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Report No: PAD5559

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN

IN THE AMOUNT OF US$40 MILLION

TO THE

REPUBLIC OF HONDURAS

FOR A

STRENGTHENING HONDURAS' NATIONAL CIVIL REGISTRY AND IDENTIFICATION
ECOSYSTEM PROJECT

NOVEMBER 24, 2023

Governance Global Practice
Latin America And Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective Nov 07, 2023)

Currency Unit =	Honduran Lempira (HNL)
24.74 =	US$1

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Carlos Felipe Jaramillo
Country Director:	Michel Kerf
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ABBREVIATIONS AND ACRONYMS

CABEI	Central American Bank for Economic Integration
CENISS	National Center for Social Sector Information (*Centro Nacional del Información del Sector Social*)
CPF	Country Partnership Framework
DINAF	Directorate of Children, Adolescents and Families (*Dirección de Niñez, Adolescencia y Familia*)
ENDESA	National Demographic and Health Survey (*Encuesta Nacional de Demografía y Salud*)
ESF	Environmental and Social Framework
ESS	Environmental and Social Standards
E&S	Environmental and Social
EU	European Union
FMFA	Financial Management Framework Agreement
FMA	Financial Management Assessment
FM	Financial Management
GDIDC	Global Dataset on ID Coverage
GDP	Gross Domestic Product
GoH	Government of Honduras
GRID	Green, Resilient, and Inclusive Development
GRM	Grievance and Redress Mechanism
GRS	Grievance Redress Service
HLO	High-Level Objective
LESHO	Honduran Sign Language (*Lenguaje de Señas Hondureño*)
ICT	Information and Communications Technologies
ID	Identity document
ID4D	Identification for Development
IFR	Interim Financial Report
IHSS	Honduran Social Security Institute (*Instituto Hondureño de Seguridad Social*)
INE	National Statistics Institute (*Instituto Nacional de Estadísticas*)
INM	National Immigration Institute (*Instituto Nacional de Migración*)
IOM	International Organization for Migration
IRR	Internal Rate of Return
ISP	Institutional Strategic Plan
M&E	Monitoring and Evaluation
NDC	Nationally Determined Contribution
NPV	Net Present Value
OAS	Organization of American States
PDO	Project Development Objective
PIA	Privacy Impact Assessment
PIU	Project Implementation Unit
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
PWD	People with Disabilities
RIO	Timely Registration Network (*Red de Inscripción Oportuna*)
RNP	National Registry of Persons (*Registro Nacional de las Personas*)
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goals
SFA	Standard Forms of Agreement
SEFIN	Ministry of Finance (*Secretaría de Finanzas*)
SIAFI	Integrated Financial Management Information System (*Sistema de Administración Financiera Integrada*)
SIN	National Identification System (*Sistema de Identificación Nacional*)
SLA	Service Level Agreement
SoE	Statement of Expenditures
STEP	Systematic Tracking of Exchanges in Procurement
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children´s Fund

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Honduras	Strengthening Honduras' National Civil Registry and Identification Ecosystem Project	

Project ID	Financing Instrument	Environmental and Social Risk Classification
P181324	Investment Project Financing	Moderate

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	[ ] Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
18-Dec-2023	26-Aug-2027

Bank/IFC Collaboration
No

Proposed Development Objective(s)

To strengthen Honduras´s national civil registry and ID ecosystem by improving the birth registration process and identification of minors and enabling access of all individuals to public and private services.

Components

Component Name	Cost (US$, millions)
Improvement of civil registration and minor´s identification coverage	21.00
Modernizing civil registration and digital identification services	9.00
Strengthening the institutional capacity of the National Registry of Persons	10.00

Organizations

Borrower:	Republic of Honduras
Implementing Agency:	National Registry of Persons

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	40.00
IDA Credit	40.00

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
Honduras	40.00	0.00	0.00	0.00	40.00
National Performance-Based Allocations (PBA)	40.00	0.00	0.00	0.00	40.00

Total	40.00	0.00	0.00	0.00	40.00

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028
Annual	20.00	16.80	3.20	0.00	0.00
Cumulative	20.00	36.80	40.00	40.00	40.00

INSTITUTIONAL DATA

Practice Area (Lead)

Governance

Contributing Practice Areas

Digital Development

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Low
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes   [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes   [✓] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description
The Recipient shall carry out the Project in accordance with the Implementation Arrangements set out in Section I,

Schedule 2 of the Financing Agreement.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	Article 5.01. (a) that the Subsidiary Agreement has been entered into between the Recipient and RNP in a manner acceptable to the Association, and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled;
Effectiveness	IBRD/IDA	Article 5.01. (b) that the Project Operations Manual has been adopted by the Recipient and the RNP, in a manner and with contents acceptable to the Association.
Disbursement	IBRD/IDA	Section III.B.1.b) I. no withdrawal shall be made for payments made under Category 1, unless and until the UN Agency Agreement referred to in Section 1.D of Schedule 2, has been entered into in a manner acceptable to the Association.
Disbursement	IBRD/IDA	Section III.B.1.b) II. no withdrawal shall be made for payments made under Category 1, unless and until the PIU has been established as provided in Section I.A.1 of Schedule 2 to this Agreement in manner acceptable to the Association.

I. STRATEGIC CONTEXT

A. Country Context

1.   **Honduras is one of the poorest and most unequal countries in Latin America and the Caribbean.** Poverty increased in 2020 because of the COVID-19 pandemic and tropical storms Eta and Iota and its reduction has since been modest. The poverty rate is calculated to have decreased to 52.4 percent and extreme poverty to 13.3 percent in 2022, while the Gini Index stood at 47.5 percent in the same year (compared to 48.2 in 2019). Poverty (measured with a US$6.85 line) is expected to decrease to 51.9 percent in 2023, and 51.3 percent by 2024. While a countercyclical fiscal policy response and social assistance programs contributed to cushion the external shocks, the mitigation effect was limited by the low coverage of the programs. Human development outcomes in the country are among the lowest in Latin America and the Caribbean. For example, according to the World Bank's Human Capital Indicator, a child born in Honduras will be almost half (48 percent) as productive when they grow up than they could be if they were guaranteed a complete education and health. High malnutrition and unequal access to basic services are key barriers for human capital formation as argued by the World Bank´s 2022 Systematic Country Diagnostic Update. School enrollment trails that of regional peers despite improvements in primary education. Similarly, although Honduras has a good coverage of some primary care services, declines in vaccination rates and disruptions in key maternal and child services remain key challenges. Slower growth and persistent inflation will likely curb progress in poverty and inequality reduction in the medium term.

2.   **Real Gross Domestic Product (GDP) declined by 9.0 percent year-on-year in 2020, down from the 2015–19 average of 3.8 percent growth.** Honduras implemented prudent macroeconomic policies from 2015 to 2020, anchored in the Fiscal Responsibility Law, a crawling peg with ample foreign exchange, and a sound financial sector, which led to an upgrade of its sovereign credit rating. Real GDP growth averaged 3.1 percent over the past decade, driven by remittance-fueled private consumption. Honduras lacks productive capacity, and its exports have been insufficient to boost incomes and growth, particularly in rural areas. Exports are highly concentrated in agricultural commodities and low-value manufactured goods, destined for the U.S. strong domestic demand. Pandemic-related global supply-chain disruptions, and a commodity price spike following Russia's invasion of Ukraine caused high inflation. Real GDP growth is projected to decelerate to 3.5 percent in 2023 given lower growth among trading partners and persistent inflationary pressures. Unemployment (8.9 percent in 2022) was still above its pre-pandemic level (5.7 percent), particularly for women as the unemployment gender gap widened from 3.9 percent in 2019 to 6.7 percent in 2022.

3.   **Climate change poses additional challenges as Honduras faces significant vulnerability to climate change.** The nation's geographical location makes it susceptible to extreme weather events, including hurricanes, floods, and droughts. These climate-related hazards pose substantial risks to the country's infrastructure, the continuation of government operations and service delivery. Severe storms and other natural disasters can increase displaced persons with no documentation to access relief programs and government services. Moreover, rising temperatures, changing weather patterns and geophysical hazards (e.g., earthquakes and tsunamis) can damage power grids and lead to potential system failures, compromising the continuity, reliability, and integrity of all kinds of public services and digital platforms. To address these vulnerabilities, Honduras needs to invest in climate-resilient digital infrastructure to ensure the continuous operation and security *of* critical digital services. Strengthening the resilience of the National Identification System (*Sistema de Identificación Nacional*, SIN) and the National Registry of Persons (*Registro Nacional de las Personas*, RNP) is also critical to enable access to vital records and services and operationalize the government´s response during natural disaster events.

B. Sectoral and Institutional Context

4.   **The Honduran legal framework enshrines identity as a key right.** Article 39 of the Honduran Constitution establishes that all Hondurans must be registered in the RNP, which has the mandate to develop and administer the foundational ID and civil registry system. Childhood and Adolescence Code articles 29-31 set the right of minors to an identity, and establishes the obligation of the parents, or legal representatives, to register the newborns with the RNP.

5.   **Notwithstanding, Honduras has a fragmented legal and regulatory framework for personal data protection that needs to be strengthened.** While Honduras lacks a personal data protection law, there are provisions to safeguard privacy and personal data in both the Constitution and sectoral laws. The Constitution requires public institutions to safeguard personal data and imposes constraints to inspect business records and personal documents as part of the provisions related to *Habeas Data*. Furthermore, the Law on Transparency and Access to Information (Legislative Decree Nº170-2006) provides a framework for data collection, processing, and dissemination in addition to restrictions to access personal data. Specifically, said Law classifies personal data as reserved, which can only by accessed by third parties with a judiciary order (Art.24). Likewise, the Law outlines that consent is required to access personal information and mandates that each institution establishes personal data safeguard mechanisms for personal data on their records (Arts 41-45). Similarly, the current National Registry of Persons Law (Legislative Decree Nº62-2004) contains provisions (Art. 106) to ensure that personal data cannot be accessed by third parties without a judiciary order.

6.   **Hondurans who are not duly registered are unable to benefit from public and private sector services.** According to 2019 estimates from the National Center for Social Sector Information (*Centro Nacional de Información del Sector Social*, CENISS), 140,088 individuals could not access social programs due to lack of and/or problems with the civil registry and/or ID documents. Approximately 59 percent of this population were minors between 0 and 18. Similarly, the criteria for benefits delivery from conditional transfer programs, do not allow the enrollment of beneficiaries that lack an ID card, or in the case of minors, when they lack a birth certificate issued by RNP. A birth certificate is also required to open an account with financial institutions. Providing children with an ID would enable to uniquely identify them in the context of social protection programs and would contribute to effectively combat child trafficking.

7.   **Lack of identity documents increases the vulnerability of children.** Insufficient generation of quality jobs to meet labor force growth has contributed to the persistence of crime and violence[1], compounding the pressure to migrate. The presence of unaccompanied minors without ID documents in migrant caravans is driven by both a lack of opportunities and the risk of forced recruitment into gangs[2]. In addition, the lack of biometric identification of minors increases the risk of child trafficking and reduces their chances of obtaining protection through the different national platforms aimed at this. Although the homicide rate has decreased, Honduras remains as one of the region's most violent countries[3]. So far in 2023, 5,321 returned migrant children and adolescents have been assisted by Honduras's Directorate of Children, Adolescents and Families (*Dirección de Niñez, Adolescencia y Familia*, DINAF); of which 30 percent traveled alone. Issuing an ID for young people under 18 years of age can help reduce the vulnerability of youth at risk of migrating and returnees, facilitating the identification of parents or legal guardians and determine the eligibility for social programs.

8.   **The lack of a national ID card for minors in Honduras hinders their access to services; this is particularly the case among rural girls who are more likely to be unregistered than other populations due to pre-existing gender disparities. Moreover, the current use of the birth certificate as proof of identity for minors is cumbersome.** Currently, some schools and municipalities issue credentials to minors but not in a systematic way, and the only legal proof of identify accepted is a copy of the birth registry. While the RNP has taken steps to facilitate the timely registry of births

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[1] World Bank 2022. *Honduras: Paths Towards Building a Resilient Society*. Systematic Country Diagnostic.
[2] As mentioned in the 2022 Human Rights Report from the US State Department, civil society organizations report that one of the common causes of the forced displacement of youths is the attempted recruitment by gangs and witnessing criminal activity by gangs and other illegal groups.
[3] According to data from the United States Institute of Peace, Honduras registered 36 murders per 100,000 people in 2022.

and issuance of birth certificates, registration of girls in rural areas does not typically occur in an opportune manner. Women who live in rural areas (mostly indigenous and Afro Hondurans) face greater barriers to exercise their rights due to lack of ID. The lack of proof of identity limits girls' access to services and benefits for them, and for their children when girls become teenage mothers which is more likely to occur in rural areas. Data from the National Institute of Statistics[4] (*Instituto Nacional de Estadísticas*, INE) shows that the percentage of adolescent girls who are mothers or are expecting their first child is significantly higher in rural (28.3 percent) than urban areas (16.5 percent). Moreover, according to data from the 2019 National Demographic and Health Survey (*Encuesta Nacioanal de Demografía y Salud*, ENDESA)[5], approximately 13 percent of unregistered children´s mothers lack knowledge of how to perform the registration. The same survey also shows a gap by rural/urban location in terms of institutional births with 9.6 percent of women between 15-49 years giving birth at home in rural areas, which poses another challenge for timely registration. Also, the lack of ID cards for girls at risk of migrating further increases their vulnerability. Although there is limited data, organizations such as the International Organization for Migration (IOM)[6] and the United Nations High Commissioner for Refugees (UNHCR) have highlighted the susceptibility of girls living in rural areas to human trafficking. In a context of pre-existing disparities against women and girls in rural areas, providing IDs to rural girls between 6 and 17 years would contribute to bridge the gap in access to services, social benefits, while reducing their vulnerability to human trafficking and improve their overall well-being.

9.   **The Government of Honduras has made efforts to promote timely registration and the right to an identity, but important gaps remain.** In 2008 the RNP promoted the creation of the Timely Registration Network (*Red de Inscripción Oportuna*, RIO) as part of a wider strategy aimed to reduce under-registration and improve the reliability of vital events statistics for decision-making. The RNP also began to implement Civil Registry auxiliary offices in selected hospitals[7] to increase coverage with support from the Organization of American States (OAS) in 2014. Similarly, and given the increasing migration, the RNP implemented registry and ID enrollment campaigns in municipalities bordering neighboring countries. In March 2023, a Law was enacted to ensure that the RNP, the National Migration Institute (*Instituto Nacional de Migración*, INM) and the Honduran Social Security Institute (*Instituto Hondureño de Seguridad Social*, IHSS) provide identification documentation to individuals whose documents have been lost or damaged due to forced displacement, and to prioritize attention and adapt requirements when needed to guarantee access to rights to unidentified individuals after proof is issued by the Ministry of Human Rights.[8] However, according to 2019 data[9] from the United Nations Children´s Fund (UNICEF), the percentage of Honduran children under 1 year old whose births are registered reached 87 percent, which lags significantly behind neighboring countries such as Costa Rica and El Salvador, where the rates are 100 and 97 respectively. Furthermore, between 2017 and 2021, the rate of individuals aged 15 and above without an ID grew from 6.8 to 7.2 percent according to estimates from the World Bank´s Identification for Development (ID4D) Global Dataset on ID Coverage (GDIDC). GDIDC data also show a gap in terms of income distribution. ID ownership among the bottom 40 percent of the population decreased from 90 percent in 2017 to 88 percent in 2021, whereas the coverage for the upper 60 percent remained stable (95 percent).

10.   **An Identification for Development (ID4D) Country Diagnostic identified key challenges for the civil registry and ID foundational systems.** The diagnostic conducted by the World Bank in 2019 found that although Honduras had

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[4] Based on the Permanent Purpose Household Survey Multiple (EPHPM June 2022), the INE produced an Assessment of women's status in Honduras across work, education, economy, and society called "*Boletín de la Situación de la mujer Hondureña*".

[5] The National Institute of Statistics (INE) implemented the ENDESA as part of UNICEF's global Multiple Indicators Cluster Surveys (MICS) program with financial support from Canada, UNICEF, the European Union/UTSAN and UNFPA.

[6] OIM (2023). "Resultados de la Encuesta ReGHID sobre las condiciones de salud sexual y reproductiva de las mujeres y adolescentes hondureñas y salvadoreñas en desplazamiento".

[7] The auxiliary centers were piloted at hospitals in the municipalities of Tegucigalpa, San Pedro Sula, El Progreso, and Santa Bárbara.

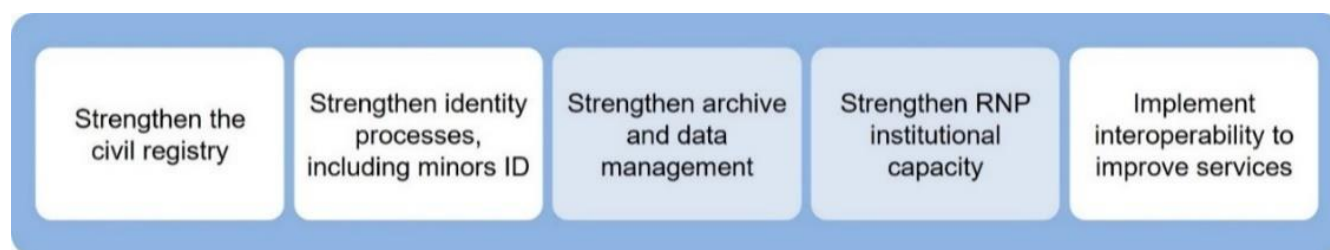[8] Decree No. 154-2022. "Law for the Prevention, Care and Protection of Internally Displaced Persons".

[9] Multiple Indicator Cluster Surveys.

improved the birth registration and ID coverage, the ecosystem was highly fragmented since several agencies replicated databases due to the limited reliability of the RNP's foundational database. The civil registry and ID systems could not ensure the uniqueness of individuals due to inconsistencies in the databases. This in turn affected the provision of authentication and ID verification mechanisms which were outdated, complex and not reliable. Moreover, the diagnostic identified gaps in terms of the regulatory framework on personal data protection and cybersecurity. In addition, as a salient feature, the analysis found that all Hondurans are assigned a unique identification number included in the birth certificate, which is printed on the identification cards upon issuance. However, ID cards were only issued to individuals aged 18 while minors (0-17) could only obtain a birth registration certificate.

11. **The RNP has prepared an Institutional Strategic Plan (ISP) for 2020-2024 informed by the diagnostic recommendations but challenges remain.** The ISP establishes a roadmap to modernize the RNP and its services underpinning the implementation of the Honduran Digital Agenda. Key strategic goals are to: (i) Strengthen the civil registry to ensure the legal identity and inherent rights of all natural persons through the timely registration of vital records; (ii) Strengthen identity processes to enable the exercise of rights, which includes the identification of minors between 6 and 17 years of age; (iii) Strengthen archive and data management to ensure adequate updating, custody, security, conservation, restoration, and data protection of all RNP documentation and information; (iv) Strengthen RNP managerial, administrative, and operational capacity under a results-based management approach; and (v) Implement an interoperable platform to improve the delivery of public and private sector services (Figure 1).

Figure 1. Strategic goals of RNP Institutional Plan

| Strengthen the civil registry | Strengthen identity processes, including minors ID | Strengthen archive and data management | Strengthen RNP institutional capacity | Implement interoperability to improve services |

12. **A key step has been the modernization of the national identity system and the introduction of a new national ID document.** Between 2020 and 2022, the RNP implemented the *Identifícate* program[10] (Box 1) with support from the United Nations Development Program (UNDP), the European Union (EU) and the Central American Bank for Economic Integration (CABEI). The program established a new foundational ID database and comprised the enrollment of over 5.5 million adults, who were issued new ID cards.

13. **The European Union (EU) has also provided technical assistance to strengthen the RNP institutional capacity.** The technical assistance (TA) program comprised support to develop the strategic institutional plan, design new processes, organizational structure, position, and function manuals, in addition to hands-on support for the correction of data inconsistencies, an appointment management system and a self-service kiosk pilot in Tegucigalpa and San Pedro Sula. Moving forward, the TA will support the issuance of the new positions and functions manual, the development of a results-based budgeting approach, a financial management solution and a business intelligence tool, the simplification of procedures to address data inconsistencies, a call center service, and a four-process automation pilot.

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[10] The program targeted only the adult population and finalized in December 2022

Box 1. *Identifícate*: National enrollment of new adults' ID in Honduras

Before the Identifícate initiative, the Honduran civil registry and identity systems were outdated and inconsistencies in personal records were common, undermining their reliability and trust. The inconsistencies in birth records, in addition to the unreliability of the ID cards led to a fragmentation of datasets as public sector institutions sought to construct their own datasets. The low reliability of RNP records also affected trust in several services and the electoral roll as ID cards in the country had not been updated for 20 years and the technology and processes did not comply with international standards.

The RNP implemented *Identifícate* to strengthen reliability in the Honduran national identification system records and the national ID card. The I*dentifícate* project focused on the enrollment of all the Honduran population aged 18 and over, and the issuance of new ID cards aligned with international standards. The enrollment processes included the registry of biometric information to improve the reliability of the RNP ID database and reduce inconsistencies. The routes of mobile units were informed by a mapping exercise performed jointly with the National University of Honduras to map clusters of population and deploy enrollment centers to reach vulnerable populations. The project also included the printing and delivery of a new ID card for adults at the enrollment centers. The enrollment process began in 2020, and by 2021 new ID cards were issued to more than 5.5 million Hondurans.

The *Identifícate* initiative was implemented by the RNP with support from the international community. The project was funded by a CABEI loan and EU technical assistance. UNDP was an agent for fiduciary, procurement, and assistance in the implementation of specific activities, which contributed to increase trust and comply with a challenging schedule in the procurement processes. The project was also implemented in close coordination with community organizations, universities, private companies, and municipalities among other stakeholders, to inform and mobilize the population. The deployment of a broad and comprehensive outreach and communications campaign was critical to ensure a wide coverage and success of the enrollment process.

14.   **Although the RNP has improved the National Identification System (SIN) it still lacks a strategic service model.** Currently, the RNP provides ID verification and authentication services to 22 public and private sector institutions in the country. However, a key challenge is developing a business architecture to take advantage of the transformational possibilities of a broader use digital ID and digital authentication and verification services. Similarly, there are persistent limitations in terms of outreach and communication capacity.

15.   **Digital data infrastructure and enabling regulatory environment supporting the SIN also need to be strengthened.** Although the RNP has made investments in cloud services, it requires an upgrade of its data infrastructure to facilitate the rollout of authentication and verification mechanisms. Similarly, a critical challenge is strengthening RNP cybersecurity capabilities. Currently, the RNP has limited capacity to protect sensitive against cyber-incidents and does not have a dedicated team (e.g., Security Operations Center) or protocols in place to respond. Moreover, while the RNP is planning to introduce legal reforms to strengthen the governance framework of the ID ecosystem, addressing gaps in the regulatory framework related to personal data protection and cybersecurity remain an important challenge.

C. Relevance to Higher Level Objectives

16.   **The project is aligned with the FY23-FY27 Country Partnership Framework (Report No. 178920-HN) dated December 12, 2022.** The operation supports the Country Partnership Framework (CPF) High Level Objective (HLO): *HLO-1, Improved Human Development*, Objectives 1, 2 and 3, by supporting the development of a national identification system that improves the access of citizens to (i) social protection mechanisms, including the World Bank-supported conditional cash transfer program, which relies on a beneficiary registry to identify the poorest households; (ii) education, through the incentivization of school enrollment; and (iii) health services by addressing gender disparities in the use of medical services, which improves inclusion. The project also supports *HLO-2, Inclusive Economic Development and Job Creation*, Objective 6- Increased Access to Finance, by facilitating digital identification of smallholder farmers, and women-and-minority-led businesses to access financial services. The PAD is also aligned with the Green, Resilient, and Inclusive Development (GRID) approach.

17.   **The project is also in line with the Government's Strategic Plan and the Systematic Country Diagnostic (SCD)**

update 2022. Fostering inclusion and strengthening governance are cross-cutting themes in the Government's Plan and the SCD update, which is denoted by the prioritization of policies that guarantee equal access of the population to social security and protection, as well as quality services in education and health, as mechanisms for poverty reduction. Assistance for Digital Government reforms is factored in the SCD with the goal of enhancing transparency, accountability, and efficiency within the public sector. Moreover, the project is aligned with the RNP 2020-2024 Institutional Strategic Plan which foresees consolidating the gains achieved through the *Identifícate* initiative[11] by enhancing the coverage of the foundational database to all persons aged 6-17 years and improving the ID authentication and verification services.

18.   **The project is consistent the Government of Honduras updated Nationally Determined Contribution (NDC) of May 2021.** Project activities are aligned with the NDC, which emphasizes the inclusion of the youth, women and other vulnerable groups in the adaptation and mitigation efforts. The NDC commits to develop and implement an inclusion strategy targeting the youths and women to develop policies and provide incentives for their active participation in climate mitigation and adaptation. Similarly, the NDC incorporates a human rights-based approach, innovation, and the use of technology as central aspects for climate mitigation and adaptation. The project will support the automatization of birth registry processes and digital ID authentication services, which will deliver resilience and contribute to achieve business continuity in response to extreme weather events. Similarly, the project will support capacity building and outreach activities targeting vulnerable groups. The project will follow procurement standards that require assessment of the life cycle cost and energy efficiency of any goods and services acquired.

II. PROJECT DESCRIPTION

A. Project Development Objective (PDO)

PDO Statement

19. To strengthen Honduras´s national civil registry and ID ecosystem by improving the birth registration process and identification of minors and enabling access of all individuals to public and private services.

PDO Level Indicators

20. The PDO indicators are the following:

    a) Children between 0 and 6 months of age whose births have been registered (percentage)
    b) Population between 6 and 17 years old issued with the minors' identification card (number)
        o Girls in rural areas between 6 and 17 years old issued with the minors' identification card (percentage)
    c) Digital verification and authentication transactions provided to institutions (number)
        o Digital verification and authentication transactions provided to public sector institutions (number)
        o Digital verification and authentication transactions provided to private sector institutions (number)

B. Project Components

21.   **The operation is an Investment Project Financing (IPF) with a three and half years implementation timeline.** The project has two main dimensions: (i) Strengthening the Honduras´s civil registry and ID ecosystem by supporting the expansion of the coverage; and (ii) Enabling access to private and public services by enhancing verification and ID authentication services. Figure 2 depicts the project structure.

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[11] See Box 1 for a description of this initiative.

Figure 2. Project Structure
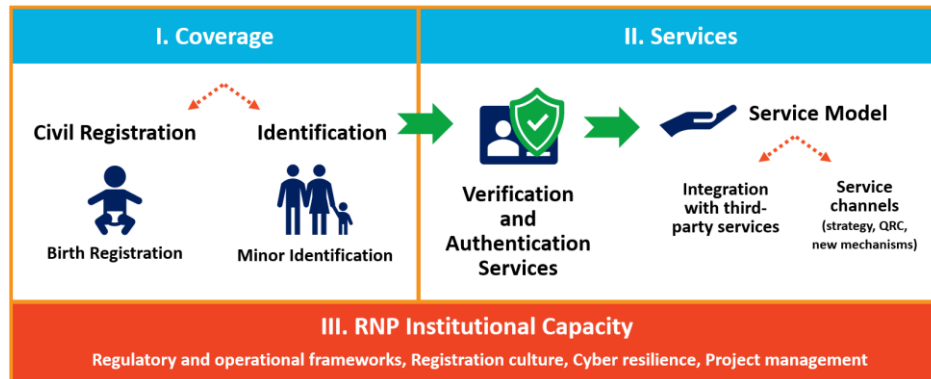
Component 1: Improvement of civil registration and minors' identification coverage (US$21 million)

22.	**This component seeks to strengthen the civil registry and identification systems and their coverage.** The component supports the implementation of strategies to improve and automatize the registry of newborns at the place of birth and expand the identification system with the enrollment of all the population between 6 and 17 years of age in the national identity system with emphasis on vulnerable populations including youth at risk of migrating, returnees, Afro Hondurans, and those that are vulnerable to climate impacts.

23.	**Sub-component 1.1: Birth registration modernization and automation.** This subcomponent will strengthen the timely registration of children at birth in public and private hospitals and by the midwifes network of the Health Ministry nationwide to reduce under-registration. Birth registration provides identity to access social services, and documentation that can be essential in times of crisis or displacement. In the context of Honduras rising climate vulnerability, having accurate and up-to-date birth registration records can help government and organizations better understand the demographics and needs of affected populations, including vulnerable groups such as children and displaced individuals. The subcomponent will include the following activities: (i) automatization of the birth registry process for live births from 0 to 6 months, including the design and implementation of a registry platform, and equipment for registration; (ii) redesign of the live-birth registration process linking it to other vital events processes; (iii) design and implementation of a capacity building and communications plan for birth registration modernization and automation; and (iv) development of procedures and manuals to safeguard the inclusion of vulnerable populations (e.g., indigenous peoples, Afro-Hondurans, persons with disabilities, youth at risk of migrating and those that are vulnerable to climate impacts by enabling to register and identify persons in circumstances in which they need to access social services and government´s support in the event of climate induced disasters and/or geophysical hazards) and deliveries carried out by midwives in the registry process. This activity aims to support a specific set of criteria to register and identify persons in circumstances in which they need to access social services and government´s support in the event of climate induced disasters.

24.	**Sub-component 1.2: Expansion of the identification system coverage.** This subcomponent will support the expansion of the National Identification System (SIN) with the registration of all individuals aged 6 to 17 in collaboration with the Education Ministry and other allies at the local level, with emphasis on rural girls that face greater barriers to exercise their rights due to lack of ID. The subcomponent comprises the following activities: (i) development and implementation of an enrollment strategy for children aged 6 to 17 to be included in the SIN database; (ii) establishment of mobile teams to enroll target minors in remote and vulnerable areas ensuring inclusion (e.g., indigenous peoples, Afro-Hondurans, people with disabilities, youth at risk of migrating). This activity aims to support those that are vulnerable to climate impacts, with an emphasis on rural girls, who are climate-vulnerable and their exclusion from the SIN prevents access to post-disaster relief; (iii) design and implementation of a capacity building plan and a communications strategy for the enrolment process. The strategy will emphasize on youth at risk of migrating and rural

girls and will consider climate-affected groups; (iv) development of procedures and manuals to mitigate the risk of exclusion during the enrollment process, considering cultural appropriateness for indigenous peoples and Afro-Hondurans; and (v) issuance and distribution of national ID cards for minors. This would provide a proof of identity and would contribute to facilitate access to services for rural girls, reducing their vulnerability.

Component 2: Modernizing civil registration and digital identification services (US$9 million)

25.   **This component will support the development of digital ID services.** The component entails the strengthening of the SIN interoperability to enable the provision of ID verification and authentication services for public and private third parties and individuals. This will improve Honduras´s capabilities in response to disasters caused by extreme weather events and other hazards by facilitating the provision of ID authentication and verification services of social programs´ beneficiaries during emergencies, thus contributing to the response rollout.

26.   **Sub-component 2.1: Strengthening of the National Identification System.** This subcomponent supports the enhancement of the SIN to provide ID verification and authentication services to the public and private sectors and to individuals. This would contribute to quickly deliver payments through the financial system, especially in response to climate induced-shocks and to accelerate the recovery from natural disasters among other aspects. The subcomponent includes the following activities: (i) design and establishment of a conceptual framework to align RNP processes, data, applications, and technology with its strategic objectives; and (ii) development and implementation of ID verification and authentication services. This would be done considering different mechanisms and levels of trust to validate the identity, facilitating access to services, including in cases of natural disasters and emergencies; (iii) design and implementation of a certification model for digital signatures issuance.

27.   **Sub-component 2.2: Developing and implementing a comprehensive human-centric service model.** This subcomponent seeks to develop an omnichannel[12] service model for civil registry and identification services that provides inclusive and quality attention to all individuals. The subcomponent will comprise the following activities: (i) improve the SIN interoperability to facilitate access to public and private sector services; (ii) design and implementation of an omnichannel strategy for RNP service delivery, including the strengthening of the RNP website[13] and its associated applications, and a two-way communication strategy with the public to answer questions and gather feedback; (iii) develop a grievance and redress mechanism to answer queries or complaints regarding identity data, error correction and RNP services; (iv) production of communication and outreach material in Braille and indigenous languages, including explanatory videos of the RNP procedures and services with subtitles and in Honduran Sign Language (*Lenguaje de Señas Hondureño*, LESHO)[14]; and (v) improvement of service channels, including the establishment of auxiliary civil registry service centers in underserved areas and self-service kiosks. Any equipment procured will utilize energy efficient technologies.

Component 3: Strengthening the institutional capacity of the National Registry of Persons (US$10 million)

28.   **This component supports the strengthening of RNP capabilities to manage the planned coverage expansion of the foundational civil registration and ID system, and measures to improve personal data protection and cybersecurity.** Implementation of the live-birth registration processes and enrollment strategy require addressing the RNP's institutional capacity constraints. This is also key to underpin the roll-out of improved civil registration and ID services. This component will support institutional capacity building, including the regulatory and operational framework, and the design and implementation of comprehensive communication strategies targeting key stakeholders to increase awareness of the importance of enrollment and timely registry of vital events, thus contributing to facilitate

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[12] An omnichannel model provides customers with a seamless experience for service delivery, regardless of the channel they select.

[13] Including features such as an accessibility button to enable, among others (a) Screen reader to help users with visual disabilities understand what is happening on their screen, (b) Text reader, (c) Voice commands, (d) Color settings, (e) Font size, (f) Subtitles, (g) Magnifying glass, (h) Image description.

[14] These videos will be hosted in the RNP Website and reproduced at the Municipal and Regional Civil Registry centers.

the delivery of social services during natural climate-related disasters (such as the Eta and Iota hurricanes) or other events, such as pandemics.

29.   **Sub-component 3.1: Strengthening of the regulatory and operational framework.** This subcomponent will provide technical assistance to strengthen the regulatory and operational framework to implement ID verification and authentication services, including: (i) review of the current legal and regulatory framework, and preparation of amendments to existing or drafting of new legislation, as appropriate, consistent with good international practice adapted to local circumstances; (ii) development of internal manuals to guide the provision of ID verification and authentication services; (iii) design of a governance framework, including roles, functions and institutional arrangements required, as well as procedures to target priority vulnerable populations, and to continue operations during natural disasters or other shocks (e.g., floodings and/or geophysical hazards such as earthquakes); and (iv) development of procedures and manuals to mitigate the risk of exclusion in birth registry process and minor enrollment flow, including the development of data Privacy Impact Assessments (PIA).

30.   **Sub-component 3.2: Promotion of an inclusive registration culture.** This subcomponent will support the design and implementation of capacity building and communication strategies to ensure the understanding of the ecosystem and RNP services by the different stakeholders. The subcomponent includes the following activities: (i) design and implementation of outreach and communication campaigns to support the project activities. These campaigns will highlight the advantages of timely registration and updating vital events information in addition to information on how to leverage ID verification and authentication services provided by the RNP. The campaigns will be designed based on focus groups and service satisfaction surveys among others; and (ii) development of a change management strategy to facilitate the implementation of the enhanced live-birth registry processes and related platform.

31.   **Sub-component 3.3: Enhancing cyber resilience and digital data infrastructure.** This subcomponent will support the implementation of operational measures to enhance the RNP´s cyber resilience capabilities considering Honduras's high exposure to climate-related hazards, as extreme weather events such as hurricanes, tropical storms, floods, and landslides can damage physical infrastructure such as Data Centers and disrupt the functioning of government agencies. It comprises the following activities: (i) strengthening of the RNP's technological infrastructure to be resilient to climate-induced shocks and natural disasters and its cybersecurity capabilities using energy-efficient technologies; (ii) strengthening data protection, including the security and data privacy protocols to handle personal data, and mechanisms to obtain users' consent for operations involving personal data; (iii) design of a Security Operations Center for the RNP; and (iv) development of environmental management standards for ICT infrastructure (e.g., extending lifecycle of ICT equipment, ISO standards or similar) helping to reduce energy consumption and improve resilience to natural disasters (e.g., earthquakes). Any equipment procured or infrastructure supported will utilize energy efficient and low-carbon technologies. This will also increase the SIN resilience to climate change.

32.   **Sub-component 3.4: Capacity building, project management and administration.** This subcomponent seeks to improve RNP's capabilities for project implementation and administration. It supports the following activities: (i) strengthening of project planning, financial, fiduciary, monitoring, and environmental and social risk management capabilities; and (ii) design and implementation of a training program for staff on technical developments, and for individuals and government staff on how to use and leverage the RNP digital services.

C. Project Beneficiaries

33.   **Given the nature of identity as a basic enabling right to effectively wield other rights, the project will directly benefit all individuals residing in Honduras, and Honduran citizens abroad.** The project will be instrumental to expand the coverage of the foundational ID system and will strengthen digital verification and authentication services.

34.   **The project will target children aged 6 to 17 years and the timely registry of newborns.** While the RNP made efforts to enhance the coverage of the ID system for the adult population, a key gap is minors between 6 and 17 years

old. Similarly, the timely registration of live births remains a challenge.

35.   **The project will also benefit women and girls, especially those living in rural areas.** Automatizing the birth registration processes will contribute to ensure timely registration of births. The issuance of ID cards will also facilitate access to services and benefits for them or their children in the case of adolescent mothers. Likewise, enhancing the ID authentication and verification services will facilitate the payment of social protection programs and facilitate financial inclusion.

36.   **The target population include vulnerable groups, such as indigenous peoples, Afro-Hondurans, youth at risk of migrating, returnees, and people with disabilities.** Given the intended activities, the project will benefit indigenous and Afro-Honduran minors, for whom remoteness has hindered access to the SIN. The project also seeks to ensure the protection of migrant children, whose lack of identity documents expose them more to the risk of being trafficked or forcefully recruited into gangs. Similarly, the project will focus on over 2 million children between 6 to 17 years that currently only hold a birth certificate as the sole proof of identity.

37.   **The project will also benefit government agencies and private sector institutions that require ID verification and authentication to deliver services.** Improved SIN services will have an economy-wide impact as they would enable the public sector to leverage improved ID authentication verification services for the further development of digital government to persons services, and government to persons payments. It will also facilitate the development of new financial products and digital services by the private sector. A comprehensive registration and identification system will streamline the delivery of services insofar as it allows the reliable verification of identities.

D. Results Chain

38.   **The project seeks to bring a significant improvement in the civil registry and identity ecosystem and enable access to public and private services by improving the registration of live births, enhancing the foundational ID database, and strengthening the RNP service model for the delivery of ID verification and authentication services.** The project will support the digitalization of the live-birth registration process and its integration with the broader vital events registration system, while delivering a broad communications campaign to maximize inclusion. These efforts will be complemented by training of RNP and Health Ministry staff, and midwives to act as auxiliary registers in rural communities. The enrollment of minors aged 6 to 17 will increase coverage of the foundational ID system and will contribute to reduce the vulnerability of minors to trafficking and forced recruitment into gangs. The provision of ID cards for minors will also facilitate enrollment in the education system, which requires parents to provide copies of birth certificates. The expanded database and the strengthening of the RNP service model will improve the provision of ID verification and authentication services for public and private sector institutions. The services will be operationalized through the development and implementation of an omnichannel model comprising digital services and other delivery channels, which will contribute to reduce transaction costs and generate efficiency gains. Improved ID authentication and verification services can be used in a modular way to develop services that require proof of identity in self-service portals, decreasing transaction costs for a variety of institutions. Similarly, the development and implementation of certification model for digital signature would contribute to facilitate the provision of a multiple online services, such as banking, tax filing and medical prescriptions among others[15]. The delivery of services and the expansion of the ID foundational database will be underpinned by the strengthening of RNP cybersecurity capabilities and capacity building to ensure personal data protection in addition to manuals and protocols that will provide an umbrella for the successful registration and delivery of services. Similarly, the project will support measures aimed at promoting and consolidating an inclusive and timely registration culture. The theory of change rests on certain assumptions, namely: timely acquisition of project inputs, including consultancies, capacity building; successful roll-out of the minor enrollment strategy; and collaboration with the Education and Health Ministries.

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[15] World Bank 2018. *Public Sector Savings and Revenue from Identification Systems: Opportunities and Constraints*, Washington DC.

Figure 3. Theory of Change

	Key Project Interventions	Intermediate results	Expected Outcomes	PDO
Improvement of civil registration and minors' identification coverage	Automatization of live-birth registration processes	Live-birth registration processes implemented	Improved coverage of civil registry and ID database	Strengthen Honduras´s national civil registry and ID ecosystem by improving the birth registration process and identification of minors and enabling access of all individuals to public and private services
	Develop registry procedures and manuals to promote inclusion			
	Integration of the live-birth registration process with the vital events system			
	Design and implement an enrollment strategy for children aged 6 to 17	Increased number of persons registered in the SIN data base		
	Mobile centers to increase SIN coverage to remote areas			
Modernizing civil registration and digital ID services	Improve ID authentication and verification services	Increased ID authentication and verification services	Increase access to ID and civil registry services and reduced transaction costs	
	Design and implement a certification model for digital signature			
	Develop an omnichannel model for service	Increase channels for RNP services		
	Improve service delivery channels			
Strengthening the institutional capacity of the RNP	Design of manuals to provide ID authentication services	Strengthened registry and enrollment processes	Improved RNP operational capacity	
	Development of procedures and manuals to enhance inclusion in the live-birth registry process and minor's enrollment strategy			
	Design and implement outreach and communication campaigns			
	Design and implement change management strategy			
	Strengthen data protection and privacy protocols	Secure and reliable provision of services		
	Design a Security Operations Center for the RNP			

E. Rationale for Bank Involvement and Role of Partners

39.   **Identity and identification services are a public good.** Access to proof of identity is a key enabler for financial and economic inclusion, social protection, healthcare, education, and gender equality among other aspects. As such, it can generate substantial spillover benefits and efficiency gains both for the public and private sector by providing a building block for the delivery and construction of additional services. This provides a clear rationale for public sector financing. Improving the live birth registry process and timeline registration of newborns will contribute to reduce the risk of human trafficking, and access to social protection programs. Moreover, expanding the coverage of the SIN database and improving the delivery of ID services will allow social protection programs to authenticate beneficiaries' identity, reducing inclusion errors arising from ghost, dead, and duplicate beneficiaries, and the exclusion of those eligible for social benefits and services owing to lack of ID documents. Providing 'legal identity for all, including birth registration' is the SDG target 16.9 and the Honduran legal framework enshrines identity as a key right. This is reflected in Article 39 of the Honduran Constitution which establishes that all Hondurans must be registered in the RNP.

40.   **The World Bank has a comparative advantage to support the government leveraging its ample world-wide technical experience in the design and implementation of digital ID systems.** In addition to financing, the World Bank can add substantial value to underpin the design and implementation of critical project activities such as interoperability and personal data protection drawing on its global knowledge, technical expertise and lessons learned in the implementation of similar systems across the world. The World Bank can mobilize seasoned technical experts to support critical areas such as the definition of technical standards and data privacy and contribute a multisectoral perspective to ensure the comprehensive development of the civil registry and identity ecosystem.

F. Lessons Learned and Reflected in the Project Design

41.   **The project draws on and contextualizes lessons from previous experience of the RNP with the *Identifícate* initiative, and the World Bank's and other international organizations' (such as UNICEF) global experience related to ID and civil registration systems (including the *Principles on Identification for Sustainable Development*) as follows:**

   a.   **Simplifying civil registry processes and working with the health and other sectors to bring services closer to people:** Aside from distance and cost barriers and a lack of knowledge and incentives, complex processes and requirements can dissuade or prevent people from registering vital events. Organizations such as UNICEF have demonstrated that reducing the time between the delivery of the baby and the registration is critical to improve registration of births. Also, countries like Peru, Thailand and Uruguay have shown how collaboration with the health sector can allow births and deaths to be registered in health facilities timely. To address these challenges, the project foresees support to simplify and automize the live birth at health centers and through midwives and birth registration to ensure coverage in rural communities. The project also foresees close coordination with the Health and Education Ministries and training to ensure sustainability over time.

   b.   **To build trust and mitigate the risk of misuse, it is important to strengthen cybersecurity and protect people's personal data through system design:** On cybersecurity, good practices include ensuring software and firewalls are patched and up to date, monitoring network activity and cyber threats, strong identity, and access control (including multi-factor authentication) and educating staff to prevent phishing and ransomware attacks. Data protection measures include limiting data collection and exposure - particularly personal data - and ensuring that authentication discloses only minimum data necessary to ensure appropriate levels of assurance, and providing people with choice, oversight, and consent over how their data is shared. In Components 3, the project will invest in enhancing the enabling legal and regulatory environment, including improving RNP´s cybersecurity capabilities.

   c.   **Awareness raising and communication campaigns are needed to promote registration and to ensure adoption and use of new credentials.** Communication campaigns should disseminate information on how to register, and the benefits from registration. Campaigns should also explain how the identity data will be used, individual's rights and the grievance and redress mechanisms in place to exercise them. It is also critical to include people's perspective in campaigns design and implement pieces for each channel selected. For example, communitarian radios usually are impactful channels to deliver messages about registration in remote and rural areas.

   d.   **Provision of on-site benefits to individuals at register points can increase registration.** Where mobile and fixed service centers allow service users to access other services –registration for social programs, opening a bank account or obtaining health check-ups– transaction costs can be reduced, having additional incentives for registration. This requires close coordination between registration services, and other service providers. In addition, coordination with local authorities is critical since they usually pre-identify individuals without or with documentation problems and facilitate information to ID and civil registry agencies at the time of registration.

42.   **The project design also reflects lessons learned from the *Identifícate* initiative implemented by the RNP.** *Identifícate* comprised a national enrollment effort targeting the adult population and was carried out during the pandemic. Key lessons for success were a comprehensive registration campaign, including pre identification of communities to be registered, early definition of routes for mobile brigades and partnering with local communities for successful registration. Leveraging these features, the *Identifícate* initiative registered more than 5 million adults in less than a year. The RNP has drawn lessons to pre identify the location of target population and adjust routes for mobile registration campaigns. Similarly, *Identifícate* enabled the RNP to construct partnerships with municipalities and local organizations to facilitate registration in the field.

43.   **The project also draws on international experiences on biometrically supported registrations.** These can directly reduce administrative errors and increase the efficiency of identity records management over time and across agencies.

Uniquely identifying children would also provide higher assurance in the context of social programs payments and reduce the risk of child trafficking. This will be achieved focusing on the timely registration of newborns within the first 6 months of age, through a digital process that enables indexation of their data to that of the parents. However, children above 6 months will still be able to access the civil registry. Once they reach 6 years of age children will be biometrically registered. This threshold has been defined by the Government of Honduras considering evidence and international good practices that indicate that biometrics (fingerprints, and face) are more stable starting at the age of 5 years old approximately. Both the civil registry and the issuance of the first ID documents will be free to promote accessibility.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

44.   **The project will be implemented over a three-year period by the RNP.** The RNP will host a Project Implementation Unit (PIU) within its organizational structure, which will be supported by consultants as needed. The PIU would comprise of a project coordinator which will be responsible for day-today project management. The PIU will also conduct the financial management and monitoring and evaluation (M&E) functions with an M&E and a financial management specialist to strengthen the RNP´s capabilities, including the preparation of technical and financial monitoring reports required by the World Bank. It will include an Environmental and Social (E&S) specialist to ensure adequate management of E&S risks. As for the procurement function, this will be mainly performed by a UN co-implementing agency that will act as an agent for fiduciary, procurement, and assistance in the implementation of specific activities given the RNP's limited procurement expertise and experience working with World Bank procurement requirements. The UN Agency will render procurement services and be responsible for managing payments to contractors. However, the PIU will also have a procurement specialist to directly perform low-risk processes and prepare the World Bank's procurement reporting requirements.

45.   **The project Operations Manual (POM) will detail the processes and procedures to be followed by RNP (as PIU) and the UN Agency as an agent.** The POM will lay out: specific provisions on detailed arrangements for project implementation; roles and responsibilities of RNP as PIU; the responsibilities of the UN Agency as an agent for fiduciary, procurement, and assistance in the implementation of specific activities; processes to operationalize and comply with relevant Environmental and Social Standard (ESS) requirements; and the processes to ensure personal data protection during the implementation of the enrollment strategy.

B. Results Monitoring and Evaluation Arrangements

46.   **The project results framework will be used as the basis for project monitoring and evaluation.** The M&E specialist at RNP will monitor progress towards the achievement of the project results indicators set out in the results framework. The M&E specialist will compile the information to produce reports on implementation progress for each subcomponent, which will be submitted to the World Bank semi-annually. The reports will also include an overview of key outputs delivered within the period, in addition to updated project execution estimates and disbursement projections.

47.   **The monitoring framework includes indicators to track women's inclusion in the registry.** Information on women and minors is included in RNP's database. The RNP will complement the indicators with evaluations to deepen the understanding of potential gaps so that corrective action can be adopted, and strategies adjusted to improve inclusion.

C. Sustainability

48.   **The project is not expected to significantly increase RNP´s operating costs.** Project implementation requires large initial investments, but once the live-birth registry process has been automated and the minor's enrolment has been completed, operating costs will become part of RNP´s regular budget allocations. A comprehensive training program to

develop capacity of staff and partner institutions will help sustain new management practices and processes.

49.   **Project sustainability will require a broad involvement of stakeholders to support the RNP strategy.** While the legal framework provides a clear mandate for RNP to expand the registry and issue ID documents to minors, success of the timely registration initiative for newborns and the roll-out of the minor's enrolment strategy will rely on close collaboration and coordination with other government agencies and institutions such as the Education and Health Ministries and the association of Honduran municipal governments and indigenous peoples. To achieve this, the RNP envisions changes to existing regulatory framework to enable the operation of auxiliary registers. Moreover, the project foresees a broad communication campaign and change management strategies to ensure that the public and key stakeholder groups are aware of the focus and impact of the project activities. Similarly, the project will support the design and implementation of a two-way communication strategy with the public (citizens and non-citizens) to hold consultations and provide feedback to the RNP regarding the enrollment process and the roll-out of automated live birth registration processes. The RNP is also taking steps to implement organizational reforms and strengthen its institutional capacity as part of the technical assistance program provided by the EU, which will also contribute to project sustainability.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

50.   **The technical design is informed by a comprehensive ID4D diagnostic of the ecosystem conducted in 2019, reports prepared before and after the "*Identifícate*" campaign conducted in 2020, and extensive technical assistance provided by the European Union.** The ID4D diagnostic highlighted challenges and the registration gap, especially for vulnerable groups (e.g., Misquitos, Afrohondurans, Lenca community, among others), problems with the uniqueness of the ID due to the untrusted ID system and the fragmentation of the ID ecosystem. Additional research shows that streamlining linkages between hospitals and civil registration results in timely registration and, therefore, lower under registration rates[16]. These insights were included in the project design, which includes in component 1 activities to improve birth registration coverage and the implementation registration strategies of minors from 6 to 17 in remote areas, a grievance redress mechanism, and a comprehensive outreach strategy to ensure inclusiveness. Also, to define the best way to identify and include minors with disabilities in line with the "Washington Group Short Set of Disability Questions" (WGQ), an *ad hoc* technical table with the Directorate of Development of People with Disabilities, RNP, and civil society organizations will be established, as well as to provide input to the RNP protocol for home visits for the identification of minors with disabilities outside of schools.

51.   **The ID4D report and analysis conducted by the European Union pointed out that the use of the ID system could be the foundation for better services.** For example, the Ministry of Health requested updated data to the RNP to monitor vaccinations of minors and the banking sector demanded a better infrastructure to increase the number of private banks authenticating data. Components 2 and 3 aim to address both existing capacity constraints and introduce new capabilities, specifically, digital signatures and digital ID. The project design draws from the experiences of countries such as Estonia, India, Thailand, and Singapore.

52.   **Reforming business processes and standard operating procedures to achieve a more human-centered approach to providing services can help to boost utilization.** The EU analyzed the RNP internal operation model and identified cumbersome processes, lack of standardization of service level agreements (SLAs) and automated services for the population. This has led to complaints about the service and delays. While the RNP has improved its services since the first round of reforms in 2019, challenges remain. Component 3 aims to provide training to staff to implement the new business processes. This component also invests significant amounts in building trust by strengthening personal data protection and cybersecurity, including a Privacy Impact Assessment (PIA) that covers potential impacts on privacy of biometric data collection. The PIA will inform privacy-by-design implementation in RNP's systems and procedures.

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[16] Available at https://www.unicef.org/media/62981/file/Birth-registration-for-every-child-by-2030.pdf

Moreover, it comprises mechanisms to obtain the users' consent for operations involving personal data.

Economic and Financial Analysis

53.   **The project is expected to have significant net positive economic benefits.** The estimated project's 10-year internal rate of return is 24.4 percent, with a Net Present Value of $37.7 million, figures aligned with those calculated for comparable projects within the country.[17] The project's costs contemplate investments financed through the World Bank. The estimated benefits are: (i) increased revenue from the provision of ID authentication/verification services driven by an enhanced system; (ii) increase in public spending efficiency for social assistance derived from reducing authentication and inclusion errors; and (iii) efficiency gains from the modernization and automation of registry processes. A sensitivity analysis indicates that the project remains economically viable under a range of scenarios, including when multiple conservative assumptions are combined (stress test). Robustness checks include assumptions of less favorable discount rates, reduced growth in the demand for ID services offered to public and private institutions, a 50 percent reduction in the project's impact on error, and expected gains on efficiency are halved.

Gender

54.   **Strengthening the civil registry and ID systems with an inclusive and reliable approach will, inter alia, facilitate access to services and enhance efficiency in benefit and service provision.** Ensuring the timely registry of births and enrollment of school-aged children in the national ID system is key to fulfill the right to an identity as reflected by the Honduran legal framework. By indexing newborn and child data with parental information, the project will enable women to assert their associated rights. The lack of proof of identity limits women's access to services and benefits for them or their children. The project will contribute to close the gender gap in access to services for girls by reducing the number of people without proof of identity such as birth certificate and issuing IDs to girls. The enrollment of women in school age and outreach campaigns will carefully consider the barriers women face when exercising their identity rights and the importance of intersectional factors. Both the registry and enrollment strategies will bring the RNP services closer to vulnerable groups and remote communities through mobile service centers, including women as one of the key target audiences. The project also comprises communication campaigns to meet women's needs including relevant communication channels. The campaigns will be designed avoiding gender stereotypes and biases. Enrollment will also be carried out in a gender-sensitive[18] way, for which capacity building will be provided to registry staff.

Citizen Engagement

55.   **The project has a citizen-oriented design which includes user feedback and grievance and redress mechanisms.** Processes design for birth registry and minors ID card will be made in close consultation with stakeholders to ensure they are adequate and user-friendly. In this process, the project will take into consideration the view of a wide range of stakeholders such as indigenous populations and persons with disabilities among others to ensure that the project fully benefits vulnerable and traditionally excluded groups. Their views will also be considered in the design of the outreach campaign and enrollment strategy. Similarly, the SIN applications will incorporate citizen feedback in their design and functionalities. User satisfaction is measured as part of the project results framework. Moreover, the project also foresees the establishment of a grievance and redress mechanism and the enhancement of protocols to address complaints in addition to services to perform corrections of the biographic and biometric information recorded.

Climate Change

56.   **The project will contribute to the country´s climate adaptation efforts by improving its capacity to respond to natural disasters by expanding civil registry and ID systems coverage and enhancing interoperability with key**

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[17] See, for example, Honduras Early Childhood Education Improvement Project (P169161).
[18] The gender sensitiveness refers to specific measures and policies that could be implemented by the RNP to facilitate registration. For example, extend the civil registry business hours to enable women to register in time slots that work best for their needs, and ensure that the RNP includes women in its registry teams, and refurbish waiting areas in a children friendly way.

government management systems and social programs beneficiary registries. This would enable the quick roll-out of disaster and emergency relief programs by validating the identity and eligibility of potential beneficiaries in an efficient and reliable way. The development of digital authentication and verification services would also contribute to reduce the risk of exclusion of those individuals that might have lost their physical ID cards during a natural disaster or emergency. Similarly, the development of a digital signature would also contribute to reduce barriers to financial inclusion by facilitating access to financial services. This would be key to quickly deliver payments through the financial system in response to climate induced-shocks and to accelerate the recovery from natural disasters. The project will apply environmental management standards to ensure that any equipment purchased or ICT infrastructure upgrade use energy-efficient technologies and thus securing emission neutral investments.

Paris Alignment

57.   **The operation is aligned with the goals of the Paris Agreement on both mitigation and adaptation**.

58.   **Assessment and reduction of mitigation risks:** Project activities will have a negligible impact on GHG emissions and are not expected to have an adverse effect on Honduras's low-GHG-emissions development pathways. Activities such as digital infrastructure and digitization of services are considered "universally aligned" per Paris Alignment methodologies. Considering the latter, the mitigation risk is low.

59.   **Assessment and reduction of adaptation risks:** Main climate risks identified for the project are increased heat waves and more frequent and intense extreme weather events, such as hurricanes and storms, that will lead to floods and impact the capacity of systems to continue operating under such circumstances. To respond to such risks, the project will include resilience measures within the proposed information technologies that will be deployed including business continuity planning and disaster recovery protocols to minimize service disruptions and allow improved access to services to beneficiaries. In addition, the project will contribute to improve the country capacity to respond to natural disasters by expanding civil registry and ID systems coverage and enhancing interoperability with key government management systems and social programs beneficiary registries. This would enable the quick roll-out of disaster and emergency relief programs by validating the identity and eligibility of potential beneficiaries in an efficient and reliable way. The development of digital authentication and verification services would also contribute to reduce the risk of exclusion of those individuals that might have lost their physical ID cards during a natural disaster or emergency. Similarly, the development of a digital signature would also contribute to reduce barriers to financial inclusion by facilitating access to financial services. This would be key to quickly deliver payments through the financial system in response to climate induced-shocks and to accelerate the recovery from natural disasters. Considering the project mitigation measures, the adaptation risk is reduced to an acceptable level.

B. Fiduciary

(i) Financial Management

60.   **Overall, the proposed Financial Management (FM) arrangements are adequate to support project implementation, properly record all transactions and balances, implement adequate internal controls, support the preparation of regular and reliable project financial statements, safeguard the project's assets. The project will be subject to acceptable auditing arrangements.** Subject to the implementation of the action plan outlined below, the proposed FM arrangements are considered acceptable to the World Bank.

Table 1: FM Action Plan

Description of Action	Estimated date
A co-implementing UN Agency is hired for its implementation.	Within three months of effectiveness.
The RNP should create a Project Implementation Unit (PIU) within its organizational structure. Its staff must have at least; a project coordinator, a monitoring specialist, a financial management specialist,	Within three months of effectiveness.

procurement specialist, and environmental and social specialist hired to strengthen RNP´s capabilities, for the technical and financial monitoring required by the World Bank	
The RNP must prepare the project operational manual (POM) as a guide to carry out project activities.	Effectiveness condition.
RNP Budget for FY 2024 is approved by the Ministry of Finance (*Secretaría de Finanzas*, SEFIN).	December 31, 2023

(ii) Procurement

61. **Procurement will be carried out in accordance with the "World Bank Procurement Regulations for IPF Borrowers" revised in September 2023 ("Procurement Regulations").** In August 2023 the Bank evaluated the procurement capacity of RNP to implement the Project. This evaluation identified risks and proposed mitigating measures, which are detailed in the procurement section in Annex 1. A Procurement Plan covering at least the first 18 months of project implementation will be prepared. The Project Procurement Strategy for Development (PPSD) is being developed to support attainment of the PDO and deliver value for money under a risk-based approach. To that end, the PPSD will include a market analysis supporting the selection methods detailed in the Procurement Plan. Mandatory procurement prior review thresholds detailed in the World Bank Procurement Procedure, Annex 1 will be observed. All procurement procedures, including roles and responsibilities of different units will be defined in the POM.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

D. Environmental and Social

62. **The Environmental and Social Risk Clasification for this project is moderate, with the environmental and social risk rating being both moderate.** The project will not finance any civil works (neither new infrastructure nor retrofitting works). The key environmental risks and impacts are related to the generation of waste (particularly from the printing and plastification process of IDs), electronic waste (e-waste) as old electronics will be replaced, and also potential occupational health and safety hazards for the workforce. Potential negative impacts are expected to be negligible or minor, site-specific, temporary, and fully reversible. The project is expected to have mostly positive social impacts, in particular for groups currently excluded from registration processes and identification documentation. There is also an opportunity to increase access of People with Disabilities (PwD) to the national identification ecosystem in general. The key social risks include the limited capacity to reach certain stakeholders, such as IPAHs and rural households in remote areas, female heads of households, and migrants (including minors, internally displaced persons, asylum seekers, refugees). An omnichannel service model for civil registry and identification services is foreseen but needs to be further adapted to the specific requirements of vulnerable groups and IPAHs. The project will finance mobile brigades, these and municipal, RNP and partner institutions staff at the Health and Education Ministries serving as enrollment agents, will directly engage with stakeholders, including school-aged children resulting in SEA/SH risks; furthermore, these Brigades are accompanied by security personnel. The POM will include a specific protocol for security forces, as well as for the behavior of mobile brigades, municipal, RNP and partner institutions staff at the Health and Education Ministries serving as enrollment agents, for when engaging with stakeholders, especially schools-aged children (boys and girls) to mitigate for the potential risks of SEA/SH of the proposed activities under the project.

63. **The relevant ESF Standards are ESS1, 2, 3, 4, 7, and 10.** The staffing of the PIU will include one (1) full-time dedicated E&S specialist in order to ensure adequate management of E&S risks. The Borrower has prepared and disclosed a draft ESCP. The ESCP includes commitments related to the; (i) relevant elements of SEP; (ii) strengthening,

maintaining and monitoring a project grievance mechanism during project implementation; (iii) developing, socializing, maintaining and monitoring a separate grievance mechanism for project workers; (iv) presentation of reports on stakeholder consultation and engagement activities in each bi-annual report on E&S management and ESCP implementation; (v) provision of ESF-related training to project workers and stakeholders as relevant, including on SEA/SH, workers' codes of conduct and grievance mechanisms; (vi) OSH requirements; and (vii) waste management requirements. Additionally, relevant ESSs requirements will be addressed in the POM, as stated in the ESCP. The POM shall be submitted for the Association's non objection and is a condition for the start of the enrollment operations and mobilization of mobile brigades. Furthermore, the Borrower has prepared a draft Consultation Plan with required adaptations for IPAHs; this consultation plan will be finalized and disclosed by the Client prior to the start of the enrollment operations and mobilization of mobile brigades and can be updated by the Borrower during project implementation as needed. The Bank will carry out implementation support missions biannually to monitor progress, assess E&S performance of the Project, evaluate results, and resolve challenges.

V. GRIEVANCE REDRESS SERVICES

64. **Grievance Redress.** Communities and individuals who believe that are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit https://accountability.worldbank.org.

VI. KEY RISKS

65. **The overall residual risk rating is considered substantial.** The risks assessed as substantial are related to political and governance, technical design, institutional capacity for implementation and stakeholders.

66. **Political and Governance risk is substantial.** The project is well aligned with RNP Institutional Strategic Plan 2020-2024 and Government´s Plan. Although there is a substantial commitment from the current authorities at RNP, elections of new commissioners are scheduled to take place in September 2024. This can result in changes of government priorities that may affect project implementation. This risk will be mitigated by working with both senior and technical level staff at RNP and SEFIN to ensure ownership and sustainability during the transition period.

67. **Technical design risk is substantial.** The project comprises technically complex activities and involves sophisticated ICT technologies. Risks related to data collection and data protection are substantial, especially for biometric data collection of school-aged children. Data collection, storage and transmission must also be secure and trusted across the ecosystem. To mitigate these risks, the project will finance enhancements to the enabling legal and regulatory framework as well as technical experts who will advise the RNP on data protection measures. Similarly, the project comprises the implementation of data privacy impact assessments to address potential impacts of biometric data collection and processing, which combined with the strengthening of cybersecurity capabilities will help to ensure secure digital transactions and safeguard personal data.

68. **Institutional capacity for implementation risk is substantial.** The project will strengthen RNP technical and project management capacity which is currently limited. The roll-out of the enrollment and registry program will also

require strengthening the capacity of partner institutions staff at the Health and Education Ministries that will serve as partners. Additionally, implementation of the activities will require a dynamic flow of procurement processes. To mitigate these risks, the project envisions: (i) a comprehensive training program targeting enrollment staff to ensure that the processes are caried out in an effective, and friendly and gender-sensitive way, while keeping in mind protocols to overcome barriers to inclusion; and (ii) strengthening project management and fiduciary capacity building at RNP, with a dedicated team and a UN Agency as an agent for fiduciary, procurement, and assistance in the implementation of specific activities.

69.   **Stakeholder risk is substantial.** The project envisions the enrollment of school aged children and might face opposition from civil society groups that may have an adverse impact. To mitigate this risk, the project will strengthen the RNP´s capacity to effectively coordinate and liaise with stakeholders. The project also comprises the implementation of a change management strategy to facilitate implementation and overcome potential institutional resistance.

70.   **The overall FM risk rating is assessed as substantial.** The key FM risks that resulted in substantial risk rating to the PDO stemmed from; (i) RNP's lack of previous experience implementing World Bank-financed projects; and (ii) the need for a PIU to be created and its personnel to be trained on FM and disbursements aspects.

71.   **The following measures will mitigate the FM risks**: (i) a co-implementing UN Agency (as an agent for fiduciary, procurement, and assistance in the implementation of specific activities) will be hired for implementation; (ii) the RNP will hire qualified technical and FM staff that are experienced in the implementation of World Bank projects; (iii) FM personnel will undergo specific training on FM and disbursement procedures for World Bank-funded operations; (iv) close FM supervision will be carried out every six months during the first year of project implementation; (v) the POM will detail processes, clear roles and responsibilities; and (vi) an external audit firm will be hired under Terms of Reference (ToR) acceptable to the World Bank and following the International Standards on Auditing (ISAs). The auditors will be required to issue an opinion on the project's annual financial statements and produce a management letter, where any internal control weaknesses will be identified, contributing to the strengthening of the control environment. The FM risk will be reassessed upon the implementation of said actions. Annex 1 contains a description of the risk assessment matrix and proposed detailed financial management arrangements.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Honduras
Strengthening Honduras' National Civil Registry and Identification Ecosystem Project

Project Development Objectives(s)

To strengthen Honduras´s national civil registry and ID ecosystem by improving the birth registration process and identification of minors and enabling access of all individuals to public and private services.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
Strengthen Civil Registry					
Children between 0 and 6 months of age whose births have been registered (Percentage)		95.00	96.00	97.00	97.00
Strengthen Identification					
Population between 6 and 17 years old issued with the minors' identification card (Number)		0.00	910,000.00	1,300,000.00	1,300,000.00
Girls in rural areas between 6 and 17 years old issued with the minors' identification card (Percentage)		0.00	65.00	90.00	90.00
Facilitate access to services					
Digital verification and authentication transactions provided to institutions		470,000.00	590,000.00	705,000.00	1,000,000.00

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	**2**	
(Number)					
Digital verification and authentication transactions provided to public sector institutions (Number)		117,000.00	147,000.00	175,500.00	306,000.00
Digital verification and authentication transactions provided to private sector institutions (Number)		353,000.00	443,000.00	529,500.00	694,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	**2**	
Improvement of civil registration and minors' identification coverage					
Persons trained to enroll children in the civil birth registry and the minors' identification card (Number)		0.00	1,000.00	1,250.00	1,500.00
Newborn registration processes improved (Percentage)		0.00	100.00	100.00	100.00
Children with disabilities issued with the minors' identification card (Number)		0.00	15,400.00	22,000.00	22,000.00
Modernizing civil registration and digital identification services					
Administrative services redesigned and automated (Number)		0.00	0.00	25.00	50.00
RNP App rating improved (Number)		1.90	2.50	3.00	3.50
Queries or complaints satisfactorily resolved through the new grievance and redress mechanism (Percentage)		0.00	60.00	65.00	70.00

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	**2**	
Self-service kiosks installed and in operation (Number)		5.00	5.00	15.00	20.00
Strengthening the institutional capacity of the National Registry of Persons					
Manuals issued to strengthen RPN regulatory and operational framework (Number)		0.00	2.00	3.00	3.00
Awareness campaigns produced targeting mothers of minors (Number)		0.00	1.00	2.00	2.00
Security Operations Center designed (Yes/No)		No	No	Yes	Yes
RNP staff and individuals satisfied with the training program (Percentage)		0.00	0.00	60.00	75.00

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Children between 0 and 6 months of age whose births have been registered	Percentage of children between 0 and 6 months of age who have been issued a birth certificate through the new automated registration process out of the total number of children between 0 and 6 months who were born alive.	Annual	RNP administrative data	Administrative data based on the new automated birth registration process, combined with vital birth statistics.	RNP Civil Registry & IT Departments

Population between 6 and 17 years old issued with the minors' identification card	Number of children between 6 and 17 years old who were issued a minors' identification card	Biannual	RNP administrativ e data	Administrative data based on the National Identification System, combined with population statistics. Targets are cumulative.	RNP Civil Registry & Identification & IT Departments
Girls in rural areas between 6 and 17 years old issued with the minors' identification card	Percentage of girls in rural areas between 6 and 17 years old who were issued a minor identification card out of the total number of girls in rural areas between 6 and 17 years old targeted by the project for each year. Based on the urban/rural definition of the Honduran National Statistics Institute.	Biannual	RNP administrativ e data	Administrative data based on the National Identification System, combined with population statistics.	RNP Civil Registry & Identification & IT Departments
Digital verification and authentication transactions provided to institutions	Number of ID verification and authentication transactions provided to institutions during the year. Transactions from the entire portfolio of ID verification and authentication services are considered.	Biannual	RNP administrativ e data	Administrative data based on PIU reports. Targets are cumulative.	RNP IT Department
Digital verification and authentication transactions provided to public sector institutions	Number of ID verification and authentication transactions provided to public sector institutions during the year. Transactions from the entire	Biannual	RNP administrativ e data	Administrative data based on PIU reports. Targets are cumulative.	RNP IT Department

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
	portfolio of ID verification and authentication services are considered.				
Digital verification and authentication transactions provided to private sector institutions	Number of ID verification and authentication transactions provided to private sector institutions during the year. Transactions from the entire portfolio of ID verification and authentication services are considered.	Biannual	RNP administrative data	Administrative data based on PIU reports. Targets are cumulative.	RNP IT Department

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Persons trained to enroll children in the civil birth registry and the minors' identification card	Number of RNP and stakeholders' staff trained to support the civil birth registry and minors' ID card enrollment processes. Training includes registration promoter certification. This information will be disaggregated by institution and gender.	Biannual	RNP administrative data	Administrative data aggregated by the PIU based on Training & Civil Registry & Identification Departments' reports. Targets are cumulative.	RNP Training & Civil Registry & Identification Departments
Newborn registration processes improved	Progress in automating the requirements of the birth registration process.	Annual	RNP administrative data	Administrative data based on PIU reports. Automated means that	RNP Civil Registry & IT Departments

				the process will be digitally transformed, except for those steps that justifiably must be carried out in person. Targets are cumulative.	
Children with disabilities issued with the minors' identification card	Number of children with disabilities issued with the minors' ID card.	Biannual	RNP administrative data	Administrative data based on PIU reports. Targets are cumulative	RNP Identification Department
Administrative services redesigned and automated	Number of administrative services that have been redesigned and automated under the project.	Biannual	RNP administrative data	Administrative data aggregated by the PIU. External verification based on reports. Administrative services that will be selected are those that: (a) are targeted to citizens and businesses; (b) are most in demand. Targets are cumulative.	RNP Technical Advisory and Institutional Development Department
RNP App rating improved	App average rating by users in stores where it is available for download.	Annual	App stores	Administrative data based on app stores ratings.	RNP IT Department
Queries or complaints satisfactorily resolved through the new grievance and redress mechanism	Percentage of queries or complaints satisfactorily resolved through the new grievance mechanism out of the total number of queries	Biannual	RNP administrative data	Administrative data based on the new grievance mechanism. A mechanism will be implemented to close	RNP Customer Service Department

	or complaints received and rated by the petitioners.			the feedback loop based on citizen satisfaction with the response to their queries or complaints. The outputs will be circled back and used as inputs to improve services. The methodology will be developed during project implementation.	
Self-service kiosks installed and in operation	Number of self-service kiosks installed and in operation. The information will be disaggregated by location.	Biannual	RNP administrative data	Administrative data based on PIU reports. Targets are cumulative.	RNP IT Department
Manuals issued to strengthen RPN regulatory and operational framework	Number of manuals issued related to the provision of ID verification and authentication services, and risk mitigation of exclusion in birth registry process and minor enrollment flow.	Annual	RNP administrative data	Administrative data based on PIU reports. Targets are cumulative	RNP Technical Advisory and Institutional Development Department
Awareness campaigns produced targeting mothers of minors	Number of communication campaigns targeting mothers of minors to raise awareness of the new birth registration and minors' identification processes.	Annual	RNP administrative data	Administrative data based on PIU reports. Targets are cumulative.	RNP Public Relations Department

|				
Security Operations Center designed	Security Operations Center designed to monitor, detect, investigate, and respond to data breaches and cyber threats and attacks.	Annual	RNP administrative data	Administrative data based on PIU reports. Targets are cumulative.	RNP IT Department
RNP staff and individuals satisfied with the training program	Percentage of RNP staff and individuals satisfied with training programs out of the total number of trainees who rated the trainings.	Annual	RNP administrative data	A mechanism will be implemented for participants to rate training based on a scale of five, where satisfied is anyone who reaches at least three.	RNP HR & Customer Service Departments

COUNTRY: Honduras
Strengthening Honduras' National Civil Registry and Identification Ecosystem

Implementation arrangements

1.   Due to RNP's limited experience and capacity to implement the project, the hiring of an external co-implementing agency will be required to implement the biggest portion of the project activities. A UN Agency will be engaged for this task (most likely the UNPDP as it has previous experience working with RNP). The UN Agency will act as co-implementing agent for fiduciary, procurement, and assistance in the implementation of specific activities, rendering procurement services and would also be responsible for managing payments to contractors.

2.   **Indirect financing is expected to be used for the operational engagement with a UN Agency.** Indirect financing follows the standard Bank business model, where the legal/financing agreement is signed between the Bank and the Borrower. In accordance with the 2016 Procurement Framework, Borrowers may engage a variety of UN agencies on a single source basis subject to best-fit-for-purpose justification and value-added proposition through Bank-approved Standard Forms of Agreement (SFA) for UN agencies[19] (including the UNDP). Refer to the below image for an overview of the operational engagement with a UN Agency.

Figure 4. Implementation arrangements
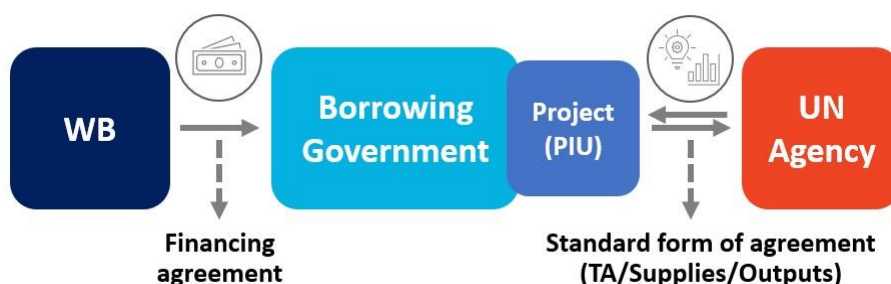
3.   **Even though the main project activities will be carried out by a UN Agency as co-implementing agency under an SFA, there are other activities that would be carried out by the RNP, such as i) enter into an agreement with the UN Agency, ii) payments management iii) elaboration of project progress reports, iv) and iv) minor procurement activities that are yet to be defined.** To execute these activities, RNP should create a Project Implementation Unit (PIU) within its organizational structure, which will be supported by consultants as needed. The PIU would be comprised of a project coordinator, a monitoring and evaluation specialist, a procurement specialist, an Environmental and Social (E&S) specialist to ensure adequate management of E&S risks, and a financial management specialist, to strengthen RNP´s capabilities, for the technical and financial monitoring reports required by the World Bank. The PIU will be also responsible for projects' cash management and treasury operations including disbursement from the credit account and payments of project-eligible expenditures, maintaining project accounting records, and preparing periodic financial reporting of project activities, and coordinating external auditing arrangements.

4.   **Use of country systems PFM for project implementation.** The implementation of the project will continue to rely on Honduras country public financial management systems for budgeting purposes including the Procedures established for Project Implementation Units PIUs (UAPs) as per provisions of, the Budget Organic Law.

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[19] Indirect Financing. Operational Engagement of UN Agencies – Operational Policy Country Engagement (OPSC) Policy World Bank Group.

Procurement

5.	**Procurement will be carried out in accordance with the "World Bank Procurement Regulations for IPF Borrowers" ("Procurement Regulations") revised in September 2023.** The proposed Project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006 (revised January 2011 and July 1, 2016). The proposed Project will use the Systematic Tracking of Exchanges in Procurement (STEP) to plan, record, and track procurement transactions. A Procurement Plan covering at least the first 18 months of project implementation is being prepared. The Project Procurement Strategy for Development (PPSD) is being developed to support attainment of the PDO and deliver value for money under a risk-based approach. To that end, the PPSD will include a market analysis supporting the selection methods detailed in the Procurement Plan. Mandatory procurement prior review thresholds detailed in the World Bank Procurement Procedure, Annex I will be observed. All procurement procedures, including roles and responsibilities of different units and interaction with the audit board, will be defined within the POM. The POM will also detail the procedures to be used for the procurement.

6.	**The WB completed a capacity assessment of the PIU:** The Bank evaluated the procurement capacity of RNP to implement the Project. RNP was created in 2004 by Decree No.62-2004, as an autonomous government agency. In 2018, Decree No.103-2018 authorized the intervention of RNP. Later, in 2019, Decree 88-2019 appointed the Commissioners which are currently leading RNP. Since then, RNP has been subject to a restructuring process. In 2019 the Central American Bank for Economic Integration (CABEI) approved a loan for the *Identifícate* project, implemented by RNP, given capacity constraints UNDP was hired as the implementing agency for this Project. RNP has not implemented donor funded projects independently, as UNDP was responsible for all financial management and procurement. RNP is in the process of developing internal procedures related to procurement, the agency follows the provisions of the national procurement law. Their experience is limited to small procurement activities following national procurement procedures. RNP has very limited procurement staff and this staff is trained in the national procurement procedures and legislation. RNP shall follow the provisions of the Procurement Regulations for all WB funded activities. Since RNP continues to have limited experience and capacity to implement the Project, it is recommended that a UN Agency is hired as an agent to support fiduciary, procurement, and assistance in the implementation of specific activities. Based on discussions with RNP, ideally UNDP should be hired as agent for the implementation of the Project, given their previous experience with the *Identifícate* project.

Procurement Plan

7.	In accordance with paragraph 5.9 of the World Bank Procurement Regulations of July 1, 2016 (revised September 2023) the WB Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project. The Borrower will prepare the Procurement Plan in accordance with the results provided by the PPSD. A summary of the PPSD will include a recommended procurement approach for higher risk/value contracts; see Table 3 at the end of this annex.

Civil works

8.	The project will not finance civil works.

Engaging UN Agencies

9.	With the approval and No Objection from the Bank, RNP may directly hire a UN Agency, in accordance with 6.47 of Section VI of the Procurement Regulations. As per 6.48, when entering a contract with a UN Agency, the Borrower shall use a standard form of agreement between the Borrower and the UN Agency, or a case-specific template approved by the Bank.

Goods

10.	Goods to be financed under this project will include purchase of laptops, scanners, materials to print IDs, IT equipment, IT software and hardware, among others.

Non-consulting services

11.   The project will finance non-consulting services such as the implementation of communication campaigns, printing of materials, among others.

Selection of consulting services

12.   Consulting services to be financed under the project will include technical assistance, M&E services, financial audits, among other services.

 Standard Procurement Documents:

13.   Standard Procurement Documents shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in STEP. For bidding processes using a national market approach, bidding document and requests for quotations documents will be agreed upon with the WB at Negotiations.

Operating costs

14.   Operating costs refer to incremental expenses incurred on account of Project implementation, consisting of, communication costs, office supplies and maintenance, equipment maintenance, utilities, document duplication/printing, non-durable goods, office rental, parking lot rental, transportation costs, maintenance and repair of vehicles, fuel, travel cost and per diem for Project staff for travel linked to the implementation of the Project (but excluding salaries of officials of the Recipient's civil service).

Procurement Risk and mitigation measures

15.   The main risks identified at this stage for procurement include: (i) RNP has very limited procurement capacity and don't have any previous experience implementing World Bank funded projects; (ii) the Project will include large and complex procurement activities, targeted to specific markets that will also require development of innovative and complex Technical Specifications and Terms of References; and (iii) there is a risk that RNP is not sufficiently involved in the decision making processes and does not have sufficient access to procurement records. These risks will be mitigated by: (i) that the hiring of a UN Agency to handle all procurement processes and contract management under the Project; (ii) since UNDP already implemented a similar project with positive results, knows the market and supply chains and has an ongoing working relationship with RNP, it would be advisable to hire UNDP as an agent for fiduciary, procurement and assistance in the implementation of specific activities. The World Bank will also provide support developing Technical Specifications and Terms of Reference, to ensure the best technical solutions are procured under the Project; (iii) to help strengthen RNP procurement capacity and their involvement in the implementation of the Project by the UN Agency, it is recommended that a small PIU is created, including a Procurement Specialist, to follow up on procurement processes, lease with the UN Agency and keep procurement records; (iv) performing targeted market analysis to identify potential providers/contractors for goods and services. Procurement risk is High, following the mitigating measures listed above the Procurement Risk may be consider as Substantial.

Frequency of procurement supervision

16.   In addition to prior review supervision, the WB will perform post-review missions annually with a sample of at least 20 percent of contracts.

Sustainable Procurement and Gender Equality in Project's Procurement

17.   The project will pay consideration to the application of measures to support sustainable procurement and gender equality in all project's procurement.

Cybersecurity

18.   The project will observe the WB Procurement Cybersecurity Guidance, which is mandatory in all procurement process. Request for Proposal and Rated Criteria must be used in all IT procurements and those procurements that have a significant cyber security risk associated with a component of the project. The guidance should be applied in conjunction with the Bank's Procurement Regulations and other guidance documents such as project Procurement Strategy for Development, Value for Money, and Contract Management. RNP must include cyber security risks in

applicable procurement documents which include invitation for bids, instruction to bidders and qualification requirements, among others. These provisions must be included in procurement documents for both international as well as national competitive procurements, and any direct selection/direct contracting within scope.

Financial Management

19.   The Bank carried out a virtual Financial Management Assessment (FMA)[20] on August 14 and August 31, 2023, of the adequacy of the Financial Management (FM) arrangements proposed by the RNP, a government agency with technical, financial, and administrative autonomy, to implement the project. In addition, it is envisaged that a UN Agency will be engaged to provide technical assistance for project implementation. The provisions of the Financial Management Framework Agreement (FMFA) between UN Agencies (including UNDP) and the World Bank related to financial management, audit, and fraud and corruption prevention, will apply.

Proposed Overall FM Arrangements

20.   The scope of the FM assessment included: (i) an evaluation of the FM arrangements proposed by the RNP to be used for project implementation, including budgeting, accounting, and financial reporting; (ii) a review of the existing project staffing; (iii) a review of the internal control mechanisms in place; and (iv) review of the proposed internal and external audit arrangements.

Staffing

21.   The RNP-PIU should hire at least the following key staff: (i) the RNP-PIU Coordinator; (ii) a financial management specialist (iii) a procurement specialist; (iv) a monitoring and evaluation specialist; and (v) an environmental and social specialist.

Planning, Budgeting, and Accounting

22.   The RNP-PIU, with the support of a full-time financial management staff, will be responsible for preparing and monitoring the annual operating plan and the respective budget, the latter integrated into the annual budget law. The Project's budgeting and accounting transactions will be processed through SIAFI/UEPEX, the Government's official financial management information system. The SIAFI/UEPEX accounting structure captures data of each project by component and subcomponent. All payments will follow the official commitment, verification, and payment routine. SIAFI/UEPEX information will be the basis for preparing the project's Interim Unaudited Financial Reports (IFR) and monitoring physical project progress and contract management. In addition to the IFRs prepared by the RNP-PIU, the UN Agency should also prepare biannual IFRs to monitor financial progress and project execution. The RNP should send this information to the Bank, along with the IFRS prepared by the RNP-PIU.

Internal Controls

23.   A Project Operations Manual (POM) including a chapter on Financial Management should be developed by RNP. The POM will also include the specific roles and responsibilities of RNP-PIU regarding reporting and auditing (i.e., RNP's obligation to promptly provide information on physical progress for the IFRs, as well as to collaborate with the auditors and provide them the required information in due manner).

24.   In addition, the SIAFI/UEPEX system features in-built controls that help to ensure that transactions are properly authorized and that payments are made only for due circumstances (i.e., after confirmation that goods are received and accepted and, services are rendered). All transaction processing uses the country's institutions, processes, and systems, that provide for the segregation of duties, supervision, quality control reviews, and reconciliations.

Flow of Funds and Disbursement Arrangements

25.   The proposed fund's flow and disbursement arrangements are streamlined within the Project to facilitate implementation, avoid unnecessary incremental operational arrangements, and rely on the existing country systems.

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[20]In accordance with *Bank Policy – Investment Project Financing* and Financing. and the *Financial Management Manual for World Bank Investment Project Financing Operations* (effective March 1, 2010, and revised September 7, 2021).

26. The disbursement of funds will be processed by Bank's procedures as stipulated in the Legal Agreement and Disbursement and Financial Information Letter (DFIL) and provisions of the Disbursement Handbook for United Nations Commitments as applicable.

27. Disbursement methods to be used by RNP activities include (a) reimbursement and (b) direct payment. The advance method of disbursements is suspended for operations in pipeline or preparation in Honduras until further notice; hence, only reimbursements and direct payments are allowed for now. Once this restriction is lifted, the advance method may be considered. The supporting documents and format of the Statement of Expenditures (SoE) will be reflected in the DFIL. All SoEs will be maintained for post-review and audit purposes for up to three years after the final withdrawal from the grant account. Withdrawal Applications and necessary supporting documentation will be submitted to the Bank electronically through the Client Connection system.

28. The disbursement method for the UN Agency will follow the standard disbursement mechanism for United Nations Commitments[21]. Payments to UN Agencies (including UNDP) may be made through UN Advances (with or without a UN Commitment) disbursement mechanism. In case of a contract with a UN Agency requiring a UN Commitment, an application for issuance of UN Commitment is to be submitted by the Recipient, through SAG. Subsequent payments and documentation of expenditures under the contract must be made in accordance with the Commitment letter to be issued by the Association and the contract between the Recipient/Borrower and the UN Agency. These payments are referred to as UN advances.

Figure 5. Flow of Funds for RNP activities
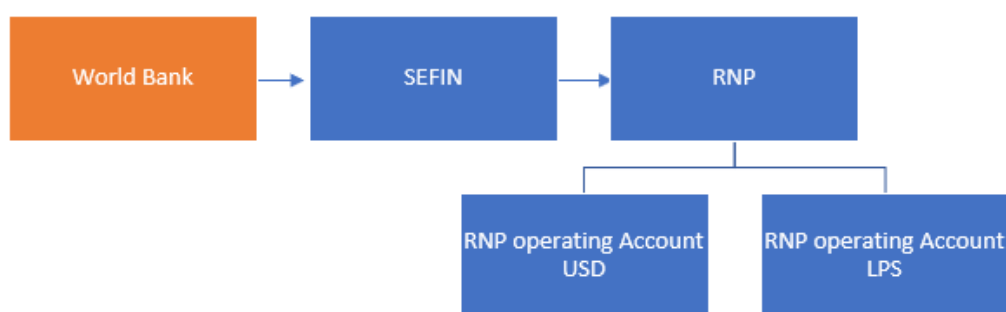
Financial Reporting

29. The budget and accounting for the project will be incorporated in the RNP annual budget and managed through SIAFI/UEPEX, the Government's official financial management information system. The SIAFI/UEPEX accounting structure captures the information by Project component and subcomponent. The project's Interim Financial Reports (IFRs) will be produced from SIAFI/UEPEX.

30. The RNP-PIU will submit semi-annual IFRs (June 30 and December 31), within 45 days after the end of the reported semester, including consolidated financial information of the entire project, in the format and content agreed with the Bank in the Disbursement and Financial Information Letter (DFIL). In addition, on an annual basis, the RNP will prepare project financial statements, including cumulative figures, for the year and as of the end of the fiscal year. An external, independent, private audit firm, acceptable to the WB, will be contracted by RNP for the entire life of the Project no later than six months after the Credit's effectiveness.

31. The RNP-PIU should retain all records (contracts, orders, invoices, bills, receipts, and other documents), evidencing expenditures under their respective parts of the Project until the latter of: (i) one year after the Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Loan Account was made; or (ii) two years after the Closing Date. The RNP-PIU shall enable the Bank 's representatives to examine such records, whichever comes later.

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[21] Disbursement Handbook. Section 4.3.1 United Nations Commitments

Auditing

RNP-PIU

32.	The external audit of the project will be undertaken by a private audit firm, to be selected following Terms of Reference (TOR) acceptable to the Bank and following the International Standards on Auditing (ISAs). The auditors will be required to issue an opinion on the Project's annual financial statements and produce a management letter, where any internal control weaknesses will be identified, contributing to the strengthening of the control environment. The audited Financial Statement must be submitted to the Bank no later than six months after the end of the audited period.

Progress Financial Reports for the UN Agency (including UNDP)

33.	The UN Agency shall submit project reports following provisions of Annex III to the Form of Standard Agreement (FSA) as follows:

(a)	Progress Report: each report submitted on a biannual basis shall include: (i) a narrative and financial summary of the status of activities to demonstrate the progress towards the Outputs and the linkage between the payments made under this Agreement and the deliverables as set out in Annex I; and (ii) an interim financial report on the use of funds following the UN Agency's Statement of Project Expenditures by Output[22]; and (iii) the Payment Request for the next installment signed by an authorized UN Partner staff in charge of execution of the Agreement.

(b)	The final Progress Report upon Completion or Early Termination shall include a consolidated financial summary on the use of funds for Outputs set forth in the contract agreement.

(c)	Upon Completion or Early Termination, the UN Agency will also provide the Final Financial Statement issued by the UN Agency´s Office of Financial Resources Management. The Final Financial Statement will be issued within three (3) months of the Completion Date. The Parties shall plan accordingly in the Work Plan established in the contract.

Audits under the UN Agency

34.	The UN Agency will provide to the RNP an annual financial statement of account (in USD) certified by the UN Agency's Chief Financial Officer or authorized staff, showing the income and expenditures of the contract. The financial statement is expected to be submitted within the period set out in the RNP-UN contract. In line with the UN Single Audit Principle, a UN Agency can only be audited by an external auditor, appointed under UN rules and regulations. The RNP should submit to the Bank the Audit Financial Statement provided by the co-implementing agency.

FM Supervision during implementation

35.	To monitor the proposed Project's FM arrangements, the Bank will conduct at least two on-site FM supervision missions per year and carry out desk reviews of IFRs and annual audited financial statements in accordance with the assessed FM risk. FM supervision scope will include, among others: (i) review of IFRs; (ii) review of the auditors' reports and follow-up of issues raised by auditors in their management letters, as appropriate; (iii), follow-up on any financial reporting and disbursement issues; (iv) respond to Project team's questions, and (v) update of the FM risk and performance rating in the Implementation Status and Results Report (ISR). FM supervision intensity will be later calibrated based on project FM performance and assessed risk.

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[22] The *Statement of Project Expenditures by Output* will reflect the information of the *UN Agency Combined Delivery Report (CDR)* and the *UN Agency Interim Donor Report (IDR)*.

Table 4: FM Risk Assessment Matrix

Risk	Risk rating	Risk mitigation measures
Staffing	S	At least two FM personnel; a Financial Specialist and an Accountant Official should be hired to support the RNP-PIU.
Budget	S	The RNP-PIU, with the support of dedicated financial staff for the project, will be responsible for preparing and monitoring the annual operating plan and the respective budget.
Accounting and Financial Reporting	M	SIAFI/UEPEX information systems will be the basis for preparing Project's Interim Unaudited Financial Reports (IFRs) and monitoring physical Project progress and contract management. The Bank evaluated the robustness of SIAFI/UEPEX and concluded that it can provide financial information for the purposes of supporting the Bank-financed Project.
Internal Controls	S	The RNP is regulated by the budget law of Honduras and the New Integrated Financial Management System (SIAFI). Compliant with these Government of Honduras (GoH) regulations, the RNP-PIU requires a centralized Operational Manual to regulate its operations.
Flow of Funds	M	The disbursement of funds will be processed by Bank's procedures as stipulated in the existing Legal Agreements and Disbursement and Financial Information Letters for the project. Withdrawal Applications and necessary supporting documentation will be submitted to the Bank electronically through the Client Connection system.
Auditing	**S**	The external audit will be undertaken by private external audit firms, to be selected following agreed Terms of Reference (TOR) acceptable to the Bank, and in accordance with International Standards on Auditing (ISAs). The audits will follow the schedule agreed upon at appraisal and follow the exceptions endorsed by the financial management practice manager of the Bank.

COUNTRY: Honduras
Strengthening Honduras' National Civil Registry and Identification Ecosystem

1.   **The project is expected to have significant net positive economic benefits.** While the project encompasses various benefits through its components, due to data limitations and some benefits being inherently unmeasurable, the cost-benefit analysis focuses on the key quantifiable ones. The results of the cost-benefit analysis show positive Internal Rate of Return (IRR) and Net Present Value (NPV). Under the baseline scenario, the estimated 10-year IRR is 24.4 percent, with benefits from investments having a NPV of $37.7 million, figures aligned with those calculated for comparable projects within the country.[23] The main monetized benefits arise from: (i) Increased revenue from the provision of ID authentication/verification services driven by an enhanced system (ii) increase in public spending efficiency in social assistance provision from reducing authentication and inclusion errors; and (iii) efficiency gains from the modernization and automation of registry processes. The project's costs contemplate investments financed through the World Bank, including operational costs[24] and costs associated with nonquantifiable activities. Net benefits were calculated through comparison of "with" and "without" project scenarios. The project is implemented over a 3-year period and economic benefits and costs are in constant 2023 prices. Assumptions used are summarized in Table 1 while cash flow estimated and results for the baseline scenario analysis are presented in Table 2.

2.   **Strengthening the National Identification System (SIN) is expected to result in a more efficient and secure infrastructure for identity verification and authentication.** By enhancing RNP's capacity to deliver civil registration and ID services, refining the system's architecture, and developing more advanced registration, ID verification, and authentication protocols, combined with heightened privacy and enhanced cybersecurity measures, RNP's service offerings are expected to expand. Upgrading the registry process to create a more interconnected and reliable identification system will bolster the system's credibility. This enhanced trust is expected to drive a rise in demand for identity verification and authentication services. With increased trust, a surge in demand for identity verification and authentication services is foreseen. This heightened demand, coupled with more efficient operations, holds the potential to increase revenues for RNP, as more public and private entities, as well as individuals, will seek to utilize these enhanced services. The baseline scenario assumes that 18 public entities, with which RNP is currently in discussions, will become clients of RNP at the end of 2024. This would be possible because of the support in the development of manuals and protocols envisaged in this project. This will not only increase the number of identity verification and authentication transactions but will also allow RNP to charge a fee for these services (currently the RNP is not charging these 18 public institutions when providing them services). The fee and the number of public institutions consulting RNP are assumed to remain constant from the first year onwards. Regarding the private sector, the assumptions of the base scenario are based on RNP's objective to reach 700 private institutions demanding services by the end of 2033.

3.   **Leakages results from transfers made to incorrect recipients (authentication errors), and from duplications and inclusion of fake or ineligible beneficiaries in program registers (inclusion errors).** A 2020 World Bank research concluded that Honduras still struggles with fundamental data inaccuracy despite improvements in birth registration and ID coverage. Individual uniqueness assurance is challenged by the fragmentation of the system and database discrepancies brought on by the cohabitation of multiple agencies' duplicate databases, which makes authentication and ID verification less effective and prone to mistakes. The project aims to enhance the National Identification System (SIN) by designing an RNP enterprise architecture and developing civil registration, ID verification, and authentication services, considering various mechanisms and trust levels contributing to confirming the identity and eligibility of potential beneficiaries. As a result, savings on public expenditure are anticipated. Global experience from several LAC countries demonstrates that these errors typically account for at least 5 percent of the total value of the benefits provided (World Bank, 2021). For instance, data for Mexico and Turkey[25] indicates that 16 and 10 percent of benefits were flagged as duplicates, respectively. In terms of savings, evidence

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[23] See, for example, Honduras Early Childhood Education Improvement Project (P169161).
[24] It is anticipated that the project activities will alleviate RNP's operational costs, and upon conclusion, the infrastructure developed for the recent *'Identificate'* program will enable RNP to sustain these expenses.
[25] Turkey's integrated social assistance system http://documents.worldbank.org/curated/en/515231530005107572/Turkey-s-integrated-social-assistance-system.

from Pakistan reveals that the use of a unique identity database prevented multiple registrations in cash grants program launched after the 2010 floods, saving an estimated $248 million by identifying 1.1 million ineligible or duplicate applicants (Hakeem, 2010)[26]. The baseline scenario for this cost-benefit analysis assumes that the project will reduce these errors by 50 percent, resulting in savings from the nation's social assistance spending.

4.   **The modernization and automation of administrative procedures provide a further possibility for reducing public spending.** The project aims to streamline and expand the documentation for live births up to 6 months by developing a registry platform, providing necessary equipment, and enhancing the overall process through capacity building, aiming to ensure timely child registrations at birth in both public and private hospitals. The system's enhanced task automation, integration, and interoperability may lead to several processes becoming more efficient, providing an addition opportunity for public savings. Beyond operational efficiency, modern and automated registry processes can lead to significant savings for citizens by reducing transaction costs, including time, transportation, and opportunity costs. For instance, a World Bank study found that in Morocco, establishing a single register to streamline beneficiary identification for the major social programs of the nation would save each household an estimated two hours of work at minimum wage each year (Angel-Urdinola et. al, 2014). A cost-benefit study of a pioneering e-government site in Korea predicted that direct and indirect benefits to people would total US$890 million because of less paper paperwork and reduced transportation and time expenses (Joon Song et al. 2016). For this economic analysis, the benefits of this intervention, expressed in monetary terms, derive from the savings on administrative costs calculated as the reduction in the time a public employee spends on registering a newborn. With the modernization explained above, it is projected to decrease from 7 to 5 minutes, signaling an efficiency improvement of approximately 28.57%.

Table 1: Assumptions used for economic analysis.

Parameters	Assumption	Value	Unit
Baseline Scenario			
Period considered	10-year	2024-2033	Year
Exchange rate	Source: Bloomberg	24.73	USD/HNL
Social Discount Factor	Aligned with other World Bank projects for Honduras during the same implementation period.[27]	8	Percentage
Increased revenue from the provision of ID authentication/verification services			
Public Institutions requesting ID services in 2023	Information provided by RNP	3	Number
Public Institutions requesting ID services with the project (2024 to 2033)	After adding 18 public institutions in the project's first year, it's assumed the number remains constant.	21	Number
Private Institutions requesting ID services in 2023	Information provided by RNP	21	Number
Private Institutions requesting ID services with the project (2033)	RNP's estimated number of private institutions expected to be serviced after 10 years	700	Number
Fees (Average at 2023)	Values of the fees are assumed to remain constant over the period considered	0.96 million	HNL
Increase in public spending efficiency in social assistance			
Benefits start year	1 year of implementation before benefits	2025	Year
Social Assistance Expenditure	World Bank's ASPIRE Database (2018)	0.3	Percentage of GDP
Inclusion errors	International evidence[28]	5	Percentage
Expected (yearly) reduction		0.5	Percentage
Modernization and automation of administrative processes			
Benefits start year	2 years of implementation before benefits	2026	Year
Monthly salary for RNP workers		21,500	HNL
Duration of the registration process for a newborn in RNP (2023)	Estimation based on information provided by RNP	7	Minutes
Number of registrations per month		424	Number
Duration of the registration process for a newborn in RNP with the project		5	Minutes
Expected number of registered newborns by year	(Percentage of registered newborns Honduras[29])*(Projected births by year[30])		Number

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[26] Pakistan's government reported that biometric authentication of Watan card beneficiaries saved around PKR 639 million by preventing 31,947 attempts at impersonation.

[27] For example, *Honduras Early Childhood Education Improvement Project (P169161)* with an implementation period from 2020 to 2025 and a similar total project cost.

[28] World Bank (2021) Toward a World-Class Labor Market Information System for Indonesia: An Assessment of the System Managed by the Indonesian Ministry of Manpower. Washington, D.C.

[29] UNICEF Honduras (2019).

[30] INE (2013) *Honduras: Proyecciones de Población 2013-2050*. Retrieved from:
https://www.ine.gob.hn/publicaciones/Censos/Censo_2013/09Tomo-IX-Proyecciones-de-Poblacion/Cuadros%20xls/1.pdf.

Table 2: Baseline Scenario

Key assumptions:
- **Annual revenue growth rate = 41% (721 institutions by 2033)**
- **Inclusion and duplication errors = 2.5%**
- **Birth registration time = 5 minutes**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Benefits										
Increased revenue from the provision of ID authentication/verification services	$ 930,953.11	$ 1,894,278.92	$ 3,112,718.54	$ 4,715,846.87	$ 6,404,095.26	$ 8,627,533.71	$ 11,555,822.33	$ 15,412,405.01	$ 20,491,559.40	$ 27,180,851.81
Increase in public spending efficiency in social assistance		$ 2,637,448.58	$ 2,729,759.28	$ 2,825,300.86	$ 2,924,186.39	$ 3,026,532.91	$ 3,132,461.56	$ 3,242,097.72	$ 3,355,571.14	$ 3,473,016.13
Modernization and automation of administrative processes			$ 32,478.48	$ 32,522.12	$ 32,524.49	$ 32,487.30	$ 32,415.29	$ 32,493.98	$ 32,563.38	$ 32,627.16
Total Benefits	$ 930,953.11	$ 4,531,727.50	$ 5,874,956.30	$ 7,573,669.85	$ 9,360,806.13	$ 11,686,553.92	$ 14,720,699.18	$ 18,686,996.70	$ 23,879,693.91	$ 30,686,495.10
Costs										
Improved coverage of civil registration and identification of minors	$ 15,434,060.00	$ 4,776,240.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Modernization of civil registry and digital identification services.	$ 5,498,400.00	$ 1,745,000.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Strengthening RNP capacity	$ 2,882,110.00	$ 8,642,110.00	$ 1,022,080.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Costs	$ 23,814,570.00	$ 15,163,350.00	$ 1,022,080.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Cash Flow	$ (22,883,616.89)	$ (10,631,622.50)	$ 4,852,876.30	$ 7,573,669.85	$ 9,360,806.13	$ 11,686,553.92	$ 14,720,699.18	$ 18,686,996.70	$ 23,879,693.91	$ 30,686,495.10

Social Discount Factor	6.00%	8.00%	10.00%	12.00%
Net Present Value	$47,040,790.01	$37,696,091.31	$29,868,244.14	$23,290,213.59
Cost-Benefit Ratio	2.28	2.05	1.85	1.68
Internal Rate of Return	24.37%			

5.   **The sensitivity analysis results confirm that the project holds positive NPV and IRR across different scenarios, including under combined conservative assumptions (stress test).** Table 2 highlights the resilience of the intervention's NPV and IRR, as they remain positive across several social discount rates (6, 10, and 12 percent). Furthermore, even when combining multiple conservative assumptions, such as an annual revenue growth rate reduced by 10 percentage points (equivalent to RPN providing services only to an additional 337 institutions), the project's impact on public spending efficiency in social assistance by reducing the errors falls from a 50 percent to a 25 percent, and the gains on efficiency are halved. The project remains viable and has an IRR of 18.7 percent, with a net present value estimated at $22.4 million. Table 3 reflects the stress test scenario. Moreover, when considering an optimistic scenario where the services of RNP expand to 1463 institutions (or an annual revenue growth rate of 51 percent), an expected reduction of errors of 75 percent, and reducing the process of birth registration from 7 to 5 minutes, the project yields an amplified IRR of 30.5 percent and a NPV of $60.1 million.

Table 3: Stress Test Scenario

Key assumptions:
- **Annual revenue growth rate = 31% (361 institutions in 2033)**
- **Inclusion and duplication errors = 3.8%**
- **Birth registration time = 6 minutes**

Social Discount factor	6%	8%	10%	12%
Net Present Value (US million)	29.4	22.4	16.5	11.6
Cost-Benefit Ratio	1.80	1.62	1.47	1.34

Internal Rate of Return	18.7%

6.   **Beyond quantifiable benefits identified in the economic analysis, further positive but challenging to measure effects are expected.** A robust and dependable identification system, especially for individuals under 18, can contribute to reducing gang recruitment, combatting child labor, and trafficking, and identifying migrant children's guardians, especially in Honduran children who face societal inequality and poverty. In the same line, incorporating minors' records into the National Identity System facilitates determining their eligibility for social programs, and promotes and efficient allocation of public resources, especially in education, which translate into a more skilled future workforce. In addition, a proper identification of youths could facilitate early medical interventions to reduce future healthcare costs, lowering judicial expenses linked to identity disputes, and even simplifying future economic development for these individuals, including access to formal employment and financial inclusion and formal employment. Timely document provision can minimize long-term administrative costs, attract investments, and promote data-driven planning. Strengthened identification protocols are effective in enhancing targeted assistance (World Bank, 2018)[31], fighting fraud (Muralidharan et al. (2016)[32], and curbing tax evasion (World Bank, 2008)[33]. Benefits expand to both governmental and private entities, as enhancing the National Identity System sets the stage for digital governmental services, payments, and innovative business approaches.

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[31] In 2016, Thailand's Ministry of Finance enhanced the targeting of a subsidy program using national ID verifications, weeding out 660,000 ineligible applicants and saving between US$29.7-59.4 million.

[32] Muralidharan et al. (2016) present evidence that in Andhra Pradesh, India, the introduction of biometric smart cards led to a decrease in social wage benefit fraud by around 10.8 percentage points and in pension benefits fraud by about 2.9 percentage points.

[33] In Argentina, the unification of tax databases via a unique ID bolstered tax audit, generated an extra US$44 million from reduced tax fraud.

COUNTRY: Honduras
Strengthening Honduras' National Civil Registry and Identification Ecosystem

Authentication	The process of establishing confidence that a person is who they claim to be. Digital authentication generally involves a person electronically presenting one or more "factors" to "assert" their identity—that is, to prove that they are the same person to whom the identity or credential was originally issued. These factors can include something a person knows (e.g., a password or PIN), has (e.g., an ID card, token, or mobile SIM card), or is (e.g., their fingerprints) (adapted from NIST 800-63:2017 and OWI 2017).
Civil registration	The continuous, permanent, compulsory and universal recording of the occurrence and characteristics of vital events pertaining to the population, as provided through decree or regulation in accordance with the legal requirements of each country (UNDESA 2014).
Digital identification (ID) system	An identification system that uses digital technology throughout the identity lifecycle, including for data capture, validation, storage, and transfer; credential management; and identity verification and authentication (adapted from ID4D Public-Private Cooperation report).
Enrollment	The process of collecting a biometric and biographic sample from an end user, converting it into a reference, and storing it in a system's database for later comparison (adapted from Harbitz & Kentala 2013).
Foundational identification system	An identification system primarily created to manage identity information for the general population and provide credentials that serve as proof of identity for a wide variety of public and private sector transactions and services. Common types of foundational ID systems include civil registries, universal resident or national ID systems, and population registers (adapted from Gelb & Clark 2013a and various ID4D publications).
ID	Identity document
Identification	The process of establishing, determining, or recognizing a person's identity (adapted from ISO/IEC 24760-1:2011 and ITU-T X.1252).
Identification (ID) system	The databases, processes, technology, infrastructure, credentials, and legal frameworks associated with the capture, management, and use of personal identity data for a general or specific purpose (adapted from the Principles on Identification).
Identity	A set of attributes that uniquely describe a person within a given context (adapted from NIST 800-63:2017).
Identity ecosystem	The set of identification systems—including databases, credentials, laws, processes, protocols, etc.— and their interconnections within a jurisdiction, geographic area, or particular sector (adapted from ID4D Public-Private Cooperation paper).
Verification	For the purpose of this document, verification is defined as the process of verifying specific identity attributes or determining the authenticity of credentials in order to facilitate authorization for a particular service.