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**AND**

**INTERNATIONAL FINANCE CORPORATION**

**COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT**

**FOR THE**

**REPUBLIC OF HONDURAS**

**FOR THE PERIOD FY2012-2015**

**May 8, 2013**

**Central America Country Management Unit  
Latin America and Caribbean Region**

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*The date of the CPS for Honduras was November 1, 2011*

**GOVERNMENT FISCAL YEAR**

January 1 – December 31

**CURRENCY EQUIVALENTS**

(Exchange Rate as of April 2, 2013)

Currency Unit	Lempira
US\$1.00	20.3

**ABBREVIATION AND ACRONYMS**

CABEI	Central American Bank for Economic Integration
CPS	Country Partnership Strategy
CCT	Conditional Cash Transfer
CEPRENAC	Center for the Prevention of Natural Disasters in Central America
COALIANZA	Commission for the Promotion of Public-Private Associations
CSF	Civil Society Fund
CSO	Civil Society Organization
DfGG	Demand for Good Governance
DPC	Development Policy Credit
EITI	Extractive Industries Transparency Initiative
ENEE	Empresa Nacional de Energía Eléctrica (National Electricity Company)
EU	European Union
FY	Fiscal Year
GAC	Governance and Anti-Corruption
GDP	Gross Domestic Product
IAIP	Instituto de Acceso a la Información Pública (Institute for Access to Public Information)
ICT	Information and Communications Technology
IDA	International Development Association
IDB	Inter American Development Bank
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
INPREMA	Teachers' Pension Institute
JSDF	Japanese Social Development Fund
MIGA	Multilateral Investment Guarantee Association
OBSICA	Regional Violence Observatory
ONCAE	Oficina Normativa de Compras y Adquisiciones del Estado (National Public Procurement Office)
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review

PROHECO	Community Education Program
PROMOSAS	Water Supply and Sanitation Sector Modernization Project
SAMI	Sistema de Administración Municipal Integrado (Integrated Municipal Administration System)
SBA	Standby Arrangement
SIARHD	Integrated Educators' Human Resources System
SME	Small and Medium-Sized Enterprise
OGP	Open Government Partnership
CoST	Construction Sector Transparency Initiative

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**HONDURAS**  
**COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT**

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MAP



# HONDURAS

## COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

### I. INTRODUCTION

1. **This Progress Report assesses implementation of the joint Bank-IFC Honduras Country Partnership Strategy (CPS) at mid-term.** The three-year CPS is well-aligned with the priorities of the current administration. At the time of the CPS Board discussion, the Government was facing daunting challenges related to political reconciliation, implementing structural fiscal reforms to improve macroeconomic performance and strengthening crime and violence prevention. These challenges remain key development constraints today. Growth has not caught up with the pre-crisis level and fell to 3.3 percent in 2012 following a modest recovery averaging 3.7 percent in 2010-11. Honduras has one of the highest levels of poverty in Latin America at 66 percent in 2010 and income inequality is also a concern with a Gini of 0.53 (2010). The combined impact of the global economic crisis and the political crisis in 2009 has severely limited the country's ability to close the income gap; and crime and violence remains a barrier to improving prospects and unleashing the country's economic potential.

2. **A year and a half into the implementation of the CPS, the strategic objectives remain relevant.** CPS objectives include to: (i) improve citizen security; (ii) expand opportunities and reduce vulnerabilities (social, economic and natural disasters); and (iii) enhance good governance. The investment lending program has materialized largely as expected, and reflects strong continuity with the existing portfolio. Portfolio implementation has improved, including a notable increase in disbursement rates.

3. **Progress in addressing development challenges has been mixed.** The Government is making some progress towards a comprehensive approach to citizen security and results have been achieved in the area of social protection and education. Continued weaknesses in public financial management, a fall in revenues, and an increase in public spending and transfers have led to much larger than anticipated budget deficits and increased public debt, and it remains uncertain whether the Government will be able to address fiscal challenges in a pre-electoral period. This deterioration in the macroeconomic environment resulted in the discontinuation of the Development Policy Credit series.

4. **During the second half of the CPS the Bank proposes to continue a flexible approach given the uncertainties as the government transition takes place, and recommends only a few adjustments.** In light of the upcoming political transition in November 2013, the CPS Progress Report proposes to extend the CPS by 12 months to allow more time to achieve CPS outcomes and work with the incoming administration on the next partnership strategy. The Progress Report proposes to use the remaining IDA 16 resources to focus on poverty reduction by scaling up existing projects that have shown positive results, including delivering services in poor communities and strengthening the Government's social protection program. In line with their regional strategy, the IFC program will continue its focus on the financial sector, agribusiness, infrastructure and public private partnerships.

## II. COUNTRY CONTEXT

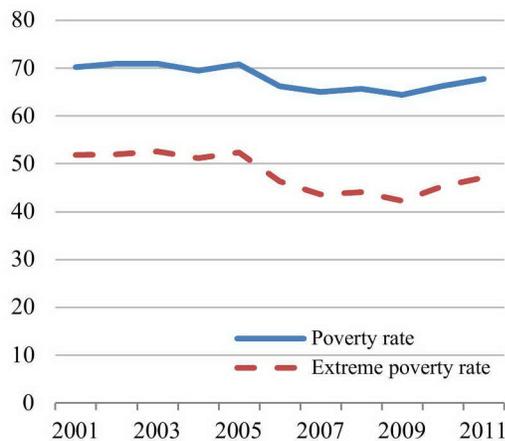
### Political Developments

5. **The political situation is relatively stable and electoral processes are underway leading up to Presidential and general elections in November 2013.** Almost half of the entire Honduran electorate participated in the primaries in November 2012, reversing a previous trend of high absenteeism. Voters selected candidates from 14 movements in three parties for the presidential, parliamentary and local elections. The electoral process was deemed to be fair and the results were accepted by the majority of candidates. The mechanisms in the political system for credible checks and balances remain weak. However, the current administration of national unity has preserved a basic level of social cohesion among various social forces such as trade unions and employers by facilitating various agreements on salaries, investments, and policies including the *Gran Acuerdo Nacional* of January 2012.

### Poverty Reduction and Shared Prosperity

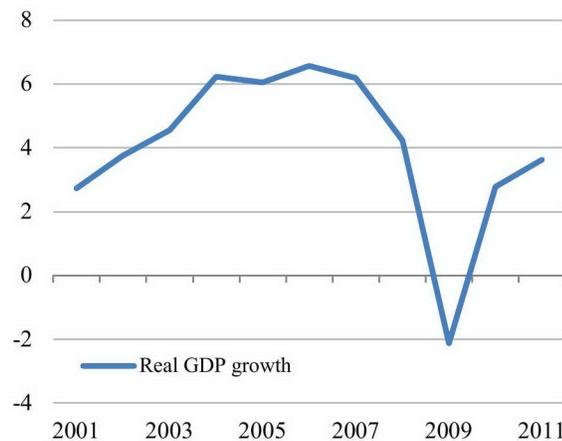
6. **Honduras remains a very poor and unequal country and recent progress towards poverty reduction has been disappointing.** The situation of the poor did not change significantly from 2000 to 2005, until higher rates of economic growth helped improve welfare and lower poverty. There has also been no improvement in inequality during the same period. Remittances have played an important role in overall poverty reduction, especially in urban areas; government transfers have also had positive effects. The crises of 2008-09 (financial, food prices and political) slowed poverty reduction, and while economic growth is recovering, poverty has risen. Honduras is also facing weak labor demand in the more productive sectors such as manufacturing, while the agricultural sector, from where the poor derive a majority of their income, suffers from low productivity and stagnant wages.

Figure 1. Poverty rate (Percent)



Source: World Bank (forth.), *The Evolution of Poverty and Inequality in Honduras, 2000–2011*.

Figure 2. Real GDP growth (Annual percentage change)



Source: World Development Indicators.

7. **Shared prosperity is also proving to be a challenging development goal.** From 2003 to 2011 the real incomes of the bottom 40 percent of the population grew at 4 percent per year. While this is higher than the Honduras average of 3 percent for the same period, it is still not fast enough to make significant progress in poverty reduction or shared prosperity. In addition, the reduction of poverty rates has been unequally distributed across the country. In the last ten years this has led to a rise in the share of the poor population living in rural areas and medium-sized cities: most poverty reduction occurred in the two largest cities.

8. **Projected growth rates of 3.5 percent (1.5 percent per capita) will not be enough to make a dent in poverty.** In 2005, higher rates of growth were having a positive impact on poverty reduction, with larger gains for the poorest quintile. However, the last time the economy grew above four percent was in 2008 (see Figure 2). In a country where the poor accounted for two thirds of the population in 2010, poverty reduction and related development goals depend on significantly higher rates of growth in order to reverse the current trend of increasing poverty rates, particularly in rural areas. Making progress will require a concerted effort and a renewed emphasis on poverty reduction.

### **Key Macro and Debt Developments**

9. **The global economic crisis, persistent macroeconomic imbalances and a challenging political situation have all negatively affected the Honduran economy.** Growth has not caught up with the pre-crisis level and fell to 3.3 percent in 2012, following a modest recovery averaging 3.7 percent in 2010-11. Overall, the recovery has been driven by the light manufacturing (*maquila*), agriculture (particularly export-oriented commodities) and communications sectors.

10. **The fiscal situation has deteriorated, brought on by a failure to control expenditures and transfers.** The overall fiscal deficit for 2012 is significantly higher than in the previous years at 4.3 percent of GDP. Despite some early reform efforts, weaknesses in budget management resulting in much higher-than-expected current expenditures—including transfers to state companies—and an increase in prices of production inputs have contributed to the deterioration of fiscal performance. Financing needs of the combined public sector are well above available resources in the local market.

11. **Public debt has increased sharply since the 2009 global slowdown.** Over the last four years, nominal public debt rose by 10 percentage points of GDP, reaching 34.5 percent of GDP at end-2012, about 5 percentage points higher than projected in the 2010 Debt Sustainability Analysis (DSA). Such an increase had been driven mainly by an increase in domestic debt from 5 percent of GDP in 2008 to 15.2 percent of GDP in 2012, much of which had been contracted at high interest rates (12-15 percent). External public debt, the bulk of which (about 3/4 of external debt in 2012) is owed to multilateral institutions, had increased at a moderate rate by approximately 3½ percentage points of GDP between 2008 and 2012. Projections point to a significant increase of external public debt following the issuance of US\$500 million international bonds in March 2013, from 20.4 percent of GDP in 2012 to 24.5 percent of GDP in 2013.

**Table 1. Honduras: Key Macroeconomic Indicators (in percent of GDP)**

<b>Output and Inflation</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>/a</sup></b>
Real GDP Growth	4.2	(2.4)	3.7	3.7	3.3
CPI Inflation	10.8	3.0	6.5	5.6	5.4
<b>Public Sector</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>/a</sup></b>
<b>Public Sector Balance Components</b>					
<b>Combined Public Sector Balance</b>	(1.7)	(4.5)	(2.8)	(2.8)	(4.3)
Central Government	(2.4)	(6.0)	(4.7)	(4.6)	(6.0)
Other Public Sector	0.7	1.5	1.8	1.8	1.6
<b>Central Government</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>/a</sup></b>
<b>Central Government Total Revenues</b>	<b>19.9</b>	<b>17.1</b>	<b>16.9</b>	<b>17.0</b>	<b>16.8</b>
Current Revenues	17.8	15.2	15.5	15.9	15.9
Tax Revenues	16.1	14.2	14.4	14.8	14.6
Non Tax Revenues	1.7	1.1	1.1	1.1	1.2
Other	2.1	1.8	1.4	1.1	0.9
<b>Central Government Total Expenditures</b>	<b>22.4</b>	<b>23.1</b>	<b>21.5</b>	<b>21.6</b>	<b>22.8</b>
Current Expenditures	17.5	18.6	17.9	17.0	18.1
o/w Wages and Salaries	9.3	10.9	10.7	9.6	9.7
o/w Interest Payments	0.7	0.7	1.0	1.4	1.8
Capital Expenditures	4.8	5.1	3.7	4.6	4.5
<b>Central Government Balance</b>	<b>(2.4)</b>	<b>(6.0)</b>	<b>(4.7)</b>	<b>(4.6)</b>	<b>(6.0)</b>
<b>Total Public Sector Debt</b>	<b>22.9</b>	<b>24.6</b>	<b>29.7</b>	<b>32.1</b>	<b>34.7</b>
<b>External Sector</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>/a</sup></b>
Current account balance (% of GDP)	-15.4	-4.0	-5.3	-8.5	-9.9
Foreign Direct Investment (% of GDP)	7.3	3.7	6.2	5.7	5.5
Exports (annual percentage change) b/	7.2	-22.1	26.6	27.6	2.4
Imports (annual percentage change) b/	17.6	-29.4	20.7	23.4	2.5
Gross international reserves (US\$ million)	2,692.0	2,331.0	2,931.0	3,043.0	2,778.0
In months of imports	4.7	3.6	3.6	3.5	3.0
Net International Reserves (US million)	2097.0	1493.2	2082.1	2032.4	1665.2

a/ Projections

Source: IMF

12. **To address growing financing needs the Government has issued recently the first of a planned series of international bonds.** Given the financing risks due to the short maturity and high interest rate of domestic debt, and the increasing difficulty to sell domestic bonds, the Government issued US\$500 million bonds in the international market on March 12, 2013, to finance 2013 expenditures and part of the remaining floating debt.

13. **The macroeconomic outlook remains challenging and the risk of fiscal slippages is high.** GDP growth in 2013 is likely to remain within the narrow range achieved since 2009 (3 to 4 percent). It is expected to continue to be driven by communications, transport, agriculture and industrial production, and the performance of the *maquila* exports which will be highly dependent on the growth in the US. Remittances are expected to remain on an upward trend and support consumption. While inflation is projected to remain stable around 5-6 percent, the fiscal deficit is expected to remain high at around 6 percent of GDP in 2013.

14. **The current macroeconomic situation is compounded by the fact the country is in a political transition and raises issues related to short and medium-term sustainability.** The Government has passed some measures to control public spending and address structural problems, but more is needed to ensure the country is put on a more sustainable trajectory and address the macro problems facing Honduras in a responsible and sustainable matter. An IMF precautionary SBA program lapsed in April 2012 without having had a completed review since July 2011. In addition to fiscal concerns the IMF had also raised the need for increased

exchange rate flexibility and higher interest rates to stem losses in reserves and competitiveness. This would entail coordinated action on the fiscal, monetary and exchange rate fronts.

### III. PROGRESS TOWARDS CPS OUTCOMES

15. **Progress towards CPS outcomes is in line with expectations, with some disappointing results in terms of fiscal consolidation.** The majority of CPS outcomes are expected to be achieved by the end of the revised CPS period. In terms of Expanding Opportunities through Reducing Vulnerabilities, advances have been made in most Results Areas (see Figure 3), including in the education sector and strengthening the social protection system. Sustained progress in improving fiscal consolidation has been disappointing and it remains unclear if further achievements will materialize during the CPS period. The Results Area 2.1 has been changed to “Pension, Energy Utility and Public Sector Wage Bill Discipline” to better reflect the nature of the CPS outcomes supported by the World Bank Group (WBG) program. Finally, progress under the third Strategic Objective, Enhancing Good Governance, is mixed and extending the CPS period will help gauge if progress can be sustained. The Results Matrix in Annex 1 summarizes detailed progress to date across the WBG Program.

**Figure 3. At A Glance—WBG CPS FY12-14 Results Areas for Honduras: Progress towards CPS Outcomes**

Strategic Objective 1: Improving Citizen Security	Strategic Objective 2: Expanding Opportunities through Reducing Vulnerabilities	Strategic Objective 3: Enhancing Good Governance
<b>RESULTS AREAS</b> 1.1 Strengthened National Capacity to Address Citizen Security – <b>on track</b> 1.2 Linking National Interventions to Regional Approaches on Citizen Security – <b>on track</b>	<b>RESULTS AREAS</b> 2.1 Pension, Energy Utility and Public Sector Wage Bill Discipline– <b>partially achieved</b> 2.2 Improved Investment Climate and Competitiveness – <b>on track</b> 2.3 Improved Quality of Education – <b>achieved</b> 2.4 Consolidated and Strengthened Social Protection System – <b>on track and to be scaled-up</b> 2.5 More Effective Disaster Risk Management – <b>on track</b>	<b>RESULTS AREAS</b> 3.1 Improved Accountability in Public Expenditures – <b>partially achieved</b> 3.2 Stronger Decentralized Structures – <b>on track</b> 3.3 Enhanced Social Accountability as Part of Demand-Driven Governance – <b>partially achieved</b>

#### Strategic Objective 1. Improving Citizen Security

##### *1.1 Strengthened National Capacity to Address Citizen Security*

16. **The Government of Honduras (GoH) is making progress towards a comprehensive approach to citizen security.** On the law enforcement side, the Government has implemented reforms to strengthen criminal justice institutions, address police corruption, and provide training to police forces combined with new equipment and technologies. Bank support for prevention is being provided through the recently approved Safer Municipalities Project (Report No. 72349-HN). This Project is also one of several Bank-financed operations that mainstreams gender, and includes gender disaggregated results indicators (see Box 2). Progress towards CPS outcomes is on track, but will be better gauged once project implementation accelerates. In addition, the impact evaluation of the Barrio Ciudad Project will be an important source of information in terms of the Bank’s impact for improving citizen security in vulnerable municipalities. The *Mi*

*Primer Empleo* (“my first job”) program has been delivering results which also contribute to this Results Area.

#### **Box 1. Progress on Mainstreaming Gender in Bank Operations**

The WBG has made progress in mainstreaming gender in country operations, through the inclusion of gender-informed strategies and indicators, projects oriented towards bridging gender gaps (both through investment lending and trust funds), and convening services offered to enhance engagement on specific priority problems.

The Nutrition and Social Protection Project includes gender disaggregated indicators, as does the recently approved Safer Municipalities Project. A gender strategy is being implemented as part of the second phase of the Honduras Land Administration Program Credit, building upon a Social Assessment and a Gender Audit, oriented towards improving women’s access to land, particularly in indigenous areas. The Bono 10 000 Project is supporting transfers directed towards mothers, with a positive impact on family decisions regarding health and education for children.

In terms of Trust Funds and analytical work, a JSDF-financed project is promoting market-oriented micro-enterprise development among poor rural communities in remote indigenous areas—63 percent of the beneficiaries of institutional strengthening and capacity-building were micro-enterprises led by women. The Bank also facilitated a regional Hackathon Against Domestic Violence, bringing together sector specialists and programmers to develop prototypes of ICT applications and support development and implementation of the most promising ICT solutions.

### ***1.2 Linking National Interventions to Regional Approaches on Citizen Security***

17. **The Bank is supporting two regional approaches on Citizen Security.** It is expected that support for SICA’s Regional Observatory of Violence (OBSICA) will improve the availability and quality of the citizen security data produced in Honduras and Nicaragua. At the same time, the Bank’s Knowledge Partnership for Evidence Based Citizen Security will be piloted in line with CPS projections and its lessons incorporated into the implementation of the Bank program.

## **Strategic Objective 2. Expanding Opportunities through Reducing Vulnerabilities**

### ***2.1 Pension, Energy Utility and Public Sector Wage Bill Discipline<sup>1</sup>***

18. **The CPS supported government efforts to reduce fiscal vulnerability and create additional space for social expenditures, but a rise in discretionary spending has created a difficult fiscal situation.** While fiscal consolidation efforts of 2010 and 2011 were promising, the trend was reversed since December 2012. The DPC series helped address long standing structural issues related to the pension and public sector wage bill, but these reforms alone were not enough to ensure the macro remained on track. The deterioration was mainly a result of discretionary spending, and, as a result, the IMF program was unsuccessful and the country is facing increasing fiscal risks. In light of this situation, the Bank dropped the second DPC from the lending program pending the adoption of measures to ensure an adequate macroeconomic framework. It is unclear if earlier achievements under the DPC will be sustained during the remainder of the CPS period, or if further progress will be made in this area. The Progress Report proposes to retain the original CPS indicators, recognizing that sustaining these gains would be an achievement.

19. **The Bank is supporting the sustainability of the energy sector in Honduras through improving efficiency and decreasing losses.** The power sector industry in Honduras faces

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<sup>1</sup> Title changed from “Improved Fiscal Consolidation” to better reflect nature of WBG support.

financial and energy supply difficulties that threaten sustainable development and economic growth in the medium and long term. This situation has become increasingly challenging during the first half of the CPS period. Technical and non-technical losses increased from 22.5 percent in 2010 to 29 percent in 2012 mainly as a result of an increase of non-technical losses. As a result, the CPS indicator for electricity losses per year in ENEE has been updated (see Annex 1).

## ***2.2 Improved Investment Climate and Competitiveness***

20. **Bank support for improving rural productivity is on track.** In infrastructure, the rehabilitation of rural roads is underway and is expected to achieve the CPS target of 445 km of rural roads rehabilitated by 2015. Support for land administration is also well underway with 14,500 families having received new titles as of December 2012. IFC Investment Climate Advisory Services and the FPD Investment Climate Practice Group are in the final implementation stage of an Agribusiness Trade Logistics project.

21. **The WBG is supporting Government's efforts to create the legal foundation for private sector engagement in infrastructure.** One effort is the recent implementation of the legal framework for Public Private Partnerships (PPPs) to bring private sector investments into infrastructure, particularly in sectors where important capital investments are required, such as toll roads, ports and renewable energy. In late 2010, the Government created COALIANZA (Commission for the Promotion of Public-Private Associations) to manage the process of identification, structuring and tendering of PPPs within priority sectors. The IFC is evaluating PPP projects that have been prioritized by Government and promote regional integration through the development of a critical road network and competitive port facilities.

22. **The WBG is supporting the renewable energy agenda.** This includes direct IFC financing of large projects such the La Vegona, the largest privately-owned hydroelectric plant in Honduras (39MW), and indirectly via facilitating funding to local banks to finance small scale renewable energy projects (<15MW), such as the Sustainable Energy Finance Loan granted to Banco Atlantida. A US\$30 million investment plan for the Scaling Up Renewable Energy Program (SREP), a joint collaboration WB, IFC and IDB, is also under preparation.

23. **IFC is contributing to strengthening the local banking system.** IFC will deepen its ongoing engagement with local and regional financial institutions with suitable investments. IFC is currently evaluating equity and senior debt investments to support the capital structure and balance sheet of systemic and middle size banks targeting SMEs, Housing and Agribusiness Financing. IFC will also consider comprehensive advisory service programs to enhance performance in risk management, corporate governance, SMEs and Sustainable Energy Financing.

## ***2.3 Improved Quality of Education***

24. **The CPS Outcomes are on track to be met with the completion of the first DPC and the Education Project.** Achievements to date include strengthening the measurement of learning outcomes and improved human resource management through a clean-up of the teacher payroll and reduction in teacher absenteeism. The DPC supported a strengthening of the National Teachers' Pension Fund Institute (INPREMA). This included the incorporation of all teachers that are working or had ever worked in the Honduran Community-Based Education Program (PROHECO). The objective for the remainder of the CPS period is to sustain these achievements through policy dialogue. No further investment lending is foreseen in the sector.

## ***2.4 Consolidated and Strengthened Social Protection System***

**25. Substantial progress has been made in strengthening the conditional cash transfer program as a core element of Honduras' social protection system with the support of the World Bank, IDB and CABEL.** The conditional cash transfer “*Bono 10 000*” has doubled its coverage and currently reaches about 267,000 poor households (representing approximately 15 percent of the population). The program is well targeted to the extreme poor: a recent assessment shows that 74 percent of beneficiaries are extremely poor and only 17 percent of benefits go to the non-poor, putting the program’s targeting accuracy on par with some of the top performers internationally. As a safety net program, the *Bono 10 000* is intended to provide some income support to the poorest groups. Nonetheless, measured poverty has increased in recent years in Honduras and the longer-term sustainability of the program remains uncertain. Both of these aspects – overall poverty impacts and fiscal sustainability – need to be considered in the context of Honduras’ wider social protection with a view to further strengthening the *Bono 10 000* program and consolidating other benefits, programs and systems around that base. The World Bank and other partners are engaged in complementary technical assistance and AAA (e.g., the planned social protection forum and on-going Regional Social Sector Expenditure and Institutional Review) to complement the Project. In that context, and given the successful achievements to date, the CPS Progress Report is proposing Additional Financing for this Project.

## ***2.5 More Effective Disaster Risk Management***

**26. Resilience to natural hazards remains an important development challenge for Honduras.** The regional agency, CEPREDENAC, has been strengthened through a capacity building IDF grant, directly benefiting cross-border cooperation in this area. Building upon the success of the previous Disaster Risk Mitigation Project (closed 2010) the Bank approved a new Disaster Risk Management Project (Report No. 72349-HN) in December 2012 to support municipalities in the preparation of disaster emergency plans and strengthen national capacity for hydro-meteorological and geophysical monitoring. Two new indicators related to this Project have been added as a part of this Progress Report.

## **Strategic Objective 3. Enhancing Good Governance**

### ***3.1 Improved Accountability in Public Expenditures***

**27. Progress has been slower than expected in this area; but there are some results that could be scaled-up over the remainder of the extended CPS period.** The current fiscal crisis, combined with high-profile cases of direct contracting and limited openness in high-cost contracts and concessions, have contributed to negative public perceptions of the status of accountability in public administration. In terms of CPS results, the lack of progress in implementing the recommendations of a transactions-based payroll audit in the Ministries of Health and Public Works is disappointing. There has been some progress made in pilot projects with the potential for scaling-up. For example, the National Public Procurement Office piloted an E-procurement catalogue which resulted in a more efficient and transparent procurement processes and designed a web portal for bidding opportunities and contracting.

### 3.2 Stronger Decentralized Structures

28. **Enhanced decentralization continues to grow in importance within the national development dialogue.** The Government recently approved a Decentralization Policy based on a participatory process, and is engaging with local governments, civil society and development partners to advance implementation. The WBG is helping to strengthen the infrastructure base of municipalities through IDA credits and an IFC risk-sharing facility for Tegucigalpa. In addition, the PEFA study under preparation for Tegucigalpa highlights areas of municipal administration that need strengthening, and as a result, the Mayor's office is interested in adopting new practices and reforms.

29. **There have been achievements in improving the efficiency of water utilities.** A framework national financial policy is being designed with the support of the Water Supply and Sanitation Sector Modernization Project (Report No. 39570-HN). Additional Financing for this Project, as well as the Rural Infrastructure Project (Report No. 32463-HR), will further expand rural water and sanitation connectivity in Honduras' poorest municipalities, in line with the Progress Report's renewed focus on poverty reduction.

### 3.3 Enhanced Social Accountability as Part of Demand-Driven Governance

30. **Strengthening CSO capacities in social accountability continues to be a priority.** Social auditing has been supported in the education sector and social protection (CCTs) on a pilot basis, which will be improved and scaled up. The Bank is supporting citizen observatories in roads and education focused on procurement monitoring, and is promoting a policy dialogue on access to public information and participatory budgeting. Finally, the III Regional Transparency Forum took place in Tegucigalpa in October 2012 where countries shared experiences on improving transparency and fighting corruption across the LAC region.

#### Box 2. Governance Mechanisms in Bank-financed Projects

**Public information systems, complaint handling mechanisms, and social auditing have been incorporated into the Bank's lending portfolio.** A new complaints-handling mechanism with strong ICT elements is being developed for the roads sector, as part of the *Roads* Project. A similar system will be developed in the *Safer Municipalities Project*, oriented towards strengthening municipal capacities to respond to citizen feedback. The Bank is also supporting a new System for Information and Follow-up to Works and Contracts in the road sector. Support for social auditing has been included in several Bank-financed Projects.

## IV. PORTFOLIO PERFORMANCE

31. **Portfolio performance has been steadily improving.** The current IDA active portfolio consists of 13 projects totaling US\$400 million (see Annex 5) with roughly 50 percent undisbursed. This is complemented by US\$20 million of trust funds (see Annex 2). Disbursements rates have improved significantly from 15.1 percent in FY11 to 22.2 percent in FY12 and 28.1 percent as of March 2013. The portfolio quality is also improving. Currently 15 percent of the portfolio is in problem status versus 25 percent at end-FY12. Given the country's limited institutional capacity, the Bank will continue to provide additional support to address fiduciary, environmental and safeguard weaknesses and improve portfolio performance. On a separate note, the Compliance Advisor Ombudsman, an independent recourse and accountability mechanism for IFC, is conducting a compliance audit of IFC's environmental and social

performance with regard to its investment in a palm oil and food company in northern Honduras. IFC Management is committed to addressing the recommendations of this report.

**32. As with the IDA portfolio, careful attention would be taken to ensure that the trust fund portfolio remains consolidated, manageable and directly linked with the CPS and lending program.** In terms of strategic focus, the TF portfolio is well targeted to the poor, including for vulnerable youth and women. There are also several TFs aimed at improving governance and transparency in the public sector. Trust Fund resources complement the IDA lending program and, as much as possible, have been assigned to the same project teams in the sectors they are linked with.

### **Partnerships and Leveraging**

**33. WBG interventions complement and are well coordinated with other development partners, and give a push to critical areas.** The Bank is taking the lead in the G16 donor group to help donor harmonization around key issues including pro-poor growth, addressing citizen security and supporting fiscal and economic governance. The Bank's relatively limited IDA resources have been leveraged in key priority areas through working closely with development partners such as the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration (BCIE), and the United States Agency for International Development (USAID). This includes taking a programmatic approach in the implementation of the Honduras' Conditional Cash Transfer Program *Bono 10,000* with IDB and CABEL, supporting energy sector reforms with IDB, and coordinating closely on the citizen security agenda with IDB, USAID and the Swiss Agency for Development and Cooperation. The Bank also coordinates closely with the IMF on fiscal, institutional constraints and economic reforms.

## **V. ADJUSTMENTS TO THE CPS AND PROGRESS IN IMPLEMENTATION**

**34. The overall objectives and principles of the FY2012-2014 CPS remain valid with only a few adjustments proposed as part of the CPS Progress Report.** First, the duration of the CPS will be extended by one year to allow sufficient time for movement towards CPS outcomes and to provide additional time for the incoming administration to define its priorities and program of engagement with the WBG. In addition, the second Programmatic Reducing Vulnerabilities for Growth DPC has been dropped in light of poor macroeconomic performance, in particular on fiscal management, and in the absence of an IMF program. The Progress Report proposes a renewed focus on poverty reduction, and, to that end, the remainder of the IDA resources will be used to provide additional financing for well performing investment lending projects that target the poorest municipalities and most vulnerable segments of the population.

**35. The Main Results Areas of the Results Matrix do not require major adjustment.** The results framework is realistic and well aligned with the Bank program and projects. Results are on track and in some areas where progress currently is not on track, the additional year will allow time to make progress. Where CPS Outcomes have been substantially achieved the Progress Report proposes to revise targets for operations receiving additional resources and maintain indicators where projects have closed in order to track if they can be sustained over the

remainder of the CPS period. Proposed updates and revisions to the matrix are included as part of Annex 1.

36. **This Progress Report acknowledges that the attributable contribution of the Bank program to higher development outcomes is limited, particularly in the short term.** This is due in part to the limited size of the program and the difficult environment for policy decision making in Honduras. The goal of poverty reduction is an important line of sight for the Bank program and will be tackled with renewed emphasis in the second half of the CPS strategy. While little can be done to address this in the short term, the Progress Report takes a long term view that building on solid progress and consolidating efforts in key priority areas and targeting the most vulnerable population, will have the best likelihood of achieving results. Continuing to work with other development partners to maximize limited IDA resources and leverage impact will also be important.

**Table 2. Indicative Lending Program and Knowledge and Convening Services for FY12-14**

	CPS Program		Progress Report	
	FY12	FY13	FY14	FY15
Lending	First Programmatic Reducing Vulnerabilities for Growth DPC (US\$86m)	Honduras Safer Municipalities (US\$15m)	Bono 10,000 Additional Financing (US\$14m)	
	Improved Public Sector Performance Project (US\$18m)	Disaster Risk Management Project (US\$30m)		
		PROMOSAS Additional Financing (US\$10m)		
		Rural Infrastructure Additional Financing (US\$20m)		
Knowledge/ Convening	Expenditure Analysis of the Water Sector Roadmap for Strengthened Accounting and Auditing Macro Monitoring	Tegucigalpa Municipality PEFA Study Public Forum on Social Protection Macro Monitoring	PER for Decentralized Governance in Honduras (includes TA on Public Financial Management) Macro Monitoring	Transition Notes and Seminars Logistics and Transport TA Macro Monitoring

37. **To prepare for the next CPS the Bank will focus on portfolio implementation, as well as use its knowledge services to help prepare future projects and play an advocacy role.** Given upcoming elections in 2013, an important focus for the remainder of the CPS period will be to continue to improve portfolio implementation and prepare transition notes on key economic and fiscal issues to engage with all political parties and civil society. The investment lending program in Honduras is complemented with a strong program of knowledge services, and analytical work will be leveraged in a series of public forums. This includes discussions on the sustainability of the Social Protection system, as well as options to enhance long term growth prospects.

38. **The investment lending program has been delivered as expected at the time of CPS preparation.** The remaining IDA funds under IDA 16 are being re-allocated to well performing investment operations in the form of Additional Financing with a poverty reduction focus. This is in line with the strategy of improving portfolio performance and consolidating the existing

portfolio in sectors where Bank lending has demonstrated impact.<sup>2</sup> Given the country's vulnerability to natural disasters, all new investment lending will include the Immediate Response Mechanism (IRM) to allow for a quick financing mechanism in the event of national emergencies.<sup>3</sup> The CPS proposes a flexible approach for FY15 where new lending could be considered prior to a new CPS should the Government have urgent needs for additional financing that fit within the strategic objectives of the current CPS. Should the macroeconomic framework improve during the remainder of the CPS period, the Bank could also consider budget support with the incoming administration.

## VI. RISKS

39. **The political transition in Honduras remains a risk in light of past experience where the transition created implementation delays; and the daunting development challenges the new administration will face.** To mitigate the risk that the political transition will disrupt portfolio implementation, the Bank will continue to foster an open dialogue with authorities and monitor developments in close coordination with other development partners. Additionally, in coordination with the G16 donor group, the Bank will support dialogue surrounding the most crucial development issues facing Honduras, through the drafting of policy notes and open forums, to help build consensus around priorities and reforms, support the new administration in addressing fiscal, economic and social challenges and lay the groundwork for the next WBG strategy.

40. **Fiscal risks remain a concern and the lack of fiscal space poses a challenge to addressing key development priorities.** Managing fiscal risks has become increasingly important given the further deterioration in public financial management during the first two years of the CPS period. The incoming administration is likely to inherit a challenging fiscal situation which may affect the implementation and/or sustainability of some Bank Projects, particularly in terms of counterpart funding. To mitigate fiscal risks the Bank and the IMF are working to support the country's efforts to improve macroeconomic performance and set it on a sustainable trajectory for the medium term, as well as providing policy advice to improve the efficiency of public expenditures.

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<sup>2</sup> The current portfolio is being consolidated and will be reduced from 13 to 9 operations by the end of FY13.

<sup>3</sup> Several projects under implementation are expected to be restructured to incorporate the IRM component.

## Annex 1. Revised CPS Results Matrix and Progress Achieved to Date

Expected outcomes in CPS period <i>*(bold indicates from original matrix)</i>	Milestones	Milestone Status	Bank Program
<b>Strategic Objective 1: Improving Citizen Security</b>			
<b>Government Strategic Priority:</b> Reduce the levels of criminality in Honduras to below international averages, adopt an integrated approach to citizen security through policies aimed at preventing crime and violence, by strengthening the justice sector and ensuring the protection of human rights.			
<i>Results Area 1.1: Strengthened National Capacity to Address Citizen Security</i>			
Outcome 1. Improved policy environment for implementation of an integrated national citizen security strategy Targets (2015): i. A national policy on citizen security provides for social prevention activities is developed, financed, operationalized, and monitored <b>(on track)</b> ii. Risk-based supervision by CNBS being carried out on the basis of a financial projection model <b>(achieved)</b> <sup>4</sup> iii. New Financial Payments System in operation <b>(partially achieved)</b> <sup>5</sup> iv. Action Plan under implementation to reduce the risk of recycling of proceeds of crime in the Honduran economy <b>(achieved)</b> <sup>6</sup>	Establishment of a National Citizen Security Council  Development of risk mitigation measures and social safeguards School-based violence prevention toolkits launched and rolled out in at least 200 schools  Introduction of a financial projection model as a tool for risk based supervision  Adoption of a new Financial Payments System Conduct of a National Risk assessment on proceeds of crime and Adoption of a related action plan	<b>Achieved.</b> Executive Decree PCM-016-2012 created the National Citizen Security Council  <b>Partially achieved.</b> The schools-based violence prevention toolkits were launched in April, 2012. Currently the Ministry of Education is planning to roll it out in at least 200 schools.  <b>Partially achieved.</b> CNBS developed a strong and modern banking resolution framework, several prudential regulations an “on site” inspection procedures for the insurance sector, and an early warning system to assure surveillance of the system.  <b>Achieved</b>	Programmatic Development Policy Credit Barrio Ciudad   <i>Financial Sector TAC</i>  <i>Anti-Money Laundering Programmatic Technical Assistance</i>

<sup>4</sup> Financial supervision strengthened through the implementation of risk based supervision in conjunction with a system of early warning mechanisms and a financial projects model.

<sup>5</sup> New payments system to be operational on March 1, 2013

<sup>6</sup> Anti-Money Laundering legislation has been issued

Expected outcomes in CPS period *(bold indicates from original matrix)	Milestones	Milestone Status	Bank Program
	Financial supervision focus on risk management, internal controls and compliance functions.		
<p>Outcome 2. Strengthened capacity of communities and local governments in social prevention of crime and violence</p> <p>Targets (2015):</p> <p>v. Average perception of insecurity in the municipalities where the “Safer Municipalities” Program is being implemented (Baseline 2010: 91 percent felt insecure (UNDP 2010): Target (2015): 65 percent feel insecure)<sup>7</sup> (on track)</p> <p>vi. Barrio Ciudad Project beneficiaries polled and 65% of households feel safe in their home by project close<sup>8</sup> (on track)</p> <p><b>New gender disaggregated targets:</b> <i>New indicators based on recently approved Safer Municipalities Project. Baseline to be determined as part of this Project.</i></p> <p><b>vii. National and municipal governments collected, analyzed, and used data on crime and violence perpetration and victimization (disaggregated by gender and</b></p>	<p>At least 10 municipalities have developed and started implementation of integrated citizen security plans supported by the Safer Municipalities Program</p> <p>7 neighborhood upgrading plans elaborated by municipalities and approved by FHIS</p> <p>PPPs for municipal infrastructure launched</p>	<p><b>Partially achieved.</b> At least 10 integrated municipal citizen security plans are being designed. These plans will be certified by the Security Secretariat and start implementation in 2013.</p> <p><b>Achieved.</b> 9 neighborhood upgrading plans have been elaborated by municipalities and approved by FHIS</p> <p><b>Achieved.</b> IFC is advising the President's office of Honduras, the Municipality of La Ceiba (MoL) and the Ministry of Transport (SOPTRAVI) on a combined green and brownfield highway project with toll collection, under a PPP scheme.</p>	<p>Barrio Ciudad Safer Municipalities Project</p> <p>IFC Advisory Services</p>

<sup>7</sup> Baseline for the Project designed to measure changes in perception of insecurity will be done in 2013 and follow up will be done in 2015 (not 2014).

<sup>8</sup> Barrio Ciudad Project is due to close by June 30, 2013, and the preparation of an Impact Evaluation is being mobilized.



Expected outcomes in CPS period *(bold indicates from original matrix)	Milestones	Milestone Status	Bank Program
xi. Active Honduras participation in Regional citizen security initiatives, especially related to prevention ( <b>on track</b> )	Support South-South learning in conjunction with the World Bank Institute (e.g. Brazil, Colombia) on strategies to reduce urban violence.	data collection across countries including Honduras.  <b>Achieved.</b> South-South Knowledge exchange between the Governments of Honduras and El Salvador on municipal approaches to citizen security organized in June 2012.	
<b>Strategic Objective 2: Expanding Opportunities through Reducing Vulnerabilities</b>			
<b>Government Strategic Priority:</b> Ensure sound fiscal management. Improve equitable economic growth and strengthen social protection while increasing access to health, education and housing for the most vulnerable portions of the population.			
<i>Results Area 2.1: Pension, Energy Utility and Public Sector Wage Bill Discipline</i>			
Outcome 5. Improved tax administration Targets ( <b>2015</b> <sup>12</sup> ): The number of large taxpayers filing electronically increases by at least 20 percent (baseline 2010= 335 large taxpayers) ( <b>Achieved in 2011</b> . 549 large taxpayers filed electronically)	Approval and implementation of the action plan for Large Taxpayers Unit Approval and implementation of the large taxpayer inclusion criteria. Large taxpayers registry completed.	<b>Achieved.</b>	First Programmatic Development Policy Credit

<sup>12</sup> To be sustained throughout CPS period

Expected outcomes in CPS period *(bold indicates from original matrix)	Milestones	Milestone Status	Bank Program
<p>Outcome 6. Improved financial sustainability of major pensions systems (INPREMA and INJUPEMP) Targets (2014): xii. PROHECO teachers' pension contributions are flowing into INPREMA (<b>Achieved</b>)<sup>13</sup></p> <p>Outcome 7. Improved fiscal sustainability of the public wage bill Targets (2014): xiii. Central Government's wage bill falls by at least 0.7 percent of GDP (baseline: 2010 = 11 percent of GDP) (<b>Achieved</b>)</p>	<p>INPREMA and INJUPEMP pension reform laws approved and implemented</p> <p>Congressional approval of law de-linking salary adjustments from private sector minimum wage level for the next four years</p> <p>Implementation of a single database which accounts for over 80 percent of personnel using SIARH-SIAFI and includes all teachers</p>	<p><b>Partially Achieved.</b> INPREMA Law was passed by the National Congress of Honduras in December 2011, and became effective in February 2012. INJUPEMP Law was not reformed so far.</p> <p><b>Achieved</b></p> <p><b>Achieved</b></p>	<p>First Programmatic Development Policy Credit</p>
<p>Outcome 8. Strengthened institutional capacity and reduced losses of the national energy utility Targets (2015):<sup>14</sup> xiv. <b>Reduce Electricity Losses per year in ENEE Project Area from 29% (2012) to 21.5% (2015)</b></p>	<p>Capacity-Building of ENEE in core utility management functions</p>	<p><b>Partially achieved.</b> The project is in process of implementation. Electricity losses will be reduced once the distribution equipment and the Integrated Management System are fully in operation by the end of 2013.</p>	<p>Power Sector Efficiency Enhancement Project</p>
<i>Results Area 2.2: Improved Investment Climate and Competitiveness</i>			
<p>Outcome 9. Enhanced capacity of</p>	<p>At least US\$9.5m co-invested in Rural</p>	<p><b>Partially Achieved</b></p>	<p>Rural Competitiveness Project</p>

<sup>13</sup> Starting in January 2012, PROHECO teachers' pension contributions are flowing into INPREMA with each monthly salary payment. A minor issue is that PROHECO teachers' salaries are paid every other month (2 salaries together) so pensions' contributions are reaching INPREMA every other month. The proposal is to move to monthly salary payments (and, as a result, monthly teachers' pension contributions) from year 2013 on.

<sup>14</sup> There have been significant delays and implementation issues in the PROMEF Project, including related to local counterpart funding. In addition, technical and non-technical losses increased from 22.5% in 2010 to 29% in 2012 mainly as a result of an increase of non-technical losses. The baseline and CPS indicator have been updated to reflect this.

Expected outcomes in CPS period *(bold indicates from original matrix)	Milestones	Milestone Status	Bank Program
and investment opportunities for SMEs and rural productive alliances Targets <b>(2015)</b> : xv. 120 rural productive alliances supported with a 20% increase in net revenues for participating rural producers. <b>(on track)</b> <sup>15</sup> xvi. At least US\$1.5m in microfinance loans granted to rural beneficiaries of the Rural Infrastructure Project <b>(on track)</b> <sup>16</sup> xvii. Operational capacity of microfinance institutions is strengthened in conjunction with Bank Group-financed projects <b>(on track)</b>	Business Plans by Private Sector.		JSDF for Microenterprise Development for the Poor and Indigenous People
Outcome 10. Reduced Logistics constraints Targets <b>(2015)</b> <sup>17</sup> : xviii. 70% of unpaved road network under regular maintenance (2008 baseline 33%) <b>(on track)</b> <sup>18</sup> xix. 152 km of primary roads to be reconstructed, 4 bridges to be reconstructed and 800 km of rural roads to be put under regular routine maintenance <b>(on track)</b>	Contracts for roads maintenance carried out by Fondo Vial and local governments  Contracts for infrastructure rehabilitation carried out by SOPTRAVI	<b>Achieved.</b> Under the Road Rehabilitation and Improvement Project, three secondary road pavements contracts have been launch and expected to be finished by November 2013 (San Lorenzo Olanchito, El Porvenir Marale and La Esperanza Camasca), Construction of bridges have been launched and expected to be finished by December 2013.	Road Rehabilitation and Improvement II project Rural Infrastructure Project Power Sector Efficiency Enhancement Project

<sup>15</sup> As of Dec 2012, 97 productive alliances have been formed, benefiting nearly 6,700 rural producers.

<sup>16</sup> The Rural infrastructure Project has granted US\$1.1 m in micro finance loans granted to rural beneficiaries to buy 1,664 Solar Photovoltaic Systems.

<sup>17</sup> There have been some implementation delays and the revised target will allow more time to measure if CPS outcomes has been achieved.

<sup>18</sup> Under the Rural Infrastructure project 591 Km of rural roads have been rehabilitated up to November 2012 (98% of project's target)

Expected outcomes in CPS period *(bold indicates from original matrix)	Milestones	Milestone Status	Bank Program
xx. 445km of rural roads rehabilitated ( <b>on track</b> )			
<p>Outcome 11. Improved land tenure security Targets (2015)<sup>19</sup>:</p> <p>xxi. At least <b>30,000</b> families in rural and urban areas complete process to obtain new land titles (of which at least 30% are held by women) – <b>on track</b></p> <p>xxii. The average time to register a land transaction through the modernized registries is <b>20</b> days (baseline 2011: 23 days). – <b>on track</b></p>	<p>Land titling activities under the PATH II project are implemented</p> <p>Capacity-building activities for SINAP are being implemented</p>	<p><b>Achieved.</b></p> <p><b>Achieved.</b></p>	<p>PATH II – Land Administration APL TF on Strengthening the Recognition of Indigenous Land Rights in Honduras GEF Trans-boundary Reserve</p>
<i>Results Area 2.3: Improved Quality of Education</i>			
<p>Outcome 12. Improved coverage, governance, and accountability of the basic education system, with a particular emphasis on the most disadvantaged and rural communities Targets (2014): <b>Achieved</b></p> <p>xxiii. 800 new pre-school institutions opened (baseline 2011: 400 pre-schools opened)</p> <p>xxiv. 2,250 PROHECO (rural schools for basic education) teachers provided with new multigrade teaching materials and training (baseline: 0)</p> <p>xxv. National assessment of student learning for the country in place</p>	<p>Opening of Community-Based Pre-Primary Education Centers (CCEPREBs)</p> <p>Development of new multigrade teaching materials</p> <p>National student learning assessments carried out</p>	<p><b>Achieved.</b> As of December 2012, 789 CCEPREBs were opened. The remaining 11 CCEPREBs left to achieve the goal are expected to be opened by the end of the Project (June 30, 2013).</p> <p><b>Achieved.</b> As of December 2012, 3,711 PROHECO teachers received didactic teaching materials and were trained in the use of new multigrade techniques developed by the Ministry of Education.</p> <p><b>Achieved.</b> The National Assessment System for Student Learning</p>	<p>Education Quality, Governance and Institutions IFC Education College and Adult Education Component Programmatic DPC</p>

<sup>19</sup> There was an error made at the time of the CPS where CPS Outcome Targets were actually for end of Project in 2017. Targets have been revised for 2015. Progress is on track: 14,500 families have received new titles as of December 2012 (4,400 or one third, given to women solely or through joint title).

Expected outcomes in CPS period <i>*(bold indicates from original matrix)</i>	Milestones	Milestone Status	Bank Program
<p>and country participating in international assessments of student learning (TIMSS and PIRLS 2011)</p> <p>xxvi. 25% of schools who involve parents in social audits of the schools using the 60-words-per-minute fluency test in 2<sup>nd</sup> grade in targeted areas (baseline: 0) – <b>Dropped (see Milestone Status)</b></p>	<p>Parent-teachers associations activated</p>	<p>(census-based annual assessment) was launched, for the first time in the country, on November 28, 2012. Also, Honduras participated in both TIMSS and PIRLS 2011, whose results were released on December 11, 2012.</p> <p><b>Not achieved.</b> This indicator was eliminated in the restructured Project, due to the deficiencies involved in its measurement. Other instances of social audit were promoted (Transparency School Boards) for schools throughout 2012, however the degree of parent involvement has still been minimal. Parent-teacher associations (PTAs) have been activated in some schools, but have yet to claim a legal status or more relevance in school-based management issues.</p>	
<i>Results Area 2.4: Consolidated and Strengthened Social Protection System</i>			
<p>Outcome 13. Improved coverage and governance of the national CCT program (Bono 10k)</p> <p>Targets (2014):</p> <p>xxvii. 30,000 families receiving regular payments from Bono 10k – <b>Achieved</b><sup>20</sup></p> <p>xxviii. New social protection targeting mechanism for urban</p>	<p>Household survey necessary for program targeting completed</p> <p>Household targeting mechanism in rural areas fine-tuned</p> <p>Household targeting mechanism for urban areas developed and tested</p>	<p><b>Achieved</b></p> <p><b>Achieved</b></p> <p><b>Achieved.</b> Targeting mechanism for urban areas has been developed, approved by the Technical</p>	<p>Social Protection Project Nutrition and Social Protection</p>

<sup>20</sup> As of today, 30,413 families receive regular payments from Bono 10k. These CPS Targets will be adjusted as part of the Bank's Additional Financing prior to Board presentation.

Expected outcomes in CPS period *(bold indicates from original matrix)	Milestones	Milestone Status	Bank Program
<p>areas is validated and piloted - <b>Achieved</b></p> <p>xxix. 90% of schools and 50% of health centers report compliance in accordance with payment cycles - <b>Achieved</b><sup>21</sup></p> <p>xxx. 5,000 using the SLSS information service in project areas (700 as of 2011) - <b>Dropped</b><sup>22</sup></p>		Committee of Bono 10k, and implemented	
<i>Results Area 2.5: More Effective Disaster Risk Management</i>			
<p>Outcome 14. Improved risk mapping and planning capacity Targets (<b>2015</b>):</p> <p>xxx. Honduras benefits from regional disaster risk management initiatives and harmonized disaster planning as coordinated by the regional institution, CEPRENDENAC (<b>on track</b>)</p> <p>xxxii. Central American Probabilistic Risk Assessment tools used to assess, understand and communicate disaster risk in Honduras (<b>on track</b>)</p>	<p>Training delivered to key Honduran DRM institutions on use of probabilistic risk assessment tool</p> <p>Dialogue maintained with other partners (e.g. IDB, CABEL) on disaster preparedness</p>	<p><b>Not achieved.</b> This is now projected for the second half of 2013. A technical assistance project (TAP) for risk assessment in the water sector (SANAA) is under formulation</p> <p><b>Achieved.</b> Procedures Manual in the event of a Disaster was updated in coordination with all Central American Countries</p>	<p>Disaster Risk Management Project IRM component in new IDA credits CAPRA CEPRENDENAC IDB CABEL</p>

<sup>21</sup> 99% of schools and 85% of health centers report compliance with program co-responsibilities.

<sup>22</sup> N/A (data on beneficiaries using SLSS (Secretary of Labor and Social Security). This indicator was dropped because is not aligned with the Bono 10,000 program which does not link beneficiaries and employment.

Expected outcomes in CPS period <i>*(bold indicates from original matrix)</i>	Milestones	Milestone Status	Bank Program
<p><i>New indicators based on new Disaster Risk Management Project.</i></p> <p><b>xxxiii. 10 municipalities have adopted DRM plans within the framework of their land use planning</b></p> <p><b>xxxiv. 20 municipal and community disaster emergency committees established</b></p>			
<b>Strategic Objective 3: Enhancing Good Governance</b>			
Create a state that is modern, transparent, efficient and competitive. Improve Honduras' ranking in global transparency and corruption indicators. Transition public services to electronic platforms.			
<i>Results Area 3.1: Improved Accountability in Public Expenditures</i>			
<p>Outcome 15. Improved public financial management, procurement, and results monitoring and evaluation capacity</p> <p>Targets (2015):</p> <p>xxxv. 100% of Central Government and 80% of decentralized institutions operate with the updated SIAFI (<b>on track</b>)</p> <p>xxxvi. 80% publication of bidding opportunities and contract award information through the e-procurement system (<b>on track</b>)</p> <p>xxxvii. Reduction of floating debt related to personnel expenditures in Ministries of Health and Public Works (<b>off track</b>)</p> <p>xxxviii. Results monitoring being carried out regularly in 6 sector cabinets (<b>on track</b>)</p> <p>xxxix. Timely and relevant</p>	<p>New functionalities added to SIAFI</p> <p>Honducompras e-procurement platform capacity expanded</p> <p>Implementation of transactions-based payroll audit findings in Ministries of Health and Public Works</p> <p>New indicators and goals established by M&amp;E system</p>	<p><b>Partially Achieved.</b> Consultants hired.</p> <p><b>Achieved.</b> Honducompras has new capabilities:</p> <ul style="list-style-type: none"> <li>• E-procurement catalogue for more efficient and transparent procurement of select items in pilot institutions.</li> <li>• Web Portal for external monitoring.</li> </ul> <p><b>Not Achieved.</b> No progress yet in this regard. SEFIN will soon present action plan.</p> <p><b>Partially Achieved.</b> New results-based management system developed, managed by Sec. of the Presidency, reports that the system is used for monitoring and follow-up in 5 sector cabinets plus 4 sub-sector</p>	<p>Improved Public Sector Performance Project</p> <p>JSDF Improving Public Accountability</p>

Expected outcomes in CPS period <i>*(bold indicates from original matrix)</i>	Milestones	Milestone Status	Bank Program
technical inputs on budget and policy analysis ( <b>on track</b> )	Improved quality of information provision for members of Congress and specialized commissions	cabinets. <sup>23</sup> The remaining sector cabinet is “Defense, Security and Governance.”  <b>Not Achieved.</b> IDF delayed with implementation to begin in second half of 2013.	
<i>Results Area 3.2: Stronger Decentralized Structures</i>			
Outcome 16. Improved financing framework for decentralized service delivery Targets (2014): xl. Assessment of municipal debt-financing potential completed ( <b>on track</b> )	Data collection on decentralized expenditures and revenue sources and analysis	<b>Partially Achieved.</b> Data has been collected. Public Expenditure Review with a focus on decentralization is programmed to be discussed with Government mid-2013. PEFA for Municipality of the Central District (Tegucigalpa) is programmed to be discussed with Municipal authorities by end of FY2013.	AAA: PER with Special Focus on Decentralization TF on Strengthening Municipal Territorial Planning Capacity IFC PEFA for Municipality of the Central District (Tegucigalpa)
Outcome 17. Improved efficiency and accountability of autonomous municipal water and sanitation service providers Targets (2015): xli. At least 50% of cities above 40,000 inhabitants operate with sustainable and efficient autonomous municipal water and sanitation service providers ( <b>on track</b> )	CONASA establishes the new financial policy SANAA operates as a technical assistance provider in at least one region of the country	<b>Partially Achieved.</b> CONASA has a draft of its new financial policy; which is expected to be launched by late 2013  <b>Partially Achieved.</b> SANAA is in the process of structuring a pilot area to receive its TA. Pilot area is expected to become operative by late 2013.	Water and Sanitation Sector Modernization Project and Additional Financing GPOBA SFLAC for Municipal Water Decentralization in Tegucigalpa AAA: Expenditure analysis of the Water Sector GAC Water Decentralization Trust Fund

<sup>23</sup> Sector cabinets using the Results Monitoring System: Social, Energy, Tourism, Housing, Telecommunications. Sub-Cabinets of the Social Cabinet: Education, Health, Social Protection, Food Security.

Expected outcomes in CPS period *(bold indicates from original matrix)	Milestones	Milestone Status	Bank Program
<i>Results Area 3.3: Enhanced Social Accountability as Part of Demand-Driven Governance</i>			
<p>Outcome 18. Improved capacity of civil society organizations to use demand-side governance tools</p> <p>Targets (2015):</p> <p>xlii. Number of CSOs involved in social monitoring increases in the education, roads and social protection sectors (<b>on track</b>)</p> <p>xliii. Number of formal requests for public information doubles (<b>on track</b>)<sup>24</sup></p>	<p>Capacity-building activities undertaken with CSOs on the use of demand-size governance tools</p>	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>• In <b>education</b>, networks of NGOs and new parents' associations have been supported by a CSF grant, in one department (Comayagua), linked to a national coalition.</li> <li>• The JSDF grant is programmed to significantly scale up this work (education), and to support the social auditing in <b>Roads</b>, in early 2013. Several NGO networks are leading this initiative, and have been actively engaging during the CPS period.</li> <li>• In <b>social protection</b>, NGO networks have defined the methodology for social auditing, in consultation with government, and are programmed to start in 2013. Two CSF grants have already supported pilot initiatives.</li> <li>• Support for CSO involvement in social monitoring will likely increase by end of FY2013, with Honduras' entrance into the Global Partnership for Social Accountability.</li> </ul>	<p>CMU-administered Civil Society Fund Grants</p> <p>Quality of Education Project</p> <p>JSDF on Piloting New Forms of Community-Administered Education for Socially Vulnerable Communities</p> <p>JSDF Building Trust in Public Policies and Public Institutions</p> <p>Global Partnership for Social Accountability</p> <p>Barrio Ciudad</p> <p>Rural Infrastructure Project</p> <p>Road Rehabilitation and Improvement II (GAC component)</p> <p>Nutrition and Social Protection (Social Auditing component)</p>

<sup>24</sup> The number of formal request for public information has actually declined slightly; from 3,135 in 2011, to 2,836 in 2012, as reported by the IAIP. However, the IAIP, under new leadership for the next 5 years, has initiated a campaign to strengthen its work and foment a greater use of the API law on the part of citizens.

## Annex 2. Active Trust Fund Portfolio (as of March 5, 2013)

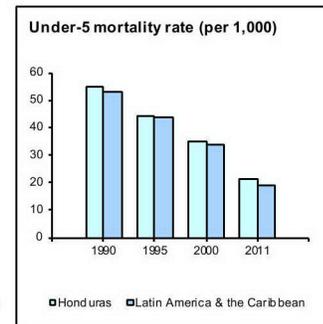
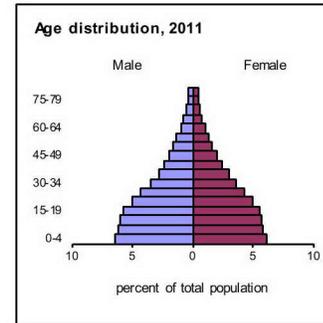
Sector	Fund Managing Unit	Project ID	Fund	TF Name	Program	Executi on type	Fund Active Date	Fund Closing Date	Grant Amt USD	Disb to Date USD	Available Balance USD
SDN	LCSAR	P106680	TF013796	Adaptation-Based Mitigation in Degraded Landscapes Vulnerabl	PROFOR	BE	12/14/2012	9/30/2014	208,600	5,503	203,097
SDN	LCSAR	P106680	TF014270	Knowledge Exchange for Land Administration Agencies in LCR a	SOUTH	BE	2/22/2013	12/15/2013	48,500	-	48,500
SDN	LCSAR	P106680	TF091179	MICROENTERPRISE DEVELOPMENT FOR THE POOR AND INDIGENOUS PEOP	JSDF	BE	9/23/2008	12/31/2012	50,000	49,863	137
SDN	LCSAR	P130418	TF013298	HONDURAS - Environmentally Sustainable Cacao Production for	JSDF	BE	9/27/2012	5/14/2016	202,230	9,667	192,563
SDN	LCSAR	P064914	TF091178	JSDF-HONDURAS: MICROENTERPRISE DEVELOPMENT FOR THE POOR AND	JSDF	RE	9/22/2008	12/31/2012	1,470,000	1,470,000	-
SDN	LCSAR	P130418	TF011699	ROUND 33: HONDURAS - Environmentally Sustainable Cacao Produ	JSDF	RE	9/26/2012	5/14/2016	2,247,050	150,000	2,097,050
SDN	LCSDU	P102474	TF099372	GPOBA (W3 Sup): Honduras OBA Fund	GPOBA	BE	3/29/2011	6/30/2013	17,552	8,377	6,110
SDN	LCSDU	P102474	TF099373	GPOBA (W3 Sup): Honduras OBA Fund	GPOBA	BE	3/29/2011	6/30/2013	54,279	35,052	19,227
SDN	LCSDU	P124157	TF097945	ROUND 1: HONDURAS-SUPERVISION-EMPLOYMENT GENERATION IN POOR	JSDF	BE	5/4/2011	3/15/2015	229,050	63,176	161,828
SDN	LCSDU	P102474	TF058263	GPOBA W3 - HONDURAS: NATIONAL OBA FACILITY FOR WATER AND SAN	GPOBA	RE	1/22/2008	12/31/2012	1,530,000	1,328,942	201,058
SDN	LCSDU	P102474	TF058264	GPOBA W3 - HONDURAS: NATIONAL OBA FACILITY FOR WATER AND SAN	GPOBA	RE	1/22/2008	12/31/2012	1,530,000	1,328,942	201,058
SDN	LCSDU	P102474	TF058265	GPOBA W3 - HONDURAS: NATIONAL OBA FACILITY FOR WATER AND SAN	GPOBA	RE	1/22/2008	12/31/2012	1,530,000	1,328,942	201,058
SDN	LCSDU	P124157	TF097916	ROUND 1: HONDURAS - EMPLOYMENT GENERATION IN POOR URBAN NEIG	JSDF	RE	4/7/2012	3/15/2015	2,545,000	-	2,545,000
SDN	LCSEG	P131602	TF012601	Honduras - Sustainable Rural Energy Services	CSCFIA	BE	6/16/2012	11/30/2018	408,000	68,029	31,971
SDN	LCSEG	P090113	TF055968	GEF FSP-HONDURAS: RURAL ELECTRIFICATION PROJECT	GEFIA	RE	11/20/2006	6/30/2013	2,350,000	1,856,839	493,161
SDN	LCSEG	P131602	TF012866	HN SREP Sustainable Rural Energy Services (ERUS)	CSCFIA	RE	11/8/2012	6/30/2014	300,000	35,380	264,620
OS	LCSFM	P124681	TF098173	PPIAF-HONDURAS: CENTRAL DISTRICT FINANCIAL MANAGEMENT DIAGNO	PPIAF	BE	10/28/2010	6/30/2013	145,950	68,789	70,366
HDN	LCSHE	P101218	TF094671	Piloting New Forms of Community-administered Education for S	JSDF	BE	4/25/2011	4/12/2014	85,715	73,541	10,517
HDN	LCSHE	P101218	TF094670	Piloting New Forms of Community-administered Education for S	JSDF	RE	3/30/2011	4/12/2014	1,714,300	596,126	1,118,174
HDN	LCSHS	P082242	TF011667	Honduras: Improving Nutrition Monitoring and Targeted Respon	RSR	RE	7/9/2012	6/30/2013	1,200,000	339,230	860,770
FPD	LCSPP	P131418	TF012235	Honduras #10236 Strengthening Credit Reporting	FIRST	BE	4/23/2012	6/30/2013	86,600	21,625	45,775
PREM	LCSPP	P125269	TF093442	Building Trust in Public Policies and Public Institutions (B	JSDF	BE	11/12/2010	5/11/2014	32,000	10,555	21,445
PREM	LCSPP	P125269	TF093440	Building Trust in Public Policies and Public Institutions	JSDF	RE	10/28/2010	5/11/2014	829,110	89,611	739,499
PREM	LCSPP	P125817	TF011581	Improving Performance Accountability in HN by Strengthening	IDF	RE	9/12/2012	2/7/2015	485,040	-	485,040
SDN	LCSWS	P125903	TF099504	Supervion for GFR 7783 - Sustainable Water for a Sustainable	SFLAC	BE	4/19/2011	8/31/2014	28,000	4,048	23,952
SDN	LCSWS	P125903	TF099354	Sustainable Water for a Sustainable City: Promoting Integrat	SFLAC	RE	1/4/2012	6/30/2014	400,000	102,969	297,031
Other	TWILC	P132282	TF013589	W&S - LAC/Analytical Tools & Plann. Inst. HN	WSP	BE	11/15/2012	12/31/2015	64,570	-	64,570
Other	TWILC	P132283	TF013587	W&S - LAC/Small Towns: Small City Service Development HN	WSP	BE	11/15/2012	12/31/2015	145,649	288	64,282
<b>Total</b>									<b>19,937,194</b>	<b>9,045,495</b>	<b>10,467,857</b>

## Annex 3. Honduras at a Glance

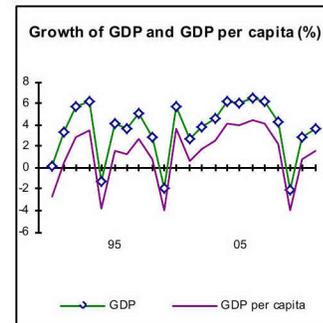
### Honduras at a glance

3/15/13

Key Development Indicators (2011)	Honduras	Latin America & Carib.	Lower middle income
	Population, mid-year (millions)	7.8	589
Surface area (thousand sq. km)	112	20,394	20,842
Population growth (%)	2.0	1.1	1.6
Urban population (% of total population)	52	79	39
GNI (Atlas method, US\$ billions)	15.4	5,050	4,488
GNI per capita (Atlas method, US\$)	1,980	8,574	1,772
GNI per capita (PPP, international \$)	3,820	11,582	3,837
GDP growth (%)	3.6	4.7	5.5
GDP per capita growth (%)	1.6	3.6	3.9
<b>(most recent estimate, 2005–2011)</b>			
Poverty headcount ratio at \$1.25 a day (PPP, %)	18	6	30.2
Poverty headcount ratio at \$2.00 a day (PPP, %)	30	12	59.5
Life expectancy at birth (years)	73	74	66
Infant mortality (per 1,000 live births)	18	16	46
Child malnutrition (% of children under 5)	9	3	24
Adult literacy, male (% of ages 15 and older)	85	92	80
Adult literacy, female (% of ages 15 and older)	85	91	62
Gross primary enrollment, male (% of age group)	114	118	106
Gross primary enrollment, female (% of age group)	114	114	102
Access to an improved water source (% of population)	87	94	87
Access to improved sanitation facilities (% of population)	77	79	47



Net Aid Flows	1980	1990	2000	2011
<i>(US\$ millions)</i>				
Net ODA and official aid	102	448	448	574
<i>Top 3 donors (in 2010):</i>				
United States	19	215	110	103
Spain	0	6	35	69
European Union Institutions	5	10	18	58
Aid (% of GNI)	4.2	16.0	6.4	3.9
Aid per capita (US\$)	28	92	72	76
<b>Long-Term Economic Trends</b>				
Consumer prices (annual % change)	..	23.3	11.0	2.9
GDP implicit deflator (annual % change)	13.2	21.2	30.8	9.3
Exchange rate (annual average, local per US\$)	2.0	4.1	15.0	18.9
Terms of trade index (2000 = 100)	..	129	100	85
Population, mid-year (millions)	3.6	4.9	6.2	7.8
GDP (US\$ millions)	2,566	3,049	7,106	17,427
<i>(% of GDP)</i>				
Agriculture	23.7	22.4	15.9	14.5
Industry	24.3	26.4	32.5	27.3
Manufacturing	15.0	16.3	22.7	19.2
Services	52.0	51.2	51.7	58.1
Household final consumption expenditure	69.4	66.8	70.8	77.7
General gov't final consumption expenditure	12.7	12.9	13.4	16.5
Gross capital formation	24.8	23.0	28.3	27.0
Exports of goods and services	37.2	37.2	54.0	47.6
Imports of goods and services	44.1	39.9	66.4	68.8
Gross savings	..	..	21.2	17.9



1980–90	1990–2000	2000–11
<i>(average annual growth %)</i>		
3.0	2.4	2.0
2.7	3.2	4.4
2.7	2.2	3.1
3.3	3.6	3.4
3.7	4.0	3.8
2.5	3.8	5.6
2.6	3.0	4.3
3.3	2.0	5.6
3.0	7.8	3.0
1.1	1.6	3.7
1.2	3.8	3.4

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

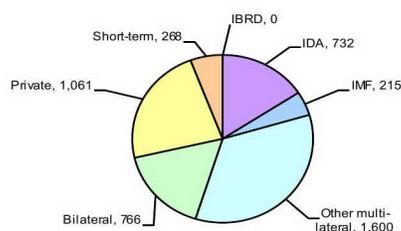
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2011
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	1,297	3,897
Total merchandise imports (cif)	2,863	8,658
Net trade in goods and services	-831	-3,606
Current account balance	-508	-1,503
as a % of GDP	-7.2	-8.6
Personal transfers and compensation of employees (receipts)	484	2,811
Reserves, including gold	1,319	2,821

Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	15.1	23.2
Tax revenue	13.8	16.2
Current expenditure	14.8	21.0
Overall surplus/deficit	-5.2	-2.8
Highest marginal tax rate (%)		
Individual	..	..
Corporate	25	30

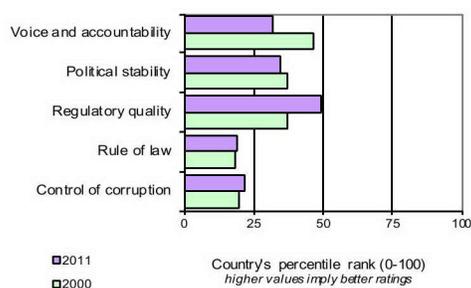
External Debt and Resource Flows		
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	5,478	4,642
Total debt service	397	1,008
Debt relief (HIPC, MDRI)	814	1,884
Total debt (% of GDP)	77.1	26.6
Total debt service (% of exports)	9.9	12.2
Foreign direct investment (net inflows)	382	1,043
Portfolio equity (net inflows)	0	0

#### Composition of total external debt, 2011



Private Sector Development	2000	2011
Time required to start a business (days)	–	14
Cost to start a business (% of GNI per capita)	–	46.7
Time required to register property (days)	–	23
Ranked as a major constraint to business (% of managers surveyed who agreed)		
Corruption	..	..
Access to/cost of financing	..	..
Stock market capitalization (% of GDP)	8.8	..
Bank capital to asset ratio (%)	8.8	11.0

#### Governance indicators, 2000 and 2011



Source: Worldwide Governance Indicators ([www.govindicators.org](http://www.govindicators.org))

Technology and Infrastructure	2000	2011
Paved roads (% of total)	20.4	..
Fixed line and mobile phone subscribers (per 100 people)	7	112
High technology exports (% of manufactured exports)	0.4	1.3

Environment		
Agricultural land (% of land area)	26	29
Forest area (% of land area)	57.1	45.3
Terrestrial protected areas (% of land area)	18.2	18.2
Freshwater resources per capita (cu. meters)	14,810	12,371
Freshwater withdrawal (% of internal resources)	1.2	1.2
CO2 emissions per capita (mt)	0.81	1.0
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	6.0	5.9
Energy use per capita (kg of oil equivalent)	481	601

World Bank Group portfolio	2000	2011
<i>(US\$ millions)</i>		
<b>IBRD</b>		
Total debt outstanding and disbursed	151	0
Disbursements	0	0
Principal repayments	27	0
Interest payments	15	0
<b>IDA</b>		
Total debt outstanding and disbursed	838	732
Disbursements	38	135
Total debt service	8	7
<b>IFC (fiscal year)</b>		
Total disbursed and outstanding portfolio of which IFC own account	42	192
Disbursements for IFC own account	27	192
Portfolio sales, prepayments and repayments for IFC own account	9	0
	26	19
<b>MIGA</b>		
Gross exposure	16	6
New guarantees	0	0

Note: Figures in italics are for years other than those specified.  
.. indicates data are not available. – indicates observation is not applicable.

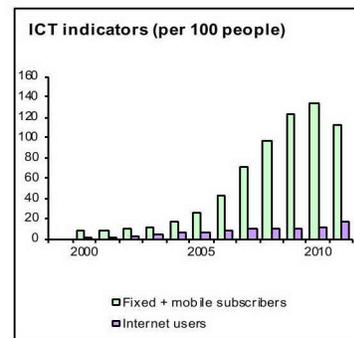
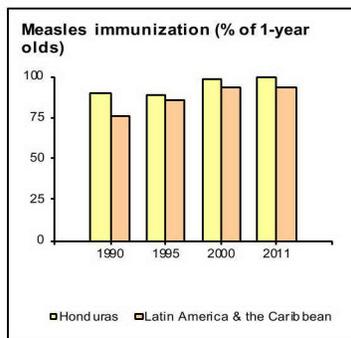
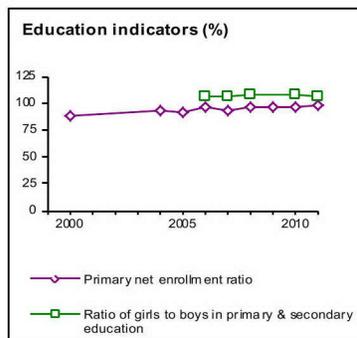
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# Millennium Development Goals

Honduras

With selected targets to achieve between 1990 and 2015  
(estimate closest to date shown, +/- 2 years)

	Honduras			
	1990	1995	2000	2011
<b>Goal 1: halve the rates for extreme poverty and malnutrition</b>				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	46.9	20.6	18.0	17.9
Poverty headcount ratio at national poverty line (% of population)	74.8	65.8	70.0	66.2
Share of income or consumption to the poorest quintile (%)	2.8	3.1	2.7	2.0
Prevalence of malnutrition (% of children under 5)	15.8	19.2	12.5	8.6
<b>Goal 2: ensure that children are able to complete primary schooling</b>				
Primary school enrollment (net, %)	89	90	89	97
Primary completion rate (% of relevant age group)	65	71	..	101
Secondary school enrollment (gross, %)	33	33	..	74
Youth literacy rate (% of people ages 15-24)	..	..	89	95
<b>Goal 3: eliminate gender disparity in education and empower women</b>				
Ratio of girls to boys in primary and secondary education (%)	104	..	..	107
Women employed in the nonagricultural sector (% of nonagricultural employment)	41	43	42	42
Proportion of seats held by women in national parliament (%)	10	..	9	20
<b>Goal 4: reduce under-5 mortality by two-thirds</b>				
Under-5 mortality rate (per 1,000)	55	44	35	21
Infant mortality rate (per 1,000 live births)	43	36	29	18
Measles immunization (proportion of one-year olds immunized, %)	90	89	98	99
<b>Goal 5: reduce maternal mortality by three-fourths</b>				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	220	180	160	100
Births attended by skilled health staff (% of total)	47	55	56	67
Contraceptive prevalence (% of women ages 15-49)	47	50	62	65
<b>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</b>				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	125	125	116	43
Tuberculosis case detection rate (% , all forms)	60	71	89	96
<b>Goal 7: halve the proportion of people without sustainable access to basic needs</b>				
Access to an improved water source (% of population)	76	79	82	87
Access to improved sanitation facilities (% of population)	50	57	64	77
Forest area (% of total land area)	72.7	..	57.1	45.3
Terrestrial protected areas (% of land area)	13.6	15.0	18.2	18.2
CO2 emissions (metric tons per capita)	0.5	0.7	0.8	1.0
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	5.5	5.5	6.0	5.9
<b>Goal 8: develop a global partnership for development</b>				
Telephone mainlines (per 100 people)	1.8	2.9	4.8	7.9
Mobile phone subscribers (per 100 people)	0.0	0.0	2.5	104.0
Internet users (per 100 people)	0.0	0.0	1.2	15.9
Households with a computer (%)	..	..	3.7	12.9



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

3/15/13

Development Economics, Development Data Group (DECDG).

## Annex 4. Selected Indicators of Portfolio Performance and Management

Indicator	2010	2011	2012	2013
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	15	11	12	13
Average Implementation Period (years) <sup>b</sup>	4.8	4.4	5.1	4.7
Percent of Problem Projects by Number <sup>a, c</sup>	20.0	18.2	25.0	15.4
Percent of Problem Projects by Amount <sup>a, c</sup>	13.8	25.4	31.2	23.3
Percent of Projects at Risk by Number <sup>a, d</sup>	20.0	18.2	25.0	15.4
Percent of Projects at Risk by Amount <sup>a, d</sup>	13.8	25.4	31.2	23.3
Disbursement Ratio (%) <sup>e</sup>	12.0	15.1	24.1	28.2
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	Yes	Yes	Yes	Yes
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by IEG by Number	59	9
Proj Eval by IEG by Amt (US\$ millions)	2,112.1	252.5
% of IEG Projects Rated U or HU by Number	25.4	55.6
% of IEG Projects Rated U or HU by Amt	17.3	42.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- \* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

## Annex 5. IDA and Grants Operations Portfolio (as of April 2, 2013)

Closed Projects 78

<b>IBRD/IDA *</b>	
Total Disbursed (Active)	193.85
of which has been repaid	0.00
Total Disbursed (Closed)	686.52
of which has been repaid	165.15
Total Disbursed (Active + Closed)	880.37
of which has been repaid	165.15
Total Undisbursed (Active)	191.51
Total Undisbursed (Closed)	0.56
Total Undisbursed (Active + Closed)	192.07

Project ID	Project Name	Last PSR		Fiscal Year	IDA	GRANT	Cancel.	Undisb.	Difference Between Expected and Actual Disbursements <sup>af</sup>	
		Supervision Rating							Orig.	Frm Rev'd
		Development Objectives	Implementation Progress							
P106680	HN (APL2) Land Administration	S	S	2011	32.8			17.95		
P088319	HN (CRL) Barrio-Ciudad Project	S	MS	2006	15			2.22	1.81	1.81
P086775	HN (CRL1) Rural Infrastructure Project	S	#	2006	47			2.33	-0.27	-0.27
P131094	HN Disaster Risk Management Project	#	#	2013	30			29.27		
P101218	HN Education Quality, Governance & Insti	MS	MS	2008	15.37			2.50	2.79	0.79
P090113	HN GEF Rural Electrification	S	S	2006		2.35		0.49	0.49	0.49
P110050	HN Improving Public Sector Performance	MU	MU	2012	18.2			16.29		
P082242	HN Nutrition and Social Protection	S	MS	2006	23.6			3.64	-0.44	1.76
P104034	HN Power Sector Efficiency Enhancement	MS	MS	2009	30		2.44	20.84	21.23	
P109058	HN Road Rehabilitation & Improvement II	MU	MU	2008	73.6			40.17	16.49	
P101209	HN Rural Competitiveness Project	MS	MS	2008	30		7.05	14.90	21.90	3.56
P130819	HN Safer Municipalities	#	#	2013	15			14.71		
P103881	HN WATER AND SANITATION PROGRAM	MS	MS	2007	30			8.48	4.29	
P115592	HN- Social Protection	MS	MS	2010	40			18.22	12.41	
Overall Result					400.57	2.35	9.48	192.00	65.87	8.14

## Annex 6. Honduras Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollars Millions

Accounting Date as of 02/28/2013

Commitment	Institution	LN	ET	QL + QE	GT	RM	ALL	ALL	LN	ET	QL + QE	GT	RM	ALL	ALL
Fiscal Year	Short Name	Committed	IFC Committed	IFC Committed	IFC Committed	IFC Committed	IFC Committed	IFC Committed	Part	Out	IFC Out	IFC Out	IFC Out	IFC Out	IFC Out
2008/ 2010	<a href="#">B. Popular</a>	-	1.9	-	-	-	1.9	-	-	1.9	-	-	-	1.9	-
2010/ 2011/ 2012/ 2013	<a href="#">BANPAIS SA</a>	-	-	-	10.0	-	10.0	-	-	-	-	10.0	-	10.0	-
2009/ 2010/ 2011/ 2012/ 2013	<a href="#">Banco Atlantida</a>	45.0	-	-	9.6	-	54.6	-	-	-	-	9.6	-	9.6	-
2011/ 2012/ 2013	<a href="#">Banco LAFISE HN</a>	-	-	-	10.0	-	10.0	-	-	-	-	10.0	-	10.0	-
2012	<a href="#">COHERSA</a>	20.0	-	10.0	-	-	30.0	45.0	14.7	-	7.3	-	-	22.0	33.0
2009	<a href="#">DINANT</a>	30.0	-	-	-	-	30.0	-	15.0	-	-	-	-	15.0	-
2008/ 2009/ 2010/ 2011/ 2012/ 2013	<a href="#">Ficohsa (1)</a>	6.7	-	-	27.4	-	34.0	-	6.7	-	-	27.4	-	34.0	-
2006/ 2008/ 2010	<a href="#">ISCH</a>	24.0	-	-	-	-	24.0	-	24.0	-	-	-	-	24.0	-
2009	<a href="#">La Grecia</a>	3.1	-	-	-	-	3.1	-	3.1	-	-	-	-	3.1	-
2011	<a href="#">Tequigalpa</a>	-	-	-	12.3	-	12.3	-	-	-	-	12.3	-	12.3	-
<b>Total Portfolio</b>		<b>128.7</b>	<b>1.9</b>	<b>10.0</b>	<b>69.3</b>	<b>-</b>	<b>210.0</b>	<b>45.0</b>	<b>63.4</b>	<b>1.9</b>	<b>7.3</b>	<b>69.3</b>	<b>-</b>	<b>142.0</b>	<b>33.0</b>

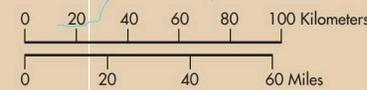
(1) IFC mobilized, through the IFC Asset Management Company (AMC), a \$70m investment (\$32m Equity and \$38m Quasi-Equity) in Banco Fichosa. This amount includes IFC indirect exposure of \$19.6m in Equity and \$4.9m in Quasi-Equity through the IFC Capitalization Fund (ICF).





## HONDURAS

- SELECTED CITIES AND TOWNS
- ⊙ DEPARTMENT CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- PAN AMERICAN HIGHWAY
- MAIN ROADS
- RAILROADS
- DEPARTMENT BOUNDARIES
- INTERNATIONAL BOUNDARIES



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