

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

**PROGRAM TO SUPPORT THE COMPREHENSIVE SOCIAL PROTECTION
SYSTEM II**

(HO-L1230)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Lesley O'Connell (SPH/CHO), Project Team Leader; Luis Tejerina (SCL/SPH), Alternate Project Team Leader; Patricia Jara (SPH/CCH); Alexandre Bagolle (SPH/CUR); Hugo Godoy (SPH/CHO); Beatrice Fabiani, Sheyla Silveira, and Vanessa Curran (SCL/SPH); Nidia Hidalgo (SCL/GDI); Ela Díaz (EDU/CHO); Pablo Kuri (SCL/GDI); Mariana Alfonso (CSD/CCS); Gines Suarez (CSD/RND); Christian Contin and María Cecilia del Puerto (VPC/FMP); Bessy Romero (CID/CHO); Jordi Prat (CID/CID); Ana Victoria de Obaldía (CID/CPN); and María Cristina Landázuri (LEG/SGO).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

INDEX

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	1
A.	Background, problem addressed, and rationale.....	1
B.	Objectives, components, and cost.....	10
C.	Key results indicators	14
II.	FINANCING STRUCTURE AND MAIN RISKS.....	15
A.	Financing instruments	15
B.	Environmental and social safeguard risks.....	16
C.	Fiduciary risks	16
D.	Other key issues and risks.....	17
III.	IMPLEMENTATION AND MANAGEMENT PLAN	17
A.	Summary of implementation arrangements	17
B.	Summary of arrangements for monitoring results	19
C.	Post-approval design activities	20

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
1.	Multiyear execution plan
2.	Monitoring and evaluation plan
3.	Procurement plan

OPTIONAL LINKS	
1.	Project economic analysis
2.	Climate change and environmental sustainability
3.	Bibliography
4.	IDB Support for Social Protection in Honduras
5.	Manual of Administrative, Executive, and Financial Processes for Conditional Cash Transfers under the Solidarity Network Program
6.	Program Operating Regulations
7.	Environmental and Social Safeguard Screening Form

ABBREVIATIONS	
AIN-C	Atención Integral de la Niñez en la Comunidad [Comprehensive Childhood Care in the Community Strategy]
BANADESA	Banco Nacional de Desarrollo Agrícola
BANHPROVI	Banco Hondureño para la Producción y la Vivienda
CCT	Conditional cash transfer
CUS	Comité de Usuarios de Salud [Health users' committee]
EPHPM	Encuesta Permanente de Hogares de Propósitos Múltiples [Permanent Multipurpose Household Survey]
FFF	Flexible Financing Facility
FSU	Ficha socioeconómica única [master socioeconomic profile]
NPV	Net present value
OC	Ordinary Capital
ODS	Observatorio de Desarrollo Social [Social Development Observatory]
PCU	Project coordination unit
PROASOL	Programa de Acción Solidaria [Solidarity Action Program]
PRS	Programa de la Red Solidaria [Solidarity Network Program]
SEDESOL	Ministry of Social Development
SIRBHO	Sistema de Registro de Hogares Beneficiarios de Honduras [Honduran Register of Beneficiary Households]
SIRES	Sistema de Información de la Red Solidaria [Solidarity Network Information System]
SOFR	Secured Overnight Financing Rate
SPS	Sistema de Protección Social [Social Protection System]
TMV	Transferencias Monetarias para la resiliencia de Hogares Vulnerables [cash transfers to boost the resilience of vulnerable households]

PROJECT SUMMARY
HONDURAS
PROGRAM TO SUPPORT THE COMPREHENSIVE SOCIAL PROTECTION SYSTEM II
(HO-L1230)

Financial Terms and Conditions			
Borrower:	Source	%	Amount (US\$)
Republic of Honduras	IDB (Regular OC):	65	49,335,000
Executing agency:	IDB (Concessional OC):	35	26,565,000
Programa de la Red Solidaria [Solidarity Network Program] (PRS)	Total:	100	75,900,000
	Regular OC (FFF) ^(a)		Concessional OC
Amortization period:	25 years		40 years
Disbursement period:	4 years		
Grace period:	5.5 years ^(b)		40 years
Interest rate:	SOFR-based		0.25%
Credit fee:	(c)		N/A
Inspection and supervision fee:	(c)		N/A
Weighted average life:	15.25 years		N/A
Approval currency:	U.S. dollar		
Project at a Glance			
Project objective/description: The program’s general objective is to improve living conditions for households in areas with high levels of extreme poverty, while also promoting their human capital development and self-management capabilities. The specific objectives are to (i) increase the minimum income of participating households and protect it against external shocks; (ii) improve the self-management capabilities of households and communities; (iii) improve the use and supply of health and nutrition services for women (particularly for young pregnant women) and young children (ages 0-6); (iv) expand the use and supply of basic education services, encouraging children to complete lower secondary education (grades 7 to 9); (v) increase the use and availability of services to support young people (ages 14 to 19); and (vi) strengthen the social protection system and the supply of priority services in target areas.			
Special contractual conditions precedent to the first disbursement of the loan: (i) executing agency approval of the program Operating Regulations , in accordance with the terms previously agreed with the IDB; (ii) creation of a technical operating group with representatives of the executing agency, Ministry of Social Development, Solidarity Action Plan, Ministry of Health, and Ministry of Education; (iii) signing of interagency agreements between the executing agency and the Ministry of Health and between the executing agency and the Ministry of Education; (iv) the coordination unit in the executing agency has at least the following for program execution: (i) a coordinator; (ii) a financial specialist; (iii) a procurement specialist; (iv) a head of monitoring and evaluation; and (v) a head of gender and diversity analysis (paragraph 3.5).			
The following will be special contractual conditions for execution: to disburse resources for (i) the conditional cash transfers provided for under Subcomponent 1.1, approval of the Manual of Administrative, Executive, and Financial Processes for Conditional Cash Transfers under the Solidarity Network Program; (ii) for the cash transfers to boost the resilience of vulnerable households planned under Subcomponent 1.2, approval of the operating rules for these transfers (paragraph 1.29); (iii) for transfers to the health users’ committees, approval of the handbooks for these committees (paragraph 1.35); and (iv) for transfers to parents’ associations, approval of the handbooks for these associations (paragraph 3.6).			
Exceptions to Bank policies: None.			
Strategic Alignment			
Challenges: ^(d)	SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take prevailing market conditions and operational and risk management considerations into account, as well as the loan's level of concessionality 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 the relevant policies.

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

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

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 Over the course of 2020, Honduras was hit not only by the COVID-19 pandemic ([COVID-19 Situation](#)) but also by two Category 4 hurricanes (Eta and Iota). These events led to a sharp drop in economic activity in the country, with an annual contraction of 9%, and this pushed the nonfinancial public sector deficit up to 5.5% of GDP. The economy recovered rapidly in 2021, with growth of 12.5%. This positive economic performance in 2021 was reflected in a substantial improvement in revenue and a nonfinancial public sector deficit that was 1.7 percentage points below the projected level in the International Monetary Fund (IMF) program, standing at 3.7% of GDP. The outlook for 2022 remains uncertain, due primarily to the macroeconomic impact of the conflict between Russia and Ukraine. Nonetheless, economic growth is expected to reach between 4.0% and 4.5% of GDP, largely due to external demand and family remittances. In the fiscal sphere, an NFPS deficit of around 3.3% of GDP is expected (below the new ceiling of 4.9%) due to rising tax revenues and continued weakness in expenditure execution. Despite the changes that have been made, the authorities have shown their commitment to safeguarding fiscal sustainability in the medium term.
- 1.2 As a result of these shocks, which halted commercial and labor activities and public service delivery in the country, monetary poverty rose from 59.3% to 73.7% between 2019 and 2021 (14.4 percentage points). Extreme poverty deepened, rising from 36.7% to 53.8%, with the rate doubling from 21% to 44.4% in urban areas and increasing from 57.2% to 66.3% in rural areas ([optional link 3-1](#)). The incidence of extreme poverty among the population ages 0-17 years rose from 50.1% to 65.2% (the highest rate of any age group), reaching 55.2% in urban areas and 75.4% in rural areas. The incidence of extreme poverty was higher in female-headed households than in male-headed ones (54.8% versus 53.1% in 2021), with increases of 68.1% and 37.1%, respectively, in this period ([optional link 3-2](#)) demonstrating the greater vulnerability of female-headed households to external shocks. Food insecurity is also estimated to have increased by around 25.6%, with some 3.9 million people suffering from food insecurity. Rates of stunting and emaciation in under-5s stand at 19.9% and 5.7%, respectively. This situation has been aggravated by a marked increase in the price of basic consumption goods and fuels, as well as a reduction in basic grain production due to climate factors ([optional link 3-3](#)).
- 1.3 At the same time, an estimated 2 million children and young people have left the education system due to the pandemic, with basic education enrollment falling 14.28% ([optional link 3-4](#)). There has been a reduction in school attendance across all age groups, with declines of 13.8 percentage points in the 6-11 age bracket and 8.9 points in the 12-17 age bracket. While the decline in school attendance rates over the period was sharpest among boys and young men in urban areas, attendance rates remain lowest in rural areas, at 81.5% of the population ages 6-11 (84.2% for girls and 78.7% for boys) and 42% of the population ages 12-17. This hinders educational progress, particularly for the poorest households. Even before the pandemic, the education system faced

[significant challenges](#), particularly in terms of access, transition rates between levels, and learning. As in other countries, children attending classes are estimated to have lost one year of learning due to the pandemic ([optional link 3-5](#)) (30% in reading and mathematics).

- 1.4 From 2019 to 2021, the proportion of young people ages 15-19 who were neither studying nor economically active rose from 22.5% to 24.7%. Despite a significant increase in this proportion in the case of young men (from 11.1% to 15.8% in urban areas and 6.2% to 19% in rural areas), the phenomenon remains concentrated among the female population, with rates of 21.1% in urban areas and 45.2% in rural areas in 2021 ([optional link 3-6](#)). One of the main reasons for the gender gap is early childbirth, which limits the accumulation of human and physical capital by women: 29.3% of women aged 15-19 years in the poorest income group reported having one live birth, compared with just 2.5% of young men in the same segment ([optional link 3-7,8](#)). Prior to the pandemic, Honduras already had one of the highest proportions of young people ages 12-30 that were inactive (28.9%, versus 20.3% in Latin America). Teenage pregnancy rates were above the regional average (22.9% versus 18%) and were particularly high among the poorest population segments (33.6%) ([optional link 3-9](#)).
- 1.5 These figures highlight the substantial impact of the 2020 shocks on overall living conditions in Honduras. Although a lack of data means that the effects cannot be measured by income level, they are likely to have been most marked in population groups who lack the wherewithal to protect themselves.¹ Even before the pandemic, the poorest families faced significant lifecycle risks that hamper human capital accumulation and an escape from poverty, a situation that is particularly acute in rural areas and indigenous communities ([optional link 3-10](#)). In 2019, the rate of chronic malnutrition in poor households was almost double the national average (32.6% versus 18.7%). Less than a quarter (21.3%) of children belonging to the poorest population group benefit from early childhood education, compared with 60.2% of the highest income group. Relative to the national average, children in the poorest households are two times more likely to abandon primary education (grades 1-6: 8.3% versus 4.4%) and lower secondary education (grades 7-9: 56.4% versus 29%). The risk of early childbirth among young women (ages 15-19) in the lowest income group is also above the national average (29.3% versus 18.7%). In addition, there are gaps in timely prenatal care for the poorest expectant mothers compared with that of the wealthiest ones (74.3% versus 94.2%).
- 1.6 **Weaknesses in the Social Protection System (SPS).** Despite the existence of a social protection policy framework aimed at providing a social safety net² and a comprehensive response to the needs of the poorest and most vulnerable population segments,³ institutional and budgetary weaknesses have traditionally limited the coherent implementation of this framework, resulting in partial, fragmented coverage. As a result, domestically financed social protection

¹ For the first time since the pandemic, the Household Survey (2022) has been carried out with all modules; once the data become available, this will allow all variables to be analyzed by income level.

² In Honduras, social protection is defined as “the set of public and private actions taken to avoid, protect against, and address risks that, for social, economic, natural, or any other causes, threaten the well-being of individuals, families, and communities” (Social Protection Policy, 2012).

³ This safety net ensures a minimum level of access to essential services and cash transfers for the poorest segments of the population (Social Protection Framework Law, 2015).

initiatives have been executed in isolation, without the necessary coordination with social programs.⁴ Social protection spending in Honduras is both variable and scattered. Despite progress toward financing a comprehensive intervention model to expand basic health and education services for the poorest households, supported by IDB funding (paragraph 1.14), there are no mechanisms to promote [alignment between SPS priorities and social spending generally](#). In 2018, the institutional structures and responsibilities of the main institutions in the SPS—the Ministry of Development and Social Inclusion, the Social Cabinet of the Ministry of General Government Coordination, and the National Center for Social Sector Information—were strengthened. However, weaknesses in the system hindered an effective response to the 2020 shocks, the effects of which exacerbated structural conditions of poverty in Honduras.

- 1.7 In light of these challenges, the Government of Honduras created the [Solidarity Network Program \(PRS\)](#), the aim of which is to reduce extreme poverty by integrating actions using a territorial and asset-based approach, based on a comprehensive policy that will ensure a set of priority services is provided to households in extreme poverty. The guiding principle for the PRS is gradualism across two dimensions. Operational gradualism is reflected in implementation of the PRS in a planned and targeted manner in areas with the highest levels of extreme poverty and, within these areas, in households with the highest levels of need and vulnerability. The objective is to ensure the availability of a minimum range of basic services while also strengthening local self-management capabilities. Meanwhile, a gradual approach is also adopted with respect to beneficiaries, relating to improvements in their conditions and capabilities across the entire life cycle (prenatal stage, infancy, childhood, adolescence, adulthood, and old age). Participants will be served based on their needs and priorities, including social support and promotion processes that aim to improve life course outcomes by strengthening capabilities and providing access to social and economic inclusion programs.
- 1.8 Using the targeting method developed with Bank technical assistance,⁵ the Government of Honduras has identified 2,007 rural villages in which more than 45% of households are in extreme poverty, representing an estimated 350,000 households. The target households are vulnerable to climate shocks, live in areas with high food insecurity, and are concentrated in areas inhabited by the indigenous and Afro-descendant communities. Within the target population, 80.9% live in municipios in which five or more climate change-related disasters have occurred in the last 10 years ([Maps of PRS areas](#)).
- 1.9 This strategy revisits the experience of 2006-2009, when the Government of Honduras implemented the Solidarity Network with IDB support. The current administration initiated design of the PRS and the implementation of an [extensive institutional restructuring process](#), aimed at creating new governance

⁴ The SPS has traditionally been characterized by problems of governance, overlapping functions, and weak interagency coordination and sector planning, with multiple targeting mechanisms.

⁵ Information from the Population and Housing Census (2013) and the Household Survey (2019) were used to estimate household income through algorithms to establish a map of monetary poverty in rural households in 16 departments in the country, giving priority to those villages with higher rates of extreme poverty.

arrangements and strategic leadership in the SPS. The Ministry of Social Development (SEDESOL) was created and the Ministry of Development and Social Inclusion was eliminated. SEDESOL assigned responsibility for issuance of the “ficha socioeconómica única” [master socioeconomic profile] (FSU) to the Social Development Observatory (ODS) (formerly the National Center for Social Sector Information or CENISS), together with maintenance of the Honduran Register of Beneficiary Households (SIRBHO). The Solidarity Network Program (PRS) was also created as a deconcentrated autonomous agency attached to SEDESOL. The PRS is responsible for designing, executing, supervising, and administering social projects (particularly the PRS). Its responsibilities include determining “basic Solidarity Network packages,” which are the minimum benefits, goods, and services that the PRS, based on the information provided by the ODS, must provide to a household (or area) to help lift it out of extreme poverty. In addition, the Solidarity Action Program (PROASOL)—another SEDESOL deconcentrated agency—was created with the aim of providing social services to vulnerable groups.

- 1.10 **Conditional cash transfers (CCTs).** CCTs are the central pillar of the PRS,⁶ providing transfers that are linked to the fulfillment of co-responsibilities in health, education, and nutrition.⁷ The program has proven effective in Honduras in terms of supporting incomes, fostering human capital accumulation, and promoting a positive pathway out of poverty. The PRS is responsible for the CCTs under the Solidarity Network Program within the new SPS institutional structure.⁸ Based on the design of the CCTs (for health, education, and food security), the average annual transfer is expected to be US\$330 per household. An experimental evaluation of CCTs’ impact was conducted in 2016-2017 and found the following variations: an 11.3-percentage-point increase (+45%) in checkups among children under 5 at health centers; a 3.8-percentage-point decrease (-22%) in acute diarrhea, a 4.6-percentage-point decrease (-12%) in respiratory infections, and a 1.8-percentage-point decrease (-17.6%) in overall malnutrition (weight for age); a 5.1-percentage-point increase (+8.3%) in enrollment in lower secondary education in 2016 and a 2.5-percentage-point decrease (-4.6%) in the number of over-age students; and a 12-percentage point decrease (-17%) in extreme monetary poverty ([optional link 3-11](#)).
- 1.11 With the Bank’s support, innovations have been introduced over time to [strengthen the operating framework for CCTs](#). The full process cycle is subject to external audit, with verification through field visits. The government will incorporate CCTs into the PRS packages, making adjustments to the design based on socioeconomic conditions subsequent to the 2020 shocks. To update information on the poorest households, the ODS will complete FSUs for all 350,000 households in the target villages. The government has requested a technical

⁶ CCTs have been implemented in Honduras since the late 1990s. In 2010, the CCT program was called “Bono 10,000,” while from 2010 to 2021, it was known as “Bono Vida Mejor.”

⁷ Design of the CCTs (formerly known as Bono Vida Mejor) includes the following co-responsibilities: (i) health: over an 18-month period, two health checkups for children under 24 months and one checkup for children ages 24 months to 60 months; and (ii) education: enrollment of children ages 6 to 18 in the corresponding education level and a minimum attendance record (80%).

⁸ Previously, the Ministry of Development and Social Inclusion was responsible for the CCT program.

cooperation operation to finance studies that will support additional adjustments to the design of CCTs as part of the PRS.⁹

- 1.12 In recent years, CCTs have covered 335,471 households, 85% of which are in rural areas. In 2020 and 2021, significant interventions took place to help protect households against climate and health shocks. Cash transfers contingent on fulfillment of health and education conditions are key instruments for improving households' ability to adapt to the effects of climate change ([optional link 3-12](#)), as they increase beneficiaries' income and food consumption, improve food security, support asset diversification, and reduce poverty ([optional link 3-13](#)). When shocks occur, cash transfer beneficiaries tend to be more resilient and resort to fewer negative adaptation strategies (e.g., selling assets or taking children out of school) ([optional link 3-14,15](#)). In 2021, CCTs are estimated to have reduced the intensity of extreme poverty among rural beneficiary households by 3.5 percentage points ([optional link 3-16](#)).
- 1.13 To strengthen the impact of CCTs, households need to interact with services in their area, requiring parallel efforts to improve the supply and promotion of services and provide support to households. In Honduras, CCTs have traditionally been accompanied by a component to strengthen the availability of health and education services. The first IDB loans financed community strategies to strengthen health and education services at the local level. For example, the Comprehensive Social Safety Net Program (loan 1568/SF-HO, US\$20 million; 100% disbursed) supported implementation of the Solidarity Network (2006-2009); the creation and registration of more than 700 school parents' associations and 248 health user committees (CUSs),¹⁰ aimed at managing funding and improving services in target villages; and implementation of the [Comprehensive Childhood Care in the Community Strategy \(AIN-C\)](#) in more than 1,500 communities. The strategies were supplemented by CCTs, social promotion activities, and support to households.¹¹
- 1.14 More recently, efforts have included sector strategies to strengthen primary health care through a [decentralized management model](#)—financed in part by the Program to Support the Social Inclusion Network with Priority in Western Honduras (loan 3723/BL-HO; US\$50 million; 100% disbursed)—as well as the [expansion of lower secondary education](#), financed under the Social Protection System Support Program I (loan 3371/BL-HO; US\$109.87 million; 99.4% disbursed). Both loans are currently in closing. In the context of the current PRS, sector and structural work will need to continue to improve the supply of education and health services and promote their use and sustainability. In the case of health, as part of the basic PRS package the government is using budget resources to hire family health teams¹² that will expand basic health services in the PRS's "model villages," starting with the departments of El Paraíso, Choluteca, and Olancho. These

⁹ Operational and Technical Support for the Honduran Social Protection System (HO-T1408; US\$550,000 in preparation).

¹⁰ CUSs are community organizations that undertake activities to improve health in their communities.

¹¹ As a result, malnutrition in children under 2 fell by 11% and primary school non-attendance by 7%, while exclusive breast-feeding of children under 6 months rose 8%. Project Completion Report, loan 1568/SF-HO.

¹² Family health teams are made up of one doctor, one nursing assistant, and one outreach worker for every 600 families.

villages were selected as more than 45% of their households are in extreme poverty and they are not covered by the decentralized management model.

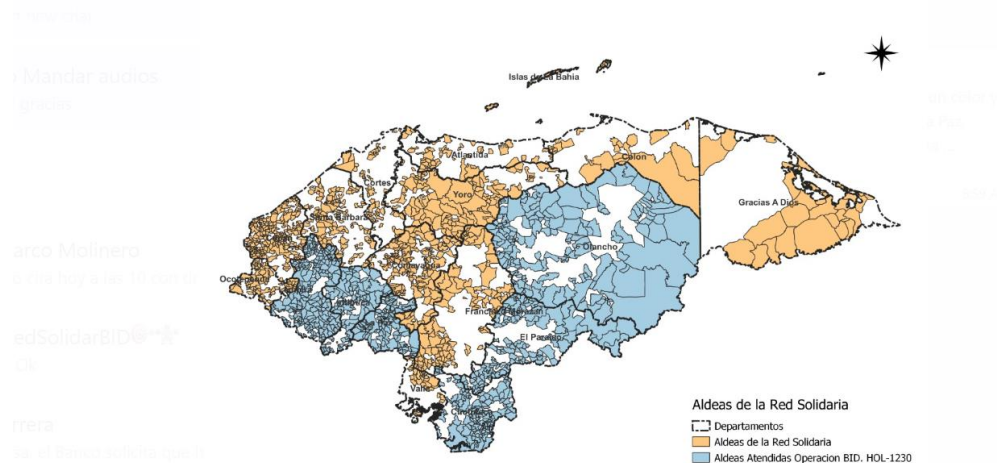
- 1.15 **Post-pandemic resumption of co-responsibilities.** Like other CCT programs in the region, interruptions to the delivery of health and education services led to temporary suspension of the verification of CCT co-responsibilities in 2020 and 2021. Verification processes are expected to resume in 2023, with the normalization of services and strengthening of the CCTs' operating platform. The field staff are known as social managers; they are responsible for organizing meetings with households, supporting the monitoring of co-responsibilities, and providing training. Their interaction with participating households will be key for resuming and verifying health and education co-responsibilities and for intensifying social promotion actions. The PRS is reorganizing its operating structure and the profiles of managers in order to strengthen field activities and processes for supporting households and communities as part of the strategy to strengthen their self-management.
- 1.16 Strategies are also required to more effectively serve the most vulnerable subgroups in areas targeted under the PRS, such as the indigenous population and households that include persons with disabilities. In addition, mechanisms need to be developed for referring beneficiaries to the new PROASOL service models. During implementation of the previous conditional cash transfer program (Bono Rural), beneficiary households reported that 1.95% of household members had some type of disability: far less than the national averages (11.4% for women and 8% for men) ([optional link 3-17](#)). Moreover, a sociocultural study of CCTs with indigenous peoples in Honduras highlighted positive effects on their food security but also underlined the need to improve intercultural health and strengthen the intervention with regard to communication and intercultural adaptation in its work with these households ([optional link 3-18](#)). To expand the presence of family health teams in the country's poorest areas, the intercultural approach needs to be strengthened, especially in relation to operational guidelines for family health teams located in villages with predominantly indigenous populations. These teams also require training in identifying barriers to the use of the different services (e.g. use of ultrasound, delivery, and postpartum care).
- 1.17 **Intervention strategy.** The program will support strengthening of the SPS, its governance, and the alignment of social expenditure with the needs of households in extreme poverty in the areas targeted by the PRS. It will support implementation of the PRS in villages with a high proportion of households in extreme poverty and in villages that have made progress in implementing basic health and education services. Priority will be placed on interventions during life cycle stages that have the greatest impact on human capital accumulation (and greater vulnerability) for households in extreme poverty, strengthening the supply of services through interventions to prevent chronic malnutrition and promote early childhood development. Learning strategies will be used that help children to reenter the basic education system and continue their schooling, as well as assisting youth at risk. The program will support a resumption of the verification process for health and education co-responsibilities, strengthening promotion efforts with respect to households and community self-management. It will assist with adjustments to the design of the CCTs in response to the new socioeconomic conditions experienced by households in extreme poverty, and it will strengthen the new institutional

framework for the SPS, including capacities, rules, policies, management models, service provision, and mechanisms for coordination, measurement, and targeting, based on a territorial approach to service delivery. To ensure that tools are available to respond to temporary shocks, a responsive cash transfer line will be developed as a proof of concept, together with a contingent financing mechanism. Lastly, the program will support strategies for serving the most vulnerable groups with CCTs in the target territories, and actions will be implemented to improve service promotion and intercultural adaptation processes.

- 1.18 **Relationship with other operations.** This operation complements several IDB-financed programs that promote a comprehensive model ([optional link 4](#)) for serving households in extreme poverty, primarily by expanding access to basic health and education services and CCTs within a single area. The Program to Support the Comprehensive Social Protection System (loan 5008/BL-HO; US\$59.2 million; 65.3% disbursed) focuses on municipios where progress has been made in establishing health and education services, with financing under loans 3371/BL-HO and 3723/BL-HO (paragraph 1.14). It finances operational and institutional strengthening of the CCTs, both centrally and in the regions. This program will disburse US\$20 million in cash transfers to respond to the socioeconomic crisis created by the shocks in 2020. Of the total number of villages in the CCT beneficiary municipios financed under this loan, 80% are also targeted under the PRS. The strengthening of health service availability through the decentralized management model is financed primarily through the Project to Improve the Management and Quality of Maternal-Neonatal Health Services of the Ministry of Health (loan 4619/BL-HO; US\$69 million; 43.5% disbursed), as well as resources from loan 5008/BL-HO. Strengthening of the supply of lower secondary education is financed with resources from loan 5008/BL-HO, as well as the program, Improving Educational Quality to Develop Skills for Employment: Project Youth of the Ministry of Education (loan 4449/BL-HO; US\$42.2 million; 70.3% disbursed). Loan 5008/BL-HO will also finance studies to identify the needs of health centers and schools in the target villages, in turn supporting the formulation of investment plans in coordination with the ministries of education and health. The social protection programs related to this operation that were mentioned in paragraphs 1.14 and 1.18 and outlined in [optional link 4](#) have had a high level of execution and attainment of results. These include financing CCTs for 350,000 households, new payment mechanisms, more efficient models of care in the areas, and external audits with no observations for the full cycle of processes, in addition to expanding basic health and education services, in coordination with the line ministries, including building and outfitting over 150 educational modules for lower secondary education (paragraph 3.10). The program, Support for Vulnerable Populations Affected by Coronavirus, (loan 5289/BL-HO; US\$45 million; 0% disbursed), which is in the eligibility phase, will finance an estimated US\$38 million in CCTs and will strengthen the payment mechanisms of two State-run banks: [Banco Hondureño para la Producción y la Vivienda \(BANHPROVI\)](#) and/or [Banco Nacional de Desarrollo Agrícola \(BANADESA\)](#). The program [My Future in My Hands – TECH Youth](#) (ATN/OC-18447-HO; US\$724,353; 34.6%) has supported quantitative and qualitative research that will inform the design of comprehensive interventions for youth at risk, and it will also develop a digital solution for the conditional transfers planned under Subcomponent 3.3.

- 1.19 **Targeting.** This operation will prioritize the villages targeted under the PRS, using geographic targeting in which all households are eligible in accordance with the criteria set forth in the Manual of Administrative, Executive, and Financial Processes for Conditional Cash Transfers under the Solidary Network Program. Priority will be given to: (i) villages with the highest rates of extreme monetary poverty; (ii) villages targeted under loan 5008/BL-HO in which progress has been made in establishing health and education services (paragraph 1.18); (iii) the model PRS villages, prioritizing El Paraíso, Choluteca, and Olancho. On average, an estimated 60% of households in the villages targeted by this operation are in extreme poverty. Within the target population, an estimated 80.9% live in municipios that have had five or more natural disasters in the last 10 years ([optional link 3-19](#)). Transfers help to improve household resilience, avoiding the adoption of negative adaptation strategies (paragraph 1.12).

Figure 1. Visualization of villages targeted under the program



- 1.20 **CCT financing gaps under the PRS 2022-2025.** Based on available sources of financing from the budget, IDB, and World Bank,¹³ a [financing gap of US\\$60 million](#) is projected. The Government of Honduras has requested funding from the IDB and the World Bank to cover this financing requirement. This builds on the long history of coordination between development partners, aimed at harmonizing procedures, providing technical and financial assistance to Honduras, and coordinating targeting efforts under the programs, with the IDB financing transfers in rural areas and the World Bank in urban areas and department capitals.
- 1.21 **[Lessons learned.](#)** The design of Subcomponent 1.1 factors in findings from impact evaluations of Honduras's CCTs regarding the targeting of households in extreme poverty and encouraging the monitoring of co-responsibility compliance in the case of each child. It follows good practices from loans 3371/BL-HO and 3723/BL-HO for coordinating interventions to strengthen supply and demand in the same areas. Based on lessons learned regarding the need to strengthen the communication of program objectives and conditions to participating households,

¹³ The World Bank has approved two loans to finance the conditional cash transfer program: US\$30 million in 2019 and US\$70 million in 2021.

as well as the identification and monitoring of households at higher risk of failing to comply with co-responsibilities, resources have been included in Component 2 to strengthen the work of the social managers. Component 4 reflects the lessons learned from loan 3723/BL-HO and from the Social Protection Reform Support Program II (loan 4877/BL-HO; US\$59.5 million; 100%), strengthening SPS governance by improving data interoperability. Good practices from implementation of the Solidarity Network (2006-2009) have also been incorporated, including geographic targeting at the village level, interagency agreements to support coordinated planning of service delivery in the poorest villages, and the lessons learned on early strengthening of the institutional framework to ensure sustainability of the PRS.

- 1.22 Design of the operation also reflects best practices and lessons learned through CCTs elsewhere in the region, as described in the Social Protection and Poverty Sector Framework Document (document GN-2784-12). These include the use of geographic targeting methods for very poor areas, which generate efficiencies (p. 28) (targeting under Subcomponent 1.1); the strengthening of community processes and the cultural relevance of interventions, which increase the likelihood of success (p. 57) (included in Component 2); combining unconditional transfers with conditional ones (with the former aimed at reducing monetary poverty, protecting household consumption, diversifying diets, and improving anthropomorphic parameters (p. 25), particularly in a context of food insecurity and rising prices, and the latter aimed at strengthening the use of health and education services), ensuring the conditions are explicitly stated, and effective monitoring and sanctions in the event of noncompliance (p. 29) (incorporated in the design of Subcomponent 1.1 and Component 2.1, strengthening support and monitoring of households); and strengthening information systems, particularly interoperable social registers, to promote transparency and efficiency in social protection networks (p. 49) (included in Component 4).
- 1.23 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is strategically aligned with the development challenge of social inclusion and equality, in that it provides support to maintain minimum levels of income and well-being for the most vulnerable population groups. It is aligned with the crosscutting areas of (i) institutional capacity and rule of law, as it strengthens SPS governance and strategic leadership while improving the supply of priority services in the target areas; (ii) gender equality, in that it reduces the vulnerability of female-led households, which are more vulnerable to external shocks and benefit disproportionately from the CCTs (97% of beneficiaries are women), while also preventing teenage pregnancy through comprehensive interventions with conditional transfers that mitigate the risk of teenage pregnancy; (iii) diversity, given that it strengthens the PRS's communication and intercultural adaptation capabilities for its work with households, including health services; and (iv) climate change and environmental sustainability (paragraph 1.24). The program will contribute to the IDB Group Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicators of beneficiaries of anti-poverty programs and agencies with strengthened digital technology and managerial capacity. It is aligned with the IDB Group Country Strategy with Honduras 2019-2022 (document GN-2944) through the priority area of human capital accumulation and the strategic objective

of reducing poverty and improving education and health services for the vulnerable population. The program is consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-12), which highlights the importance of supporting vulnerable populations through responsive social protection policies, particularly in the face of external shocks. The program is included in the Update to Annex III of the 2022 Operational Program (document GN-3087-2).

- 1.24 **Climate change alignment** (see [optional link 2](#)). Based on the [multilateral development banks' joint methodology for estimating climate finance](#), it is estimated that 61.22% of the funds will be invested in climate change adaptation and resilience activities. This is a result of the following features: 80.9% of CCTs are focused on areas with high extreme poverty rates and high vulnerability to climate change (as measured by the incidence of at least five climate shocks); transfers will be financed for households that are vulnerable to shocks; financing will be provided for the design and evaluation of a proof of concept for responding to shocks; and key areas of the PRS will be strengthened, allowing the program to respond swiftly to climate shocks. These resources contribute to the IDB Group's climate finance target. Design of the program has benefited from the regional technical cooperation operation, "Support for the Development of Comprehensive and Responsive Social Protection Systems for the Resilience of Vulnerable Households" (ATN/AC-18441-RG, ATN/MD-18440-RG, ATN/OC-18439-RG), which will finance technical assistance for the design of alternative payment arrangements, governance structures, and mechanisms to identify beneficiaries who are vulnerable to shocks, etc., as well as economic sector work. "The Potential of Responsive Cash Transfers to Build Climate Resilience" (RG-K1447) identified lessons learned from the use of social safety nets during COVID-19 that can also be applied to climate change, including a case study in Honduras.

B. Objectives, components, and cost

- 1.25 The program's general objective is to improve living conditions for households in areas with high levels of extreme poverty, while also promoting their human capital development and self-management capabilities.
- 1.26 The specific objectives are to: (i) increase the minimum income of participating households and protect it against external shocks; (ii) improve the self-management capabilities of households and communities; (iii) improve the use and supply of health and nutrition services for women (particularly for young pregnant women) and young children (ages 0-6); (iv) expand the use and supply of basic education services, encouraging children to complete lower secondary education (grades 7 to 9); (v) increase the use and supply of services to support young people (ages 14 to 19); and (vi) strengthen the Social Protection System and the supply of priority services in target areas.
- 1.27 **Component 1. Cash transfers (US\$55.9 million)**
- 1.28 **Subcomponent 1.1. Conditional cash transfers (US\$50.9 million).** The objective of this subcomponent is to increase the incomes of the poorest households and strengthen their human capital. Financing will be provided for the following CCTs for the rural areas described in the Manual of Administrative,

Executive, and Financial Processes for Conditional Cash Transfers under the Solidarity Network Program for households participating in the PRS, in the amount and form described in that manual (see [optional link 5](#)): (i) conditional cash transfers for health; (ii) conditional cash transfers for education; (iii) transfers for food security; and (iv) transfers for joining the Solidarity Network Program. All households in the villages (paragraph 1.19) targeted by the program will be eligible to receive cash transfers in accordance with the criteria set out in the manual. Funding will also be provided for the fees for payment of the CCTs, leveraging approved payment channels that include the platform of State-run banks BANHPROVI and/or BANADESA and any others that may be agreed with the IDB.

- 1.29 **Subcomponent 1.2. Cash transfers to boost the resilience of vulnerable households (US\$3 million).**¹⁴ The objective of this subcomponent is to protect the income of households affected by external shocks (climate, economic, health) through design of an intervention as a proof of concept. Financing will be provided for the following: (i) designing and implementing governance arrangements and mechanisms for coordination between actors involved in disaster response (e.g., the Ministry of Risk Management and National Contingencies); (ii) designing a contingent financing mechanism for responding to shocks; (iii) developing and implementing digital tools for identifying individuals or areas affected by climate shocks; (iv) including information in the SIRBHO regarding the exposure of households to climate and disaster threats, and designing household climate vulnerability indicators; (v) preparing operating rules for the program of shock-responsive transfers, including rules governing the declaration of such events; (vi) cash transfer payments for responding to shocks and disasters, in the amount and form approved once the design process has been completed; and (vii) evaluating the shock-responsive transfer mechanisms (including simulations).
- 1.30 **Subcomponent 1.3. Operational and technical strengthening of the CCTs under the Solidarity Network Program (US\$2 million).** The objective of the subcomponent is to strengthen the PRS through (i) adjustments to the CCT operating strategy to reactivate co-responsibilities, with funding for technical assistance to redesign operational processes and information flows and update household data (register of beneficiaries) across the Solidarity Network information system and the ODS; (ii) verification of co-responsibilities, with financing for consultancies and information technology equipment; (iii) strengthening of the Solidarity Network information system, financing links between payment entity systems, data unification, a process manual, etc.; (iv) the strengthening of analytical capabilities for data mining and geospatial analysis, with financing for consultancies, equipment, and software; (v) specific research efforts, with financing for consultancies and the implementation of surveys; and (vi) design and implementation of an interculturality and linguistically adapted communication strategy, financing consultancies and specialized services, the reproduction of audiovisual and multimedia materials for social networks, and communications equipment.

¹⁴ Includes cash transfers and digital wallets.

- 1.31 **Component 2. Strengthening local capacities (US\$4 million)**
- 1.32 **Subcomponent 2.1. Strengthening work with households (US\$3 million).** The objective of this subcomponent is to strengthen self-management in participating households through training and social promotion programs led by social managers. This subcomponent will finance technical assistance to (i) develop social promotion content with cultural adaptation and a gender approach, as well as differentiated analysis to identify barriers to the use of services; (ii) update the work method and produce manuals and materials for social managers; (iii) train social managers using platforms for distance or in-person training (with topics prioritized by life cycle stage and differentiated according to the assigned areas and population groups); (iv) prepare audiovisual material to support household visits; and (v) strengthen tools to support the planning and monitoring of household visits, as well as case management. Financing will also be provided to (vi) hire social managers; (vii) procure the tools, equipment (tablets, projectors, etc.), and means of transportation, communication, and logistics required to implement the new work method; and (viii) procure equipment, furniture, rentals, and Internet services, expanding operating offices based on field analyses.
- 1.33 **Subcomponent 2.2. Strengthening community management (US\$1 million).** The objective of this subcomponent is to strengthen local capabilities.¹⁵ Financing will be provided to design and implement strategies to provide assistance at the community level, complemented by support from social managers. This will include organizing training workshops and support for community leaders, building social capital, and ensuring that community organizations are connected to the different programs available for local social, economic, and productive inclusion, as part of a transition and development strategy. This component will promote gender equality and cultural relevance in training processes and as part of strengthening community management.
- 1.34 **Component 3. Promoting healthy childhood and youth (US\$8 million)**
- 1.35 **Subcomponent 3.1. Promoting early childhood services (US\$3 million).** The objective of this subcomponent is to promote early childhood development by strengthening the coverage and quality of early childhood care strategies, expanding their coverage in target villages with the highest proportions of children in their populations and the highest rates of malnutrition. Implementation of the Comprehensive Childhood Care in the Community Strategy (AIN-C) will be strengthened at both the institutional and community levels, with financing for (i) AIN-C training and materials, including the development and implementation of an additional module for early childhood development; and (ii) tablet purchases and the development of monitoring apps. Financing will also be provided for (i) the costs of organizing, registering, and training health users' committees (CUSs); and (ii) mobilizing pregnant women to ensure safe childbirth and care for other health emergencies, providing community medical kits, etc., through transfers to the CUSs. CUS handbooks will list the expenses that may be financed using these resources, as well as the procedures and accountability arrangements for the

¹⁵ The community's skills will be enhanced in the areas of coexistence, engagement, planning, prioritization, execution, and supervising local development programs and projects.

committees. Training will also be financed for family health teams,¹⁶ together with the development and reproduction of manuals, protocols, and promotion materials.

- 1.36 **Subcomponent 3.2. Promoting student progression through quality education services up to the lower secondary level (US\$2 million).** The objective of this subcomponent is to promote student progression to the lower secondary level by developing and implementing (i) a teaching strategy, teaching materials, and a training program for teachers in single- or two-teacher schools (mainly at the primary level); (ii) alternative modalities for achieving school reentry, educational reinforcement, accelerated learning, and distance education to support students with academic delays, making use of rapid diagnostic assessments and evaluation mechanisms that support academic continuity for students, with analyses differentiated by gender and intercultural variables; (iii) teaching support and supervision arrangements for teachers, using a school networks strategy focused on basic education centers and single- or multi-teacher schools located in the same geographic area; and (iv) school improvement plans, including purchases of teaching-related goods and services and educational materials, as well as small-scale preventive maintenance in schools, through transfers to parents' associations. Technical assistance will be financed to support development of the different modalities; the design of teaching materials; reproduction of materials; mobile devices (mobile phones, tablets); the training program; organizing, registering, and training the parents' associations; a technical audit of the use of resources; and transfers to the parents' associations, which will be carried out in the form determined in the parent association handbooks.
- 1.37 **Subcomponent 3.3. Promoting successful life paths for young people (US\$3 million).** The objective of the subcomponent is to support positive life paths for vulnerable youth by providing non-cash conditional transfers to young people, using a digital solution. In combination with specialized mentoring, this will allow young people to access customized services aimed at mitigating the risk of teenage pregnancy, delinquency, and school dropout. Mentoring will be on an individual basis and will be gender-sensitive and culturally relevant. The youth operating manual will specify the operational processes for the non-cash transfers, as well as the conditionalities and the range of services to be provided. Financing will be provided for the following activities: (i) hiring specialist mentors; (ii) purchasing mobile devices (cell phones, tablets) and data plans for participants and mentors; (iii) technical assistance and activities to identify available services; (iv) mapping exercises and information and registration workshops for young people; (v) contracting the services that will be included in the digital solutions (educational, training, transportation, entertainment, etc.); (vi) technical assistance for documenting the intervention, manuals and operating handbooks, including printing of materials; (vii) designing and implementing the communication strategy; (viii) procuring equipment (e.g., servers, software, and licenses); (ix) fees for platform transactions; and (x) an impact evaluation.
- 1.38 **Component 4. Strengthening the SPS and the prioritized supply of services under the PRS (US\$4 million).** The objective of this component is to strengthen the SPS and its institutional framework, policies, and technical capabilities for

¹⁶ Training will cover the AIN-C, early childhood development, and interculturality, including the promotion of shared responsibility for family planning and childcare, etc.

policy implementation, so as to improve the prioritized supply of services under the PRS in the target areas. Specifically, the aim is to strengthen the capacity and technical skills of the PRS for administering the program. Financing will be provided to develop processes and systems that help to ensure the efficient management of human resources, financial management, and procurement in the PRS's administrative departments, as well as the operations of the institution's technical departments, including a crosscutting change management process. In the case of the technical departments, financing will be provided for designing and executing support and training programs for technical staff, as well as updating the social safety net policy and designing tools for integration with SEDESOL systems and platforms. Technical assistance, workshops, and training will be funded to boost the effectiveness of strategic and budget planning processes, with emphasis on the villages targeted under the PRS. The aim will be to improve interagency coordination and guide the sector planning and budget prioritization processes carried out by SEDESOL, in coordination with the PRS, to expand the availability of services provided by the ministries of education and health. Technical assistance will also be financed to develop a social protection training program to be provided by the Honduran Center for the Study of Social Sector Policies (CHEPES), which is attached to SEDESOL. This will include the logistics costs involved in providing the courses (renting premises, travel expenses, and per diems, as stipulated in the program Operating Regulations). The component will finance [strengthening of the ODS](#); SPS data interoperability; procurement of equipment and licenses to strengthen and implement security measures for social data; and technical assistance contracts for the distance communication modalities and for strengthening the monitoring and evaluation unit and the audit, control and transparency, and human resource management departments.

1.39 **Administration, audit, and evaluation (US\$4 million).** Financing will be provided for consultants, per diems, and other costs relating to program administration, audit, and evaluation.

1.40 **Beneficiaries.** The program is expected to directly benefit 50,000 households in extreme poverty that will receive the CCTs, as well as 165,000 children who will benefit from support for early childhood nutrition and development; 6,000 school-aged children, through support for school progression; and 1,000 young people, who will participate in the comprehensive intervention. A further 350,000 households in extreme poverty will benefit indirectly, through strengthening of the service model and the SPS.

C. Key results indicators

1.41 In the villages targeted under the PRS, impact indicators include a narrowing of the extreme monetary poverty gap, a reduction in the incidence of malnutrition, improvements in early childhood development scores, and an increase in standardized test scores. In terms of outcomes, increases are expected in the incomes of participating households, rates of compliance with co-responsibilities, early prenatal care, postpartum care, and the number of fully vaccinated children. School progression rates are expected to improve, as measured by progression rates between education cycles (from grades 3 to 4 and 6 to 7) and 9th grade completion rates, while the number of teenage pregnancies is expected to fall. The

prioritized supply of services under the PRS is also expected to improve in the target villages. See Annex II, Results Matrix.

- 1.42 **Economic evaluation.** An [economic analysis](#) was performed for two components accounting for 84% of the loan. CCT benefits accrue from increased enrollment rates; the reduced prevalence of acute diarrhea and respiratory infections; and reduced malnutrition, all of which are driven by the co-responsibilities associated with cash transfers. Based on a 3% discount rate, and using parameters obtained from program impact evaluations for the effect of these interventions, the cost-benefit analysis shows a net present value (NPV) of US\$22.9 million and a benefit-cost ratio of 1.8. The internal rate of return of the component is 5%. A sensitivity analysis of the effects of the CCTs yields a positive NPV in all cases except for a scenario involving a 5% discount rate and a cost variation of 50%. In the case of Component 3, the benefits stem from investment in early childhood development and increased rates of transition to lower secondary education. The NPV is calculated at US\$15.4 million and the benefit-cost ratio is 2.7. The component's internal rate of return is 9%. The operation generates economic benefits under all scenarios used for the sensitivity analysis.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation will be a specific investment loan for US\$75.9 million, financed with resources from the Bank's Ordinary Capital (65% regular and 35% concessional). This instrument is considered appropriate as this is an operation of fully defined scope, with components that cannot be divided without affecting their coherence. A disbursement period of four years has been determined based on the multiyear execution plan ([required link 1](#)).

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

Components	IDB	%
Component 1. Cash transfers	55.9	73.6
Subcomponent 1.1. Conditional cash transfers	50.9	
Subcomponent 1.2. Cash transfers to boost the resilience of vulnerable households	3	
Subcomponent 1.3. Operational and technical strengthening of CCTs	2	
Component 2. Strengthening of local capacities	4	5.3
Subcomponent 2.1. Strengthening work with households	3	
Subcomponent 2.2. Strengthening community management	1	
Component 3. Promoting healthy childhood and youth	8	10.5
Subcomponent 3.1. Promoting early childhood services	3	
Subcomponent 3.2. Promoting student progression through quality education services up to lower secondary level	2	
Subcomponent 3.3. Promoting successful life paths for young people	3	
Component 4. Strengthening the SPS and the prioritized supply of services under the PRS	4	5.3
Administration, audit, and evaluation	4	5.3
Total	75.9	100

Table II-2. Projected disbursements (U.S. dollars)

	2023	2024	2025	2026	Total
IDB	32,678,367	30,303,515	8,098,504	4,819,614	75,900,000
%	43	40	11	6	100

B. Environmental and social safeguard risks

- 2.2 Pursuant to the Bank's Environmental and Social Policy Framework, this has been classified as a Category C operation, as potentially adverse socioenvironmental impacts are negligible. The Manual of Administrative, Executive, and Financial Processes for Conditional Cash Transfers under the Solidarity Network Program will determine operationalization of the arrangements for serving participants, including a complaints process. The risk that beneficiaries will be excluded from payment points will be mitigated through the availability of BANADESA mobile automated teller machines in remote areas.

C. Fiduciary risks

- 2.3 Given the executing agency's new institutional framework, there is a medium-high fiduciary risk that its capacity will be exceeded by the concentration of multiple activities during the project launch period. To mitigate this risk, the Bank will verify that staff with the technical and managerial skills required to execute the program are available prior to the first disbursement.

D. Other key issues and risks

- 2.4 Changes to the main institutions in the SPS, including the creation of SEDESOL, PROASOL, and the PRS, have created a medium-high risk that loan execution will be delayed by a lack of integration between technical teams and the adoption of new functions and responsibilities. This risk will be mitigated through the creation of a technical operating group, which will facilitate spaces for the technical and operational coordination needed to manage the components.
- 2.5 Given this new institutional framework, there is a medium-high risk that nascent interagency coordination processes between the PRS and the ministries of health and education will hinder the mobilization of cross-sector services and the monitoring of CCT co-responsibilities. This risk will be mitigated through interagency agreements that lay out the roles and responsibilities of the different institutions. In addition, Component 2 will strengthen work with households to reduce the risk of noncompliance with co-responsibilities.
- 2.6 **Sustainability.** To promote sustainability of the CCTs and the interventions that it finances, the Government of Honduras has restructured and will systematically strengthen the institutional framework for the SPS using resources under Component 4. In addition, budget funds collected annually for social protection¹⁷ have been allocated to support implementation of the PRS and the basic packages from 2023 onward, including the new institutional framework and management model in the regions. The scope of the CCTs is considered sustainable as it is similar to that executed in recent years. In addition, the government has placed priority on community strategies to strengthen both the availability of health and education services and local self-management capabilities for sustaining the development processes initiated by the program. With respect to the sustainability of ODS technological infrastructure, a preventive, corrective, and evolving maintenance plan will be prepared for the technology solutions financed.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Honduras. The executing agency will be the Solidarity Network Program (PRS), which will administer the resources and undertake procurement processes for all of the components through its project coordination unit (PCU). Through liaisons in the different institutions, it will coordinate the relevant technical and programming requirements with the ministries of education and health and SEDESOL and PROASOL units. See [institutional arrangements](#).
- 3.2 As part of its organizational structure and responsibilities, the executing agency will coordinate and monitor CCT co-responsibilities alongside the ministries of education and health. Coordination will take place at both the municipal and departmental levels, in accordance with the processes set out in the Manual of

¹⁷ Pursuant to Legislative Decrees 278 and 290 (2013), the general sales tax was increased from 12% to 15% to generate revenue for redistribution through social programs such as CCTs.

Administrative, Executive, and Financial Processes for Conditional Cash Transfers under the Solidarity Network Program.

- 3.3 **CCT payment mechanism.** As part of the government's institutional arrangements, CCT payments will be made through State-run banks [BANHPROVI](#) and/or [BANADESA](#) or other mechanism agreed with the IDB. This will reduce crowds and lower transaction costs for beneficiaries (paying for transportation logistics).
- 3.4 The planned institutional architecture for the PRS (including the technical committee for the CCTs) will be leveraged to consolidate program governance and coordination. Interagency agreements establishing roles and responsibilities under the program will be signed between the PRS and the ministries of health and education.
- 3.5 **The following will be special contractual conditions precedent to the first disbursement of the loan proceeds:** (i) **executing agency approval of the program Operating Regulations, in accordance with the terms previously agreed with the IDB,** to establish the main operational processes needed for efficient management of the program ([optional link 6](#)); (ii) **creation of a technical operating group with representatives of the executing agency, the Ministry of Social Development, Solidarity Action Plan, Ministry of Health, and Ministry of Education,** to facilitate technical and operational coordination of the program (paragraph 2.4); (iii) **signing of interagency agreements between the executing agency and the Ministry of Health and between the executing agency and the Ministry of Education,** to coordinate the availability of health and education services and CCTs and reducing cross-sector coordination risks (paragraph 2.5); (iv) **the coordination unit in the executing agency has at least the following for program execution:** (i) **a coordinator;** (ii) **a financial specialist;** (iii) **a procurement specialist;** (iv) **a head of monitoring and evaluation;** and (v) **a head of gender and diversity analysis,** to ensure availability of the minimum technical and managerial capacity needed to administer the program (paragraph 2.3).
- 3.6 **The following will be special contractual conditions for execution:** to disburse resources for (i) the conditional cash transfers provided for under Subcomponent 1.1, approval of the Manual of Administrative, Executive, and Financial Processes for Conditional Cash Transfers under the Solidarity Network Program; (ii) for the cash transfers to boost the resilience of vulnerable households planned under Subcomponent 1.2, approval of the operating rules for these transfers (paragraph 1.29); (iii) for transfers to the health user committees, approval of the handbooks for these committees (paragraph 1.35); and (iv) for transfers to parents' associations, approval of the handbooks for these associations.
- 3.7 **Fiduciary agreements and requirements.** Annex III describes the fiduciary management guidelines that will be applied.
- 3.8 **Advances of funds and audit.** Loan disbursements will be made in the form of advances of funds based on projected financial requirements submitted to the Bank. Disbursements will be subject to ex post supervision. Annual financial audits

- will be carried out according to audit standards and principles acceptable to the IDB, using the services of independent auditors in accordance with the terms of reference previously agreed with the IDB. The PRS will engage the services of an auditing firm, based on a competitive process. To ensure the proper use of resources, external audits will also review CCT payment processes, including the full CCT cycle and field visits, as well as transfers to parent associations and CUSs.
- 3.9 **Procurement.** The procurement of goods and services and selection and contracting of consultants will be conducted in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-15) and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). Procurement supervision will be ex post or ex ante as stipulated in the procurement plan, which will be updated annually or as needed.
- 3.10 **Direct contracting.** To help consolidate the PRS, the program anticipates using single-source selection to hire consultants who have been financed under loans 5008/BL-HO and 5289/BL-HO (paragraph 1.18) and who make up the program coordination unit and the operational structure for CCTs. This will allow the operation to leverage specialized technical knowledge regarding the conditional cash transfer program and the basic PRS packages, as provided for in paragraph 5.4(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).
- 3.11 **Retroactive financing.** The Bank may use loan proceeds to provide retroactive financing for eligible expenditures to pay for CCTs in October and November 2022 (Subcomponent 1.1 of the program) for up to US\$12 million, as well as payments for operating expenses and the cost of data collection for the master socioeconomic profile (FSU) for the SIRBHO (paragraph 1.11) for up to US\$3 million (the retroactive financing represents 20% of the loan amount), provided they have been made in accordance with conditions substantially similar to those established in the loan contract and the procurement processes are consistent with the Core Procurement Principles. Such expenditures must have been made on or after 3 January 2022. Under no circumstances will expenditures incurred more than 18 months prior to loan approval be included.
- B. Summary of arrangements for monitoring results**
- 3.12 Within 60 days of the end of each six-month period, the executing agency will submit multiyear execution plans and semiannual progress reports to the Bank based on the indicators set out in the results matrix. These reports will be the primary source of information for preparing the progress report in the project monitoring report and its evaluation plan.
- 3.13 **Evaluation.** Child growth and development will be measured using data gathered through the AIN-C. Standardized testing will be used to measure the impact on the recovery in children's learning. An impact evaluation will be carried out of the comprehensive intervention for young people. A midterm operational evaluation will be carried out of the results of the activities to strengthen the CCTs' operational and technical framework, and to evaluate whether the strengthening of local self-management capabilities has assisted beneficiaries in complying with

co-responsibilities and connecting with PRS packages. A reflexive evaluation will be carried out based on a second round of FSU data collection and an analysis of changes in household conditions. See [required link 2](#).

C. Post-approval design activities

- 3.14 FSU data collection (paragraph 1.11) for the SIRBHO will provide the government with updated data on socioeconomic household conditions by the end of 2022, and this will allow design of the PRS packages to be completed. This information will be used to adjust the activities under the components and the indicators in the results matrix.

Development Effectiveness Matrix		
Summary		HO-L1230
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2944	Reduce poverty and improve education and health services for the vulnerable population.
Country Program Results Matrix	GN-3087-2	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEJ		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Honduras will benefit from the regional technical cooperation (TC) "Apoyo al Desarrollo de Sistemas de Protección Social Integrales y Responsivos para la Resiliencia de los Hogares Vulnerables" (ATN/AC-18441-RG, ATN/MD-18440-RG, ATN/OC-18439-RG) which will finance several studies to support the design of Subcomponente 1.2 related to alternative mechanisms to identify beneficiaries vulnerable to shocks, alternative payment mechanisms, improved governance structures, etc. The operational input TC HO-T1408 is also in process to support the design and implementation of the loan.

The document presents a traditional investment project with the general objective of improving the living conditions of households targeted to areas with high levels of extreme poverty, as well as promoting the generation of human capital and self-management capacity. The loan source comes from Ordinary Capital of the IDB for US\$65 million and US\$35 million from Increase the Ordinary Capital. The operation has the following specific objectives: (i) increase the minimum income of participating households and protect them against external shocks; (ii) improve the self-management capacities of households and communities; (iii) improve the use and supply of health and nutrition services for women (especially pregnant women) and for early childhood (0 to 6 years); (iv) increase the use and supply of basic education services, promoting the school trajectory up to the third cycle (seventh to ninth grade); (v) increase the use and supply of services to support young people (14 to 18 years old); and (vi) strengthen the Social Protection System (SPS) and the supply of prioritized services in the targeted territories. The diagnosis is satisfactory and well-documented by international evidence, highlighting the specific problems of the Social Protection System (SPS) and the supply of prioritized social services. The main problems are related to the impact of the pandemic and hurricanes Eta and Iota on economic activity, extreme poverty, school enrollment, and the labor trajectories of young people.

The Results Matrix is consistent with the vertical logic of the operation and presents impact indicators and expected results, well specified and adequate to measure the achievement of the specific objectives. It is important to note that the main intervention, conditional cash transfers in Honduras, has already been subject to three experimental-type evaluations. There is also a significant body of experimental evaluation evidence from countries in the region showing that CCT programs have been successful in increasing consumption and reducing poverty in the short term. The program evaluation plan consists of: (i) an operational evaluation; (ii) an evaluation of the knowledge of the health teams based on the training that will take place throughout the operation, (iii) a reflexive evaluation based on standardized exams from the secretary of education, (iv) an evaluation of the shock-responsive transfer mechanism, (v) a randomized evaluation (RCT) of the youth promotion intervention, and (vi) an ex-post evaluation.

The economic analysis includes a cost-benefit analysis applied to 2 components of the project (representing 84% of costs) and concludes that their application will generate economic benefits, with an average IRR of 5.5%.

The project has received a medium-high overall risk rating, primarily due to potential risks related to institutional capacity, organizational structure, and natural disasters. Appropriate and monitorable mitigation or escalation measures have been proposed throughout the project.

RESULTS MATRIX

Project objective:	The specific objectives are to: (i) increase the minimum income of participating households and protect it against external shocks; (ii) improve the self-management capabilities of households and communities; (iii) improve the use and supply of health and nutrition services for women (particularly for young pregnant women) and young children (ages 0-6); (iv) expand the use and supply of basic education services, encouraging children to complete lower secondary education (grades 7 to 9); (v) increase the use and supply of services to support young people (ages 14 to 19); and (vi) strengthen the Social Protection System and the supply of priority services in target areas. The achievement of these objectives will support the general objective of improving living conditions for households in areas with high levels of extreme poverty, while also promoting their human capital development and self-management capabilities.
---------------------------	--

GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline amount	Baseline year	Expected year achieved	Target	Means of verification	Comments <i>See Monitoring and Evaluation (required link 2) for further details.</i>
General development objective: Improve living conditions for households in areas with high levels of extreme poverty, while also promoting their human capital development and self-management capabilities.							
Extreme monetary poverty gap in households reduced	%	60.3	2021	2026	55.6	Permanent Multipurpose Household Survey (EPHPM)	
Incidence of malnutrition in children ages 0-5 reduced	%	11.7 ¹	2019	2026	7.8	Comprehensive Childhood Care in the Community Strategy (AIN-C) records	
Early childhood development scores (ages 0-6) increased	Score	70	2019	2026	75	Child Development Assessment (EDIN)	
Standardized test results in Spanish and math increased (6th grade)	Scores	248.5	2018	2026	275.3	Standardized tests in math and Spanish 3rd, 6th, and 9th grades Average for math and Spanish	

¹ Percentage below -2SD, Table TC8.1, National Demographic and Health Survey (ENDESA), 2019.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Base-line amount	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Specific development objective 1: Increase the minimum income of participating households and protect it against external shocks.										
Per capita household income increased as a result of conditional cash transfers (CCTs)	%	0	2021	4	6	8	8	8	EPHPM	
Number of days between declaration of the shock and payment of cash transfers	No. of days	60	2020	0	0	0	30	30	Operational evaluation	
Eligible households ² receiving the CCT	%	30	2021	65	70	75	80	80	Solidarity Network Information System (SIREs)	
Specific development objective 2: Improve the self-management capabilities of households and communities.										
Households that fulfill health co-responsibilities over the course of the year	%	54	2018-2019	54	61	71	85	85	SIREs	
Households that fulfill education co-responsibilities over the course of the year	%	63	2018-2020	70	75	78	80	80	SIREs	
Eligible households that have a disabled member and receive the CCT	%	1.95	2021	2.5	5	7.5	10	10	SIREs	
Eligible households that belong to an indigenous or Afro-Honduran community and receive the CCT	%	29	2021	30	33	36	40	40	SIREs	
Specific development objective 3: Improve the use and supply of health and nutrition services for women (particularly for young pregnant women) and young children (ages 0-6).										
Women receiving care during the first 12 weeks of pregnancy	%	74.3	2019	75	77	80	80	80	Family health team outpatient records	
Institutional deliveries	%	81.3	2019	81.3	81.3	87	87	87	Family health team records	
Post-partum care in the first 7 days after childbirth	%	25	2019	25	30	35	40	40	Family health team records	
AIN-C coverage of under-5s	%	48	2022	57	69	83	90	90		

² Households that are listed in the register for the Conditional Cash Transfer Program under the Solidarity Network Strategy, with master socioeconomic profiles (FSUs) completed and registered in the Honduran Register of Beneficiary Households (SIRBHO), and that meet the eligibility criteria established under the program.

Indicators	Unit of measure	Base-line amount	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Under-5s who have been fully vaccinated	%	80	2022	85	90	95	95	95	Nominal Vaccination System (SINOVA)	
Specific development objective 4: Expand the use and supply of basic education services, encouraging children to complete lower secondary education (grades 7 to 9).										
Net enrollment rate in basic education (up to lower secondary)	%	65.75	2022	65.75	67.75	70.19	70.19	70.19	School Administration System (SACE)	
Transition rate from 3rd grade to 4th	%	88.16	2022	89.2	90.3	91.4	91.4	91.4	School Administration System (SACE) / Education Records System (SIRE)	
Transition rate from 6th grade to 7th	%	84.17	2022	85.3	86.3	87.4	87.4	87.4		
9th grade graduation rate	%	57.2	2022	58.3	59.4	60.4	60.4	60.4		
Specific development objective 5: Increase the use and supply of services to support young people (ages 14-19).										
Teenage pregnancy in participating young women (ages 15-19)	%	36.6	2019	36.6	35.6	31.6	31.6	31.6	Report/ Education Records System (SIRE)	
Participating young people (ages 15-19) without a criminal record	%	25	2020	25	40	50	50	50		
Specific development objective 6: strengthen the Social Protection System and the supply of prioritized services in the targeted areas.										
Institutions that interoperate with the Social Development Observatory (ODS)	#	0	2022	6	12	18	18	18	System report	
Improvement plans for the supply of services in target villages that meet their physical and financial targets	%	0	2022	70	75	80	80	80	Results-based Management System report	

OUTPUTS

Indicators	Unit of measure	Base-line amount	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Component 1: Cash transfers										All outputs are in the target villages.
Subcomponent 1.1. Conditional cash transfers (CCTs)										
Individuals belonging to eligible households ³ that receive CCTs	Individuals	0	2022	255,000	255,000	255,000	0	255,000	CCT payment records	
Subcomponent 1.2. Cash transfers to boost the resilience of vulnerable households (TMVs)										
Governance and contingent financing mechanisms designed	Report	0	2022	0	0	1	0	1	Final consultant report	
TMV operating manual approved	Manual	0	2022	0	1	0	0	1	Manual approved by the Solidarity Action Program (PROASOL) and the Standing Committee for Contingencies (COPECO)	
Digital tool for identifying individuals exposed to shocks	Platform	0	2022	0	1	0	0	1	Platform report	
TMV mechanism used	Transfer	0	2022	0	0	1	0	1	Semiannual progress report	
TMV evaluation completed	Report	0	2022	0	0	0	1	1	Final evaluation report	
Subcomponent 1.3. Operational and technical strengthening of conditional cash transfers under the Solidarity Network Program										
Recording and monitoring of co-responsibilities strengthened	System	0	2022	1	1	1	1	1	System reports	
SIRES strengthened	System	0	2022	1	1	1	1	1	System reports	
CCT operational strategy strengthened	Strategy	0	2022	1	1	1	1	1	Strategy	
Communication strategy implemented	Strategy	0	2022	1	1	1	1	1	Semiannual reports	
Component 2. Strengthening of local capacities										
Interculturally adapted materials prepared for promotion activities and other work with households	Set of materials	0	2022	1	0	0	0	1	Set of materials, manuals	
Social managers hired	Social managers	0	2022	0	142	142	0	142	Semiannual progress reports	

³ Eligible households are those in the CCT-Solidarity Network register; households registered in the SIRBHO in the target villages that meet the established criteria.

Indicators	Unit of measure	Base-line amount	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Social managers trained in use of the materials for promotion activities and other work with households	Social managers	0	2022	242	178	178	0	242	Contracts registered in the PRISM procurement system	
Community management strengthening strategy implemented	Strategy	0	2022	1	1	1	0	1	Semiannual progress reports	
Component 3. Promoting healthy childhood and youth										
Subcomponent 3.1. Promoting early childhood services										
Health staff and family health teams trained in providing comprehensive childhood care in the community (AIN-C) and early childhood development	Individuals	0	2022	332	896	0	0	1,228	Training attendance list	
Community staff trained in AIN-C and early childhood development	Individuals	0	2022	556	1,642	0	0	2,198	Training attendance list	
Health service kits distributed under the AIN-C and early childhood development strategy	Kits	0	2022	84	765	0	0	849	Health Center acceptance reports	
Technological strengthening implemented for health services under the AIN-C	Tablets	0	2022	20	35	0	0	55	Tablets acceptance report	
Health service recording system updated in relation to early childhood care	System	0	2022	1	1	0	0	1	System reports	
Number of community health units organized, registered, and trained	Community health units	0	2022	0	20	20	10	50	Record of the creation of the Board of Directors for the health users' committees (CUSs)	
Subcomponent 3.2. Promoting student progression through quality education services up to lower secondary level										
Training program implemented for teachers in single- or two-teacher primary schools	Program	0	2022	1	0	0	0	1	Teaching materials designed	
Teachers in single- or two-teacher primary schools trained	Number	0	2022	0	50	50	50	150	Training attendance list	

Indicators	Unit of measure	Base-line amount	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Strategy design completed to strengthen math and Spanish knowledge for primary-level students	Strategy	0	2022	1	0	0	0	1	Design approved	
Pilot project to strengthen math and Spanish knowledge for primary-level students	Pilot	0	2022	0	1	1	1	1	Training attendance list	
Teaching support provided to teachers in basic education centers belonging to single- or two-teacher school micronetworks	Centers	0	2022	0	200	200	200	200	List of centers that have received teaching support for teachers (source: Solidarity Network and Ministry of Education)	
Diagnostic assessment of the support needs of young people and adults (ages 13 and above) with educational delays, and proposals for educational options for reentry into the education system	Diagnostic assessment	0	2022	1	0	0	0	1	Final consultant report	
Pilot implemented for educational options for reentry into the education system	Pilot	0	2022	0	1	1	1	1	Training attendance list	
Subcomponent 3.3. Promoting successful life paths for young people										
Young people benefited by the conditional transfer program	Number of young people	0	2022	100	500	400	0	1,000	System reports	
Range of providers included in the digital solution	Providers	0	2022	20	40	40	0	100	Reports from providers approved for the digital solution	
Digital solution implemented	Platform	0	2022	1	1	1	0	1	System reports	
Evaluation completed	Report	0	2022	1	0	2	0	3	Evaluation reports	
Component 4. Strengthening the Social Protection System (SPS) and the prioritized supply of PRS services										
Subcomponent 4.1. Strengthen the new institutional framework for the SPS										
Plan prepared to strengthen the SPS institutional and policy framework	Plan	0	2022	1	0	0	0	1	Plan approved	
Social data security measures implemented	Report			1	1	1	1	1	Semiannual progress reports	

Indicators	Unit of measure	Base-line amount	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Technical team training plan executed	Plan	0	2022	1	0	0	0	1	Plan approved	
Prioritized supply of services formalized through the PRS packages	Packages	0	2022	1	1	1	0	1	Solidarity Network interagency agreements	
Plan implemented to strengthen staff technical capabilities and skills	Plan	0	2022	1	1	1	0	1	Semiannual progress reports	
Monitoring and Evaluation Unit for the Solidarity Network Program (PRS) strengthened	Unit	0	2022	1	1	1	0	1		
Radio communication model implemented for the distance communication and training strategy	Model	0	2022	1	1	1	0	1		
Plan to strengthen the SPS institutional framework implemented	Plan	0	2022	1	1	1	0	1		
Sustainability plan approved for the Honduran Center for the Study of Social Sector Policies	Plan	0	2022	1	1	0	0	1	Plan approved	
Change management and communications strategy implemented	Strategy	0	2022	1	1	1	1	1	Progress reports	
Social safety net policy updated	Strategy	0	2022	0	0	1	0	1	Gazette	
Agreements signed with improvement plans for the supply of services in target villages	Agreements	0	2021	4	4	4	4	4	Semiannual progress reports	
Subcomponent 4.2. Strengthening of SPS data interoperability										
Analysis of existing regulatory framework completed	Report	0	2022	1	0	0	0	1	Final report	
Evaluations performed of the process to update information based on administrative records	Report	0	2022	0	1	1	1	3	Final evaluation report	
Interoperability platform implemented for social data exchange	Platform	0	2022	0	1	0	0	1	Report on the use of the platform	
SPS institutions equipped with a new datacenter and computing equipment	Report	0	2022	1	1	0	0	2	Semiannual progress report	
Business intelligence platform implemented	Platform	0	2022	0	0	0	1	1	Report on the use of the platform	

Indicators	Unit of measure	Base-line amount	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Change management strategy for digital transformation implemented	Strategy	0	2022	0	0	0	1	1	Final report	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Honduras

Division: SPH

Operation number: HO-L1230

Year: 2022

Executing agency: Programa de la Red Solidaria [Solidarity Network Program] (PRS)

Name of Operation: Program to Support the Comprehensive Social Protection System II

I. Fiduciary Context of the Executing Agency

1. Use of country systems in the operation¹

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reporting	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input checked="" type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Special features of fiduciary execution	<p>Interagency agreements will be signed under the project with two State-run banking entities: BANADESA and/or BANPROVI. Funds for the conditional cash transfers (CCTs) will be transferred to these banks for the purposes of making the respective payments. The Project Team Leader will assess the arguments of the executing agency with respect to the technical capability of these entities for this task and the creation of mechanisms to supervise proper implementation of the CCTs through these arrangements.</p> <p>The executing agency will hire an audit firm by means of a competitive process, in accordance with the terms of reference previously agreed with the Bank. The audit firm will review the entire cycle of CCT payment processes, including the full operating cycle, and will undertake field visits to this end.</p>
-------------------------------------	---	--

3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>Although the executing agency has experience in executing other operations with the Bank, an assessment carried out using the Institutional Capacity Assessment Platform (ICAP) has highlighted weaknesses in the areas of financial management and procurement. As the executing agency is in the process of consolidating its new institutional framework, a condition precedent to the first disbursement will be for the executing agency's coordination unit to have at least the following for program execution: (i) a coordinator; (ii) a financial specialist; (iii) procurement specialists; (iv) a head of monitoring and evaluation; and (v) a head of gender and diversity analysis (paragraph 3.5).</p>
--	--

¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of validation by the Bank.

4. Fiduciary risks and risk response

Risk classification	Risk	Risk level	Risk response
Institutional	Given the multiplicity of activities during project launch, if inefficient procurement management continues from as early as the planning stages, it will take longer to execute procurement processes, affecting activities that depend on the latter.	Medium-high	<ul style="list-style-type: none"> Strengthen the procurement department and unit to improve their efficiency, know-how, and planning; optimize procurement processes and analyze staffing required to implement them; and design and operate a procurement management dashboard. Carry out a staff assessment based on the scope of the project. Use of human resource performance evaluation systems. Develop procurement training programs. Review and update processes and procedures.

5. Policies and guidelines applicable to the operation: Procurement: Documents GN-2349-15 and GN-2350-15; financial management: document OP-273-12 and supplementary guidelines.
6. Exceptions to policies and guidelines: N/A.
7. Eligible expenditures: Eligible expenditures will comprise the conditional and nonconditional transfers described in Subcomponents 1.1, 1.2, and 3.3, which will be paid to eligible beneficiaries consistent with the provisions of the relevant operating manuals. Expenses will be documented by means of settlement reports issued by the State-run bank or other payment entity. Annual transfers of approximately US\$1,000 each to parents' associations and health users' committees (CUSs) will be documented by means of receipts and settlement reports, using the formats described in the respective handbooks. To ensure the proper use of resources, settlement documents will be verified by the external auditors for a sample of the parents' associations and CUSs.

II. Considerations for the Special Provisions of the Loan Contract

Special conditions precedent to the first disbursement:
<p>Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i). For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, the exchange rate will be the rate in effect on the first working day of the month in which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.</p>

III. Agreements and Requirements for Procurement Execution

<input checked="" type="checkbox"/>	Bidding documents	The procurement of works, goods, and nonconsulting services subject to international competitive bidding (ICB) under the Bank's procurement policies (document GN-2349-15) will be carried out using either the standard bidding documents issued by the Bank or those documents agreed between the executing agency and the Bank for the contract concerned. Consulting services will be selected and contracted in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15) and will use either the Bank's Standard Request for Proposals document or the request for proposals agreed between the executing agency and the Bank. In the case of limited bidding procurement methods up to the same threshold as shopping processes, the country's own approved documents will be used. The review of technical specifications and terms of reference for contracts during preparation of the selection processes is the responsibility of the project sector specialist. This technical review may be carried out ex ante and is independent of the method of procurement review.
<input checked="" type="checkbox"/>	Use of country systems	The Bank's Board of Executive Directors has approved the use of the electronic catalogue, framework agreement, and limited bidding subsystems for contracts that do not exceed the threshold for shopping in Honduras. These subsystems may be used for the procurement of goods, works, and services in amounts that do not exceed the applicable threshold for shopping in Honduras, as set by the Bank. The procurement plan for the operation will indicate the contracts that will be executed using country systems subject to the approved scope. Should the Board approve an expansion of the scope for the use of country systems, this will apply to the operation.
<input checked="" type="checkbox"/>	Direct contracting and selection	The following contracts have been identified for direct contracting and selection, as provided for in paragraph 5.4(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15): To foster operational continuity and the development of institutional know-how, single-source selection will be used for consultants financed under loans 5008/BL-HO (Support for the Comprehensive Social Protection System) and 5289/BL-HO (Support for Vulnerable Populations Affected by Coronavirus) who make up the project management unit and the operational structure of the conditional cash transfer program.
<input checked="" type="checkbox"/>	Advance procurement/retroactive financing	The Bank may use loan proceeds to provide retroactive financing for eligible expenditures to pay for CCTs in October and November 2022 (Subcomponent 1.1 of the program) for up to US\$12 million, as well as payments for operating expenses and the cost of data collection for the master socioeconomic profile (FSU) for the SIRBHO (paragraph 1.11) for up to US\$3 million (the retroactive financing represents 20% of the loan amount), provided they have been made under conditions substantially similar to those established in the loan contract and the procurement processes are consistent with the Core Procurement Principles.

<input checked="" type="checkbox"/>	Procurement supervision	<p>Based on the executing agency's experience with procurement according to IDB policies, supervision will be ex ante in the case of larger contracts and ex post in the case of competitive selection processes for individual consultants. Where procurement processes are executed through the country system, supervision will be performed through the country supervision system. The supervision method will be determined for each selection process: (i) ex ante, (ii) ex post, or (iii) country system. Ex post reviews will be conducted every year in accordance with the project supervision plan, subject to changes during execution. The ex post review reports will include, where possible, at least one on-site visit to verify the existence of the items procured, leaving verification of quality and compliance with specifications to the sector specialist. Ex post verification will be applied for at least 10% of planned procurement subject to ex post supervision. The following may be subject to ex post review:</p>			
		Executing agency	Works	Goods and services	Consulting Services
		Solidarity Network Program	Limited bidding for works in amounts under the threshold for shopping in Honduras	Procurement of goods and services using current electronic catalogues and limited bidding up to the threshold for shopping set by the IDB for Honduras	Individual consultancies based on competitive processes
<input checked="" type="checkbox"/>	Records and files	<p>The PRS coordination unit will be responsible for keeping files in appropriate and protected locations; for maintaining original supporting documentation for procurement processes carried out with program resources; and for keeping records in accordance with established procedures.</p>			

Main procurement contracts

Item description	Selection method	Estimated date	Estimated amount US\$
Procurement of office and stationery inputs and materials	Select method	2023	1,147,742
Procurement of information technology and audiovisual equipment	ICB	2023	1,274,166
Purchase of software licenses	ICB	2023	228,125
Purchase of study equipment, antennae, and transmitters	ICB	2023	226,500
Workshops for staff in the institutions and communities	National competitive bidding (NCB)	2023	1,431,540
Reproduction of promotional materials	ICB	2023	953,833
Procurement of formal and nonformal education services	NCB	2023	435,000
Procurement of office and stationery inputs and materials	ICB	2023	1,147,732

Item description	Selection method	Estimated date	Estimated amount US\$
Procurement of soft skills training services	ICB	2023	285,000
Impact evaluation of noncash transfers for young people	Quality- and cost-based selection (QCBS)	2026	245,245
External audit contracted	QCBS	2026	360,000
Experimental evaluation	QCBS	2026	240,000
Hiring of 30 mentoring specialists	Selection of individual consultants (3 CVs)	2023	732,991
142 social managers	Direct selection of individual consultants	2023	2,044,800
Hiring of PCU consultants	Direct selection	2024	2,741,996

[18-month procurement plan.](#)

IV. Agreements and Requirements for Financial Management

<input checked="" type="checkbox"/>	Programming and budget	Challenges are expected in budget execution due to potential restrictions in budget allocations, which may affect execution timelines.
<input checked="" type="checkbox"/>	Treasury and disbursement management	Prior to the first disbursement, a special account will be opened at the Central Bank of Honduras, together with the respective operating ledger, that will be part of the Treasury Single Account. Disbursements will be made using the online disbursement system, and program transactions will be denominated in U.S. dollars. The exchange rate used in the operation will be the effective rate of exchange on the date of payment of each expenditure in local currency. Option (b)(i) of Article 4.10 of the General Conditions of the loan contract will apply. Specific exceptions notwithstanding, the financial planning period for the operation will be six months. Disbursements will preferably be made through advances of funds, although other methods may be used. Documentation will be provided for 70% of the cumulative balance pending documentation. Should flexibility be required in this respect, the project team will first carry out an evaluation.
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	International Public Sector Accounting Standards (IPSAS) will be followed. The UEPEX/SIAFI technology platform will be used to maintain program accounts. Accrual accounting will be used for the purposes of execution, while cash basis accounting will be used for reporting. Reports will be issued by the UEPEX/SIAFI system. The program Operating Regulations will supplement the policies and guidelines applicable to the operation, providing documentation of work flows and internal controls.
<input checked="" type="checkbox"/>	Internal control and audit	The internal audit function for the project will be established in the program Operating Manual. The executing unit will be responsible for this function, supervised by the National Office for the Comprehensive Development of Internal Control (ONADICI), the Audit Office (TSC), and the project auditor.

<input checked="" type="checkbox"/>	<p>External control and reports</p>	<p>The borrower and/or executing agency will select and contract external audit services in accordance with the terms of reference previously agreed between the borrower and/or executing agency and the Bank. These will stipulate the type, timing, and scope of the audit review. Both the external auditor selected and the accounting standards used must be acceptable to the Bank. Given the nature and risks of the operation, audited financial statements will be required, prepared by a Bank-eligible firm. These statements may be adjusted over the course of the project depending on the results of Bank supervision. The type of financial report required to meet the financial information requirements of the external auditor for the operation is the audited financial statement. The cut-off dates for submission of these reports will be 120 days after the close of each fiscal year and, in the case of the final report, 120 days after the expected date of the final loan disbursement.</p>
<input checked="" type="checkbox"/>	<p>Financial supervision of the operation</p>	<p>The operation requires financial supervision by the Bank's fiduciary team. This team will also be responsible for the implementation of onsite and desk reviews and monitoring with a certain regularity, subject to adjustment during execution. This will consist of detailed reviews of project accounting and financial information. The Bank may avail of the assistance of the contracted auditing firm for this purpose.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Honduras. Loan ____/BL-HO to the Republic of Honduras
Program to Support the Comprehensive Social
Protection System 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 the Comprehensive Social Protection System 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\$26,565,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$49,335,000, 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 ____ 2022)