

**Approach Paper**

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**Honduras**  
**2015-2018**

Country Program Evaluation

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**RE-528**



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**RE-528**  
**CII-RE-43**

***APPROACH PAPER***  
***COUNTRY PROGRAM EVALUATION:***  
***HONDURAS 2015-2018***

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***Office of Evaluation and Oversight (OVE)***

Inter-American Development Bank  
Inter-American Investment Corporation  
Washington, D.C.  
July 2018

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## **ABBREVIATIONS**

CPE	Country Program Evaluation
FOB	Free on board
HDI	Human Development Index
IDB	Inter-American Development Bank
IMF	International Monetary Fund
OVE	Office of Evaluation and Oversight
PPP	Purchasing power parity
PBL	Policy-based loan
PMR	Project monitoring report
PSR	Project status report
PCR	Project completion report
TFFP	Trade Finance and Facilitation Program
XPSR	Expanded project supervision report

## I. INTRODUCTION

- 1.1 **As part of its work program for 2018, the Inter-American Development Bank's Office of Evaluation and Oversight (OVE) is evaluating the IDB Group's Country Program with Honduras 2015-2018 (document CP-3507-1).** This is OVE's fifth independent Country Program Evaluation (CPE) of the IDB Group's program in Honduras. The previous evaluations covered the periods 1990-2000 (document [RE-263-2](#)), 2001-2006 (document [RE-328](#)), 2007-2010 (document [RE-390](#)), and 2011-2014 ([RE-469-3](#)).
- 1.2 **This document defines the scope and methodology of the CPE 2015-2018.** The evaluation will continue to build on the lines of OVE's early work, looking more closely at relevant financial and nonfinancial areas in "value added" and in learning processes related to the IDB's effectiveness and efficiency. The CPE 2015-2018 will be the first independent evaluation of the program with Honduras that covers the work of both the IDB and IDB Invest in the country.
- 1.3 **Under the Protocol for Country Program Evaluation (document [RE-348-3](#)), the main goal of a CPE** is to "provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." With this objective, the CPE will undertake an independent and comprehensive analysis of the IDB Group's relations with the country, particularly examining the relevance, efficiency, effectiveness, and sustainability of the program. The analysis will cover the financial and nonfinancial outputs offered by the IDB Group during the period examined. As the protocol establishes, this exercise is to be used as an input for preparing the new Country Strategy with Honduras 2019-2022.
- 1.4 **This approach paper is organized as follows:** Section II contains a brief introduction to the macroeconomic, social, and institutional context in which the country strategy was implemented; Section III describes the objectives of the country strategy 2014-2018 and the IDB Group's portfolio; and Section IV introduces the questions to be answered in the evaluation.

## II. CONTEXT OF THE COUNTRY PROGRAM 2015-2018

- 2.1 **Honduras is a small, lower middle income country (as classified by the World Bank). Its economy has experienced moderate growth since the 2009 financial crisis.** With a population of approximately 9.1 million and per capita GDP of US\$5,065 (in terms of purchasing power parity (PPP) in 2000), Honduras is the Central America's third poorest country, after Nicaragua and Belize.<sup>1</sup> Between 2010 and 2017, the Honduran economy grew at an average annual rate of 3.74%. Since 2014, the country's average economic growth (3.9%) has been higher than the average for Latin America (1.7%) and Central America (3.7%). Per capita GDP has grown much more slowly (2.3% on average between 2010 and 2017),<sup>2</sup> owing to

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<sup>1</sup> Considering Central America to consist of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Source: IMF.

<sup>2</sup> According to World Bank reports, per capita GDP PPP in Honduras in 2016 was US\$4,392.27, while the figure for the Latin America and Caribbean region (LAC) was US\$14,314.95, placing the country among the lowest in the world (160th out of 216 ) and at just 30.68% of the average for that region.

rapid population growth (projected average annual rate of 1.5% over the same period).<sup>3</sup> Inflation has been trending down, averaging 4.8% a year between 2010 and 2017, although this trend has reversed in recent years. After reaching 2.36% in 2015 it rose to 4.73% in 2017. The nominal exchange rate has been depreciating moderately since 2010, which contributed to the relative stability of the real exchange rate. The country has increased its international reserve-to-GDP ratio, from 17.6% in 2013 to 22.2% in 2017.

**2.2 Thanks to a series of fiscal and macroeconomic reforms approved under the 2014 agreement with the International Monetary Fund (IMF),<sup>4</sup> the country's fiscal performance has improved.** The central government's fiscal deficit fell from 7.9% and 4.5% of GDP in 2013 and 2014, respectively, to an average of 3% between 2015 and 2017.<sup>5</sup> The public debt grew from 35.61% of GDP in 2010 to 50.89% in 2014, but thanks to the reduction in the fiscal deficits, it has remained at about 51% of GDP between 2014 and 2017. The country's risk rating improved from B3 to B1 between 2015 and 2017, largely outperforming its Central American peers, but still below the ratings of Panama and Costa Rica. Spending on pensions has increased from 3.3% of GDP to 4.1% between 2013 and 2017, but spending on the wage bill fell from 12.8% of GDP to 10.6%.

**2.3 Social indicators for Honduras are low when compared to those of the other Central American countries.** In 2015, the United Nations Human Development Index (HDI) for Honduras was 0.625 versus 0.694 for Central America. Despite a reduction in inequality (measured by the Gini coefficient, which fell from 0.574 between 2011 and 2012 to 0.501 in 2015), the country's HDI remained among the four highest in Latin America,<sup>6</sup> surpassed only by Brazil, Colombia, and Panama. The HDI adjusted for inequality was 0.443, which implies a loss of 29.3% compared to its original value. Extreme poverty (below the line of US\$1.90 PPP per day) stood at 16% in 2016, almost three times higher than the figure for Central America (5.4%).<sup>7</sup> Extreme poverty measured by national yardsticks was 42.5% in 2016 and total poverty was 65.7%.<sup>8</sup> Programs to combat poverty include the conditional cash transfer program *Bono Vida Mejor* (previously *Bono 10,000*), which targets the extremely poor population and supports minimum household consumption requirements and their demand health and education services. In 2016, the average percentage of young males between the ages of 15 and 24 who did not study, work, or receive training of any kind, was 27.8%, while the figure for females in the same

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<sup>3</sup> Source: World Bank data.

<sup>4</sup> In its most recent technical note (November 2016), the IMF acknowledged the progress made in tax and wage policies, transparency, the fight against corruption, and openness to public-private partnerships. Honduran public-private partnerships are regulated by the Public-Private Partnership Promotion Act (Decree Law 143-2010), which establishes a Public-Private Partnership Promotion Council (Coalianza) and the Public-Private Partnership Supervisory Office (SAPP).

<sup>5</sup> Source: IMF and the Honduran Department of Finance.

<sup>6</sup> Source: Freely-accessible World Bank data.

<sup>7</sup> Source: LAC Equity LAB. World Bank.

<sup>8</sup> Source: Honduran National Statistics Bureau.

age group was 44.2%.<sup>9</sup> Honduras continues to have high emigration (with a net migration rate<sup>10</sup> of 1.1%), particularly unaccompanied children.

- 2.4 **The country's main development challenges lie in education, health care, infrastructure, and institutional strengthening.** According to the development analysis methodologies used by the IDB in the 2018 Latin American and Caribbean Macroeconomic Report, education (human capital accumulation) is the greatest of these challenges.

### III. IDB STRATEGY WITH HONDURAS

#### A. IDB strategy with Honduras 2015-2018

- 3.1 **The Bank's country strategy with Honduras for 2015-2018 was approved in November 2014 and was based on a diagnostic assessment of economic recovery in a context of low productivity and fiscal deterioration.** According to the assessment, Honduras was in a period of extended economic growth after the 2009 economic crisis, but with more moderate advances in poverty and extreme poverty reduction. The country faced huge challenges with respect to social and economic exclusion. These problems were exacerbated by a deterioration in public safety, which led to high emigration. In this context, the IDB identified low human capital accumulation as one of the main factors behind low growth and scant productivity gains.
- 3.2 **The objective of the Bank's country strategy with Honduras for 2015-2018 was to support government efforts to counter stagnant production and low growth and reduce gaps in the generation and accumulation of human capital.** The IDB also hoped to achieve real social inclusion through coordinated interventions in social protection, health, and education—and to improve the quality of life and standard of living in urban areas. Accordingly, the strategy defined the following objectives: (i) fiscal consolidation; (ii) energy sector sustainability and competitiveness; (iii) road infrastructure for regional integration; (iv) social inclusion; and (v) sustainable development in the Central District (Table 3.1). The focus on gender, development with identity, climate change, and disaster risk management are defined as crosscutting and dialogue areas.

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<sup>9</sup> World Bank 2017, World Development Indicators, taken from International Labour Organization's labor statistics database (ILOSTAT).

<sup>10</sup> Defined by the United States Central Intelligence Agency as the difference between the number of persons entering and leaving a country during the year per 1,000 persons. See [The World Factbook](#).



**Table 3.1 Sector priorities of the 2015-2018 country strategy**

<b>Government program</b>	<b>Priority areas</b>	<b>IDB strategic objectives</b>
Stabilize macroeconomic conditions and public finances in the country in the medium term, with the aim of driving economic growth and investing in poverty reduction and alleviation programs	<b>Fiscal consolidation</b>	<ul style="list-style-type: none"> <li>Strengthen tax revenue intake</li> <li>Make public expenditure more efficient</li> </ul>
Strengthen the performance of public administration		<ul style="list-style-type: none"> <li>Strengthen the mechanisms for transparency and prevention and control of corruption</li> <li>Improve budget management and reduce fiscal contingencies</li> </ul>
Guarantee electricity supply marked by quality, excellence, and responsibility, in support of the productive sectors and the population and in harmony with the environment	<b>Sustainability and competitiveness in the energy sector</b>	<ul style="list-style-type: none"> <li>Improve the efficiency and quality of electricity service and diversify the power generation matrix</li> <li>Increase access to electricity service</li> </ul>
Promote production infrastructure as an engine of economic activity	<b>Road infrastructure for regional integration</b>	<ul style="list-style-type: none"> <li>Improve national and regional integration and reduce operating and transportation costs</li> </ul>
Incorporate families living in extreme poverty into the <i>Vida Mejor</i> platform, which consists of conditional cash transfers and improved housing	<b>Social inclusion</b>	<ul style="list-style-type: none"> <li>Protect minimum levels of consumption among the population in poverty</li> </ul>
Expand the coverage and quality of education services		<ul style="list-style-type: none"> <li>Promote human capital accumulation of minors in households living in extreme poverty</li> </ul>
Improve equitable access for the population to the benefits of comprehensive health care, especially for groups traditionally excluded due to economic, cultural, geographical, or gender reasons		<ul style="list-style-type: none"> <li>Improve health indicators of children under age 5</li> </ul>
Improve housing and health conditions in marginal areas; develop the central corridor of the Central District; and strengthen connectivity between residential areas and central districts	<b>Sustainable development in the Central District</b>	<ul style="list-style-type: none"> <li>Reduce marginalization and improve urban quality of life in the Central District</li> </ul>
<b>Crosscutting and dialogue areas</b>	Gender focus and development with identity	
	Climate change and disaster risk management	

Source: Bank country strategy with Honduras 2015-2018

**3.3 The country strategy 2015-2018 highlighted three main potential risk areas for program implementation: macroeconomic, institutional, and environmental.** With respect to macroeconomic risks, the Bank identified shocks to external sustainability and shocks to fiscal sustainability, and therefore undertook to work in coordination with the Honduran government and the IMF on the design and execution of measures to help restore fiscal balance and reduce the incidence of contingent liabilities. Regarding institutional risks, the main one was the execution capacity of the local counterparts, which could affect the pace of execution and impact portfolio performance. To mitigate that risk, the Bank decided to support

institutional strengthening actions that would lead to the identification of new program design and execution arrangements, adapted to local capacity. Lastly, the country strategy identified environmental risks, since Honduras is one of the countries in the region with the highest exposure to natural disaster risks, and therefore undertook to incorporate risk management into all the proposed actions. OVE's CPE for the period 2011-2014 made five recommendations that were supported by the Bank's Board of Executive Directors (see Text Box 3.1).

**Text Box 3.1: Recommendations of the CPE Honduras 2011-2014<sup>11</sup>**

- a. **Give priority to fiscal consolidation**, continuing to work with the IMF and the World Bank to ensure a sustained process of fiscal consolidation. Management agreed with this recommendation.
- b. **Design the country strategy based on the most critical development challenges**, clearly defining the criteria for participation by the Bank's various sectors (including the Vice Presidency for the Private Sector and Non-sovereign Guaranteed Operations) and for the prioritization of projects, while ensuring consistency between the diagnostic assessment and the country strategy. Management agreed partially with this recommendation, given its difference of opinion with OVE's observations regarding the consistency between the diagnostic and the country strategy 2011-2014.
- c. **Strengthen the design of operations** by conducting more rigorous institutional assessments; performing more realistic analyses of governance and sustainability risks; and engaging fiduciary staff more intensively in the design of project execution and procurement plans. Management agreed partially with this recommendation, noting that it was already giving priority to the issues highlighted in it.
- d. **Devote greater efforts to building management capacity in the institutions responsible for projects in execution**, and consider making disbursements for future policy-based loan (PBL) operations contingent on effective changes in the management capacity of key institutions and in the institutional framework of their respective sectors. Management agreed partially with this recommendation, noting that the management capacity of the institutions responsible for projects was already being strengthened and that the content of PBL operations is determined in accordance with the programmatic dialogue with the authorities.
- e. **Include in future country strategies the sectors corresponding to each country's existing portfolio**. Management agreed with this recommendation.

3.4 **In the baseline scenario for sovereign-guaranteed loan approvals, the Bank planned to approve US\$742 million during the life of the strategy, with US\$340 million to be approved in the biennium 2015-2016 and US\$402 million in the biennium 2017-2018.** The planned US\$340 million were approved during the 2015-2016 period, and the amount to be approved in 2017-2018 period was increased from the initial estimate to US\$632.6 million, meaning that total approvals during the evaluation period were increased to US\$972.6 million. The increase in the total responded to changes in the allocation of concessional financing. That allocation is based on the country's debt sustainability framework and on the Bank's enhanced performance-based allocation system (document GN-2442-53) for countries receiving concessional resources. These criteria establish a biennial financing ceiling based on implementation effectiveness, governance, and debt sustainability. In 2015, the IDB's concessional resources for Honduras raised the country's share from 30% to 40% on account of the increased debt risk, which

<sup>11</sup> For the full text of the recommendations and Management's formal response, see [Country Program Evaluation: Honduras 2011-2014](#). All the recommendations were supported by the Bank's Board of Executive Directors.

reduced the cost of financing to the country. The strategy called for complementing sovereign-guaranteed loans with nonsovereign-guaranteed loans, nonreimbursable investment projects, and nonreimbursable technical-cooperation projects. The baseline scenario for approvals with sovereign guarantees was expected to cover 42% of gross financing requirements for the 2013-2017 period with disbursements of US\$751 million, for a positive net flow of financing to Honduras of US\$593 million. As a result, the country's debt with the IDB would rise from 7.7% of GDP in 2015 to 9.2% in 2018.

## B. The Bank's Operations Portfolio

3.5 Between January 2015 and June 2018,<sup>12</sup> the Bank approved US\$585.29 million, including sovereign-guaranteed loans (US\$560 million) and nonreimbursable resources (technical-cooperation operations and investment projects for US\$25.29 million).<sup>13</sup> Sixty-four percent of approvals with sovereign guarantees were channeled through investment loans (US\$360 million) and the rest through PBLs (US\$200 million). The nonreimbursable investment projects amounted to US\$8.15 million and the nonreimbursable technical-cooperation projects to US\$17.14 million.<sup>14</sup> The strategic area with the largest loan approvals was social inclusion, followed by support for the sustainability and competitiveness of the energy sector (see Table 3.2).

Table 3.2. Sovereign guaranteed loans and nonreimbursable operations

Priority area	Sector	Loans			Nonreimbursable operations		
		Number	Amount	%	Number	Amount	%
			US\$ million	%		US\$ million	%
Fiscal consolidation	Reform of the State	2	87	16	11	3.6	14
Sustainability and competitiveness of the energy sector	Energy	3	113	20	6	3.0	12
Road infrastructure for regional integration	Transport	2	95	17			0
Social inclusion	Education	1	60	11	4	1	3
	Health	1	50	9	3	1.0	4
	Social welfare Social investments	2	70	13	11	10.7	41
Sustainable development in the Central District	Urban development	1	60	11	1	0.0	0
Other	Environment	1	25	4	4	1.3	5
	Other sectors				12	4.7	19
<b>Total</b>		<b>13</b>	<b>560</b>	<b>100</b>	<b>52</b>	<b>25.3</b>	<b>100</b>

Source: OVE, with information from Data Warehouse.

<sup>12</sup> The portfolio considered in this approach paper has a closing date of 20 June.

<sup>13</sup> In the same period, the World Bank approved US\$131.4 million in 65 operations.

<sup>14</sup> PBLs in the energy sector (two worth US\$90 million), one for health (US\$50 million), and one for reform and modernization of the State (US\$60 million).

- 3.6 **The legacy portfolio (operations approved before the evaluation period but active during that period) included 24 sovereign-guaranteed loans for a total of US\$1.130 billion, with US\$431 million yet to be disbursed at the start of the evaluation period (of which US\$475 million had been disbursed by June 2018).** The largest percentage of funds not yet disbursed was in the social sector (57% or US\$264 million), followed by infrastructure (39% or US\$181 million). At the start of the period, three nonreimbursable investment loans and 50 nonreimbursable technical-cooperation projects for a combined value of US\$65.9 million were also active.
- 3.7 **The IDB and IDB Invest approved 15 nonsovereign-guaranteed operations for US\$161.2 million during the evaluation period.** IDB Invest approved three loans for US\$24 million in the access to finance sector and three more for US\$2.1 million in the energy sector, and the defunct Structured and Corporate Finance Department (SCF) approved two loans for US\$12.2 million in the energy sector. Lastly, lines were approved under the Trade Finance Facilitation Program (TFFP) for US\$122.9 million. The legacy nonsovereign-guaranteed portfolio included three lending operations (in the finance, energy, and environmental sectors) for US\$36.5 million<sup>15</sup>

#### IV. EVALUATION QUESTIONS

- 4.1 **The CPE will use the evaluation criteria relating to relevance, implementation, efficiency, effectiveness, and sustainability established by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC).** These yardsticks provide a complete picture of the program, in terms of not only its importance, but also its outcomes and the means used to achieve them. The portfolio to be included in the CPE 2015-2018 will comprise all the operations that were active during the period. The evaluation questions to be answered in the CPE are set forth in detail in Protocol for Country Program Evaluation (document [RE-348-3](#), paragraph 19 and Annex 1) approved by the Bank's Board of Executive Directors. The evaluation yardsticks are described below and examples are given of the most relevant questions for the CPE.

##### A. Relevance

- 4.2 Relevance refers to the degree of consistency between: (i) the design and objectives of the strategy and the IDB Group's assistance program and (ii) the country's requirements, development plans, and government priorities. Through this measurement, the CPE seeks to respond to such questions as:
- What is the Bank's role in the country and how has it evolved over time?
  - To what extent were the strategic objectives established in the country strategy aligned with the government's priorities, the country's development priorities, and the IDB Group's mandate?
  - How consistent was the program that the Bank implemented in Honduras with the country strategy?

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<sup>15</sup> The data on the nonsovereign-guaranteed portfolio of operations were obtained from the following sources: for operations prior to 2015, IDEAS and Convergence, and for operations after 2015 from IDEAS.

## **B. Implementation and efficiency**

4.3 The implementation analysis will study the extent to which the Bank's program attained the proposed outputs within reasonable costs and times, touching on crosscutting elements such as the efficiency of executing units, the use of country systems, and the quality of technical and administrative support provided by the Bank's Country Office in Honduras and by Headquarters.

- Were the time frames and costs of preparing and executing operations in Honduras reasonable?
- To what extent were the designs of Bank operations aligned with the country's execution capacities and limitations?

## **C. Effectiveness**

4.4 The effectiveness analysis refers to the extent to which the objectives of the program agreed upon by the Bank and the country were attained. With this yardstick, the CPE seeks to answer such questions as:

- Were the strategic objectives attained?
- Did the Bank operations attain their objectives?
- Did the objectives attained in Bank operations contribute to attainment of the strategic objectives?

## **D. Sustainability**

4.5 Sustainability refers to the likelihood that the program results will continue in the long term. With this measurement, the CPE seeks to answer such questions as:

- What is the likelihood that the objectives attained by the Bank operations will be maintained in the medium and long terms?
- To what extent did the Bank anticipate the sustainability challenges of its operations?
- To what extent did the Bank projects strengthen the managerial capacity of the executing agencies?

## **E. Evaluation methodology**

4.6 The evaluation will adhere to the methodological guidelines stipulated in the Protocol for Country Program Evaluation (document [RE-348-3](#)). It will use different sources of information, including interviews with key informants such as current and former government officials, project executing agencies, IDB Group sector specialists, international donors, and members of academia and civil society who are familiar with the country's development challenges and the different sectors in which the Bank operates. The Bank's programming and supervision documents (PMRs, PSRs), and its evaluation documents (PCRs, XPSRs) will also be examined. OVE will supplement the documentary study with analyses of internal and external databases. The evaluation methodology will include a sector analysis that compares the different types of interventions. Annex 2 presents the evaluation matrix for the foregoing sample evaluation questions.

## V. TEAM AND TIMELINE

- 5.1 **The CPE will be produced by a multidisciplinary team** under the supervision of the OVE's Director, Ivory Yong-Prötzel. The team will consist of César P. Bouillon, Project Team Leader; Jonathan Rose, María Fernanda Rodrigo, Miguel Soldano, María Eugenia Mújica, Stephany Maqueda, Anna Mortara, Rasec Niembro, Nathaniel Russell, and Maya Jansson.
- 5.2 **To ensure the relevance and usefulness of the evaluation, the team will establish a dialogue with Bank Management and, in particular, with the Honduran Country Office.** One or two missions will be sent to Honduras (depending on evaluation requirements). The main tasks of the missions will be to: (i) identify the main aspects of the relations between the Bank and the country; (ii) compile data and validate the project analyses; (iii) visit specific projects to obtain information from executing agencies and beneficiaries; and (iv) interview key government officials and counterparts
- 5.3 **The evaluation timetable is designed to coincide with the decision-making processes for the new country strategy 2019-2022.** According to the Protocol for Country Program Evaluation, the results of the CPE should be available at the time the government is ready to take strategic decisions on the use of external aid. The indicative timetable is provided in Table 5.1.

Table 5.1. Indicative timetable of activities

Activity	Date
Approach paper	July 2018
Missions	May-July 2018
Draft submitted to Management and the Honduran government for their consideration	August 2018
Final document submitted to the Office of the Secretary	October 2018
Presentation to the Programming Committee of the Board of Executive Directors	November 2018

**ANNEX I**  
**ECONOMIC INDICATORS 2012-2017**

	Average	2012	2013	2014	2015	2016	2017
<b>GDP, prices, and labor markets</b>							
GDP growth in constant prices (annual percentage change) (i)	3.73%	4.1%	2.8%	3.1%	3.8%	3.8%	4.8%
Per capita GDP (PPP in US\$ and constant prices) (i)	4766.75	4548.32	4608.02	4681.76	4793.28	4903.31	5065.80
Per capital GDP growth	2.25%	2.6%	1.3%	1.6%	2.4%	2.3%	3.3%
Public-private investments (percentage of GDP) (ii)	0.40	-	0.00	0.10	0.30	0.80	0.80
CPI inflation (end of period) (i)	5.44%	5.4%	4.9%	5.8%	2.4%	3.3%	4.7%
Exchange rate (end of period) (iii)	20.49	19.50	20.35	20.99	21.95	22.84	23.57
<b>External sector</b>							
Exports FOB (goods, US\$ billions) (iv)	3.93	4.40	3.89	4.07	3.92	3.86	4.56
Imports FOB (goods, US\$ billions) (iv)	9.00	9.39	9.15	9.30	9.42	8.90	9.68
Net terms of trade (2000 index = 100) (iv)	-5.07	-4.99	-5.27	-5.23	-5.50	-5.04	-5.12
Total external debt (percentage of GDP) (v)	0.32	0.26	0.36	0.36	0.36	0.35	0.38
Total internal debt (percentage of GDP) (v)	0.14	0.13	0.14	0.15	0.15	0.13	0.14
Debt-GDP ratio (v)	0.45	0.39	0.50	0.51	0.50	0.48	0.51
Interest rate (vi)	0.06	0.07	0.07	0.07	0.06	0.06	0.06
Gross international reserves (US\$ billions) (vi)	3.62	2.78	3.25	3.70	3.99	4.17	5.09
Percentage of GDP	0.18	0.15	0.18	0.19	0.19	0.19	0.22
Current account balance (percentage of GDP) (v)	-0.06	-0.09	-0.10	-0.07	-0.05	-0.03	-0.02
Remittances (v)	3317.33	2891.80	3082.70	3353.20	3651.50	3847.30	4305.30
Percentage of GDP	0.17	0.16	0.17	0.17	0.17	0.18	0.19
<b>Fiscal sector</b>							
Total revenue (percentage of GDP) (v)	0.25	0.23	0.24	0.25	0.25	0.27	0.27
Tax revenue (v)	0.17	0.15	0.15	0.17	0.18	0.19	0.18
Total expenditure (percentage of GDP) (v)	0.27	0.26	0.30	0.28	0.26	0.28	0.27
Current expenditure (percentage of GDP) (v)	0.22	0.21	0.24	0.22	0.21	0.22	0.21
Capital expenditure (percentage of GDP) (v)	0.05	0.05	0.06	0.06	0.05	0.06	0.06
Wage bill (v)	0.12	0.12	0.13	0.12	0.11	0.11	0.11
Pension expenditure (v)	0.03	0.03	0.03	0.04	0.03	0.04	0.04
Deficit (percentage of GDP) (v)	-0.02	-0.04	-0.06	-0.03	-0.01	0.00	0.00
<b>Poverty and inequality</b>							
Human Development Index (vii)	0.62	0.61	0.62	0.62	0.62	-	-
GINI coefficient (viii)	51.60	57.40	53.70	51.00	50.10	-	-
Population below the poverty line (US\$1.90 per day, measured in 2011 PPP, %) (viii)	17.25	19.60	17.30	15.90	16.20	16.00	-
Intentional homicides (per 1,000,000 people) (ix)	78.25	92.70	81.90	74.60	63.80	-	-
Municipios with decentralized health care management (x)	76.20	67.00	69.00	69.00	82.00	94.00	-
Adult literacy rate (%) (viii)	86.98	85.36	85.46	87.20	87.91	88.99	-
Infant mortality rate (per 1,000 live births) (viii)	17.18	18.40	17.80	17.10	16.60	16.00	-

Sources: (i) IMF World Economic Outlook Database; (ii) IMF Staff Country Reports – Honduras; (iii) World Bank data; (iv) Banco Central de Honduras; (v) Honduran Department of Finance; (vi) Banco Central de Honduras; (vii) United Nations Development Programme; (viii) World Bank data; (ix) World Economic Forum, Global Competitiveness Index; (x) Honduran Department of Health.



**ANNEX II**  
**LOAN PORTFOLIO**

**TABLE II.1 SOVEREIGN-GUARANTEED LOAN PORTFOLIO**

Intervention area	Sector	Operation		Year approved	Amount (US\$)	Evaluated
Fiscal consolidation	Reform/modernization of the State	HO-L1103	Fiscal Consolidation Support Program	2015	60,000,000	Yes
		HO-L1108	Tax Administration Institutional and Operational Strengthening	2015	27,000,000	Yes
		HO-L1079	Support Program for Reform of Pension Institutions and the Human Resources Management System	2011	40,000,000	No
Highway infrastructure for regional integration	Transport	HO-L1121	Regional Road Integration Program II	2016	75,000,000	Yes
		HO-L1104	Regional Road Integration Program and proposed reformulation of operation 2470/BL-HO	2015	20,000,000	Yes
		HO-L1089	Improvement of the Plan Puebla-Panama Atlantic Corridor Program (Sections of Highway CA-5 North): Supplementary Financing II	2013	17,181,075	No
		HO-L1037	Puerto Cortés Expansion and Modernization Program	2010	134,988,918	Yes
Sustainability and competitiveness of the energy sector	Energy	HO-L1189	Programmatic Support for Structural Reforms in the Electricity Sector. Third loan	2017	50,000,000	Yes
		HO-L1070	Programmatic Support for Structural Reforms in the Electricity Sector	2014	130,000,000	No
		HO-L1118	Programmatic Support for Structural Reforms in the Electricity Sector. Second loan	2015	40,000,000	Yes
		HO-L1102	Cañaveral-Río Lindo Hydropower Complex Rehabilitation and Upgrading Project	2015	23,000,000	Yes
		HO-L1039	Support for the Integration of Honduras in the Regional Electricity Market	2013	22,930,000	Yes
Social inclusion	Social programs	HO-L1105	Program to Support the Social Inclusion Network with Priority in Western Honduras	2016	50,000,000	Yes
		HO-L1093	Social Protection System Support Program	2014	109,870,000	Yes
		HO-L1087	Social Safety Net Support Program II	2013	100,000,000	Yes
		HO-L1071	Social Safety Net Support Program	2012	75,000,000	Yes
	Education	HO-L1062	Primary Education and Technology Integration Program	2011	36,660,508	No
		HO-L1188	Improving Educational Quality to Develop Skills for Employment: Project Youth	2017	60,000,000	Yes
	Health	HO-L1182	Program to Support Health Sector Reform	2017	50,000,000	Yes
		HO-L1090	Program for Improved Accessibility and Quality of Health Services and Networks	2013	50,000,000	Yes
		HO-L1072	Mother and Child Hospital Network Strengthening Program	2012	30,000,000	Yes
		HO-G1003	Second Operation for Salud Mesoamerica 2015	2014	5,250,000	Yes
		HO-G1001	Mesoamerican Health Initiative 2015 - Honduras	2012	5,999,007	No
	Gender and diversity	HO-L1117	Ciudad Mujer	2016	20,000,000	Yes
		HO-G1248	Agroforestry, Birdwatching and Protection of Watersheds in Garifuna and Tolupa	2017	730,000	Yes
		HO-G1242	Improving Protective Forest Coverage Under Agroforestry Systems in the Miskito, Tawahka, and Tolupan Communities	2016	748,000	Yes
HO-G1243		Ecological Restoration, Renewable Energy, Irrigation, and Protected Agriculture in Lenca, Nahua, and Tolupan Communities	2016	745,000	Yes	
	HO-G1245	Agroforestry, Birdwatching and Protection of Watersheds in Garifuna and Tolupanes Communities	2016	0	Yes	
Sustainable development	Housing	HO-L1088	Integration and Urban Coexistence Program	2012	17,200,000	Yes
	Transport	HO-L1061	Central District Public Transportation Project (Tegucigalpa-Comayagüela)	2010	30,000,000	Yes
Other	Environment	HO-L1031	Disaster Risk Prevention and Mitigation Project	2009	19,000,000	Yes
		HO-L1179	Sustainable Forest Management	2016	25,000,000	Yes
		HO-X1017	Rural Water and Sanitation Program	2011	25,000,000	Yes
	Water and sanitation	HO-G1005	Intervention Models in Water and Sanitation for Rural Dispersed Areas in Honduras	2015	525,000	Yes
		Financial intermediaries	HO-L1069	Program to Strengthen the Financial Safety Net and Improve Access to Financing (Second Programmatic Operation)	2011	40,000,000
	Trade	HO-L1055	Modernization of Customs at Puerto Cortés	2010	10,000,000	Yes
	Public safety	HO-L1063	Program of Support for the Implementation of the Comprehensive Civic Coexistence and Public Safety Policy	2012	59,682,031	Yes
		HO-G1244	Support for the Implementation of the Comprehensive Policy on Citizen Security	2017	5,400,000	Yes
Reform/modernization of the State	HO-L1044	Program to Support the 2012 Population and Housing Census and the Integrated System of Household Surveys of Honduras	2011	24,880,582	Yes	

Source: IDB data warehouse.



**ANNEX III**  
**TECHNICAL COOPERATION PORTFOLIO**

Area of intervention	Sector	Operation		Year approved	Amount (US\$)
Fiscal consolidation	Reform/modernization of the State	HO-T1232	Support for multiyear budget planning and medium term macrofiscal management	2015	700,000
		HO-T1234	Knowledge exchange to improve management of the Honduran government's whistleblower system	2015	15,530
		HO-T1261	Support for the medium-term public investment strategy	2016	300,000
		HO-T1220	Support for institutional and operational strengthening of the Tax Administration	2015	150,000
		HO-T1258	Improvement of public finance management systems	2016	712,250
		HO-T1289	Knowledge exchange on electronic invoicing and fiscal risk	2017	1,678
		HO-T1233	Support for monitoring and evaluation of the fight against corruption and strengthening of integrity	2015	219,823
		HO-T1235	Support for the President's Office for Transparency and Modernization of the State	2015	317,092
Sustainability and competitiveness of the energy sector	Energy	HO-T1221	Support for the renewable energy transmission program in the western and northern parts of the country	2015	500,000
		HO-T1210	Support for rehabilitation and upgrading of the Cañaveral Hydropower Complex	2015	450,000
		HO-T1252	Exchange of experience in the introduction of renewable energy	2016	13,200
		HO-T1214	Support for the strategic plan for universal access to electricity	2017	450,000
		HO-T1274	Support for implementation of reforms and sustainability of the energy sector	2017	750,000
		HO-T1219	Honduran self-supply renewable energy technical assistance program	2015	500,000
		HO-T1282	Internship program in the Colombian government to exchange experience on governance for climate financing	2017	16,256
Social inclusion	Education	HO-T1215	Support for the development of teaching policies	2015	300,000
		HO-T1224	Maximization of the impact of information and communication technologies on the education sector	2015	500,000
		HO-T1254	Honduras – Medellin, Colombia exchange on strategies to reduce school violence	2016	10,720
	Science and technology	HO-T1279	Knowledge exchange for preparing the national science and technology plan	2016	18,268
		HO-T1256	Support to strengthen the national science, technology, and innovation system	2017	300,000
	Health	HO-T1223	Support to restructure, strengthen, and integrate the services network	2015	250,000
		HO-T1216	Support to develop the Vida Mejor (Better Lives) Strategy for western Honduras	2015	149,912
		HO-T1225	Crece Conmigo (Lets grow together), good habits and prevention of mother-child malnutrition	2015	529,554
		HO-T1259	Support for reform of the health system	2016	250,000
		HO-T1273	Support for institutional strengthening in the health and protection sectors	2017	150,000
		HO-T1281	Food security, health, and nutrition program, and joint interventions	2017	700,000
		HO-T1238	Ciudad Mujer (women's services) in Honduras	2016	460,000
	Gender and diversity	HO-T1245	Save the Planet Initiative: A pilot project in education for change	2016	740,000
		HO-T1269	Collective education for the prevention of violence against women in the area of influence associated with Ciudad Mujer	2017	360,000

Area of intervention	Sector	Operation		Year approved	Amount (US\$)
Sustainable development of the Central District	Urban development	HO-T1173	Support for the integrated management of municipal solid waste sector	2015	250,000
		HO-T1222	Support for the implementation of the Emerging and Sustainable Cities Initiative	2015	550,000
		HO-T1236	Exchange of experience for implementation of program 2895/BL-HO	2015	6,600
Other	Public safety	HO-T1278	Support for social prevention of violence and promotion of civic coexistence	2017	200,000
	Environment	HO-T1227	Update local mangrove inventories, conservation, mitigation and adaptation to climate change	2015	170,000
		HO-T1229	Update of local mangrove swamp inventories, conservation, mitigation, and adaptation to climate change	2015	200,000
		HO-T1253	Support for sustainable forest management	2016	450,000
		HO-T1253	Support for sustainable forest management	2017	450,000
	Financial intermediaries	HO-T1284	Strengthening the supervision mechanisms of the National Bank and Insurance Commission	2017	243,000
	SMEs	HO-T1285	Spatial regional economic strategy of Honduras	2017	700,000
	Tourism	HO-T1291	Support for the sustainable tourism master plan in Honduras	2017	132,520
	Other	HO-T1218	Action Plan for C and D countries	2015	371,076
		HO-T1239	Action Plan for C and D countries	2016	605,880
HO-T1280		Action Plan for C and D countries	2017	605,043	
HO-T1307		Action Plan for C and D countries	2018	604,228	
	HO-T1264	Support for implementation of the Alliance for Prosperity Plan in the Northern Triangle	2016	750,000	
	HO-T1228	Support for implementation of the Alliance for Prosperity Plan in the Northern Triangle	2015	500,000	

Source: IDB data warehouse.

**ANNEX IV**  
**EVALUATION MATRIX**

Dimensions	Evaluation questions	Measurement criteria	Indicators	Information sources
<b>A. RELEVANCE</b>	<b>1. What is the Bank's role in the country and how has it evolved over time?</b>	a. Bank disbursements as percentages of public investment and GDP were maintained	i. Bank disbursements as a percentage of public investment ii. Bank disbursements as a percentage of GDP	Bank systems and national accounts
		b. The amounts of financing approved by the Bank were higher than the amounts approved by other multilateral institutions	i. Amount of financing approved by the Bank during the strategy period ii. Amount of financing approved by other multilateral institutions	Bank systems and information on approvals by other donors
		c. The perception of clients and stakeholders in the country of the Bank's contribution is positive and considered to be superior to that of the other multilateral institutions	i. Perception of the Bank's contribution in the country as stated in the public social expenditure survey of the Office of Strategic Planning and Development Effectiveness (SPD) ii. Perception of the Bank's contribution in the country as stated in SPD's public social expenditure survey	SPD's public social expenditure survey
	<b>2. To what extent were the strategic objectives established in the country strategy aligned with the government's priorities, the country's development priorities, and the IDB Group's mandate?</b>	a. The Bank's priority areas in the country strategy are included among Honduras' development priorities, the priorities of the government's action plans, and the Bank's mandate	i. Country strategy priority areas ii. Objective of the government's 2014-2018 strategic plan iii. Main development challenges iv. Bank's priority areas in its institutional strategy	Country strategy, programming documents, government action plans, government's 2014-2018 strategic plan, diagnostic assessments by the World Bank, IDB, SPD's public social expenditure surveys, documents from other institutions, and interviews with the IDB team and government representatives
		<b>b. How consistent with the country strategy was the program that the Bank implemented in Honduras?</b>	a. The priority areas in the country strategy and the programs implemented by the Bank are aligned	i. Country strategy priority areas ii. Areas and sectors of the Bank's program
	b. High probability that the loan and technical-cooperation components approved by the Bank contribute to attaining the strategy's priority objectives		i. Country strategy priority objectives ii. Components of loan projects approved by the Bank iii. Components of Bank-approved technical-cooperation projects	Loan documents, technical-cooperation documents, country strategy, sector notes, and results of interviews with the IDB team and government representatives

Dimensions	Evaluation questions	Measurement criteria	Indicators	Information sources
<b>B. IMPLEMENTATION</b>	<b>1. Were the time frames and costs of preparing and executing operations in Honduras reasonable?</b>	a. Project preparation and implementation times and costs were the same or less than in the preceding strategy	i. Preparation time for loan operations ii. Execution time for loan operations iii. Cost in US\$ per million approved iv. Cost in US\$ per million executed	Bank systems
	<b>2. To what extent were the designs of Bank operations aligned with the country's execution capacities and limitations?</b>	a. The execution problems identified in the PMRs and PCRs are not related to problems with the country's execution capacity	i. Percentage of projects on the "watch list" or "problem list" ii. Percentage of projects on the "watch list" or "problem list" owing to problems with the capacity of the executing agencies	PMRs, PCRs, semiannual reports by the executing agencies, and results of interviews with the IDB team involved in project implementation, and executing agencies
<b>C. EFFECTIVENESS</b>	<b>1. Were the strategic objective attained?</b>	a. The results indicators for the Bank's country strategy improved	i. Strategy results indicators	National and international databases
	<b>2. Did the Bank operations attain their objectives?</b>	a. The project output and results indicators were attained	i. Project output and results indicators	PCRs, PMRs, semiannual reports, government reports and data
	<b>3. Did the objectives attained in Bank operations contribute to attainment of the strategic objectives?</b>	a. High probability that the project results have contributed to the priority objectives of the country strategy	i. Priority objectives of the country strategy ii. Project results indicators	PCRs, PMRs, Bank documents
		b. High probability that the technical-cooperation projects have contributed to the priority objectives of the country strategy	i. Priority objectives of the country strategy ii. Components of the technical-cooperation projects	Analysis of Bank documents and results of interviews with Bank staff and counterparts
<b>D. SUSTAINABILITY</b>	<b>1. What is the likelihood that the objectives attained by the Bank operations will be maintained in the medium and long terms?</b>	a. Projects to finance infrastructure include maintenance and service management plans	i. Percentage of infrastructure projects with adequate maintenance and service management plans	Review of loan documents, PCRs, PMRs, and results of interviews with Bank staff and counterparts
		b. Projects to finance current expenditure provide for public funding replacement mechanisms (including financing for executing units)	i. Percentage of projects to finance current expenditure that include public funding replacement mechanisms (including financing for executing units)	Review of loan documents, PCRs, PMRs, and results of interviews with Bank staff and counterparts
	<b>2. To what extent did the Bank anticipate the sustainability challenges of its operations?</b>	a. No completed project had unanticipated sustainability difficulties	i. Number of projects with sustainability difficulties that did not have mitigation components	PMRs, PCRs, monitoring/results reports for the technical-cooperation projects, risk matrix, and results of interviews with Bank staff and counterparts
	<b>3. To what extent did the Bank projects strengthen the managerial capacity of the executing agencies?</b>	a. Bank investment projects include institutional strengthening components for the executing agencies	i. Percentage of Bank investment projects with institutional strengthening components for the executing agencies	Review of loan documents, PCRs, PMRs, and results of interviews with Bank staff and counterparts

Source: OVE.