PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING

Report No.: PIDA17185

Project Name	HN AF Social Protection (P152266)
Parent Project Name	Social Protection (P115592)
Region	LATIN AMERICA AND CARIBBEAN
Country	Honduras
Sector(s)	Public administration- Other social services (22%), Other social services (78%)
Theme(s)	Social safety nets (100%)
Lending Instrument	Investment Project Financing
Project ID	P152266
Parent Project ID	P115592
Borrower(s)	Ministry of Finance (Secretaria de Finanzas)
Implementing Agency	SEDIS
Environmental Category	C-Not Required
Date PID Prepared/Updated	21-Jan-2015
Date PID Approved/Disclosed	21-Jan-2015
Estimated Date of Appraisal Completion	23-Jan-2015
Estimated Date of Board Approval	31-Mar-2015
Decision	

I. Project Context

Country Context

Honduras is one of the poorest and most unequal countries in the Latin America and the Caribbean (LAC) region. The per capita gross national income (GNI, Atlas Method) of Honduras was US $2,180 in 2013, compared to a LAC average of US$9,848. Two-thirds of Hondurans live below the national poverty line, with 40 percent living in extreme poverty. Poverty rates calculated with international lines (US$ 2.5 a day for extreme poor, US$ 4 a day for moderate poor) also suggest high poverty extent, with 37 percent of families in extreme poverty, and 56 percent in poverty. Rural households and indigenous communities, which account for 46 percent of the population, are disproportionately affected by poverty. In 2013, national poverty estimates showed that 55.6 percent of rural households were living in extreme poverty (vs. 29 percent in urban areas). World Bank calculations suggest that during 2003-2011, the mean income for the bottom 40 percent grew at an annual rate of 4.3 percent per year – 0.7 percent lower than the regional average but higher than the average mean income (2.73 percent) in the country. However, only 6 percent of the population moved out of poverty. With a Gini coefficient of 0.57, income inequality is also one of the highest in the world, with these disparities persisting for the past two decades.

In parallel, progress in human development indicators has been modest. Over the last 20 years, the educational attainment of the labor force in Honduras has increased by just 1.5 years of schooling, which is considerably less than better performers in the region (Brazil, Colombia, Peru, etc.), despite very high public spending on education. While Honduras has been largely successful in boosting primary enrollment and completion rates, repetition and dropout rates are still significant, and enrollment in secondary education greatly lags behind, with only half of students completing this level (and less than 30 percent in rural areas). In health, infant and maternal mortality rates have declined in Honduras, though just the former is still on track to reach the 2015 Millennium Development Goals. And despite advances, 10 percent of children remain undernourished.

Sectoral and institutional Context

In line with international good practice, in 2010, the Government of Honduras developed a conditional cash transfer (CCT) program, Bono 10,000, to protect the poor and improve their human capital. The CCT rapidly became the main social assistance program in Honduras, absorbing 0.7 percent of GDP (US$130 million per year) and covering almost 20 percent of the population by end 2013 (270,000 households in rural areas, 50,000 in urban areas). Until now, the eligible population has included both extreme and moderate poor families with children aged 0-5 years old, children in primary school (Grades 1-6), and pregnant mothers with the transfer conditional on compliance with regular health check-ups and/or enrollment and attendance in primary school. Program benefits were set at 10,000 Lempiras (US$500) per year, among the most generous benefits of CCT programs in the world. The Program has financed transfers to poor households in rural areas through international credits from the World Bank (accounting for about 20 percent of transfers), the Inter-American Development Bank (IDB), and the Central American Bank for Economic Integration (CABEI), while the Government has increasingly been allocating domestic resources for transfers to households living in urban areas.

With the new Government administration in 2014, the social protection institutional framework has been streamlined, consolidating social government programs under a new Secretary of Development and Social Inclusion (SEDIS). SEDIS is responsible of developing and implementing the Government’s social development strategy called Estrategia Vida Mejor ("Better Lives Strategy") and providing a comprehensive package of services to the extreme poor. The CCT Program (now called Bono Vida Mejor) is the core intervention of Estrategia Vida Mejor, and the former Program executing agency, Programa de Asignacion Familiar (PRAF), has been absorbed into SEDIS. At a broader level, SEDIS also now has the role as the coordinating institution for the broader social sectors (social protection, health, education), and oversees the formulation, coordination, implementation and evaluation of public policies related to development, social inclusion, and poverty reduction, among others. At the same time the National Information Center for Social Sectors (CENISS), formerly under the Secretary of Social Development and now under the Presidential Office, is being strengthened to continue administering key social policy instruments, such as the Unique Registry of Participants (RUP) of social programs, and the institutional registry of programs (ROI). As discussed below, the reform of the institutional framework seeks to lead to a consolidation of existing programs over time.

Aside from the change in name (from Bono 10 mil to Bono Vida Mejor), the CCT Program has also been modified along a number of dimensions. For instance, in an effort to focus resources to the poorest of the poor, the targeting formula was revised to restrict eligibility to beneficiary families classified as extreme poor (the moderate poor will be gradually phased out of the program with a timeline yet to be defined, and the non-poor were immediately excluded). This change, together with a temporary freeze on new registration of households to replace those exiting the program, has resulted in a reduction of coverage from 320,000 to 220,000 households in both rural and urban areas, and in the Program budget from 0.7 to 0.5 percent of GDP (US$100 million) by December 2014. Starting in 2015, the Program will also cover students in lower secondary education (Grades 7-9, not just those in primary school), and benefits will be paid according to the number of children complying with co-responsibilities, instead of a flat benefit per family, with the maximum amount to be received capped at 10,000 Lempiras (in practice, less than that for the majority of families with few children). These changes are expected to allow for increasing coverage of excluded extreme poor families (to gradually reach 300,000 households by 2017), while maintaining the Program budget at 0.5 percent of GDP, in line with other CCT programs in LAC (Colombia, Costa Rica, Dominican Republic, Mexico). The coverage expansion aims to prioritize new areas identified as with high extreme poor incidence by the updated poverty map, indigenous communities, areas prone to severe draught (e.g., Corredor Seco), and areas with high incidence of migration (in response to the surge in 2014 of undocumented and unaccompanied child migrants into the US).

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The objectives of the Project are to: (a) improve the institutional capacity of Recipient's institutions to manage the ConditionalCash Transfer (CCT) Program, by strengthening transparent mechanisms and instruments for targeting Program beneficiaries, monitoring compliance with Program co-responsibilities, and making payments to Program beneficiaries; (b) provide income support to Eligible Beneficiaries; (c) increase the use of preventive health services and school attendance in grades 1 to 6 among Program beneficiariesin rural areas; and (d) improve the Recipient's capacity to respond promptly and effectively to an Eligible Emergency.

B. Proposed Project Development Objectives – Additional Financing (AF)

The proposed revised PDO is to: (a) improve the institutional capacity of Recipient's institutions to manage the CCT Program, by strengthening transparent mechanisms and instruments for targeting Program beneficiaries, monitoring compliance with Program co-responsibilities, and making payments to Program beneficiaries; (b) provide income support to eligible beneficiaries; (c) increase the use of preventive health services and school attendance in grades 1 to 9 among Program beneficiaries in rural areas; and (d) improve the Recipient's capacity to respond promptly and effectively to an eligible emergency.

III. Project Description

Component Name

Institutional strengthening of the CCT Program

Comments (optional)

New activities are the following: (a) the continuous upgrading of the MIS including the grievance and complaints module; operational costs for beneficiary support; a new communication campaign for awareness of changes in benefits, eligibility criteria, and payment methods; a new social audit; and activities agreed under the indigenous plan; (b) data collection to register beneficiaries in areas not previously covered by the Program, and to update information of existing beneficiaries; (c) the piloting of card-based payment and use of non-bank agents; (d) the implementation of modules for financial literacy, and options for linking beneficiaries to existing productive inclusion interventions; and (e) the upgrading of the information technology platform of RUP.

Component Name

Co-financing Conditional Cash Transfers

Comments (optional)

The allocation for this component will also be increased to extend financing of cash transfers until end of 2016, in current Project areas (rural areas in Atlántida, Colon, Copan, and Cortes Departments), and in newly expanded Program areas, as well as financial commissions.

Component Name

Immediate Response Mechanism

Comments (optional)

This component will remain with no initial resource allocation, only to be activated in the event of an eligible disaster.

IV. Financing *(in USD Million)*

Total Project Cost:	25.00	Total Bank Financing:	25.00
Financing Gap:	0.00		

For Loans/Credits/Others	**Amount**
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	25.00
Total	25.00

V. Implementation

The Project's implementing agency is the Secretary of Development and Social Inclusion (SEDIS).

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		✗
Natural Habitats OP/BP 4.04		✗
Forests OP/BP 4.36		✗
Pest Management OP 4.09		✗
Physical Cultural Resources OP/BP 4.11		✗
Indigenous Peoples OP/BP 4.10	✗	
Involuntary Resettlement OP/BP 4.12		✗
Safety of Dams OP/BP 4.37		✗
Projects on International Waterways OP/BP 7.50		✗
Projects in Disputed Areas OP/BP 7.60		✗

Comments (optional)

VII. Contact point

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