

Completion and Learning Review Review

Honduras

FY16-FY20 Country Partnership Framework

July 13, 2022

Ratings

	CLR Rating	CLRR (IEG) Rating
Development Outcome:	Moderately Satisfactory	Moderately Satisfactory
WBG Performance:	Good	Good

Executive Summary

- i. **This review of the World Bank Group’s (WBG) Completion and Learning Review (CLR) covers the FY16-FY20 Country Partnership Framework (CPF), and its adjustments through the FY19 Performance and Learning Review (PLR).** The CPF period was extended to FY21 under the blanket extension provided by the WBG’s Board of Executive Directors due to the COVID-19 pandemic.
- ii. **The WBG program sought to support critical components of the government’s plan, with an emphasis on the themes of social inclusion, growth and resilience, which were highlighted as priorities in the WBG’s Systemic Country Diagnostic.** The program implemented during the CPF period was broadly aligned with the WBG’s twin corporate goals. Focus area I (fostering inclusion) directly addressed issues of poverty and shared prosperity. The focus area II on bolstering growth would promote employment and enhance rural productivity in an area where approximately half of the population lives engaged in semi-subsistence agriculture. The last objective in the initial results framework—build crime and violence prevention capacity of local governments—addressed an issue of great significance for the poor, and a major cause for emigration from Honduras. The PLR dropped the objective and WBG support for it.
- iii. **IEG rates the CPF development outcome as Moderately Satisfactory.** Outcomes under one objective were rated Achieved and five objectives were rated Mostly Achieved.

CLR Reviewed by:	Peer Reviewed by:	CLR Review Coordinator
Juan J. Fernández Ansola, Consultant, IEGEC Rafael Dominguez, Consultant, IEGEC	Jorge García- García, Consultant, IEGEC	Jeff Chelsky, Manager, IEGEC Melissa Metz, CLRR Coordinator, IEGEC

- *Focus area I (fostering inclusion) results were beneficial for the poor:* The program showed progress in improving the targeting of social programs, the one objective in this focus area. The Conditional Cash Transfers (CCT) program has expanded coverage, targeting has improved, and educational attainment improved in rural areas. The indicators supporting the objective placed even emphasis on rural and urban areas, while the Bank team stated in consultations on the CLRR that the focus of the Bank’s work was overwhelmingly in rural areas, where poverty is more prevalent. The CCT program was less successful in targeting the extreme poor and achieving educational results in urban settings, although additional information shows significant progress during the extended CPF period (FY21) in the CCT program’s reach to the two lowest quintiles of the income distribution of the urban population.
- *Focus area II (bolstering conditions for growth) showed good results on improving reliability of key infrastructure and strengthening the regulatory framework; some results on institutional capacity; and made progress on enhancing rural productivity of a significant number of small producers.* Changes to the business regulatory framework contributed to a shortening of the time needed to cross goods at the border with Guatemala, reduction in the time to open a business, and an increase in the number of families with land titles. All of these results contributed to alleviating important and relevant constraints. To improve public financial management through better control of the wage bill, public sector workforce was evaluated through an institutional functional review. However, there is no evidence of impact on the public sector wage bill. Through IFC interventions, more than 400 thousand people had new or improved electricity services, and over 60 thousand—people, microenterprises, and SMEs—had increased access to finance. The WBG helped enhance the productivity of a significant number of small rural producers.¹
- *Results under focus area III (disaster risk management) were good:* Under the one objective to boost resilience to natural disasters and climate change, 18 municipalities adopted Disaster Risk Management (DRM) Plans and Emergency Plans, which reduced their vulnerabilities. During the disaster risk management project, local authorities, including Indigenous and Afro-Honduran Peoples, helped identify risks and prepare local disaster risk management plans.

iv. **World Bank Group performance was Good.** Against a challenging country context (contested elections, cyclones, COVID pandemic) the WBG supported progress on a number of country priorities, despite some shortcomings. WB investment projects were in areas with significant ownership and good implementation capacity, such as social protection. IFC and MIGA focused on areas of comparative advantage (infrastructure, particularly renewable energy, and access to finance), and IFC contributed to good results with respect to two out of six program objectives. ASA helped inform support for specific sectors such as water and sanitation and was used to build capacity to respond to natural and other disasters. The PLR lateness—approved a few days into the CPF’s last year— limited its value as a tool for WBG

¹ The project that supported this planned to assist producers in seven western departments, out of a total of 18 departments in the country; however, there is not evidence on the actual location of the producers supported.

learning and adaptation and did not allow the WBG to proactively engage to address implementation problems, particularly in the violence prevention area, including knowledge gaps. Changes to the results framework at the late-coming PLR stage and dropping of the violence prevention objective and roads indicator in particular weakened the program's focus on a major development challenge. The violence prevention objective addressed a key issue for Honduras' development, and violence prevention was identified by the SCD as one of the legs on which an economic growth strategy should stand. The Bank team stated in consultations on the CLRR that it continues to persevere in efforts to address violence prevention, including through regional ASA and WBG activities to support crime and violence awareness and prevention. The CPF adapted well to the emergence of the COVID-19 pandemic, and responded well to natural disasters such as hurricanes Iota and Eta. Program implementation was broadly adequate, but in one important project (Safer Municipalities) supervision was poor. Two serious fiduciary complaints in FY20 that identified abuse by suppliers resulted in INT investigations, and measures were put in place to reduce the risks of future abuse by suppliers.

v. **Overall, the WBG program helped Honduras make progress on significant development challenges.**

- People have been provided with new or improved access to electricity. The renewable energy companies supported by IFC and MIGA contributed about 24 percent of the country's installed renewable energy capacity, which helped diversify the country's energy mix and reduce reliance on imported fuels.
- The WB helped the country boost resilience to natural disasters and climate change. With WB support, eighteen municipalities adopted Disaster Risk Management Plans and Emergency Plans, and during the DRM project, local authorities and communities, including Indigenous and Afro-Honduran peoples, helped identify risks and prepare local disaster risk management plans.
- Contributions to strengthen the water sector were notable but were not captured explicitly in the results framework.
- The conditional cash-transfer program (CCT) is now effective, particularly in rural areas, and with broad coverage. The WB assisted Honduras in the introduction of an electronic payment mechanism, expanding financial inclusion to areas, particularly rural, where the conditional cash-transfers were previously made via other payment types. This has made the payment system more resilient to shocks or natural disasters, such as those the country recently suffered.

vi. **IEG broadly agrees with the CLR's lessons**, particularly on selectively supporting areas where there is a convergence of views and approaches with the authorities; replicating the institutional characteristics that made WBG projects successful; and appropriately mitigating risks arising from limited institutional capacity.

vii. **IEG would like to add the following lesson from this CLRR:**

- Perseverance despite setbacks on violence prevention or road development would contribute to making the WBG part of the solution to Honduras's main development constraints.

II. Strategic Focus

Relevance of the CPF

- 1. Country Context. Honduras is a lower middle-income country and IDA borrower.** Annual GDP growth averaged 1.3 percent during the program period (2016-2020), significantly higher than the -0.5 percent average growth for Latin America. Yet, Honduras' average gross national income per capita of US\$5,188 (PPP, current international \$) during the program period is significantly lower than the average for Latin America of US\$15,649. Poverty (measured using the headcount ratio at national poverty lines) declined from 49.7 percent of the population in 2016 to 48.0 percent in 2019. Inequality also declined slightly— as reflected in a Gini coefficient that fell from 49.2 in 2015 to 48.2 in 2019. A third of Honduras' population is between the ages of 10 and 24, which makes it a demographically young country. However, nearly 80 percent of Hondurans younger than 15 live in impoverished households, and approximately one in four is undernourished, with negative implications for learning abilities and future earning capacity. Approximately half of the population lives in rural areas, where most are engaged in semi-subsistence agriculture.
- 2. The CPF was implemented against a challenging country context.** Following contested presidential and congressional elections in 2017, the country faced social unrest and continued political polarization as the legitimacy of a second presidential term was put into question. Moreover, the protracted COVID-19 pandemic and two tropical storms—Iota and Eta, between November 3-17, 2020—hit Honduras hard. Despite the authorities' responses, these shocks continue to weigh on economic activity; reconstruction needs are high and the economic outlook remains uncertain. Presidential elections in November 2021 resulted in the election of Xiomara Castro, a left-leaning candidate, and the first female leader of the country. She was inaugurated on January 27.
- 3. Honduras's major development challenges include crime and violence, the business environment, and infrastructure weaknesses.** Honduras has one of the highest levels of crime and violence in the world, which undermines growth and economic opportunity. Growth is also constrained by a regulatory framework that hampers the labor market and hinders competition in product markets. These constraints combined with inadequate infrastructure have led to persistently low and volatile growth over the past 40 years.
- 4. Government Strategy. The government's 2014-18 "Plan for Better Life" focused on four areas:** (i) fostering peace and reducing violence; (ii) generating employment and enhancing competitiveness and productivity; (iii) reducing inequality and improving social protection for enhanced human development; and (iv) enhancing transparency and modernizing the state. The administration that took office in 2014 initially placed emphasis on strengthening citizen security, enacting fiscal reform for sustainability, driving reforms to enhance opportunities for economic growth, and taking action against organized crime, narco-trafficking and emblematic corruption cases.

5. ***Relevance of Design.*** The WBG-supported program sought to address important development challenges and support critical components of the government’s plan, but the relevance of design diminished with the changes at the PLR stage. The CPF emphasized the themes of social inclusion, growth and resilience, which were highlighted as priorities in the WBG’s Systemic Country Diagnostic.² The main lesson taken from previous CPF implementation was the need to take a longer-term view and focus on those sectors where the government has demonstrated strong demand and commitment. The program was based on three focus areas: (i) fostering inclusion; (ii) bolstering the conditions for growth; and (iii) reducing vulnerabilities. These were consistent with the country’s major development challenges and the government’s strategy. The PLR—which normally should come mid-way through a WBG program to influence the second half of the program—came in the last year of the program, and its decision to drop the violence prevention objective and the roads indicator weakened the focus on the country’s major development challenges as identified by the SCD. The CLR does not explain why the PLR was prepared so late in the program cycle. Investment lending projects were primarily in areas with revealed ownership, and with good implementation capacity in government agencies, such as social protection. ASA provided analytical underpinning to other work, informed lending, helped strengthen specific sectors such as water and sanitation, and was used to build capacity, including to respond to natural and other disasters. In 2020, the WBG adjusted its program to support the government’s response to the COVID-19 pandemic (see discussion in Ownership, Learning and Adaptation).

Results Framework

6. **The initial results framework reflected well the CPF objectives.** Each focus area and objective was supported by a good discussion of what the WBG intended to achieve during the program. IFC’s substantial contributions to the program were captured under two objectives (objective 2 on infrastructure, and 3 on access to finance). The results indicators were generally measurable, with baseline, target, and target date, but some outcome indicators—e.g., under objectives 5 and 6—were inadequate to capture the achievement of objectives. An indicator under objective 5 (increase in rural productivity) measures sales, which is not a measure of productivity, had an unclear baseline, and did not capture the broad scope of the objective. Objective 6 is at the national level—boost resilience to disasters and climate change. The main intervention supporting objective 6 had a significant component for strengthening national-level institutions but the results indicator was “municipalities adopting DRM plans”, which did not capture enhancement of national capacity (which did take place). At least in one case—Social Protection project, objective 1—the PLR set lower indicator targets than the projects that supported the program. The target for completion rates of ninth year education were 30 percent in the PLR and 60 percent in the project. Further, the indicators supporting objective 1 placed even emphasis on rural and urban areas, while the Bank team stated in consultations on the CLRR that the focus of the Bank’s work was overwhelmingly in rural areas. Another weakness in the results framework was that it did not capture the numerous WB interventions in the water sector (which are aligned with objective 2 on improving the reliability of key

² Honduras: Unlocking Economic Potential for Greater Opportunities, World Bank Group, Washington, D.C., 2016

infrastructure). In addition, difficulties in measuring the indicators of objective 5 (rural productivity) complicated the assessment of the objective.

Alignment

7. **The program as implemented was broadly aligned with the WBG's twin corporate goals but dropping of the objective on preventing crime and violence reduced its focus on a major issue affecting the poor.** Focus area I (fostering inclusion) directly addressed issues of poverty and shared prosperity. Focus area II (bolstering conditions for growth) aimed to promote employment and enhance rural productivity in an area where approximately half of the population lives engaged in semi-subsistence agriculture. Focus area III (reducing vulnerabilities) sought to build local government capacity to prevent crime and violence (CPF objective seven) an issue of great significance for the poor, and a major cause of emigration from Honduras. The PLR dropped the objective and the WBG support for it.

III. CPF Description and Performance Data

Advisory Services and Analytics

8. **The ASA program was well integrated with lending but could have better addressed the knowledge gaps identified by the SCD.** There were 17 ASA activities providing support across the three focus areas, on energy, water, education, governance, social protection, urban resilience, and land administration. ASA work played a significant role on enhancing disaster responses, informing lending, and strengthening administrative capacity of specific sectors (e.g., water). Additional details on the role played by ASA are included in the discussion of each objective in section VI of this CLRR on Development Outcome.

- a. *Enhancing disaster response:* Honduras has been prone to natural disasters, and ASA helped improve disaster response preparation. ASA contributed to a shock-responsive safety net program (objective 1 on social programs) and managing disaster risks at the national and municipal levels (objective 6 on resilience to natural disasters).
- b. *Complementing lending:* In addition to the ASA on disaster response, ASA informed projects on early childhood education, and provided direct inputs to social protection projects (objective 1 on social programs).
- c. *Sector-Specific Support:* Most of this ASA focused on the water and sanitation sector. It concentrated on strategic sanitation planning to improve services in urban and rural settlements, and improving access to finance by water utilities.
- d. *Reimbursable Advisory Services (RAS).* A RAS ASA helped San Pedro Sula Municipality—the second city in Honduras, behind Tegucigalpa-- plan and implement capacity to become a competitive and resilient city.

9. **In support of focus area 2 (Bolstering Conditions for Growth) and focus area 3 (Reducing Vulnerabilities), IFC focused its Advisory Services on agri-finance and**

sustainable banking. It launched one project in each of the two sectors.³ The agri-finance project had two main objectives: increase MSME agri-finance lending with new and existing products; and strengthen the technical capacity of micro and smallholder farmers. The sustainable banking project is addressing capacity building in environment and social risk management and corporate governance in financial institutions. IFC also initiated a LAC regional advisory services project with a Honduran component aimed at promoting competitive markets.

10. **The one Advisory Services project that was approved prior to the CPF but ongoing during the program period was evaluated by IEG as *Mostly Unsuccessful*.** The project provided technical assistance to support development of a new sustainable energy finance (SEF) product for a bank. The project experienced delays and other implementation challenges that prevented the SEF product from becoming a major lending initiative at project completion.

11. **A notable omission in the ASA agenda was the absence of country-specific analysis⁴ of the impact of crime on Honduran development,** particularly the cost of crime to the country's economy and its effect on the welfare of the bottom 40 percent of the income distribution. Both were identified by the SCD as knowledge gaps that needed to be filled.

Lending and Investments

12. **At the start of the CPF period, outstanding commitments amounted to US\$664 million, consisting of twenty-three operations approved during FY06-FY13.** They comprised loans for the rural sector, natural disaster mitigation, water sanitation, road rehabilitation, social protection, land administration, safer municipalities, and fiscal sustainability.

13. **WB engagement expanded during the CPF period,** with new IDA commitments totaling US\$854 million, and consisting of 14 lending operations. There was lending for social protection and education (focus area I), rural sector, water, and fiscal sustainability (focus area II) and emergency response to tropical cyclones (focus area III). About a third of new lending (US\$284 million) was disbursed in 2020 in response to the COVID-19 pandemic, notably the Catastrophe Drawdown Operation (CAT DDO, US\$119 million), and a COVID-19 Response project (US\$20 million, FY20) and its Additional Financing (US\$20 million, FY21). ASA was used to inform WB support for social safety nets, productive inclusion, the education sector and disaster risk preparedness and response.

14. **Trust-funded activities helped support lending operations.** Eighteen trust-funded activities for nearly US\$100 million targeted areas with specific investment needs (for example, dry corridor food security) where there was a bank lending project later on (Dry Corridor (FY20)). A US\$9.5 million trust-funded activity (FY20) is supporting the Early Childhood Education Improvement project (FY20) by helping to strengthen the institutional capacity for pre-school management, updating curricular design, and improving physical learning environments. Some trust-funded activities supported technical assistance needs, such as supporting cost of living measurements (FY19).

³ For purposes of evaluating IFC's contributions to the CPF, IEG considers only the AS projects that have a status of Active/Portfolio or Completed during the CPF period.

⁴ There were regional ASAs on the impact of crime in Central America.

15. **During the CPF period, a total of 8 operations were closed, all of which IEG reviewed and most of which performed well.** Honduras’s performance at exit—measured by project outcomes rated Moderately Satisfactory or better⁵— (75 percent of projects, and 95.6 percent weighted by commitments) was marginally below the Latin America Region (76.1 percent of projects, and 76 percent weighted by commitments) and World Bank averages (78.4 percent of projects, and 83.2 percent weighted by commitments).

16. **There were few projects at risk, but there were issues with project supervision.** There were 14 percent of projects at risk during the program, which compares favorably with 23 percent for the Latin American Region and 20 percent for the World Bank as a whole. However, in one important project (Safer Municipalities) supervision was poor, particularly in not providing sufficient guidance to the project’s implementation unit. Change of task team leaders (four over a five-year implementation period) hindered consistency in approach to the project. The ICR of the project reported significant shortcomings in WBG engagement with counterparts during the last year of implementation. This—following previously weak supervision—prevented the WB from rectifying the poor performance of the Safer Municipalities project over the project life. As a result, the objective on violence prevention capacity was dropped. Ongoing projects are generally performing well, in line with the performance of projects at exit more broadly.

17. **IFC made only one long-term investment during the CPF period, and 16 investments made prior to the CPF period were active during it.** The lone investment was a follow-on US\$0.1 million rights issue in a non-bank financial institution focused on microfinance. The ongoing portfolio included previously committed US\$262.0 million net long-term investments in 16 projects that were active at some point during the CPF period. They focused largely on infrastructure (renewable energy projects: 50 percent) and bank/non-bank financial sector (MSME and climate finance: 28 percent). The projects supported by these investments were consistent with CPF objectives and contributed to achievements in focus area 2 (Bolstering Conditions for Growth). At the end of the CPF period on June 30, 2020, IFC’s outstanding portfolio stood at US\$188.0 million, down from US\$254.0 million at the beginning of the CPF.

18. **The development outcomes of two individual IFC investments rated by IEG were good.** IEG validated the IFC self-evaluations of two randomly selected projects and confirmed their Mostly Successful and Successful development outcome ratings. One project involved the construction and operation of a 38.5 MW run-of-river hydroelectric plant. The project continues to thrive despite experiencing marginal implementation and early operational shortcomings. It is helping reduce the country’s dependence on oil and avoid further hydrocarbon emissions. The other evaluated project provided funding for renewable energy, energy efficiency and clean production loans. It was accompanied by an IFC Advisory Services project aimed at strengthening the bank’s project finance and technical capacity in SEF. At evaluation, IEG found that the bank had increased its SEF portfolio to US\$171.9 million in 2016, more than double its target, and exceeded its CO2 reduction target.

⁵ Two were rated Satisfactory and four were rated Moderately Satisfactory.

19. **While MIGA did not issue new guarantees during the CPS period, it had 3 active projects that were previously approved with a combined exposure of US\$326.9 million.** All three projects are in the infrastructure sector, with two in renewable energy (solar and wind) and one in transport (toll road). One project in the renewable sector was also supported by an IFC investment. These projects support the objectives of CPS Focus Area 2, bolstering conditions for growth.

20. **Two MIGA projects in renewable energy evaluated during the CPF period had mixed development outcomes.** One project performed according to projections operationally and financially. It helped to the reliability and level of energy supply, diversify energy sources, and reduce GHG emissions. The other sought to contribute to diversifying energy sources and avoiding GHG emissions but it encountered internal operational and external financial setbacks resulting in lower-than-expected output and revenues.

IV. Development Outcome

A. Overall Assessment and Rating

21. IEG rates the CPF development outcome as *Moderately Satisfactory*. Outcomes under one objective were rated *Achieved* and five objectives were rated *Mostly Achieved*.

- a. *Focus area I (fostering inclusion) results were beneficial for the poor:* The program made progress in improving the targeting of social programs, the one objective in this focus area. The Conditional Cash Transfers (CCT) program expanded coverage, targeting improved, and educational attainment improved in rural areas. The indicators supporting the objective placed even emphasis on rural and urban areas, while the Bank team stated in consultations on the CLRR that the focus of the Bank's work was overwhelmingly in rural areas, where poverty is more prevalent. The CCT program was less successful on targeting the extreme poor and achieving educational results in urban settings, although additional information shows significant progress during the extended program period (FY21) in the CCT program reaching the two lowest quintiles of the income distribution of the urban population.
- b. *Focus area II (bolstering conditions for growth) showed good results on improving reliability of key infrastructure and strengthening the regulatory framework and some improvement in institutional capacity, but progress on rural productivity could not be verified:* Changes to the business regulatory framework showed shortening of the time needed to cross goods at the border with Guatemala, reduction in the time to open a business, and increase in the number of families with land titles. All of these results contribute to alleviating important and relevant constraints. To improve public financial management through better control of the wage bill, there was an institutional functional review of the public sector workforce. The process of carrying out the review demonstrated increased institutional capacity, although there is no evidence of impact on the public sector wage bill. Through IFC interventions, more than 400 thousand people had access to new or improved electricity, and over 60 thousand—

people, microenterprises, and SMEs—had increased access to finance. Sales and land productivity of a significant number of small rural producers increased.

- c. *Results under focus area III (disaster risk management) were good:* Under the objective to boost resilience to natural disasters and climate change, 18 municipalities adopted Disaster Risk Management (DRM) Plans and Emergency Plans, which reduced their vulnerabilities. During the disaster risk management project, local authorities, Including Indigenous and Afro-Honduran Peoples, helped identify risks and prepare local disaster risk management plans.

22. On cross-cutting themes, the WBG made efforts to mainstream gender and strengthen institutions:

- The Rural Competitiveness I project (approved in FY08) promoted women’s participation in business plan development and implementation. Over 50 percent of women members of Rural Producer Organizations were in management positions. The Tegucigalpa Water Supply Strengthening project supported a gender policy to increase women’s employment in high-level decision making and technical positions in the Municipal Unit of Potable Water and Sanitation of the Central District.
- The Disaster Risk Management project, the CAT DDO, and the First Fiscal Sustainability and Enhanced Competitiveness DPF all contributed to strengthen institutions to build resilience, reduce the poverty impact of natural disasters, and support fiscal sustainability. IFC provided capacity building on environment and social risk management, and corporate governance—including the adoption of Environment, Social, and Governance (ESG) standards—to financial institutions.

Objectives	CLR Rating	CLRR (IEG Rating)
Focus Area I: Fostering Inclusion	Moderately Satisfactory	Moderately Satisfactory
Objective 1: Improve the targeting of social programs	Mostly Achieved	Mostly Achieved
Focus Area II: Bolstering Conditions for Growth	Moderately Satisfactory	Moderately Satisfactory
Objective 2: Improve the reliability of key infrastructure	Mostly Achieved	Mostly Achieved
Objective 3: Increased access to finance	Achieved	Achieved
Objective 4: Strengthen the regulatory framework and institutional capacity	Mostly Achieved	Mostly Achieved
Objective 5: Enhance rural productivity	Mostly Achieved	Mostly Achieved
Focus Area III: Reducing Vulnerabilities	Satisfactory	Moderately Satisfactory
Objective 6: Boost resilience to natural disasters and climate change	Achieved	Mostly Achieved

B. Assessment by Focus Area/Objective

Focus Area I: Fostering Inclusion

23. Focus Area I supported the government’s expansion of coverage and better targeting of social programs. The WBG provided support primarily through lending activities.

24. **Objective 1: Improve the targeting of social programs.** The main WBG contribution was two lending projects. The Social Protection Project (FY10) and its additional financing (FY21) aimed to improve the institutional capacity to manage the conditional cash transfer (CCT) program, provide income support to eligible beneficiaries, increase the preventive use of health care services and school attendance of beneficiaries, and improve the capacity to respond to emergencies. The Social Protection and Integration Project (FY19) sought to improve the outcomes of the urban component of the conditional cash transfer program and to strengthen the integration of the social protection system for the extreme poor. The establishment of the social registry under the Social Protection Project (FY10) helped identify the extremely poor, moderately poor, and non-poor throughout the country. About 49 percent of the population were in the social registry as of 2019. ASA on Adaptive Cash Transfers for Post-Disaster Response (FY21) contributed to shifting completely to digital payments of cash transfers through a single bank (Banhprovi) during the COVID-19 pandemic, and to strengthening the adaptable protection systems. The digitalization of payments represents an important step toward a shock-responsive safety net program, with the risk of relying on a single bank. An ASA on Strengthening Productive Inclusion for Sustainable Social Safety Nets (FY20) helped link Social Safety Net beneficiary youths to productive inclusion and skills development programs and provided direct inputs to the design of the Social Protection Integration project additional financing (FY21).

25. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (Year)	Target (Year)	IEG Validated Result (Year)	IEG Rating
Percent of households in the Bono Vida Mejor ⁶ receiving conditional cash transfers (CCTs) in rural areas that are extreme poor	75 (2014)	99.89 (2019)	99.89 (2019)	Achieved
Percentage of CCT program beneficiary children aged 16-18 years that completed lower secondary education (ninth grade)	Boys: 19 % Girls: 22% (2014)	Boys: 30% Girls: 30%(2019)	Total: 94% (2019) Boys: 92% (2018) Girls: 96% (2019)	Achieved

⁶ A program aimed at breaking the inter-generational cycle of poverty through the provision of opportunities, skill development and competencies through education, health, and nutrition for families in extreme poverty.

Percent of urban CCT beneficiaries who are in the bottom two quintiles of the income distribution	42% (2019)	43%(2020)	42% (2020) ⁷	Not Achieved
Number of urban CCT participants in the three prioritized municipalities of Coloma, San Pedro Sula, and Central District of Tegucigalpa who complete upper secondary school (11 th grade or 12 th grade)	364 of which 204 female (2019)	746 of which 418 female (2020)	364 of which 204 female (2021) ⁸	Not Achieved

26. *Mostly Achieved.* Honduras made progress in identifying the poor and extreme poor through the establishment of a social registry. The targeting of social programs showed mixed results. The targets on percent of extreme poor households receiving CCTs in rural areas and of CCT beneficiary children aged 16-18 completing secondary education were achieved. Over 90 percent of CCT program beneficiaries in rural areas completed lower secondary school (ninth grade). As nearly 20 thousand households in rural areas were receiving CCT payments through the WB project, this means that thousands of additional children completed their lower secondary education. Payments made to eligible households incentivized the use of education to improve the human capital development of children. However, there was no progress on urban beneficiaries in the bottom quintiles and urban CCT beneficiaries completing upper secondary school. As schools are closed, the WB intervention in three large municipalities has not been rolled out. Moreover, out of the 45,220 urban households, only 12,853 were paid in 2021 due to restrictions in the project operations manual related to payments close to elections and difficulties initiating the payment cycle in 2021. In addition, with only 42 percent of the CCTs going to the bottom quintiles, the program was not particularly well targeted (nearly 2/3 going to the top three quintiles). Additional information shows that 72 percent of urban CCT recipients who are in the bottom two quintiles of the income distribution received benefits by July 19, 2021 by the end of the extended CPF period.

27. **IEG rates the outcome of WBG support under Focus Area I as *Moderately Satisfactory*.**

⁷ This indicator, for the Social Security Integration project, was subsequently revised, showing a dramatic increase of the share of urban CCTs going to the bottom two quintiles (72 percent) in both the baseline and the 2021 outcome. However, the target was not achieved because the share of CCT in bottom quintiles was flat at 72 percent.

⁸ As schools are closed, and the intervention in these three municipalities has not been rolled out, the WB team was not able to report on this indicator. Moreover, according to the Social Protection Integration project January 2022 ISR, out of the 45,220 urban households, only 12,853 were paid in 2021 due to restrictions in the project operations manual related to payments close to elections and difficulties initiating the payment cycle in 2021. The project has experienced delays in the implementation of the other activities due to the pandemic and the transition to the new administration.

Focus Area II: Bolstering the Conditions for Growth

28. Focus Area II supported efforts to reduce the costs of doing business by increasing the efficiency of public investment and improving private sector regulations (business); improve the reliability of infrastructure, in particular energy and transportation; and increase positive investment spillovers from addressing crime.

29. **Objective 2: Improve the reliability of key infrastructure.** The main WB contributions were the Rural Infrastructure Project (FY06) to improve access and quality of infrastructure services for the rural poor, and develop capacities and enabling environment from locally-driven service provision and planning, and the trust-funded Scaling-Up Renewable Energy (FY17) to enhance the enabling framework and business models to increase access to clean energy services in rural and peri-urban areas. IFC’s support was through earlier long-term investments in four renewable energy companies with a total capacity of 254.6 MW (La Vegona Hydro: 38.5MW, SunEdison Solar: 81.7 MW, Valle Solar: 72.9MW, and Aura Solar II: 61.5MW). IFC also supported this objective thorough its earlier long-term investment commitments in Banco Atlántida to promote sustainable energy finance. MIGA supported this objective through prior guarantee for 2 projects with a total capacity of 205.7 MW (Proyecto Eólico Cerro de Hula Hydro-124 MW, and Sistemas Fotovoltaicos and Soluciones Energéticas/SunEdison Solar-81.7MW, also supported by IFC). MIGA supported an infrastructure project in the transport sub-sector. The project—which was not completed due to implementation and operational challenges—involved the rehabilitation, expansion, and operation of a 220-kilometer toll road. Water sector development was significant but not captured in the results framework. ASA on Water Sector and Sanitation Reform: Strengthening Sanitation Planning (FY17) supported strategic sanitation planning to improve services in urban and rural settlements. ASA on Developing Financial Policy in WSS Sector (FY18), helped develop evidence, enhance sectoral capacity, test and scale-up innovations, and promote knowledge-sharing and partnerships. ASA in FY18 helped improve access to finance by the Tegucigalpa municipal water utility by helping it develop a proper business plan with a robust financial model for the municipal service provider. Together with two lending projects—Tegucigalpa Water Supply Strengthening (FY19) and Urban Water Supply Strengthening projects—these ASA helped significantly strengthen the water sector in Honduras.

30. The assessment of performance on the indicator is as follows:

Indicator	Baseline (Year)	Target (Year)	IEG Validated Result (Year)	IEG Rating
People provided with new or improved access to electricity	0 (2015)	467,163 (2020)	422,500 people received new or improved access to electricity in 2020	Mostly Achieved

31. *Mostly Achieved.* By 2020, over 400 thousand people received new or improved access to electricity based on three IFC investments that have data on the number of residential customers. The energy companies supported by IFC and MIGA contributed 378 MW of renewable energy, representing about 24 percent of the country’s 1,600 MW installed renewable

energy capacity or 10 percent of the 4,815 MW total installed capacity in 2019.⁹ Under the Rural Infrastructure project, rural households improved their access to electricity. The rural population saw better access to electricity in seven communities through grid extension, isolated mini-grids, and solar home systems.

32. **Objective 3: Increase access to finance.** The main WBG contributions were pre-existing IFC long-term investment commitments in Banco Popular, Banco Ficohsa, and Ficensa.

33. The assessment of performance on the indicator is as follows:

Indicator	Baseline (Year)	Target (Year)	IEG Validated Result (Year)	IEG Rating
People, microenterprises, and SMEs reached with financial services	20,650 (2014)	23,400 (2020)	63,140 (2020)	Achieved

34. **Achieved.** Over 60 thousand—almost three times the WBG target—people, microenterprises and SMEs -- were reached with IFC-enabled financial services. Loans to MSMEs totaled US\$70.5 million.

35. **Objective 4: Strengthen the Regulatory Framework and Institutional Capacity.** The main contributions were the Fiscal Sustainability and Enhanced Competitiveness Development Policy Operation (FY16) to strengthen institutional arrangements for fiscal sustainability and enhance the regulatory framework to promote competitiveness; and the Land Administration Project (FY11) to provide the population with improved, decentralized land administration services, including better access to and more accurate information on property records and transactions. In addition, there was non-lending Public Service Wage Bill Assessment Technical Assistance. The San Pedro Sula Multi-Sector Agile Development (FY21) RAS helped the municipality identify constraints to private investment (including by doing a Subnational Doing Business study) and provided advice on urban mobility and on becoming a MICE¹⁰ tourism destination. The recommendations have not been implemented yet due to the COVID-19 response and other emergencies that the municipality had to deal with in the past year. IFC also helped enhance institutional capacity at the subnational level. Through IFC’s LAC Cities Platform advisory project, the Tegucigalpa municipality was able to obtain an international credit rating from Fitch Ratings, strengthening its position to attract financing for crucial infrastructure projects.

36. The assessment of performance on the indicators is as follows:

Indicator	Baseline (Year)	Target (Year)	IEG Validated Result (Year)	IEG Rating
Increase in share of the public sector workforce that has been evaluated through an institutional functional review	0 percent (2014)	50% (2019)	60% (by December 2017)	Achieved

⁹ Honduras installed capacity is based on US Energy Information Administration (US EIA) data.

¹⁰ Meetings, incentives, conferencing, and exhibitions.

Reduction in time for goods to cross borders between Guatemala and Honduras	19 hours (2015)	10 minutes (2020)	10 minutes (2020)	Achieved
Reduction in average number of days to start a business	14 days (2014)	11 days (2020)	12 days (2020) ¹¹	Mostly Achieved
Increase in number of families with land titles	40,000 (2015)	50,000 (2020), of which at least 48 percent to women	50,800 by January 2017. Of which, 48 percent were issued to women. 2020 data is unavailable.	Achieved

37. *Mostly Achieved.* Honduras’s burdensome customs procedures make trading difficult, land tenure is important for investment and social stability,¹² and facilitating the opening of businesses was important for private sector development. The regulatory changes promoted by the WBG shortened the time for goods crossing at the border with Guatemala, reduced the time to open a business, and significantly increased the number of families with land titles. In addition, more than fifty percent of the public sector workforce was evaluated through an institutional functional review as part of an effort to control the public sector wage bill. Based on a successful payroll control reform in the education sector, which accounted for 50 percent of the government payroll, the government designed a strategy to expand the reform to other public institutions. However, there is no evidence of outcomes in terms of the wage bill or other follow-up.

38. **Objective 5: Enhance Rural Productivity.** The main contributions were the Rural Competitiveness Project (FY08) to increase productivity and competitiveness among organized rural small-scale producers through their participation in productive alliances, and the Integrating Innovation in Rural Competitiveness (FY19) and its Additional Financing (FY19), to improve access to markets and climate-smart practices and contribute to the economic inclusion of targeted beneficiaries in select agricultural value chains. In addition, through IFC’s Cadelga Agrifinance advisory project, micro and small holder farmers gained access to agri-loans bundled with relevant technical training aimed at improving productivity.

39. The assessment of performance on the indicator is as follows:

Indicator	Baseline (Year)	Target (Year)	IEG Validated Result (Year)	IEG Rating
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¹¹ The DB team changed the calculation methodology for this indicator in 2020. It added “zoning certificate procedure” to the number of days to start a business. The number of days to acquire a zoning certificate was 30 days in 2020. Thus, the number of days to start a business is now 42 days (12 days plus 30 days). Based on this new method, the DB team revised this indicator all the way to DB 2011 – for each year since then, 30 days is added to the number of days required to start a business.

¹² The SCD (p. 97) states that land is a significant social and economic issue in Honduras. Land tenure insecurity has contributed to social instability (often through illegal land occupation and violent disputes) and unsustainable land use. Weak property rights have also discouraged investment and restricted access to credit. Thus, strengthening property rights was an essential component for stimulating economic growth and reducing poverty rates, especially in urban and rural areas critical for the nation’s development.

Percentage increase in volume of sales of rural producers ¹³	10 percent (2015)	27 percent (2019)	Not Verified	Not Achieved
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Additional Evidence:

- Farmers in targeted municipalities who received financing supported by technical training through IFC’s advisory services project reported a 90 percent increase in income. A survey of 100 participants in more than 20 municipalities revealed that 94 percent of them improved the quality of their production while 84 percent showed an increase in quantity. More than 2,500 producers received financing and technical assistance through this project.
- The ICR for the Rural Competitiveness project (FY08) shows that by June 2021 (the end of the extended CPF period):
 - Volume of sales by project beneficiaries increased by 25.5 percent.
 - The increase in land productivity of the aggregated sub-projects was 23.5 percent.

40. *Mostly Achieved.* The scope of the objective--"enhance rural productivity"--is broad, and IEG does not have evidence of an increase in aggregate rural productivity in Honduras. However, progress made in productivity and sales under the Rural Competitiveness project reached a significant number of small rural producers – nearly 13,000, according to the ICR, which was approximately one-third of the producers in the seven western departments that the project’s design aimed to target, although the ICR does not report on the actual geographic distribution of the beneficiary producers. Additional evidence from an IFC project not reflected in the indicator corroborates the increase in sales volume of rural producers mentioned in the Rural Competitiveness ICR, albeit within a limited geographical area and for a relatively small number of participants.

41. **IEG rates the outcome of WBG support under Focus Area II as Moderately Satisfactory** based on the assessment of objectives 2 to 5 above.

Focus Area III: Reducing Vulnerabilities

42. Focus area III concentrated on reducing vulnerabilities to disaster by strengthening the capacities of municipalities to deal with natural disasters and climate change.

43. **Objective 6: Boost Resilience to Natural Disasters and Climate Change.** The main contributions in support of this objective were the Disaster Risk Management Project (FY13) to continue strengthening capacity for integrated disaster risk management at the municipal and national level and improve the capacity to respond promptly and effectively to an eligible emergency; and the DRM Development Policy Credit with a Catastrophe Deferred Drawdown Option (CAT DDO) (FY20) to strengthen Honduras's institutional and financial framework to

¹³ This is the PLR definition for the indicator. The ISR adds organizations, which could be subject to a different interpretation.

manage the risk of adverse natural events including disease outbreaks. It was also supported by the regional ASA Programmatic Approach for Enhancing Disaster Risk Management in Central America (FY16), which aimed to strengthen countries' capacities to assess and understand risk; formulate and implement risk and risk reduction programs; and design disaster risk financing and insurance strategies. There was a trust-funded activity for the Pilot Program for Climate Resilience –Phase I (FY18) which aimed to strengthen institutional capacity of the government for integrating climate resilience in development planning. In addition, the ASA on Strengthening Hydromet Services, Disaster Preparedness, and Urban Resilience (FY21)— building on the Disaster Risk Management project (FY13) and the Strengthen DRM and Resilience of Central American Cities— financed technical assistance on managing disaster risks, through strengthening the DRM system at the national and municipal level. This technical assistance also informed the preparation of the Catastrophe Drawdown Operation by helping design prior actions on disaster preparedness and health-related crisis responses.

44. The assessment of performance on the indicator is as follows:

Indicator	Baseline (Year)	Target (Year)	IEG Validated Result (Year)	IEG Rating
Municipalities adopted DRM Plans and Emergency Plans	0 (2015)	18 (2020)	18 municipalities (June 2020)	Achieved

45. *Mostly Achieved.* Municipalities adopted DRM and Emergency plans. The indicator addresses primarily resilience to natural disasters, which only indirectly tackles climate change.

46. **IEG rates the outcome of WBG support under Focus Area III as *Moderately Satisfactory*** based on its one objective above.

V. WBG Performance

Ownership, Learning, and Adaptation

47. **Government commitment was uneven.** The government showed broad commitment to those projects that responded directly to their agenda to reduce poverty and increase shared prosperity. The projects on Social Protection, Rural Competitiveness, and Water and Sanitation Sector Modernization all performed well and showed good government implementation. However, in other projects, such as the Safer Municipalities project, the government showed less commitment to implementation. For example, the government committed US\$2.0 million in counterpart financing, but those contributions were not disbursed, which adversely affected project implementation. Similarly, under the Improving Public Sector Performance project (FY12), engagement with the Ministry of Finance was narrow, focusing only on technology upgrades rather than more broadly on public procurement and human resource management as intended. The challenges were not overcome over the life of the project.

48. **The WBG adapted well to the emergence of the COVID-19 pandemic, and responded well to natural disasters such as hurricanes Iota and Eta.** It accelerated the preparation of a Disaster Risk Management DPC with a Catastrophe Deferred Drawdown Option (FY20) and the COVID-19 Emergency Response project (FY20). The Water Security in the Dry Corridor (FY20) and the Urban Water Supply Strengthening Project (FY20) were part of the COVID-19 response

by contributing to food security and nutrition, municipal water management, and clean water access. The CAT DDO re-opened the dialogue with the government to start much needed reforms in the health sector, including enhancing preparedness for health emergencies, and adopting a national response plan to pandemics and epidemics. The WB could not rectify, however, the poor performance of the Safer Municipalities project over its 5-year life.

49. **The PLR came late in the WBG program period and dropped objectives that were important for the country's development.** The PLR lateness—prepared a few days into the CPF's last year— limited its value as a tool for WBG learning and adaptation. Some indicators were changed to reflect a refocusing of the program (from access to targeting social programs under objective 1) or developments during the first part of the program (drop an indicator of road development because the construction company had to stop work due to societal resistance to toll collection). The road program was abandoned and the respective resources cancelled through project restructuring. Road development remains key to improving reliability of key infrastructure, and a significant component of the WB-supported program. Objective 7— Build Crime and Violence Prevention Capacity of Local Governments—was dropped reflecting implementation challenges of the Safer Municipalities project (FY13), which closed in FY19 without achieving its development objectives, and without lending foreseen in support of the objective for the remainder of the program. The Bank team stated in consultations on the CLRR that it continues to persevere in efforts to address violence prevention, including through regional ASA and WBG activities to support crime and violence awareness and prevention.

50. **The WBG applied a temporary suspension to new WB DPF operations and Long-Term Finance from IFC in light of concerns about Indigenous People's rights.** The suspension is still in place.

Risk Identification and Mitigation

51. **The ex-ante risk identification was appropriate, particularly with respect to weak institutional capacity, fiduciary risks, and political risks. However, the WB underestimated the severity of the potential impact,** and implementation of risk mitigation measures were insufficient in some cases, such as for political and fiduciary risks. The weaknesses in identifying the degree of impact and in implementing mitigation measures were as follows:

- *Polarization and lack of government majority in the National Congress may delay approval of WBG operations.* The mitigation measure was to focus on areas of critical importance— fiscal consolidation and social inclusion—that may foster consensus in Congress. The risk was considered substantial. In practice, political events in 2017—and the unrest and institutional crisis they triggered— challenged policy implementation in ways that went beyond what was foreseen or possible to mitigate. Policy making and implementation came to a halt for several months. Program implementation slowed, but eventually most interventions progressed.
- *Weak public institution capacity—including fiduciary risks.* The mitigation measure was to simplify and strengthen project design, provide continuous training and capacity building, and work closely with implementing agencies. In practice, the Safer Municipalities project (FY13) was affected by limited institutional capacity and

significant fiduciary issues, both of which delayed implementation, closing with a Moderately Unsatisfactory rating. The implementation of the Honduras COVID-19 Emergency Response (FY20) and its Additional Financing (FY21) suffered considerable delays due to fiduciary issues and limited local capacity.

WBG Collaboration

52. **Internal WBG collaboration was appropriate, and—aside from the cooperation in preparation of the program strategy—focused on work in the energy sector.** WBG collaboration in energy pre-dates the CPF period and continued during the CPF. IFC and MIGA coordinated separate financial support for a common project in renewable energy. The IFC and WB coordinated strategies related to budget and long-term financing given concerns about protection of Indigenous People's rights.

Partnerships and Development Partner Coordination

53. **WB coordination with development partners was adequate.** The WB coordinated with IDB and other development agencies—under the Disaster Risk Management project—to help prepare the Strategic Program for Climate Resilience (SPCR). The WB also collaborated with the IDB—under the Rural Competitiveness project—with IDB investments complementing the WB with select infrastructure, such as roads, and the WB concentrating on increasing the productivity of small-scale farmers.

Safeguards and Fiduciary Issues

54. **Safeguards compliance was generally satisfactory during the CPF.** The Bank teams provided support to the government and implementation unit teams. Nine closed projects were validated by IEG in the energy and extractives, governance, macroeconomics and fiscal, water, social development, and social project sectors. Except in a few instances, such as the Safer Municipalities project, the WB appropriately mitigated safeguard issues that appeared in projects. No Inspection Panel cases were registered during the CPF.

55. **There were a number of fiduciary issues under the program, and some investigations by INT are ongoing:**

- Two serious complaints to INT resulted in the opening of Preliminary Investigations, one in the Social Protection and Jobs GP in FY 18 and the other under the Urban, Resilience and Land GP in FY 20. Both incoming allegations were carefully reviewed but full investigations were not required.
- One completed INT Investigation under the Urban, Resilience and Land GP resulted in a Final Investigation Report that was presented to the President of the World Bank Group on March 21, 2019. Tainted shopping procedures identified by a series of fiduciary reviews by the Bank team working with the project, were confirmed by the INT investigation. Thereafter, measures were put in place to reduce the risk of future abuse by suppliers.
- Two INT investigations launched in FY21 are still active, in both instances the initial focus is on the Water sector. One of these cases does apply to additional projects in different sectors but under the same entity.

56. In light of the fiduciary problems, the government has contracted the United Nations Development Program to manage procurement for a number of projects and state-owned entities.

Overall Assessment and Rating

57. **Overall, IEG rates World Bank Group performance as Good.**

Design

58. **Program design was broadly adequate and applied lessons learned in the previous CPF, although the WB dropped an important objective (violence prevention) at PLR stage.** The WBG program sought to support critical development constraints and components of the government's development program, with an emphasis on the themes of social inclusion and growth and resilience, highlighted as priorities in the WBG's Systemic Country Diagnostic. Investment projects were primarily in areas with serious problems, revealed ownership, and with good implementation capacity, such as social protection. ASA provided analytical underpinning to other work, informed lending, helped strengthen specific sectors such as water and sanitation, and was used to build capacity in areas such as responding to natural and other disasters. The initial results framework reflected the CPF objectives well. Results indicators were generally measurable, with baseline, target, and target date, but some outcome indicators—e.g., under objectives 5 (rural productivity) and 6 (resilience to natural disasters)—were inadequate to capture the progress towards objectives. Dropping of the violence prevention objective and roads indicator framework at PLR stage weakened the program's focus on critical country development issues. The Bank team stated in consultations on the CLRR that it continues to persevere in efforts to address violence prevention. The PLR missed the opportunity to add an indicator for objective 5 from an IFC project that was already poised to generate strong outcomes in rural productivity, albeit within a limited geographical area, or to adjust the scope of the objective to more closely reflect the supporting program. Risks for the program were appropriately identified but the magnitude of their potential impact was underestimated. The lessons learned from the previous CPF were applied well in this one and included the need to have more realistic objectives, to take a longer view, and to focus on those sectors where the government has demonstrated strong demand and commitment.

Implementation

59. **Program implementation was adequate and the response to emergencies was good, but supervision in some projects (Safer Municipalities) was weak.** Internal WBG collaboration was appropriate, and focused on the energy sector. Supervision under the Safer Municipalities project was weak, including on providing timely guidance to the project implementation unit, and following up on fiduciary and safeguards issues. The WB adapted well to the emergence of the COVID-19 pandemic and responded well to hurricanes Iota and Eta. The PLR lateness limited its value as a tool for WBG learning and adaptation, and some of the changes it made—dropping indicators and crime and violence prevention objective— weakened program focus. In ongoing and future engagements with Honduras, the Bank intends to persevere in efforts to address crime and violence prevention and awareness, according to the Bank team. Implementation of risk mitigation measures was insufficient in

some cases, such as political and fiduciary risks. INT investigations and fiduciary reviews identified abuse by suppliers, and measures were put in place to reduce the risks of future abuse by suppliers.

VI. Assessment of CLR

60. **The CLR provided generally good evidence to assess the achievement of WBG program objectives, but could have assessed better the WBG's program ASA and explain delays in preparing the PLR.** The WBG interventions under the objectives were well described. The CLR generally explained pathways to the achievement of objectives, but the discussion of ASA was cursory, although it played a significant role in achieving objectives or in setting the stage and informing lending interventions. The CLR does not explain why the PLR was prepared so late in the WBG program cycle.

61. **The CLR would have benefited from a more thorough discussion of political risks, how they materialized and affected the program, and assessing the adequacy of the WBG response.** The lessons section would have benefited from prioritization. It shows a long list of items, but it is unclear which are the key ones and how the WBG could make them actionable.

VII. Lessons

62. **IEG broadly agrees with the CLR's lessons,** particularly on selectively supporting areas where there is a convergence of views and approaches with the authorities; replicating the institutional characteristics that made WBG projects successful; and appropriately mitigating risks arising from limited institutional capacity.

63. **IEG would like to add the following lesson from this CLRR:**

- Perseverance despite setbacks on violence prevention or road development would contribute to making the WBG part of the solution to Honduras's main development constraints.

Annexes

Annex 1: Summary of Achievements of CPS Objectives – Honduras

Annex 2: Comments on Lending Portfolio

Annex 3: Comments on ASA Portfolio

Annex 4: Comments on Trust Fund Portfolio

Annex 5: IEG Project Ratings

Annex 6: Portfolio Status for Honduras and Comparators, FY16-21

Annex 7: Comments on IFC Investments in Honduras

Annex 8: Comments on IFC Advisory Services in Honduras

Annex 9: Comments on MIGA Guarantees

Annex 10: Economic and Social Indicators for Honduras, FY 16-21

Annex 1: Summary of Achievements of CPS Objectives – Honduras

CPS FY16-FY20: Focus Area I: Fostering Inclusion	Actual Results	IEG Comments
CPS Objective 1: Improve Targeting of Social Programs		
<p>Indicator 1: Percent of Households in the Bono Vida Mejor receiving CCTs in rural areas that are extreme poor:</p> <p>Baseline: 75.00 (2014) Target: 99.89 (2019)</p>	<p>IEG ICRR: MS of P115592 reports that 99.89 percent of households in Bono Vida Mejor received cash transfers in rural areas that are extreme poor by FY19.</p> <p>Achieved</p>	<p>This indicator was supported by Social Protection Project (P115592, FY10).</p> <p>The baseline and target were amended at PLR stage from 27% and 34%.</p>
<p>Indicator 2: Percentage of Program beneficiary children aged 16-18 years that completed lower secondary education (ninth grade):</p> <p>Baseline (2014): Boys: 19% Girls: 22%</p> <p>Target (2019): Boys: 30% Girls: 30%</p>	<p>IEG ICRR: MS of P115592 reports that 94.4 percent of program beneficiaries aged 16-18 completed lower secondary education (ninth grade) in 2019. The rate increased from 22% to 95.7% for girls in December 2018. According to the Government's closing report of the project,¹⁴ the rate for boys increased from 19% in 2014 to 93.3% in 2018.</p> <p>No available data for boys in 2019.</p> <p>Achieved</p>	<p>This indicator was supported by Social Protection Project (P115592, FY10).</p> <p>Note: The result is measured differently by the supporting project and PLR. The result did not measure by gender.</p>
<p>Indicator 3: Percent of urban conditional cash transfer (CCT) beneficiaries who are in the bottom two quintiles of the income distribution.</p> <p>Baseline (2019): 42 % Target (2020): 43 %</p>	<p>The August 11, 2020 ISR: MS of P152057 reports that 42 percent of the urban conditional cash transfer (CCT) beneficiaries who are in the bottom two quintiles of the income distribution received benefits by July 31, 2020.</p> <p>Not Achieved</p> <p><i>Additional evidence:</i> According to the July 26, 2021 ISR: MS of P152057, 72 percent of urban CCT who are in the bottom two quintiles of the income distribution received benefits by July 19, 2021.</p>	<p>This indicator was supported by Social Protection Integration Project (P152057, FY19).</p>
<p>Indicator 4: Number of urban CCT participants in the three prioritized municipalities of Coloma, San Pedro Sula and the Central District of Tegucigalpa who complete upper secondary school (11th grade or 12th grade)</p> <p>Baseline (2019): 364 of which female (2019): 204</p> <p>Target (2020): 746</p>	<p>The August 11, 2020 ISR: MS of P152057 reports that 364 urban CCT beneficiaries in the three prioritized municipalities completed upper secondary school (11th grade or 12th grade) by July 31, 2020. Of these, 204 were female urban CCT beneficiaries.</p> <p>Not Achieved</p>	<p>This indicator was supported by Social Protection Integration Project (P152057, FY19).</p> <p>Note: During the project restructuring in May 2021, the indicator expanded to cover nine municipalities. Thus, the latest achievement of the</p>

¹⁴ Informe final de cierre Banco Mundial 4774-HN, 5294-HN y 5603-HN periodo 2010-2018

CPS FY16-FY20: Focus Area I: Fostering Inclusion	Actual Results	IEG Comments
of which female (2020): 418		original indicator by FY21 cannot be verified
CPS FY16-FY20: Focus Area II: Bolstering Conditions for Growth	Actual Results	IEG Comments
CPS Objective 2: Improve Reliability of Key Infrastructure		
<p>Indicator 1: People provided with new or improved access to electricity:</p> <p>Baseline: 0 (2015) Target: 467,163 (2020)</p>	<p>According to IFC's Development Outcome Tracking System (DOTS), in 2020, 422,500 people were provided with new or improved access to electricity compared with the target of 467,163. Three projects contributed to this achievement:</p> <ol style="list-style-type: none"> 1. La Vegona (#28139) = 228,600 people (2020) 2. SunEdison HON3 (#34975) = 109,900 people (2020) 3. Valle Solar (#35080) = 84,000 people (2020) <p>IEG was unable to validate results from MIGA projects.</p> <p>Mostly Achieved</p>	<p>This indicator was supported by Rural Infrastructure Project (P086775, FY06); Scaling up Renewable Energy in Honduras Trust Fund Project (P131602, FY17); IFC Investment Projects); La Vegona (#28139, FY09); ; SunEdison HON3 (#34975, FY15); Valle Solar (#35080, FY15); and Aura Solar II (#35364, FY14); and MIGA Investment Projects – SunEdison PV Solar Power (#12720); and Energía Eólica de Honduras S.A (7617). While all the IFC projects contributed to achieving this objective during the CPF period, only 3 projects have data for 2020.</p> <p>Target value and year was modified at PLR stage. The original (CPS) target was 444,000 by 2019.</p>
CPS Objective 3: Increase Access to Finance		
<p>Indicator 1: People, microenterprises and SMEs reached with financial services.</p> <p>Baseline: 20,650 (2014) Target: 23,400 (2019)</p>	<p>According to the IFC's Development Outcome Tracking System (DOTS), IFC's Banco Popular Project (#25236) provided 63,140 people, microenterprises and SMEs with financial services in 2020, exceeding the target of 23,400.</p> <p>Achieved</p>	<p>This indicator was supported by IFC investment project Banco Popular (#25236, FY08), Ficohsa (#26394, FY08), and Ficensa (#32992, FY13). While these projects contributed to achieving this objective during the CPF period, only Banco Popular has data for 2020.</p>

CPS FY16-FY20: Focus Area II: Bolstering Conditions for Growth	Actual Results	IEG Comments
CPF Objective 4: Strengthen the Regulatory Framework and Institutional Capacity		
<p>Indicator 1: Increase in share of the public sector workforce that has been evaluated through an institutional functional review:</p> <p>Baseline: 0% (2014) Target: 50% (2019)</p>	<p>IEG ICRR: MS of P155920 reports that 60 percent of the workforce has been evaluated through an institutional functional review by December 2017.</p> <p>No projects monitored this indicator after 2017.</p> <p>Achieved</p>	<p>This indicator was supported by Fiscal Sustainability and Enhanced Competitiveness Development Policy Operation (P1559020, FY16); and non-lending Service Public Wage Bill Assessment Technical Assistance (P151803, FY16)</p>
<p>Indicator 2: Reduction in time for goods to cross borders between Guatemala and Honduras:</p> <p>Baseline (2015): 19 hours Target (2020): 10 minutes</p>	<p>IEG ICRR: MS of P155920 reports that the time for goods to cross borders between Guatemala and Honduras was reduced from 19 hours to 10 minutes.</p> <p>Achieved</p>	<p>This indicator was supported by Fiscal Sustainability and Enhanced Competitiveness Development Policy Operation (P1559020, FY16); and non-lending Service Public Wage Bill Assessment Technical Assistance.</p> <p>The indicator was modified at PLR stage from the original, “Reduction in number of days required to export and import.”</p>
<p>Indicator 3: Reduction in average number of days to start a business:</p> <p>Baseline: 14 days (2014) Target: 11 days (2020)</p>	<p>According to the Doing Business (DB) Report (2020), the number of days to start a business dropped from 44 days (14 days based on DB’s old calculation method) in 2014 to 42 days (12 days based on DB’s old calculation method) in 2020.¹⁵</p> <p>Mostly Achieved</p>	<p>The target value and target year were modified at PLR stage from the original target of 10 days by 2019.</p>
<p>Indicator 4: Increase in families with land titles:</p> <p>Baseline: 40,000 (2015) Target: 50,000 (2020), of which at least 48 percent to women.</p>	<p>IEG ICRR: S of P106680 reports that the number of families with land titles increased from 40,000 in 2015 to 50,800 by January 2017. Of the titles, 48 percent were issued to women.</p> <p>No projects monitored this indicator after 2017.</p>	<p>This indicator was supported by Land Administration Project (P106680, FY11).</p> <p>The target year was revised at PLR stage</p>

¹⁵ The Doing Business (DB) Report revised the calculation for this indicator in 2020. It added the “zoning certificate procedure” (with the time and costs) to this indicator. The time for acquiring zoning certificate is 30 days. Based on this new method, the DB team revised this indicator from DB 2011.

CPS FY16-FY20: Focus Area II: Bolstering Conditions for Growth	Actual Results	IEG Comments
	Achieved	from the original (CPF) of 2017.
CPF Objective 5: Enhance Rural Productivity		
<p>Indicator 1: Percentage increase in volume of sales of rural producers:</p> <p>Baseline: 10 percent (2015) Target: 27 percent (2020)</p>	<p>The December 16, 2020 ISR: S of P101209 reports that the gross sales increase was 0% in 2020.</p> <p>Not Achieved</p> <p>Additional Evidence: According to the ICR of P101209, the value of gross sales of rural producer organizations based on implementation of the business plan had increased by 25.50 percent by June 30, 2021.</p> <p>Farmers in targeted municipalities who received financing supported by technical training through IFC's advisory services project reported a 90 percent increase in income. A survey of 100 participants in more than 20 municipalities revealed that 94% improved the quality of their production while 84% showed an increase in quantity. More than 2,500 producers received financing and technical assistance through this project. These findings are based on a December 2021 joint press release by IFC, Global Agriculture and Food Security Program (GAFSP) and Grupo Cadelga (the IFC advisory services client).</p> <p>Partially Achieved</p>	<p>This indicator was supported by Rural Competitiveness Project (P101209, FY08).</p> <p>The target was revised at PLR stage from the original of 60 percent. The PLR noted that the original target may have been an error as it was not supported by WB engagement.</p>
CPS FY16-FY20: Focus Area III: Reducing Vulnerabilities		
CPS Objective 6: Boost Resilience to Natural Disasters and Climate Change		
<p>Indicator 1: Municipalities adopted Disaster Risk Management (DRM) Plans and Emergency Plans:</p> <p>Baseline: 0 (2015) Target: 18 (2020)</p>	<p>The June 24, 2020 ISR: MS of P131094 reports that 18 municipalities had adopted DRM Plans and Emergency Plans by June 2020.</p> <p>Achieved</p> <p><i>Additional evidence:</i> According to IEG ICRR: S of P131094, the number of municipalities remain the same by June 30, 2021.</p>	<p>This objective was supported by Disaster Risk Management Project (P131094, FY13); DRM Development Policy Credit with a Catastrophe Deferred Drawdown Option (CAT DDO) (P172567, FY20); Tegucigalpa: Water Supply Strengthening</p>

CPS FY16-FY20: Focus Area III: Reducing Vulnerabilities	Actual Results	IEG Comments
		<p>Project (P170469, FY19); Water Security in the Dry Corridor of Honduras (P169901, FY20); and Urban Water Supply Strengthening Project (P173125, FY20); and non-lending Programmatic Approach for Enhancing Disaster Risk Management in Central America (P145227, FY16)</p> <p>The indicator was revised at PLR stage from the original (CPF): <i>“National and municipal governments that gather, analyze, and utilize data and information on climate change adaptation and mitigation, and DRM for evidence-based policymaking and informed decision-making.”</i></p> <p>The target and target year were revised at PLR stage from the original: 16 (2019).</p>

Annex 2: Comments on Lending Portfolio

IEG's review found no differences in lending portfolio data vs. what is presented in the CLR.

Annex 3: Comments on ASA Portfolio

IEG's review found the following ASAs that are not included in the CLR:

Proj ID	ASA	Fiscal year	Product Line	RAS
P152124	Competition & Competition Policy-Rapid Response in Latin America	FY18	Macroeconomics, Trade and Investment	TA
P157204	Honduras Education for All End-of-Project Evaluation/Education Sector Plan Development (ESPD)	FY18	Education	AA
P170136	Macroeconomic Modeling Technical Assistance	FY19	Macroeconomics, Trade and Investment	AA
P161696	Supporting Transparency, Accountability and Results in Honduras	FY21	Governance	AA
P168618	Improving Service Delivery through Enhanced Identification	FY21	Governance	AA
P172149	Strengthening Hydromet Services, Disaster Preparedness and Urban Resilience in Honduras	FY21	Urban, Resilience and Land	AA

Source: Honduras CLR and WB Business Intelligence Table 9.5 AAA Sector Summary Report December 16,2021

Annex 4: Comments on Trust Fund Portfolio

IEG's review found the following trust-funded activities that are not included in the CLR:

Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount (US\$, Million)
P103458	Kenya KenGen Carbon Finance umbrella	TF 57573	2007	2020	6,137,500
P088256	La Esperanza Hydro Project	TF 54380	2005	2015	1,395,000
P150582	Piloting New Forms of Community-Administered	TF 94670	2010	2016	1,714,300
P125269	Building Trust in Public Institutions and Policies	TF 93440	2010	2015	829,110
P124157	HN Employment Generation in Poor Urban Neighborhoods	TF 97916	2011	2015	2,545,000
P125817	Improving Performance Accountability in HN by Strengthening Congressional Oversight	TF 11581	2012	2016	485,040
P125903	HN Integ Urban Water Mngmt (IUWM) in the Greater Tegucigalpa Area	TF 99354	2012	2016	400,000
P082242	Nutrition and Social Protection project	TF 11667	2012	2014	1,200,000
P151951	HN - SPF Municipal Citizen Security	TF 16069	2014	2017	1,500,000
P144108	Honduras: EITI Implementation	TF 16493	2015	2016	300,000
P157795	Honduras Pilot Program for Climate Resilience Phase 1 Grant	TF A4893	2017	2020	1,400,000
P165218	HN Supporting Cost of Living Measurements	TF A8185	2019	2020	490,677
P106680	Second Land Administration Project	TF099664	2011	2017	32,790,000

Source: Client Connection as of 12/16/2021

** IEG Validates RETF that are 5M and above

Annex 5: IEG Project Ratings

IEG Project Ratings for Honduras FY16-21

Exit FY	Proj ID	Project name	Total Evaluated (\$ mln)	IEG Outcome	IEG Risk to DO
2016	P086775	HN (CRL1) Rural Infrastructure Project	61.5	MODERATELY SATISFACTORY	SIGNIFICANT
2016	P110050	HN Improving Public Sector Performance	5.0	UNSATISFACTORY	HIGH
2016	P151803	HN Fiscal Sustainability DPC	55.0	SATISFACTORY	SIGNIFICANT
2017	P103881	HN WATER AND SANITATION PROGRAM	39.9	MODERATELY SATISFACTORY	SIGNIFICANT
2017	P106680	HN (APL2) Land Administration	30.8	SATISFACTORY	SIGNIFICANT
2017	P155920	Honduras First Fiscal Sustainability DPF	50.0	MODERATELY SATISFACTORY	SIGNIFICANT
2019	P115592	HN Social Protection	77.1	MODERATELY SATISFACTORY	#
2019	P130819	HN Safer Municipalities	9.7	MODERATELY UNSATISFACTORY	#
Total			328.9		

Source: Business Intelligence Key IEG Ratings as of 12/16/2021

IEG Project Ratings for Honduras and Comparators, FY16-21

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Honduras	328.9	8.0	95.6	75.0	-	-
LAC	20,227.7	184.0	76.0	76.1	43.5	44.3
World Bank	122,728.5	1,210.0	83.2	78.4	35.7	37.4

Source: WB Business Intelligence as of 12/16/2021

Annex 6: Portfolio Status for Honduras and Comparators, FY16-21

Fiscal year	2016	2017	2018	2019	2020	2021	Ave FY16-21
Honduras							
# Proj	9	6	6	8	12	12	9
# Proj At Risk	2	1	2	1			2
% Proj At Risk	22	17	33	13	-	-	14
Net Comm Amt	296	195	195	261	546	812	384
Comm At Risk	92	13	39	1			36
% Commit at Risk	31	7	20	1			15
LAC							
# Proj	259	260	253	246	264	269	259
# Proj At Risk	63	67	72	48	51	54	59
% Proj At Risk	24	26	28	20	19	20	23
Net Comm Amt	29,360	28,925	28,807	30,738	31,678	33,070	30,429

Comm At Risk	5,535	5,223	5,662	3,819	4,683	5,947	5,145
% Commit at Risk	19	18	20	12	15	18	17
World							
# Proj	1,975	2,071	2,058	2,010	2,108	2,141	2,061
# Proj At Risk	422	449	431	411	367	383	411
% Proj At Risk	21	22	21	20	17	18	20
Net Comm Amt	220,332	224,420	241,886	254,763	268,294	285,390	249,181
Comm At Risk	44,245	52,549	49,306	53,151	48,624	43,917	48,632
% Commit at Risk	20	23	20	21	18	15	19.7

Source: WB Business Intelligence as of 12/16/2021

Agreement type: IBRD/IDA Only

Annex 7: Comments on IFC Investments in Honduras

IEG's review found no differences in IFC investment data vs. what is presented in the CLR.

Annex 8: Comments on IFC Advisory Services in Honduras

IEG's review found the following IFC advisory services that are not included in the CLR.

Project ID	Project Name	Impl Start FY	Impl End FY	Project Status	Primary Business Area	Total Funds Managed by IFC
599893	Banco Atlantida II	2014	2016	CLOSED	FIG	0.19

Annex 9: Comments on MIGA Guarantees

IEG's review found no differences in MIGA guarantees vs. what is presented in the CLR.

Annex 10: Economic and Social Indicators for Honduras, FY 16-21

Series Name							Honduras	LAC	World
	2016	2017	2018	2019	2020	2021	Average 2014-2020		
Growth and Inflation									
GDP growth (annual %)	3.9	4.8	3.8	2.7	-9.0		1.3	-0.5	1.7
GDP per capita growth (annual %)	2.1	3.1	2.1	1.0	-10.4		-0.4	-1.4	0.6
GNI per capita, PPP (current international \$)	4,790.0	5,220.0	5,360.0	5,520.0	5,050.0		5,188.0	15,469.4	16,607.9
GNI per capita, Atlas method (current US\$)	2,110.0	2,230.0	2,310.0	2,380.0	2,180.0		2,242.0	8,240.4	10,914.0
Inflation, consumer prices (annual %)	2.7	3.9	4.3	4.4	3.5		3.8	2.6	2.1
Composition of GDP (%)									
Agriculture, forestry, and fishing, value added (% of GDP)	12.0	12.7	11.6	10.8	12.1		-11.8	5.0	4.2
Industry (including construction), value added (% of GDP)	25.8	26.5	26.6	27.1	26.0		-26.4	24.1	26.6
Services, value added (% of GDP)	58.4	56.8	57.3	57.7	58.3		-57.7	60.2	63.3
Gross fixed capital formation (% of GDP)	23.4	24.8	26.6	22.7	18.7		-23.2	18.5	25.7
External Accounts									
Exports of goods and services (% of GDP)	42.7	43.1	41.5	39.9	35.2		40.5	22.5	28.0
Imports of goods and services (% of GDP)	57.1	58.7	62.1	58.1	50.5		57.3	23.2	27.3
Current account balance (% of GDP)	-3.2	-1.3	-6.6	-2.4	2.8		-2.1		
External debt stocks (% of GNI)	38.0	40.5	41.6	42.3	50.0		42.5		
Total debt service (% of GNI)	4.6	4.4	4.6	3.9	6.9		4.9	6.4	
Total reserves in months of imports	4.0	4.6	4.1	4.9	8.3		5.2	10.1	12.1
Fiscal Accounts ¹									
General government revenue (% of GDP)	27.0	26.5	26.4	25.8	23.4	24.6	25.6	26.7	
General government total expenditure (% of GDP)	27.4	26.9	26.2	25.7	28.0	28.7	27.1	32.5	
General government net lending/borrowing (% of GDP)	-0.4	-0.4	0.2	0.1	-4.6	-4.2	-1.6	-5.8	
General government gross debt (% of GDP)	38.2	38.9	39.7	43.3	51.3	58.9	45.0	67.1	
Health									
Life expectancy at birth, total (years)	74.7	74.9	75.1	75.3	..		75.0	75.3	72.5
Immunization, DPT	94.0	89.0	90.0	87.0	..		90.0	85.3	85.7

Series Name							Honduras	LAC	World
	2016	2017	2018	2019	2020	2021	Average 2014-2020		
Growth and Inflation									
(% of children ages 12-23 months)									
People using at least basic sanitation services (% of population)	80.0	80.9	81.9	82.8	83.8		81.9	87.2	76.0
People using at least basic drinking water services (% of population)	93.8	94.2	94.7	95.2	95.7		94.7	96.7	89.3
Mortality rate, infant (per 1,000 live births)	15.9	15.4	14.9	14.5	..		15.2	14.7	29.4
Education									
School enrollment, preprimary (% gross)	39.3	41.1	41.1	39.8	39.4		40.1	77.1	59.8
School enrollment, primary (% gross)	92.6	91.5	..	91.5	90.2		91.5	108.8	102.8
School enrollment, secondary (% gross)	51.8	52.2	..	66.2	58.7		57.2	96.7	75.8
School enrollment, tertiary (% gross)	20.9	24.3	26.2	25.5	..		24.2	52.8	38.7
Population									
Population, total (Millions)	9,270,794.0	9,429,016.0	9,587,523.0	9,746,115.0	9,904,608.0		9,587,611.2	624,600,147.2	7,600,039,871.0
Population growth (annual %)	1.7	1.7	1.7	1.6	1.6		1.7	1.0	1.1
Urban population (% of total)	55.8	56.5	57.1	57.7	58.4		57.1	80.6	55.3
Rural population (% of total pop)	44.2	43.5	42.9	42.3	41.6		42.9	19.4	44.7
Poverty									
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of pop)	16.1	15.4	15.8	14.8	..		15.5		
Poverty headcount ratio at national poverty lines (% of pop)	49.7	49.8	50.4	48.0	..		49.5		
Rural poverty headcount ratio at national poverty lines (% of rural pop)									
Urban poverty headcount ratio at national poverty lines (% of urban pop)									
GINI index (World Bank estimate)	49.8	49.4	48.9	48.2	..		49.1		9.5

Source: World bank Databank as of December 16, 2021

International Monetary Fund, World Economic Outlook Database, October 2021