

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

SUPPORT FOR THE COMPREHENSIVE SOCIAL PROTECTION SYSTEM

(HO-L1194)

LOAN PROPOSAL

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REQUIRED LINKS	
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OPTIONAL LINKS	
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ABBREVIATIONS

BANADESA	Banco Nacional de Desarrollo Agrícola
BVM program	Programa Bono Vida Mejor [Better Life Voucher Program]
CEB	Centro de educación básica [school that offers lower secondary education]
CENISS	Centro Nacional de Información del Sector Social [National Center for Social Sector Information]
DPDH	Dirección de Promoción y Desarrollo Humano [Department of Human Development and Promotion]
FSU	Ficha socioeconómica única [master socioeconomic profile]
INE	Instituto Nacional de Estadísticas [National Statistics Institute]
L	Honduran lempira
LIBOR	London Interbank Offered Rate
N/A	Not applicable
NPV	Net present value
PCU	Program coordination unit
RUP	Registro Único de Participantes [master registry of participants]
SACE	Sistema de Administración de Centros Educativos [Education Centers Administration System]
SCGG-GS	Secretaría de Coordinación General de Gobierno, Gabinete Social [Ministry of General Government Coordination, Social Cabinet]
SEDIS	Ministry of Development and Social Inclusion
SIAFI	Sistema de Administración Financiera Integrada [Integrated Financial Administration System]
SIG	Sistema de Información Gerencial [Management Information System]
SSIS	Office of the Deputy Minister for Social Integration
SSRISS	Subsecretaría de Redes Integradas de Servicios de Salud [Office of the Deputy Minister for Integrated Health Services Networks]
VM strategy	Estrategia Vida Mejor [Strategy for a Better Life]

PROGRAM SUMMARY

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Financial Terms and Conditions			
Borrower:	Source:	Amount (US\$):	%
Republic of Honduras	IDB (Ordinary Capital):	20,720,000	35
Executing agency:	IDB (concessional Ordinary Capital):	38,480,000	65
Ministry of Development and Social Inclusion (SEDIS) and the Ministry of Health, in coordination with the Ministry of Education, the Social Cabinet of the Ministry of General Government Coordination (SCGG-GS), and the National Center for Social Sector Information (CENISS)	Total:	59,200,000	100
	Ordinary Capital (Flexible Financing Facility) ^(a)	Concessional Ordinary Capital	
Amortization period:	25 years	40 years	
Disbursement period:	4 years		
Grace period:	5.5 years ^(b)	40 years	
Interest rate:	LIBOR-based	0.25%	
Credit fee:	^(c)	N/A	
Inspection and supervision fee:	^(c)	N/A	
Weighted average life:	15.25 years	N/A	
Approval currency:	U.S. dollar		
Program at a Glance			
Program objective/description: The program's objective is to improve living conditions for households in extreme poverty and promote their human capital development. Its specific objectives are to: (i) increase the minimum income of participating households; (ii) expand the use and availability of educational services, giving priority to lower secondary education; (iii) improve the use and availability of health and nutrition services, especially for women, young people, and children; and (iv) enhance the relevance, targeting, and coordination of social protection and inclusion activities for households in extreme poverty.			
Special contractual conditions precedent to the first disbursement of the loan: (i) the program Operating Regulations (optional link 5) will have been approved by the Office of the Deputy Minister for Social Integration (SSIS/SEDIS), and the Ministry of Health under the terms previously agreed upon with the Bank; (ii) an interagency agreement will have been signed between SEDIS, the Ministry of Health, the Ministry of Education, and the SCGG-GS, under the terms described in paragraph 3.6; and (iii) the strategy for prioritizing villages for comprehensive interventions will have been approved by the Technical Committee of the Bono Vida Mejor Program (BVM program) (paragraph 3.7).			
Special contractual condition for execution: (i) SEDIS, the Ministry of Education, and the Ministry of Health will implement the actions set out in the program's sustainability support plan and report on the status of compliance with that plan in each semiannual report to mitigate the sustainability risk (paragraph 3.8).			
Exceptions to Bank policies: None			
Strategic Alignment			
Challenges: ^(d)	SI	<input checked="" type="checkbox"/>	PI <input type="checkbox"/> EI <input type="checkbox"/>
Crosscutting themes: ^(e)	GD	<input checked="" type="checkbox"/>	CC <input type="checkbox"/> IC <input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 Honduras has a high rate of extreme poverty, which is concentrated in rural areas and disproportionately affects young people.¹ Though its economy has been one of the region's fastest growing since 2010,² the country has been unable to steadily reduce poverty³ and extreme poverty.⁴ Honduras is one of the most inequitable countries in Latin America and the Caribbean, with a Gini index of 50.5⁵ and the second lowest human development ranking in the region, according to the Human Development Index.⁶
- 1.2 The extreme poor in Honduras have higher than average maternal and infant mortality rates and use reproductive health and family planning services and delivery and postpartum care at lower than average rates. The poorest Hondurans keep only 63% of appointments for prenatal checkups and 20% of appointments for standard postnatal checkups (within the first 48 hours), compared to 80% and 35%, respectively, among the richest Hondurans.⁷ Indigenous women use family planning, prenatal care, and institutional delivery care services at lower rates due to cultural barriers,⁸ but it is hard to quantify their use of these services because the National Demographic and Health Survey does not include an indicator for ethnicity (2012).
- 1.3 Children and adolescents from the poorest households face obstacles to improving their educational attainment. School attendance rates among the extreme poor drop off from 93% for primary education (ages 6 to 11) to 66% for lower secondary education (ages 12 to 14), with lower average rates of attendance for boys (60%) than for girls (71%). Approximately 97,372 children of those ages who live in extreme poverty do not attend school. More than half (52%) of boys and girls cite economic concerns as the reason for not attending school, followed by a lack of interest (31% among boys and 21% among girls) [1]. Another key reason is the lack of educational services, particularly in rural areas that are far from schools where lower secondary education is offered [2]. According to the Ministry of Education, 1,703 schools offering lower secondary education are needed to cover demand in rural areas [3] ([analysis of school attendance data](#)).
- 1.4 **Strategy for a Better Life.** Since 2014, the Ministry of Development and Social Inclusion (SEDIS) has implemented the Strategy for a Better Life (Estrategia Vida Mejor – VM strategy), which is based on the country's 2012 Social Protection Policy and 2013 Social

¹ Extreme poverty is twice as pervasive in rural areas (58.9%) than in urban ones (23%) and impacts young people at a higher rate, affecting two thirds of young people (66%). National Statistics Institute (INE) 2019.

² Between 2010 and 2018, the country's average annual economic growth was 3.7%, higher than the average for Latin American and the Caribbean (2%). International Monetary Fund, World Economic Outlook, April 2019.

³ In 2018, 61.9% of Honduran households were living below the poverty line, and 38.7% of households were in extreme poverty. The lowest poverty rate achieved during this period was 58% in 2007, and the rate stood at 60% in 2010. Poverty was at its highest in 2012, when the rate reached 66% (INE 2019).

⁴ The elasticity of Honduras's extreme poverty rate is one of the lowest in Latin American and the Caribbean: -65.53 versus an average of -163.45 ([see elasticities](#)).

⁵ [World Bank development indicators](#).

⁶ [Human Development Report 2015](#), United Nations Development Programme.

⁷ Health and Wealth in Mesoamerica: findings from *Salud Mesamérica* 2015. BMC Medicine (2015) 13:164.

⁸ *Asuntos de familia: Estudios cualitativos de barreras a la demanda de servicios de salud*, Mesoamerica Health Initiative, 2013.

Policy Framework Act,⁹ and constitutes the social protection floor for extremely poor families in Honduras.¹⁰ The VM strategy promotes a comprehensive intervention model that prioritizes human development, the reduction of inequalities, and protection of the most vulnerable communities. The VM strategy consolidates several programs, with the Bono Vida Mejor conditional cash transfer program (BVM program) as its cornerstone, and is partially financed by the Poverty Reduction Fund. It has a minimum annual allocation of 4.5 billion Honduran lempiras (US\$187.5 billion)¹¹ ([Poverty Reduction Fund distribution](#)).

- 1.5 In the current administration (2018-2022), the Honduran authorities are restructuring the social protection floor based on an evaluation of its main programs.¹² The Ministry of General Government Coordination is leading this process through its Social Cabinet (SCGG-GS), whose authority was strengthened in 2018.¹³ The National Center for Social Sector Information (CENISS) also plays a key role, which is responsible for collecting and managing social sector data. CENISS selects participants for social safety net programs, including the BVM program, based on household data it collects through the master socioeconomic profile, which is entered into the master registry of participants. CENISS applies an algorithm that generates a well-being index for households and classifies them by poverty level. This information is also used to calculate the master registry of participant's multidimensional poverty index, which was developed by the Honduran government to realign social investment with household needs [4].
- 1.6 **Bono Vida Mejor program.** Originally established as the “Bono 10,000” program in 2010, the BVM program is executed by SEDIS's Office of the Deputy Minister for Social Integration (SSIS). The program consists of issuing participants a conditional cash transfer upon compliance with health,¹⁴ education,¹⁵ and nutrition co-responsibility requirements. The BVM program not only increases the income of households in extreme poverty but also promotes human capital accumulation and the expansion of opportunities to access education, health, and nutrition services. In 2019, the BVM program covered 254,039 households, which amounts to 37% of extremely poor households with children. All told, 85% of households covered by the BVM program are in rural areas. The structure of conditional cash transfers is described below.

⁹ In Honduras, social protection is defined as “the set of public and private actions taken to avoid, protect against, and address risks that, for social, economic, natural, or any other causes, threaten the well-being of individuals, families, and communities.”

¹⁰ The social protection floor is a noncontributory pillar that ensures access to essential services and social program monetary transfers, with an emphasis on the poorest and most vulnerable.

¹¹ Legislative Act 290-2013 stipulates that the Poverty Reduction Fund will be funded by indirect general taxes, to redistribute these funds through social programs such as the BVM program.

¹² The 2018-2022 Government Plan identifies the following challenges: the spotty coverage of VM strategy programs; the excessive number of social assistance programs and their overlapping; shortcomings in targeting and cross-sector coordination and cooperation; and issues with the quality and timeliness of sector data.

¹³ The SCGG-GS is authorized to approve strategic and institutional plans, recommend budgetary expenditure ceilings, and monitor sector policy measure performance and follow up on impact evaluations, among other duties.

¹⁴ Over an 18-month period, two health checkups for children under 24 months and one checkup for children between 24 months and 60 months.

¹⁵ Enrollment of children ages 6 to 18 in the corresponding education level and a minimum attendance record (80%).

Table I-1. Amount of cash transfers under the BVM program (US\$)

Period	Basic	Health		Primary education		Lower secondary education	
		1 child	2+ children	Grades 1 through 6		Grades 7 through 9	
				1 child	2+ children	1 child	2+ children
Year	160.8	52.8	60	52.8	60	100.8	139.2
Month	13.4	4.4	5	4.4	5	8.4	11.6

Source: 2019 BVM Program Operations Manual, using an exchange rate of L 25/US\$1.

- 1.7 The BVM program has successfully increased demand for health and education services and helped improve results in health, education, and poverty alleviation. An experimental evaluation of the BVM program's impact was conducted in 2016-2017 and found: an 11.3-percentage-point increase (+45%) in checkups among children under 5 at health centers; a 3.8-percentage-point decrease (-22%) in acute diarrhea, a 4.6-percentage-point decrease (-12%) in respiratory infections, and a 1.8-percentage-point decrease (-17.6%) in overall malnutrition (weight by age); a 5.1-percentage-point increase (+8.3%) in enrollment in lower secondary education in 2016 and a 2.5-percentage-point decrease (-4.6%) in the number of over-age students; and a 12-percentage point decrease (-17%) in extreme monetary poverty ([optional link 9](#)).
- 1.8 The BVM program receives funding and technical support from the IDB and World Bank, which is indicative of these institutions' long history of coordination to harmonize procedures and provide technical and financial support to strengthen the program.¹⁶ The BMV program is one of the most effectively targeted conditional cash transfer programs in the region, with less leakage of benefits to the nonpoor [\[5\]](#). The BVM program Operations Manual ([optional link 10](#)) clearly establishes rules for use of funds, co-responsibility requirements, and the selection of beneficiaries using targeting algorithms applied to the master socioeconomic profile, and all of these processes are subject to external audit.
- 1.9 With IDB support [\[6\]](#), innovations have been introduced to strengthen the BVM program's operational framework. The BVM program has had two impact evaluations that have helped improve its design and build institutional capacity to administer this type of evaluation. In addition, by integrating data from the Education Centers Administration System (SACE) with the Ministry of Education, improvements have been made to administrative data management facilitating student monitoring, and the certification of co-responsibility requirements has been automated. Improvements have also been made in management and analysis of socioeconomic data and information on government program benefits for more than a million households through the master registry of participants, administered by CENISS. Progress has been made on applying machine learning technology to digitize the printed registries of the Individual Vaccination System and monitor compliance with health-related co-responsibility requirements. Services to BVM program households have been strengthened by opening Participant Service Centers. Progress has also been made on implementing initiatives to issue BVM program payments through different channels (mobile ATMs, private banks, and digital wallets).
- 1.10 Strategies to complement the BVM program have also been implemented. To further promote health and equitable relationships within households, the first stage of the ¡Cuidate! ["Take Care of Yourself!"] program¹⁷ for BVM program beneficiaries and their partners was designed and implemented. This training includes modules on sexual and reproductive

¹⁶ In In 2019, the World Bank approved a loan of US\$30 million to fund the BVM program for urban areas, and the main processes were standardized across rural and urban areas.

¹⁷ Since 2016, the pilot has been expanded to 49 communities and 868 couples who receive BVM program benefits.

health, shared responsibilities in family planning and infant care, and domestic violence prevention. The *Emprendiendo una Vida Mejor* [“Embarking on a Better Life”] initiative was also implemented to test and evaluate interventions that could make a steady impact on income generation for households experiencing extreme poverty. With support from Fundación Capital, 845 households participating in the BVM program received entrepreneurship training, financial education, and US\$350 in nonreimbursable seed capital to finance production-oriented projects. The pilot will be evaluated in 2020.

- 1.11 Progress has been made on reforms to strengthen the sustainability of the BVM program and update its participant registry. Executive Decree 021/2018 states that at least 10% of the Poverty Reduction Fund’s funds will be allocated to the BVM program. As a result, financing of the rural BVM program with Poverty Reduction Fund funds increased from 0% in 2017 to 38% in 2018 and reached 80% in 2019, decreasing IDB financing to 20%¹⁸ ([financing by source over time](#)). A new targeting algorithm applied by CENISS was approved, and the use of the 2014 Poverty Map was made official. In 2019, the master socioeconomic profile was updated to cover more than 1 million households, making it possible to rate their poverty level and identify micro-regions (villages) where extreme poverty is concentrated.¹⁹
- 1.12 **Providing support to society’s most vulnerable groups.** To develop human capital among society’s most vulnerable groups, strategies for working with them more effectively need to be adopted. Social managers foster co-responsibility, provide training to BVM program households, reach out to households when payments are made, and facilitate activities with other programs. However, the BVM program lacks a support strategy for working with households to identify the reasons for noncompliance of corresponsibility requirements and help address them.²⁰ Its activities focus on payment of the conditional cash transfers since the responsibilities of social managers are not clearly defined; they have scant access to methodological guides or training to guide their work; and their caseloads cover a large number of sporadically distributed households, which makes it hard for them to effectively interact with program participants.²¹ [7] The recent creation of participant service centers and new master registry of participants’ service stations means that operational processes need to be redefined to keep data on BVM program households up to date (e.g. to reflect changes in the voucher holder, deaths, migration, and newborn members of households). Furthermore, strategies for effectively reaching more vulnerable groups, such as indigenous communities (see the [BVM program sociocultural study](#)) and households where one or more members have a disability.²² Lastly, BVM program data is not fully integrated into the operational processes of the Ministry of Health and the Ministry

¹⁸ In 2019, 15.5% of the Poverty Reduction Fund was allocated to payment of BVM program voucher. This allocation should be increased further because payment of the 12-month conditional cash transfer is slated for 2020 and 2021. In previous years, full payment of BVM program vouchers was hindered by government efforts to absorb the financing with domestic funds (as several foreign aid programs shut down).

¹⁹ These measures were supported by the programmatic series “Program to Support Social Protection Reforms I and II” (loans 4613/BL-HO and 4877/BL-HO)

²⁰ In 2019, 17% of BVM program households did not fulfill their co-responsibility requirements in health and/or education.

²¹ The average caseload for social managers is 1,113 households, and some have up to 4,291 households (SSIS, 2019).

²² This includes training social managers in techniques for working with households that have family members with disabilities, promoting their rights, and developing processes to certify those family members to receive disability vouchers. In addition, there is a need to implement strategies to build capacity on family health teams for identifying and supporting the rehabilitation of persons with disabilities and identify and monitor children with disabilities.

of Education, which limits the sector's contribution to fostering co-responsibility and mobilizing the new range of services for households.

- 1.13 **Expanding health and education services for the last mile.** The VM strategy complements the BVM program by strengthening health and education services for human capital formation. Though progress has been made in expanding the coverage of health and education services, additional efforts are needed to broaden the range of services for the poorest communities in a relevant way.
- 1.14 **Strengthening the availability of health services with an intercultural approach.** The Ministry of Health has improved access to health services through a decentralized management model²³ that covers 92 of the country's poorest municipios. It consists of hiring managers to provide a set of primary health services via multiyear management agreements. The managers receive a per capita payment, which is linked to the achievement of certain access, coverage, and quality indicators. Priority is given to maternal and infant health services. Decentralized managers are responsible for hiring healthcare personnel, buying supplies and medicines, and organizing, managing, and providing healthcare services. They organize family health teams that conduct such activities as home visits, preventive measures, and community health promotion activities. Compared to direct service delivery by the Ministry of Health, the decentralized management model results in higher numbers of health checkups and has contributed to improvements in several indicators in municipios where it has been implemented (see the [decentralized management model](#) for more information).
- 1.15 The Bank has supported implementation of the decentralized management model through several programs [8].²⁴ Recently, the Program to Support the Social Inclusion Network with Priority in Western Honduras (loan 3723/BL-HO) expanded coverage of the decentralized management model and the BVM program to 33 of the country's poorest municipios, most of which will continue to receive financing under the Project to Improve the Management and Quality of Maternal-Neonatal Health Services (loan 4619/BL-HO). The Salud Mesoamerica Initiative,²⁵ a results-based financing strategy that strengthens access to, coverage of, and quality of obstetric and neonatal services at the first level of care and in hospitals, provides funding for an important technical assistance component and innovations to improve service quality. Proven results of this initiative include increases in regular prenatal checkups (from 59% to 89%), institutional births (from 69% to 85%), and postpartum checkups in the first seven days after birth (from 47% to 60%) [9].
- 1.16 However, there continue to be gaps for the poorest (paragraph 1.2) and intercultural barriers that limit use of health services among indigenous communities.²⁶ The new National Health Model (2017) establishes an intercultural approach to the organization of health services.²⁷ Progress has been made in implementing the intercultural approach, primarily in health promotion and prevention activities (e.g. material written in indigenous languages and indigenous staff members hired for family health teams). However, the cultural relevance of

²³ Ministry of Health Agreement 5,266-2018. Guidelines for the decentralized management model.

²⁴ It has also strengthened the care model and the quality and organization of service delivery through reforms driven by the Program to Support Health Sector Reform (loan 4030/BL-HO).

²⁵ Investment grants GRT/HE-13210-HO, GRT/HE-14661-HO, and GRT/HE-16838-HO.

²⁶ According to the most recent (2014) Poverty Map, the decentralized management model has yet to be implemented in 13 of Honduras's 30 poorest municipios.

²⁷ The approach includes respecting the practices, knowledge, values, and beliefs of indigenous peoples and calls for health teams to develop proactive communication skills.

health services delivery remains weak. To expand the presence of family health teams in the country's poorest areas with large indigenous populations, the intercultural approach needs to be strengthened, especially in relation to operational guidelines for family health teams. These teams also require training in traditional health systems and indigenous practices and knowledge, so they can identify barriers to the use of health services (e.g. use of ultrasound, delivery, and postpartum care).

- 1.17 **Expanding lower secondary education coverage for the poorest.** The Ministry of Education has [expanded lower secondary education](#) by offering an alternative instructional modality through the Honduran Institute for Radio Education, a nongovernmental organization hired for this purpose. From 2014 to 2019, this instructional modality has built capacity for 54,000 students at the lower secondary level [10]. The Bank financed the hiring of the Honduran Institute for Radio Education through previous operations [11], including most recently the Social Protection System Support Program I (loan 3371/BL-HO), which expanded lower secondary education in 84 municipios where the BVM program also operates.²⁸ The Social Protection System Support Program's interventions are coordinated with another program, "Improving Educational Quality to Develop Skills for Employment: Project Youth" (loan 4449/BL-HO), since the latter is scaling up the lower secondary education services initially made available by loan 3371/BL-HO and will finance projects to improve the quality of those services and of school infrastructure. As a result, net lower secondary education coverage rose in the area covered by loan 3371/BL-HO from 33.8% in 2014 to 39.9% in 2018, while the nationwide rate dropped from 47.8% to 45.5% over the same period. Standardized tests show that the academic performance of students studying under this instructional modality is better than that of their peers in lower secondary education nationwide [12] (see [lower secondary education](#)).
- 1.18 However, gaps remain in access to lower secondary education in the country's poorest municipios, undermining compliance with the BVM program's co-responsibility requirements. Seventy-five percent of children who did not comply with education co-responsibility requirements are at the lower secondary education level [13]. Even in schools that offer all grades, students do not manage to progress as expected, evidenced by dropout rates in the different education levels (especially in the transitions between 6th and 7th grade and 9th and 10th grade).²⁹ Moreover, these schools do not successfully capture children who graduate from the 6th grade at nearby schools, as they are supposed to under the [educational network](#) model. Management of these networks is weak, and there are no incentives for hub schools to encourage attendance among children and young people at other network schools [14].
- 1.19 The low level of interest in going to school, particularly among boys (paragraph 1.3) [15], might reflect negative opinions about the return on education and the link between education and production-oriented opportunities in rural areas. The lower secondary school curriculum includes guidelines for job counseling, but teachers do not apply them because they lack the inputs to develop content (methodological guides and teaching materials). There are few opportunities for upper secondary education in rural areas, which discourages educational progress beyond lower secondary education [16]. Lastly, the Ministry of

²⁸ In addition, loan 3371/BL-HO financed a pilot of flexible instructional modalities for upper secondary education in schools that had expanded their lower secondary education services. In all, 168 young people graduated in 2018, and no student failed or dropped out.

²⁹ Even in schools that offer all grades, only 75% of children who enter 1st grade finish 6th grade, only 62% move on to 7th grade, and only 25% finish 9th grade. BVM program continuing education study, Montes and Tejerina, 2018.

Education lacks robust information systems to proactively identify students who are at risk of dropping out and prevent them from doing so.

- 1.20 **Restructuring the social protection floor to include actions to fight extreme poverty.** Execution of social protection programs is piecemeal, resulting in disjointed interventions for those living in extreme poverty.³⁰ In 2019, the Honduran government launched implementation of the “Sombrilla Bono” strategy (ESB), which targets households participating in BVM program to enroll them as beneficiaries of other programs designed for extremely poor households. However, the BVM program is the only Poverty Reduction Fund-financed program that has been evaluated, so institutional capacity to evaluate the other programs needs to be built. These evaluations should also cover program relevance and the robustness of their change theories in relation to the objectives of extreme poverty reduction. In addition, a strategy for prioritization at the local (village) level needs to be developed so that social protection and inclusion interventions can be focused, and the expected synergies achieved.
- 1.21 As part of the restructuring of the social protection floor, the master registry of participants will be analyzed to identify households’ basic needs and privations, and the master registry of participants’ multidimensional poverty index will be updated. This process will create demand for data from CENISS, whose analysis unit will need to be strengthened [17]. Service centers also need to be strengthened nationwide so data on BVM program households can be kept up to date and information in the master registry of participants at the local level can be disclosed.
- 1.22 **Intervention strategy** [18]. This program will help consolidate and expand the BVM program’s comprehensive intervention model, providing financing for the voucher for the country’s poorest municipios, where lower secondary education services and the decentralized management model will also be strengthened. Given that most BVM program households in the targeted municipios self-identify as indigenous, the program will implement actions to enhance promotion processes and make services more culturally relevant. It will also support the evaluation, prioritization, and coordination of social protection and inclusion interventions under the ESB in prioritized villages, whose interventions will be financed by the Poverty Reduction Fund. To that end, it will leverage updated data from the master registry of participants and strengthen the SCGG-GS and CENISS. The program will strengthen services and management in areas covered by the BVM program, the fostering of co-responsibility in health and education, and support for households that struggle to comply with co-responsibility requirements. It will finance the BVM program’s operational structure and a step-down expansion of health and education services without increasing the share financed by the rural BVM program, as financing of conditional cash transfers with domestic funds will increase as described in the program sustainability support plan (paragraph 2.5).
- 1.23 **Targeting.** The program will finance conditional cash transfers in the 52 municipios identified in [optional link 7](#), which will be included in the program Operating Regulations. Those municipios include the 33 targeted by loan 3723/BL-HO plus 19 of the country’s

³⁰ Most BVM program households are beneficiaries of just one additional social protection program (Szekely and Andrade, 2019).

poorest as indicated by the 2014 Poverty Map.³¹ The program will finance the expansion of the decentralized management model to five of those 52 municipios which are not yet covered,³² as well as the expansion of lower secondary education services in 15 municipios not targeted by loan 4449/BL-HO.³³ Through these activities, the 52 targeted municipios would be covered the decentralized management model and lower secondary education in addition to receiving funding for the BVM program ([optional link 11](#)).

- 1.24 **Lessons learned.** Findings from evaluations of the BVM program's impact have been factored into the design of Component 1, including those related to the BVM program's targeting of households in extreme poverty, monitoring of co-responsibility compliance by gender of the child, and strengthening communication with participating households about program objectives and conditions. The program has also factored in lessons learned from the Social Safety Net Support Program II (loan 2937/BL-HO) and from loan 3723/BL-HO, which have shown that BVM program transaction costs can be lowered by implementing additional channels for voucher payments, and that strategies to scale up alternative modalities need to be implemented [19]. It follows good practices from loans 3371/BL-HO and 3723/BL-HO for coordinating interventions to strengthen supply and demand within the areas. Component 4 reflects the lessons learned from loans 3723/BL-HO and 4877/BL-HO, strengthening social sector governance by defining the key functions and roles of the various institutions involved in the BVM program and the timely flow of information ([lessons learned](#)).
- 1.25 **Strategic alignment.** The program is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and is strategically aligned with the development challenge of social inclusion and equality, as it targets households in the lowest income quintiles. It is also aligned with the crosscutting area of gender and diversity in that it will: (i) foster equity between spouses/domestic partners and prevention of violence against women and domestic violence through the expansion of the *¡Cuídate!* program; (ii) increase access to and the cultural relevance of reproductive health services to improve care, especially for indigenous women; and (iii) increase attendance at the level of lower secondary education, closing the gap between girls and boys. The program is aligned with the 2019-2021 Diversity Action Plan for Operations (document GN-2531-17) because it will have a greater than proportional benefit for the indigenous population. It is also aligned with the crosscutting area of institutional capacity and the rule of law by strengthening management capacity of the BVM program and the timely processing of paperwork submitted by the participating households. It will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) by increasing the number of beneficiaries of targeted anti-poverty programs, the number of students benefited by education projects, and the number of beneficiaries receiving health services. Moreover, the program is aligned with the IDB Group Country Strategy with Honduras 2019-2022 (document GN-2944) through the priority area of human capital accumulation and the strategic objective of reducing poverty and improving education and health services for the vulnerable population. It is included in the 2020 Indicative Pipeline of Sovereign Guaranteed Operations in the Update to Annex III of the

³¹ The updating of the Poverty Map during program execution should not affect the targeted municipios, which are home to a large number of extremely poor households. However, the methodology used to measure monetary poverty will be updated, and when the updated methodology is applied, the number of eligible households will decrease. In that case, additional municipios could be included, provided that justification is provided and the modification is approved by the Bank.

³² The rest have health services provided through the MGD (financed by loan 4619/BL-HO and domestic funds).

³³ Priority will be given to schools where at least half of the students are from BVM program households and which have at least 15 students graduating from the 6th grade and space to implement the instructional modality.

2019 Operational Program Report (document GN-2948-2). It is aligned with the Plan of the Alliance for Prosperity in the Northern Triangle through the strategic pillar of fostering human capital accumulation, by means of its strengthening of the social protection system, including health and education. The program is consistent with: the Social Protection and Poverty Sector Framework Document (document GN-2784-7), by consolidating the program of transfers and expanding their coverage and effectiveness for the most disadvantaged population segments; the Health and Nutrition Sector Framework Document (document GN-2735-7), by expanding access to healthcare services and reducing barriers to their use; the Education and Early Childhood Development Sector Framework Document (document GN-2708-5), by expanding access to primary and secondary education that promote productive skills; and the Gender and Diversity Sector Framework Document (document GN-2800-8), by increasing women's access to services as well as the access of indigenous peoples to culturally relevant services, which should reduce education gaps between boys and girls.

B. Objectives, components, and cost

- 1.26 The program's objective is to improve living conditions for households in extreme poverty and promote their human capital development. The specific objectives are to: (i) increase the minimum income of participating households; (ii) expand the use and availability of educational services, giving priority to lower secondary education; (iii) improve the use and availability of health and nutrition services, especially for women, young people, and children; and (iv) enhance the relevance, targeting, and coordination of social protection and inclusion activities for households in extreme poverty.
- 1.27 **Component 1. Bono Vida Mejor Program (US\$44.2 million)**
- 1.28 **Subcomponent 1.1: Conditional cash transfers (US\$32.2 million).** This subcomponent will finance conditional cash transfers to eligible households in rural areas of the priority municipios (paragraph 1.23) within the BVM program framework, in the amount and manner established by the BVM program Operations Manual ([optional link 10](#)), to incentivize these households to use health, nutrition, and education services and support their consumption. Funding will be provided for transfer payment fees, using the approved payment channels, including bank services, cooperatives, and digital wallets.
- 1.29 **Subcomponent 1.2: Operational and institutional strengthening at the SSIS (US\$12 million).** This subcomponent will: (i) support the BVM program's operational strategy for monitoring and supervision of co-responsibility requirements and management of conditional cash transfer payments nationwide by providing financing for hiring operational technicians, data entry clerks, file digitization specialists, and supervisors for key processes, as well as for per diems and mobilization costs associated with supervision of the BVM program at the national level; (ii) strengthen the Management Information System (including the Data Center) through procurement of equipment, licenses, maintenance services, etc.; (iii) reinforce the SSIS by providing funds to acquire equipment and furniture and hire consultants to provide technical assistance, conduct studies as needed, and collect data for evaluation activities; (iv) develop and implement a BVM program communication strategy, to be supported by consultants hired for that purpose; (v) strengthen the Opportunities for Vulnerable Sectors Office of the SSIS by contracting technical assistance to develop an income generation strategy for BVM program households, providing funding for nonreimbursable seed capital for production-oriented projects, and furnishing

implementation support;³⁴ (vi) finance the engagement of consultants to provide technical assistance support, as well as costs associated with materials, logistics, and inclusive production workshops; and (vii) finance the engagement of consultants to support monitoring and promotion of health co-responsibility requirements, including the generation of early warnings in the event of noncompliance with co-responsibility requirements, and strengthen the data collection system through financing for technical assistance and the acquisition of technological equipment.³⁵

- 1.30 Implementation of the BVM program service model will be strengthened nationwide, by providing financing for: (i) the hiring of staff for the operational structure in the field (social managers and regional and departmental coordinators); (ii) the provisioning of means of mobilization, communication, and logistics; (iii) equipment, furniture, rent, and Internet services for participant service centers; (iv) technical assistance to develop and implement a model to support vulnerable BVM program households, methodological guides, and a monitoring and training system for implementation of that model; (v) training workshops on such topics as sexual and reproductive health (¡Cuídate! program) and financial education; and (vi) strategies for alternative means of connecting to the Internet for hard-to-reach areas to facilitate BVM program operations.
- 1.31 To promote BVM program sustainability, IDB financing under Subcomponent 1.1 will not exceed 20% of BVM program conditional cash transfers for rural areas, and financing under Subcomponent 1.2 will be step-down so as to finance it in accordance with the program sustainability support plan (paragraph 2.5).
- 1.32 **Component 2. Expansion of the availability of education services, with priority for lower secondary education (US\$5 million).** This component will provide financing for the delivery of lower secondary education services by contracting the Honduran Institute for Radio Education and the procurement of furniture, technical equipment, and school supplies kits for beneficiary schools. It will finance the acquisition of low-cost goods that will be given to school networks, consisting of schools that offer lower secondary education and nearby primary schools, as an incentive for good performance when their education progress targets are met and gender gaps are closed ([incentives plan](#)). The incorporation of job-oriented productive skills in lower secondary education will be strengthened with financing for technical assistance to develop methodological guides, teacher training, and instructional materials. This component will expand the availability of upper secondary education in sciences and humanities in flexible instructional modalities with entrepreneurship. It will finance technical assistance, the procurement of technological equipment, and licenses to innovate SACE, including the generation of early alerts of failure to comply with co-responsibility requirements, identification of students with physical or visual disabilities, and analysis of sector information. The Ministry of Education will be strengthened by providing financing for consultants to support the monitoring and promotion of co-responsibility requirements and technical support for new instructional modalities. Financing will be provided for per diems, mobilization costs, and a vehicle to strengthen on-the-ground supervision of expanded educational services.

³⁴ The SSIS will analyze the results of several initiatives, including the Embarking on a Better Life initiative, to develop a single strategy, which is expected to be implemented in villages participating in the Comprehensive Rural Development and Productivity Project (loan 4936/BL-HO) under the terms set forth in the program Operations Manual.

³⁵ This subcomponent will build capacity at the Individual Vaccination System for monitoring co-responsibility requirements by using data from the Perinatal Information System and Integrated Management of Childhood Illnesses to analyze health results.

- 1.33 **Component 3. Expansion of the availability of health services, with priority for maternal/infant care (US\$5 million).** This component will expand access to health services by providing financing for the decentralized management model in the country's poorest municipios (paragraph 1.23) and technical support so the Ministry of Health can strengthen its monitoring and evaluation of those services. Financing will be provided to train family health teams to strengthen health promotion and care, ensuring a gender and intercultural approach, and to research traditional health systems and indigenous practices and knowledge, which will serve as input for the training. It will finance training to build family health teams' competencies for identifying and rehabilitating persons with disabilities. The component will finance the procurement of basic medical equipment (e.g. mobile and fixed ultrasound machines) for beneficiary health centers, and other activities including the contracting of telephonography services and the purchase of micronutrients used by the Mesoamerica Initiative. Funding will be provided for audits and consultants to support the program execution unit for loan 4619/BL-HO, which will execute this component (paragraph 3.3).
- 1.34 **Component 4. Restructuring the social protection floor (US\$2 million).** This component will strengthen the SCGG-GS by financing: (i) consulting services to collect data and conduct design, process, and impact evaluations for the main social protection programs, as well as a strategy for geographically prioritizing comprehensive interventions at the village level; (ii) technical assistance for evaluation, including training for SCGG-GS staff; and (iii) the purchase of computers and software licenses for data analysis. CENISS's capacity to analyze, update, and disclose data of the master registry of participants will be strengthened by financing specialized consulting services for data analysis, and the master registry of participants' regional service centers will be strengthened through financing for analysts, equipment, and furniture, and the reprinting of master socioeconomic profile materials. The component will enhance the quality of data collected by financing consulting services to develop machine learning algorithms. Funding will be provided for firewall services, computers, and two vehicles and their maintenance.
- 1.35 **Administration, audit, and evaluation (US\$3 million).** Financing will be provided to cover consultants, per diems, and costs associated with program administration, external audits, and evaluation.
- 1.36 **Beneficiaries.** The program is expected to directly benefit: 42,000 households living in extreme poverty that receive conditional cash transfers; 9,300 young people living in extreme poverty who will access lower and upper secondary education services through alternative instructional modalities; and 35,000 poor people who will access basic health services. It will indirectly benefit 250,000 households living in extreme poverty nationwide through its strengthening of the BVM program's operational structure and service model.

C. Key results indicators

- 1.37 Impact indicators include a narrowing of the gap in extreme monetary poverty and an increase in gross lower secondary enrollment. At the outcome level, the program should expand coverage and proactive case management for BVM program households and increase their incomes and rates of compliance with health and education co-responsibility requirements. In health, pregnant women should access healthcare earlier in their pregnancies, coverage of prenatal and postpartum care should increase, and the number of children with complete vaccination schedules for their age should rise. In education, the program should increase access to basic education and improve education progression, measured through the lower secondary education graduation rate and promotion rates between academic levels (from 6th to 7th grade and from 9th to 10th grade). Expected

outcomes in ESB priority villages are a reduction in severe multidimensional poverty and an increase in the percentage of BVM program households that participate in three or more social protection programs (see Annex II, Results Matrix).

- 1.38 **Economic analysis.** Benefits from the BVM program are tied to increases in enrollment rates, increases in the amount of disability-adjusted life years saved, and decreases in malnutrition rates stemming from the co-responsibility requirements of conditional cash transfers. The cost/benefit analysis shows that, based on a discount rate of 5%³⁶ and taking into account the results of BVM program impact evaluations, the cost/benefit ratio is 1.5. In addition, the cost/benefit analysis of the family support intervention project results in a cost/benefit ratio of 1.74. The benefits associated with increasing the school enrollment rate, based on the interventions described in Component 2, point to a cost/benefit ratio is 3.3, whereas the benefits attributable to expanding healthcare services under Component 3, calculated on the basis of disability-adjusted life years saved, would yield a cost/benefit ratio of 2.04.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This program is a US\$59.2-million specific investment loan, 35% of which will be funded from the Ordinary Capital and the remaining 65% from concessional Ordinary Capital. The loan to be disbursed over a period of four years as the operational platform for execution is in place and because its investments focus on transfers and the engagement of consulting services, not infrastructure.

Table II-1. Estimated program costs (US\$)

Component	Total (IDB)	%
Component 1. Bono Vida Mejor Program	44,200,000	74.7
Subcomponent 1.1. Conditional cash transfers	32,200,000	54.3
Subcomponent 1.2. Operational and institutional strengthening at the SSIS	12,000,000	20.4
Component 2. Expansion of the availability of education services, with priority for lower secondary education	5,000,000	8.4
Component 3. Expansion of the availability of health services, with priority for maternal/infant care	5,000,000	8.4
Component 4. Restructuring the social protection floor	2,000,000	3.5
Administration, audits, and evaluation	3,000,000	5.0
Total	59,200,000	100.0

Table II-2. Projected disbursements (US\$)

	2020	2021	2022	2023	Total
IDB	11,241,306	21,861,885	17,697,414	8,399,395	59,200,000
%	18.99	36.93	29.89	14.19	100

³⁶ This rate is consistent with the economic evaluation literature of social projects.

B. Environmental and social risks

- 2.2 In accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program has been classified as a Category "C" operation, since it neither finances infrastructure works nor generates environmental or social risks.

C. Fiduciary risks

- 2.3 The main fiduciary risks and mitigation measures are described in Annex III, Fiduciary Agreements and Requirements. One medium-level fiduciary risk is the interruption of the BVM program's primary mechanism for paying out conditional cash transfers, using mobile ATMs administered by Banco Nacional de Desarrollo Agrícola (BANADESA), due to institutional weaknesses.³⁷ To mitigate this risk, the program will implement multiple payment channels that ensure the transparency of the process and lower transaction costs for BVM program households.³⁸ Another medium-level risk is that the amount of BVM program conditional cash transfers (in months) covered by the program will be reduced so as to align them with payments made under the domestically funded program. To mitigate this risk, there will be ongoing dialogue with the Poverty Reduction Fund Trust Committee on the importance of giving priority to scheduled BVM program conditional cash transfer payments.

D. Other risks and key issues

- 2.4 A high-level public management and governance risk was identified, concerning potential delays in program execution due to problems with interagency coordination. This risk will be mitigated by the signing of the interagency agreement described in paragraph 3.6. One medium-level development risk concerns the difficulty of integrating health, education, and social safety net services due to the lack of a strategy for prioritizing interventions at the local level. To mitigate this risk, the Honduran government will prepare and implement a strategy to prioritize villages for comprehensive interventions. Submission of this strategy to the Bank will be a condition precedent to the first disbursement of the loan (paragraph 3.7). Another medium-level development risk is the possibility that the scant supply of potential health managers in the program's beneficiary municipios will hinder implementation of the decentralized management model. This risk will be mitigated by preparing a strategy for proactively identifying and prescreening potential managers and encouraging them to participate in the program.
- 2.5 A medium-level sustainability risk is that the progress made toward ensuring the sustainability of the redistributive social protection system could reverse course, and the health and education services promoted by the VM strategy could expand. In addition to the significant progress made in financing the BVM program with domestic funds (paragraph 1.11), resources have been included in the budget of the Ministry of Education to gradually absorb schools served by the Honduran Institute for Radio Education, in accordance with the Institutional Strategic Plan 2019-2022. Progress has also been made toward making the decentralized management model a permanent institutional arrangement, and 70% of the model was covered by domestic funds as of 2018. This risk will be mitigated by the implementation of a program sustainability support plan ([optional link 8](#)) (paragraph 3.8) that sets out step-down financing with IDB funds and step-up

³⁷ Despite its institutional weaknesses as an agricultural development bank, BANADESA has been deploying mobile ATMs nationwide for the last 10 years to support the BVM program and reduce the transit times of the program's beneficiaries.

³⁸ In 2019, the Honduran government developed a proposal to issue BVM program conditional cash transfer payments through multiple channels (e.g. banks and cooperatives), which envisaged collaboration with Banco Hondureño para la Producción y la Vivienda.

financing with domestic (or Poverty Reduction Fund³⁹) funds for priority activities under the program, so that at the end of the program, at least 70% of the cost of the BVM program operational structure at the national and local level will be financed with domestic funds, without increasing the percentage of the rural BVM program financed by the Bank (20%).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agencies.** The borrower will be the Republic of Honduras. The executing agency will be the Ministry of Development and Social Inclusion (SEDIS), acting through the Office of the Deputy Minister for Social Integration (SSIS), which will manage program funds and conduct the procurement processes for Components 1, 2, and 4 through its program coordination unit. It will coordinate with the Ministry of Education through the Office of the Deputy Minister for Technical Pedagogical Affairs to execute Component 2 and with the Ministry of General Government Coordination's Social Cabinet (SCGG-GS) and the National Center for Social Sector Information (CENISS) to execute Component 4 so that it will have technical support for planning and monitoring the components, input for conducting and supervising procurement processes, and transfer the resources of the corresponding institution. For BVM program operational logistics, the SSIS/SEDIS will coordinate on a regular basis with the Ministry of Health and the co-responsibility units of the Ministry of Education, financed by the program.
- 3.2 The coexecuting agency will be the Ministry of Health, which will manage the loan proceeds and conduct procurement processes for Component 3 of the program through the execution unit used for loan contract 4619/BL-HO. The Office of the Deputy Minister for Integrated Health Services Networks (SSRISS) will be responsible for technical and strategic-policy leadership within the Ministry of Health. The decentralized management unit of SSRISS will be responsible for program technical steering, the selection process, and the signing of agreements, and will also coordinate with the health regions to monitor and evaluate the decentralized managers.
- 3.3 The program coordination unit of the SSIS will be strengthened by procurement specialists, technicians, and analysts specialized in issues supported by the program. The Ministry of Health's execution unit will be strengthened by a procurement specialist and a monitoring technician financed by the program.
- 3.4 The institutional architecture of the BVM program will be leveraged to consolidate program governance and coordination. The BVM program technical committee,⁴⁰ which is led by SEDIS and includes the participation of the SCGG-GS, will be tasked with problem-solving and approving comprehensive interventions in the priority villages. Program progress reports will be submitted to the technical committee at quarterly meetings. Prior to the end of each year, the technical committee will hold a special meeting to present the annual cross-sector action plans to strengthen services in the priority villages.
- 3.5 To facilitate technical and operational coordination of the program, an Interagency Technical Group consisting of delegates from the SSIS, the Ministry of Education, the Ministry of Health, CENISS, the SCGG-GS, and the Ministry of Finance will be established. The Interagency Technical Group will hold formal meetings every two months to ensure

³⁹ Executive order PCM-065-2015 authorizes the allocation of up to 10% of the Poverty Reduction Fund to fund the administrative expenses of Poverty Reduction Fund-financed programs, including the BVM program.

⁴⁰ The technical committee consists of the SSIS, the Ministry of Finance, the Ministry of Education, the Ministry of Health, CENISS, and the SCGG-GS.

information exchange and coordination of technical, operational, and financial activities. The workings of the Interagency Technical Group, its membership, profiles, scope, and responsibilities will be described in the program Operating Regulations. For monitoring and coordination purposes, SSIS/SEDIS will prepare a consolidated annual work plan that will be updated with contributions from the various institutions.

- 3.6 An interagency agreement will be signed that sets out the roles and functions of SEDIS, SESAL, the Ministry of Education, SCGG-GS, and CENISS with a view to strengthening interagency coordination in the key processes of the BVM program ([institutional arrangements](#)).
- 3.7 **As special contractual conditions precedent to the first disbursement of the loan: (i) the program Operating Regulations will have been approved by the Office of the Deputy Minister for Social Integration (SSIS/SEDIS), and the Ministry of Health under the terms previously agreed upon with the Bank to establish the main operational processes for program coordination and management; (ii) an interagency agreement will have been signed between SEDIS, the Ministry of Health, the Ministry of Education, and the SCGG-GS, under the terms described in paragraph 3.6 to mitigate risks associated with public management and governance (paragraph 2.4); and (iii) the strategy for prioritizing villages for comprehensive interventions will have been approved by the Technical Committee of the BVM program, with the aim of prioritizing the interventions to be financed by the program and facilitate coordination in the program's area of influence (paragraph 2.4).**
- 3.8 **As a special condition precedent to execution, (i) SEDIS, the Ministry of Education, and the Ministry of Health will implement the actions set out in the program sustainability support plan and report on the status of compliance with that plan in each semiannual report, to mitigate the sustainability risk (paragraph 2.5).** If, on the basis of these reports, the Bank concludes that the actions have not been implemented, the borrower and the Bank will meet to agree upon additional actions to help ensure program sustainability, pursuant to the Fiscal Responsibility Act and the available budget resources.
- 3.9 **Fiduciary agreements and requirements.** Annex III discusses the fiduciary management guidelines that will apply to program execution.
- 3.10 **Advance of funds and audits.** The program will disburse resources using the advances of funds modality after the flow of financial needs has been submitted. The executing agency will submit supporting documentation for at least 80% of funds advanced in order for disbursements to be processed, pursuant to the Financial Management Guidelines for IDB-financed projects (document OP-273-12). Funds can be advanced by component as per the program structure; to that end, the executing agency will have supporting documents to justify the corresponding advances. Disbursement supervision will be ex post. The services of an independent auditing firm will be used, in accordance with Bank-acceptable auditing standards and principles, to conduct annual financial audits pursuant to the terms of reference previously agreed upon with the Bank. SEDIS will engage the services of an auditing firm through using a competitive process. The Ministry of Health will be asked to directly contract the same auditing firm to ensure a comprehensive view of the program. External audits will review BVM program payment processes, thereby continuing a good practice from previous programs.
- 3.11 **Procurement of goods and services.** Goods and services will be procured and consulting services will be contracted in accordance with the Bank policies set forth in documents GN-2349-15 and GN-2350-15. Procurement supervision will be ex post or ex ante according to what has been established in the procurement plan, which will be updated annually or as needed.

- 3.12 **Direct contracting.** The program anticipates the direct contracting of BANADESA to deliver conditional cash transfer payments to ensure continuity of services, as established in paragraph 3.7(a) of document GN-2349-15. Pursuant to paragraph 3.11(a) of document GN-2350-15, the program calls for the single-source selection of Honduran Institute for Radio Education due to its expertise in providing lower secondary education services through flexible modalities and because it will be a natural continuation of the services provided by the institute. In line with the provisions of loan contract 4619/BL-HO, the program will select decentralized managers via single-source selection, adhering to paragraph 3.17 of document GN-2350-15 titled “use of nongovernmental organizations,” because it considers that there are not enough organizations capable of providing health services in the target areas to support competitive processes. This process will follow the provisions of the Health Manager Selection Guidelines⁴¹ to ensure that the selected organizations have sufficient capacity. Multiyear agreements will be signed with the selected organizations. The program anticipates the direct contracting of DSM Nutritional Products Colombia S.A. to supply micronutrients, pursuant to paragraph 3.7(c) of document GN-2349-15, because that company is the only provider of the required combination of micronutrients. To promote operational continuity and development of institutional knowledge, the program anticipates using single-source selection to contract the consultants who make up the program coordination unit of the SSIS and the operational structure of the BVM program, which were financed with proceeds from loans 3371/BL-HO and 3723/BL-HO, pursuant to the provisions of paragraph 5.4(a) of document GN-2350-15.
- 3.13 **Retroactive financing.** The Bank may retroactively finance as a charge against the proceeds of Component 1 of the loan, up to US\$6 million (10.14% of the proposed loan amount) in eligible expenditures incurred by the borrower prior to the approval date of the operation for BVM program conditional cash transfer payments and operating expenses, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 16 October 2019 (the project profile approval date) but under no circumstances will include expenditures incurred more than 18 months prior to the date the IDB approved the operation.
- B. Summary of arrangements for monitoring results**
- 3.14 Each executing agency will submit to the Bank multiyear execution plans and semiannual progress reports based on the results matrix indicators, no later than 60 days after the end of the corresponding six month period. These reports will be the primary source of information for the progress report in the program monitoring report. The SSIS/SEDIS will take the lead on updating the program monitoring report with the Interagency Technical Group to ensure a comprehensive review of the progress achieved. Represented by the Interagency Technical Group, the participating institutions will jointly attend portfolio reviews.
- 3.15 **Evaluation.** An experimental evaluation will be conducted to measure the impact of combining supply-side incentives with demand-side incentives to increase educational progress in lower secondary education. A midterm operational evaluation will be conducted to evaluate whether strengthening support for the most vulnerable households helped them comply with their co-responsibility requirements and helped link them to priority social protection services. A reflexive evaluation will be performed by collecting data from the master socioeconomic profile a second time ([required link 2](#)).

⁴¹ SESAL Agreement 2944-2019.

C. Post-approval design activities

- 3.16 A strategy for prioritizing villages for comprehensive interventions will be developed. The program will strengthen data integration between the BVM program and the operational processes of the participating institutions, thereby continuing the progress made under loan 4877/BL-HO, which facilitated information sharing in the social sector through the signing of agreements between CENISS and sector institutions.

Development Effectiveness Matrix		
Summary		HO-L1194
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Maternal mortality ratio (number of maternal deaths per 100,000 live births)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2944	Reduce poverty and improve education and health services for the vulnerable population
Country Program Results Matrix	GN-2948-2	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		7.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The Bank has collaborated closely with the Government in the design of the targeting tools now being considered for social programs in general.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objective of the program is to enhance the quality of life conditions of households living in extreme poverty and promote their acquisition of human capital. To this end, the project considers four specific objectives consisting in (i) increasing the minimum income of participating households, (ii) increasing the use and supply of educational services, prioritizing the third educational cycle, (iii) enhancing the use and supply of health and nutritional services, especially for women, youths and children, and (iv) enhancing the relevance, targeting and coordination of the actions on social protection and inclusion for households living in extreme poverty. The vertical logic is consistent with the policy conditions and indicators presented in the results matrix. The results matrix includes indicators for the main outputs, outcomes and impacts. Indicators in the results matrix meet SMART criteria and include baseline values and targets for most indicators, as well as the sources and means of verification that will be used to measure them. Finally, an experimental impact evaluation will be implemented, aimed at assessing the component that combines performance incentives to the supply with demand incentives, related to the second objective. The reason given is that there already exist impact evaluations on the other components, while this component is new and was not included in previous impact evaluations.

RESULTS MATRIX

Program objective:	The program's objective is to improve living conditions for households in extreme poverty and promote their development of human capital. Its specific objectives are to: (i) increase the minimum income of participating households; (ii) expand the use and availability of educational services, giving priority to lower secondary education; (iii) improve the use and availability of health and nutrition services, especially for women, young people, and children; and (iv) enhance the relevance, targeting, and coordination of social protection and inclusion activities for households in extreme poverty.
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EXPECTED IMPACT

Indicator	Unit of measurement	Baseline	Baseline year	Final target	Means of verification	Comments ¹
IMPACT 1. Alleviation of extreme poverty and investment in human capital						
Extreme monetary poverty gap	%	48.4	2019	45.5	Social Cabinet of the Ministry of General Government Coordination (SCGG-GS) and National Center for Social Sector Information (CENISS)	Refers to the poverty gap. Calculated based on the 2018 Household Survey. The indicator will be recalculated based on data from the most recent survey.
Average gross lower secondary education enrollment rates in the target areas	%	40	2019	44.5	Education Centers Administration System (SACE), Ministry of Education	
- Boys		39		44		
- Girls		41		45		

¹ CENISS finished collecting data through the master socioeconomic profile in 2019. Once the data have been processed, the results matrix will be updated for the program launch workshop.

EXPECTED OUTCOMES

Indicator	Unit of measurement	Baseline	Baseline year	Final target	Means of verification	Comments ²
OUTCOME 1. Improved coverage of the Bono Vida Mejor program (BVM program) and enhanced BVM program services in the priority municipios						
Percent increase in per capita income from receiving the BVM program voucher	%	0%	2018	23%	SCGG-GS/CENISS	Calculated based on the 2018 Household Survey. The indicator will be recalculated based on data from the most recent survey.
Percentage of eligible households ³ receiving the BVM program voucher	%	56	2019	65	Master Registry of Participants (RUP) and Management Information System (SIG)	Simple average of the targeted municipios
Percentage of households that comply with health co-responsibility requirements in a given year	%	60	2019	70	Data from the Individual Vaccination System and SIG	This indicator will be updated to reflect the number of household members based on the 2019 master socioeconomic profile.
Percentage of households that comply with education co-responsibility requirements in a given year	%	81	2019	85	SACE and SIG	
Percentage of requests submitted by BVM program households answered and resolved within the timeframes established in the program Operations Manual	%	52	2019	70	Department of Human Development and Promotion (DPDH) and SIG	
Percentage of households disqualified from receiving a conditional cash transfer that manage to comply with co-responsibility requirements by the following conditional cash transfer payment date.	%	4	2019	6	SIG data	
OUTCOME 2. Improved educational progress in priority municipios, closing gender gaps						
Promotion rate, 6th to 7th grade	%	50	2019	55	SACE data	Transition rate from 6th to 7th grade in the target areas (total number of students who pass 6th grade/total number of students enrolled in 7th grade) (40 schools that offer lower secondary education (CEBs))
-boys		50		55		
-girls		50		55		

² The method for developing the indicators and measurement methods is described in the [indicators manual](#).

³ Eligible households are those located in the program intervention areas that have children under 18 and are living in extreme poverty (according to the applied targeting algorithm).

Indicator	Unit of measurement	Baseline	Baseline year	Final target	Means of verification	Comments ²
Promotion rate, 9th to 10th grade -boys -girls	%	40 39.5 40.5	2019	45.5 45.5 45.5		Promotion rate from 9th to 10th grade in intervention areas (total number of students who pass 9th grade/total number of students enrolled in 10th grade) (10 CEBs)
Lower secondary education graduation rate -boys -girls	%	14.5 13 16	2019	16 14 18		Percentage of children ages 12 to 14
OUTCOME 3. Primary healthcare services strengthened in the priority municipios						
Percentage of pregnant women treated prior to 12 weeks of gestation in the past 12 months	%	49 ⁴	2019	55	Final evaluation ⁵	This indicator will be continuously monitored through the Perinatal Information System.
Percentage of beneficiaries who received postpartum care from qualified personnel within the first seven days of giving birth the most recent time in the last two years	%	30 ⁶	2019	40	Final evaluation ⁷	
Beneficiary children ages 12 to 23 months fully vaccinated for their age	%	50 ⁸	2018	70	Final evaluation ⁹	This indicator will be continuously monitored through the Individual Vaccination System.
Quality prenatal care coverage, in the last 12 months, in the networks receiving interventions	%	63 ¹⁰	2019	73	Final evaluation ¹¹	This indicator refers to five prenatal checkups conducted by qualified personnel in accordance with the standard for alignment with the indicators and evaluation plan for loan 4619/BL-HO.

⁴ Baseline from program HO-L1105.

⁵ Based on the BVM program impact evaluation (2017). This indicator will be evaluated using the evaluation strategy from program HO-L1195, with the five newly decentralized municipios added to the ones decentralized under program HO-L1194. The baseline and final evaluation of program performance will be based on health center files and tools for recording and monitoring checkups.

⁶ Source: Health and Wealth in Mesoamerica: findings from Salud Mesomérica 2015. BMC Medicine (2015) 13:164.

⁷ See footnote 5.

⁸ See footnote 4.

⁹ See footnote 5.

¹⁰ Based on BMC Medicine (2015).

¹¹ See footnote 5.

Indicator	Unit of measurement	Baseline	Baseline year	Final target	Means of verification	Comments ²
OUTCOME 4. Restructured social protection floor developed and implemented in the priority villages						
Program villages with comprehensive interventions implemented	%	0	2019	60	Reports SCGG-GS/CENISS	This indicator will be updated once the strategy for prioritizing villages for comprehensive interventions has been approved.
Improved RUP multidimensional poverty index ¹²	%	50	2019	45	RUP SCGG-GS/CENISS	
BVM program households that benefit from three or more social protection programs	%	15	2019	30	RUP SCGG-GS/CENISS	

¹² Decrease in the percentage of program households living in extreme multidimensional poverty. This measurement will be taken in the villages given priority for comprehensive interventions. The SCGG-GS will update the RUP multidimensional poverty index to add new variables from the 2019 FSU.

OUTPUTS

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification
COMPONENT 1. Bono Vida Mejor program									
Number of households that receive cash transfers under the BVM program	Household	42,000	2019	42,000	42,000	42,000	42,000	42,000	SIG - the indicator will be adjusted based on the 2019 FSU
Number of people in BVM program households that receive cash transfers	Person	220,000	2019	220,000	220,000	220,000	220,000	220,000	
Central BVM program management and operational structure implemented	Institutional plan ¹³	1	2019	1	1	1	1	1	Program coordination unit (PCU) management report
BVM program management information system strengthened	SIG ¹⁴	1	2019	1	1	1	1	1	SIG report
Number of managers strengthened in participant services at the local level	Manager	192	2019	194	204	214	224	224	DPDH and PCU
Participant service centers	Center ¹⁵	16	2019	16	16	16	16	16	
Percentage of households receiving special support that do not comply with BVM program co-responsibility requirements	%	0	2019	0	20	40	60	60	DPDH and SIG
Number of BVM program participant couples who attend <i>¡Cuidate!</i> ["Take Care of Yourself!"] workshops	Couple	868	2019	0	2,000	2,000	2,000	6,000	DPDH
Number of villages offering productive inclusion training that receive nonreimbursable seed capital	Village	0	2019	0	20	20	20	60	DPDH and SIG
Social communication strategy implemented	Strategy	0	2019		1				PCU
Health co-responsibility requirement monitoring unit strengthened	Number	1	2019 ¹⁶	1	1	1	1	1	PCU/Ministry of Health (SESAL)

¹³ This indicator is not cumulative.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification
COMPONENT 2. Expansion of the availability of education services, giving priority to lower secondary education									
Students enrolled in lower secondary education taught using an alternative instructional modality	Student	0	0	0	800	1,350	1,900	4,050	SACE lower secondary enrollment *40 CEBs
Students enrolled in upper secondary education taught using an alternative instructional modality	Student	0	0	0	200	400	600	1,200	SACE upper secondary enrollment *10 CEBs
CEBs with technological equipment and furniture	CEB	0	0	0	50	0	0	50	Duly signed certificates of acceptance of equipment and furniture
System of incentives for educational progress piloted	Network	0	2019	0	0	1	0	1	Management reports
Education co-responsibility requirement monitoring unit	Unit	1	2019	1	1	1	1	1	PCU reports
Number of young people served by mobile entrepreneurship managers	Young person	0	2019	0	800	1,350	1,900	4,050	Attendance lists *40 CEBs
SACE innovations ¹⁷	System	1	2019	1	1	1	1	1	Report on SACE innovations implemented
COMPONENT 3. Expansion of the availability of health services, giving priority to maternal/infant care									
People in the poorest municipios covered by primary health services administered by decentralized managers	Person	0	2019	33,609	34,281	34,967	35,666	35,666	Enrolled individuals
Studies to develop promotion and training modules, ensuring a gender and an intercultural approach and with information on traditional health systems and indigenous practices and knowledge	Study	0	2019	0	2	1	0	3	Execution unit report
Plan for implementing innovations from Salud Mesoamerica Initiative-Honduras	Plan ¹⁸	1	2019	0	1	1	1	1	

¹⁷ Ibid.

¹⁸ Ibid.

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification
Strengthening of family health teams in priority municipios	Municipio ¹⁹	47	2019	52	52	52	52	52	Decentralized management unit reports
Component operational support	Overall	0	2019	1	1	1	1	1	Ministry of Health execution unit reports
COMPONENT 4. Restructuring of the social protection floor									
Monitoring and evaluation unit strengthened	Number ²⁰	0	2019	1	1	1	1	1	Report
Strategy for prioritizing villages for comprehensive interventions	Strategy	0	2019	1	0	0	0	1	
Proposal for a targeting model using the new official poverty methodology	Study	0	2019	1	1	0	0	1	
Program evaluations	Evaluation	0	2019	0	2	0	2	4	
RUP analysis unit and user services strengthened	Number ²¹	0	2019	1	1	1	1	1	
RUP local service centers	Center	0	2019	6	6	5	0	17	

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Honduras
Project number:	HO-L1194
Project name:	Support for the Comprehensive Social Protection System
Executing agency:	Ministry of Development and Social Inclusion (SEDIS), acting through the Office of the Deputy Minister for Social Integration (SSIS)
Coexecuting agency:	Ministry of Health
Fiduciary team:	Nadia Rauschert (Financial Management) and María Cecilia Del Puerto (Procurement) (FMP/CHO)

I. EXECUTIVE SUMMARY

- 1.1 The latest diagnostic assessments of financial management in Honduras show major advances toward international standards and good practices, mainly in modernizing the institutional framework and integrating government budget, treasury, and accounting systems into the Integrated Financial Administration System (SIAFI). The government nonetheless continues to make progress in modernizing its financial management.
- 1.2 Honduras's government procurement system has strengths identified in the 2010 Methodology for Assessing Procurement Systems, especially as concerns a legal framework better adapted to international best practices. However, it has not yet reached the standards for the widespread adoption of the country system in Bank-financed operations. On 13 March 2019, the Bank's Board of Executive Directors approved the use of the country procurement system's subsystems for limited bidding and framework agreement via electronic catalog/catalog procurement. These processes apply to goods, works, and nonconsulting services contracts under Bank-financed projects up to the thresholds set for the shopping method for Honduras.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY, COEXECUTING AGENCY, AND EXECUTION MECHANISMS

- 2.1 Both SEDIS and the Ministry of Health have experience in executing Bank projects through their execution units (the SSIS program coordination unit and the Ministry of Health's execution unit), both of which have stable teams and experience in fiduciary matters. The fiduciary agreements and requirements established for this program are based on the records of both institutions, which, through their respective execution units, have administered funds from several loan operations, most recently loans 2743/BL-HO and 2943/BL-HO (completed), loan 3723/BL-HO-2 (in execution, Ministry of Health), and loans 3371/BL-HO and 3723/BL-HO-1 (in execution, SEDIS).

- 2.2 Regarding execution arrangements, the government has requested fiduciary autonomy in executing the health component, and so SEDIS/SSIS will be the executing agency for Components 1, 2, and 4, and the Ministry of Health will be the executing agency for Component 3. Each executing agency will submit to the Bank the management instruments for execution of their components.
- 2.3 The following country financial management systems, or their equivalents, will be used in this operation:
- Budget: Budgetary resources for this operation will be considered in the General Budget Act and its general provisions;
 - Treasury: Two special accounts will be opened at the Central Bank of Honduras and will be part of the Treasury Single Account; and
 - Accounting and financial reports: Both executing agencies have implemented the SIAFI and will use the UEPEX module to record and issue reports on operations executed with external financing.
- 2.4 Regarding procurement, based on the previous experience executing Bank-financed operations, the sector team intends for procurements to be executed using the same mechanism through the execution units, which will hire personnel with experience in applying IDB procurement policies.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 Based on the risk matrix, the technical team has identified the following medium-level fiduciary risks and their corresponding mitigation measures:
- (i) Interruption of the primary mechanism of the Bono Vida Mejor program (BVM program) for paying out conditional cash transfers, using mobile ATMs administered by Banco Nacional de Desarrollo Agrícola (BANADESA), due to institutional weaknesses. To mitigate this risk, the program will implement multiple payment channels to ensure the transparency of the process and lower transaction costs for BVM program households (fees and time in transit); and
 - (ii) The risk that the amount (in months) of BVM program conditional cash transfers covered by the program will be reduced so as to align them with payments made under the domestically funded BVM program. To mitigate this risk, there will be ongoing dialogue with the Poverty Reduction Fund (FRP) Trust Committee on the importance of giving priority to scheduled BVM program conditional cash transfer payments.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 The agreements and requirements to be considered in the special provisions of the loan contract are as follows:
- **Exchange rate agreed upon by the executing and coexecuting agencies for accounting purposes.** The exchange rate to be used will be the one in effect on the day the beneficiary, executing agency, coexecuting agency, or any person or corporation authorized to effect expenditures makes the relevant payments to the contractor or supplier.

- **Financial statements and other audited reports.** The executing and coexecuting agencies will present annual audited financial statements for the components of the program for which they are responsible within a period of 120 days following the close of each fiscal year and a final financial statement within 120 days following the date of the final disbursement. Reports can be audited by a Bank-eligible firm or the Court of Auditors (TSC). Each executing agency will independently engage the services of a single auditing firm, chosen through a competitive process conducted by SEDIS.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The fiduciary agreements and requirements for procurement establish the provisions that apply to the execution of all planned procurement under the program.

A. Procurement execution

- 5.2 The execution units of the executing and coexecuting agencies will carry out procurement selection, supervision, and receipt processes in accordance with the Bank's procurement policies, set forth in documents GN-2349-15 and GN-2350-15, and with the procurement plan, which describes: (i) contracts for works, goods, and consulting services; (ii) the proposed selection methods; and (iii) the supervision procedures applied by the Bank to examine each process. To plan procurements, the execution units of the executing and coexecuting agencies will agree with the Bank on a procurement plan covering the first 18 months of execution, which will be updated annually or according to program needs, using a Bank-determined procurement plan execution and monitoring system, to plan procurements and report progress. All changes to the procurement plan will be submitted to the Bank for approval.
- 5.3 **Procurement of works, goods and nonconsulting services.** Procurements of works, goods, and nonconsulting services¹ arising from the program and subject to international competitive bidding will be executed using the standard bidding documents issued by the Bank. Procurements subject to national competitive bidding will be executed using national bidding documents agreed upon with the Bank and published on the website of the National Government Procurement Office at www.honducopras.hn.
- 5.4 **Selection and contracting of consultants.** Consulting contracts with firms arising from the program will be executed using the standard request for proposals issued by or agreed with the Bank.
- 5.5 **Selection of individual consultants.** The contracting of individual consultants may be carried out using local or international advertising to create a shortlist of qualified candidates, where suitable consultants to invite to apply for the respective consulting services are unknown. Consultants hired to assist the executing agency during execution of loans 3371/BL-HO and 3723/BL-HO-1 may be directly hired for the entire execution period using funds from this operation to ensure continuity of services, subject to an initial no objection, provided that the original contracting was subject to a competitive selection process and after an objective evaluation of their prior performance. There is no need to obtain the no objection for each budget execution period, regardless of whether more than one contract is signed for each period. However, any performance evaluation that results

¹ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document [GN-2349-15](#)), paragraph 1.1: Nonconsulting services are treated as goods.

in the termination of the consulting contract would require a new no objection request for the new process, which will be a competitive one.

- 5.6 **Direct contracting.** The program anticipates the direct contracting of BANADESA to deliver CCT payments to ensure continuity of services, as established in paragraph 3.7(a) of document GN-2349-15. Pursuant to paragraph 3.11(a) of document GN-2350-15, the program calls for the single-source selection of the Honduran Institute for Radio Education (IHER) due to the organization's expertise in providing lower secondary education services through flexible modalities and because it will be a natural continuation of the services provided by the organization. In line with the provisions of loan 4619/BL-HO, the program will select decentralized managers via single-source selection, adhering to paragraph 3.17 of document GN-2350-15 titled "use of nongovernmental organizations," because it considers that there are not enough organizations capable of providing health services in the intervention areas to support competitive processes. This process will follow the provisions of the Health Manager Selection Manual to ensure that the selected organizations have sufficient capacity. Multiyear agreements will be signed with the selected organizations. The program anticipates the direct contracting of DSM Nutritional Products Colombia S.A. to supply micronutrients, pursuant to paragraph 3.7(c) of document GN-2349-15, because that company is the only provider of the required combination of micronutrients. To promote operational continuity and development of institutional knowledge, the program anticipates using single-source selection to contract the consultants who make up the SSIS program coordination unit and the operational structure of the BVM program, which were financed by funds from loans 3371/BL-HO and 3723/BL-HO, pursuant to the provisions of paragraph 5.4(a) of document GN-2350-15.
- 5.7 **Retroactive financing.** The Bank may retroactively finance as a charge against the proceeds of Component 1 of the loan, up to US\$6 million (10.14% of the proposed loan amount) in eligible expenditures incurred by the borrower prior to the approval date of the operation for BVM program payments and operating expenses, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 16 October 2019 (the project profile approval date) but under no circumstances will include expenditures incurred more than 18 months prior to the date the IDB approved the operation.
- 5.8 **Domestic preference.** Domestic preference will not be included.
- 5.9 **Other.** The program Operating Regulations will contain detailed information relating to the program execution mechanism and instruments and interagency coordination of the program, as well as internal transaction flows and approval by SEDIS and the Ministry of Health, to lend clarity and certainty to the operation and timely monitoring of processes.
- 5.10 **Thresholds.** The thresholds that determine the use of international competitive bidding and the integration of the international shortlist will be made available to the executing agencies at www.iadb.org/procurement. Below these thresholds, the selection method will be determined based on procurement complexity and characteristics, which will be outlined in the procurement plan approved by the Bank. The country subsystems for limited bidding and framework agreement via electronic catalog/catalog procurement of the Honduran National Procurement System apply to goods, works, and nonconsulting services contracts under Bank-financed projects up to the thresholds set for the shopping method for Honduras.

B. Main procurements

- 5.11 The executing agencies will be responsible for preparing the procurement plan.² The Bank's procurement specialist will provide assistance to ensure that the procedures are appropriate according to Bank procurement policies.³ Consult the link for [expected main procurements](#).

C. Procurement supervision

- 5.12 The supervision method will be a combination of ex post and ex ante review, as established in the procurement plan. The Bank can change the method at its discretion, based on execution performance, updated institutional capacity assessments, or the fiduciary visits that will take place. All single-source selection of consulting services by firms or individuals and direct procurement of goods, works, or nonconsulting services will be subject to ex ante supervision by the Bank, regardless of the contract amount.

D. Special provisions

- 5.13 **Measures to reduce the likelihood of corruption.** The provisions set out in documents GN-2349-15 and GN-2350-15 on prohibited practices (lists of ineligible companies and individuals from multilateral entities) will be followed.

E. Records and files

- 5.14 The execution units of the executing and coexecuting agencies will record and keep original supporting documentation and files for procurement processes carried out with program proceeds, following the established procedures. The program Operating Regulations will document internal workflows and separation of duties.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 6.1 **Programming and budget.** The budget allocation of program proceeds will be reviewed annually.
- 6.2 **Accounting and information systems.** The SIAFI UEPEX module will be used for financial and accountability reporting.
- 6.3 **Disbursements and cash flow.** Disbursements will be made primarily by the advance of funds modality, based on liquidity needs for a period of up to six months. The executing agency will submit supporting documentation for at least 80% of funds advanced in order for disbursements to be processed, pursuant to the Financial Management Guidelines for IDB-financed projects (document OP-273-12). In light of the fiduciary independence required for program execution, two subloans will be opened in the Web-based Loan Management System (WLMS), where each institution will have a bank account exclusively for the use of program funds (a special account at the Central Bank of Honduras in the name of the program, and funds executed by the treasury single account by account books in both dollars and local currency). Financial planning and reporting will be done separately.

² Policies [GN-2349-15](#) (paragraph 1.18) and [GN-2350-15](#) (paragraph 1.25): The Borrower shall prepare and, before loan negotiations, furnish to the Bank for its approval, a Procurement Plan acceptable to the Bank for the initial period of at least 18 months.

³ See the [guidelines for preparation and application of the procurement plan](#).

- 6.4 **Internal control and internal auditing.** The Bank and the National Office for Comprehensive Development of Internal Control of Public Institutions are coordinating efforts to improve internal control at entities responsible for Bank-financed operations in Honduras. In this case, the executing agencies will carry out their fiduciary functions with the support of the execution units formed for this purpose, in the framework of Bank-financed operations in this sector and in accordance with the Operating Regulations in effect for the executing agencies.
- 6.5 **Financial supervision plan.** The Bank will supervise program financial management, monitoring the actions to be taken by the executing agencies to address any observations or findings identified by external audits. Visits and meetings will also be held to follow up on the implementation of recommendations from external audits and monitor fiduciary risks.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Honduras. Loan ____/BL- HO to the Republic of Honduras
Support for the Comprehensive Social Protection System

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Support for the Comprehensive Social Protection System". Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$38,480,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$20,720,000, subject to financial terms and conditions applicable to loan operations financed from the Bank's regular program of OC resources ("Regular OC"), as indicated in the Project Summary of the Loan Proposal, and subject to the Special Contractual Conditions of said Project Summary.

(Adopted on ____ 2020)