

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

SUPPORT FOR VULNERABLE POPULATIONS AFFECTED BY CORONAVIRUS

(HO-L1226)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Lesley O'Connell (SCL/SPH), Project Team Leader, and Luis Tejerina (SCL/SPH), Alternate Project Team Leader; Hugo Godoy (SCL/SPH); Neili Bermúdez (SCL/SPH); Raquel Fernandez (SCL/EDU); Nidia Hidalgo (SCL/GDI); Nadia Rauschert (VPC/FMP); Maria Cecilia del Puerto Correa (VPC/FMP); Bessy Romero (CID/CHO); Alvaro Sanmartin (LEG/SGO); Sebastián Gallegos (SPD/SDV); Jordi Prat (CID/CID); and Ana Victoria de Obaldia (CID/CPN).

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LINKS	
REQUIRED	
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2.	Procurement plan
OPTIONAL	
1.	Project economic analysis
2.	Summary of executive decrees (PCM)
3.	Bono Vida Mejor (BVM) impact evaluation
4.	BVM Program Operations Manual
5.	Safeguard policy filter and safeguard screening form

ABBREVIATIONS

BANHPROVI	Banco Hondureño para la Producción y la Vivienda [Honduran Bank for Production and Housing]
CENISS	Centro Nacional de Información del Sector Social [National Center for Social Sector Information]
COVID-19	Coronavirus disease caused by the SARS-CoV-2 virus, first detected in 2019
ENIGH	Encuesta Nacional de Ingreso y Gasto de los Hogares [National Survey of Household Income and Expenditure]
EPHPM	Encuesta Permanente de Hogares de Propósitos Múltiples [Continuous Multipurpose Household Survey]
EoVM	Emprendiendo una Vida Mejor [Embarking on a Better Life]
EVM	Estrategia Vida Mejor [Better Life Strategy]
FRP	Fondo para la Reducción de la Pobreza [Poverty Reduction Fund]
FSU	Ficha Social Única [single social record]
G2P	Government-to-person
INCAP	Instituto de Nutrición de Centro América y Panamá [Central America and Panama Nutrition Institute]
INE	Instituto Nacional de Estadísticas [National Statistics Institute]
PAI	Programa Ampliado de Inmunizaciones [Expanded Immunization Program]
PBVM	Programa Bono Vida Mejor [Better Life Grant Program]
PCU	Program coordination unit
PRDS	Plan para la Reconstrucción y el Desarrollo Sostenible [Reconstruction and Sustainable Development Plan]
RUP	Registro Único de Participantes [Master registry of participants]
SCGG	Secretaría de Coordinación General de Gobierno [General Government Coordination Department]
SEDIS	Secretaría de Desarrollo e Inclusión Social [Ministry of Development and Social Inclusion]
SESAL	Health Ministry
SINAGER	Sistema Nacional de Gestión de Emergencias y Riesgos [National Emergency and Hazard Management System]
SSIS	Subsecretaría de Integración Social [Office of the Deputy Secretary for Social Integration]
UTSAN	Unidad Técnica de Seguridad Alimentaria y Nutricional [Food and Nutritional Security Technical Unit]

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Financial Terms and Conditions			
Borrower:	Source	Amount (US\$)	%
Republic of Honduras	IDB (Regular OC):	29,250,000	65
	IDB (Concessional OC):	15,750,000	35
	IDB:	45,000,000	100
Executing agency:	Total:	45,000,000	100
Ministry of Development and Social Inclusion (SEDIS)			
	Regular OC (FFF) ^(a)	Concessional OC	
Amortization period:	25 years	40 years	
Disbursement period:	2 years		
Grace period:	5.5 years ^(b)	40 años	
Interest rate:	LIBOR-based	0.25%	
Credit fee:	^(c)	N/A	
Inspection and supervision fee:	^(c)	N/A	
Weighted average life:	15.25 years	N/A	
Currency of approval:	U.S. dollars		
Project at a Glance			
Project objective/description: The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19 and the two hurricanes, Eta and Iota. The specific objectives are: (i) to support minimum income levels during the recovery for those affected by the COVID-19 pandemic and the two hurricanes, Eta and Iota; and (ii) to preserve the human capital of those affected by the coronavirus crisis (paragraph 1.31).			
Special contractual conditions precedent to the first disbursement: The executing agency will present evidence of the following: (i) the program Operating Regulations have been approved by SEDIS under the terms previously agreed upon with the Bank; (ii) SEDIS and BANHPROVI have signed an interagency agreement defining the roles and functions of each agency to coordinate execution of the resources in Subcomponent 1.3; (iii) a special commission has been set up to deliver the Bono Vida Mejor [Better Life Grant] (BVM); (iv) SEDIS has drawn up a strategy and master plan with BANHPROVI for the delivery of the BVM 2021; (v) the plan to support the sustainability of the BVM program (PBVM) has been approved by the PBVM technical committee; and (vi) SEDIS has hired key specialists to strengthen the coordination unit for the program for Support for the Comprehensive Social Protection System (5008/BL-HO), project coordination unit (PCU) / Office of the Deputy Secretary for Social Integration (SSIS) (procurement specialist and monitoring specialist) (paragraph 3.3).			
Exceptions to Bank policies: None.			
Strategic Alignment			
Challenges: ^(d)	SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting issues: ^(e)	GE <input checked="" type="checkbox"/> DI <input type="checkbox"/>	CC <input type="checkbox"/> ES <input type="checkbox"/>	IC <input type="checkbox"/>

- ^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- ^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted, provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- ^(c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.
- ^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- ^(e) 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 **Macroeconomic and social context.** Although Honduras had one of the region's most dynamic economies between 2010 and 2019,¹ it has been unable to sustainably reduce poverty² and extreme poverty.³ The same pattern can be seen in the poverty data series with poverty lines updated⁴ in 2019.⁵ With a Gini coefficient for income of 50.5, it is one of the most unequal countries of Latin America and the Caribbean.⁶ In addition to a high level of extreme poverty, Honduras has one of the highest informality rates, with just 17% of the population contributing to social security. Most of the population has no access to insurance mechanisms against economic shocks.
- 1.2 **Background.** On 11 March 2020, the World Health Organization (WHO) declared the outbreak of COVID-19, the disease caused by the 2019 novel coronavirus, or SARS-CoV-2, which affects the respiratory system, a pandemic. As of 7 May 2021, 156,436,157 COVID-19 cases had been recorded, with 3,259,592 deaths, and a case fatality rate of 2.1%. The first cases in Latin America and the Caribbean were reported in late February 2020. Since then, cases have risen rapidly, with 29,455,857 million confirmed cases of COVID-19 and 942,955 deaths as of 7 May 2021, and a case fatality rate of 3.2%.⁷ The first cases in Honduras were diagnosed in the first half of March 2020. Since then, 217,635 cases have been confirmed, with 5,502 deaths, and a case fatality rate of 2.5%.⁸

¹ Between 2010-2019, the country's annual economic growth averaged 3.64%, higher than the average for Latin America and the Caribbean (2.03%). International Monetary Fund (IMF), World Economic Outlook, 2021.

² In 2018, 61.9% of Honduran households were living below the poverty line. Of these, 38.7% were living in extreme poverty. The lowest poverty rate during the period was 58% in 2007, and the maximum was 66% in 2012. (INE, 2019).

³ Honduras's economic growth is not very inclusive. Relative to the Latin American and Caribbean region, Honduras has one of the lowest [elasticities of extreme poverty](#) and non-extreme poverty, at -65.53 and -28.81, compared with regional averages of -163.45 and -104.47.

⁴ With the technical support of the IDB and the World Bank, in 2019 the government authorities strengthened the methodology for measuring monetary poverty, including additional variables to enhance the calculation of personal income and the classification of urban and rural populations. The extreme poverty lines were updated based on calorie requirements, using the foods composition table from the Central America and Panama Nutrition Institute (INCAP) (2018) and the prices of the basic food basket for the reference population. Data from the National Survey of Household Income and Expenditure (ENIGH), 1998.

<https://www.ine.gob.hn/V3/imag-doc/2020/01/Enero-2020-Cifras-Revisadas-Pobreza-en-Honduras-30-enero.pdf>

⁵ Analyzing the poverty series with updated poverty lines in 2019, between 2014 and 2018 the poverty and extreme poverty rates in rural areas rose from 49.1% to 55.2% and from 27.3% to 32.1%, respectively, whereas in urban areas they declined from 40.4% to 33% and from 16.6% to 9.7%, respectively, expressed in terms of percentages of households. Estimates for 2019 have not yet been released. Ibid.

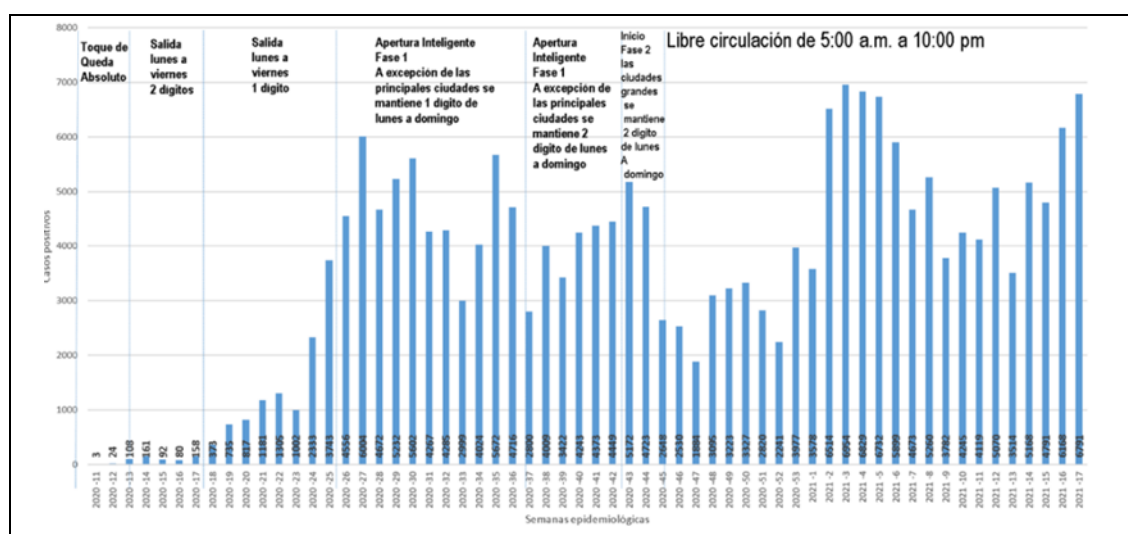
⁶ Development indicators. https://data.worldbank.org/indicator/SI.POV.GINI?name_desc=false.

⁷ Data from the Johns Hopkins Coronavirus Resource Center.

⁸ Comprehensive Health Information System of the Honduras Health Ministry (SESAL).

- 1.3 In response to the pandemic, the Honduran government declared a health emergency on 10 February 2020⁹ and a state of emergency on 15 March 2020,¹⁰ with increasingly strict curfews imposed nationwide.¹¹ On the same date as the declaration of emergency, the National Emergency and Hazard Management System (SINAGER)¹² was activated. SINAGER is the interagency unit responsible for coordinating and steering the response to the pandemic emergency. Social distancing measures were intended to slow the exponential curve of contagion, spread out cases requiring hospitalization, and gain time to reorganize and prepare the services of intensive and intermediate care units. These measures were subsequently eased, and freedom of movement was allowed from July 2020 onwards.
- 1.4 Since late 2020, a sustained upward trend in new confirmed cases and deaths from COVID-19 has been observed, as shown in the figure below.

Figure 1: Positive COVID-19 cases per week of the epidemic (March 2020-April 2021)



Source: Authors' calculations, based on data from the Health Surveillance Unit, 30 April 2021.

⁹ PCM-005-2020 dated 10 February 2020, amended pursuant to Executive Decree PCM-016-2020.

¹⁰ Executive Decree PCM-021-2020 dated 15 March 2020, amended by PCM-022-2020 dated 21 March 2020.

¹¹ Under these provisions, schools and businesses were closed, and movement during the curfew (5 p.m. to 7 a.m.) was only permitted for essential activities. All circulation of vehicles and persons was restricted to one day per week based on the last digit of ID card numbers.

¹² [SINAGER](#) was created by Legislative Decree 01-2010 and brings together 21 entities including central government organizations, deconcentrated and decentralized government agencies, autonomous agencies, private companies, labor and campesino organizations, various development organizations recognized in the country, and the whole range of civil society organizations. Activated by Council of Ministers Executive Decree PCM-005-2020.

- 1.5 In November 2020, the Health Ministry's Expanded Immunization Program (PAI) prepared a vaccination plan that included, among other things, the procurement of vaccines, purchase of equipment for the cold chain, a communication strategy, and logistics support. For its COVID-19 vaccination program, Honduras has reserved doses for 81.5%¹³ of the adult population through the COVAX/Gavi initiative, bilateral contracts, and some donations. However, so far it has received just a small number of doses and has only been able to administer 0.65¹⁴ doses per 100 inhabitants, currently the lowest vaccination rate in Latin America. This represents a major challenge to restarting economic and educational activities while reducing infections, hospitalizations, and deaths from COVID-19.
- 1.6 **The deepening crisis.** The difficulty of controlling the pandemic and its socioeconomic repercussions was exacerbated by the impacts of the two category four hurricanes (Eta and Iota) that struck the country in two successive weeks of November 2020.¹⁵ During this period, it was difficult to implement restrictions and biosecurity measures, worsening the spread of the virus. Moreover, the entire country was hit by the storms, resulting in substantial losses in the productive sector and damage to road infrastructure, social facilities, water and sanitation, communications, and land and air transport networks. According to figures from the Contingencies Commission, the two hurricanes affected 3.9 million people (more than 40% of the country's population), who experienced interruptions to public utility services (such as electricity and water), commercial activities, and employment, or who were temporarily stranded in isolation.¹⁶
- 1.7 **Socioeconomic problems.** In 2020, as a result of the pandemic and the impacts of storms Eta and Iota, Honduras suffered a sharp drop in its economic activity and a deterioration in its fiscal position. The Central Bank estimated that the economy contracted 9% in 2020. Meanwhile, the Economic Commission for Latin America and the Caribbean (ECLAC) estimated that the damage caused by the November tropical storms came to 8% of gross domestic product (GDP). On the fiscal side, the nonfinancial public sector deficit was 5.6% of GDP in 2020 (the largest since 2013). Given the unfolding pandemic and the slow rate of vaccination, the growth forecast of 3.8% of GDP in 2021 is uncertain. Moreover, the limited fiscal leeway and budget rigidity hinder the response capacity of the social protection system to mitigate the social impacts of the crisis, as described below.
- 1.8 Although official poverty figures have not yet been released, applying the updated poverty lines, between 2020 and 2021, the crisis is projected to increase total poverty from 38% to 44% and extreme poverty from 15% to 19% in urban

¹³ PAI, Health Ministry (SESAL), Honduras. 6 May 2021.

¹⁴ Idem.

¹⁵ On 6 November 2020, a nationwide state of emergency was declared as a result of the effect of the rainfall due to Tropical Storm Eta. As Hurricane Iota approached, actions were scaled up to include other weather events (Iota) that damaged productive infrastructure across the country. (Executive Decrees PCM-109-2020; PCM-112-2020; and PCM-116-2020 published in November 2020).

¹⁶ PRDS. General Government Coordination Department (SCGG), March 2021 version.

areas, and to increase total poverty from 52% to 59% and extreme poverty from 30% to 36% in rural areas. Nationally, it is estimated that a total of 100,000 households slipped into extreme poverty and that 86% of these households include children. The extreme poverty gap also increased at the national level during this period from 39 to 41¹⁷ (see [BVM simulation](#)). It is estimated that food insecurity increased during this period, and three million inhabitants are believed to be facing a food crisis,¹⁸ given the loss of jobs,¹⁹ rising prices for staple grains, and restrictions on movement that have limited access to formal and informal work.

- 1.9 Moreover, the crisis has disproportionately affected women. The pandemic unleashed a crisis whose effects have included quarantine, fear of the virus, anxiety about loss of income, and an overload of work from household chores, generating tension and conflict within families. This has increased the risk of domestic and intrafamily violence, mainly against women and girls. In 2020, 87% of victims of domestic violence and 78% of victims of intrafamily violence were women.²⁰ In 2020, a significant increase in intrafamily violence against children under 15 and older adults was also observed, compared with 2019.²¹ Furthermore, in the job sector, the crisis hit small and medium-sized enterprises, in which women have a high level of representation, particularly hard. These factors manifested a disproportionate increase in the extreme poverty rate for households headed by women, at 26% compared with 19% for households headed by men.²²
- 1.10 **Crisis response.** To tackle the national emergency, the sharp economic contraction, and the deterioration in social conditions, the Honduran government implemented an economic support plan with a number of measures including: a price freeze on items in the basic consumer basket; a three-month suspension of payments on loans with no change to borrower credit records; subsidized rates with flexible financing conditions to spur the recovery in agriculture (Agrocrédito) and among microenterprises (Crédito Solidario). The Honduran government also implemented specific social protection programs for the most vulnerable groups, combining food donations and cash transfers. For example, Operación Honduras

¹⁷ These simulations are from the CRITERIA platform, analyzing the EPHPM 2019 with 2020 poverty estimates projected by the World Bank and the INE.

¹⁸ This population would be in phase 3 according to the data of the integrated food security phase classification. Comparing with the July 2020 food insecurity classification data (1.65 million), the hurricanes drove an additional 1.4 million people into the food insecurity crisis phase. PRDS-SCGG 2021.

¹⁹ Mainly in the informal sector, tourism, industry, construction, maquila, transportation, and agriculture. Analysis of acute food insecurity, Food and Nutritional Security Technical Unit (UTSAN), February 2021.

²⁰ Violence of this kind reported by dialing 911 increased in April and May 2020, coinciding with the adoption of COVID-19 containment measures. There was another uptick in August-November and in December 2020. Infosegura, the United States Agency for International Development (USAID), and the United Nations Development Programme (UNDP) 2021.

²¹ Analysis of public security in Central America and the Dominican Republic 2020. Presentation of 2020 analysis, Datacción, consulted at: <https://infosegura.org/2021/04/23/presentacion-de-analisis-2020-dataccion/> on 26 April 2021.

²² Criteria 2021.

Solidaria provided food and hygiene kits to 292 municipios. The Bono a Cuenta Propistas [Grant for the Self-employed] transfer targeted owners of microbusinesses affected by the social containment measures, delivering financial support for 260,000 people. And the Bono Único [One-time Voucher] was a one-time electronic voucher exchangeable for food, medicines, and/or medical supplies, which benefited approximately 260,000 people in the country over three months. (See summary of executive decrees in [optional link 2](#)).

- 1.11 **Better Life Grant Program.** In addition to the measures specifically designed to respond to the crisis, the Honduran government also has its main social protection program, the Programa Bono Vida Mejor [Better Life Grant Program] (PBVM). Originally created in 2010 as Bono 10,000, the PBVM is run by the Ministry of Development and Social Inclusion (SEDIS) through its Office of the Deputy Secretary for Social Integration (SSIS) and is a central pillar of the Estrategia Vida Mejor [Better Life Strategy] (EVM), which, since 2014, has been the social safety net supporting families in extreme poverty in Honduras. The PBVM has the dual objective of protecting the consumption of beneficiary households and promoting human capital accumulation and opportunities for access to education, health, and nutrition.²³ The PBVM provides a conditional cash transfer against fulfillment of co-responsibilities in health,²⁴ education,²⁵ and nutrition. Impact evaluations of the PBVM have shown the program's success at increasing demand for health and education services and helping to improve outcomes in health, education, and poverty alleviation.^{26, 27}
- 1.12 The PBVM program works in two areas, the urban sector and the rural sector, with different co-responsibilities and transfer structures.²⁸ In 2020, the program was scheduled to cover 335,471 households, representing an estimated 53% of households in extreme monetary poverty with children under 18 years of age.

²³ Cash transfers alone should increase the use of health and education services due to the “income effect.” However, the evidence shows that this impact is amplified by clear communication and monitoring of co-responsibilities (Baird et al., 2014).

²⁴ Two health care interventions for children under 24 months and one for children between 24 and 60 months, over an 18-month period.

²⁵ Enrollment of children 6-18 years of age in the corresponding stage of schooling and fulfillment of minimum attendance requirements (80%).

²⁶ In 2016-2017, an experimental evaluation of the impact of the PBVM found an increase of 11.3 percentage points (pp) in attendance at health center check-ups among children under five years of age (+45%); a reduction of 3.8pp (-22%) in acute diarrheal disease, a reduction of 4.6pp (-12%) in respiratory infections, and a reduction of 1.8pp (-17.6%) in overall undernutrition (weight for age); an increase in enrollment of 5.1pp (+8.3%) in 2016 in the third stage of primary education (TCEB), and a reduction of 2.5pp (-4.6%) in overage; and a drop of 12pp (17%) in extreme monetary poverty ([optional link 3](#)).

²⁷ Fiorella Benedetti, Pablo Ibararán, and Patrick J. McEwan, 2016. [Do Education and Health Conditions Matter in a Large Cash Transfer? Evidence from a Honduran Experiment](#), Economic Development and Cultural Change, University of Chicago Press, vol. 64(4), pages 759-793.

²⁸ The eligibility criteria for the rural division of the program are rural households in extreme poverty with children under 18. The eligibility criteria for the urban division are urban households in extreme poverty with children between 8 and 30. In 2019, the PBVM standardized key processes across the two divisions for the issuance of forms, invitations, and delivery of the benefit, monitoring, and reporting of educational co-responsibilities.

Rural areas account for 85% of PBVM households.²⁹ In light of the nature of the emergency and the interruption of health and education services, the PBVM, like other cash transfer programs in the region, suspended monitoring of fulfillment of co-responsibilities in health and education in 2020 and 2021, prioritizing the protection of household consumption.³⁰ According to simulations, the BVM transfer to beneficiary households reduces the intensity of extreme poverty in rural areas by 6.8 percentage points (17% of the gap), and 2.4 percentage points (6% of the gap) in urban areas.³¹

- 1.13 The structure of the PBVM applied to participating households in rural areas is described below.

Table I-1 Amount of the BVM transfer per household in the rural sector (US\$)*

Period	Basic	Health		1st and 2nd cycle of primary education		3rd cycle of primary education	
				1st to 6th grade		7th to 9th grade	
		1 child	2 or more children	1 child	2 or more children	1 child	2 or more children
Annual	160.8	52.80	60	52.8	60	100.8	139.2
Monthly	13.4	4.4	5	4.4	5	8.4	11.6

* The amount of the BVM that corresponds to each household is calculated based on composition of the members of the household, their age, and their grade in school. The annual amount is calculated by multiplying the monthly amount by 12.

Source: PBVM Operations Manual, applying an exchange rate of 25 lempira/US\$1.

²⁹ In 2019, the World Bank approved a loan of US\$30 million to finance the urban PBVM in the country's main municipios.

³⁰ Certification of the education and health co-responsibilities for the delivery of the BVM was temporarily suspended by Act 002-2020 approved by the PBVM Technical Committee, citing Article 34 of the program Operations Manual, which authorizes this suspension in the event of natural, social, or epidemiological disasters officially declared by the executive branch that hinder the delivery of services or the ability of participating households to fulfill their co-responsibilities. While the declaration of emergency persists, the Technical Committee is authorized to continue the suspension of certification of co-responsibilities. The program should return to normal operation once the emergency is over.

³¹ Criteria, April 2021.

- 1.14 Over time, with the Bank's support,³² innovations have been introduced to strengthen the PBVM's operational framework.³³ The program has reached institutional maturity with clear rules established in the PBVM Operations Manual ([optional link 4](#)) on the use of resources, measurement of co-responsibilities, and selection of beneficiaries using targeting algorithms, all processes that are subject to external audit. In 2021, the PBVM's quality management system obtained external certification under standard ISO9001:2015.³⁴ The PBVM is one of the region's best targeted conditional cash transfer programs, with one of the lowest rates of leakage to the non-poor.³⁵ In 2019, the National Center for Social Sector Information (CENISS) applied the single social record (FSU)³⁶ to over one million households in the master registry of participants (RUP),³⁷ and a new targeting algorithm was approved, enabling recertification in 2020 of households in the PBVM and the incorporation of new households based on their level of extreme poverty.³⁸
- 1.15 The BVM is partly financed by government fiscal revenue through the Poverty Reduction Fund (FRP), created following the 2018 fiscal reform by Executive Decree 021/2018. This establishes an allocation of at least 10% of the FRP to the PBVM. As a result, financing of the PBVM in the rural sector from FRP fiscal resources rose from zero in 2017 to 38% in 2018, and to 80% in 2019,

³² Second Operation for the Integrated Support for the Social Safety Net Program (2372/BL-HO), the Social Safety Net Support Program (2737/BL-HO), the Social Safety Net Support Program II (2937/BL-HO), the Social Protection System Support Program I (3371/BL-HO), and the Program to Support the Social Inclusion Network with Priority in Western Honduras (3723/BL-HO).

³³ The program had two impact evaluations, which helped improve its design and developed institutional capacity to manage this type of evaluation. Administrative information management was also improved, enabling student monitoring and automation of the certification of co-responsibilities by integrating data from the Education Ministry's school administration system. Progress was made on applying machine learning technology to digitize vaccination records for monitoring health co-responsibilities. Assistance provided to PBVM households was strengthened by opening participant service offices.

³⁴ The following processes are covered: (i) cross-referencing of household information with CENISS; (ii) generation of beneficiary registries for conditional cash transfers; (iii) verification of integrity of beneficiary data against country systems used; (iv) scheduling of conditional cash transfers; (v) invitation of households to receive conditional cash transfers; (vi) conditional cash transfer operations; (vii) conditional cash transfer settlement; (viii) support services for PBVM participants at central and departmental level; (ix) planning and delivery of training; (x) communication of program information to participants; (xi) training for program households; (xii) communication of program information for field personnel; and (xiii) training for program field personnel.

³⁵ *¿Las transferencias monetarias han sido capaces de llegar a los pobres de ALC?* Social Protection and Health Division. Policy Brief, IDB Policies IDB-PB-246. IDB. October 2015.

³⁶ CENISS selects social protection program participants, including the PBVM, based on the collection of household information, using the FSU. An algorithm is used that generates a well-being index for households and classifies them by level of poverty.

³⁷ For each household, a poverty threshold and its position relative to other households recorded in the RUP are calculated. This will make it possible to rank households from highest to lowest poverty index, so as to prioritize interventions based on resource availability. This classification also makes it possible to identify the services that each household requires to move its basic development indicators.

³⁸ With resources from the program for Support for the Comprehensive Social Protection System (5008/BL-HO), the Honduran government is updating the targeting model to adapt the algorithm in line with the updated poverty lines, leveraging technical assistance from artificial intelligence and big data to reduce inclusion errors.

representing an allocation of 15.5% of the FRP.³⁹ These measures were supported by the programmatic series Program to Support Social Protection Reforms I and II (4613/BL-HO and 4877/BL-HO). (See [Change in financing by source](#)).

- 1.16 Strategies complementary to the PBVM have also been implemented with Bank support.⁴⁰ The first stage of the program ¡Cuidate! Una Guía de Salud y Bienestar [Take Care of Yourself! A Guide to Health and Wellbeing],⁴¹ aimed at PBVM beneficiaries and their partners⁴² to support health promotion and equitable gender relations in the home. The training includes modules on sexual and reproductive health, the promotion of shared responsibilities for family planning and child care, and the prevention of domestic and intrafamily violence. Additionally, the initiative Embarcando una Vida Mejor [Embarking on a Better Life] (EoVM) was implemented with support from Fundación Capital to test and evaluate interventions with potential for a sustained impact on consumption protection and potential income generation for the poorest rural households. Under this initiative, 845 PBVM households received a cash transfer of US\$350, in addition to the BVM, along with entrepreneurship training and financial education, all to increase household income. One year after the intervention, the external evaluation of this pilot trial found significant increases in household consumption and savings, impacts on income generation, and a positive effect on gender role equity, boosting the resilience of the households during the pandemic.⁴³
- 1.17 Since its inception, the PBVM has paid transfers via mobile automatic teller machines that distribute cash at large-scale events, bringing together BVM households from different communities at a predefined location. This mechanism facilitates access to hard-to-reach communities where banking services are limited or nonexistent. In recent years, the SSIS has been running a number of pilots to update PBVM payments, using a variety of channels (such as credit unions, commercial banks, and electronic wallets). Although satisfactory results have been obtained, both for users and the program,⁴⁴ it has been difficult to scale up the pilot projects because individual financial service providers lack

³⁹ In previous years, there were obstacles to full payment of the BVM, despite the government's efforts to absorb the financing with national funds, particularly as a result of the simultaneous closure of several external cooperation programs.

⁴⁰ Programs funded under 3723/BL-HO and 3371/BL-HO.

⁴¹ Since 2016, the pilot has been expanded to 49 communities and 868 couples in the PBVM.

⁴² Couples were selected who live in communities with high rates of extreme poverty, domestic and intrafamily violence, teenage and preteen pregnancies, and prenatal and postnatal mortality.

⁴³ The EoVM pilot strategy increased household consumption by 9.96% (US\$44.63), finding increases under several major headings such as transportation and food, with increases of 32.63% (US\$9.13) and 18.67% (US\$46.94). It also significantly increased household incomes, which rose from a monthly level of US\$8.23 to US\$28.48 (a 342.2% increase). See [EoVM](#) for more details. Final evaluation, Universidad de los Andes, April 2021 (preliminary version).

⁴⁴ IDB Technical Note: *En búsqueda de la eficiencia y la inclusión financiera con el pago de transferencias de ingreso: Un estudio del costo-efectividad de mecanismos de pago en el Programa Bono 10,000 en Honduras*. Luis Tejerina, Pablo Ibararán, Fiorella Benedetti, and Barbara Buchbinder.

- the necessary coverage to cater to the full universe of the PBVM participant population, nor has there been a technology tool capable of integrating the full array of payment channels.
- 1.18 In 2020, the mobility restrictions and biosecurity measures imposed due to the pandemic precluded the use of mobile automatic teller machines for making BVM payments since, by their nature, they draw groups of people to a single place, leading to the risk of infection. In this context, the Honduran government, using the State-owned Honduran Bank for Production and Housing (BANHPROVI), decided to implement a [G2P \(government-to-person\) payment platform](#) integrating multiple channels (banks, credit unions, etc.).⁴⁵ In the short term, this solution enables funds to be distributed in cash, in a single payment, while in the medium term it can be used as an electronic wallet and so promote financial inclusion. In 2020, BANHPROVI integrated a network of branches and nonbank correspondents on its platform, with potential coverage of 71% of the municipios targeted by the PBVM. This produced substantial payment capacity, enabling 20,000 daily transactions through the 254 banking agents integrated on the platform via a real-time connection.⁴⁶ However, the two hurricanes delayed the launch of the platform's integrated payment channels (credit unions, the Tigo Money electronic wallet, and correspondent agents), limiting the coverage, particularly in rural areas.
- 1.19 Meanwhile, because BANHPROVI contracts its platform service, it is limited in its ability to make adjustments to it. BANHPROVI plans to develop its own platform to ensure greater sustainability and response capacity, as well as to reduce its transaction costs. Moreover, it will expand coverage by setting up its own correspondent agents through grocery stores, pharmacies, and other businesses, in locations lacking financial services. BANHPROVI and the SSIS have also agreed to implement a payment card for households with no cell phone in 2021.⁴⁷
- 1.20 The implementation of the new payment platform was a leap forward in the modernization of the BVM payment mechanism. In 2020, the SSIS/SEDIS modified the PBVM's operating processes, informing participating households about the new payment mechanism, conducting controlled invitations, and implementing biosecurity measures agreed upon with SINAGER to process payment.⁴⁸ Additionally, to make the payment service more accessible to participants, the SSIS implemented a strategy of extended coverage, which directed households to the nearest points of payment.

⁴⁵ The Honduran government delegated to BANHPROVI the distribution of funds for social protection and economic revival in response to COVID-19 by Legislative Decree 33-2020.

⁴⁶ *Estrategia de Cambio Transferencia Monetaria Condicionada Bono Vida Mejor – Plataforma BANHPROVI Múltiples Canales de Pago 2020. Sistematización del Caso.* M. Garcia, January 2021.

⁴⁷ According to the 2019 Continuous Multipurpose Household Survey (EPHPM), 60% of households in extreme poverty have a cell phone.

⁴⁸ These included using face masks, attending bank branches unaccompanied by children or elderly adults, and observing the necessary physical distancing.

- 1.21 As a result of the economic crisis caused by the pandemic and the effects of the hurricanes, in 2020 the FRP experienced a reduction in its budget, which has been funded, since its creation, from sales tax revenue.⁴⁹ In 2020, the allocation of national funds to the BVM fell from US\$37.9 million to US\$26.2 million, equivalent to 15% of the FRP, leading to a funding gap for the BVM.⁵⁰ In 2021, another funding gap is projected for the PBVM, given the anticipated reduction in FRP revenue resulting from the economic crisis. While still maintaining the 10% of the FRP's projected amount for 2021, the estimated allocation of national funds to the BVM is US\$18 million, representing a reduction of 55% of the allocation in 2019⁵¹ from the [FRP](#).
- 1.22 As a result of the delay in incorporating all the payment channels on the new payment platform, along with the funding gap and lack of budgetary leeway for BVM payments, it was only possible to pay 61% of the BVM households scheduled for 2020, with the largest shortfall in rural areas (55% of scheduled households).
- 1.23 Against this backdrop of socioeconomic crisis and fiscal constraints, the Honduran government has asked the IDB and the World Bank for resources to cover this funding deficit. In response, in 2020, the Bank agreed to increase the execution of the program funded under 5008/BL-HO⁵² by US\$8 million, to finance 34,000 rural households participating in the PBVM. In 2021, this loan will disburse one third of its resources to strengthen the social protection system, including financing of the BVM (see paragraph 1.25). Two additional programs, 3371/BL-HO and 3723/BL-HO,⁵³ supporting the BVM are in the process of closing. To help meet the financing requirement, a decision was made to move up programming and preparation of this operation. Meanwhile, the World Bank is preparing an additional loan for US\$70 million⁵⁴ for this year to finance the urban and rural BVM in municipios targeted by the loan approved by the World Bank in 2019.
- 1.24 **Rationale and strategy.** To offset the loss of income in Honduras resulting from the global, regional, and national economic crisis caused by the pandemic and compounded by Hurricanes Eta and Iota, this operation will support implementation of the PBVM, the main social protection program in Honduras, ensuring financing for a quarter of programmed rural households.⁵⁵ This

⁴⁹ Legislative Decree 290-2013 provides that the FRP is to be financed by general indirect taxes for redistribution through social programs such as the PBVM. The 2020 socioeconomic crisis exposed the vulnerability of the FRP to economic shocks, and additional mechanisms will need to be considered to supplement its funding countercyclically.

⁵⁰ In this fiscal context, in 2020 the Honduran government decided to pay only eight months of the BVM, except in regions affected by the hurricanes.

⁵¹ Circular CGG-GS-005-2021.

⁵² Support for the Comprehensive Social Protection System (5008/BL-HO).

⁵³ Social Protection System Support Program I (3371/BL-HO) and the Program to Support the Social Inclusion Network with Priority in Western Honduras (3723/BL-HO).

⁵⁴ This loan is in addition to the US\$30 million loan approved in 2019 targeting the country's main municipios, prioritizing San Pedro Sula, Choloma, and the Central District.

⁵⁵ The suspension of verification of compliance with co-responsibilities will be extended in 2021, considering that schools are not operating normally. Nevertheless, the Honduran government has

operation will strengthen the G2P payment platform to expand its coverage and facilitate BVM payments in rural areas. It will expand the ¡Cuídate! program to promote sexual and reproductive health and implement actions to prevent domestic and intrafamily violence against women and children. The EoVM program will be expanded to boost consumption among the poorest rural households participating in the PBVM and to lay the groundwork for income generation during the post-pandemic recovery.

- 1.25 **Relationship with other Bank operations.** This operation complements several Bank-financed programs that are helping to consolidate and expand the comprehensive care model for households in extreme poverty promoted by the EVM, mainly by expanding access to basic health and primary education services. These include the program for Support for the Comprehensive Social Protection System (5008/BL-HO), which builds on the progress made under the Social Protection System Support Program I (3371/BL-HO) and the Program to Support the Social Inclusion Network with Priority in Western Honduras (3723/BL-HO). It also finances a key component for the operational and institutional strengthening of the PBVM, both centrally and across the country. Together with the Project to Improve the Management and Quality of Maternal-Neonatal Health Services (4619/BL-HO),⁵⁶ it finances the strengthening of the quality of healthcare services through the decentralized management model, prioritizing maternal and child services. Also, jointly with the program Improving Educational Quality to Improve Skills for Employment: Project Youth (4449/BL-HO),⁵⁷ it finances the strengthening of the supply and quality of educational services, prioritizing the third cycle of primary education in the country's poorest municipios. The program benefits from 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, and ATN/OC-18439-RG).
- 1.26 **Bank experience and lessons learned.** The Bank has extensive experience in designing, implementing, and evaluating cash transfer programs in Latin America and the Caribbean. The evaluation of these programs has shown that cash transfers are the most efficient instrument for redistributing resources and supporting consumption among the most vulnerable families. To respond to the crisis caused by the pandemic, the Bank's experience has shown the strategic value of building on existing social protection systems (beneficiary registries and systems) and giving priority to payments issued to bank accounts or other mechanisms (prepaid cards and fintech solutions). This enables efficient and transparent channeling of cash while preventing congregations of people.⁵⁸

implemented alternative strategies, including online platforms, home visits, and workbooks to ensure continued access to educational services.

⁵⁶ This loan also finances initiatives to enhance the quality of healthcare services and the treatment capacity of hospitals, with a focus on maternal and child services.

⁵⁷ As well as expanding education services, this loan is helping raise education quality by training teachers and by supplying teaching materials to schools, as well as supporting the rollout of digital education.

⁵⁸ *Los mecanismos de pago digitales: Una guía para los proyectos de protección social durante pandemias.* <https://publications.iadb.org/es/los-mecanismos-de-pago-digitales-una-guia-para-los-proyectos-de-proteccion-social-durante-pandemias>

These experiences have been incorporated into Subcomponent 1.1, Bono Vida Mejor, and Subcomponent 1.3, Payment platform, and in other programs approved in response to COVID-19, taking advantage of this mechanism to provide support for vulnerable populations affected by coronavirus in more than 10 countries.⁵⁹ For example, the “Renta Dignidad” [Dignity Pension] program was supported in Bolivia (5039/OC-BO), as was “Bono de Contingencia” [Contingency Bond] in Ecuador (5031/OC-EC) under the operation Support for Health Service Delivery and the Social Safety Net in the Context of the Coronavirus/COVID-19 Pandemic (5031/OC-EC), and new programs were financed, such as Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Belize (5056/OC-BL). In Ecuador, the Bank has supported the use of big data to minimize congregations of people by allocating payment points to transfer cash to beneficiaries efficiently (5031/OC-EC). In Panama, the reformulation of the Sanitation Program for the Districts of Arraijan and La Chorrera, Stage 1 (3799/OC-PN) intends to employ a technology platform to enable identification cards to be used as payment mechanisms, with a virtual account that could be used in related transactions.⁶⁰

- 1.27 **Lessons learned from the PBVM.** The design of Subcomponent 1.1, Bono Vida Mejor, was based on evidence from the impact evaluations of the PBVM on the effectiveness of the targeting model at reaching households in extreme poverty and protecting household consumption.⁶¹ Bearing in mind the positive results of the EoVM impact evaluation, financed by loan 3723/BL-HO, Subcomponent 1.2, Complementary Strategies, will scale up the intervention to increase consumption by the poorest rural households participating in the PBVM and lay the groundwork for potential income generation in the post-pandemic recovery. The design of Subcomponent 1.3, Payment platform, also incorporates lessons learned: (a) the Social Safety Net Support Program II (2937/BL-HO) and the program financed under 3723/BL-HO, which showed that the transaction costs of the PBVM were reduced by implementing additional payment channels for the BVM; (b) the program financed under 5008/BL-HO, which demonstrated the possibility of scaling up various payment channels by integrating them into a single platform and the need to broaden platform coverage by expanding it to include correspondent agents (such as neighborhood groceries, pharmacies, etc.) and diversifying the means of delivery, such as by including electronic wallets and payment cards, to reach groups in different parts of the country.

⁵⁹ Belize, Bolivia, Brazil, Costa Rica, Ecuador, Guatemala, Guyana, Haiti, Panama, Suriname, and Trinidad and Tobago.

⁶⁰ This solution won the “digital government in response to COVID-19” category of the ExcelGOB award for the best e-government solutions in the region, organized by the Organization of American States (OAS) in conjunction with the Bank.

⁶¹ The BVM was responsible for an increase in spending on food of 14%, on health and education of 28%, and a substantial increase in the share of household spending devoted to education. *Econometría* 2017.

- 1.28 **Coordination with other multilateral organizations and/or donor agencies.** Amid the national crisis, the Bank has coordinated closely with the G-16,⁶² the Economic Commission for Latin America and the Caribbean (ECLAC), and the United Nations Development Programme (UNDP) to provide technical support to the Honduran government on the design of a reconstruction and sustainable development plan (PRDS) to strengthen planning of the recovery in the wake of the disaster.**Error! Reference source not found.** In 2020 and 2021, the IDB and the World Bank have worked in coordination to review technical and financial aspects of the PBVM's response to the emergency, drawing upon the long track record of interagency coordination to support the program.
- 1.29 **Bank support during the pandemic.** In response to the pandemic, financing was provided under program 5008/BL-HO to make the BVM available to 34,000 rural households participating in the PBVM (paragraph 1.23). The Bank also issued loans of up to US\$95.96 million, comprising US\$19.96 million from the Global Credit Program for Safeguarding the Productive Fabric and Employment (5082/BL-HO) and US\$76 million from the Emergency Program for Macroeconomic and Fiscal Sustainability (5069/BL-HO). Funds of US\$50 million were reformulated from the active portfolio for the Immediate Public Health Response Program,⁶³ with the objective of containing, controlling, and mitigating the impacts of COVID-19 on the provision of healthcare services, and resources were allocated to hire key healthcare personnel and purchase supplies. Additionally, with resources from the Project to Improve the Management and Quality of Maternal-Neonatal Health Services (4619/BL-HO), support totaling US\$4.6 million was provided to hire decentralized managers to support the pandemic response. A further US\$2.3 million financed by IDB Lab, Banco LAFISE, and the Honduran maquila industry association was used to offer telemedicine services and improve first line health care services in the Dry Corridor region in response to the pandemic. As another support measure, US\$96 million was issued to Grupo Elcatex through IDB Invest to build and equip a textile plant and help convert it to produce protective equipment.
- 1.30 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the challenges of: (i) social inclusion and equality, through support to maintain minimum levels of income and wellbeing for the groups most vulnerable to COVID-19. The program is also aligned with the crosscutting area of gender equality, by prioritizing the populations vulnerable to COVID-19, including women heads of household, who have been hit hardest by the crisis, and supporting the implementation of measures to prevent domestic and intrafamily violence against women and children. The program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the "beneficiaries of anti-poverty programs" indicator. The program is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity

⁶² The G-16 was first formed in response to Hurricane Mitch in 1998, when the international community met to support Honduras during the crisis.

⁶³ The reformulated loans were 4449/BL-HO-2 for US\$15 million, 3815/BL-HO-2 for US\$20 million, and 4518/BL-HO-3 for US\$15 million.

and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable populations, particularly from external shocks, through responsive social protection policies. This program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996) as one of its priorities is to protect the income of affected vulnerable populations.

B. Objectives, components, and cost

- 1.31 **Objectives.** The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19 and the two hurricanes, Eta and Iota. The specific objectives are: (i) to support minimum income levels during the recovery for those affected by the COVID-19 pandemic and the two hurricanes, Eta and Iota; and (ii) to preserve the human capital of those affected by the coronavirus crisis.
- 1.32 **Component 1. Protection through the use of existing cash transfer programs (US\$44.2 million)**
- 1.33 Subcomponent 1.1 Bono Vida Mejor (US\$40 million). Financing will be provided for payment of transfers through the PBVM to an estimated 72,000 eligible households in rural areas, in the amount and form established in the PBVM Operations Manual ([optional link 4](#)). Households will be selected based on the targeting algorithm applied by CENISS to the households in the RUP, as established in the program Operations Manual. The cost of transfer payment fees will be financed. Transfers will be made using the approved payment channels, including banking services, credit unions, and electronic wallets, as agreed upon with the Bank.
- 1.34 Transfers will be delivered over the BANHPROVI G2P payment platform, or such other platform as agreed upon with the Bank in cases in which BANHPROVI cannot be used. To avoid congregations of people, priority will be given to the use of bank accounts or payments by payment order to cell phones, and/or payment cards. The use of social distancing protocols will be encouraged, including: (i) transfers staggered over time, for example, using the last digit of the ID card number and having a clear payment schedule; (ii) a clear strategy for communication and inviting beneficiaries; and (iii) expansion of the network of correspondent agents where subsidies can be collected.
- 1.35 Subcomponent 1.2. Complementary strategies (US\$2.2 million). Support will be provided for the expansion of the ¡Cuidate! program to include an estimated additional 2,000 couples⁶⁴ from the PBVM beneficiary households in Subcomponent 1.1 in communities with high rates of extreme poverty, domestic and intrafamily violence, and teenage pregnancies. Financing will be provided for technical assistance, workshops, and reproduction of materials for training on sexual and reproductive health and the prevention of domestic and intrafamily

⁶⁴ The following criteria will be used to select the couples: stable relationship (marriage or civil union), cohabitation, childbearing age, and participants in the PBVM.

violence, the communication strategy, and the contracting of technical personnel specializing in gender issues, in order to strengthen program implementation at the local level. The expansion of the EoVM initiative to include an estimated 1,000 additional PBVM beneficiary households in Subcomponent 1.1 will be financed, selecting communities with high extreme poverty rates and lack of access to means of communication and financial services. Technical assistance will be financed, and an additional monetary transfer will be made to participating households, as defined in the program Operating Regulations and the technical support for participant households on life skills, financial education, and entrepreneurship, utilizing tablet-based training modules.

- 1.36 Subcomponent 1.3. Payment platform (US\$2 million). The BANHPROVI G2P platform and its integration with the various payment channels (such as bank branches, correspondent agents, credit unions, and electronic wallets) will be strengthened. Financing will be provided for the procurement and installation of the new technology platform, including licenses, hardware, and human resources. Payments for necessary modifications to the platform currently being leased in order to maintain and enhance payments to beneficiaries will also be financed. Technical assistance, equipment, and licenses for the creation of correspondent agents and a payment card will be financed, prioritizing communities with large numbers of PBVM households not covered by the platform, as defined in the program Operating Regulations. Financing will be provided for the purchase of a vehicle to facilitate supervision of the platform in the field.
- 1.37 **Administration, evaluation, analysis, and auditing costs (US\$800,000).** Financing will be provided to cover consultants, per diems, and costs associated with administration, analysis, evaluation, and external auditing of the program.
- 1.38 **Beneficiaries.** The proposed interventions are intended to directly benefit 72,000 rural households in extreme poverty, who will receive the BVM, as well as 2,000 BVM-recipient couples through the ¡Cuídate! program, and 1,000 households with the EoVM program in the country's poorest municipios.

C. Key results indicators

- 1.39 **Expected outcomes.** The program will help support minimum levels of consumption for vulnerable people contending with the impacts of COVID-19 and Hurricanes Eta and Iota, who have seen their income-generating capacity curtailed during the pandemic. To that end, it will support the incomes of rural PBVM-participant households in extreme poverty by guaranteeing current program coverage during the emergency. The impact of the project on protecting the income of the most vulnerable households (by comparing the income of vulnerable rural households with that of nonvulnerable rural households) and on reducing the intensity of extreme rural poverty (through a reduction in the extreme monetary poverty gap) will be measured. At the outcome level, the increase in coverage of the rural BVM and the BANHPROVI payment platform will be measured relative to 2020.
- 1.40 **Economic viability.** Income support for poor and vulnerable people contending with the impacts of COVID-19 will help households maintain minimum consumption levels. Based on the foregoing, a cost-benefit analysis was

conducted in which a net present value (NPV) of US\$48.7 million was estimated in the base case scenario, with a benefit/cost ratio of 1.8. The base case scenario applies a discount rate of 5% and a multiplier effectiveness of 80%, whereas at a discount rate of 12%, the NPV is US\$36.3 million. The discount rate of 5% is consistent with standard practice for the evaluation of social programs (see [optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 Given its fully defined scope, this operation is a specific investment loan for a total amount of US\$45 million. In total, 65% of the funds are from the Ordinary Capital and 35% are from concessional funds. The disbursement period will be 24 months.

Table II-1. Estimated program costs (US\$000)

Components	Total IDB	%
Component 1. Protection through the use of existing cash transfer programs	44,200	98.2
Subcomponent 1.1 Bono Vida Mejor	40,000	88.9
Subcomponent 1.2 Complementary strategies	2,200	4.9
Subcomponent 1.3. Payment platform	2,000	4.4
Cost of administration, evaluation, analysis, and auditing	800	1.8
Total	45,000	100

Table II-2 Disbursement projection (US\$)

	2021	2022	2023	Total
IDB	24,609,301	19,598,495	792,204	45,000,000
%	54.69	43.55	1.76	100

B. Environmental and social risks

- 2.2 In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program has been classified as a category "C" operation inasmuch as it is not expected to cause any negative environmental or social impacts, or such impacts will be minimal.

C. Fiduciary risks

- 2.3 The fiduciary risk is medium. Any shortfall in revenue from the FRP or delays in budget allocations could result in a reduction in the amount (months) of the BVM paid in accordance with the national program. To mitigate this risk, ongoing dialogue will be maintained with the FRP trust committee on the importance of prioritizing the programmed BVM payment. Moreover, there is a high risk that the executing agency's procurement capacity will be overwhelmed by the concentration of activities in a short execution period. To mitigate this risk, the

project coordination unit (PCU) will be strengthened by hiring personnel with proven experience in procurement matters in externally funded projects.

D. Other key issues and risks

- 2.4 Although BANHPROVI's development of its own platform promotes the sustainability of this payment mechanism, the transition generates a risk of service interruption. This risk will be mitigated with program investments to develop and install the new platform during the execution period. Moreover, BANHPROVI will continue using the leased platform to maintain programmed payment operations. The lack of financial services in some areas of the country leads to a risk of nonpayment of PBVM participant households due to a lack of G2P platform coverage, reducing program effectiveness and the pace of disbursements. This risk will be mitigated with program investments to expand the coverage of the BANHPROVI payment platform and introduce a new payment card. The extended coverage strategy will also be strengthened with georeferenced analysis of the payment points. This process requires close coordination between BANHPROVI and SEDIS, with adjustments to the PBVM operating model, which generates a public management and governance risk. This coordination risk will be mitigated by the signing of an interagency agreement between SEDIS and BANHPROVI and the creation of a special commission for the delivery of the BVM, comprising authorities from SEDIS, BANHPROVI, and the Ministry of Finance (SEFIN), which will steer implementation of the processes to strengthen the payment platform and BVM delivery in 2021-2022. This commission will supervise preparation and monitoring of a master plan for BVM delivery (2021-2022) that includes the budget allocation, payment operations, and settlement, as well as the expansion of the BVM to include new channels and means of payment. The signing of the interagency agreement, together with the creation of the special commission for BVM delivery and the master plan for BVM delivery 2021, will be conditions precedent to disbursement of the loan. Lastly, there is the risk that a change in administration may lead to a change in strategy and institutional framework. This risk will be mitigated by dialogue with the new authorities and, particularly, with the transition teams, in order to ensure that the same vision and level of priority is assigned to the program under the new administration.
- 2.5 **Sustainability.** This operation supports the country's efforts to ensure coverage of the PBVM to address the crisis caused by the pandemic and mitigate its economic impacts on the most vulnerable population, in view of the temporary reduction in FRP revenue as a consequence of the crisis. A plan to support the sustainability of the PBVM will be agreed upon, taking a medium-term perspective to ensure the financing required (national and external funds) to guarantee the PBVM's coverage and operational continuity, and the timely settlement of BVM payments, as established in the project Operations Manual. SEDIS will prepare this plan in collaboration with the SEFIN, with technical support from the IDB, under the coordination of the World Bank. This plan will be a condition precedent to program disbursements, and its implementation status will be monitored semiannually.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Republic of Honduras. The executing agency will be the Ministry of Development and Social Inclusion (SEDIS), acting through the Office of the Deputy Secretary for Social Integration (SSIS), which will administer the resources and carry out the procurements for Component 1, using its SSIS program coordination unit, responsible for execution of program 5008/BL-HO. It will coordinate with the Honduran Bank for Production and Housing (BANHPROVI), through the electronic transaction services division, to execute Subcomponent 1.3 in order to have the technical input needed for planning and monitoring and have the inputs needed to conduct procurements, supervise them, and transfer the goods to the corresponding institution. For PBVM operations, the SSIS/SEDIS will coordinate continuously with the National Center for Social Sector Information (CENISS) and the co-responsibilities units at the Health Ministry, the Education Ministry, and BANHPROVI.
- 3.2 **Program Operating Regulations.** The loan will be executed based on program Operating Regulations to guide the program's technical, financial, and administrative management. These regulations will clearly define the organizational structure, administrative, financial, and procurement processes, policies, and Bank and country standards to be followed in project execution and will describe implementation of the respective monitoring and evaluation plan.
- 3.3 **Special contractual conditions precedent to the first disbursement:** The executing agency will present evidence of the following: (i) the [program Operating Regulations](#) have been approved by SEDIS under the terms previously agreed upon with the Bank to establish the main operational processes for program management; (ii) SEDIS and BANHPROVI have signed an interagency agreement defining the roles and functions of each agency to coordinate execution of the resources of Subcomponent 1.3; (iii) a special commission has been set up to deliver the Bono Vida Mejor (BVM) to mitigate public management and governance risk; (iv) SEDIS has drawn up a strategy and master plan with BANHPROVI for the delivery of the BVM 2021 to facilitate interagency management and coordination of the BVM payment process; (v) the plan to support the sustainability of the BVM program (PBVM) has been approved by the PBVM technical committee to promote the medium-term operational continuity and sustainability of the PBVM; and (vi) SEDIS has hired key specialists to strengthen the coordination unit for the program for Support for the Comprehensive Social Protection System (5008/BL-HO) (PCU/SSIS) (procurement specialist and monitoring specialist) to mitigate fiduciary risk. The conditions precedent are meant to ready the BVM delivery plan along with implementation of the new payment platform, in order to help consolidate wider BVM coverage and the program disbursement rate, considering that the disbursement period for the loan is two years.
- 3.4 **Retroactive financing.** The Bank may retroactively finance eligible expenditures made by the borrower prior to the loan approval date for up to US\$20 million (44%) of Component 1 to finance BVM transfers, the

corresponding fees, and strengthening of the payment mechanism, as well as administrative expenses (strengthening of the PCU and external auditing), provided that requirements substantially similar to those established in the loan contract have been met. The need for retroactive financing of these expenditures is justified by the resources required to finance the BVM in 2021 (see paragraph 1.23), in accordance with the payment estimates forecast for May and June. Such expenditures must have been made on or after 15 April 2021, when the project officially entered the pipeline.

- 3.5 **Procurement.** Goods and services will be procured and consulting services will be selected and hired in accordance with the Bank policies set forth in documents GN-2349-15 and GN-2350-15. Procurement supervision will be conducted ex post and ex ante, as established in the procurement plan, which will be updated annually, or whenever necessary. The procurement plan ([required link 2](#)) lists the planned procurements.
- 3.6 **Direct contracting.** Fundación Capital will be directly contracted to support implementation of the EoVM in accordance with the policy provisions set forth in document GN-2350-15, paragraph 3.11(a), in view of its specialization in implementing the graduation model on which the strategy is based, as a continuation of the contract financed with funds from program 3723/BL-HO. The company Todo Móvil will be directly contracted to modify and enhance the BANHPROVI payment platform, as it is the only company qualified to perform this service and, as the owner of the platform, the only company authorized to make modifications. This is covered by paragraph 3.7(c) of the policy set forth in document GN-2349-15, as the required good is proprietary and can only be obtained from one source.
- 3.7 **Disbursements.** Disbursements will be made through advances of funds based on liquidity needs, and supporting justification for advances will be provided pursuant to the provisions of the Financial Management Guidelines for IDB-financed Projects (document OP-273-12), on the basis of 70% of the cumulative balance of the advances. Applying a more flexible percentage requirement for accountability will help prevent delays in payment to program beneficiaries, owing to the time the financial agent requires to make the corresponding settlements. Disbursements will be supervised on an ex post basis.
- 3.8 **Audit.** Throughout the loan disbursement period, SEDIS will submit to the Bank the program's annual audited financial reports within 120 days after the close of the fiscal year. The audit will be conducted by a Bank-eligible independent audit firm. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audit. Audit costs will be financed with project resources. External audits will review PBVM payment processes, maintaining this good practice from previous programs.

B. Summary of arrangements for monitoring results

- 3.9 **Monitoring.** The executing agency will be responsible for implementing the monitoring and evaluation plan. In light of the crisis, the main monitoring tools for this program will be the results matrix and the procurement plan. The main

sources of information for monitoring the impact, outcome, and output indicators will be administrative records from transfer programs. The main reporting tool will be the progress monitoring report, which will use the project's annual and semiannual reports as its main sources of information.

- 3.10 **Evaluation.** Given the nature of the operation and the existing evidence on the impacts of the PBVM, a before-and-after analysis will be conducted, using information from the time series available on the results indicators, in particular, on PBVM coverage and deliveries made as programmed. PBVM's operating processes will be evaluated, particularly as regards adjustments to the PBMV operating model to introduce new channels and means of payment, with the objective of identifying lessons to improve program management. Additionally, a before-and-after evaluation of the knowledge, attitudes, and practices of the households participating in the ¡Cuídate! program will be conducted. Evaluation costs will be met from program resources (see [required link 1](#)).

Development Effectiveness Matrix		
Summary		HO-L1226
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)	GN-2996	This program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak.
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		
Mitigation measures have been identified for major risks		
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		Yes The Bank has collaborated closely with the Government in the design of the targeting tools now being applied to social programs in general.

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

Evaluability Assessment Note: Honduras is under the effects of the pandemic and two hurricanes ETA/IOA. In this context, the main objective of this Project is to ensure minimum levels of welfare for vulnerable individuals. The specific objectives are (i) support minimum income levels of people affected by the COVID-19 Pandemic and the two hurricanes ETA and IOTA, in the period during the recovery; and (ii) preserve people's human capital, for those affected by the pandemic.

The Project consists of a main component directed to (1) payment of transfers to 72,000 rural households belonging to the Bono Vida Mejor (PBVM) Program, with no conditions regarding health or education; (2) the expansion of the Cuidate Program, to promote reproductive and sexual health behaviors within couples (2,000 couples beneficiaries of the PBVM), and (3) the expansion of the program Emprendiendo una Vida Mejor, for 1,000 households with seed capital to begin developing a business or a new product and technical advice.

The vertical logic of the program is consistent with the general and specific objectives, and the DEM has indicators. The development matrix includes indicators for products, outcomes and impacts, and satisfy the SMART criteria.

The proposed evaluation plan is based on a before and after difference. For attribution, the quantitative analysis will be complemented with theory of change and evidence from similar experiences implemented in other countries and contexts. The project also implemented a cost-benefit analysis, with positive net present values for each of the projects' components.

RESULTS MATRIX

EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
General development objective: To contribute to ensuring minimum levels of quality of life for vulnerable persons in rural areas amid the crisis caused by COVID-19 and the two hurricanes, Eta and Iota. The specific objectives are: (i) to support minimum income levels during the recovery for those affected by the COVID-19 pandemic and the two hurricanes, Eta and Iota; and (ii) to preserve the human capital of those affected by the coronavirus crisis.						
Income level of vulnerable rural households (bottom three quintiles) relative to the income level of nonvulnerable households (top two quintiles) 12 months after the onset of the crisis.	Percentage	24.3%	2020 ¹	24.6%	Continuous Multipurpose Household Survey (EPHPM)	Vulnerable households are those in the bottom three income quintiles; nonvulnerable households, those in the top two quintiles. Average income in the bottom three quintiles (at the household level) is divided by the average income of the top two quintiles (four and five). This indicator reflects how, with financing from the project, the additional BVM income protects relative income of vulnerable rural households, generating a slight improvement in the income distribution.
Extreme monetary poverty gap in rural households participating in the BVM (using the updated poverty line) - Female-headed households - Male-headed households	%	41 40 41	2020 ²	38 37 38	EPHPM ³	Refers to the extreme poverty gap for rural BVM participant households. (Without and with intervention, does not consider other programs or the economic recovery). Gender Tracking.

¹ The baseline indicator is estimated using the 2019 EPHPM with a projection of the effect of the 2020 crisis (i.e. post-crisis) by the World Bank with the National Statistics Institute (INE). This projection bases the impact on the population's employment income on an estimate of job losses following a year-on-year drop in gross domestic product (GDP) of 9% observed in December 2020, disaggregated by economic sector (agriculture, manufacturing, services) and formality status.

² Ibid.

³ In 2021, an update was made to the targeting algorithm in line with the country's updated official poverty methodology (2019). This could affect the composition of PBVM participant households and the measurement of program results. The indicators may be subject to revision once this update has been completed.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	2021	2022	Final target	Means of verification	Comments ²
Households participating in the "Bono Vida Mejor" program that receive transfers as part of the strategy to counter the impacts of COVID-19	Percentage	55	2020	80	80	80	PBVM management information system	The denominator corresponds to the rural households that should receive the BVM according to certification from the single social record (FSU) 2019 and the cross-check by National Center for Social Sector Information (CENISS) in 2020. The numerator corresponds to the number of rural households in the denominator that will receive the BVM.
BANHPROVI G2P platform payment points activated	Number	254	2020	861	1,861	1,861	BANHPROVI information system	

Table 2. Output Indicators

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Final target	Means of verification	Comments
Component 1. Protection through the use of cash transfer programs for vulnerable groups									
Subcomponent 1.1: Bono Vida Mejor									
1.1.1 Transfers delivered to households participating in the Bono Vida Mejor program that receive regular transfers during the health emergency or recovery	Households	0	2021	72,000	72,000	72,000	72,000	PBVM administrative records	

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Final target	Means of verification	Comments
Subcomponent 1.2: Complementary strategies									
1.2.1 Expansion of complementary strategies to the PBVM to prevent domestic and intrafamily violence against women and children, including the ¡Cuidate! Program, completed.	Strategy	0	2021	1	1	1	1	Final reports on the strategies	Pro-Gender
1.2.2 PBVM couples trained through the ¡Cuidate! program.	Couples	0	2021	0	821	1,179	2,000	Training reports and attendance records (DPDH)	
1.2.3 Households with expansion of the Embarking on a Better Life (EoVM) initiative.	Households	0	2021	0	1,000	1,000	1,000	Contracts with households strengthened	Pro-Gender
Subcomponent 1.3: Payment platform									
1.3.1 BANHPROVI payment platform strengthened.	Platform	0	2021	0	1	0	1	Platform operating with expanded coverage	
1.3.2 BANHPROVI correspondent agents, to expand coverage	Agencies	0	2021	0	500	0	500	Correspondent agents operating	
1.3.3 Digital card implemented	System	0	2021	0	1	0	1	Digital card operating	
Program administration and evaluation									
PCU strengthened	Global	0	2021	1	1	1	1	Contracts signed	
PCU operations	Global	0	2021	1	1	1	1	Contracts signed	
External audits	Auditing	0	2021	1	1	1	1	Final audit report	

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Final target	Means of verification	Comments
Project evaluations	Evaluation measurements	0	2021	0	1	1	1	Final evaluation report	

Output Information (financial part)

Outputs	Year 1	Year 2	Year 3	Total, final
Component 1. Protection of vulnerable groups through existing cash transfer programs				
Subcomponent 1.1: Bono Vida Mejor				
1.1.1 Transfers delivered to households participating in the Bono Vida Mejor program that receive regular transfers during the health emergency or the recovery	24,480,385	15,519,615	0	40,000,000
Subcomponent 1.2: Complementary strategies				
1.2.1 Expansion strategies complementary to the PBVM, including the ¡Cuídate! Program, completed	52,500	140,000	22,500	215,000
1.2.2 PBVM couples trained through the ¡Cuídate!: A Guide to Health and Wellbeing (¡Cuídate!) program	0	147,000	100,000	247,000
1.2.3 Households with expansion of the Embarking on a Better Life initiative.	0	1,294,563	443,437	1,738,000
Subcomponent 1.3: BANHPROVI payment platform				
1.3.1 Business area of BANHPROVI payment platform strengthened by means of a technology platform.	0	1,131,760	0	1,131,760
1.3.2 BANHPROVI correspondent agents, to expand coverage.	0	389,997	0	389,997
1.3.3 Digital card implemented.	0	478,243	0	478,243

Outputs	Year 1	Year 2	Year 3	Total, final
Program administration and evaluation				
PCU strengthened	33,067	203,617	79,917	316,601
PCU operations	13,349	26,700	13,350	53,399
External audits	30,000	192,000	58,000	280,000
Project evaluations	0	75,000	70,000	150,000

Country: Honduras

Division: SCL/SPH

Operation number: HO-L1226

Year: 2021

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Development and Social Inclusion (SEDIS)

Operation name: Support for Vulnerable Populations Affected by Coronavirus

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation (any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of its validation by the Bank).

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<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 type="checkbox"/> Others
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input checked="" type="checkbox"/> Others

2. Fiduciary execution mechanism

3. Fiduciary capacity

Fiduciary capacity of the executing agency	Fiduciary capacity is based on the experience of SEDIS in the execution of several Bank-financed conditional cash transfer operations (2937/BL-HO, 3723/BL-HO, and 5008/BL-HO). The capacity of the executing agency's procurement area is LOW, requiring its strengthening with personnel with proven experience in procurement on externally funded projects.
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4. Fiduciary risks and response to risk

Area (Financial management / procurement)	Risk	Level of risk	Risk response
Financial management	Any shortfall in revenue from the Poverty Reduction Fund (FRP) or delays in budget allocations could result in a reduction in the amount (months) of the Better Life Grant (BVM) paid, in accordance with the national program.	Medium	Ongoing dialogue will be maintained with the FRP trust committee on the importance of prioritizing the programmed BVM payment.
Procurement management	If the low capacity of the procurement area results in delays to process execution.	High	Strengthen the area with personnel with proven experience in procurement matters on externally funded projects.

5. Policies and guidelines applicable to the operation: GN-2349-15 and GN-2350-15
6. Exceptions to policies and guidelines: Not applicable

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Exchange rate applicable to substantiate expenditures made in the local currency of the borrower: option (b)(ii) of Article 4.10 of the general conditions of the loan contract (payment date criterion) applies.

Type of audit: Audited financial statements within 120 days following the annual cutoff date of 31 December of each year and at the end of the project, within 120 days of the date of the last disbursement of the operation.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	For procurement of works, goods and nonconsulting services subject to international competitive bidding executed in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15), the Bank's standard bidding documents will be used, or those agreed upon by the Bank and the executing agency for the specific procurement. Consultants will be selected and hired in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) and the standard request for proposals issued by the Bank or agreed upon by the Bank and the executing agency for the specific selection. For the [procurement title] a procurement document will be drawn up to be agreed by the competent authority in the country and the Bank [additional description]. The review of the technical specifications, and the terms of reference of procurement during the preparation of selection processes will be the responsibility of the project sector specialist. This technical review may be ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Use of country systems	Purchasing via electronic catalogue/framework agreements and limited bidding will be used for planned procurements with amounts within the thresholds for Honduras for shopping, and for contracts for goods, works, and nonconsulting services, in accordance with approval from the Bank's Board of Executive Directors. The procurement plan for the operation will indicate the procurements that will be executed using the country system within the approved scope. If the scope of the Board's approval for use of the country system is expanded, this will be applicable to the operation.
<input checked="" type="checkbox"/>	Direct contracting and selection	The following have been identified for direct contracting and selection: Fundación Capital for US\$1,187,640 and Todo Móvil for US\$300,000. Fundación Capital will be contracted to support implementation of the Emprendiendo una Vida Mejor (EoVM) strategy and is justified pursuant to the policy provisions set out in document GN-2350-15, paragraph 3.11(a), given its specialization in implementing this strategy, which is based on the graduation model, leveraging the pilot project, which was completed with good results with funds from program 3723/BL-HO. Todo Móvil will be contracted to modify and enhance the payment platform currently leased by the Honduran Bank for Production and Housing (BANHPROVI), as it is the only company qualified to perform this service and, as the owner of the platform, the only company authorized to make modifications. This is covered by the policy provisions set out in paragraph 3.7 (c) of document GN-2349-15, as the required good is proprietary and can only be obtained from one source.

<input checked="" type="checkbox"/>	Advance procurement/Retroactive financing	The Bank may retroactively finance up to US\$20 million (44% of the proposed loan amount) from the loan proceeds, including the corresponding bank fees and activities for the strengthening of the BVM payment mechanism and administrative expenses (strengthening of the PCU and external auditing). This amount also includes BVM transfers. These expenditures will be eligible provided requirements substantially analogous to those set forth in the loan contract have been met and the expenditure was incurred on or after 15 April 2021. The need for retroactive financing of these expenditures is justified by the resources required to finance the BVM in 2021, described in paragraph 1.23 of the loan proposal, in accordance with the payment estimates forecast for May and June. In no case will expenses incurred more than 18 months before the loan approval date be included (see GN-2349-15, GN-2350-15, and the policy on the recognition of expenditures, retroactive financing, and advance procurement).						
<input checked="" type="checkbox"/>	Procurement supervision	<p>Supervision will be ex ante, except in the case of competitive hiring of individual consultants, which will be ex post. However, the terms of reference to be used will require the no objection of the Bank. For procurements executed through country systems, supervision will be carried out through the country's national supervision system.</p> <p>Ex post reviews will be conducted at least once per fiscal year, in accordance with the project supervision plan, subject to changes during execution. The ex post review reports will include at least one physical inspection visit, selected from the procurement processes subject to ex ante review.</p> <table border="1"> <tr> <td>Works</td><td>Goods/services</td><td>Consulting services</td></tr> <tr> <td>N/A</td><td>Shopping - Ex post</td><td>Firms: ex ante Individuals: ex post</td></tr> </table>	Works	Goods/services	Consulting services	N/A	Shopping - Ex post	Firms: ex ante Individuals: ex post
Works	Goods/services	Consulting services						
N/A	Shopping - Ex post	Firms: ex ante Individuals: ex post						
<input checked="" type="checkbox"/>	Records and files	The executing agency will be responsible for maintaining the original supporting documents and files for all procurement processes using project resources, and for keeping records, using the established procedures.						

Main procurement items

Description of procurement	Procurement method	New procedures / tools	Estimated date	Estimated amount
Goods				
Purchase of licenses and hardware for use of the BANHPROVI platform	ICB		2021 Q4	730,000
Purchase of licenses and hardware for correspondent agents created in locations lacking financial services	ICB		2022 Q1	197,910

Purchase of licenses and hardware for the digital card	ICB		2022 Q1	200,000
Works				
[activity]	[method]		[date]	[amount]
Nonconsulting services				
Contracting of the company Todo Móvil to modify and enhance the Todo Móvil platform	Direct contracting		2022 Q1	300,000
Firms				
Technical assistance, contracting of Fundación Capital	Direct contracting		2021 Q3	1,187,640
Contracting of firm for the installation, implementation, and integration of the switch to the Bank's operations	CQS		2022 Q1	170,243
Contracting of firm for evaluation of results and operations	CQS		2022 Q2	150,000
External audits	SBQC		2021 Q3	280,000
Individuals				
Technical assistance for the preparation of studies to support the area of intercultural adaptation	NICQ		2022 Q1	80,000
Hiring of intercultural specialists	NICQ		2022 Q1	135,000

See the [Procurement plan](#).

Procedures	Justification of use

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and budget	<ul style="list-style-type: none"> One of the main fiduciary risks of this operation is associated with possible delays in execution due to delays in budget allocation as a result of financial restrictions caused by the impact of COVID-19 and Hurricanes Eta and Iota.
<input checked="" type="checkbox"/>	Cash and disbursement management	<ul style="list-style-type: none"> The disbursement mechanism will be advances of funds based on semiannual financial planning, and electronic means will be used to transfer the funds (fiduciary interface, online disbursements). The currency in which the operation will be managed is the United States dollar. The operation is expected to substantiate a minimum of 70% of cumulative balances pending substantiation. This flexibility is necessary to prevent delays in the payment periods for beneficiaries, in addition to that required for the settlement process by the payment agent.
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	<ul style="list-style-type: none"> Expenditures will be recorded on a cash basis.
<input checked="" type="checkbox"/>	Internal control and internal auditing	<ul style="list-style-type: none"> The SEDIS internal audit unit will perform the project's internal audits.
<input checked="" type="checkbox"/>	External control and financial reports	<ul style="list-style-type: none"> The executing agency will contract external audit services based on terms of reference agreed upon in advance with the Bank. These terms of reference will establish the type of review, timeliness, and scope. The selected external auditor will be a private firm from among the five eligible firms Honduras has with the Bank, and the audit rules applicable will be International Standards on Auditing (ISA). In line with the nature and risks of the operation, annual audits will be required with a 31 December cutoff date each year, with one final audit with the date of the last disbursement under the operation as the cutoff date.
<input checked="" type="checkbox"/>	Financial supervision of the operation	<ul style="list-style-type: none"> Given the complexity of the operation, a high level of financial supervision is required. Audited financial reports will be used as the basis for following up the project's internal control findings.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Honduras. Loan ____/BL- HO to the Republic of Honduras
Support for Vulnerable Populations Affected by Coronavirus

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Support for Vulnerable Populations Affected by Coronavirus". Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$15,750,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$29,250,000, 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 ____ 2021)