that could allow processes to be awarded to non-prequalified contractors, putting the quality of the execution of jobs at risk, representing economic losses to the State.
 - Also, the lack of regulation of the management of documents and a registry of who is and is not prequalified results in a failure to know who does and does not comply with the law. It additionally results in awarding bids to companies that do or do not comply with the required profile. All of this impedes the prior identification of those responsible and the consequent sanctioning or correction of bad practices, as well as the risk that jobs are executed without the required profile.
 - Likewise, this is a violation of the principle of equal opportunity to participate in the bidding processes.
- Companies prequalified for consultancies (authorized only for the supervision of works) carrying out construction contracts and vice versa
 - Contractors prequalified for supervision were contracted for construction during the years 2014 and 2015:
 - I. David Alejandro Pinel Méndez with various contracts that amount to L 11,684,265.24 (\$499,328)
 - II. Consulting and Projects R&R, S. of R.L. of C.V. with various contracts amount to a total of L 10,298,428.33 (\$440,104)

Results of Transparency and Diffusion

The report measures two aspects of transparency:

1. Information provided to ASJ for the development of this report, obtaining 71% compliance.

Table 4 - Final status of the requested information

State of the Information	Delivered	Incomplete	Not Delivered
As of August 25, 2016	71%	12%	17%

2. Information that must be published in the system of HonduCompras:
 - Of the 9 processes taken as a sample, 9% compliance was obtained for the publication of information in HonduCompras, as required by law. The documents with the highest percentage of disclosure were: notice of publication, specifications and some amendments and/or clarification and one record of receipt and bid opening.
 - Of the 783 processes in the information collected, under national standards, only 402 were published in HonduCompras, equivalent to only 52% of publication and under World Bank regulations, 75% of 8 processes were published, achieving an average compliance of 63% between both regulations.
 - Noncompliance with regulations in the awarding of contracts to contractors who were not registered in the Registry of Suppliers and State Contractors.
 - i. 92 of 175 contractors with contracts awarded during the 3 year period (2013, 2014 and 2015) were not registered with ONCAE, representing 53% of non-compliance with the regulation that establishes that contractors must be registered with ONCAE before signing a contract with the State for formal processes (bids).

Recommendations

- Carry out the corresponding corrective legal actions to formalize the name of the Ministry of State in the Offices of Infrastructure and Public Services (INSEP), which formalizes the actions of the Ministry in front of third parties.
- Prepare studies that support the initiation and profiles of projects legally, technically, and administratively through a more effective planning system, which guarantees minimal increases between the planned and the executed budget.
- Establish mechanisms and technical criteria for the selection of projects to be carried out by the Ministry, as well as the prioritization of projects to avoid external interference in the selection of said projects.
- Develop mechanisms or procedures for objective evaluation of offers based on points or percentage systems, which are previously published for use of bid evaluation committees.
- Implement evaluation and/or measurement systems regarding: a) level of compliance and performance of contractors and/or supervisors based on contracts; and b) the level of compliance of employees and public officials based on the requirements they have within a purchasing process.
- Ensure that the internal audit includes within its annual audit plan at least 3 processes of each Administration and each type of purchase, and one prequalification process.
- Design a component that ensures the implementation of internal purchasing and contracting controls in the State that report on improvement and identify risks and complaints.
- Ensure that the mechanism of complaints and/or sanctions against private individuals contracted by the State, as well as employees and/or public officials, sends the corresponding files to the relevant entities to determine responsibility. (Ministry of

Infrastructure/ internal procedure, for later communication to ONCAE, TSC and other enforcement agencies that apply.)

- Perform the annual prequalification processes required by the Law in such a way that the Ministry has a registry of contractors and consultants with up-to-date and public information.
- Document and digitize the prequalification process, including any updates made during the year to guarantee entry to any interested party with the same conditions of participation and to be published in a timely manner.
- Ensure the disclosure of information regarding all the purchasing units of the Ministry in the system of Honducompras in a timely manner and with truthful, legible and complete quality public information.
- Demand the digitization of all the documents that form part of a contracting process, from its inception to the settlement of the contract, registering them in a single digital registry.
- Strengthen the purchasing units with internal control and/or audits, so that the personnel in charge have the experience and profile required in State purchasing and contracting, through training or the identification of experienced personnel.
- Propose the approval of a policy or manual as a mechanism or initiative that regulates citizen participation, promoting the assurance of participation in the different stages of the contracting processes of the Ministry, at the defining of the stages of citizen participation.

Area of Human Resources Management

Methodology and Request for Documentation

Analysis of all collected information: The collected information subject to analysis is composed of all actions related to the hiring and firing of staff that were carried out by INSEP during the periods of study.

Selection of the sample: AJS/TI selected the sample for the study from the years 2013, 2014, and 2015. AJS/TI then prioritized the human resources management indicators, selecting the following to be evaluated: a) Planning of the Management of Human Resources, b) Hiring of staff, c) Firing of staff, and d) Administrative Control of Staff (employees found in their assigned work locations).

AJS/TI then adapted each indicator to comply with regulations established in the current law for the sector and the periods of investigation, as well as observed best practices in the development of similar processes in other state entities, both national and international.

For the evaluation of human resources management, the existence and relevance of 19 documents and/or files were analyzed, all considered to be basic information in the area. For the hiring and firing indicators, a base sample was taken of 115 files per year.

Table 5. - Documents Evaluated by Year and Indicator

Indicator	Period of Study			Totals
	2013	2014	2015	
Hiring of staff	115	140 ¹	115	370

¹ 115 for the annual sample and 25 documents associated with the payroll audit carried out by the Finance Secretary with support from the World Bank

Firing of Staff	115	115	115	345
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Additionally, to evaluate Administrative Control of Staff, AJS/TI carried out an on-site staff verification process, in which they attempted to physically identify a sample of 135 employees in their place of work. This list was made up of 115 functionaries who were selected at random from the payroll provided by INSEP, and 20 who were directly approached in the institution’s facilities.

Gathering of the information: 35,167 pages were digitized, corresponding to 982 files, which allowed the completion of 715 worksheets, corresponding to the same quantity of staff files.

Of the information requested by ASJ/TI relative to the human resources management processes, INSEP facilitated 69% on time and complete. The other 31% was delivered incomplete.

Table 5. - Final Status of Required Information

State of Information as of August 25, 2016	Delivered	Incomplete	Not Delivered
	69%	31%	0%

Principal Findings

Findings Related to Labor Regulations:

- Regulatory gaps in the current law. Gaps can be observed both in both the general and specific regulations that do not allow for the exercising of appropriate control over the human resources processes, including:
 - Lack of a decree or agreement that validates the name change of the Infrastructure and Public Services Secretary, generating a legal gap in the actions that are taken in the name of INSEP.
 - Lack of an internal regulation that, among other things, considers the regulations for hiring, evaluation, firing, and overall volume of temporary workers.
- Arbitrary staff hiring procedures
 - As INSEP lacks internal regulations, the hiring of staff is guided exclusively by a procedure manual that contradicts and distorts the regulations in the Law of Civil Service. This manual expresses that personnel hiring is found subject to factors that are not linked to the administrative and operative efficiency of the institution, but rather favors hiring individuals directly. In this sense, the current hiring process not only lacks a public contest to fill positions, but is also arbitrary and subjective.
- Regulatory gaps related to the sanctioning and firing of staff
 - The Law of Civil Service is the only applicable regulation because there is a lack of an internal regulation, presenting gaps in due process for the sanctioning and firing of staff
- Centralization of regulations without operational foundation
 - INSEP, as all public entities, is affected by the provisions issued by the Executive Branch, which means that without a diagnosis of the operational efficiency of human resources, then hiring for vacant positions are frozen and staff are not allowed to be contracted through nomination processes. Executive Agreement No. 001-A. -2014, emitted by the Executive Branch, prevents, among other things, the

regulation of temporary staff who, by law, have acquired the same permanence rights as permanent employees. This alters the reported number of functionaries in the institution at 550, who have been officially nominated, which only represents 15% of the 3,771 actual employees.

Findings Related to Planning

To evaluate the documentation provided by INSEP related to planning, three aspects were considered: a) information delivered in a complete manner, b) trustworthy information without inconsistencies, and c) quality of the content.

- **Quality of the provided information:** Of the 19 verification factors requested and evaluated, only six were found to be complete and of the required quality. The remaining materials were delivered incomplete, did not correspond to the evaluated item, were outdated, or presented contradictions with general regulations. In addition, the deadline for the delivery of materials had to be extended.
- **Risk of corruption and evidence of inefficiency in management.** In different documents evaluated, administrative deficiencies were observed that could interfere with proper management, including:
 - The current organigram differs between the nominal and the functional, generating weaknesses in the structure and leaving space for possible manipulations for the hiring of unnecessary staff
- **Divuligation of information:** An analysis of the information divulged in the transparency portal of INSEP was carried out, in which the institution only complied with 69% of the publications that by law they should publish related to human resources. What's more, it was verified that the published information differed from that which was delivered directly by INSEP.
- **Lack of planning:** The lack of planning and efficiency is evident in the actions oriented to strengthen the management and allows for qualified staff, as well as in the creation of a duly budgeted and effective staff plan, among other criteria.

Findings Related to the Hiring of Staff

- **Distribution of labor mass:** 87% of the employees who joined during the time periods under evaluation were temporary, obtaining in less than a year all the rights of a permanent employee, without the corresponding responsibilities
- **There are no public contests for the merit-based selection of staff:** During the three years of study, there was no public contest or tendering process, which is a grave in compliance with the law, and a possible abuse of authority in the incorporation of staff
- **Irregular procedures:** The Process and Procedure Manual of the Sub-Director of Human Resources stipulates that to hire personnel, the maximum authority must emit an express request for the creation of institutional need and identification of vacant positions. This distorts the process from its original intention. This irregularity is a sign of arbitrariness and/or abuse of authority, which generates or could generate the hiring of ghost staff or officials without responsibilities.
- **Inconsistencies in the registry of new hires:** Upon cross-checking information between the annual staff payrolls and the reports of hiring and firing, differences were observed

related to the number of staff. This shows that the registries are not trustworthy, as they did not show internal coherence.

- **Politicization of the hiring of staff:** Even when the evidence in percentage terms is low, we were able to prove through the revision of documents and interviews with reliable internal sources that the entity favors activists of the party in power with employment in this secretary.

Findings Related to the Firing of Staff:

- **Firings without cause** or that are not duly justified in 80% of the cases studied.
- **No application whatsoever of sanctions resulting in the firing of staff.** In 345 files evaluated as part of the sample of firings, no documentation was found corresponding to citations and firing audiences, though 27 warnings for different causes were found. It should be taken into consideration that the human resources management supposedly does not have legal basis to give warnings or fire staff who are working on a temporary basis.
- **Serious infractions with light sanctions:**
 - The maximum sanction observed was a seven-day suspension for an unjustified promotion
 - Two employees who consumed marijuana were sanctioned with four and six days of suspension
 - The sanction for intoxication was a three-day suspension
- **Firings that result in rehiring:** The lack of due process in the firing of staff, including a lack of correct documentation of the processes has resulted in 100% of the demands to INSEP to be reintegrated or for back salaries to be paid have been won by ex-employees.
 - In the three years of the study, 324 individuals who had been reintegrated were identified, as well as the payout of 4.6 million lempiras (approximately \$197,000) for back salaries
 - 95% of staff who were rehired after appeal began as temporary workers (307 cases)
 - An estimated 16% of staff who leave are later reintegrated.

Findings Related to the Administrative Control of Staff

For this indicator, only the on-site verification of staff in their work positions was considered. Originally, a sample of 135 employees was established; nonetheless, because the majority of the staff selected and described in the list were not found, the final sample was increased to 146 registries of which 31 were approached in the facilities. Due to the obstacles found during the process, such as the dispersion of staff and the fact that several employees allegedly worked from home, ASJ/TI accepted the validity of staff who could be verified by documentation (staff files) in the cases that the employee could not be located in his or her assigned place of work.

- **Employees not identified during verification visits:** Given the reasonable doubt that INSEP staff lacked work assignments, ASJ/TI carried out two visits to INSEP's facilities, with the objective of identifying the presence and functions of employees.
 - 57% of the staff in the sample (71 employees) could not be identified in their work locations during the first verification. Neither did ASJ/TI obtain a response from

their supervisors or colleagues that allowed the justification of their absence, or even the recognizing that they were employees of INSEP.

- In the second verification of 75 employees (50 on-site and 25 through documentation) the regular presence of 65% of the employees in the samples could be confirmed. 35% could not be identified.
- **Lack of administrative control:** During the visits the following errors were observed:
 - Personnel files were fragmented and disorganized in each unit. The department of human resources does not have real control of staff
 - The majority of staff members begin work between 9:15 and 9:20am
 - The activities observed in the facilities’ green areas during work hours included: chatting, selling and purchase of various products, and lottery games
 - High index of absenteeism: only 5% of absences in the two days of verification were justified by the immediate supervisors or colleagues
- **Employees carrying out functions that do not support the functioning of the institution**
 - ASJ/TI discovered the case of Mr. Carlos Armando Medrano who nominally is the general supervisor of the training department, but functionally and permanently is responsible for the “general store” located in the INSEP facilities
- **Risk of abuse of authority**
 - The leaders of the different INSEP offices were generally the last to arrive at work, many arriving at 10am or later.
 - The perception of staff of INSEP about union members is paternalistic, contributing to a status quo as illustrated by the case of the gentleman who runs his own store during work hours

Consolidated Findings of the Evaluated Human Resources Processes

The general level of compliance with regulations and best practices for the three evaluated indicators is 27%, which is alarming, as that represents a high risk of corruption. Though small improvements have been observed between the previous administration and the current related to the planning and hiring of staff, processes for firing staff are ranked among the worst of all the evaluations carried out under the Transparency International agreement.

Table 7 – INSEP’s level of compliance/ Area of Human Resources Management

Procedure Evaluated	Period			Average
	2013	2014	2015	
Planning of human resources management	47%	61%	62%	57%
Hiring of staff	15%	22%	21%	19%
Firing of staff	6%	4%	5%	5%
General Compliance	23%	29%	29%	27%

In addition to this low level of compliance is INSEP’s demonstrated inability to account for the presence of 35% of the employees during on-site verifications.

Related to transparency and accountability in the processes of hiring and firing of staff, the entity lacks mechanisms that strengthen it and that would make it trustworthy for Honduran citizens. There are also no spaces created for social oversight.

Recommendations

- Carry out a Human Resources evaluation at INSEP to establish the capacity of current staff and determine the institution's real needs. Additionally, this evaluation should identify the optimal number of staff by type of contract – whether permanent or temporary -- in order to achieve institutional objectives with quality and efficiency
- Restructure the institution. Based on personnel diagnostics, redesign the different units, taking into consideration details from macro to specific, including: organizational structure, positions, profiles, salary structures required by positions, evaluation of individual profiles for the assignation of staff in the correct positions, and other topics
- Generate internal regulations and procedural manuals for human resources that are consistent with general regulations and based on due process
- Develop a strategic plan for the management of resources based on the diagnostic and restructuring process
- Acquire and develop technological tools that allow for the identification and correct administration of staff
- Create a protocol for the administration of files
- Freeze the hiring of staff under temporary status
- Implement a process of public contest for the hiring of all positions
- Create protocols and tools that allow for the exercising of real control over staff
- Install or formalize a unit or competent entity responsible for applying the institution's staff control regulations
- Carry out a process of updating and digitizing the staff files in physical and digital forms
- Establish protocols and processes for the correct management of information
- Publish and update information in the transparency portal in agreement with what is required by law
- Encourage citizen participation in both an individual and collective manner

Area of Reliability of Statistics

The infrastructure sector is one of the pillars for the economic and social development of a country. Given its importance, the resources destined for the construction and maintenance of public works should be managed efficiently, transparently, and free of corruption. They should follow strategic plans based on real needs, incorporate international and national best practices in public administration, and reinforce a culture of accountability. The institutions and public employees that manage public funds have a legal and ethical obligation to justify, inform others of, and take responsibility for all financial activity they carry out, publishing periodical reports that contain: statistics, indexes and indicators that reflect the way funds are invested; achievements and improvements in the institution; and advances aimed at complying with their goals.

The general objective of the study is to determine the reliability of the statistical data reported by the Ministry and detect weaknesses in creation of this data, in order to be able to recommend actions targeted at strengthening the institution in the areas of transparency, accountability, and reliability of statistics, in such a way that improves the efficacy of public administration and takes advantage of resources as much as possible for the benefit of the population.

The methodological procedure adopted for the study is based on the collection of documents, on-site verifications, and interviews in order to apply the evaluation tools that cast percentage scores,

which later are averaged to obtain a consolidated result that determines how reliable are the statistics that the Ministry generates and reports.

Table 8 – Information organized and evaluated

Documents turned over by the Ministry	Number of Files	Number of Pages
Management reports by results	21	581
Budget documentation	7	10
Reports of the management platform by result	76	102
Bulletins and press releases	2	1,954
TOTAL	139	3,133

The evaluation was carried out in three dimensions: analysis of the protocol, analysis of the practice, and a calculation of the verification factor for a sample of two key indicators in the infrastructure sector: kilometers of highway paved and the kilometers of highway repaired.

Analysis of Protocol

In this section, ASJ/TI determined the existence of a protocol that describes the process of generating statistical data for the selected indicators. ASJ/TI analyzed some aspects of quality and suitability of the document or protocol, taking into account a) whether the protocol is officially approved, b) whether it is based in a legal framework or international best practices, and c) the level of detail of the tasks and activities contained in it, in addition to other factors. It is of maximum importance that processes be detailed in a formal protocol, because this fosters the continuation of best practices despite changes in leadership, which ultimately translates into sustainability and the strengthening of the institution.

Table 9 – Results obtained in the first component Analysis of Protocol

Sample	Existence of Protocols	Protocol evaluation	Average: protocol analysis
Kilometers of paved highway	0%	0%	0%
Kilometers of repaired highway	0%	0%	0%
Average	0%	0%	0%

Results for protocol analysis:

- **There are no protocols for the generation of statistics related to the highway network.** Currently, the Ministry does not have any protocols that describe the process for generating statistical data and indicators, which considerably affects the reliability, sustainability, and standardization of the processes for generating data.

Analysis of Practice

ASJ/TI evaluated existing practices. The units and people involved in the data generation process were also evaluated for compliance in order to determine to what degree the practice is common to all actors and how much it contributes to the reliability of the data that the institution generates. The analysis includes a risk evaluation of the process based in field work that included interviews, demonstrations, and on-site verification of an 8 project sample.

Table 10 – Results obtained in the 2nd component: Analysis of Practice

Sample	Evaluation of the Described Practice	Evaluation of compliance with the practice	Practice Analysis Average
Kilometers of Highway Paved	29%	64%	47%
Kilometers of Highway Repaired	29%	64%	47%
Average	29%	64%	<u>47%</u>

Results of the practice analysis:

- Weaknesses in the described practice
 - Lack of tools and controls that permit the registration and systematic management of data
 - Lack of verification mechanisms for data and error correction through different stages in the process
 - Lack of citizen participation and social oversight mechanisms
 - Failure to disseminate that data and results obtained by the Ministry, in particular the objectives and indicators relevant for the public. The ministry only publishes certain information for some projects in the institutional bulletins and reports made by the Ministry. The indicators of physical and financial advances of public works should be disseminated in institutional reports and published on the institutional portal.
 - The IT tool given by the System of Monitoring and Follow-up for Results-Based Management (SIMEGpR) is not sufficiently utilized by all involved actors in the Ministry’s data generation processes and accountability reports. Its use is exclusive to certain functionaries inside the government and is not used to promote transparency.
- **Risk of Collusion between Contractor and Supervisor.** Even though the 8 project sample verified on site indicated that the reported number in kilometers constructed and/or repaired coincides with the reports of contractors and supervisors of projects, there was no evidence of mechanisms that could reduce the risk of work that does not comply with the technical specifications of the contract. Additionally, there was no evidence of citizen participation mechanisms, nor the involvement of internal auditors in oversight of the actions of contractors and supervisors, which increases the latent risk that the contractor is reporting inflated statistics in their estimation in order to receive their monthly payment by the Ministry, while bribing the supervisor to confirm the report.

Reliability of Statistics

This component verifies that the data reported by the Ministry in their reports coincides with the primary source data. The analysis was carried out for Planning and Evaluation of Management Unit

(UPEG) reports, the Results Based Management reports, and the official data obtained directly from the General Office for Highways (DGC) for 2015.

Table 11 – Results obtained in the 3rd component: Verification factor

Sample	Score obtained for Quality of Data
Kilometers of Highway Paved	87%
Kilometers of Highway Repaired	34%
Average	61%

Table 12 – Verification factor for “Highway Paved” indicator

Kilometers of Highway Paved			
Report	Data point uploaded to SIMEGpR	Data point reported	Score for VF
Quarterly UPEG report	48.28	60.55	80%
Results-based management report	48.28	48.28	100%
Official data reported by the DGC	48.28	40.66	81%
Average			87%

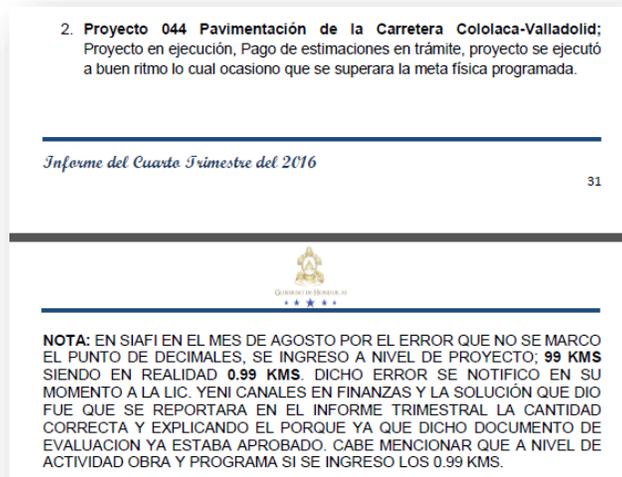
Table 13 – Verification factor for “Highway Repaired” indicator

Kilometers of Highway Repaired			
Report	Data point uploaded to SIMEGpR	Data point reported	Score for VF
Quarterly UPEG report	2.57	627.20	0.41%
Results-based management report	2.57	2.57	100%
Official data reported by the DGC	2.57	155.07	1.66%
Average			34%

Results for Data Quality

- Inconsistencies between the entered data point and the exit data point in the data generation process for indicators.** The previous tables show significant differences between the UPEG exit reports, the reports from the General Office for Highways (DGC), and the data generated by the “Advances in Public Works” reports by the coordinating engineers of the projects and contractors. This situation, according to the civil servants in these units, is a result of the timeframe given to generate reports, 5 working days for UPEG and 10 working days for the Management of Results Based Management, minimizing the margin of error in their reports.
- Quarterly reports have data errors.** There are grave weaknesses in the practices adopted for data generation, which produces errors and inconsistencies that later are dragged into the quarterly reports of the Planning and Evaluation of Management Unit without any mechanisms for verification or timely correction. For example, in UPEG’s fourth quarter report in 2016, there is a note that makes reference to an error where 99 kilometers of paved road were reported instead of just 0.99 for the “Paving the Cololaca-Valladolid Highway” project

- In another case, a note sent by the director of the executing unit of the BCIE to the director of the UPEG references the monthly evaluations presented during the year 2015 that reported advancement data in percentages as if they were paved kilometers, and asked them to rectify the error. This indicates that the detection and correction of errors in not timely since corrections are made after the report has already been presented.



Translation: "2. Project 044 Highway Paving Cololaca-Valladolid: Project in execution, estimate payments in process, project is being executed at a good pace, exceeding the programmed goals for physical progress. NOTE: In SIAFI in August as a result of an error in which the decimal point was not marked, 99 KMS of progress was inputted, when in reality it was 0.99 KMS. Said error was notified in that moment to Ms. Yeni Canales in finances and the solution that was given was to report in the quarterly report the right amount and explain why, since said document of evaluation was already approved. It is worth mentioning that at the level of program and work activity 0.99 KMS was inputted."

There was evidence that the Supreme Court of Auditors (TSC) considers that the reports presented by the Ministry have inconsistencies between data of programmed physical advance and project execution, which does not permit an appropriate evaluation of management, according to the document of an evaluation from 2014 that affirms, "Management results of the Ministry cannot be evaluated given that some objectives did not have physical values programmed or executed; this does not only denote an inconsistency in information, but also weak planning for the relation that should exist between the physical and financial programming of the goals to be met as a part of the annual production of the institution."

Consolidated Results of the Evaluated Components

Table 14 – Final results obtained by the Ministry in the area of Reliability of Statistics

Indicator	Protocol Analysis	Practice Analysis	Reliability of Data	Average
Kilometers of Highway Paved	0%	47%	87%	45%
Kilometers of Highway Repaired	0%	47%	34%	27%
Average	0%	47%	61%	36%

As is seen in Table 11, a consolidated result of **36%** was obtained, from which it is concluded that the statistics generated by the Ministry are not trustworthy given the lack of protocols that would contain processes for the generation of statistical information – especially statistics related to the kilometers of highway paved and repaired; to the **multiple risks and weaknesses detected in the existing practices**; and the **lack of transparency and accountability** for the sake of the public, since the reports are given to institutions of the government and are not openly disseminated. The above provides the Ministry a wide margin of opportunities for improvement to work and strengthen the trust and create an institution in the sector. Additionally salvageable and valuable practices and tools were found that can be improved and included in protocols.

The failure to publish and disseminate the information to the public, in addition to going against the Transparency and Access to Public Information Law by not publishing reports, activities, statistics, and the relevant information to the macroeconomic and financial behavior of the Ministry, etc. impedes the controls that civil society could realize.

Principal Recommendations

- The Ministry should take actions to provide the means and resources for the adequate measurement of the infrastructure indicators in the National Plan and Vision of the Country, especially those associated with highway infrastructure in compliance with what is established in the law.
- For the sake of transparency and divulgation, it is important that quantitative statistics regarding institutional achievements (such as the improvement of the country's highway network) be reported in as many ways as possible, especially in institutional reports that are directed at the public. These statistics should include: accumulated values, totals executed by unit, and overall annual totals of the institution, and the goals for each indicator. The institutional reports should be published in the unique portal for transparency and on the website of the Secretary.
- Protocols describing the process of statistical data generation associated with key management indicators in the management of highway infrastructure should be designed, from the primary source to its consolidation and dissemination.
- Statistical generation protocols that are designed should include at a minimum: a) statistical corroboration mechanisms and timely error detection, b) tools for control and activity registry, c) internal information systems of the Ministry for generating and reporting statistics, d) mechanisms for citizen participation and/or social oversight in all stages of the process, and e) means to reduce risks of collusion between the contractor and the supervising engineer in any given project.
- The use of the electronic platform of the SIMEGpR should be widened to the rest of the involved actors in the data generation process, with the objective of standardizing the procedure and increasing the reliability of statistics for its later publication through different accountability and reporting mechanisms.
- The Internal Auditing Unit should be involved actively in all stages of contracting and execution of contracts, monitoring the actions of the supervisors of public works.
- The coordinating engineers of each project should register and document their supervising work in such a way that there is evidence of their verification work in the statistical generation process.

- The Ministry should formally request that the Ministry of Finance concede more time for executing units to report trustworthy statistics to the UPEG at the opportune time. This request should adequately explain the problem and justification of the change in timeframe. Additionally, it is important that the executing units have sufficient personnel and that the personnel have sufficient capacity to carry out properly their activities inside the statistical generation process.