



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 12-Nov-2019 | Report No: PIDC27976



**BASIC INFORMATION**

**A. Basic Project Data**

Country Honduras	Project ID P172567	Project Name Honduras DRM Development Policy Credit with a Catastrophe Deferred Drawdown Option (Cat DDO) (P172567)	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Board Date Mar 31, 2020	Practice Area (Lead) Urban, Resilience and Land	Financing Instrument Development Policy Financing
Borrower(s) Secretaria de Finanzas (SEFIN)	Implementing Agency Secretaria de Finanzas (SEFIN)		

**Proposed Development Objective(s)**

The PDO is to strengthen Honduras' institutional and financial framework to manage the impact of adverse natural events including disease outbreaks

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	119.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	119.00
World Bank Lending	119.00

**Decision**

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

**Over the past 30 years, Honduras has experienced highly volatile economic growth that, combined with absence of a robust economic base for generating more and better jobs, undermines productivity growth and progress in raising incomes and reducing poverty.** Honduras' real GDP grew at an average annual rate of 3.6 percent over the past three decades, exceeding the LAC average (2.6 percent). However, economic growth has not kept pace with the growing population (2.4 percent per year), and as a result, the private sector hasn't generated high-productivity jobs to adequately accommodate the growing workforce. Honduras's current external position has weakened amid higher oil prices and lower agricultural output. Robust growth in remittances (9.1 percent year-over-year for June 2019) amid strong U.S. economic activity has offset the increasing deficit.

**Sensitivity to external shocks, exposure to natural hazards and health-related shocks, fiscal instability, limited investment, and challenges to competitiveness have inhibited economic diversification, undermining productivity growth and poverty reduction.** This ongoing situation has increased the levels of vulnerability of poor urban communities, smallholder farmers, Indigenous Peoples and Afro-Descendants, whose livelihoods are already threatened by the increased variability of rainfall patterns and cyclical droughts triggering episodes of acute food insecurity, and by recurrent disease epidemics such as Dengue which most recently has affected more than 90,000 people. Despite the high level of exposure and risk, the country does not have any active contingency line for immediate and effective response to disasters. The lack of resources implies that the Government must divert funding away from basic public services, or other development programs, to cope with post-disaster expenditures. Honduras's existing Disaster Risk Management (DRM) system has a well-established legal and institutional framework supported by comprehensive directives, policies, and plans, however, the country needs to strengthen its DRM and Climate Change Adaptation (CCA) policy and operational frameworks at the sectoral level and its fiscal protection against natural disasters as Honduras has yet to start the process of defining and implementing a Disaster Risk Financing Strategy.

### Relationship to CPF

**Reforms supported under this DPC operation (i) will contribute to the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity and (ii) is well-aligned with the World Bank Group (WBG) Country Partnership Framework (CPF) for Honduras<sup>1</sup>.** The policy reforms included in this operation aim to reduce the vulnerability to disaster, climate and health-related risks in order to catalyze economic growth, reduce the economic and fiscal volatility from disasters, and improve the livelihoods of the most vulnerable, thereby helping to support the sustainability of development programs and the Government's efforts to reduce extreme poverty and boost shared prosperity. The CPF specifically recognizes the importance of managing risks and reducing vulnerability to natural hazards and climate change impacts. This operation helps to mitigate that risk and supports policy reforms which contribute directly to two of the main domains of engagement described in the CPF<sup>2</sup>. First, reforms in this operation related to fortifying institutional and policy frameworks to manage climate and disaster risk, will support the objective of domain two "Bolstering Conditions for Growth". Second, reforms related to strengthening resilience to climate and disaster risk in the urban, water, DRM and health sectors, will support the objective of domain three "Reducing Vulnerabilities."

<sup>1</sup> Country Partnership Framework for the Republic of Honduras (Report 98367-HN) discussed by the Executive Directors on November 13, 2015.

<sup>2</sup> CPF is organized around three strategic pillars: (i) Fostering Inclusion; (ii) Bolstering Conditions for Growth; and (iii) Reducing Vulnerabilities.

### C. Proposed Development Objective(s)

The PDO is to strengthen Honduras' institutional and financial framework to manage the impact of adverse natural events including disease outbreaks

#### Key Results

**The proposed operation aims to strengthen the legal and institutional DRM framework to increase Honduras's resilience to natural hazards.** The proposed US\$119 million operation will support the GoH with different approaches for both post-disaster response (liquidity) and comprehensive DRM aimed at enhancing resilience in focus areas, such as disaster risk financing, urban resilience, emergency preparedness, including health related crisis and water security. Pillar A focuses on improving public financial management and fiscal resilience against disaster risk; Pillar B aims to strengthen the institutional framework for disaster preparedness and response; and Pillar C focuses on strengthening the legal and institutional framework for DRM and CCA in critical sectors.

### D. Concept Description

**This proposed operation aims to support the efforts of the Government of Honduras's (GoH) to: (a) strengthen the Country's reform program for comprehensively managing disaster and climate risks, and; (b) to quickly mobilize resources after natural catastrophes or health related emergencies.** The proposed operation provides a line of contingent financing available to respond to a declared eligible disaster, climate-related shock and health-related events. The proposed policy actions are given priority based on Honduras's long-term development agenda (Visión de País for 2010 – 2038 and Plan Nación 2010 - 2022). This operation enhances existing legal and institutional frameworks for managing disasters associated with natural hazards and health-related events through institutional and regulatory reforms organized around three pillars. Pillar A: Improving public financial management and fiscal resilience against disaster risk, Pillar B: Strengthening the institutional framework for disaster preparedness and response, and Pillar C: Strengthening the legal and institutional framework for DRM and CCA in critical sectors.

### E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

#### Poverty and Social Impacts

**The proposed operation will help strengthen the GoH's capacity to respond quickly and effectively to disasters, which will likely help avoid poor and vulnerable households falling more deeply into poverty as a consequence of disasters and climate change.** The Prior Action under Pillar A focuses on the preparation and implementation of a disaster risk financing strategy. This approach will likely have indirect positive social benefits by helping the GoH assess and quantify the socially differentiated climate and disaster-related needs of poor and vulnerable segments of the population, including, for example, communities of Indigenous Peoples and Afro Descendants, female headed households, and people living with physical and cognitive disabilities. Prior Actions under Pillar B focus on institutionalizing emergency planning and early recovery capacity, into local development planning. These activities will likely generate indirect positive social impacts by enhancing the capacity of the GoH to more effectively respond to disaster which benefit poor and vulnerable households located in disaster prone areas. Finally, Pillar C focuses on epidemiological surveillance and water management. These activities are likely to have positive effects through increasing the number of poor and extremely poor families benefiting from a better attention when facing disease outbreaks.



Environmental, Forests, and Other Natural Resource Aspects

**Prior actions selected for the proposed operation are expected to have a moderate, positive, and indirect impact on Honduras's environment and other natural resources.** Further assessment of environmental impacts of Prior Actions and a Climate Change Co-Benefit analysis will be conducted before the ROC meeting.

## CONTACT POINT

### World Bank

Lizardo Narvaez Marulanda, Nicolas Antoine Robert Collin Dit De Montesson  
Senior Disaster Risk Management Specialist

### Borrower/Client/Recipient

Secretaria de Finanzas (SEFIN)  
Jania Ramirez  
Directora General de Crédito Publico  
jramirez@sefin.gob.hn

Rocío Izabel Tábor Morales  
Ministra de Finanzas  
rtabora@sefin.gob.hn

### Implementing Agencies

Secretaria de Finanzas (SEFIN)  
Rocío Izabel Tábor Morales  
Minister of Finance  
rtabora@sefin.gob.hn

Jania Ramirez  
Directora General de Crédito Publico  
jramirez@sefin.gob.hn

**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Lizardo Narvaez Marulanda, Nicolas Antoine Robert Collin Dit De Montesson
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**Approved By**

Country Director:	Andrea C. Guedes	14-Nov-2019
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