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RESTRUCTURING PAPER

ON A

PROPOSED RESTRUCTURING

OF THE

NUTRITION AND SOCIAL PROTECTION ADDITIONAL FINANCING

TO THE

REPUBLIC OF HONDURAS

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ABBREVIATIONS AND ACRONYMS

AIN-C	*Atención Integral a la Niñez Comunitaria* (Comprehensive Early Childhood Care)
CADERH	*Centro Asesor para el Desarrollo de los Recursos Humanos* (Advisory Services to Human Resources Development)
CCT	Conditional Cash Transfer
FEP	First Employment Program
INFOP	*Instituto Nacional de Formación Profesional* (National Institute for Professional Training)
PDO	Project Development Objective
SOLSS	Ministry of Labor and Social Security

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HONDURAS
NUTRITION AND SOCIAL PROTECTION PROJECT

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HONDURAS
NUTRITION AND SOCIAL PROTECTION PROJECT
RESTRUCTING PAPER

A. SUMMARY

1. This Restructuring Paper proposes a Level II restructuring of the Honduras Nutrition and Social Protection Project Additional Financing to: (i) modify the service provider and training scheme for the First Employment Program (FEP); (ii) revise one intermediate outcome indicator target to reflect those changes; and (iii) change one disbursement category to facilitate disbursement under Component 1.

B. PROJECT STATUS

2. An Additional Financing (P126158, Cr. 4964-HN) of US$3.6 million to the Nutrition and Social Protection Project (P082242, Cr. 4097-HN) was approved on June 16, 2011 and became effective in January 2012. The Closing Date is June 30, 2013. The PDOs are to improve Honduras' social safety net for children and youth by: (i) strengthening the Recipient's capacity to administer social assistance programs; (ii) improving nutritional and health status of young children by expanding the AIN-C[1] community-based nutrition program; and (iii) increasing employability of at-risk youth by piloting the FEP. The Project finances three components: (1) Institutional Strengthening of the Recipient's Social Protection Framework for Children and Youth (US$1 million); (2) Support for the Recipient's AIN-C Program (US$11.5 million); and (3) Implementation of Recipient's First Employment Program for disadvantaged youth (US$7.5 million). The Additional Financing provides additional resources for Component 1 (US$1 million) and Component 3 (US$2.6 million).

3. To date, the original Project has disbursed US$19,562,000 (around 95 percent) of the total of US$20 million. Under Component 1, the Social Protection Policy has been formally approved by the Social Cabinet and a Social Protection Technical Committee has been formed and charged with elaborating an implementation strategy. Under Component 2, the community-based nutrition program, AIN-C, has reached 1,036 communities (slightly surpassing its target) and the impact evaluation has shown positive impacts on intermediate and final nutrition outcomes. Component 3 has covered 4,883 beneficiaries of the FEP.

4. The Additional Financing has disbursed approximately US$860,000 (about 25 percent) of the total of US$3.6 million, exclusively under Component 1 which is progressing satisfactorily. The National Statistical Agency completed the survey work to identify additional beneficiaries for the country's conditional cash transfer (CCT) program, Bono 10 Mil, and the target of 75,000 additional eligible beneficiaries was surpassed, reaching a total of 91,898 beneficiaries. However, no disbursements have been

[1] AIN-C (*Atención Integral a la Niñez Comunitaria*) is a community-based nutrition program that seeks to improve healthy child growth and development.

made yet under Component 3, pending a request by the Ministry of Labor and Social Security (SOLSS) in May 2012 to change the implementing agency for the First Employment Program.

C. PROPOSED CHANGES

5. The proposed change reflects a request from SOLSS, the implementing agency for the Project, to change the implementing arrangements for Component 3.2 (carrying out of employment training). The proposed change would affect the training scheme arrangements and one associated indicator for Component 3, as well as disbursement arrangements for Component 1.

Results/indicators

6. The target of one intermediate outcome indicator will be changed to reflect the change in activities under Component 3 (see Annex 1). The indicator "number of businesses that offer internships" will be maintained at the 2011 target of 473. This change is needed because the fourth round of the FEP, unlike the previous three rounds, will not include a mandatory internship (see below).

Components

7. As a result of limited time left to implement activities, the fourth round of FEP will now provide two and a half months of technical and life skills training and an internship will not be mandatory. In the previous three rounds, the FEP provided four months of training and two months of internship to beneficiaries. Despite the reduction in the duration of training, the value to the beneficiaries is not expected to be significantly affected: the life skills module will be expanded by 50 percent, entrepreneurship training will be added, technical courses will be offered in a more intensive fashion, and the youth who complete the full training package will be able to be accredited by INFOP. In place of the mandatory internship, participating youth will receive support and advice about job search and job placement through the SOLSS during and after training (and an internship will be optional). Graduates will also be registered in the database of the National Employment Service of the SOLSS. This training approach is satisfactory to the Bank based on evidence from other country experiences (e.g., Dominican Republic), which have shown that life skills training is one of the most important elements of effective youth training. The reduction in the length of the training program will not impact the PDO. The Project Closing Date will remain the same and activities are expected to be completed by June 30, 2013.

Institutional Arrangements

8. The SOLSS requested the change in implementing agency for Component 3.2 for two main reasons. The first is that the existing provider, the Advisory Services to Human Resources Development agency (CADERH), increased its unit cost per trainee significantly for the fourth round of training. The second reason is that giving the responsibility for implementing Component 3.2 to the National Institute for Professional Training (*Instituto Nacional de Formación Profesional*, INFOP) represents an opportunity for

institutional learning about employment programs targeting disadvantaged urban youth and may lead to providing future employment services to this population.

9. The Bank and Government discussed the proposed change over a period of several months, including the tradeoffs and risks given the closing date of June 30, 2013. The decision was made to proceed with a restructuring, and additional time was required to assess INFOP's technical and implementation capacity, given the agency had not previously managed a Bank financed project.

10. A subsidiary agreement has been prepared and will be signed between the SOLSS and INFOP. INFOP will be paid to implement Component 3.2 of the Project on a "cost recovery" basis for eligible expenditures incurred no later than the closing date. The expenditures will include payment for instructors, educational materials, and transportation for instructors and supervisors as well as INFOP's related operating costs. INFOP will use its own instructors and subcontract external certified instructors as needed, following Bank procurement rules. The scope of the audit for Credit 4964 will be expanded to include a review of INFOP's procurement and financial management for the execution of the FEP training.

Financing

11. Disbursement arrangements. The proposed changes to disbursement arrangements include the modification of the disbursement category for Component 1. Currently, the disbursement category for Component 1 only covers sub-component 4 (data collection to identify CCT beneficiaries and development of an urban targeting methodology). It is proposed that this disbursement category, which includes goods, consultants' services, non-consultant services, and operating costs, be modified to include not only activities under sub-component 4, but also activities under sub-components 1, 2 and 3 to strengthen social protection policies, strategy, and programs. This is necessary because one of the activities under sub-component 4 of the Project, the development of an urban targeting methodology, was completed with government funds and the Secretary of the Presidency has requested that Component 1 finance additional activities to strengthen the social protection framework, which fall under sub-components 1, 2, and 3. The proposed activities will support studies on key social protection topics to build knowledge and capacity in government to make informed decisions about social protection policy and programs. These studies will address citizen participation, services for indigenous populations, efficiency of public expenditures in social protection, among others. Other activities include consultancies to define a strategy for sustainability of social protection, with attention to vulnerable groups, during the upcoming government transition and the organization of a National Forum on Social Protection. Significant preparation has been done for these activities and it is expected that all will be completed by the closing date of June 30, 2013.

12. The disbursement letter will be amended to increase the ceiling for the Designated Account for Component 3 (DA-B) from $600,000 to $900,000 to facilitate the cash flow needs for this component in light of the impending closing date.

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ANNEX 1: Results Framework and Monitoring

Project Development Objective (PDO): The project development objective is to improve Honduras' social safety net for children and youth by: (i) strengthening the Recipient's capacity to administer social assistance programs; (ii) improving nutritional and health status of young children by expanding the AIN-C program, and (iii) increasing employability of at-risk youth by piloting a First Employment program.

PDO Level Results Indicators*	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection
					2011	2012	2013			
Indicator One: Institutional structure for policy formulation, planning, implementation and evaluation is created by Governmental decree		C	N/A				SDS created and has mandate to coordinate, design, implement and evaluate social policy	Once		SOP and SDS
Indicator Two: Reduction in chronic malnutrition for children under 2 years of age participating in AIN-C		C	%	32			26	End of project	Impact evaluation	SOH
Indicator Three: Percentage of program graduates in paid employment of self-employment 6 months after program graduation		C	%	0	30	40	40	End of project	Impact evaluation	SOLSS
Project beneficiaries	x	C	Number	0	4,883		7,100	End of project	Program registry	SOLSS
INTERMEDIATE RESULTS										
Component One										
Intermediate Result indicator One: New targeting mechanism for urban area validated		C	N/A	0	Targeting algorithm developed and piloted	Targeting methodology manual completed		Once		SOP and SSD
Component Three										
Intermediate Result indicator One: Number of youth participating in First Employment Program		C	Number	0	4,883		7,100	Annual	MIS of SOLSS	SOLSS
Intermediate Result indicator Two: Number of youth who use the SOLSS Information Service in the project areas		C	Number	0	700		5,000	Annual	MIS of SOLSS	SOLSS
Intermediate Result indicator Three: Number of businesses that offer internships		R	Number	473			473	Annual	MIS of SOLSS	SOLSS

Intermediate Result indicator Four: Percentage of youth successfully completing all phases of FEP		C	Number		75		80	Annual	MIS of SOLSS	SOLSS
Intermediate Result indicator Five: Percentage of Indigenous and Afro-Honduran beneficiaries, from the total of beneficiaries		C	%	0	9		15	Annual	MIS of SOLSS	SOLSS
Intermediate Result indicator Six: Percentage of Indigenous and Afro-Honduran youth finishing the program, from the total registered		C	%	0	51		85	Annual	MIS of SOLSS	SOLSS

***Please indicate whether the indicator is a Core Sector Indicator (see further http://coreindicators)**
****Target values should be entered for the years data will be available, not necessarily annually**