REPORT NO.: RES31572

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

HN SAFER MUNICIPALITIES

APPROVED ON DECEMBER 13, 2012

TO

HONDURAS MINISTRY OF FINANCE, MINISTRY OF SECURITY

SOCIAL, URBAN, RURAL AND RESILIENCE GLOBAL PRACTICE

LATIN AMERICA AND CARIBBEAN

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Practice Manager/Manager: Jan Weetjens
Task Team Leader: Chloe Fevre
I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>P130819</td>
<td>Investment Project Financing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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</table>

<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tbody>
<tr>
<td>13-Dec-2012</td>
<td>31-Aug-2018</td>
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Organizations

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
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</thead>
<tbody>
<tr>
<td>Honduras Ministry of Finance, Ministry of Security</td>
<td>IDECOAS-FHIS</td>
</tr>
</tbody>
</table>

Project Development Objective (PDO)

Original PDO

The Project Development Objectives (PDOs) are to support Honduras to: (i) improve the capacity of national and local authorities in violence prevention, (ii) address risk factors of crime and violence in Selected Municipalities, and (iii) to improve its capacity to respond promptly and effectively to an Eligible Emergency.

Summary Status of Financing

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Net Commitment</th>
<th>Disbursed</th>
<th>Undisbursed</th>
</tr>
</thead>
</table>

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
A. Project Status
The Project is expected to close on August 31, 2018; as of May 30, 2018, the Project disbursed 77% of the loan. While there has been significant implementation progress on the Project, both development objective (DO) and implementation progress (IP) are currently rated as moderately unsatisfactory. Out of four Project Development Outcome (PDO) indicators, two have been achieved to date: (i) percent of students reporting improved school climate in targeted schools increased from 42.5% to 76.6%, surpassing the target of 51%; and (ii) percent of residents satisfied with local authorities’ capacity to implement violence prevention community plans increased from 93% to 96.7%, surpassing the target of 93%. A third PDO indicator --residents’ perception of safety in their community-- will be measured through a perception survey planned to be carried out before project closure. Nevertheless, the team expects this outcome indicator to also be achieved given a substantial reduction of various forms of crime and violence, including drug trafficking, homicide, theft, robbery, and rape in the areas of project intervention. For instance, in the three communities of El Progreso, community monitoring has documented a reduction in the annual number of homicides from 24 in 2014 to 0 in 2017. In addition, the Project has contributed to reducing the prevalence of risk factors in the targeted neighborhoods, such as teen pregnancy, presence of gangs (maras), and proliferation of empty / abandoned spaces in communities. Further, citizens appear to have an increased sense of security; in Choloma, for instance, many families who had left the neighborhood due to insecurity have returned since the initiation of the Project, as these areas are now considered safe. The fourth project outcome indicator -- at-risk youth who report improved self-esteem after receiving temporary jobs and psychosocial support in selected communities— may face measurement problems. It should be noted that the results of the Project were maintained in 2018, despite the socio-political events during the electoral and post-electoral period. As such, the Project is expected to achieve its PDO.

Implementation Progress is rated as moderately unsatisfactory due to persistent fiduciary issues, including delays in contracting the project’s audit and procurement shortcomings. The team is currently working with counterparts to address these shortcomings.

B. Rationale for Restructuring:
The purpose of this restructuring is to reallocate US$1.6 million equivalent from disbursement Category II to Category I, as requested by the Government of Honduras. This request will mostly enable the Government to process the outstanding payment of selected consultancies as well as the salaries of the local teams implementing the Project.

III. DETAILED CHANGES

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

<table>
<thead>
<tr>
<th>Ln/Cr/TF</th>
<th>Current Expenditure Category</th>
<th>Current Allocation</th>
<th>Actuals + Committed</th>
<th>Proposed Allocation</th>
<th>Disbursement % (Type Total)</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Current</td>
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<th>GO,CW,Non-CS,CS,OP,TR - Pt. I, III</th>
<th>GO,CW,Non-CS,CS,OP,TR - Pt. II</th>
<th>Emergency Expenditures under Pt. IV</th>
<th>Stipends under Pt. II</th>
<th>Total</th>
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