

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

PROGRAM TO SUPPORT SOCIAL PROTECTION REFORMS II

(HO-L1204)

LOAN PROPOSAL

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ABBREVIATIONS

BCH	Banco Central de Honduras [Central Bank of Honduras]
CCT	Conditional cash transfer
CEDLAS	Centro de Estudios Distributivos, Laborales, y Sociales [Center for Distributive, Labor, and Social Studies]
CENISS	Centro Nacional de Información del Sector Social [National Center for Social Sector Information]
CPI	Índice de precios del consumidor [consumer price index]
ENIGH	Encuesta Nacional de Ingresos y Gastos de los Hogares [National Household Income and Expenditure Survey]
EPHPM	Encuesta Permanente de Hogares de Propósitos Múltiples [Ongoing Multipurpose Household Survey]
ESMR	Environmental and Social Management Report
EVM	Estrategia “Vida Mejor” [“Better Life” Strategy]
FODESAF	Fondo de Desarrollo Social y Asignaciones Familiares [Social Development and Family Allowances Fund]
FRP	Fondo de Solidaridad y de Protección Social para la Reducción de la Pobreza [Solidarity and Social Protection Fund for Poverty Reduction]
FSU	Ficha socioeconómica única [master socioeconomic profile]
IAIP	Instituto de Acceso a la Información Pública [Institute for Access to Public Information]
IGV	Impuesto general a las ventas [general sales tax]
IHER	Instituto Hondureño de Educación por Radio [Honduran Institute for Radio Education]
INE	Instituto Nacional de Estadísticas [National Statistics Institute]
LAC	Latin America and the Caribbean
LRF	Ley de Responsabilidad Fiscal [Fiscal Responsibility Law]
MGD	Modelo de Gestión Descentralizada [Decentralized Management Model]
NFPS	Nonfinancial public sector
PAI	Programa Ampliado de Inmunizaciones [Expanded Immunizations Program]
PBP	Programmatic policy-based loan
PBVM	Programa “Bono Vida Mejor” [“Better Life Voucher” Program]
PCR	Project completion report
RNP	Registro Nacional de las Personas [National Registry of Persons]
RUP	Registro Único de Participantes [Master Registry of Participants]
SACE	Sistema de Administración de Centros Educativos [Education Centers Administration System]
SAR	Servicio de Administración de Rentas [Revenue Administration Service]
SCGG	Secretaría de Coordinación General de Gobierno [Ministry of General Government Coordination]
SEDIS	Secretaría de Desarrollo e Inclusión Social [Ministry of Development and Social Inclusion]
SEDUC	Secretaría de Educación [Ministry of Education]
SEFIN	Secretaría de Estado en el Despacho de Finanzas [Ministry of Finance]
SESAL	Secretaría de Salud [Ministry of Health]
SIG	Sistema de Información Gerencial [Management Information System]
SINOVA	Sistema Nominal de Vacunación [Individual Vaccination System]

SSIS	Subsecretaría de Integración Social [Office of the Deputy Secretary for Social Integration]
STSS	Secretaría de Trabajo y Seguridad Social [Ministry of Labor and Social Security]
UGI	Unidad de Gestión de la Información [Information Management Unit]
USINIEH	Unidad del Sistema Nacional de Información Educativa [National Educational Information System Unit]

PROJECT SUMMARY

HONDURAS PROGRAM TO SUPPORT SOCIAL PROTECTION REFORMS II (HO-L1204)

Financial Terms and Conditions			
Borrower:	Source	%	Amount (US\$)
Republic of Honduras	IDB (Regular OC)	35%	US\$20,825,000
	IDB (Concessional OC):	65%	US\$38,675,000
Executing agency:	Total:	100%	US\$59,500,000
Secretaría de Estado en el Despacho de Finanzas [Ministry of Finance] (SEFIN)			
	Regular OC (FFF) ^(a)		Concessional OC
Amortization period:	20 years		40 years
Disbursement period:	1 year		
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
Original WAL:	12.75 years		N/A
Currency of approval:	U.S. dollars		
Project at a Glance			
Objective/description: The development objective of this programmatic series is to support the adoption of policy measures conducive to a reduction in extreme poverty among households in Honduras, through the design and implementation of policies to improve the financial sustainability and efficiency of redistributive social protection spending, with an emphasis on human capital formation for children and adolescents, consolidation of the basic social welfare service offerings in health and education as a complement to redistributive programs, and strengthening of governance in information management and coordination capacity in the social sector. The objective of this second operation is to support the implementation of legal instruments approved during the first operation, thereby contributing to the objectives of the series. This operation was designed as a programmatic policy-based loan (PBP) and is the second of a series of two individual operations.			
Special contractual conditions precedent to the sole disbursement of the loan proceeds: The sole disbursement of the loan proceeds will be contingent on fulfillment of the policy reform conditions as established in the Policy Matrix (Annex II) and the Policy Letter , as well as the contractual conditions established in the loan contract (see paragraph 3.2)			
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 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, market conditions, as well as and the level of concessionality of the loan, into account when reviewing such requests, in accordance with applicable Bank policies.

^(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. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 This is the second in a series of two individual operations under the programmatic policy-based loan (PBP) modality. The first operation in the series was approved on 26 September 2018 ([document PR-4600](#)).

1. Macroeconomic and poverty conditions

- 1.2 **Macroeconomic context.** In recent years the Honduran economy has been one of the most dynamic in Latin America and the Caribbean (LAC). Between 2010 and 2017, the country's average annual economic growth was 3.7%, similar to the average for Central America and the Dominican Republic, and higher than for LAC as a whole (2%).¹ Nevertheless, economic growth has now moderated. In 2017, Honduras grew 4.8%, driven by strong performance in all productive sectors, but especially by strong growth in the agricultural sector. During 2018 the economy grew only 3.7%. This sluggishness can be attributed to a slowdown in the main productive activities and to commodity price fluctuations. In 2018, the country recorded a decrease in sales of coffee, palm oil, and shrimp, reflecting the decline in international prices and access restrictions imposed by certain destination markets. Imports rose 8.8% year-on-year, due primarily to higher prices for oil and petroleum products.
- 1.3 On the monetary front, inflation has remained within the target band of 3% to 5% set by the Central Bank of Honduras (BCH). In 2018, inflation closed the year at 4.2%, below the 4.7% observed the previous year. This performance was influenced primarily by commodity prices (in particular by the international price of oil and gas in early 2018). In order to keep inflation below 5%, in January 2019 the BCH raised the policy rate from 5.50% (where it had stood throughout 2018) to 5.75%.
- 1.4 The country's fiscal position is expected to strengthen in the short and medium term, consistent with the Fiscal Responsibility Law.² Between 2013 and 2018, the deficit of the nonfinancial public sector (NFPS) fell from 7.5% of GDP to 1.2% in 2018. At the same time, the public debt is stabilizing: at the close of 2018, the NFPS debt stood at 42.1% of GDP, and the central government debt at 48.2% of GDP. Additionally, in 2018 the country's tax revenue intake reached 18% of GDP, making Honduras one of the countries with the highest tax collection rate in Central America.³ For 2019, the public debt is expected to increase by approximately one percentage point of GDP, and the Government of Honduras hopes to maintain the deficit below the threshold established in the Fiscal Reform Law. As a result of this effort, Honduras was able to improve its credit profile to the point where it ranks only below Panama in the region of Central America and the Dominican Republic, thereby encouraging foreign investment. In 2018, Moody's and Standard & Poor's

¹ International Monetary Fund (IMF), World Economic Outlook (WEO), October 2018.

² <http://www.poderjudicial.gob.hn/CEDIJ/Leyes/Documents/Ley%20de%20Responsabilidad%20Fiscal.pdf>.

³ Organization for Economic Cooperation and Development (OECD) et al. (2018), Revenue Statistics in Latin America and the Caribbean 2018, OECD Publishing, Paris.

maintained their positive rating of B1⁴ with stable outlook, and BB-, respectively, for Honduras.

- 1.5 Honduras also faces great social challenges, due in particular to its high rates of poverty and inequality. From 2001 to 2018, Honduras failed to reduce its poverty levels in a sustained manner. The minimum value for the period was 58% in 2007, and the highest was 66% in 2012, with few periods of steady reduction. In 2018, 61.9% of Honduran households were living below the poverty line, and 38.7% of households were in extreme poverty. In terms of income distribution, Honduras is one of the most inequitable countries in the region, with a Gini coefficient of 0.53. Even though public spending was 16.6% of GDP, recent studies indicate that the fiscal policy of the Government of Honduras, taking into account the fiscal impact of revenue intake and expenditure, could generate greater equity.⁵
- 1.6 **Institutional configuration of social and redistributive social protection policy.** Basic social services in health and education have been provided by the Ministry of Health (SESAL) and the Ministry of Education (SEDUC), respectively. In recent years SESAL has implemented the Modelo de Gestión Descentralizada [Decentralized Management Model] (MGD) to expand the first level of care,⁶ which currently covers 92 of the 104 poorest municipios in the country. The MGD seeks to close a sizeable gap related directly to maternal mortality: the current rate of maternal mortality in rural areas is 75 per 100,000 live births, compared to 39 in urban areas. As well, four of every 10 childbirths in rural areas are attended outside the institutional context. This, combined with the fact that 49% of deaths occur in the first 48 hours after childbirth, means that there is a dual problem relating to access to adequate health services and to quality in the emergency care offered in hospitals. The MGD is based on capitation payments to health managers against the performance indicators identified in each contract. The Bank has supported implementation of this model through various investment loans.⁷ The MGD has shown improvements in the accessibility and quality of services, as well as in access to services for women of childbearing age, and women who are pregnant or in labor, or who have just given birth, as it promotes gender equality and the empowerment of women and girls by increasing access to sexual and reproductive health services for women, including a reduction in cultural barriers among both indigenous and nonindigenous populations.⁸
- 1.7 In the education sector, the Bank has also supported innovative efforts to strengthen service offerings. In 2014, SEDUC approved a sector policy for expanding coverage of the third cycle of basic education (“middle school”), intended to strengthen education offerings in remote areas where there are high concentrations of the extreme poor. In 2019, the delivery of “middle school”

⁴ The decision by Moody's to maintain its ratings for Honduras at B1 reflects the following key factors: (i) Honduras has stabilized its debt and its fiscal metrics at lower levels than its peers, and (ii) institutional and economic conditions support continued fiscal discipline.

⁵ See study by Lustig (2017) at: http://www.commitmentoequity.org/wp-content/uploads/2017/08/CEQ_WP54_Lustig_June2017.pdf.

⁶ First level: outpatient health services for prevention, promotion, and care, up to general practitioner.

⁷ Supported by loans 2418/BL-HO, 2743/BL-HO, 2943/BL-HO, and 3723/BL-HO.

⁸ World Bank evaluation (2007), United States Agency for International Development (USAID) (2009), ANED Consultants (2009), ISM (2013 and 2017).

education services to more than 11,000 students in the western part of the country (the majority from families living in extreme poverty) depends entirely on external funding, and the hiring of 720 educational facilitators has been outsourced to the Honduran Institute of Radio Education (IHER).⁹ Between 2014 and 2019, 54,000 student places were created, and 75% of students in the model are beneficiaries of the conditional cash transfer program known as Programa “Bono Vida Mejor” [“Better Life Voucher” Program] (PBVM). For its part, the Ministry of Labor and Social Security (STSS) is responsible for the country’s contributory social security system and designs and implements active labor market programs.

- 1.8 The Ministry of Development and Social Inclusion (SEDIS) is responsible for designing and implementing redistributive interventions under the Estrategia “Vida Mejor” [“Better Life” Strategy] (EVM), which represents the minimum level of social protection in Honduras, based on the Social Protection Policy (2012) and the Framework Law on Social Policy (2013).¹⁰ The EVM combines a great many programs, the most important of which is the PBVM,¹¹ and is being supplemented with expansion of access to basic education and primary health care.¹² The Bank has supported the design and implementation of the PBVM since its beginnings, including its reformulation vis-à-vis its predecessor, the “Bono 10,000” voucher. Covering one-third of the country’s extreme poor population (up to 310,000 households), the geographic coverage of the Bank-supported PBVM has been closely coordinated with implementation of the MGD and the SEDUC strategy for expanding the availability of third-cycle basic education.¹³ As with other programs of this kind, the PBVM has been successful in boosting demand for basic social protection services in health and education. In fact, the PBVM is the only program of the government’s EVM that has been evaluated and has shown robust evidence of its effectiveness as the sole intervention with a demonstrated capacity to build human capital among beneficiary households and alleviate their extreme poverty.¹⁴

⁹ IHER offers “middle school” education services through a flexible modality with an in-person facilitator (despite its name, IHER does not operate via radio) supported by “guide” documents for the various subjects.

¹⁰ In Honduras, social protection is defined as “the set of public and private actions taken to avoid, protect against, and deal with risks that for social, economic, natural, or any other causes threaten the well-being of individuals, families, and communities.” There are many different sources of social vulnerability: on one hand, there are the prevailing patterns of economic development, labor market reforms, technological isolation, economic crises, and natural disasters; and on the other hand, are those reflecting specific circumstances over the course of the life cycle.

¹¹ The strategy includes other programs such as Guías de Familia (“Family Guides”), Vida Mejor (upgrades to dwellings, neighborhoods, and parks), Escuelas Saludables [“Healthy Schools”], Merienda Escolar [“School Lunch”], Crédito Solidario [“Solidarity Lending”], Con Chamba Vivís Mejor [“With a Job You Live Better”], and others.

¹² “Vida Mejor” Plataforma de Gestión de Programas y Proyectos Sociales [“Better Life” Platform for Social Program and Project Management] (2015).

¹³ See operations 3371/BL-HO and 3723/BL-HO.

¹⁴ The program of health care for children under five is credited with increasing health center checkups by 11.3 pp (+45%), reducing acute diarrhea by 3.8 pp (-22%), reducing respiratory infections by 4.6 pp (-12%) and reducing overall malnutrition (weight for age) by 1.8 pp (-17.6%). In education, the PBVM increased enrollment among pupils in the third cycle of basic education by 5.1 pp (+8.3%) in 2016 and reduced the over-age rate by 2.5 pp (-4.6%). It is credited with reducing monetary extreme poverty by 12 pp (-17%) See <https://sedis.gob.hn/sites/default/files/Informe-final-de-EI-FEB-7.pdf>.

- 1.9 Social protection program participants are selected on the basis of a household survey using the master socioeconomic profile (FSU), which is entered into the Master Registry of Participants (RUP)¹⁵ by the National Center for Social Sector Information (CENISS).¹⁶ The CENISS applies an algorithm that generates an index of well-being for households, and classifies them by level of poverty. This information is used by social programs to identify participants. The Registry of Institutional Services (ROI) catalogues the programs and projects run by government entities.

The Solidarity and Social Protection Fund for Poverty Reduction (FRP) has a minimum annual allocation of 4.5 billion lempiras (US\$187.5 million). Pursuant to Legislative Decree 290-2013, the FRP is funded through an increase of three percentage points in the general sales tax (IGV), which was reformed and increased from 12% to 15% by Legislative Decree 278-2013. The intent of the FRP, then, is to collect general indirect taxes and redistribute the proceeds through social programs such as the PBVM.

2. Progress and challenges in the reform processes

- 1.10 Prior to the start of the new government mandate (2018-2022), the Ministry of General Government Coordination (SCGG) was instructed to establish the “Social Cabinet” to direct policy in the sector, and to coordinate the trust funds financing social policy.¹⁷ Although SESAL, SEDUC, and SEDIS are part of the Social Cabinet, STSS was located in the Economic Cabinet. SCGG also coordinates the CENISS, which is the principal agency of the Government of Honduras for surveying and administering information on the social sector, as well as efforts to integrate the information generated by the line ministries in the social sector.
- 1.11 The programmatic series seeks to contribute to the financial sustainability and efficiency of redistributive social protection, the consolidation of basic service offerings in health and education, and the sustainability of interagency coordination in the social sector. The first operation in the programmatic series made gains in terms of regulatory instruments, and this second operation will implement what is defined in the approved legal framework, with the objective of reducing the incidence of extreme poverty in Honduras through reforms in three areas: (i) the financial sustainability and efficiency of redistributive social protection, as this area supports poverty reduction by guaranteeing adequate financing for programs that have been shown to have a positive impact on human capital accumulation,

¹⁵ For each household, a poverty threshold and its standing vis-à-vis other households recorded in the RUP are calculated, so households can feasibly be ranked from highest to lowest poverty index, to prioritize interventions based on resource availability. In addition, the characterization makes it possible to identify the care measures that each household requires to move its basic development indicators.

¹⁶ The CENISS was created by Legislative Decree 38-2011 with a mandate to: (i) advise other government agencies running redistributive programs to select their poor beneficiaries through their characterization; and (ii) monitor and support the evaluation of their success in achieving their objectives.

¹⁷ The Social Cabinet’s responsibilities with respect to the institutions it coordinates include: approving strategic plans and institutional operations, including targets, outputs, and outcomes in accordance with the annual and multiyear strategic planning; recommending the allocation of budgetary expenditure ceilings prior to issuance of the annual budget policy; reporting on the monitoring and performance of the institutions, programs, projects, and agencies making up the sector cabinet; proposing and tracking evaluation of the impact of the priority sector policy measures and their contribution to government objectives; and proposing sector-specific policies.

eliminating the duplication of functions, and improving targeting mechanisms to ensure that those programs reach extreme poor households; (ii) consolidation of basic service offerings in redistributive social protection, contributing to the central objective of the program by institutionalizing models for health and education service offerings that reach the extreme poor with measures to guarantee their continuity and improved quality; and (iii) sustainability in the interagency coordination of the social sector, since this will facilitate the flow of information among government actors working with the extreme poor, so that the programs can work more efficiently through a better understanding of their beneficiaries and the benefits they receive from the government.

- 1.12 **Financial sustainability and efficiency in redistributive social protection.** One of the weaknesses of the FRP, according to a 2016 evaluation, was the lack of rules governing the use of its resources:¹⁸ for example, the specific allocation of funds for greater predictability in program financing. In the first PBP operation, an annual allocation of at least 10% of the FRP was established for financing of the PBVM. Similarly, the FRP Technical Committee set rules for its operations to establish procedures for analyzing requests and approving disbursements, as well as delivering expenditure reports and financial reports on disbursements made Table 1 presents a summary of the current use of FRP funds, by program.

Table 1. Distribution of the Solidarity and Social Protection Fund for Poverty Reduction (US\$ millions)

Program	Amount	Percentage
Bono Vida Mejor	32.5	13.4%
Convivienda	32.4	13.3%
Vivienda Saludable	30.9	12.7%
Guías de Familia	29.6	12.2%
Merienda Escolar	20.8	8.5%
STSS – Programa Chamba Comunitaria	16.2	6.7%
STSS – Programa Chamba Joven	14.5	6.0%
Mejores Familias	11.6	4.8%
Bolsa Solidaria Adulto Mayor	10.1	4.2%
FIRSA	10.1	4.2%
Ecofogones	6.1	2.5%
Copeco – Emergencias por sequías	4.1	1.7%
SEDIS – Banca Solidaria	3.9	1.6%
STSS – Programa Con Chamba Vivis Mejor	3.9	1.6%
STSS – Programa Chamba +	2.8	1.1%
STSS – Programa Chamba Solidaria	2.7	1.0%
Other	10.9	4.5%
Total	243.0	100.0%

- 1.13 The analysis of the first operation in the HO-L1193 series (loan 4613/BL-HO) identified inefficiencies with respect to the operational fragmentation of the PBVM between its urban domain (financed by the FRP) and the rural domain (financed through external lending provided by the IDB and, to a lesser extent, by the World Bank). For example, the spreadsheet of payments to urban beneficiaries is generated by the CENISS, while the spreadsheet of rural payments is generated by the Management Information System (SIG) of the Office of the Deputy

¹⁸ See [Gerenssa final report](#).

Secretary for Social Integration (SSIS). Moreover, the program has not succeeded in deconcentrating its operations in order to address claims of participants at the subnational level. This service is conducted through short and infrequent consultation sessions involving travel, per diems, and other costs that result in limited resolution of questions, new issues, complaints, and claims under the program.

- 1.14 During the first operation, general guidelines were approved for authorizing the operations of the “Bono Urbano y Rural” urban and rural voucher, which will unify processes such as the generation of lists of amounts payable to participants, known as “planillas.” Similarly, the PBVM Technical Committee approved the “Guidelines for Comprehensive Care of Participants,” promoting a process to make services more accessible for participants and including a detailed description of the entities and parties involved, the monitoring and supervision indicators, and the implementation timetable. These guidelines were also approved by the BVM Technical Committee.
- 1.15 During the analysis of the first operation, weaknesses were identified in the measurement of poverty in Honduras that affect decision-making in the social sector. The National Policy for Measuring Poverty and Inequality in Honduras was approved as a condition of the first operation, calling for institutional unification for stewardship and publication of monetary and multidimensional poverty indicators, the establishment of a high-level commission and a technical committee to update the methodology for measuring poverty and inequality and make recommendations on caloric and micronutrient requirements for the Honduran population.
- 1.16 The technical committee established under that same decree is comprised of government sector entities, members of the nongovernment sector, and international cooperation partners, the IDB, the World Bank, and United Nations agencies, to review of the current methodology. It identified weaknesses in the questionnaire for the Ongoing Multipurpose Household Survey (EPHPM). For example, the independent employment module, which represents 34% of Honduran workers, has only one question on income, and the questionnaire does not include a question for calculating imputed income,¹⁹ which is part of aggregate income in other countries of the region.
- 1.17 The analysis of the first operation identified weaknesses in the mechanisms for prioritizing households for social programs. Although there is a census dating from 2013, the most recent official poverty map used for prioritizing FSU surveys was based on information from the 2001 housing census. Moreover, although the algorithm used to select households for social programs has performed well, it is now five years old and therefore needs updating. As a condition of the first operation, the SGCP approved the new targeting algorithm for individual identification of households participating in government social programs and

¹⁹ Households living in their own dwellings implicitly receive a flow of income equivalent to the market value of the service that use of that property represents for them, so such remuneration should be included as part of household income. Imputed income applies to households that, as owners of their properties, do not pay rent. The imputed value is equivalent to the rent that would be paid on the market for a similar dwelling. On average in Latin America, implicit income increases the income of such households by 10%. Source: [SEDLAC Methodology, Center for Distributive, Labor, and Social Studies \(CEDLAS\)](#).

formally adopted use of the income poverty map based on the 2013 Population and Housing Census.

- 1.18 **Consolidation of basic service offerings for redistributive social protection.** The first operation addressed the challenge of outsourcing and dependence on external funding of the basic education model currently being implemented by IHER. This dependence on external funding does not ensure the delivery of services in the long term, and signing annual contracts with service providers means that service delivery is unstable.²⁰ Consequently, during the first operation the Ministry of Education approved the Institutional Strategic Plan 2019-2022, which includes budgetary planning for the gradual incorporation of schools served by IHER, in order to expand access to the third cycle of basic education (“middle school”), and the Education Centers Administration System (SACE) was designated as the official source for producing statistics for the monitoring and supervision of education sector targets.
- 1.19 Additionally, to support human capital accumulation among over-age students and students with disabilities, the proposal for the Inclusive Education Policy was sent to the National Education Council during the first operation. The proposed policy includes measures for formalizing the policies for incorporating over-age boys and girls and those with disabilities into the schools and promoting the enrollment of students who completed sixth grade in the seventh grade. Guidelines were also issued to allow the entry and enrollment of students with no prebasic education.
- 1.20 The analysis of the first operation in the programmatic series identified weaknesses in the health area in terms of institutionalization of the Decentralized Management Model (MGD) that could put its long-term sustainability at risk, despite its major achievements in terms of outcomes. Guidelines for the Health MGD were approved as a policy condition of the first operation and constitute the policy directive for institutionalizing MGD implementation. Among the topics addressed are: (i) information on the parameters under which the MGD operates; (ii) the types of decentralized service managers; (iii) their degree of autonomy; (iv) certification mechanisms; (v) payment mechanisms; (vi) monitoring and evaluation mechanisms; and (vii) unit responsibilities and applicable standards.
- 1.21 **Sustainability of institutional coordination of the social sector.** In the design of the first operation in the series, one of the challenges facing the social sector in Honduras was identified as remedying the bottlenecks that impede the sharing of information among the entities involved. One of the main bottlenecks lies in the varying interpretations of the Law on Transparency and Access to Public Information. There is little consensus on the definition of the kind of information that must be classified as confidential among the information systems of the social sector. To strengthen the security and interoperability of social information, a resolution of the Institute for Access to Public Information (IAIP) was approved and published, indicating the terms and conditions for information sharing among government institutions in the social sector. An agreement was also signed between SESAL and the National Registry of Persons (RNP) for validating

²⁰ For institutional reasons, in 2018 the school year began in March for the 11,000 students in the western part of the country, whereas it should normally have begun at the start of February.

personal information on the users of health services treated at primary health care centers, with the priority on early childhood.

- 1.22 As a policy condition of the first operation, it was also agreed to strengthen SESAL's information systems, building in advanced technology to facilitate the digital entry of information. SESAL thus approved a plan for the digital capture of information from the Individual Vaccination System (SINOVA) using automatic character recognition technology based on recommendations from a field trial.
- 1.23 Lastly, as part of the effort to institutionalize information systems, in the first operation the SACE was designated as the official source for producing statistics for the monitoring and supervision of education sector targets, thereby strengthening the process of institutionalizing that system.
- 1.24 As the government has made it a priority to institutionalize and ensure the sustainability of the programs and interventions financed as part of the Estrategia "Vida Mejor" ["Better Life" Strategy] (EVM), this programmatic series seeks to support the adoption of policy measures to facilitate the replacement of external loan funds for ensuring the financial sustainability of the PBVM and institutionalizing service offerings complementary to it. The operational sustainability of the redistributive social protection programs will also be strengthened by optimizing social expenditure and the governance of information sharing in the social sector, promoting comprehensive care for families in extreme poverty. This operation will therefore also lay the groundwork for the design of a new project to support the social protection system, one that will finance consolidation of the comprehensive intervention model of the PBVM, health, education and other EVM interventions to be prioritized, using the updated information from the RUP and the strengthened governance and social information sharing model to reorient service offerings and thereby satisfy the many different needs of families in extreme poverty, promoting better coordination across the country.
- 1.25 **Vertical logic.** The vertical logic of this programmatic series is based on the institutional sustainability of redistributive social protection for the achievement of the ultimate development objectives. International evidence suggests that such redistributive interventions should be conceived as long-term efforts with a comprehensive approach. Such interventions must therefore shift in the direction of financing with national government resources, rather than resources from external sources, especially in the consolidation phase.²¹ This effort must be accompanied by better governance of social sector data and institutionalization of the services accompanying the redistribution strategies. An example of sourcing funds for the financing of redistribution programs can be found in Costa Rica, where a Social Development and Family Allowances Fund (FODESAF), similar to the FRP, has been established. The strength of the FODESAF lies in the predictability of the allocation of 80% of resources to redistribution programs,²² which has contributed to the sustainability of programs similar to the PBVM. Moreover, the structure of FODESAF has created

²¹ For an example of the risks involved in relying solely on external funding, see Moore, C. 2009. [Impact is Not Enough: Image and Sustainability in Nicaragua](#). Center for Inclusive Growth One Pager No. 79.

²² Law on FODESAF operations.

incentives for the introduction of tools for sustained monitoring and evaluation of social programs conducive to their continuous improvement.²³

3. Relationship to other Bank operations and lessons learned

- 1.26 This operation is part of a sequence of support that started with the Social Protection System Support Program I (loan 3371/BL-HO) and the Program to Support the Social Inclusion Network with Priority in Western Honduras (loan 3723/BL-HO). Since 2014, under the EVM, these two operations have contributed to the financing of the PBVM and the expansion of health and education service offerings in the poorest municipios of Honduras, as well as supported key tools for social policy management, such as the CENISS and SACE.
- 1.27 This operation is also related to the Program to Support Health Sector Reform (loan 4030/BL-HO) and the investment loan for the Project to Improve the Management and Quality of Maternal/Neonatal Health Services (loan 4619/BL-HO) which will support the Government of Honduras in implementing a Strategic Plan for Expanding and Extending the MGD, especially for expanding its coverage to the country's poorest municipios and consolidating financing from the government's own sources. This operation will support the Government of Honduras by enabling SESAL to begin the process of certifying health establishments and identifying and listing the beneficiary population in accordance with approved guidelines. This support will continue through investment loans 3723/BL-HO and 4619/BL-HO and the second phase of programmatic operation 4030/BL-HO.
- 1.28 This programmatic series is coordinated with the current investment operation in the education sector, Improving Educational Quality to Develop Skills for Employment: Project Youth (loan 4449/BL-HO), which seeks to improve educational quality in the third cycle of basic education. Whereas loan 4449/BL-HO targets its investments to teacher training and expanding the third cycle of basic education in the western part of the country, this programmatic series supports the government in bringing teachers within the SEDUC payroll (currently outsourced) through approval of the 2019-2022 Institutional Strategic Plan. This programmatic series will also support approval of the Inclusive Education Policy, as it relates to incorporating over-age students and those with disabilities.
- 1.29 **Lessons learned.** The execution of operations 3371/BL-HO and 3723/BL-HO has facilitated consolidation of the PBVM which, with Bank support, has shown strong evidence of its effectiveness through scientifically robust impact evaluations. The execution of those operations has sought to gradually incorporate domestic funding into financing for the PBVM, which has become firmly established in national policy with this programmatic series.
- 1.30 The execution of operations 3371/BL-HO and 3723/BL-HO has incorporated into their components the expansion of education and health services to support the redistributive social protection policy in the territories where the PBVM is operational. Operation 3371/BL-HO included the construction of 150 "middle schools" and the delivery of education services by IHER. During execution of those

²³ FODESAF monitoring indicators.

operations it became evident that dependence on external resources for the annual renewal of education service contracts made them vulnerable to delays in the start of classes, or to cancellation if external funding ran out. Operation 3723/BL-HO also included a component for implementing the MGD in the health area, and an unsuccessful attempt was made to verify the PBVM conditionalities through decentralized managers, something that could easily be done with an individualized information system. This led to the design of Component 3 of the programmatic series, which seeks to ensure sustainability in the delivery of services for the third cycle of basic education, as well as strengthen the MGD with criteria that will reinforce capabilities for managing health services.

- 1.31 The execution of operations 3371/BL-HO and 3723/BL-HO has resulted in the development of instruments for managing information in the social sector that ought to be strengthened through better governance and the development of digital tools with artificial intelligence to overcome the technological challenges. Implementation of the PBVM, for example, has been essential for creating the SACE, which today is a powerful tool for the individual tracking of students and management of education centers. In the health sector, an attempt was made to invest in monitoring measures external to SESAL, but SESAL never took them on board and they failed to garner support from the sector. Another attempted solution was to offer incentives for reporting information to the decentralized managers, but the effort to enter this information manually led to resignations of staff assigned to this task. These experiences suggest that adopting new artificial intelligence technologies would be a good idea, to capture information more efficiently. The cited operations also experienced delays in the delivery of services, because the institutions failed to share the necessary information, partly due to the lack of a clear policy on access to information among national government institutions. The fourth component of this second operation of the programmatic series will support the Government of Honduras in adopting technical solutions and policies that will facilitate information management and interagency coordination in the social sector.

4. Strategic alignment of the program

- 1.32 The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and strategically aligned with the development challenge of Social Inclusion and Equality through the eradication of extreme poverty by making health and education services accessible, reducing gender-based exclusion in education, and creating a more distributive fiscal policy in the tax area (intake of 3% of the general sales tax), as well as public expenditure targeting the lowest income quintiles of the population. The program is also aligned with the crosscutting area of Gender Equality and Diversity through increased access to maternal and women's health services. In addition, the program will contribute to the targets of the Corporate Results Framework 2016-2019 (document GN-2727-6) related to: (i) the poverty rate, and (ii) the Gini coefficient; and to the country development outcomes related to the number of beneficiaries of targeted antipoverty programs.
- 1.33 The operation is also consistent with the priority area of human capital accumulation in the IDB Group Country Strategy with Honduras 2019-2022 (document GN-2944), and specifically with its strategic objectives to: (i) reduce poverty and improve education and health services among the vulnerable population; (ii) improve the

quality and efficiency of public expenditure; and (iii) increase the coverage of specialized services for women. The program is included in the Update of the Annex III of the 2019 Operational Program Report (document GN-2948-2). The operation will contribute to the expected outcomes of reducing monetary poverty and improving the targeting of redistributive programs, through indicators of the monetary poverty index and the percentage of the FRP earmarked for programs subject to evaluation. It is also consistent with the following sector framework documents: (i) Social Protection and Poverty (document GN-2784-7) under Dimension of Success 4, "Consolidation of conditional cash transfer programs;" (ii) Health and Nutrition (document GN-2735-7) under Dimension of Success 4, "Promotion of intersector coordination for results;" and (iii) Education and Early Childhood Development (document GN-2708-5) under Dimension of Success 1, "Monitoring of educational services." The operation will also contribute to the strategic action focus on human capital of the Plan of the Alliance for Prosperity in the Northern Triangle (PAPTN) by working to improve nutrition and access to health services for mothers and children.

- 1.34 **Coordination with other donors.** One of the salient features of Bank projects supporting social policy in Honduras is the level of coordination with other international entities for technical and financial support. Investment project administration missions and high-level technical meetings are held jointly with the World Bank, and there is a single operations manual for the PBVM with the "no objection" of both banks. Additionally, to provide technical support in the process of revising the poverty measurement methodology, a technical committee was formed that includes the World Bank, the Economic Committee for Latin America and the Caribbean (ECLAC), and the IDB, establishing a program of necessary activities and supports from each institution to keep the process transparent and high-quality.

B. Objectives, components, and cost

- 1.35 The development objective of this programmatic series is to support the adoption of policy measures conducive to a reduction in extreme poverty among households in Honduras through the design and implementation of policies to improve the financial sustainability and efficiency of redistributive social protection spending, with an emphasis on human capital formation for children and adolescents, consolidation of the basic social welfare service offerings in health and education as a complement to redistributive programs, and strengthening of governance in information management and coordination capacity in the social sector. The objective of this second operation is to support the implementation of legal instruments approved during the first operation, thereby contributing to the objectives of the series. The adjustments to indicators described below will not affect achievement of the objectives of the programmatic series, so the Results Matrix targets at the impact and component outcome levels remain unchanged. The only changes have been to the output-level indicators tied to the scope of this second operation.
- 1.36 As a result of the first operation in the series, major progress was made with the structure of the FRP, which now has explicit funding allocations and rules for their use; the institutionalization of the MGD, which now has guidelines that will be used to certify the quality of health service delivery; and a strategy for incorporating

flexible modalities for education services into the SEDUC budget, promoting the sustainability of those services and the implementation of tools for better targeting of social programs through algorithms and poverty maps. Yet despite the commitment of the Government of Honduras to the reforms implemented, there are still challenges to be overcome that extend beyond the second operation in the programmatic series. The most important challenge is that the government must update its strategic vision for the PBVM and implement the necessary mechanisms to make it independent of external financing. Progress must also be made on fully incorporating flexible modalities for education services into the national budget and working to build consensus to lock in key gains and translate them into government policies that survive administrations.

1.37 **Component 1. Macroeconomic framework.** To ensure a stable macroeconomic context conducive to the program objectives and the guidelines established in the Sector Policy Letter.

1.38 **Component 2. Financial sustainability and efficiency in redistributive social protection.** The objective of this component is to support the adoption of policy measures by the Government of Honduras that contribute to predictable financing for the Programa “Bono Vida Mejor” [“Better Life Voucher” Program] (PBVM) and optimize the efficiency of social expenditure. This component has six conditions: minor clarifications were made in five of them in relation to the triggers designed into the programmatic series (a, b, c, e), and trigger (d) was changed. The conditions under this component are intended to:

a. **Strengthen the financial sustainability of the PBVM.** This second operation will verify that financing has been allocated from the Solidarity and Social Protection Fund for Poverty Reduction (FRP) for the PBVM to maintain the same number of participating households and months of payments, or exceed that number, in relation to the number of participating households covered by the PBVM in fiscal year 2018, and that the FRP Technical Committee has approved the allocation of at least 10% of FRP resources for financing of the PBVM, as established in Executive Decree 021/2018.²⁴ For reference, Tables 2 and 3 show the figures corresponding to 2018 and the distribution by source of financing, respectively.

Table 2. Number of Families and Amount Corresponding to 2018

	Urban		Rural		Amount (in lempiras)
	Households*	Lempiras	Households*	Amount (in lempiras)	
Total	40,956	174,038,380	210,763	859,872,095	1,033,910,475

In both the rural and urban domains, two payments were made in 2018, each for four months, paying a total of eight months.

* Households receiving at least one payment under the PBVM conditional cash transfer program in 2019.

²⁴ The reference amount paid in 2018 by the PBVM was 918 million lempiras, representing 251,719 households that received at least one transfer in 2018. Most of the families received two payments during the year, each for four months, receiving the value corresponding to eight months. The amount may vary for the same number of households, due to fulfillment of conditionalities and family structure. Note that the condition does not entail that the fund will be the only source of financing; rather, it will top up resources to meet the target described in the condition.

Table 3. Distribution by Source of Financing

2018			
Source	Urban	Rural	Total
	Percentage	Percentage	Percentage
FRP	100%	37%	48%
World Bank	0%	7%	6%
IDB	0%	56%	46%
Total	100%	100%	100%

- b. **Unify the urban and rural domains of the PBVM to facilitate its operational management.** This second PBP operation will implement the guidelines approved in the first operation for unifying the urban and rural domains of the PBVM through the design and approval of a new PBVM operations manual, which will define the unified processes. Specifically, steps must be taken to unify the processes of issuing payrolls, the process for solicitation and delivery of conditional cash transfers, the process for tracking and registration of coresponsibilities in the education component, and the scheme for operational simplification of the updating of demographic information on households.
- c. **Strengthen the operational deconcentration of the PBVM to optimize use of its resources.** The second operation in this programmatic series will seek to implement the guidelines for Comprehensive Care of Participants at the regional offices of the Office of the Deputy Secretary for Social Integration (SSIS) serving participants at the departmental level (16 offices), which will have resolved at least 30% of the cases presented in the last three months at each office. The percentage takes into account that this is a new process, and not all complaints submitted are necessarily related to the work of the offices.
- d. **Unify and institutionally strengthen the mechanisms for measuring poverty and inequality in Honduras.** In this second operation the High-level Committee will approve changes to the methodology for measuring poverty in Honduras, including: (i) the methodology for estimating the extreme and moderate poverty line, updated on the basis of the National Household Income and Expenditure Survey (ENIGH) for 1998 (or most recent available) and updated with inflation figures from the Central Bank to 2018; (ii) the decision to include the question on imputed income in the Ongoing Multipurpose Household Survey (EPHPM) survey and in the aggregate figure for income; (iii) the decision on the amended module for independent income in the EPHPM; and (iv) an annex with documentation on all the changes made to the methodology. Likewise, the standing Technical Committee must officially deliver the calculations and recommendations based on the updated methodology for at least the years 2014-2018 to the High-level Committee, so that the publication strategy can be determined for the new official figures, taking into account the changes to the questionnaire that will be administered in 2020. The policy condition in this case involves a change in relation to the trigger, which in the first operation was “approval and implementation of an updated methodology for measuring poverty and inequality and formal publication of findings by a designated lead agency for all official poverty indicators.” The condition was amended in relation to publication of the

results for all the poverty indicators set as a trigger, since the Technical Committee for Poverty Measurement decided it was necessary to make changes to the EPHPM questionnaire. Consequently, although the changes to the methodology will be approved in 2019, and the measurement of poverty will be defined for future years, the calculation of the final figures will depend on the information gathered from the amended survey in the year 2020. Thus, the corresponding condition for the second operation is, “The updated methodology for measuring poverty and inequality has been approved, and the standing Technical Committee has officially delivered the calculations and recommendations based on that methodology to the High-level Committee.” The fact that the questionnaire is amended also guarantees that the new methodology will apply to future calculations.

- e. **Optimize progressivity in the redistribution of public social spending.** In this second operation of the programmatic series, the master socioeconomic profile (FSU) will be implemented through a census of approximately 800,000 households, prioritized according to the poverty map, verifying the coverage of at least 70% of the number of poor households identified on that map at the department level (see Table 4), for which a poverty threshold was calculated using the new algorithm approved as part of the first operation in the programmatic series. The calculated threshold determines the eligibility of households to participate in social programs; nonpoor households according to the calculated threshold are removed from the list of PBVM participants.

Table 4. Geographic prioritization target for social program participants

Department	Poor households INE	Target 70% INE
Atlántida	65,060	45,542
Choluteca	68,621	48,034
Colón	42,867	30,007
Comayagua	76,909	53,836
Copán	64,739	45,317
Cortés	228,699	160,089
El Paraíso	73,025	51,118
Francisco Morazán	205,329	143,730
Gracias a Dios	-	-
Intibucá	37,107	25,975
Isla de la Bahía	-	-
La Paz	34,905	24,433
Lempira	55,728	39,010
Ocotepeque	26,046	18,232
Olancho	83,287	58,301
Santa Bárbara	77,234	54,064
Valle	26,461	18,522
Yoro	92,207	64,545
Total	1,258,244	880,756

- 1.39 A condition of this second operation will be that the eligibility of households to participate in social programs has been determined by the new algorithm approved for all households listed in the census from 2019 onward, and the surveys have been prioritized according to the income poverty map.

1.40 **Component 3. Consolidation of basic service offerings in redistributive social protection.** The objective of this component is to consolidate education and health service offerings accompanying the redistributive social protection policy. Of the four conditions of this component, one was unchanged (b), two were subject to minor clarifications (a, b), and one was changed to broaden the scope of the condition in relation to the trigger (c). The reforms under this component will make it possible to:

- a. **Ensure the sustainability of service offerings for the third cycle of basic education (“middle school”) by incorporating outsourced schools into the SEDUC budget.** This second operation will verify that the draft of the Income and Expenditure Budget Law submitted to the National Congress by the Executive Branch includes resources for hiring teachers at schools that will no longer be served by the Honduran Institute of Radio Education (IHER), according to the approved Institutional Strategic Plan 2019-2022. This involves a total of at least 32,420,000 lempiras to fund 156 teachers for 2020 in a budget line item of the SEDUC Operating Plan in the basic education subprogram at the identified central level. A clarification was made that the condition initially agreed upon does not seek approval of the budget by the assembly, but the agreed target will result in incorporation of 24.7% of the schools now served by the IHER, in comparison with the original Results Matrix target of 9.9%.
- b. **Promote human capital accumulation by making educational offerings more responsive to vulnerable population groups.** The Inclusive Education Policy, containing measures for enrolling over-age children and children with disabilities, and automatic enrollment of students completing sixth grade in seventh grade will be approved²⁵ under this second operation. Regarding the first group, the National Educational Information System Unit (USINIEH) within SEDUC will make the necessary adjustments to the system, to report the percentage of children in first grade who did not have to complete prebasic. Regarding the second group, with a view to strengthening access and retention of students with disabilities, SEDUC, acting through its Office of the Deputy Director General for Inclusive Education with USINIEH support, will promote the generation of indicators within the Education Centers Administration System (SACE) to identify, first and on a pilot basis, those students with physical and visual disabilities, who can then be served according to their learning needs. Lastly, regarding the third group, and in relation to the enrollment of students who complete sixth grade and move on to seventh grade, this transition will be facilitated, ensuring that the data recorded in the SACE for sixth-grade students can be automatically transferred to seventh grade, and the parents can select the educational center they prefer. The component will also verify that students have been admitted to basic education centers without the requirement of completing prebasic education, in accordance with the guidelines approved by SEDUC.
- c. **Guarantee the sustainability of the MGD in health.** The trigger for this second operation was the approval of new agreements as stipulated in the

²⁵ At this time, the Inclusive Education Policy is with the National Education Council. Moving it to approval will require action by the Government Coordinator.

“Guidelines for the Decentralized Management Model in Health,” approved in 2018. The trigger during the first operation was “the signing of new agreements for hiring managers in accordance with the approved guideline for improving implementation of the MGD.” On the basis of that document, SESAL was able to include the majority of the criteria set in those guidelines in the management agreements signed in 2018. Consequently, this second operation in the series will support implementation of guidelines corresponding to further progress in implementing the directive, such as: (i) preparation and approval of the rules for selecting decentralized managers; (ii) certification of at least five decentralized managers (at the first or second levels); and (iii) the survey of individualized information on the population covered by the MGD among 20%²⁶ of decentralized managers. The current condition is that “Implementation of the Decentralized Health Management Model in Health has been institutionalized through (i) approval of the rules for selecting decentralize managers, by ministerial order; (ii) certification of at least five decentralized managers, according to the approved mechanisms for certifying managers; and (iii) generation of individualized information on the population covered by the MGD among 20% of decentralized managers.”

- 1.41 **Component 4. Sustainability in the institutional coordination of the social sector.** The objective of this component is to support policy measures to strengthen the management and governance of information in the social sector. Policy measures will be adopted to strengthen social sector management through information exchange and access for monitoring and tracking compliance with targets. Of the four conditions of this component, two were subject to minor clarifications (a, b) and two were amended in relation to the trigger (c, d): one of these was changed to broaden the scope of the condition in relation to the trigger.
- 1.42 A policy condition for this second operation in the programmatic series will be the signing of at least three agreements among national government institutions in the social sector to share information according to the terms and conditions issued by the Institute for Access to Public Information (IAIP). These may include agreements signed between the CENISS and SESAL, SEDUC, SEDIS, and SCGG.
- 1.43 **Improve SESAL’s information management for monitoring and tracking sector objectives.** A condition for this second operation will be that the PBVM Technical Committee has approved the verification of health coresponsibilities, using information from the Individual Vaccination System (SINOVA) as validated by the sharing of records between the National Registry of Persons (RNP) and the Information Management Unit (UGI) of SESAL, in accordance with the agreement signed between SESAL and the RNP as a condition of the first operation. This involves a validation of the data through sharing of records between SESAL and the RNP.
- 1.44 **Modernize SESAL’s information management with emphasis on early childhood.** A condition of this second operation will be that the new artificial

²⁶ The 20% figure is equivalent to compiling individualized information for seven managers

intelligence technology for the digital capture of SINOVA has been installed and is operating in at least 27 SESAL information centers. This will involve effective implementation by personnel trained on the new software, access to tablets at the centers, availability of the form in the new format, and verification that the information is being loaded through the software in the 27 municipios. This condition has changed in relation to the trigger, which in this case was “the installation and operation of a new artificial intelligence technology for the digital capture of SINOVA at all of SESAL’s local health care facilities (municipios, departments, and leagues of municipios).” However, the Expanded Immunizations Program (PAI) asked for an additional vaccine to be added to the software application and the immunizations form, requiring adjustments to the tool that delayed the pilot, which was rescheduled for later in the year. The implementation at 27 information centers will be done in the Department of Francisco Morazán, which has features allowing the technology to be adjusted, once been proven in the field. The current condition is that “the new artificial intelligence technology for the digital capture of SINOVA has been installed and is operating in at least 27 SESAL information centers.” Notably, during the first operation, it was understood that the trigger could vary depending on the outcome of the pilot project, and that nationwide implementation would be backed by an implementation plan approved by ministerial order and published in the Official Gazette as part of the first operation in the programmatic series. The 27 centers represent 9.1% of the total.

- 1.45 **Institutionalize the SACE for monitoring and tracking targets in the education sector.** This condition expanded the expected scope during the design of the first operation: the trigger was that “authorities of all the country’s departments (18) and at least 35 central units will consult SACE information via approved online user access.” However, SESAL showed progress on achieving this indicator, and by March 2018 had already completed the majority of the target, so the target was increased. The current condition is that “authorities of all the country’s departments (18) and at least 35 central units, 100 municipal directorates, and 8 district directorates will consult SACE information via approved online user access.”

C. Key results indicators

- 1.46 **Results Matrix.** The Results Matrix identifies the expected outputs and outcomes from implementation of policy measures geared toward strengthening the redistributive social protection policy in Honduras. In terms of ultimate development objectives, the impact indicator for this operation is the extreme poverty index, which the Government of Honduras expects to reduce from 40.7% to 38.6% during the current administration’s term in office. The outcome indicators measure progress on implementation of the reform at the national level, for example: the percentage of the FRP that will be earmarked for financing the PBVM, the number of departments where the PBVM will be operationally deconcentrated, the number of redistributive programs adopting the poverty map for their geographic targeting, the percentage of IHER-served schools taken on by SEDUC, and the number of requests for social sector information handled by the IAIP. The outputs include progress on implementing the policies approved through the first operation. In 2018, major progress was made on two outcome indicators: first, the percentage of the FRP executed as a minimum for the PBVM surpassed the final target, reaching

more than 20%; and second, the number of departments where the PBVM operates that are applying operational deconcentration strategies met the target of 17 departments. The outputs detailed in the Policy Matrix (Annex II) specify actions to implement rules and policies approved during the first individual operation in the series.

- 1.47 **Economic analysis.** Based on recommendations of the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects,²⁷ and the results of the Review of Good Practice Standards for the Evaluation of Policy-based Lending, prepared by the Evaluation Cooperation Group (ECG) comprised of the independent evaluation offices of multilateral development banks,²⁸ as described in paragraph 1.3 of the Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations (document GN-2489-5), indicating, inter alia, that there is no need to include an analysis of efficiency in the use of financial resources,²⁹ it was decided not to perform an economic analysis for loans of this type, as reported to the Bank's Board of Executive Directors. Thus, this operation does not include an economic analysis and, consequently, the economic analysis is not considered for purposes of measuring the evaluability score in this program's Development Effectiveness Matrix (DEM).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation was designed as a programmatic policy-based loan (PBP) and is the second of a series of two individual operations. Its structure is consistent with the guidelines established in document CS-3633-2, "Policy-based Loans: Guidelines for Preparation and Implementation. Update." The programmatic modality is appropriate in this context, as it offers flexibility and can provide feedback to the reform from the lessons learned during execution, so as to consolidate the gains made by the country based on the investments made in support of the redistributive social protection policy in Honduras. This modality makes it possible to accompany and support, in the medium-term, the strategy for redistributive social protection reform in the areas of financial sustainability, the efficiency of social spending, consolidation of health and education offerings, and governance for institutional coordination. That reform has technical and coordination elements that justify the choice of the programmatic instrument to support its implementation.
- 2.2 This second operation will be for US\$59.5 million with a single disbursement. The financing has been dimensioned in accordance with criterion (b) of paragraph 3.27

²⁷ Document RE-397-1. "Currently, economic analysis section is computed as the maximum between the CBA [cost-benefit analysis] and the CEA [cost-effectiveness analysis]. Yet neither a CBA nor a CEA is applicable to PBLs."

²⁸ "Good Practice Standards for the Evaluation of Public Sector Operations." Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.

²⁹ The Evaluation Cooperation Group calls for policy-based loans to be evaluated for relevance, effectiveness, and sustainability. Efficiency was not included as a criterion because policy-based loans are sized according to the country's financing gap, independent of project benefits.

of document CS-3633-2, relating to the country's fiscal resource needs. In this regard, the Ministry of Finance projects a 2019 deficit equivalent to 3.3% of GDP for the central administration, and external financing requirements of US\$450 million.³⁰ This operation would cover 7.3% of the central government's net financing requirements, and 13.2% of external financing.

B. Environmental and social safeguard risks

- 2.3 Pursuant to Directive B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), the loan does not require classification. The social impact of the program's policy measures is expected to be positive.

C. Fiduciary risks

- 2.4 No fiduciary risks are identified for the operation. The proceeds of this operation will go directly into the treasury account, to cover the financing requirements of the national government, for which the executing agency has the necessary financial management instruments and control systems.

D. Other key risks and issues

- 2.5 A project risk identification workshop updated the risks identified through the first operation that could cause delays in meeting the objectives of the programmatic series. The risks in this second operation are concentrated more in the areas of public management and governance, including the following seven public management risks: (i) a medium risk that, due to a change of authorities, the project logic may have to be revisited, and fulfillment of the conditions of the loan could be delayed; (ii) a medium risk that, due to interagency coordination problems, fulfillment of the conditions requiring such coordination may be delayed; (iii) a high risk that, due to delays in the internal approval processes of each ministry, the documents necessary for fulfillment of the conditions of the operation may not be signed; (iv) a medium risk that the [means of verification](#) delivered by the government will not be consistent with the policy conditions stipulated in the contract; (v) a high risk that, due to a lack of technical staff in information systems (SACE, CENISS, SINOVA, SIG, INE), there could be delays in the flow of information necessary for fulfillment of the corresponding information management condition; (vi) a high risk that, due to the sector disputes that occurred in May within the Ministry, there will be delays in fulfillment of the conditions relating to health; and (vii) a high risk that, due to the lack of knowledge and experience with deconcentration processes, implementation of the process of decentralizing the PBVM could be delayed.
- 2.6 As a mitigation measure for the first three risks, the monitoring forum created under the first operation, which has yielded good results, will continue to meet monthly. The monitoring forum is led by the Ministry of General Government Coordination (SCGG) with support from the Ministry of Finance (SEFIN), which tracks progress on the fulfillment of conditions, alerting and meeting with Bank specialists when their involvement is necessary to solve problems. In relation to the fourth risk, the government has agreed to deliver the means of verification at an early stage, to maintain a single source of information, and have its legal team

³⁰ Ministry of Finance. Medium-term Fiscal Framework 2019-2022, accessible at: <http://www.sefin.gob.hn/wp-content/uploads/2018/05/MMFMP2019-2022.pdf>.

- conduct a prior review to promptly identify any error or discrepancy with respect to the conditions stipulated in the contract. In relation to the fifth risk, the Bank will commission two specific consulting engagements to support the monitoring and fulfillment of conditions in the areas at greatest risk of a lack of technical staff. The sixth risk became evident in the June antigovernment protest marches: the Government of Honduras has launched roundtable discussions to reach agreements with the education and health sectors, and the Bank will make itself available to participate as an independent third party with respect to technical information relating to Bank investments in the Decentralized Management Model (MGD) or the flexible education mechanisms. In relation to the seventh risk, the SCGG will closely monitor the decentralization process by commissioning an operational evaluation of the process.
- 2.7 Lastly, a medium development risk was identified that the necessary calculations cannot be made, due to problems with the database. As a mitigation measure for this risk, the Technical Committee on measurement will step up its efforts to clean up the data, so as to have a calendar for monitoring and early warning to take action.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower is the Republic of Honduras. The executing agency will be the Ministry of Finance (SEFIN), acting through the Directorate-General of Public Credit. The Adjunct Coordination Office of the Social Portfolios Council of the Ministry of General Government Coordination (SCGG) will be responsible for coordinating the design and implementation of the reforms, promoting actions to achieve the objectives of this operation of the programmatic policy-based loan (PBP). SCGG, together with SEFIN, will deliver reports and evidence of fulfillment of the policy conditions. For this, they will coordinate with the Ministry of Development and Social Inclusion (SEDIS), the Ministry of Health (SESAL), the Ministry of Education (SEDUC), and the National Center for Social Sector Information (CENISS), which will be responsible for fulfillment of the policy conditions.
- 3.2 **Special contractual conditions precedent to the sole disbursement of the loan proceeds. The sole disbursement of the loan proceeds will be contingent on fulfillment of the policy reform conditions, as established in the Policy Matrix (Annex II) and the [Policy Letter](#), as well as the contractual conditions established in the loan contract.**

B. Summary of arrangements for monitoring results

- 3.3 The program will be monitored through verification of the disbursement conditions described in the Policy Matrix (Annex II) and the Results Matrix (Annex III), utilizing the [Means of Verification Matrix](#). The outcomes of the reforms will also be monitored through the indicators given in the Results Matrix. Achievement of the output indicators will be verified with the detailed information in the Means of Verification Matrix, which contains all the actions to be implemented in the program, the entities responsible for completing those actions, and the specific information enabling the Bank to verify their completion. The outcomes of the

policy changes pursued will be monitored through information on achievement of those indicators generated by institutional reports or administrative systems of SCGG, SEFIN, SEDIS, SESAL, SEDUC, CENISS, and the Institute for Access to Public Information (IAIP).

- 3.4 The impact indicators for monetary poverty must be calculated from the Ongoing Multipurpose Household Survey (EPHPM) conducted by the National Statistics Institute (INE) and processed by the SGCC. Project outcomes will be evaluated as part of the project completion report (PCR), which will be prepared jointly for the two operations, 12 months after the end of the second operation, and subsequently through the EPHPM reports. There are no plans for any additional ex post evaluation of the operation beyond the PCR.

IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the commitment of the Government of Honduras to the policy reform measures that Honduras has proposed for achieving the program's objectives.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity	
Country Development Results Indicators	-Students benefited by education projects (#)* -Beneficiaries receiving health services (#)* -Beneficiaries of targeted anti-poverty programs (#)* -Children receiving early childhood development services targeted to the poor (#)* -Public registries strengthened (#)* -Accountability institutions strengthened (#)* -Crime information systems strengthened (#)*	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2944	(i) Reduce poverty and improve education and health services in the vulnerable population; (ii) Increase in the coverage of specialized services for women; (iii) Improve the quality and efficiency of public expenditure.
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		
3. Evidence-based Assessment & Solution		Evaluable
		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		N/A
5. Monitoring and Evaluation		5.9
5.1 Monitoring Mechanisms		1.4
5.2 Evaluation Plan		4.5
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		B.13
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, External Control.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System, Statistics 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 Support Program for Reforms in Social Protection II is the second in a programmatic series whose objective is to support the adoption of policy measures that lead to the reduction of extreme poverty in Honduran households. This operation supports the implementation of the legal instruments approved in the first operation. The specific objectives of the second operation are (i) to design and implement policies aimed at improving the financial sustainability and efficiency of redistributive social protection spending with emphasis building human capital of children and adolescents, (ii) consolidation of the supply of basic services of social protection in health and education that complement the redistributive programs and (iii) strengthening the governance of information management and coordination capacity in the social sector. The loan proposal presents a solid diagnosis, as well as evidence of the effectiveness of the interventions supported by the policy reform, specifically the PBMV conditional cash transfer program. The results matrix has a clear logic and includes SMART indicators at the level of impacts, outcomes and outputs. The monitoring of the results of the policy changes will be carried out through information generated by institutional reports or administrative systems of the SCGG, SEFIN, SEDIS, SESAL, SEDUC, CENISS and IAIP. The monitoring and evaluation plan proposes: i) monitoring and follow-up of indicators in the results matrix ii) a pre-post evaluation complemented with qualitative interviews of key personnel. The overall risk of the program is medium, and risks are primarily associated with delays in compliance, approval or implementation of conditions. Mitigation measures were identified for each risk.

POLICY MATRIX

Components/ Policy objectives	Policy conditions (Programmatic loan II)	Fulfillment status of Programmatic loan II* conditions
Component 1. Macroeconomic framework		
1. Stability of the general macroeconomic policy framework.	1.1.1. A stable macroeconomic context is maintained that is conducive to the program objectives and the guidelines established in the Sector Policy Letter.	Fulfilled
Component 2. Financial sustainability and efficiency in redistributive social protection		
2.1. Strengthen the financial sustainability of the Programa “Bono Vida Mejor” [“Better Life Voucher” Program] (PBVM).	2.1.1. Resources have been allocated from the Solidarity and Social Protection Fund for Poverty Reduction (FRP) so that the PBVM maintains the same number of participating households and months of payments, or exceeds that number, in relation to the number of participating households covered by the PBVM in fiscal year 2018.	Pending fulfillment (Q4 2019)
	2.1.2. The FRP Technical Committee has approved the allocation of at least 10% of FRP resources for financing of the PBVM, as established in Executive Decree 021/2018.	Pending fulfillment (Q4 2019)
2.2. Unify the urban and rural domains of the PBVM program to facilitate its operational management.	2.2.1. A new operations manual for the PBVM has been designed and approved, reflecting the general guidelines for unifying the urban and rural domains of the PBVM, as approved in the first operation.	Pending fulfillment (Q4 2019)
2.3. Strengthen the operational deconcentration of the PBVM, to optimize use of its resources.	2.3.1. Guidelines are being implemented for comprehensive care of participants at the offices of the Deputy Secretary for Social Inclusion (SSIS) serving participants at the departmental level.	Fulfilled (Q3 2019)
2.4. Unify institutionally and strengthen the mechanisms for measuring poverty and inequality in Honduras	2.4.1. The updated methodology for measuring poverty and inequality has been approved, and the standing Technical Committee has officially delivered the calculations and recommendations based on that methodology to the High-level Committee.	Pending fulfillment (Q4 2019)
2.5. Optimize progressivity in the redistribution of public social spending by updating the identification of potential participants and geographic criteria in social programs with selection criteria based on monetary poverty and/or geographic prioritization.	2.5.1. The eligibility of households to participate in social programs has been determined by the new algorithm approved for all households listed in the census from 2019 onward, and the surveys have been prioritized according to the income poverty map.	Pending fulfillment (Q4 2019)

* This information is merely indicative at the date of this document. As established in document GN-3633-2 (Policy-based Loans, Guidelines for Preparation and Implementation), compliance with all the conditions specified for the disbursement, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank at the time the borrower requests the respective disbursement, and will be duly reflected in the memorandum of eligibility for disbursement.

Components/ Policy objectives	Policy conditions (Programmatic loan II)	Fulfillment status of Programmatic loan II* conditions
Component 3. Consolidation of basic service offerings in redistributive social protection		
3.1. Ensure the sustainability of service offerings for the third cycle of basic education ("middle school") by incorporating outsourced schools into the Ministry of Education budget.	3.1.1. The draft Budget Law of the Republic includes resources for hiring teachers at schools that will no longer be served by the Honduran Institute of Radio Education (IHER), according to the approved Institutional Strategic Plan 2019-2022, and has been submitted to Congress.	Fulfilled (Q3 2019)
3.2. Promote human capital accumulation by making educational offerings more responsive to vulnerable population groups.	3.2.1. The Inclusive Education Policy has been approved, containing measures for enrollment of over-age children and children with disabilities, and automatic enrollment of students completing sixth grade in seventh grade.	Fulfilled (Q3 2019)
	3.2.2. Students are being admitted to basic education centers without the requirement of completing prebasic education, in accordance with the guidelines approved by SEDUC	Fulfilled (Q1 2019)
3.3. Guarantee the sustainability of the Decentralized Management Model (MGD).	3.3.1. Implementation of the Decentralized Management Model in Health has been institutionalized through: -Approval of the rules for selecting decentralize managers, by ministerial order; -Certification of at least five decentralized managers (at the first or second levels), according to the approved mechanisms for certifying managers; -Generation of individualized information on the population covered by the MGD among 20% of decentralized managers.	Fulfilled (Q3 2019)
Component 4: Sustainability in the institutional coordination of the social sector		
4.1. Strengthen social sector management through information exchange and access for monitoring and tracking compliance with targets.	4.1.1. At least three agreements have been signed among national government institutions in the social sector to share information according to the terms and conditions issued by the Institute for Access to Public Information (IAIP).	Fulfilled (Q3 2019)
4.2. Improve SESAL's management of personalized information for monitoring and tracking sector objectives.	4.2.1. The PBVM Technical Committee has approved the verification of health coresponsibilities, using information from the Individual Vaccination System (SINOVA) as validated by the sharing of records between the National Registry of Persons (RNP) and the Information Management Unit (UGI) of SESAL in accordance with the agreement signed between SESAL and the RNP.	Fulfilled (Q3 2019)
4.3. Modernize SESAL's information management with emphasis on early childhood.	4.3.1. The new artificial intelligence technology for the digital capture of SINOVA has been installed and is operating in at least 27 SESAL information centers.	Fulfilled (Q3 2019)
4.4. Institutionalize the Education Centers Administration System (SACE) for monitoring and tracking targets in the education sector.	4.4.1. Authorities of all the country's departments (18) and at least 35 central units, 100 municipal directorates, and 8 district directorates will consult SACE information via approved online user access.	Fulfilled (Q2 2019)

RESULTS MATRIX

Project objective:	The development objective of this programmatic series is to support the adoption of policy measures conducive to a reduction in extreme poverty among households in Honduras, through the design and implementation of policies to improve the financial sustainability and efficiency of redistributive social protection spending, with an emphasis on human capital formation for children and adolescents, consolidation of the basic social welfare service offerings in health and education as a complement to redistributive programs, and strengthening of governance in information management and coordination capacity in the social sector. The objective of this second operation is to support the implementation of legal instruments approved during the first operation, thereby contributing to the objectives of the series.
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Indicators	Unit of measure	Baseline	Base year	Final target (2019)	Means of verification	Comments
IMPACT 1: Reduction in extreme poverty						
Monetary extreme poverty index	Percentage	40.7%	2017	38.6%	This indicator is a projection by the Ministry of General Government Coordination in the context of defining government goals for the period 2018-2022. The information source will be the rate of extreme poverty calculated by the INE each year on the basis of the Ongoing Multipurpose Household Survey (EPHPM).	
Outcome 1: Increase in coverage of antipoverty programs						
Percentage of the Solidarity and Social Protection Fund for Poverty Reduction (FRP) executed as a minimum for the Programa "Bono Vida Mejor" ["Better Life Voucher" Program] (PBVM)	Percentage	4.7%	2017	10%	In 2017 the FRP allocated to the PBVM-240 million Lempiras out of a total of 5,059 million in the Fund. // Means of verification: report from the Integrated Financial Administration System (SIAFI) of the Ministry of Finance (SEFIN) with allocation and budgetary execution of the PBVM.	
Number of departments where the PBVM operates that are applying operational deconcentration strategies	Number	4	2017	17	The base adopted is the 17 departments where the PBVM operates in urban and rural zones. // Means of verification: Report of the Office of the Deputy Secretary for Social Integration (SSIS) certifying the number of departmental or community offices implementing the deconcentration strategy.	
Number of households with an updated targeting algorithm	Number	0	2017	15,000	The National Center for Social Sector Information (CENISS) is responsible for applying the algorithm. Means of verification: Report of the Management Information System (SIG) showing participants who have entered with the updated algorithm.	

Indicators	Unit of measure	Baseline	Base year	Final target (2019)	Means of verification	Comments
Number of geographically targeted social sector programs that have adopted the updated poverty map	Number	0	2017	3	The adoption takes place through the instrument that the program has stipulated for amending its targeting criteria. // Means of verification: Report of the Ministry of General Government Coordination (SCGG) with identification of programs that use geographic targeting and adopt the updated poverty map.	
Outcome 2: Reduced leakage from antipoverty programs						
Percentage of PBVM participants whose health coresponsibility has as information sources digital links with the Individual Vaccination System (SINOVA)	Percentage	0%	2017	60%	Co-responsibility in health is verified with the SINOVA information source that determines compliance. // Means of verification: SIG report with the balance of the verification of health coresponsibilities with the SINOVA.	
Percentage of schools run by the Honduran Institute for Radio Education (IHER) that have been directly taken over by the Ministry of Education (SEDUC) in middle school	Percentage	0%	2017	9.9%	The total of middle schools covered by the IHER is 275. // Means of verification: SEDUC report on schools taken over with teachers from the SEDUC payroll: a school is deemed to be "taken over" when all the teachers handled through the IHER become staff of the SEDUC.	
Outcome 3: Better targeting of antipoverty programs						
Number of requests for information exchange in the social sector that are accepted by the Institute for Access to Public Information (IAIP)	Number	0	2017	3	Means of verification: IAIP report with certification of requests handled between entities of the social sector.	
Component 2. Financial sustainability and efficiency in redistributive social protection						
SSIS report on the number of participating households	Report	0	2018	1	SSIS report on the number of participating households, including rural and urban households under the PBVM in 2018 or the year prior to disbursement; calculation of the amount transferred to the PBVM for 2019 or the year corresponding to the disbursement; assuming that there is sufficient financing to maintain the number of participating households and at least the number of months paid in the previous year. The report will add: (i) the amount transferred in Lempiras from the FRP allocated to the PBVM; and (ii) a summary of payments to participants issued by the SIG, with the number of urban and rural households	

Indicators	Unit of measure	Baseline	Base year	Final target (2019)	Means of verification	Comments
Allocation of sufficient resources to maintain coverage of the PBVM	Minutes	0	2018	1	Minutes of the Technical Committee approving reallocation of resources to the PBVM. Those resources must total at least 10% of the fund's overall resources.	
PBVM operations manual	Manual	0	2018	1	<p>PBVM operations manual approved by the Technical Committee, reflecting the general guidelines approved for unifying the urban and rural domains of the PBVM, including unification of:</p> <ul style="list-style-type: none"> - the process of issuing pay schedules. - the process of delivering conditional cash transfers (delivery may vary in accordance with the availability of payment mechanisms in each area). - process of monitoring and recording coresponsibilities in the education component. - scheme for operational simplification in updating demographic information on households (giving priority to the process of incorporating children from existing households). 	
Report verifying resolution of at least 30% of the cases presented in each office	Report	0	2018	1	SSIS report on implementation of the guidelines for "care of participants" in 16 service offices, through evidence that at least 30% of cases presented in each office have been resolved (considering offices that have at least 10 cases presented in the three months prior to generation of the report).	
Minutes of the High-level Committee on Poverty Measurement	Minutes	0	2018	1	<p>Minutes of the High-level Committee on Poverty Monitoring approving: (i) the methodology for estimating the updated extreme and moderate poverty lines, on the basis of the 1998 National Income and Expenditure Survey (ENIGH) (or the last available ENIGH) and adjusted for inflation with data from the Central Bank to 2018; (ii) the decision to include the question on imputed rent in the Ongoing Multipurpose Household Survey (EPHPM) and in aggregate income; (iii) the decision on the amended module of independent income in the EPHPM; and (iv) attached documentation on all adjustments made to the methodology.</p> <p>Calculations based on the new methodology for at least 2014-2018 presented to the High-level Committee to determine the publication strategy for new official figures, taking into account the changes to the questionnaire that will be administered in 2020.</p>	

Indicators	Unit of measure	Baseline	Base year	Final target (2019)	Means of verification	Comments
Number of households listed in the census.	Household	0	2018	800,000	Note from CENISS verifying 70% of households covered by the census (approximately 800,000 households), with poverty threshold calculated with the new algorithm by department as a percentage of poor households in relation to the corresponding table. The threshold calculated determines households' eligibility to participate in social programs.	
Component 3. Consolidation of basic service offerings in redistributive social protection						
Allocation of sufficient funds (lempiras) for SEDUC to hire IHER teachers	Number	0	2018	32,420,000	Note from SEFIN indicating links to the draft survey of incomes and expenditures published at the SEFIN website, which includes a total of at least, 32,420,000 Lempiras to finance 156 teachers in 2020, under a budget line indicated in accordance with provisions of the Institutional Strategic Plan.	
Inclusive Education Policy approved	Policy	0	2018	1	Inclusive Education Policy approved by the National Education Council and by executive decree.	
SACE report containing the percentage of children in the system who are in first grade and have not had to take the prebasic course	Report	0	2018	1	SACE report containing the percentage of children in the system who are in first grade and did not have to take the pre-basic course.	
Ministerial order approving the rules for selecting decentralized managers	Ministerial order	0	2018	1	Ministerial Order approving the rules for selecting decentralized managers. SESAL report verifying certification of at least five decentralized managers (at first or second level).	
Personalized information on 20% (7 managers) of decentralized managers	Agreement	0	2019	7	Note from SESAL with files containing personalized information on 20% of decentralized managers (seven managers), including name, surname, address, age and sex	
Certification of at least five decentralized managers	Number of decentralized among managers certified	0	2019	5		

Indicators	Unit of measure	Baseline	Base year	Final target (2019)	Means of verification	Comments
Component 4. Sustainability in the institutional coordination of the social sector						
Interagency agreements signed for the exchange of information	Agreement	0	2018	3	Interagency agreements signed for the exchange of information between: - CENISS-SESAL - CENISS-SEDUC - CENISS-SEDIS - CENISS-SCGG	
Verification of coresponsibilities in health with the use of information from the Individual Vaccination System (SINOVA)	Minutes	0	2018	1	Minutes of the PBVM Technical Committee with verification of health coresponsibilities using information from the Individual Vaccination System (SINOVA) validated by the exchange of records between the RNP and the Information Management Unit (UGI) of SESAL pursuant to the agreement signed between SESAL and RNP.	
Implementation of the artificial intelligence solution at 27 service centers	Number of service centers	0	2018	27	SESAL report verifying implementation of the solution at 27 service centers. Implementation must verify that each center has: Personnel trained on the new software (signed list of personnel). Access to tablets (delivery receipts). Information loaded through the software (system Report on information loaded for each center). Availability of the form in the new format at all health institutions of the 27 municipios (note confirming receipt). Performance indicators for each service center.	
Number of institutional units making routine use of the SACE	Number of users	0	2018	161	Records on access to the SACE database over the three months prior to issuance of the report. The report must include the names of the units included in it.	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Honduras. Loan ____/BL-HO to the Republic of Honduras
Program to Support Social Protection Reforms II

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 Program to Support Social Protection Reforms II. Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$38,675,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$20,825,000, 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 ____ 2019)