

## HONDURAN SOCIAL COMPENSATION PROGRAM

Social Investment Fund Subprogram (FHIS)  
Family Assistance Program Subprogram (PRAF)  
(HO-0113 and HO-0114)

### EXECUTIVE SUMMARY

**BORROWER:** Republic of Honduras

**EXECUTING AGENCIES:** Loan for FHIS subprogram: Honduran Social Investment Fund  
Loan for PRAF subprogram: Family Assistance Program

**AMOUNT AND SOURCE:** Loan for FHIS subprogram:  
IDB: US\$40.0 million (SF)  
GOH: US\$ 4.4 million  
Subprogram total: US\$44.4 million

The World Bank is preparing a parallel loan for US\$30 million for the FHIS.

Loan for PRAF subprogram:  
IDB: US\$20.0 million (SF)  
GOH: US\$ 2.2 million  
Subprogram total: US\$22.2 million

**FINANCIAL TERMS AND CONDITIONS:** Amortization period: 40 years, including a 10-year grace period  
Execution period: FHIS: 4 years  
PRAF: 3 years  
Disbursement period: FHIS: 5 years  
PRAF: 4 years  
Grace period: 10 years  
Interest rate: 1% during the grace period and 2% thereafter  
Inspection and supervision: 1% of the amount of the loan  
Credit fee: 0.5% per annum on undisbursed balances

**OBJECTIVES:** The purpose of the program is to assist the Government of Honduras in its efforts to implement projects that will help improve the economic and social conditions of Hondurans living in poverty.

**DESCRIPTION:** To achieve its objectives, the program is divided into two subprograms: the FHIS and the PRAF. The loan for the FHIS would be used to finance small infrastructure projects designed to meet the most pressing needs of poor communities, affording them

access to basic infrastructure and social services for health care, education, and water supply and sanitation. The FHIS loan consists of three components: (i) institutional strengthening; (ii) infrastructure; and (iii) basic needs (projects in such areas as nutrition and midwife training, and for indigenous peoples).

The loan for the PRAF would transfer income to Hondurans living in extreme poverty and help them earn income, increase their purchasing power, and improve their family nutrition, health, and education through the distribution of cash coupons and participation in training projects. The coupons are each worth 30 lempiras in 1995, 40 lempiras in 1996, and 50 lempiras in 1997.

The subprogram will also help stimulate enrollment and attendance of first-, second-, and third-grade children in formal education; help reduce dropout rates and absenteeism; increase coverage and strengthen activities in health and nutrition. The subprogram consists of three components: (i) institutional strengthening; (ii) coupon distribution in schools and health centers; and (iii) promoting the sustainability of the PRAF.

A large part of the institutional strengthening component of both subprograms would be financed by nonreimbursable technical-cooperation funding (TC-95-02-48-7) to help the executing agencies improve their internal efficiency and the quality of their projects.

**TARGETING:**

The program geographically targets the poorest areas of the country and a significant majority of the program beneficiaries are poor.

**ENVIRONMENTAL  
CLASSIFICATION:**

The Environment Committee, at its meeting of October 25, 1994, classified this as a Category III operation (CMA/32/94).

**BENEFITS AND  
RISKS:**

**FHIS subprogram:**

The main benefits of the FHIS subprogram will be a substantial improvement in the basic social infrastructure of the country.

The possible risks involved in the operation would be: (i) weaknesses in the FHIS internal control system and the coordination of functions of administrative staff; (ii) mistargeting of projects;

(iii) inadequate project maintenance; and (iv) politicizing of FHIS operations. In order to minimize these risks, the subprogram calls for: (i) improved targeting; (ii) detailed annual investment plans; (iii) close coordination between the FHIS and the line ministries, municipalities, and communities; (iv) closer project supervision; and (v) technical advisory services in the areas of internal audit, project monitoring and evaluation, information systems, and personnel policies. Implementation of the subprogram will also be closely monitored by the Bank.

**PRAF subprogram:**

The main benefits of the PRAF subprogram will be: (i) prevention of any further deterioration in the nutrition and education levels of the most vulnerable segments of the Honduran population; (ii) improved school enrollment, academic performance, and health indicators for school-age children; (iii) improved health of children under five and pregnant and lactating women; (iv) better knowledge of hygiene and nutrition among mothers, through health and hygiene and training projects; and (v) increased income through occupational training projects.

The main risks of the subprogram would be: (i) that coupons might not reach the country's neediest, or might be used for political ends; (ii) that people might come to depend on coupons to have their children educated or properly fed or to make appropriate use of basic health care services; and (iii) that the benefits of the coupons might not be sustainable over the long term. In order to minimize these risks, the program provides for the following three types of activities: (i) improved targeting, as part of the institutional strengthening component, preparation of annual programs by municipality (school and health center) for the release of coupons and close monitoring of subprogram execution; (ii) strengthening of occupational training projects for the women beneficiaries; and (iii) bolstering of mechanisms to ensure sustainability of the health care and education services, such as the establishment of parent-teacher associations and initiatives to motivate women beneficiaries to take part in health programs.

**THE BANK'S  
COUNTRY AND  
SECTOR STRATEGY:**

The Bank's strategy in Honduras revolves around developing human capital, increasing the productivity of investment, and eliminating the financial constraints on State activities.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

As conditions precedent to the first disbursement, the borrower, through the executing agency, must submit evidence of the following to the satisfaction of the Bank:

**General conditions applicable to both the FHIS and PRAF:**

- a. An annual investment plan must be prepared for each year throughout the program execution period, in the terms set forth in paragraphs 3.9 and 3.24.
- b. An agreement for transfer of the loan proceeds and local counterpart contribution must be signed, so that the FHIS and the PRAF can defray their overhead and administrative expenses during the first year of subprogram execution (paragraph 3.1).
- c. The financial statements as of December 31, 1994 must be submitted, duly certified by the external auditors (paragraph 3.37).
- d. The performance indicators to be used to monitor the subprograms and measure their impact must be presented (paragraph 3.31).
- e. All the institutional strengthening activities called for under the parallel technical-cooperation project must be under way (paragraph 3.6).
- f. FHIS: A formal system to monitor the environmental quality of the projects must be instituted (paragraph 3.9).
- g. FHIS: Agreements must be signed with the Ministries of Health and Education, as stipulated in paragraph 15 of Annex III.
- h. PRAF: Agreements must be signed for coordination with the Ministries of Health and Education, as stipulated in paragraph 3.25.

**Other special conditions:**

The borrower, through the executing agency, must submit the following, to the satisfaction of the Bank:

- i. semiannual and annual progress reports throughout the execution period for each subprogram (paragraphs 3.33 and 3.34) and a preliminary report prior to the mid-term review (paragraph 3.35);
- j. evidence that the consulting services for supervision and evaluation of each subprogram have been hired, as stipulated in paragraphs 3.8, 3.20, and 3.36;
- k. evidence that the consulting services called for under the technical-cooperation project have been completed and an action plan for implementation of the consultants' recommendations has been agreed upon with the Bank, until which time the FHIS may not commit more than 10% of the loan proceeds (paragraph 3.6);
- l. evidence that any recommendations made by the institutional strengthening consultants have been implemented, within 12 months after the effective date of the loan contract (paragraphs 3.6 and 3.20);
- m. the financial statements of the subprograms, as stipulated in paragraph 3.37;
- n. recognition of up to US\$4 million for the FHIS and US\$2 million for the PRAF, to cover investment and other expenses for the program, as stipulated in paragraphs 3.13 and 3.28; and
- o. for the FHIS, use of the eligibility criteria, operating procedures, and procurement procedures set forth in Annex III.
- p. The thresholds above which procurement under the project will be conducted through international competitive bidding are: US\$250,000 for the supply of goods and US\$500,000 for construction contracts.

## I. FRAME OF REFERENCE 1/

### A. Socioeconomic context

- 1.1 Honduras has a population of over five million and a per capita income of US\$650 (1993), making it the fourth poorest country in the region. Its economy is basically agricultural and its export income depends mainly on bananas and coffee. Emerging sectors are nontraditional exports, the assembly industry, and tourism. A recent analysis of the socioeconomic situation of the country, government policies in these areas, and the Bank's strategy can be found in the country programming and strategy paper for Honduras approved by the Board of Executive Directors of the Bank on May 26, 1995.

### B. Honduran Social Investment Fund (FHIS)

#### 1. Background and objectives

- 1.2 The FHIS was established in 1990 to improve the efficiency of spending in education, health, and water and sanitation and to mitigate the adverse impact of the economic adjustment program on low-income groups. After five years of operation, the FHIS has become the main source of financing for physical infrastructure through small and medium-sized works in the social sectors. Since 1990, it has financed 11% of total social spending, and during the period from 1990 to 1994, it covered over 50% of investment in social infrastructure in the country, not including housing. As a result of its expeditious work, the FHIS has earned a high level of credibility among the poor and has penetrated the entire country, while at the same time receiving strong government support and earning external credibility as well. Given its success as a policy instrument, in November 1994, the National Congress extended its life for 12 years, and assigned it a leading role in the expansion and rehabilitation of infrastructure works in the social sectors. It has thus become a key component of the government's social policy. This extension of its life has required the FHIS to change its focus from acting as a temporary, palliative mechanism to a regular financing agency for specific basic infrastructure projects that will supplement the regulatory functions of the line ministries and such ongoing programs as those for modernization of the state, improving the quality of education, municipal strengthening, and administrative decentralization.

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1/ The following persons helped prepare this report and its annexes: Xavier Nogales, Pablo Gottret, Andrés Garrett, Juan Pablo Franco, and Cecilia de Castillo (Nogales & Gottret); Bernardo Kugler, Steve Maber, Alfredo Sarmiento, Fernando Fuentes, María Anderson, and María E. Zavala (RUTA Social); David Warren and Willem Struben (World Bank).

2. Needs for infrastructure in the social sectors 2/

- 1.3 The education system currently has a physical infrastructure the enrollment capacity of which allows a net coverage rate of close to 85%. Primary education coverage is unequal, with lower rates in rural areas, marginal urban areas, and among the poor. For the period from 1995 to 1998, 3,000 new classrooms need to be built and 11,800 classrooms need to be rehabilitated. Furthermore, 2,550 sanitation systems and 6,000 latrines in existing schools need to be repaired. Meeting these needs would mean a total infrastructure expenditure of close to US\$60 million, plus maintenance and operation costs of US\$7 million and US\$10 million, respectively, during program execution, and US\$4.5 million and US\$3 million, respectively, beginning in the last year of execution.
- 1.4 The primary health care system has shown progress over the last decade, but its coverage and the quality of the care provided still have shortcomings. Primary care is based on rural health centers [Centros de Salud Rural] (CESAR) and physician-staffed health centers [Centros de Salud con Médico] (CESAMO), which between 1989 and 1994 rose from 684 to 806. Including secondary and tertiary care institutions, the health care system covers 60% of the country. Assuming a useful life of 20 years, during the period from 1995 to 1998, it would therefore be necessary to replace, repair, or rehabilitate 160 health centers, which would represent an investment of close to US\$3.2 million, and operation and maintenance costs of close to US\$150,000.
- 1.5 The basic water supply and sanitation sector is especially deficient at present. The FHIS's activities here will focus on small, low-cost works in rural localities, assigning priority to user training, municipal involvement, and effective community participation. According to FHIS estimates of costs per beneficiary, the FHIS investments for the period from 1995 to 1998 would be close to US\$30 million. Operation and maintenance costs, not including supervision and training for the water boards, which the FHIS would provide, are expected to be fully covered by users. As can be seen from the results of the two loans for construction and rehabilitation of rural water supply and sanitation projects financed by the Bank, experience in this area has been successful.

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2/ For the purposes of this analysis, the social sectors include all activities in education, health, and water supply and sanitation. For a detailed analysis of needs in these sectors, see Annex II-2: Demand for investment in the social sectors (RUTA Social, February 1995).

- 1.6 For the coming years, the objective of the FHIS and of investment in social sector infrastructure in Honduras - which is the purpose of the proposed operation - is to focus on: ensuring the quality of the investment; clearly targeting the poor; guaranteeing the use and subsequent maintenance of the investments; and ensuring that the works are carried out as part of a broader scheme to improve the quality and efficiency of the services.

### 3. FHIS areas of activity

- 1.7 The FHIS will finance investments in the two areas described below.

- 1.8 Infrastructure: This area includes rehabilitation and expansion of the infrastructure for education (preprimary, primary, and secondary schools); health care (health centers); community facilities (markets, slaughterhouses, day care centers, breast-feeding clinics, children's cafeterias, orphanages, asylums, community service buildings); water supply and sanitation (latrines, wells, water supply and sewerage systems); roads and streets (stone pavement, curbs, cleaning, small bridges, pedestrian walkways, drains, ditches, steps); cultural heritage; and the environment (sanitary landfills, protection of water sources, reforestation of slopes in cities). It includes equipment, furniture, and materials for the projects for education, health care, and community facilities. 3/

- 1.9 Basic needs: This area includes financing for food and nutrition programs (care for street children, the handicapped, the elderly, very small-scale farms, and family vegetable gardens); training and equipment for midwives, health workers, and latrine project beneficiaries; and projects targeting indigenous groups. 4/

### 4. The FHIS's track record

- 1.10 During the period from 1990 to 1994, the FHIS executed a total of 5,526 projects totaling US\$108.4 million, for an average project cost of US\$19,600 and an average monthly investment capacity of some US\$2 million. Of these resources, close to 80% were allocated to infrastructure projects, and close to 20% to basic needs projects. Operating costs during the period in question represented close to 10% of total FHIS investment.

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3/ Such as: teaching materials, student and teacher desks, and closets for storing school supplies, equipment for health centers and basic furnishings for waiting rooms in the health centers.

4/ Originally, the basic needs program included the projects for latrines and for school and health center furnishings and materials. During preparation of the proposed program, in order to more clearly define the basic needs program, such projects were reclassified as infrastructure projects.



- 1.11 The indicators contained in the last FHIS progress report show that from its creation to December 31, 1994, the FHIS financed the construction, rehabilitation, or expansion of 2,478 schools (32%), 4,238 classrooms (19% of all classrooms in the country), 330 health centers (39% of all centers in the country), and 80,000 latrines (30% of the total), and provided access to water to close to 85,000 individuals (2% of all persons with access) and sanitation systems to close to 430,000 persons (11% of the total). Under the basic needs program, the FHIS commissioned the construction of 340,000 two-seat student desks (68% of the national stock) and trained some 5,000 midwives.
- 1.12 In general, the FHIS was able to process and approve projects rapidly and efficiently. The average processing time for an operation from reception to approval was five months. The average execution period for FHIS projects was six months. Most of the FHIS resources came from external loans and counterpart funds from the government.
- 1.13 The FHIS has also had a positive impact on the strengthening of project executing agencies such as individual contractors, NGOs, and municipalities. The latter have developed methodologies for project preparation, design, and evaluation, and have become increasingly active players.

#### 5. Bank experience with the FHIS and findings of recent reviews

- 1.14 In July 1992, the Bank approved a first loan for the FHIS (loan 889/SF-HO). The operation had a total cost of US\$35 million, with Bank financing for US\$31.5 million from the FSO (US\$8 million in local currency) and local counterpart funding for US\$3.5 million. <sup>5/</sup> The program consisted of two investment components (education and health) and a hygiene training component (latrines). At this writing, all the resources have been committed.
- 1.15 During preparation of the proposed operation, since the Bank did not have an evaluation of the FHIS, the project team conducted a detailed institutional and financial analysis and evaluated a sample of 33 projects in 11 (of 18) departments in the country. The findings of the analysis, which are available for consultation in the project files, showed the FHIS and the project team that certain areas needed to be strengthened in order to improve the operating efficiency of the FHIS before a new investment project could be launched. Accordingly, the FHIS staff has made a

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<sup>5/</sup> In addition to the Bank financing, during the period from 1990 to 1993, the FHIS received funds from the World Bank (US\$30 million), the German agency KfW (US\$21 million), the European Economic Community (US\$12 million), USAID (US\$12 million), and other sources (US\$6 million). The counterpart funding provided by the central government was approximately US\$10 million.

considerable effort over the past six months to strengthen the institution and to determine which areas would require technical assistance from the Bank in the short term. The progress made by the FHIS to date are described in this chapter and the areas identified as high priority for technical assistance are included in the institutional strengthening component to be financed with nonreimbursable resources under parallel technical-cooperation operation TC-95-02-48-7, described in Annex I.

- 1.16 Below is a summary of the progress made by the FMIS stemming from the above-mentioned analysis.

a. Targeting

- 1.17 The FHIS targeting system, which is based on preallocation of investment at the municipal level according to the poverty map, <sup>6/</sup> shows acceptable coverage rates. The FHIS has executed projects in all the municipalities in the country, allocating 63% of the resources to the poorest areas (classified as "extremely poor", "very poor", and "deficient"), compared with a goal of 73%, and 35% to groups with "regular" and "acceptable" income, compared with a goal of 25%. Between 1990 and 1994 targeting improved, with investments in "very poor" municipalities increasing from 7.5% to 26.5% and investments in "regular" municipalities declining from 44% to 23%.

FHIS Investments by Poverty Level of the Municipalities  
(in percentage)

Category	Population	% of total investment	Target coverage	Coverage index
Extremely poor	20	19.4	26.7	0.73
Very poor	21	21.6	23.6	0.92
Deficient	25	22.4	23.0	0.97
Subtotal	66	63.4	73.3	0.86
Regular	26	29.1	19.9	1.46
Acceptable	8	6.0	5.3	1.13
Subtotal	34	35.1	25.2	1.31
Different levels		1.5	1.5	
Total	100	100	100	

Source: FHIS Progress Report as of July 1, 1994 and Bank estimates.

<sup>6/</sup> The poverty map quantifies poverty on the basis of: population density, child malnutrition rate (size for age), percentage of households without access to water supply service, and percentage of households without access to basic sanitation.

- 1.18 During preparation of the proposed program, several factors that contributed to FHIS targeting mistakes (both inclusion and exclusion) were identified. To remedy these deficiencies, the following measures will be taken under the institutional strengthening component: (i) the poverty index formula used to allocate funds by municipality will be revised; (ii) an education and health care infrastructure mapping system will be designed to improve the FHIS's ability to prioritize investments by sector in each municipality; (iii) FHIS coverage in each sector and municipality will be reviewed; and (iv) the country's capacity to analyze social development will be strengthened.

b. Investment programming

- 1.19 In order to have a clear idea beforehand of how the proceeds of the new loans and the goals established in them would be targeted, the FHIS prepared an annual investment plan for 1995. The plan was prepared at the sector level, in consultation with the Ministries of Education and Health, and with a number of Honduran municipalities (see Annex II). Of the total FHIS investments, 45% will be earmarked for education, 23% for health, 24% for water supply and sanitation, and 5% for basic needs projects. The remaining investments will be made in other infrastructure projects that are part of the FHIS menu.

c. Project cycle and internal control system

- 1.20 Project promotion and identification: The FHIS has begun to support the Ministries of Education and Health, the municipalities, and the communities in the identification of their needs and priorities and in the selection of those eligible to receive financing under the project menu. The findings of these visits are being used as the basis to establish the annual plans at the national level referred to in paragraphs 1.19. Also worthy of mention are the FHIS's efforts to improve the quality of its staff and to redefine methodologies for promotion and identification, particularly in the municipalities that lack the technical expertise necessary.
- 1.21 Project supervision, monitoring, and evaluation: The FHIS is in the process of reviewing its methodology for project supervision, monitoring, and evaluation. Concrete steps have been taken to: (i) allocate resources to each project budget to hire external evaluators; (ii) gradually decentralize works supervision; and (iii) intensify field visits by the supervisory staff. In addition, as part of the institutional strengthening component, the indicators and methodologies used for project monitoring will be revised to ensure that they include not only financial and physical factors, but also project quality, impact, guaranteed operation and maintenance, targeting, institutional efficiency, environmental impact, community participation, and user satisfaction.

1.22 Information system, accounting, auditing, and computer services:

As part of the institutional strengthening component of the proposed operation, the Bank would provide support for the FHIS for: (i) institution of a proper management information system; (ii) design of reports on administration, personnel, and projects; (iii) integration of accounting systems with the project cycle; and (iv) review of the contractual mechanisms for administrative activities and the project cycle (see Annex III-1). In addition, the World Bank is assisting the FHIS by providing: (i) training for the staff in new internal auditing procedures and policies; (ii) support for the establishment of a new chart of accounts; (iii) strengthening of the link between the functions of internal and external auditing and the legal department; (iv) reviewing the external auditing reports; and (v) procuring new computer equipment.

1.23 Project bidding procedures: During preparation of this operation, the Bank made recommendations to the FHIS, which has already taken the following concrete steps: (i) updating the list of eligible project executing agencies; (ii) limiting the maximum number and cost of projects that a given executing agency can be responsible for at the same time; (iii) involving the community and the municipality in the project bidding process; (iv) ensuring fulfillment by contractors of their obligations with regard to the quality and delivery deadlines of works; and (v) establishing an advance for executing agencies in the amount of 20% of project cost, which may be higher in the case of private contracts, depending on the recommendation of the inspector and the accessibility of the construction site (see Annex III).

d. Maintenance

1.24 As a result of the Bank recommendations, the FHIS is taking steps designed to obtain assurances from the ministries, municipalities, and communities that the projects will be properly operated and maintained.

1.25 Cooperation with the ministries is being strengthened by including them as members of the FHIS Board of Directors, by drawing up new interagency agreements and by instituting joint preparation of the annual investment plans by sector and municipality. Among the criteria for project eligibility presented in Annex III, for education and health projects, the FHIS must obtain written confirmation from the respective ministry, municipality, or community that the works will be properly operated and maintained.

1.26 Preventive maintenance of the projects will be carried out through cofinancing arrangements with the municipalities. In this connection, the FHIS has designed a model agreement to ensure: (i) that the local government agrees to participate in preventive maintenance of the projects in the municipality; (ii) that the FHIS

not consider any future projects in municipalities that do not comply with the agreements; and (iii) that the FHIS take steps to assign priority to the financing of projects in municipalities that have carried out proper maintenance. It has been agreed that in municipalities classified as extremely poor, a more appropriate financing mechanism would be examined. It could call for a contribution from the line ministry of no less than 50% of the project maintenance costs. For all FHIS projects, the ministries have agreed to remain responsible for allocating resources for maintenance if the municipalities do not have the financial capacity to do so. As part of the technical-cooperation project, consultants will be hired to support the FHIS in reviewing the capacity of the municipalities to assume responsibility for financing preventive maintenance, to ensure the sustainability of the projects financed by the FHIS, and to propose feasible, binding mechanisms to achieve sustainability.

- 1.27 The FHIS has taken concrete measures to ensure project maintenance by establishing a social participation department, stimulating the creation of community project support committees, and coordinating maintenance with ongoing community strengthening programs. The FHIS has also taken steps recently to review its project supervision and evaluation procedures, including: (i) gradual decentralization of supervision duties; (ii) increased visits by supervisors in the field; (iii) fewer projects assigned to each supervisor, so that the latter may discharge his or her duties; and (iv) procurement of vehicles.

e. Organization and staffing

- 1.28 The FHIS has made changes in its organizational chart to allow for greater standardization of procedures and to avoid any duplication of efforts. In addition, under the program for modernization of the State, consulting services will be hired to revise the structure, functions, and relations of the FHIS with the line ministries, and as part of the institutional strengthening component of the proposed operation, the Bank will help the FHIS improve its personnel management. Specific profiles will be drawn up for each position; criteria and a methodology for staff recruitment will be designed, as well as criteria to determine staffing needs; salary policies will be set established to motivate the staff; and staff evaluation and promotion mechanisms will be set up.

f. Available resources and needs

- 1.29 The main sources of external funding for the period from 1995 to 1998 are expected to be the IDB (US\$40 million), the World Bank (US\$30 million), and KfW (US\$10 million). The balance needed will come from the central government (US\$10 million), the municipalities, and bilateral agreements with the Governments of Germany and Japan, among other countries. If the above sources of

financing are formalized, the FHIS will have the equivalent of over US\$100 million in resources, which is consistent with its capacity for execution, and will enable it to continue operating at the level achieved during the period from 1990 to 1994.

- 1.30 The FHIS has received applications for financing for 1,762 projects (85% for infrastructure and 15% for basic needs), totaling approximately US\$45.8 million. The applications are from all 293 municipalities in the country, close to half of which (at a total cost of some US\$12 million) would be eligible under the proposed loan. A summary of the portfolio by type of project can be found in the project files.
- 1.31 A summary of the portfolio by type of project can be found in the project files. Education sector projects represent over 60% of all the applications. They are followed in order of importance by water supply and sanitation and drainage works.

C. Family Assistance Program (PRAF)

1. Background and objectives

- 1.32 The PRAF, like the FHIS, was established as a compensation mechanism that would mitigate the impact of the economic adjustment on the poorest segments of the population and to fight structural poverty in such segments, until proper economic management led to better, more equitable income distribution. The purpose of the PRAF is to transfer income to Hondurans living in extreme poverty, increase their purchasing power, and improve family nutrition, health, and education through the distribution of cash coupons worth 30 lempiras each (close to US\$3) earned through children's school attendance and use of family health-care services. The program also stimulates enrollment and attendance of first-, second-, and third-grade children in formal education; helps reduce dropout rates and absenteeism in grades one through three; increases the coverage of basic health care services; and strengthens educational activities in health and nutrition. PRAF coupon projects are being carried out in 211 of the poorest municipalities of the country, with at least one project in 16 of the 18 country's departments. Since 1990, the PRAF has financed 3.1% of total social spending in the country.

2. PRAF areas of activity

- 1.33 The PRAF operates five projects: (i) an education incentive coupon project; (ii) a family health-care incentive coupon project; (iii) an occupational training project; (iv) a school bookbag project; and (v) a senior citizen coupon project. The first three projects would be financed under the proposed loan and are described below. Information on the school bookbag and senior citizen coupon projects can be found in the project files.

- 1.34 Under the education incentive coupon project, one monthly coupon is distributed per child to the mothers of students aged six to 12, enrolled in first, second, or third grade in public primary schools, and living in extreme poverty. The coupons are distributed in the schools, in coordination with the Ministry of Education [Secretaría de Salud Pública] (SEP), throughout the 10-month school year, for a maximum of three children per family. The specific objectives of the coupons are: (i) to encourage enrollment and attendance of first-, second-, and third-grade children in formal education; and (ii) to help reduce the school dropout rate and absenteeism in the first three grades.
- 1.35 Under the family health-care incentive coupon project, a monthly coupon is distributed at health centers, in coordination with the Ministry of Health [Secretaría de Salud Pública] (SSP), to mothers living in extreme poverty who: (i) are pregnant or lactating; (ii) have children under five years old who are malnourished or at high risk of malnutrition; or (iii) have handicapped children under 12 who require full-time care. To receive the coupons, the mothers must regularly visit the health center for prenatal monitoring, according to Ministry of Health standards, and must attend training programs; and their children must have up-to-date vaccinations and regular growth checks. The specific objectives of the family health-care incentive coupon program are to increase the coverage of basic health care services and to strengthen health and nutrition training activities.
- 1.36 The purpose of the occupational training project is to develop the productive capacity of the women receiving coupons so that they can undertake self-supporting economic activities. Women eligible to participate in this project are women identified in the program areas of activity and who have expressed interest in participating. At least 70% of the participants in these projects must be beneficiaries of the education incentive coupon or the family health-care incentive coupon projects or young women who do not receive the coupons themselves but are members of households that do. Training is given for an average period of 12 months by NGOs or local governments in the following areas: (i) productive activities (sewing, vegetable-farming, chicken-farming and raising other small domestic animals, handicrafts, baking, running a small shop, etc.); (ii) community organization; (iii) accounting and costs; (iv) techniques for home improvement and environmental protection; and (v) dissemination of other development projects being carried out in the community.
- 1.37 The methodology for the geographical targeting of these projects is described in paragraph 3.21 to 3.23 of this proposal.

### 3. The PRAF's track record

- 1.38 The PRAF have been supported since its creation by the World Food Programme (WFP), the World Bank, the European Union, the UNDP, UNICEF, and a number of individual countries. The following table shows the number of beneficiaries under each project during the period from 1990 through 1994. The two coupon projects and the training project, continuation of which for three years would be financed by the proposed loan, have constituted over 90% of total PRAF investments during the period shown, while operating costs have been about 5% of total expenditures.

PRAF: Beneficiaries - 1990-1994

Project	1990	1991	1992	1993	1994
Education incentive coupons	61,193	125,728	110,891	203,616	190,244
Family health-care incentive coupons	7,938	33,232	54,919	117,041	108,537
Occupational training		550	7,787	4,872	6,000

### 4. Findings of recent reviews

#### a. Targeting

- 1.39 The results of the PRAF's targeting, based on preallocation of investments in schools and health centers in the poorest localities identified from the anthropomorphic school census of first-graders, 7/ show very good coverage rates. The PRAF has executed projects in 211 of the 294 municipalities of the country, allocating close to 100% of the resources to beneficiaries in municipalities classified as "extremely poor" or "very poor." 8/

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7/ The anthropometric school census is an activity carried out under the World Bank's nutrition and health project. The first-grade teachers are responsible for recording the children's height. The purpose of the census is to: (i) identify children at high risk of malnutrition for distribution of the PRAF coupons and other nutrition projects; and (ii) plot a nutrition map of the country by household, district, neighborhood, municipality, and department. The weighted percentage of malnutrition is calculated with a factor of two for severe malnutrition and of one for moderate malnutrition.

8/ Poverty levels are defined as follows: extremely poor: with a poverty rate above 80%; very poor: with a rate of between 80% and 20%; and less poor: with a rate below 20%, based on a lack of coverage of at least three of six basic needs and the percentage of malnourished children.



Percentage of PRAF Beneficiaries  
by the Poverty Level of the Municipalities  
1991 to 1994

Category of Municipality	1991	1992	1993	1994	Total Honduras
Extremely poor	32	50	61	57	43
Very poor	64	47	36	40	48
Less poor	4	3	3	3	9
Total percentage	100	100	100	100	100
Total number	158,101	158,252	311,298	290,656	

Source: PRAF Evaluation Department

1.40 During project preparation, a number of factors that could improve the targeting of PRAF beneficiaries were identified. The following activities have therefore been included as part of the institutional strengthening component under the technical-cooperation project: (i) financing of the anthropometric school census; and (ii) consulting services to improve targeting.

1.41 In order to have a clear idea beforehand of how the proceeds of the new loans and the goals established in them would be targeted, the PRAF prepared an annual investment plan at the municipal level for the period from 1995 to 1997. The plan was prepared in consultation with the Ministries of Education and Health and can be found in the project files.

b. Institutional capacity and impact

1.42 Available reviews concluded that the coupons have had a positive impact on enrollment, academic performance, access to primary health care, and nutrition levels in the municipalities in which they are distributed. <sup>9/</sup> An analysis of the overall impact of the coupons using data from the Ministry of Health indicated that during the period from 1990 to 1993: (i) first-time enrollment increased by 17%; (ii) the repeater rate declined from 12.9% to 11.8%; (iii) the dropout rate decreased from 3.6% to 2.4%; and (iv) the failure rate dropped from 13.6% to 12.3%.

1.43 To evaluate the education incentive coupon project, the project team visited schools in nine municipalities located in six departments. The sample schools had experienced an 8.6% increase in

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<sup>9/</sup> The following reviews were consulted: (i) Brief Preliminary Review of the Women-Heads of Household Coupon and Family Health-Care Incentive Coupon Projects of Honduras for the World Bank, Isabel Vial, September 1991; (ii) Consultant's Report on the Mother-and-Child Coupon Project for PAHO-WHO, Laura Nervi, March 1993; and (iii) Consultant's Report for the WFP, Judith Sullivan, August 1993.

enrollment between 1990 and 1993, along with improvements in the dropout and failure rates. Those interviewed (teachers, principles, inspectors, students, and mothers) were pleased with the impact the coupon project was having on academic performance. In general, the coupons were being distributed to the poorest families in the communities and child nutrition and hygiene had improved. However, the value of the cash coupon needed to be increased to offset the loss of its purchasing power.

- 1.44 To evaluate the family health-care incentive coupon project, the project team visited health centers in six municipalities in six departments, interviewing physicians, nurses, nurse's aides, and coupon recipients. In the Municipality of Nacaome, Department of Valle, in which coupon distribution began in 1990, care of children under five increased by 115.5% from 1990 to 1993. Those interviewed felt that the coupons had a positive impact on nutrition and had contributed to greater involvement of the beneficiaries with the health centers. The coupon recipients considered them an important contribution to their income; in fact, in some cases, the coupons were the household's only source of income. Care for children under five in the departments in which coupons were distributed increased by 214.7%. According to Ministry of Health statistics, care for malnourished children increased by 74.5% between 1990 and 1993.
- 1.45 The PRAF is efficiently managed and has a motivated staff, efficient administrative systems, and appropriate systems for internal control. The proposed loan would include an institutional strengthening component to support the PRAF in the procurement of equipment and vehicles and to finance the salaries of its executive staff. The proceeds of the nonreimbursable technical-cooperation funding (operation TC-95-02-48-7) will be used to finance: (i) the hiring of consulting services in the areas of targeting, information and monitoring systems, and evaluation; and (ii) design and execution of community projects that ensure the sustainability of the PRAF.

c. Coordination of the PRAF and government agencies

- 1.46 The PRAF closely coordinates its work with the Ministries of Education, Health, Finance, and Planning, and the Central Bank of Honduras. In 1990, it entered into agreements with the Ministries

of Health and Education. <sup>10/</sup> During preparation of the proposed operation, on May 8, 1995, the PRAF entered into a new agreement for cooperation with the Ministry of Health and has agreed with the Ministry of Education and the Bank on a new agreement to be signed by the PRAF and the latter ministry. The purpose of the agreements is to take full advantage of the resources of the institutions to optimize coupon targeting and distribution and to implement program sustainability activities.

- 1.47 In addition to the agreements with the Ministries of Education and Health, the PRAF has signed agreements with individual municipalities to carry out occupational training projects and to train local government staff in the objectives and operating mechanisms of the PRAF described herein.

d. Systems for distribution of the education incentive coupons and the family health-care incentive coupons

- 1.48 The family health-care incentive coupons are distributed through the health care delivery units [Unidades Productoras de Servicios de Salud] (UPSS's), scattered throughout the nine health care regions into which the country is divided. The PRAF trains staff from selected UPSS's in areas pertaining to beneficiary selection, filling out forms, coupon distribution, and beneficiary interaction with the health care services offered by the UPSS's. In addition, the UPSS and PRAF staff meet regularly with the communities to explain the use of the coupons, provide health training, and organize the community.
- 1.49 The education incentive coupon is distributed by school district inspectors in 4,400 schools located in 185 school districts in 16 departments in the country. The PRAF trains the school principals and inspectors in areas similar to those listed in the above paragraph.

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<sup>10/</sup> Under these agreements, the parties agreed to: (i) conduct research on the education, nutrition, and socioeconomic status of the families, among other topics; (ii) make use of the organizational, technical, and administrative structures in place to help carry out PRAF activities (PRAF training for Ministry of Education staff - department supervisors, assistant supervisor, principals, and teachers - who conduct surveys of project beneficiaries, verify beneficiary rosters, and distribute coupons); (iii) cooperate in the organization of the community development boards for distribution of the education incentive coupons in rural areas; and (iv) include activities that help meet PRAF needs in the training given to ministry staff and the community. These obligations are being satisfactorily fulfilled by all the parties.

5. Available resources and needs

- 1.50 The PRAF's investment and expenditure plan for the period from 1995 to 1997 amounts to close to US\$50 million, and is broken down by project as follows:

Investment	1995	1996	1997	Total	%
Education incentive coupon	5,034	5,488	5,613	16,135	34.0
Family health-care incentive coupon	5,431	5,922	6,050	17,403	37.0
Occupational training	2,376	2,751	3,136	8,263	17.0
Senior citizen coupon	365	528	503	1,396	3.0
School bookbag	450	500	455	1,405	3.0
Subtotal - Investments	<u>13,656</u>	<u>15,189</u>	<u>15,757</u>	<u>44,602</u>	
Operating expenses	796	900	1,000	2,696	6.0
TOTAL	14,452	16,089	16,757	47,298	

## II. THE PROGRAM, ITS COST AND FINANCING

### A. Program objectives

- 2.1 The objective of the proposed program is to assist the Government of Honduras in its efforts to implement projects that will help improve economic and social conditions for the poor in that country. To achieve this aim, financing is being proposed for two subprograms: the FHIS and the PRAF.

### B. The FHIS subprogram

#### 1. Objectives

- 2.2 This subprogram would mark the Bank's second operation in support of the FHIS. It would make available funding for small projects that could attend to the most pressing needs of poor communities, giving them access to basic social infrastructure and services in the areas of health care, education, and water and sanitation. The World Bank is preparing a parallel operation (its third in support of the FHIS) which would provide that agency with US\$30 million in funding. The investment components and procedures for project programming, implementation, monitoring, and evaluation would be generally identical for the two loans.

#### 2. Components

- 2.3 The objectives of the FHIS subprogram would be pursued through actions grouped into three components:

##### a. FHIS institutional strengthening and administration

- 2.4 This component would improve the operation and administration of the FHIS, to ensure that the project cycle is well managed, that there is continuity in FHIS staff, and that the quality of staff is sustained. It would fund consulting services and salaries of FHIS senior management staff. The consulting services will be hired using the nonreimbursable technical-cooperation funding granted under operation TC-95-02-48-7, under the terms and following the procedures described in Annex I.
- 2.5 In addition, at the request of the executing agency and using funds from the proposed loan, the FMIS may commission up to 20 person-months of consulting services to offer support, throughout the four years that this subprogram is to last, for the FMIS subprogram monitoring and evaluation activities described in chapter III, section E, of this proposal.
- 2.6 Professional staff. Funds from the proposed loan would defray the costs of the executive staff needed for the smooth operation of the

FHIS during the loan execution period. A description of the functions of this staff can be found in the project files. Vehicles and equipment would be purchased with funds from the World Bank loan.

b. Infrastructure, social facilities, and basic needs

- 2.7 The types of projects that would be eligible for financing are listed in Annex III to this proposal. The menu of basic needs projects will be revised based on the findings of the consultants hired to review this component under the technical-cooperation project described in Annex I.

3. Size of components

- 2.8 The scale of the investment component was determined after examining the following: (i) demand in the social sectors, as outlined in paragraphs 1.3 to 1.5; (ii) financing operations being prepared by the World Bank, the German agency KfW, and other donors for the period from 1995 to 1998; (iii) the government's ability to take on the counterpart funding obligations, to cover 10% of the total program cost; (iv) the FHIS project portfolio; (v) the estimated costs of education, health, and water and sanitation construction and rehabilitation projects, based on regularly updated FHIS data on standard unit prices in the region and on information obtained by the Bank from recent construction contracts; and (vi) the FHIS's implementation capabilities, as reflected in operating indicators that attest to its expeditious and efficient handling of projects.
- 2.9 The institutional strengthening component has been scaled as required to improve the workings of the FHIS and ensure that during the program period it has the senior management staff it needs to operate effectively.

c. The PRAF subprogram

1. Objectives

- 2.10 Support for the PRAF will help transfer income to Honduran women and children living in dire poverty, and help them earn income through the cash coupon and occupational training projects, increasing their purchasing power and improving the nutrition, health, and education of the families. The coupons are each worth 30 lempiras in 1995, 40 lempiras in 1996, and 50 lempiras in 1997. The goals of the subprogram are outlined in paragraph 2.19.

2. Components

- 2.11 This subprogram consists of three components: (i) PRAF institutional strengthening and administration; (ii) distribution of education incentive coupons and family health-care incentive coupons; and (iii) measures to promote sustainability of the PRAF.

a. PRAF institutional strengthening and administration

- 2.12 The aim of this component is to improve the operation and administration of the PRAF, help ensure proper management of the project cycle, the continuity of its staff, and staff quality. It would fund consulting services, the salaries of executive staff <sup>11/</sup>, vehicles, and equipment. The consulting services will be hired using the technical-cooperation funding under operation TC-95-02-48-7 in the terms and following the procedures set forth in Annex I. A description of the functions of the respective staff and a detailed budget for the procurement of vehicles and equipment can be found in the project files.
- 2.13 In addition, at the request of the executing agency and using proceeds from the loan, the PRAF may commission up to 10 person-months of consulting services to offer support, during the three-year subprogram execution period, for the subprogram monitoring and evaluation activities described in chapter III, of this proposal.

b. Education incentive coupons and family health-care incentive coupons

- 2.14 The coupon projects that will be eligible for financing are outlined in paragraphs 1.34 and 1.35 of this proposal.

c. Promotion of PRAF sustainability

- 2.15 Activities will be carried out, and ongoing measures strengthened, to ensure that once the PRAF has ceased to operate, a growing number of women who have received coupons have undertaken productive activities and others will be covered by other government health and education programs or initiatives, so that mothers and children continue to take part in health programs and children do not interrupt their schooling. The three activities planned for this component are: (i) occupational training project; (ii) parent-teacher associations; and (iii) participation in health programs.
- 2.16 The occupational training projects, which are described in paragraph 1.36, would be carried out in three stages: (i) diagnosis and development, which would fall to a technical team of PRAF staff or of experts hired and supervised by the PRAF; (ii) implementation, over a period of about 12 months, in most cases under the direction of two community workers and two trainers hired by NGOs or municipalities for each project; and (iii) followup and technical support for women who are running productive businesses.

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<sup>11/</sup> Directors in charge of the education incentive coupon program, the family health-care incentive coupon program, occupational training, evaluation and planning, administration, finance, and computer services, and the chief internal auditor.

- 2.17 Parent-teacher associations. In coordination with the Ministry of Education, associations of mothers receiving education incentive coupons would be set up to tell others of the coupons and how they are used, and help organize their communities to support schools and take part in school fund-raising projects. Each association would be organized by one of the mothers, with support from the school or the municipal government. The PRAF will be in charge of (i) preparing the project and materials; (ii) training school principals, municipal authorities; and community leaders; and (iii) supervision.
- 2.18 Participation in health programs. Activities will be devised to encourage women receiving family health-care incentive coupons to become community volunteers, to organize and take responsibility for Community Oral Rehydration Units (UROCs) and Community Acute Respiratory Infection Control Units (UCIRAs). The objective of the UROCs will be to educate the community on how to prevent and treat acute diarrheal diseases, and on rehydration therapy for children in need of such care in the community. The UCIRAs will teach mothers in their respective communities how to prevent acute respiratory infections, administer first aid to children suffering from these ailments, and otherwise care for them. The Ministry of Health will see to the design of UROCs and UCIRAs, the training of beneficiary mothers by doctors and health aides, the supply of pharmaceuticals and instructional materials, and supervision. The PRAF will be in charge of promoting these activities among women receiving coupons, coordinating with the ministry to organize training, and financing under this project for the design of UROCs and UCIRAs and training (per diems and fuel allowance).

### 3. Size of components

- 2.19 The targets set for this subprogram in the operating plan for 1995 to 1997 are as follows.



Component/Activity	1995	1996	1997	Total
Education incentive coupons (recipients)	100,000	100,000	100,000	300,000
Family health-care incentive coupons (recipients)	50,000	70,600	83,000	203,600
Occupational training				
• Projects devised	11	25	-	36
• Projects implemented <u>12/</u>	20	11	25	56
• Women trained	4,000	2,200	5,000	11,200
• Women with operational projects	-	1,600	880	2,480
••• Cumulative	-	1,600	2,480	2,480
Parent-teacher associations	250	850	1,000	2,100
••• Cumulative	250	1,100	2,100	2,100
Oral Rehydration Units	50	250	300	600
••• Cumulative	50	300	600	600
Respiratory Infection Control Units	50	250	300	600
••• Cumulative	50	300	600	600

2.20 The programmed distribution by municipality of recipients of education and family health-care incentive coupons for the years 1995 through 1997 can be found in the project files.

D. Cost and financing of the program

2.21 The estimated total cost of the program is the equivalent of US\$66.6 million. The Bank would lend the equivalent of US\$60 million from the FSO (US\$40 million for the FHIS subprogram and US\$20 million for the PRAF subprogram), and would furnish the equivalent of US\$1.5 million in nonreimbursable technical-cooperation funding to pay for the consulting services envisaged in the plan of operations attached as Annex. Under this technical-cooperation project, RUTA Social would provide the equivalent of US\$120,000 in nonreimbursable funding. The terms and conditions of the loan are shown in the executive summary at the beginning of this proposal. The terms and conditions of the technical-cooperation funding are provided in the aforementioned plan of operations. The equivalent of US\$6.6 million in local counterpart funding would be supplied by Honduras from the national budget (US\$4.4 million for the FHIS and US\$2.2 million for the PRAF). Contributions from the end beneficiaries of the projects may be counted as part of the local counterpart, up to a maximum of 5% of the project cost. The table below shows the allocation of funds by cost category and source of financing. A more detailed budget for the program is provided in Annex V.

12/ An average of 200 women are trained under each project, and the projects to be executed in 1995 were prepared in 1994.

Program cost (US\$000)				
Cost category	FSO	Govt. of Honduras	Total	%
I. <b>FHIS</b>	<u>38,611</u>	<u>4,121</u>	<u>42,732</u>	64.1
• Direct costs	37,411	2,061	39,472	
• Associated costs	1,200	2,060	3,260	
II. <b>PRAF</b>	<u>19,350</u>	<u>2,133</u>	<u>21,483</u>	32.2
• Direct costs	18,973	1,021	19,994	
• Associated costs	377	1,112	1,489	
III. <b>Financial expenses - FHIS</b>	<u>1,389</u>	<u>323</u>	<u>1,712</u>	2.6
• Interest	989	0	989	
• Credit fee	0	323	323	
• Inspection and supervision	400	0	400	
IV. <b>Financial expenses - PRAF</b>	<u>650</u>	<u>89</u>	<u>739</u>	1.1
• Interest	450	0	450	
• Credit fee	0	89	89	
• Inspection and supervision	200	0	200	
<b>TOTAL</b>	<b>60,000</b>	<b>6,666</b>	<b>66,666</b>	<b>100%</b>
Percentage share of total funding	90%	10%	100%	

2.22 Under the terms of the Eighth Replenishment (document AB-1704), Honduras is eligible for FSO funding. The program proposed herein is geographically targeted toward the poorest areas of the country, and the majority of the prospective beneficiaries are poor.

### III. INSTITUTIONAL FRAMEWORK AND IMPLEMENTATION OF THE PROGRAM

#### A. The borrower and the executing agencies

- 3.1 The borrower will be the Republic of Honduras. The FHIS subprogram will be carried out by the Honduran Social Investment Fund, and the PRAF subprogram by the Family Assistance Program. The loan would be repaid by the government, which would sign fund transfer agreements with the executing agencies; presentation of the signed agreements to the Bank would be a condition precedent to the first disbursement. It is recommended that, as a further prerequisite for release of the first disbursement, the borrower furnish evidence of its undertaking to supply the counterpart funds referred to in paragraph 2.21 of this proposal.

#### B. The FHIS

##### 1. Institutional framework

- 3.2 The Senior Management Board is the highest authority of the FHIS. It consists of: the President of Honduras, the President of the National Congress, the Ministers of Planning, Finance, Labor, Education, and Health, the Executive Director of the FHIS, a representative of the business community, a representative of the cooperative movement, and a representative of private development organizations. <sup>13/</sup> The main duties of the board are to approve FHIS policies, FHIS regulations, the annual budget, and operations manuals, and to receive the internal and external auditing reports. Since its establishment, the board has met at least four times a year. Following the example of other countries in the region, and in order to ensure greater transparency in the allocation of its resources, the FHIS has agreed to examine, with the respective authorities, the possibility of expanding participation by nongovernmental organizations on its Senior Management Board.
- 3.3 The Board of Directors is the highest executive authority of the FHIS. It has a total of 13 units reporting directly to it consisting of offices, special programs, and departments. The

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<sup>13/</sup> Prior to amendment of the FMIS Act in November 1994, the Senior Management Board consisted of: the President of Honduras, the President of the National Congress, the Secretary of State in the Offices of Planning, Coordination, and Public Credit, the Executive Director of the FHIS, a representative of the business community, a representative of the cooperative movement, and a representative of private development organizations.

Executive Director is appointed by the President of Honduras. 14/

- 3.4 The Internal Auditor reports to the Senior Management Board and is appointed by the National Comptroller's Office, which act as supervisor. 15/

## 2. Financial situation

- 3.5 As a nonprofit institution attached to the Office of the President of the Republic, the FHIS does not lend itself to a financial evaluation on the basis of solvency, liquidity, and profit ratios such as are typically examined for profit-seeking semipublic or private companies. The institution's balance sheet shows mainly current assets and short-term liabilities, which fluctuate with the projects being financed and the monies being received from or reimbursed by lenders, donors, and the government. The revenues and expenditures depicted in FHIS income statements reflect funding activity for project financing and the agency's administrative costs and overheads. The project files contain an analysis of FHIS asset and liability behavior in 1993 and 1994.

## 3. Implementation

### a. Consulting services

- 3.6 The consulting services to be provided under the institutional strengthening component financed by technical-cooperation operation TC-95-02-48-7, which are expected to be undertaken immediately after the loan is approved, should be well advanced by the time loan execution begins. Most of the new FHIS investments should therefore be implemented with revised institutional methodologies, procedures, and policies. In order to ensure timely, effective implementation of the recommendations made by the consultants, the FHIS must initiate their implementation as a condition precedent to the first disbursement. In addition, the FHIS may not commit more than 10% of the loan proceeds until the consulting services called for under the technical-cooperation project have been completed and an action plan for implementation of the recommendations made has been agreed upon with the Bank. If the recommendations that arise from the consulting services are acceptable to the FHIS and the

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14/ The units are: the Systems Office, Legal Office, Fund-raising Office, Employment Generation Office, Projects Office, Special Projects Office, and Monitoring and Followup Office, the Public Relations Department, Personnel Department, Analysis and Programming Department, and the Executing Agency Control Office.

15/ Appointment of the Internal Auditor by the Comptroller's Office is a new procedure instituted under the November 1994 amendments to the FHIS Act. The auditor used to be appointed by the President of the country.

Bank, the FHIS must implement them within 12 months after the effective date of the loan contract.

- 3.7 The executing agency may not commit more than 10% of the loan proceeds until the consulting services called for under the technical-cooperation project have been completed, provided that the Bank (as administrator of the technical-cooperation funding) hires the necessary consultants within the first month and a half after signature of the technical-cooperation agreement.
- 3.8 Contracts for the consulting services to assist with monitoring and evaluation of the subprogram, referred to in paragraph 2.5 and 2.13, are to be signed one month before those activities begin.

b. Infrastructure investment and basic needs

- 3.9 The annual investment plan for 1995 referred to in paragraph 1.19 must be submitted as a condition precedent to the first disbursement of the loan. The plans will be used for information purposes, will be subject to review, and must be submitted annually during the annual review missions. Beginning in 1996, an annual investment plan at the sector and municipal levels must be submitted to the Bank.
- 3.10 The eligibility criteria, operating procedures, procedures for the selection and hiring of consultants, procurement procedures, and the systems to ensure project operation and maintenance, attached in Annex III, must be followed. They were instituted when the FHIS was established, have been updated, and will be reviewed under the institutional strengthening component.

c. Commitment and disbursement of funds

- 3.11 The subprogram funds would be committed within four years and disbursed in five years, counting from the effective date of the loan contract. No more than 25% of the total could be committed in any one year; it is expected that 20% of the total would be disbursed each year. No more than 10% of the resources may be committed until the consulting services for institutional strengthening described in Annex I have been completed. Not more than 50% of the funds could be committed until the findings of the mid-term review referred to in paragraph 3.35 were available.
- 3.12 Pursuant to the determinations of the joint IDB-World Bank public investment review mission, the FHIS is to limit its 1995 investment outlays to US\$23 million. In the following years, the ceiling will be decided upon jointly by the FHIS, the Ministry of Finance, and representatives of the IDB, World Bank, and KfW.

d. Advance of funds and retroactive financing

- 3.13 It is recommended that the FHIS be permitted to charge up to US\$4 million against the proceeds of the financing for investment costs and expenses incurred in relation to this subprogram as from January 1, 1995. It is further recommended that the FHIS be advanced 10% of the proceeds of the loan once the conditions precedent to the first disbursement have been satisfied.

C. The PRAF

1. Institutional framework

- 3.14 Organization. Pursuant to the amended PRAF Act passed in November 1994, the PRAF has a Senior Management Board, Board of Directors, Office of the Executive Director, and Internal Audit Office (which reports to the Office of the Comptroller General of the Republic). The Senior Management Board is the highest authority of the PRAF. It consists of: the President of Honduras, the President of the National Congress, the President of the National Social Welfare Board, the Ministers of Planning and Finance, and the Executive Director of the PRAF. The Board of Directors, the PRAF's supreme decision-making body, is chaired by the President of Honduras and has 11 senior officials as members. The agency's administrative authority is its Executive Director, whose office has four support units (Executive Committee, External Relations, Legal Counsel, Technical Advisory Services). Reporting directly to the Executive Director's Office are three administrative departments (Evaluation, Finance, and Administration) and four operations departments with responsibility for the education incentive coupon, family health-care incentive coupon, occupational training, and bookbag projects. The administrative departments provide support for the operations departments.
- 3.15 Staff. The PRAF has about 130 employees, 85% of them permanent and the rest temporary. Its Organization and Functions Manual contains detailed position descriptions. For the most part the employees' professional and technical profiles match their job descriptions, which are considered to be adequate for purposes of the proposed subprogram.
- 3.16 Administrative and internal control procedures. The PRAF has an Administrative Procedures and Internal Control Manual which clearly lists required checks and controls. Administrative and internal control are the responsibility of the Internal Auditor, who reports directly to the Executive Director. The Internal Auditor also audits PRAF projects.
- 3.17 Policies and procedures. According to a review of the operating cycle for coupons, the policies and procedures set out in PRAF manuals are being duly observed. The manuals contain detailed instructions on coupon administration.

- 3.18 Management information system. At this writing the PRAF's management information system consists of stand-alone modules. As part of the institutional strengthening component of this operation the PRAF is to receive consulting support to set up an on-line system so as to produce more precise information.

2. Financial situation

- 3.19 Since the PRAF is attached to the Office of the President of the Republic and comes under its budget, it does not lend itself to a conventional financial analysis of solvency, liquidity, or profitability. It has no assets or capital, simply a pool of funds to use for projects. The sums it is able to spend on projects are contingent on government transfers and on grants and loans from international organizations and other countries. Its income statement shows not profits and losses but a surplus or deficit marking the difference between grant and transfer revenues and expenditures on projects and administrative costs. A detailed analysis of the PRAF's financial situation can be found in the project files.

3. Implementation

a. Consulting services

- 3.20 The consulting services provided for under the institutional strengthening component will be hired immediately upon approval of the operation, following the procedures set forth in the plan of operations attached as Annex I. The Bank already has draft terms of reference for the consultants. The recommendations that may arise from the consultants' work, if deemed acceptable to the PRAF and the Bank, must be implemented within 12 months after the effective date of the loan contract. The consulting services to support subprogram monitoring and evaluation to be financed with the loan proceeds must be hired at least one month prior to these activities.

b. Project targeting

- 3.21 The family health-care incentive coupon project will be targeted by: (i) selecting the municipalities with a weighted malnutrition rate <sup>16/</sup> of 40% or more; (ii) for each municipality, selecting

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<sup>16/</sup> The rate will be weighted by assigning a factor of 2 to the percentage of severely malnourished children and a factor of 1 to the percentage of moderately malnourished children. The sum of the percentages of (i) non malnourished children, (ii) moderately malnourished children, and (iii) severely malnourished children multiplied by 2 is equated to 100, on which basis the weighted rates of moderate and severe malnutrition are obtained, the sum of which is the weighted malnutrition rate.

the health centers in whose area of impact there is a weighted malnutrition rate of at least 40% according to the anthropometric school census 17/ (for a CESAR to be eligible, it must have basic staffing and at least one nurse's aide and health outreach worker; a CESAMO must have basic staffing and at least one physician and one nurse's aide); (iii) in each health center, identifying women and children whose monthly household income is below 400 lempiras, or whose annual per capita income is below 960 lempiras, who are at high risk for health problems according to the health census (CEFASA), 18/ and who have proper identification papers. If the father is the only parent responsible for a child, he may receive coupons. A maximum of four beneficiaries per household may register for the program. To be eligible, mothers must space births by at least 24 months. In addition to the physician and nurse's aide, who have been selecting the beneficiaries to date, women's committees from the local community and volunteer health workers will also participate.

- 3.22 The education incentive coupon project will also be targeted in three stages: (i) selecting the eligible municipalities following the same criteria as for the family health-care incentive coupon project; (ii) selecting the schools in rural areas in which there is a weighted malnutrition rate of 40% or more, computed on the basis of the anthropometric census of school children using the same factors as for the family health-care incentive coupon project; (iii) in each school, identifying mothers with the lowest income levels and who have identification documents. No beneficiary may have a monthly household income of more than 400 lempiras. The school principal or schoolteacher will make the final selection of beneficiaries, as has been done to date, but will now do so jointly with the respective parent-teacher association in which they have been working, in association with municipal development agencies.

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17/ This is an activity under the World Bank nutrition and health project executed by the PRAF and the Ministries of Health, Education, and Planning. First-grade teachers are responsible for recording the height of the children in their classes. The purpose of the project is: (i) to identify children with a high risk of malnutrition for distribution of the PRAF coupons or other nutrition projects; and (ii) to plot a nutrition map of the country at the household, district, neighborhood, municipal, and departmental levels.

18/ The health census is conducted by health center staff as one of their ongoing activities for annual programming and in order to focus activities on families at risk. It includes information on family size, the incidence of disorders causing high morbidity and mortality rates, immunization, child development monitoring, housing conditions, home sanitation facilities, and more.



- 3.23 The localities that may participate in the occupational training activities will be selected on the basis of the following criteria: (a) one of the coupon projects must be in operation; (b) the weighted malnutrition rate must be at least 40%, according to the anthropometric school census; (c) the local population must be large enough for some 250 women to participate in the training, which would mean a total population of 2,500 to 4,000; (d) no other occupational training programs may be under way in the locality.

c. General arrangements

- 3.24 For execution of the coupon component, based on the total funding the PRAF can raise for the subprogram execution period, in order to ensure proper targeting, the PRAF prepared an investment plan by project and by municipality, jointly with the Bank and the Ministries of Education and Health. The plan can be found in the project files. In addition, once the targeting methodology is revised under the institutional strengthening component, the PRAF will prepare a less detailed annual plan for 1996 and 1997. The plans will be subject to the annual reviews referred to in paragraph 3.34 and must be submitted yearly at the municipal and district levels for the education incentive coupon project and at the UPSs level for the family health-care incentive coupon project. For the first year, the annual investment plan, with these specifications, will constitute a condition precedent to the first disbursement of the loan.
- 3.25 As a condition precedent to the first disbursement, the PRAF must sign an agreement with the Ministry of Education, establishing coordination arrangements between the parties in all matters pertaining to the implementation of PRAF-financed projects.

d. Commitment and disbursement of funds

- 3.26 The subprogram funds would be committed in three years and disbursed in four years, counting from the effective date of the loan contract. The following would be the timetable for commitment and disbursement, respectively: (i) year 1, 33% and 30%; (ii) year 2, 33% and 30%; (iii) year 3, 34% and 30%; and (iv) year 4 (disbursement), 10%. Not more than 50% of the total could be committed until the mid-term review referred to in paragraph 3.35 had been conducted.
- 3.27 Funds for the coupon component would be disbursed semiannually in the form of advances, on the basis of six-month programs and subject to receipt by the Bank, and to its satisfaction, of supporting documents from the PRAF. The PRAF will have a separate account at the Central Bank against which each coupon issue will be charged, to allow for systematic control of the coupons issued and redeemed. Funds for the other components will be disbursed following the Bank's standard procedures.

e. Advance of funds and retroactive financing

- 3.28 It is recommended that the PRAF be permitted to charge up to US\$2 million against the financing for investment costs and expenses incurred in relation to this subprogram as from January 1, 1995. It is further recommended that the PRAF be advanced 10% of the subprogram funds.

D. Environmental considerations

- 3.29 On the recommendation of the Environment Committee (CMA/32/94), the project team reviewed the procedures for environmental quality control of works, technical and environmental requirements for project design, construction, and operation, and institutional arrangements for applying the environmental quality control procedures of the FHIS. Subsequently, the Bank proposed the institution of a formal system for control of the environmental quality of the projects and agreed with the FHIS will as a condition precedent to the first disbursement of the loan, the FHIS will submit evidence that its Environment Unit had begun implementation of the system. Once implemented, the FHIS will conduct an environmental impact assessment for all its projects and make any necessary recommendations.
- 3.30 As part of the World Bank's environmental development project (#13715), the FHIS is to receive close to US\$1 million in financing to strengthen its environmental quality control system, ensure that the environmental requirements in its manuals are observed, and provide training in environmental management to agencies associated with the FHIS project cycle, particularly municipal government officials.

E. Program monitoring and evaluation

- 3.31 Based on the proposed indicators for the FHIS and the PRAF, outlined in Annexes IV-1 and IV-2 respectively, as a condition precedent to the first disbursement, the executing agency must submit the indicators necessary for program monitoring and impact measurement.
- 3.32 The program will be supervised and evaluated by Social Programs Division 2 and the Country Office in Honduras. These units are to receive the reports from the FHIS and the PRAF noted below, and will take an active part in the activities described in the following paragraphs.

1. Progress reports

- 3.33 Throughout the program execution period, the FHIS and the PRAF are to provide the Bank with semiannual progress reports, within 90 days after the end of each six-month period. The reports will describe the progress achieved to date on each component of each

subprogram and the procedures followed for use of the proceeds of the financing.

2. Annual review missions

- 3.34 The Country Office in Honduras will supervise the program on an ongoing basis. Four review missions will be conducted, in the last week of November each year from 1995 through 1998. The missions for the FHIS subprogram will be joint initiatives of the IDB, World Bank, and KfW. To prepare for these missions, the FHIS and the PRAF will be required to submit, by October 31 each year, a report on the status and impact to date of the subprogram, along with an action plan and budget for the following year. For the FHIS, the report will include an evaluation of the environmental management of the projects. The end product of these annual reviews will be an agreement as to the program and investment and expense budget for the following year.

3. Mid-term review

- 3.35 The Bank will conduct a mid-term review of the FHIS and PRAF subprograms when 50% of the funds for each have been committed, in order to assess the progress made on each subprogram and its preliminary impact. It also will review other activities typically examined in the annual review missions, pursuant to the terms of reference agreed upon with the executing agencies, which can be found in the project files. Before this assessment begins, the FHIS and the PRAF are to produce progress reports to serve as a basis for gauging what has been accomplished under each subprogram and its impact to date, and pursuant to the recommendations that come out of the review, to devise a tentative program for the remainder of the execution period. The FHIS subprogram will be assessed in concert with the World Bank and will include a review of compliance with environmental quality control policies and an evaluation of a significant sample of the projects executed using the proceeds of loan 889/SF-HO.

4. Ex post evaluation

- 3.36 The FHIS and the PRAF are to submit to the Bank for its approval, within six months after the effective date of the loan contract, the proposed methodology and timetable for an ex post evaluation of their respective subprograms. The executing agency will send the evaluation findings to the Bank six months after execution of the loans.

F. External audits

- 3.37 The financial statements for the subprograms are to be submitted to the Bank, after having been audited by a firm of independent public accountants acceptable to the Bank, within 120 days (for the FHIS) and 180 days (for the PRAF) after the end of each year of the

program execution period, starting with the first year of implementation. The Bank must have received the audited FHIS and PRAF financial statements at December 31, 1994, before it will release the first disbursement. It has been agreed by the Bank, the FHIS, and the World Bank that external audits of the FHIS subprogram, which are to be funded by the parallel World Bank loan, with reports to be prepared for the FHIS, the IDB, and the World Bank, would combine annual financial analyses and quarterly physical inspections of the works.

#### IV. FEASIBILITY AND RISKS

##### A. Feasibility of the program

- 4.1 As demonstrated in this proposal, the FHIS and the PRAF have since their inception demonstrated that they are capable of attending quickly and efficiently to the needs evidenced in their respective areas of endeavor. Because the institutional strengthening component will remedy a number of deficiencies detected when the operation was being prepared, the investment targets of the FHIS and PRAF set out in the annual investment plans for the subprogram execution period will be achieved on schedule, through efficient operating arrangements and maintaining satisfactory project quality. This component will ensure better subprogram targeting, broader community participation, and the institution of sound resource-management systems.
- 4.2 Other agencies. Effective management of the FHIS and PRAF project cycles also is contingent on the capabilities of the ministries, municipalities, NGOs, and (for the FHIS) project contractors. According to the data available, these other agencies have shown, since their foundation, that they are capable of sustained performance.
- 4.3 FHIS projects are carried out using models and standard technical specifications that have been coordinated with and approved by the line ministries. They were used for loan 889/SF-HO and are considered to be adequate. On the recommendation of the Bank, the FHIS's simple cost-efficiency indicators have been examined and found to be acceptable. They include ceiling per-student cost for schools, ceiling outpatient visit cost for health centers, and ceiling unit cost for latrines. The use of such criteria was considered to be important for sound FHIS project selection.

##### B. Impact on women

- 4.4 The FHIS has been carrying out a series of infrastructure projects that employ women living in the beneficiary communities. These projects have had a decided impact on family income and welfare, and have appealed strongly to FHIS donors and funding agencies. The new job opportunities that have opened up for women in these communities have had a threefold effect: (1) women are being trained in nontraditional spheres, enhancing their job prospects and allowing them to make small-scale improvements to their own dwellings; (2) women's incomes are on the rise, particularly for female heads of household, and this has directly improved living conditions for their children; and (3) since the projects are local, mothers are usually able to supervise their children and be available to them when needed. The basic-needs projects are heavily targeted toward women. The terms of reference for

consulting services for the institutional strengthening component, especially those dealing with community involvement and definition of the basic-needs program (Annex I), stress the need to promote the involvement of women in FHIS projects and ensure that they share in the benefits.

- 4.5 The PRAF is a system for the support and development of women. Under the proposed operation, better access to health programs will bring down mortality and morbidity rates for women generally (the FHIS has a similar beneficial impact on women). In rural areas of the country there are many more illiterate women than men, so promoting equal access to schooling for girls and boys is a means of bettering the future for Honduran women. Better access to education and health care services will open up opportunities for women to become involved in the development of the country. The occupational training component will help women enter the labor market, provide them with additional income, and establish small productive enterprises.
- 4.6 Another element of the proposed PRAF subprogram will encourage women receiving coupons to work on parent-teacher associations and volunteer to set up and run UCROs and UCIRAs. In so doing, more and more women will become community leaders and agents of change in their neighborhoods. The PRAF has worked out an arrangement with the Registry Office and electoral officials to expedite the processing of identification documents for women who could be eligible for one of the coupon programs or for the occupational training component. With this document a woman will be able to vote, sign public deeds to set up a company, buy or sell real estate, and so on, and have access to institutional credit.
- 4.7 The illiteracy rate for women in rural areas of Honduras is 74%, <sup>19/</sup> and a considerable percentage of the women receiving coupons cannot read or write. The PRAF will identify women who have no literacy skills using coupon receipt forms, which women who cannot write sign with their fingerprint, and will enter into an agreement with the Ministry of Education for literacy training for these women using its own funds.

C. Risks

- 4.8 The FHIS subprogram. Potential risks are as follows: (i) weaknesses in the FHIS internal control system and the coordination of functions of administrative staff; (ii) mistargeting of projects such that the benefits would not reach the neediest population groups; (iii) inadequate project maintenance; and (iv) politicizing of FHIS operations. Actions built into the subprogram to guard against these risks are: (i) better targeting; (ii) detailed

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<sup>19/</sup> UNICEF. Analysis of the Status of Children, Women, and Youth. Honduras. 1995 (draft).

annual investment programs; (iii) close coordination between the FHIS and line ministries, municipalities, and communities; (iv) closer supervision of the FHIS; (v) training in internal audit; and (vi) technical advisory support for project monitoring and evaluation, information systems, and personnel policies. Implementation of the subprogram will also be closely monitored.

- 4.9 The PRAF subprogram. The major risks of this subprogram are: (i) that coupons might not reach the country's neediest, or might be used for political ends; (ii) that people might come to depend on coupons to have their children educated or properly fed or to make appropriate use of basic health services; and (iii) that the benefits of the coupons might not be sustainable over the long term. The program will pursue three sets of measures to minimize these risks: (i) better targeting, as part of the institutional strengthening component, preparation of annual programs by school and health center for the release of coupons, and close monitoring of the subprogram implementation; (ii) strengthening of occupational training programs for women benefiting from the projects; and (iii) bolstering of mechanisms to make health and education services sustainable, such as parent-teacher associations and initiatives to motivate women beneficiaries to take part in health programs.

**PLAN OF OPERATIONS**  
**NONREIMBURSABLE TECHNICAL COOPERATION FOR THE INSTITUTIONAL STRENGTHENING**  
**OF THE FHIS AND THE PRAF AND PREPARATION OF AN EDUCATION SECTOR STUDY**

(TC-95-02-48-7)

**I. SUMMARY**

<b>BENEFICIARY</b>	The Government of Honduras
<b>EXECUTING AGENCIES:</b>	Fondo Hondureño de Inversión Social [Honduran Social Investment Fund] (FHIS), Programa de Asignación Familiar [Family Assistance Program] (PRAF), and the Ministry of Education of Honduras
<b>AMOUNT AND SOURCE:</b>	IDB: US\$1,500,000 (SF) RUTA Social: US\$ 120,000 Total: US\$1,620,000
<b>TERMS:</b>	Execution period: 12 months Disbursement period: 18 months  Basis: Nonreimbursable.
<b>RESPONSIBILITY WITHIN THE BANK:</b>	The Social Programs Division of Regional Operations Department 2 and the IDB's Country Office in Honduras.
<b>OBJECTIVES:</b>	<p>This technical-cooperation project will be executed concurrently with the Honduran Social Compensation Program (HO-0113 and HO-0114), under which financing is to be provided to the Honduran Social Investment Fund in an amount of up to US\$40 million and to the Family Assistance Program in an amount up to US\$20 million.</p> <p>The objective of the technical-cooperation project is: (i) to improve the internal efficiency of the FHIS and the PRAF and the quality of their projects; and (ii) to prepare an education sector study.</p>
<b>DESCRIPTION:</b>	<p>The objectives will be achieved by carrying out the following activities:</p> <p><u>For the FHIS:</u> Consulting services to be provided in the following areas: (i) review of the operating policies of the FHIS and of the institutional</p>



strengthening component; (ii) management and analysis of information on investment in social sectors; (iii) evaluation of the basic needs component; (iv) maintenance and sustainability of projects; (v) personnel policies; (vi) management of the project cycle; (vii) management information system; (viii) accounting and internal auditing system; (ix) community participation; and (x) computer system. This technical-cooperation operation includes funds for training FHIS staff in management of social projects, project management, organization of national seminars, and other activities which the FHIS and the Bank regard as essential for the institutional strengthening component of this program.

For the PRAF: Consulting services to be provided in the following areas: (i) targeting; (ii) design of the program information and monitoring system; (iii) design of the program evaluation system; and (iv) design of the project for parent-teacher associations. In addition, financing will be provided for the anthropometric census of school children for 1996 and 1997, as well as for program outreach activities and development of parent-teacher associations.

The post-primary education sector study will include an analysis of the following: (i) efficiency and effectiveness of secondary education; (ii) fairness: literacy combined with training; (iii) the quality of formal education at the secondary level; and (iv) the relationship with the job market.

**BENEFITS:**

The program will contribute to the institutional strengthening of the FHIS and the PRAF, and to the development of a possible loan in the area of education.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

As a condition precedent to the first disbursement, the beneficiary must submit the following to the Bank through the appropriate executing agency: (i) the detailed terms of reference, budget, and timetable for the proposed consulting services; (ii) a detailed program, budget, and timetable for the other activities envisaged in this plan of operations; and (iii) the letters of understanding with RUTA Social referred to in paragraph 3.8. As a condition precedent to the first disbursement, the FHIS must also submit a proposal giving the names of the consultants or consulting firms that will be in

charge of the consulting services envisaged for the  
FHIS in this plan of operations.

## II. OBJECTIVES

- 2.1 The objective of the technical-cooperation program is: (i) to improve the internal efficiency and quality of FHIS and PRAF projects; and (ii) to prepare a sector study of post-primary education and services for those who have been left out of the system, to enable the Bank to identify future areas for action in the education sector.

## III. DESCRIPTION

### A. Activities

- 3.1 This technical-cooperation program has three components: (i) institutional strengthening of the FHIS; (ii) institutional strengthening of the PRAF; and (iii) an education sector study.
- 3.2 Terms of reference for the contracts to be let under each of these components are summarized in chapter IV of this plan of operations. The complete terms of reference are in the project files, and their content has been agreed upon with the FHIS, the PRAF, and the Ministry of Education. It has been decided with the beneficiaries of the technical-cooperation operation that the estimates of professional requirements (numbers, qualifications, origin, etc.) included in the terms of reference are indicative, and may change in the event that any amendments are agreed upon between the beneficiary, the Bank, and the technical-cooperation coordinator.

#### 1. Institutional strengthening of the FHIS

- 3.3 Consulting services will be performed in the areas outlined in the executive summary of this plan of operations. In tandem with the institutional-strengthening consulting services envisaged in the technical-cooperation operation, the team agreed with the Office of the Chairman of the State Modernization Commission that under this project financing would be provided for consulting services to review the structure of the FHIS, to determine its relationship with line ministries and municipal governments, and the role and future financing of the FHIS. The terms of reference for these consulting services, as agreed upon by the IDB, the World Bank, and the FHIS, are available in the project files. Since the commission is responsible for the work in this area, consensus is guaranteed with the other sectors that are to undergo reform as is the

effective implementation of the changes which, given that they were decided on within the commission, will have the status of law of the land. The World Bank will provide financing for consulting services in the areas of water supply, sanitation, and the environment, as well as a training program for Peace Corps volunteers.

2. Institutional strengthening of the PRAF

- 3.4 Consulting services will be provided in four areas: (i) targeting; (ii) design of the program information and monitoring system; (iii) design of the program evaluation system; and (iv) design of the project for parent-teacher associations. Financing will be provided for the anthropometric census of school children for 1996 and 1997, as well as for program outreach activities and development of parent-teacher associations.

3. Education sector study

- 3.5 Although there is a great deal of information currently available on the education sector in Honduras, such information focuses on the primary education level. Accordingly, given the government's explicitly stated interest in this area, a systematic effort should be made to assess the standards of secondary education, to study the workings of the supply of education, and to analyze the inter-relationships with other levels of education and the job market. The general terms of reference for the study are summarized in chapter IV of this plan of operations. This sector analysis of secondary education, which can be expected to be completed within a 10-month period, will serve as a basis for identifying a possible future program of action for Honduras involving IDB financing for the education sector.

B. Organization and execution

- 3.6 At the request of the beneficiary, the Bank will hire the consultants envisaged in this plan of operations. The other activities in this technical-cooperation operation (training for the FHIS; the anthropometric census of school children, program outreach activities, and development of parent-teacher associations, for the PRAF) will be executed by the beneficiary directly through the executing agencies by mutual agreement and in accordance with the IDB's procedures.
- 3.7 The activities will be carried out in Honduras. As agreed with the executing agencies, it would be advisable for the coordination to be handled by a consultant working on a full-time basis at the IDB's Country Office in Tegucigalpa, so that this consultant can be at the service of all three institutions. Each executing agency will assign one person to be responsible for execution of the technical-cooperation program, who will be the counterpart of the coordinator during the technical-cooperation program's execution

period. In addition, within each institution, one person will be responsible for executing each area of work.

- 3.8 RUTA Social [Regional Unit for Technical Assistance] will provide technical support to help implement the activities envisaged in this plan of operations. This arrangement will be formalized through the signing of letters of understanding with the FHIS, the PRAF, and the Ministry of Education, which must be acceptable to the Bank.
- 3.9 As a condition precedent to the first disbursement, the FHIS, the PRAF, and the SEP must submit to the Bank: (i) the detailed terms of reference, budget, and timetable for the consulting services in question; (ii) a detailed program, budget, and timetable for the other activities envisaged in this plan of operations; and (iii) the letters of understanding with RUTA Social referred to in paragraph 3.8.
- 3.10 As a further condition precedent to the first disbursement, the FHIS must submit a proposal giving the names of the consultants or consulting firms that are to be in charge of providing the consulting services for the FHIS as envisaged in this plan of operations. As the FHIS may not commit more than 10% of the funds to be provided thereto prior to the completion of the consulting services for the FHIS envisaged in this plan of operations, the FHIS and the Bank undertake to ensure that the contracts signed for the performance of these consulting services will not take longer than five months to be completed.
- 3.11 The consulting services intended for the FHIS are interrelated and will require a high degree of coordination. For practical purposes, the consulting services can be divided into two categories: (a) those services which can be begun simultaneously and in a somewhat independent fashion; and (b) those which have to be coordinated in accordance with a strict timetable given that the results of one set of services will have implications for other sets of services. The technical-cooperation coordinator will be responsible for ensuring that the consulting services are performed in a coordinated fashion.
- 3.12 Those projects that are somewhat independent may be executed simultaneously provided that within the FHIS itself there is the capacity necessary to assimilate the technical assistance in a meaningful way. This technical assistance should be started as soon as possible. With those projects for which closer coordination is required, it would be advisable for the consulting services in the following areas to get under way simultaneously: (i) management of the project cycle; (ii) accounting and internal auditing system; and (iii) community participation and project maintenance. The remaining projects that require inputs from the preceding projects will be initiated in approximately the fourth working week

of the preceding projects. The computer system project will come last. The following table summarizes the planned execution timetable for those projects requiring a higher degree of coordination.

TIMETABLE OF EXECUTION  
PROJECTS REQUIRING A HIGHER DEGREE OF COORDINATION

Project	Weeks of work																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Project cycle management																				
Accounting and internal auditing system																				
Community participation and project maintenance																				
Personnel policies																				
Management information system																				
Computer system																				

- 3.13 As part of the process of awarding consulting services contracts, prospective consultants will be asked to submit comments on the terms of reference for the work for which they have been invited to submit bids. This will allow the coordinator for the institutional strengthening component to ensure that the prospective consultants have clearly grasped the objectives, tasks, and outputs required in the various areas of consulting.

C. Monitoring and evaluation

- 3.14 Responsibility for supervising and evaluating this operation will rest with the Social Programs Division of Regional Operations Department 2 and the IDB's Country Office in Honduras. The loan monitoring activities for the FHIS and for the PRAF will include the monitoring of activities included in this technical-cooperation program.

D. Time frames

- 3.15 The program is to be executed within 12 months after the technical-cooperation program is approved by the Bank. The deadline for the final disbursement will be up to 18 months from the same date.

E. Budget and disbursements

- 3.16 The total cost of the operation is US\$1,620,000 in accordance with the breakdown shown in paragraph 3.19. The Bank's contribution, chargeable to the Fund for Special Operations, will be US\$1.5 million. RUTA Social will contribute the equivalent of US\$120,000 to this operation. All contributions to this operation will be on a nonreimbursable basis.
- 3.17 The Bank's contribution will be disbursed in accordance with the Bank's procedures, either from IDB headquarters, or through the Bank's Country Office in Honduras.
- 3.18 The Bank, using funds from the administrative budget of the Social Programs Division of the Regional Operations Department 2, may advance funds for the hiring of consultants and make payments for up to the equivalent of US\$10,000. These funds will be reimbursed to the Bank out of the first disbursement of the technical-cooperation funding.
- 3.19 The budget for the project will be executed in accordance with the following categories:

**Detailed budget  
(equivalent in US\$)**

Description	IDB	RUTA Social	Total
<b>A. Coordinator</b>	<u>107,000</u>	-	<u>107,000</u>
- Fees	65,000	-	
- Other expenses and insurance	36,676	-	
- Travel	5,324	-	
<b>B. Institutional strengthening, FHIS</b>	<u>592,000</u>	<u>30,000</u>	<u>622,000</u>
- Review of institutional strengthening component	8,000	-	
- Management and analysis of information on investment in the social sectors	115,000	30,000	
- Basic needs	25,000	-	
- Project maintenance and sustainability	18,000	-	
- Personnel policies	48,000	-	
- Project cycle management	160,000	-	
- Management information system	53,000	-	
- Accounting and internal auditing system	57,750	-	
- Community participation	25,000	-	
- Computer system	22,250	-	
- Training in social management*	60,000	-	
<b>C. Institutional strengthening, PRAF</b>	<u>436,000</u>	<u>30,000</u>	<u>466,000</u>
- Anthropometric census of school children*	57,000	-	
- Targeting	80,000	-	
- Information and monitoring system	70,000	-	
- Evaluation	20,000	-	
- Program outreach activities*	125,000	-	
- Development of parent-teacher associations*	84,000	-	
<b>D. Education sector study</b>	<u>200,000</u>	<u>60,000</u>	<u>260,000</u>
<b>E. Program evaluation</b>	<u>10,000</u>	-	<u>10,000</u>
<b>F. Contingencies</b>	<u>155,000</u>	-	<u>155,000</u>
<b>Total</b>	<b>1,500,000</b>	<b>120,000</b>	<b>1,620,000</b>
* These activities will be carried out directly by the beneficiary through the respective executing agencies and in accordance with IDB procedures.			

## F. Reports

- 3.20 The consultants or consulting firms hired to perform the tasks described in this plan of operations, the terms of reference for which are summarized in chapter IV of this document, will submit their reports in Spanish to the program coordinator, who in turn will forward them to the Bank and the beneficiary in question. The reports will be reviewed by the beneficiary and the coordinator of the technical-cooperation operation, and approved by the Bank.
- 3.21 The coordinator of the operation must submit the following reports to the Bank and the beneficiaries:
- A detailed work plan containing a complete program of the activities and expenditures included in this operation. The

plan must be based on this plan of operations and contain a detailed timetable for the execution of the activities. This work plan will include: (i) a proposal with respect to the organization, administration, and scheduling of the activities to be carried out; (ii) coordination and supervision issues involved in the implementation of the program; (iii) requirements and conditions for selecting consultants; and (iv) plan for developing the methodology to be used for the periodic evaluation of activities and for the final evaluation of the operation.

- b. Quarterly progress reports containing detailed descriptions of the work done during the period in question. These reports must also give a concise description of the work to be done in the following period, as well as recommendations concerning courses of action that should be taken and changes that should be introduced into the implementation of the operation.
- c. Final technical report: Based on the progress reports submitted to the Bank, and during the month following completion of the execution of the technical-cooperation operation, the coordinator will submit a final report summarizing the results of the operation and the extent to which the proposed goals of the operation have been achieved.

#### IV. TERMS OF REFERENCE FOR THE CONSULTANTS

##### A. Coordinator of the operation

- 4.1 The coordinator will be stationed at the IDB's Country Office in Honduras, and will be hired for a 12-month period. The coordinator will be responsible for: (i) monitoring the consulting services relating to the institutional strengthening of the FHIS and the PRAF as envisaged in the executive summary of this plan of operations, as well as the consulting services for the FHIS to be financed by the World Bank in the areas of water supply, sanitation, and the environment; and (ii) coordinating the preparation of the education sector study referred to in paragraph 3.5 of this plan of operations.
- 4.2 The coordinator's work will be supervised by RE2/SO2. The activities that the coordinator is required to perform are indicated below, although the coordinator may be called upon to perform such others (depending on the status of the work) as may prove necessary to accomplish the objectives described in this plan of operations.



4.3 The responsibilities of the coordinator with respect to monitoring execution of the FHIS and PRAF institutional strengthening component will be as follows:

- a. To supervise the implementation of the institutional strengthening components intended for the FHIS and the PRAF: review the terms of reference, review and discuss the consultants' reports, and provide guidance with respect to results and action plans.
- b. To provide regular monitoring to ensure that all the components are being implemented in a satisfactory manner and within the time allotted in the timetable, particularly as regards the conditions precedent to the first disbursement.
- c. To advise the national institutions on matters of procedure and implementation (disbursements, letting of contracts, procurement, etc.).
- d. To ensure optimal coordination and complementarity among current actions and donors' proposals.
- e. To assist the FHIS and the PRAF in the conduct of the IDB's missions.
- f. To assist the FHIS in designing a program for training its personnel in the areas covered by this plan of operations.

4.4 Responsibilities regarding the coordination of the education sector study will be as follows:

- a. To ensure that the consulting services start on time, for which purpose the coordinator must: (i) review and make recommendations regarding the terms of reference for the consultants; and (ii) assist in identifying and hiring the most appropriate consultants.
- b. To coordinate and monitor the progress of the studies: review the consultants' reports.
- c. To assist in identifying and developing a viable project with clear and well-focused objectives, on the basis of the findings and recommendations of the studies. This will include guidance in such matters as: cost and financing of the necessary resources, conditions, contractual procedures, institutional arrangements, and scheduling of activities.
- d. To provide the necessary liaison between ministries and government agencies, as well as with the private sector and nongovernmental organizations (NGOs).

- e. To ensure coordination and complementarity with current actions and proposals of other donors.
- f. To assist the ministry in the conduct of IDB missions.

B. Institutional strengthening of the FHIS

1. Review of the operating policies of the FHIS and the institutional strengthening component

- 4.5 **Objective:** to assist the FHIS in determining the content, timetable, budget, and execution plan for the institutional strengthening program envisaged in this technical-cooperation operation. The necessary consulting services have already been performed, during the week of April 24. The FHIS and the Bank received the consultant's report, which they considered satisfactory.

2. Management and analysis of information on investment in the social sectors

- 4.6 **Objective:** to identify, plan, and initiate immediate actions to obtain the information necessary to carry out diagnostic evaluations of needs and to monitor the degree of targeting and impact of the programs on the poorest members of society. This will include the following activities: (i) development of a system for mapping education and health infrastructure to improve the FHIS's capacity to establish investment priorities by sector within each municipality; (ii) analysis of the FHIS's coverage within each sector and within each municipality; (iii) strengthening of Honduras's capacity to analyze social development, initially on the basis of the available data.

3. Evaluation of the basic needs component

- 4.7 **Objectives:** to evaluate the existing basic needs program and make recommendations regarding the content and scope of the basic needs component. In reviewing this component, the consultant will place particular emphasis on: (i) assisting the FHIS in identifying projects eligible for "emergency project" designation; (ii) helping the FHIS in the design of the assistance subproject for indigenous populations, women, children at risk, and the disabled; and (iii) assisting the FHIS in designing the operational procedures for the component, which must be in line with the project cycle utilized by the FHIS.

4. Financing to ensure the sustainability of projects

- 4.8 The objective of the consulting services provided in this area will be to analyze the extent to which the various municipal governments are capable of financing preventive maintenance, ensuring the sustainability of FHIS-funded projects, and proposing viable mechanisms necessary to achieve this sustainability.

5. Personnel policies

- 4.9 The objective is to strengthen FHIS personnel management policies in the following areas: (i) personnel selection and hiring; (ii) training; (iii) remuneration; (iv) performance evaluation; and (v) promotion and incentives.

6. Project cycle management

- 4.10 Objective: (i) to develop the programming methodology for the FHIS investment plan; (ii) to assist the FHIS in developing its investment plan for the 1995 to 1999 period; and (iii) to design and assist in the implementation of the project cycle with a view to ensuring that the objectives outlined in the investment plan are achieved.

7. Management information system

- 4.11 The objective of the consulting services provided in this area will be to strengthen the FHIS's management information system (MIS). Accordingly, an exhaustive evaluation of the existing MIS should be conducted with reference to the objectives of the FHIS's investment programs. In addition, it will be necessary to design the reports that are to form part of the MIS - including the following areas: (i) generation of information from the source; (ii) preparation of reports; (iii) identification of the users of the various reports; and (iv) the frequency of the reports.

8. Accounting and internal auditing system

- 4.12 Objective: to strengthen the accounting and internal auditing systems of the FHIS. It will be necessary to carry out an exhaustive evaluation of the existing accounting, budgetary, and internal auditing systems, make the necessary recommendations, and assist in the implementation of the recommendations.

9. Community participation and strengthening of local capacity

- 4.13 Objective: to assist the FHIS in designing a strategy to enhance community participation and to strengthen local capacity with respect to the execution and preventive maintenance of projects.

10. Computer system

- 4.14 **Objective:** to carry out a diagnostic evaluation and recommend the improvements which the FHIS should make to its computer system, so that the system can meet all the operating needs of the project cycle, the management information system, and the accounting/administrative system.

11. Training in management of social projects

- 4.15 With assistance from the technical-cooperation coordinator, the FHIS will prepare a plan for training FHIS staff in the areas of management of social projects, project management, organizing national seminars, and such other activities as the FHIS and the Bank deem to be priorities for the institutional strengthening of the FHIS. These activities will be organized in Honduras.

C. Institutional strengthening of the PRAF

- 4.16 Consulting services will be provided in four areas: (i) targeting; (ii) designing the program information and monitoring system; (iii) designing the program evaluation system; and (iv) designing the parent-teacher association project. Financing will be provided for the anthropometric census of school children for 1996 and 1997, as well as for program outreach activities and development of parent-teacher associations.

1. Anthropometric census of school children

- 4.17 **Objective:** to determine the nutritional status of first-grade students on the basis of the height/age index by age group and by sex, and to establish how this relates to socioeconomic factors that are determinants of the prevalence of nutritional deficiencies. Specifically, the objective of the census is: (i) to assist in the establishment of a food/nutrition information system; (ii) to estimate trends in the nutritional status of students on the basis of the comparative analysis of the results of censuses from various years; and (iii) to serve as a targeting technique.

2. Targeting

- 4.18 **Objective:** to review the system currently used for targeting PRAF projects and propose changes to ensure that the benefits of these projects reach the poorest members of society.

3. Subprogram information and monitoring system

- 4.19 Objective: to review and, if necessary, adjust the PRAF's existing information system with a view to establishing an integrated subprogram information and monitoring system to encompass the following areas: (i) monitoring the extent to which (program and financial) targets have been reached; (ii) monitoring the extent to which the objectives of the subprogram have been achieved; (iii) supervising the administrative and financial management of the subprogram; and (iv) providing information to help evaluate the impact of the subprogram.

4. Ex post evaluation of the subprogram

- 4.20 Objective: to design the ex post evaluation of the subprogram and determine the specifications for the data that must be collected from the outset of the project for subsequent project evaluation. The subprogram will be evaluated in order to determine: (i) the extent to which targets have been reached; (ii) the extent to which objectives have been achieved; (iii) the impact attributable to the subprogram; and (iv) cost-benefit analysis of the observed changes attributable to the subprogram.

5. Program outreach activities

- 4.21 The PRAF will strengthen its social communication program which it launched some months ago. The purpose of this program is: (i) to inform the various sectors of society on the PRAF's projects and achievements and receive their comments and suggestions; (ii) to make regular contact with beneficiaries to acquaint them with the progress of the programs and to receive valuable feedback for improving them. The publicity program will be conducted by radio (four monthly programs on different stations, live, and with direct listener participation; five daily spots, 20 days per month on 15 local radio stations, and a monthly page in two national newspapers containing reports or announcements regarding the PRAF.

6. Development of parent-teacher associations

- 4.22 This encompasses the design and development of parent-teacher associations. The objective is to design and implement a system of community support for schools to ensure the sustainability of operations associated with the school attendance coupon project. Financing will be provided for the following activities in particular: (i) design of the system for developing the parent-teacher associations, and PTA manuals; (ii) training for supervisors, leaders, and schoolteachers *inter alia* in how to organize and manage parent-teacher associations; and (iii) the work involved in supervising and evaluating parent-teacher associations.

C. Analysis of the post-primary education sector and of the services provided to those left out of the Honduran education system

- 4.23 Honduras has launched an ambitious program of primary education with financing from the World Bank, and it is currently engaged in a process of steadily increasing integration which will lead to the introduction of more productive technologies. The pressures generated by both of these trends will make it necessary to increase the coverage and quality of the secondary level of education and, for the purpose of furthering the development process, to educate those groups of adults who had no access to the education system or who were unable to remain in the system until they had completed their basic education.
- 4.24 The Ministry of Education and the Bank will conduct a sector analysis of the secondary education sector, with resources to be provided under this operation. The results of this analysis, which should be completed in 10 months, will serve as a preidentification stage for a possible program of future action for the Honduran education sector, to be financed by the Bank.
- 4.25 The study will include an analysis of: (i) the current levels of efficiency and effectiveness within the secondary education system; (ii) fairness: literacy combined with training; (iii) the quality of formal education at the secondary level; and (iv) the relationship with the job market.
- 4.26 For purposes of the consulting services and the preparation of a future operation, a technical team will be set up, comprised of national consultants and experts, which will be assisted by international consultants for specific studies. The general direction and outlook of the research will be determined by a technical steering committee consisting of: the Minister of Education; the Technical Vice-Minister; the General Director of Planning; the Director General of Secondary Education; the Director General of Adult Education; the coordinator of the technical-cooperation operation at the IDB's Country Office in Honduras; and the education specialist from the regional RUTA Social. The technical steering committee will meet every two months on a regular basis to monitor the work, or whenever the Minister or Technical Vice-Minister so request. RUTA Social will serve as the technical secretariat to the committee and will keep a record of its meetings and findings. The everyday technical coordination of the team will be the responsibility of RUTA Social.

## HONDURAN SOCIAL COMPENSATION PROGRAM

### HONDURAN SOCIAL INVESTMENT FUND (FHIS) (HO-0113)

#### INVESTMENT PLAN FOR 1995

Type of project	Number	Cost 1/2	%	Cost	%
Education	875		58	8,044,543	45
Rehabilitation/expansion of schools	600	9,738	39	5,842,584	32
Rehabilitation/construction of latrines	215	7,524	14	1,617,700	9
Rehabilitation/expansion of intermediate schools	60	9,738	4	584,258	3
Health	409		27	4,143,959	23
Rehabilitation/expansion of health centers	366	7,541	24	2,760,159	15
Rehabilitation/construction of latrines	43	32,181	3	1,383,800	8
Water and sanitation	113		7	4,326,875	24
Rehabilitation/expansion of water systems	50	32,200	3	1,610,000	9
Rehabilitation/expansion of sewerage systems	63	43,125	4	2,716,875	15
Other infrastructure projects	84		6	1,311,000	7
Irrigation/drainage	27	16,185	2	437,000	2
Community facilities	40	16,388	3	655,500	4
Reforestation/soil conservation	17	12,853	1	218,500	1
Total infrastructure	1,481	11,555	97	17,112,559	95
Total basic needs	40	22,115	3	887,441	5
TOTAL	1,521		100	18,000,000	100

HONDURAN SOCIAL INVESTMENT FUND (HO-0113)

ELIGIBILITY CRITERIA  
OPERATING PROCEDURES  
PROCUREMENT AND LETTING OF CONTRACTS  
OPERATION AND MAINTENANCE OBLIGATIONS

- 1 The subprogram will be executed following the operating procedures established for loan 889/SF-HO, as well as those agreed upon by the project team and the FHIS during the preparation of this proposal, which are summarized below. These procedures will be modified once new procedures are agreed upon as a result of the institutional-strengthening consulting services performed with resources from technical-cooperation project TC-95-02-48-7.
- A. Eligibility criteria
- 2 General criteria. The following criteria will be used to determine project eligibility: (i) the beneficiaries must belong to the low-income segment of the population, on the basis of the poverty map for Honduras; (ii) the project to be financed must be included in the annual investment plan; and (iii) the cost of the project must not be less than US\$5,000.
- 3 Eligible projects
  - a. Infrastructure. Projects include refurbishment and expansion of education infrastructure (preprimary schools, primary schools, and secondary schools); health (health centers); community facilities (markets, slaughterhouses; day care centers, breast-feeding clinics, lunchrooms for school children, orphanages, asylums, buildings used for community services); water and sanitation (latrines, wells, water supply systems, sewers); roads and streets (paving, sidewalk curbs, cleaning, small bridges, pedestrian crossings, drains, culverts, stairways); cultural heritage; and the environment (sanitary landfills, protection of water sources, reforestation of drainage areas in cities). Projects also include equipment, furniture, and materials 1/ for the education, health, and community facilities projects mentioned above.
  - b. Basic needs. Projects include financing for dietary and nutritional programs (with special emphasis on street children, the disabled, and the elderly, very small-scale farms, and

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1/ Such as: Teaching materials, desks, tables for schoolteachers, and cupboards for supplies, equipment for health centers, and basic furniture for waiting rooms at health centers.



family-owned vegetable plots); activities involving the provision of training and equipment, for midwives, health care workers, and the beneficiaries of latrine projects; and projects targeting for indigenous communities. 2/

- c. Water supply and sanitation sector. Below is a list of low-cost projects which, if implemented, will ensure that the FHIS can provide coverage for localities in rural areas with populations under 2,000 inhabitants, identified as being neediest in terms of water supply and sanitary conditions. This category of projects, once implemented, will ensure that the communities in question can become involved in the operation and maintenance of their own systems. It should be noted that these projects are not appropriate for urban areas, do not entail substantial construction projects, and will require no future support from the National Water and Sanitation Authority [Servicio Autónomo Nacional de Acueductos y Alcantarillados] (SANAA) for their operation and maintenance, rate setting, etc.
1. Manually operated pumps and simple wind power devices installed in manually excavated wells (e.g., the Maya Pump manufactured in Guatemala, or the La Catracha Pump manufactured in Nicaragua).
  2. Manually operated pumps and simple wind power devices installed in deep wells and boreholes (e.g., La Camisa and La Bomba de Lazo manufactured in Honduras, for depths of up to 10 meters).
  3. Manually operated pumps and powerful wind power devices installed in deep wells (e.g., El Afridev and India MKII imported by UNICEF).
  4. Simple gravity-operated water supply systems using public tanks (low-cost installation, very low consumption: 10 to 15 liters per person per day).
  5. Installation of chlorination devices in existing water supply systems (particularly effective in areas with a high incidence of gastrointestinal diseases, such as cholera).

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2/ The basic needs program originally included latrine projects and projects aimed at providing furniture and materials for schools and health centers. In the process of preparing the operation under consideration here, and with a view to sharpening the focus of the basic needs program, this type of projects was reclassified under infrastructure projects.

6. **Repairs to existing systems.**  
(Rapid results for increased coverage statistics with minimal intervention).
7. **Expansion of existing systems.**  
(The addition of storage tanks, public tanks, and extensions to the systems will increase coverage).
8. **Improvement of existing systems.**  
(To provide additional capacity and coverage and higher quality, thereby improving service level).
9. **Training for rural beneficiaries and technicians** to provide regional specialists for technical support (e.g., the American Circuit Riders program implemented by USAID in the northern region of Honduras, and known as operation and maintenance technicians or TOMs [Técnicos en Operación y Mantenimiento]).
10. **Preinvestment costs** for the design of water systems. (To establish a portfolio of water projects).
11. **Groundwater mapping.**  
(To produce reliable maps showing the location, depth, and quality of groundwater).
12. **Construction of latrines.**  
(To meet the enormous demand for proper sanitary conditions in rural areas and marginal urban areas).

4 Once the IDB and the World Bank approve the water and sanitation sector reform program (HO-0110), or based on the results of the World Bank-supported consulting services to strengthen the FHIS's activities in this sector, the IDB may consider expanding this universe of eligible projects in the water and sanitation sector. For the other sectors, the universe of eligible projects may be expanded only on the basis of the recommendations resulting from the mid-term review referred to in this proposal.

5 Specific criteria

- a. For school refurbishment projects, the selection criteria will be as follows: (i) the school must have the necessary number of schoolteachers to make use of the refurbished schoolrooms; (ii) the Ministry of Education, the municipal government, or the community must give written confirmation that they will properly operate and maintain the facilities; and (iii) the investment cost for construction or expansion may not be greater than the equivalent of: (1) US\$310 per beneficiary school child, for the construction or expansion of fenced

schools or US\$212 per beneficiary school child for the construction or expansion of unfenced schools; (2) US\$240 per ration/day for the construction of a 28 square meter fenced pantry-kitchen or US\$130 per ration/day for the construction of a 28 square meter unfenced pantry-kitchen; (3) US\$347 per ration/day, for the construction of a 60 square meter fenced pantry-kitchen or US\$240 per ration/day for the construction of a 60 square meter unfenced pantry-kitchen; (4) US\$240 per ration/day for the construction of a fenced school lunchroom or US\$168 per ratio/day for the construction of an unfenced school lunchroom; or (5) US\$410 per school child for the construction or expansion of a fenced kindergarten schoolroom or US\$305 per school child for the construction or expansion of an unfenced kindergarten schoolroom.

- b. For projects involving the refurbishment of health centers, the following criteria will be taken into consideration: (i) the health center in question must have sufficient staff to utilize the refurbished space; (ii) the Ministry of Health, the municipal government, or the community must give written confirmation that they will properly operate and maintain the facilities; and (iii) the investment cost may not be greater than the equivalent of: (1) US\$615 per service/day, for the construction or expansion of fenced rural health centers or US\$500 per service/day for the construction or expansion of unfenced rural health centers; (2) US\$500 for the construction or expansion of fenced urban health care centers, or US\$409 for the construction or expansion of unfenced urban health care centers; and (3) US\$231 per ration/day for the construction or expansion of fenced breast-feeding clinics or US\$168 per ration/day for the construction or expansion of unfenced breast-feeding clinics.
- c. In the case of school projects repair, pantry-kitchens, school lunchrooms, and health centers, the investment costs may not be greater than 45% of the costs indicated above for the construction or expansion of the same type of facilities.
- d. For latrine construction projects, the following criteria will be taken into consideration: (i) the cost per latrine may not exceed US\$200; and (ii) the Ministry of Health must certify that the project in question is located in a region where simple pit latrines represent appropriate sanitation choices.
- e. In the case of school furniture projects, the following criteria will be taken into consideration: (i) the cost of each desk may not be greater than US\$35 per enrolled schoolchild; and (ii) the cost per cupboard or desk and chair set may not be greater than US\$100.

- f. With respect to all the other projects to be financed, which are listed in paragraph 3 of this annex, the FHIS must submit a detailed proposal for the specific eligibility criteria that are to be used during subprogram execution. These must be acceptable to the Bank, and must indicate project size; technical specifications; operation and maintenance requirements; utilization of local inputs; availability of land and ownership; measures and safeguards to protect the environment; and community validation requirements, etc.
- 6 To expedite projects processing, instead of obtaining prior approval from the IDB, it is recommended that at the time the disbursements are processed, it be verified that the eligibility criteria are being applied, that information for project evaluation is complete, that the proper procedures were followed to award contracts and to procure goods, and that legal possession of land has been secured where applicable. This arrangement was followed during the execution of loan 889/SF-HO.
- B. Operating procedures
- 7 Below is a separate section outlining the proposed execution procedures for the components of the projects.
- 8 Annual investment plan. The FHIS will prepare a tentative plan for its investments and expenditures at the sector and municipal levels each year during the subprogram execution period. The plan will be prepared in consultation with the IDB, the World Bank, and the Ministries of Education and Health, and will be reviewed each year during the review missions carried out by the IDB and the World Bank. The targeting procedures used by the PRAF will be taken into account when preparing this plan.
- 9 Project development, identification, and preparation. The FHIS must ensure that the project identification process is based on a dovetailing of the proposals received from beneficiary communities, private development organizations, municipal governments or ministries, and the annual program of activities. When the municipalities or communities lack the technical expertise needed to take part in the identification, design, or presentation of a project, the FHIS must provide them with the necessary technical assistance.
- 10 Project evaluation and selection. The FHIS has developed a project evaluation system which, according to the manuals, allows it to verify the socioeconomic, technical, institutional, and financial characteristics of applications. In this operation, the Bank must ensure that in evaluating projects the FHIS is taking account of the following factors: technical standards, poverty targeting, project priority for the community, whether the project is appropriate for the local environment, whether the costs are reasonable, and whether there are adequate guarantees that the project will be

operated and maintained after construction. In addition, no project may be approved without a field visit by FHIS staff, who will need to verify *in situ* the extent of the actual problem to be resolved and the environmental impact and feasibility of the proposed project.

- 11 Supervision and monitoring. The advances of funds to contractors will be subject to a favorable recommendation in the field visit reports by the inspector assigned to each project. The field visits or to be conducted at least twice a month to verify the status and quality of the work. Accordingly, the FHIS's Control and Monitoring Office will work in conjunction with the project beneficiary and contractor. Any changes to the works or specifications, extensions to project execution deadlines, or addition of new activities will require the written agreement of the beneficiary and approval by the FHIS's Operations Committee, and will be formalized in an addendum to the project execution contract.
- 12 Execution of projects involving the provision of equipment and training in the use of latrines. For execution of these projects equipment projects, the procedures and technical specifications used for loan 889/SF-HO will continue to be followed and likewise for projects to provide training in the use of latrines, as they have proven satisfactory.
- 13 Costs of preinvestment, training, and external supervision. As part of the cost of the projects, the FHIS may include:
  1. the costs of preinvestment, in accordance with the following table:

Project cost in lempiras	Percentage according to location <sup>3/</sup>			
	Zone I	Zone II	Zone III	Zone IV
<b>Standard projects</b>				
0 - 100,000	1.75	2.00	2.25	2.50
100,000 - 190,000	1.50	1.75	2.00	2.25
191,001 - 350,000	1.25	1.50	1.75	2.00
350,000 and over	1.00	1.25	1.50	1.75
<b>Bridges, water, and sanitation</b>				
Up to 500,000	5.00	5.75	6.50	7.25
500,001 and over	3.00	3.75	4.50	5.25
<sup>3/</sup> Zone I: easily accessible year-round; Zone II: access difficult in wintertime; Zone III: access difficult in summertime, no access in wintertime; and Zone IV: no access by road.				

2. up to six percent of the cost of training water board member for water and sanitation projects eligible under the loan; and
3. up to six percent of the cost of external supervision for water and sanitation projects, and up to three percent for other infrastructure projects.

C. Procedures for procurement and letting of contracts

1. Physical works

- 14 Goods will be procured and construction contracts will be awarded in accordance with the procedures stipulated in Annex B to the loan contract. International competitive bidding will be mandatory for the procurement of goods in amounts greater than US\$250,000 and and the awarding of construction contracts in amounts greater than US\$500,000. Bidding procedures for amounts below these thresholds will be as follows: (i) national competitive bidding for construction contracts in the range of US\$50,000-US\$500,000; (ii) private bidding for contracts in the range of US\$35,000-US\$50,000; and (iii) direct awarding of contracts through the setting of prices for the letting of construction contracts in the range of US\$5,000-US\$35,000. The maximum number of simultaneous contract awards (whether direct or by private bidding) per contractor has been set at six projects. The projects must not be split up in an attempt to create a larger number of direct-award contracts.

D. Operation and maintenance obligations

- 15 The FHIS will not use subprogram funds to finance any construction or rehabilitation project unless it first obtains written confirmation from the appropriate authorities that the necessary personnel and budget are available for the operation and maintenance of the project. These costs are estimated in Chapter I of this loan proposal, and in greater detail in the project files. These obligations will be set forth in the financing and execution contracts for each project, as well as in the official records of final receipt of the projects. <sup>4/</sup> It is recommended that as a condition precedent to the first disbursement, the FHIS sign agreements with the Ministries of Education and Health establishing mechanisms for coordination among the parties with respect to all matters concerning the execution of projects to be financed by the

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<sup>4/</sup> The KFW recently approved a grant to carry out a pilot project for the maintenance of FHIS social infrastructure works. The results of this project are expected to be available by early 1996. The recommendations stemming from this project will be analyzed by the IDB. On the basis of this review, the IDB and the executing agency may revise the procedures for projects maintenance.

FHIS and sufficient guarantees with respect to the continuity and future operation and maintenance of the projects.

- 16 Preventive maintenance for the projects will be ensured by means of individual contracts with the municipal governments. To this end, the FHIS must sign agreements to ensure: (i) that the municipal government is committed to participating in the preventive maintenance of projects carried out in the municipality; (ii) that the FHIS will not consider future projects in municipalities that do not comply with the terms of the agreements; and (iii) that the FHIS will take steps to ensure that priority is assigned to projects in those municipalities with a good maintenance record. In municipalities classified as extremely poor, a more appropriate financing mechanism will be considered which might include a contribution from the line ministry in an amount of not less than 50% of the maintenance costs for the projects in question. For all FHIS projects, the ministries have agreed to accept responsibility for allocating funds for maintenance whenever the financial means of the municipal governments prove insufficient.

## HONDURAN SOCIAL INVESTMENT FUND

HO-0113

## PROPOSED INDICATORS TO MEASURE SUBPROGRAM PERFORMANCE

No.	Indicator	Information source	Purpose
<b>Project development</b>			
1	Number and amount of applications for projects that meet the eligibility criteria and can be evaluated	Project database (development)	Determine actual demand and the development capacity of the FHIS
2	Number of project development personnel	Database (personnel)	Determine whether the Project Development Office has the necessary project development staff
3	Total number and amount of projects evaluated, broken down by type of project and sector	Project database (evaluation)	Determine the FHIS's project evaluation capacity, and requirements by sector
4	Community participation in project identification and preparation	Project database (evaluation)	Community participation
5	Number of evaluators	Database (personnel)	Determine availability of evaluators
<b>Operations Committee</b>			
6	Number and amount of operations approved by the Operations Committee	Project database (Committee)	Determine project processing capacity
7	Number and total amount of projects with contracts	Project database (Legal Office)	Identify possible bottlenecks in the Legal Office
8	Average time elapsing between submittal of application and initiation of works	Project database	Efficiency of the administrative procedures
9	Degree of community satisfaction with the project	Project database (evaluation)	Satisfying the communities' expectations
10	Number of people working in the Legal Office	Database (personnel)	Determine whether the Legal Office has sufficient staff on hand to carry out the contract-related work
<b>Targeting and geographical distribution</b>			
11	Percentage and total amount of projects approved by municipality, with poverty level	Project database (targeting)	Determine whether the FHIS has complied with targeting criteria



No.	Indicator	Information source	Purpose
12	Percentage and amount of projects approved in municipality, by poverty level	Project database (targeting)	Determine whether the FHIS has complied with targeting criteria
13	Per capita investment in extremely poor municipalities	Project database (targeting)	Measures how close the actual allocation is to programmed allocation
<b>Supervision and administration</b>			
14	Cost of projects put out to contract, divided by the total cost estimated during evaluation	Project database (evaluation/legal)	Precision in cost estimates
15	Number and total amount of projects for which execution has commenced	Project database (supervision)	Determine the execution capacity of the FHIS
16	Number and total amount of projects under way	Project database (supervision)	Determine the execution capacity of the FHIS
17	Number of projects under way compared with the number of supervisors	Project database (supervision)	Determine supervisor workloads and capacity
18	Percentage of total projects under way which have overrun the time initially agreed upon in the contract	Project database (supervision)	Identify bottlenecks in supervision and projects in a critical situation
19	Percentage of total projects modified on account of cost increases	Project database (supervision)	Precision in cost estimates
20	Number and amount of projects suspended on account of contractor nonperformance	Project database (supervision)	Efficiency and quality of project evaluation and supervision
21	Number and amount of projects completed	Project database (supervision)	Measure how closely the project execution rate matches that programmed
22	Number and amount of projects completed compared with disbursements	Project database (supervision and administration)	Measure compliance in respect of project disbursements
23	Average time for project execution (days)	Project database (supervision and administration)	Efficiency, quality of project evaluation and supervision
24	Average length of time between the signing of the contract and the first disbursement (in days)	Project database (supervision and administration)	Identify bottlenecks in supervision and administration
25	Quality of construction: quality of materials and finishing, contract specifications and requirements in terms of functional capacity	Project database (supervision and administration)	Quality of the works

No.	Indicator	Information source	Purpose
26	Percentage of total disbursements compared with total commitments	Project database (supervision and administration)	Degree of financial progress achieved by the FHIS
<b>Creation of employment, project quality, and compliance with environmental standards</b>			
27	Employment (in person/months) generated by the completed projects, compared with employment generation (in person/months) projected in the ex ante evaluation	Project database (supervision and administration)	Precision in estimates of employment creation
28	Maintenance obligations (municipal governments, community, ministries)	Project database (supervision and administration)	Project quality
29	Percentage of projects showing excellent, satisfactory, or substandard quality	Project database (supervision and administration)	Project quality
30	Percentage of completed projects in which the contractors have complied with environmental requirements or clauses	Project database (supervision and administration)	Compliance with environmental clauses in contracts

## **FAMILY ASSISTANCE PROGRAM**

### **INDICATORS FOR PROGRAM MONITORING**

1. The proposed indicators are: (i) processing indicators, which measure the use of resources and the attainment of intermediate goals; (ii) indicators for the expansion of coverage or access to health services, enrollment in first grade, and participation in basic health programs; and (iii) impact indicators, which gauge improvements in the health status of women and children school attendance. The ex post evaluation is expected to provide a reasonable idea of the extent to which the program contributed to achieving this impact. These indicators will be reviewed in the light of the results of the consulting services performed in the area of designing the subprogram information and monitoring system and the ex post evaluation, as stipulated in the plan of operations for technical cooperation project TC-95-02-48-7.
2. Processing indicators
  1. Number of women beneficiaries that have received education incentive coupons.
  2. Number of beneficiaries that have received family health-care incentive coupons, broken down into mothers, fathers, and children.
  3. Number of women beneficiaries who have begun occupational training.
  4. Number of women beneficiaries who have completed occupational training.
  5. Percentage of education incentive coupon beneficiaries in municipalities with a poverty rate of less than 40%, in the range of 40-59% , and 60% and above.
  6. Percentage of family health-care incentive coupon beneficiaries in municipalities with a poverty rate of less than 40%, in the range of 40-59%, and 60% and above.
  7. Percentage of child beneficiaries of the education incentive coupon project who are not malnourished, who are moderately malnourished, and severely malnourished, according to the anthropometric census of school children.

8. Percentage of child beneficiaries of the family health-care incentive coupon project who are moderately malnourished, severely malnourished, or at high risk of malnourishment, according to the family health survey.
  9. Number of women PRAF beneficiaries who have completed literacy training.
  10. Simple percentage and cumulative percentage of women PRAF beneficiaries who have completed literacy training.
  11. Number of parent-teacher associations (women education incentive coupon project beneficiaries) that have commenced operations, and the cumulative total of such associations in operation.
  12. Number of new Community Oral Rehydration Units (UROG) run by women beneficiaries of the family health-care incentive coupon project, and the cumulative number of such units in operation.
  13. Number of new Community Acute Respiratory Infection Control Units (UCIRA) run by women beneficiaries of the family health-care incentive coupon project, and the cumulative number of such units in operation.
  14. Number of new Community Family Planning Units run by women beneficiaries of the family health-care incentive coupon project, and the cumulative number of such units in operation.
  15. Average number of calendar days in past-due payments on the education and family health-care incentive coupon projects.
  16. Disbursements over the period under consideration, and cumulative disbursements in respect of the education incentive, family health-care incentive and occupational training.
3. Indicators of expansion of coverage and use of services
1. Percentage of child beneficiaries of the family health-care incentive with an age-appropriate vaccination schedule.
  2. Percentage of child beneficiaries of the family health-care incentive who are up to date in their growth checks.
  3. Percentages of pregnant women beneficiaries of the family health-care incentive with five or more prenatal checkups, three to four prenatal checkups, and with two or less.
  4. Percentages of deliveries of beneficiaries of the family health-care incentive in a health-care institution, at home

attended by staff from a health care unit, and at home not attended by staff from a health care unit.

4. Impact indicators

1. Infant mortality rate in areas served by health care centers, with family health-care incentive coupons.
2. Perinatal mortality rate in areas covered by health care centers, with family health-care incentive coupons.
3. Mortality rate for children aged 1-5 in areas covered by health care centers, with family health-care incentive coupons.
4. Proportion of maternal mortality in areas covered by health care centers, with family health-care incentive coupons.
5. Mortality rate attributable to acute diarrheal disease in child beneficiaries of family health-care incentive coupons.
6. Mortality rate attributable to acute respiratory infection in child beneficiaries of the family health-care incentive coupons.
7. Percentages of child coupon beneficiaries who have progressed from severe malnutrition to moderate malnutrition, or from moderate malnutrition to no malnutrition.
8. Percentage of women beneficiaries of the family health-care incentive who became pregnant again within less than 24 months after their most recent childbirth.
9. Repeater rate among child beneficiaries of the education incentive.
10. School absenteeism rate among child beneficiaries of the education incentive.
11. School dropout rate among child beneficiaries of the education incentive.
12. School failure rate among child beneficiaries of the education incentive.
13. Simple percentage and cumulative percentage of women who began occupational training who have a productive project in progress.

**Honduran Social Compensation Program  
Honduran Social Investment Program (FHIS)  
Family Assistance Program (PRAF)  
HO-113 & HO-0114**

	IDB	GOH	TOTAL
<b>FHIS</b>	<b>40,000,000</b>	<b>4,444,000</b>	<b>44,444,000</b>
<u>Direct costs</u>	<b>37,411,000</b>	<b>2,060,500</b>	<b>39,471,500</b>
1. Infrastructure	<b>36,013,000</b>	<b>2,060,500</b>	<b>38,073,500</b>
Education	<b>22,000,000</b>	<b>0</b>	<b>22,000,000</b>
Health	<b>8,000,000</b>	<b>0</b>	<b>8,000,000</b>
Water/sanitation	<b>4,000,000</b>	<b>0</b>	<b>4,000,000</b>
Other	<b>2,013,000</b>	<b>0</b>	<b>2,013,000</b>
2. Basic needs	<b>1,398,000</b>	<b>0</b>	<b>1,398,000</b>
<u>Associated costs</u>	<b>1,200,000</b>	<b>2,060,500</b>	<b>3,260,500</b>
1. Wages and salaries and other expenditures	<b>1,000,000</b>	<b>2,060,500</b>	<b>3,060,500</b>
2. Loan monitoring and evaluation	<b>200,000</b>	<b>0</b>	<b>200,000</b>
<u>Finance charges</u>	<b>1,389,000</b>	<b>323,000</b>	<b>1,712,000</b>
1. Interest	<b>989,000</b>	<b>0</b>	<b>989,000</b>
2. Credit fee	<b>0</b>	<b>323,000</b>	<b>323,000</b>
3. Inspection and supervision	<b>400,000</b>	<b>0</b>	<b>400,000</b>
<b>PRAF</b>	<b>20,000,000</b>	<b>2,222,000</b>	<b>22,222,000</b>
<u>Direct costs</u>	<b>18,973,264</b>	<b>1,021,000</b>	<b>19,994,264</b>
1. Education incentive coupon	<b>9,941,645</b>	<b>0</b>	<b>9,941,645</b>
2. Family health-care incentive coupon	<b>7,281,968</b>	<b>1,021,000</b>	<b>8,302,968</b>
3. Occupational training	<b>1,490,000</b>	<b>0</b>	<b>1,490,000</b>
4. PRAF sustainability	<b>259,650</b>	<b>0</b>	<b>259,650</b>
<u>Associated costs</u>	<b>376,736</b>	<b>1,112,000</b>	<b>1,488,736</b>
1. Vehicles and equipment	<b>93,200</b>	<b>0</b>	<b>93,200</b>
2. Wages and salaries and other expenditures	<b>188,480</b>	<b>1,112,000</b>	<b>1,300,480</b>
3. Loan monitoring and evaluation	<b>95,056</b>	<b>0</b>	<b>95,056</b>
<u>Finance charges</u>	<b>650,000</b>	<b>89,000</b>	<b>739,000</b>
1. Interest	<b>450,000</b>	<b>0</b>	<b>450,000</b>
2. Credit fee	<b>0</b>	<b>89,000</b>	<b>89,000</b>
3. Inspection and supervision	<b>200,000</b>	<b>0</b>	<b>200,000</b>
<b>Total</b>	<b>60,000,000</b>	<b>6,666,000</b>	<b>66,666,000</b>

Honduran Social Compensation Program  
Family Assistance Program (PRAF)  
HO-0114  
Timetable of investments and expenditures

	INTER-AMERICAN DEVELOPMENT BANK				GOVERNMENT OF HONDURAS				T
	1995	1996	1997	Subtotal	1995	1996	1997	Subtotal	
Investments	4,991,428	6,233,024	7,736,412	18,973,264		426,488	594,512	1,021,000	19,
1. Education incentive coupon	2,777,778	3,352,892	3,810,976	9,941,645	0	0	0	0	9,
2. Family health-care incentive coupon	1,666,667	2,414,082	3,201,220	7,281,968	0	426,488	594,512	1,021,000	8,
3. Occupational training	521,000	400,250	568,750	1,490,000					1,
Design	66,000	150,000	0	216,000					
Implementation	455,000	250,250	568,750	1,274,000					1,
4. PRAF sustainability	25,983	65,800	155,467	259,650					
Community Oral Rehydration Units (UROC)	9,650	15,800	37,200	62,650					
Design	7,250	0	0	7,250					
Training	500	2,500	3,000	6,000					
Supervision	1,900	13,300	34,200	49,400					
Community Acute Respiratory Infection Control Units (UCIRA)		15,800	37,200	65,400					
Design	10,000	0	0	10,000					
Training	500	2,500	3,000	6,000					
Supervision	1,900	13,300	34,200	49,400					
Parent-teacher associations	16,333	34,200	81,067	131,600					
Design	10,000			10,000					
Supervision	6,333	34,200	81,067	121,600					
Administration	118,200	134,240	124,296	376,736	0	556,000	556,000	1,112,000	1
1. Vehicles and equipment	93,200	0	0	93,200					
2. Salaries for technical personnel	0	94,240	94,240	188,480					
3. Loan monitoring and evaluation	25,000	40,000	30,056	95,056					
4. Other operating costs	0	0	0	0	0	556,000	556,000	1,112,000	1,
Finance charges 1/	0	0	650,000	650,000	0	0	89,000	89,000	
	5,109,628	6,367,264	8,510,708	20,000,000	0	982,488	1,239,512	2,222,000	22,

Finance charges were estimated on the basis of a disbursement period of four years, according to the timetable set forth in the loan proposal.

FAMILY ASSISTANCE PROGRAM SUBPROGRAM  
HO-0114  
EXPLANATORY NOTES FOR THE DETAILED BUDGET

The basic elements used in calculating the costs of the PRAF subprogram are set out below. These are provisional averages, and may change as the execution of the subprogram progresses.

- (a) Exchange rate: 10.8 lempiras per U.S. dollar for 1995, 11.93 lempiras per dollar for 1996, and 13.12 lempiras per dollar for 1997.
- (b) Value of the education incentive coupons and the family health-care incentive coupons: 30 lempiras in 1995, 40 lempiras in 1996, and 50 lempiras in 1997. The education incentive coupons are distributed 10 months out of the year, and the family health-care incentive coupons are distributed 12 months out of the year.
- (c) Occupational training project  
Diagnostic evaluation and design: US\$6,000  
Implementation of a project for 200 women: US\$22,750 per year.
- (d) Community Oral Rehydration Units (UROC) and Community Acute Respiratory Infection Control Units (UCIRA)  
Design, UROC: US\$7,250  
Design, UCIRA: US\$10,000  
Training for 10 women leaders for UROC/UCIRA: US\$50 (per diem allowance in the amount of US\$30 for two days per physician or nurse, US\$20 for teaching materials). A 50% acceptance rate is expected.  
Supervision/day: US\$38 (US\$27 for fuel, and per diem allowance in the amount of US\$11 for the supervisor). Three committees are supervised in one day. Each committee will be supervised six times a year. In the year in which a committee is set up, it will be supervised mid-year.
- (e) Parent-teacher association  
Project design: US\$10,000  
Project development:  $2,100 * US\$20/\text{day} * \text{two days} = US\$84,000$  (chargeable to TC-95-02-48-7).  
Supervision/day: US\$38 (US\$27 for fuel, and per diem allowance in the amount of US\$11 for the supervisor). Three associations are supervised in one day. Each association will be supervised four times a year. In the year in which an association is set up, it will be supervised mid-year.



(f) Vehicles and equipment

Cost of a vehicle, US\$17,500.

Equipment: (i) increasing the capacity of the hard disk for the file server, US\$1,000; (ii) computer, US\$2,500; (iii) high-speed printer, US\$10,000; (iv) dot-matrix printer, US\$935; (v) laser printer, US\$2,000; (vi) continuous power source, US\$485.

(g) Annual fees for a Technical Director for the PRAF, US\$11,500. Medical insurance, US\$280 per year for the Technical Director. Fees and travel expenses for one international consultant: US\$10,000 per month. Costs of one international consultant, US\$2,500/month.

PROPOSED RESOLUTION

HONDURAS. LOAN /SF-HO TO THE REPUBLICA DE HONDURAS  
(Social Compensation Program of Honduras: Subprogram of the Social  
Investment Fund of Honduras)

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 República de Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Social Compensation Program of Honduras: Subprogram of the Social Investment Fund of Honduras. Such financing will be for the amount of up to US\$40,000,000, or its equivalent in other currencies, except that of Honduras, which are part of the resources of the Fund for Special Operations of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

HONDURAS. LOAN /SF-HO TO THE REPUBLICA DE HONDURAS  
(Social Compensation Program of Honduras: Family Assistance Subprogram)

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 República de Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Social Compensation Program of Honduras: Subprogram of Family Assistance. Such financing will be for the amount of up to US\$20,000,000, or its equivalent in other currencies, except that of Honduras, which are part of the resources of the Fund for Special Operations of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

HONDURAS. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE INSTITUTIONAL STRENGTHENING OF THE SOCIAL INVESTMENT FUND OF HONDURAS (FHIS) AND OF THE FAMILY ASSISTANCE PROGRAM (PRAF) AND THE PREPARATION OF AN EDUCATION SECTOR STUDY

The Board of Executive Directors

RESOLVES:

1. 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 agreements as may be necessary and to adopt such measures as may be pertinent for the execution of the plan of operations referred to in Document PR-\_\_\_\_\_ with respect to nonreimbursable technical cooperation with the República de Honduras for the Institutional Strengthening of the Social Investment Fund of Honduras (FHIS) and of the Family Assistance Program (PRAF), and the Preparation of an Education Sector Study.
2. That up to the sum of US\$1,500,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.