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|---|------------------------------|---------------------------------|---------------|
| 1. Project Data: | | Date Posted : 02/27/2004 | |
| PROJ ID : P048651 | | Appraisal | Actual |
| Project Name : Hn Fourth Social Investment Fund | Project Costs (US\$M) | 136.5 | 161.7 |
| Country: Honduras | Loan/Credit (US\$M) | 45 | 66.7 |
| Sector(s): Board: SP - General education sector (28%), Other social services (28%), Health (27%), Sub-national government administration (9%), General water sanitation and flood protection sec (8%) | Cofinancing (US\$M) | 73 | 68.8 |
| L/C Number: C3118 | | | |
| | Board Approval (FY) | | 99 |
| Partners involved : IDB, OPEC, KfW, Sida | Closing Date | 02/28/2002 | 01/31/2003 |
| Prepared by : | Reviewed by : | Group Manager : | Group: |
| Nalini B. Kumar | Ronald S. Parker | Alain A. Barbu | OEDST |
| 2. Project Objectives and Components | | | |
| a. Objectives | | | |
| The main project objective was to increase access among the poor to small -scale social and economic infrastructure, in accordance with local development priorities and based on a proven approach from previous phases. The project was the fourth credit for a Social Investment Fund (FHIS) program in the country. However, a month before the project became effective Honduras was hit by Hurricane Mitch. While the original project objective was not revised, the FHIS's mission after Hurricane Mitch changed and it became the country's main agency for clean-up, rehabilitation and reconstruction of basic infrastructure in rural areas. There was no formal project restructuring. | | | |
| b. Components | | | |
| As designed the project had four components : | | | |
| (i) Sub-project financing (planned total cost US\$ 112.4 million, revised estimate US\$140.7 million {original+supplemental} actual total cost US\$ 137.7 million. | | | |
| (ii) Pilot Program for Local Institutional Strengthening (planned total cost US\$1.3 million, revised estimate US\$0.3 million, actual total cost US \$ 0 million. | | | |
| (iii) Pilot Program to Strengthen Community and Rural Water Systems (planned total cost US\$3.5 million, revised estimate US\$0.1 million, actual total US \$0 million. | | | |
| (iv) Project Management (planned total cost US\$19.3 million, revised estimate US\$22.1 million, actual total US\$24.0 million. | | | |
| Immediately after Hurricane Mitch two components were put on hold. A Supplemental Credit formalized the reallocation of funding from the two pilot components to sub-project financing. | | | |
| c. Comments on Project Cost, Financing and Dates | | | |
| The project was appraised in June 1998 and became effective in November of the same year. The Supplemental Credit of US \$22.5 million was approved by IDA in December 1999 to provide additional financing for reconstruction needs. | | | |
| 3. Achievement of Relevant Objectives: | | | |
| A very significant percentage of the basic rural infrastructure had been destroyed by the hurricane. The FHIS played a critical role in its rehabilitation and reconstruction. In this sense, its achievements were in keeping with the project objective as it increased the access of the affected population, a large percentage of which was very poor, to much needed infrastructure. However the project was able to do little in terms of exploring ways of improving the sustainability of sub-projects, a major project emphasis at the design stage (page 3, PAD). The relevant pilot | | | |

Initiatives (component 2 and 3), were eliminated. Component 2 was critical to developing and testing mechanisms for encouraging and enabling communities and local governments to work together and component 3 was to develop and test methodologies and partnerships to strengthen community and rural water systems and lay the groundwork for improved attention to the water sector.

4. Significant Outcomes/Impacts:

- FHIS was effective in responding quickly to the devastation caused by the hurricane and the country was able to address the urgent needs of more than 6,000 poor communities with significant investments in reconstruction of small social infrastructure. A total of 6317 sub-projects were financed.
- The Nuestras Raices Program addressed the needs of a particularly vulnerable population group and resulted in new government policies dealing with politically and socially difficult and sensitive issues.
- 76 percent of the resources benefited extremely poor communities.
- Sub-project reconstruction and rehabilitation also created significant temporary employment.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Two important components (component 2 and 3) were eliminated.
- In the emergency response there were deficiencies related to sub-project design, measures for ensuring adequate community participation and weak monitoring and evaluation. The procedure for selecting local contractors etc. was also not completely transparent.
- The social assistance program (a sub-component under component 1) was also largely unimplemented.

| 6. Ratings: | ICR | OED Review | Reason for Disagreement /Comments |
|----------------------------|---------------------|---------------|--|
| Outcome: | Satisfactory | Satisfactory | |
| Institutional Dev.: | Substantial | Substantial | |
| Sustainability: | Likely | Non-evaluable | While the original project design included several elements to enhance sustainability, the relevant components were eliminated. In the emergency situation while undertaking sub-projects, adequate investment in evaluating the technical capacity of the communities to handle recurrent costs was also not made. Under the circumstances, sustainability depends entirely upon the efforts being made under the follow-on project. At this stage it is not possible to know what those will be, nor, therefore, their outcome. |
| Bank Performance: | Highly Satisfactory | Satisfactory | The main project objective should have been much more specific to the project mission at the design stage. It was defined so broadly that even significant changes in FHIS mission, components and relaxation in compliance with procedures were consistent with it. Given the emergency situation, the immediate project response was reasonable. However, when the immediate emergency period was over, the project should have been formally restructured. In effect the social fund played a very different role, that of a reconstruction and rehabilitation agency, during the project period than was visualized for it at appraisal. |
| Borrower Perf.: | Satisfactory | Satisfactory | |
| Quality of ICR: | | Satisfactory | |

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Based on the ICR, three key lessons are:

1. When the mission of a Bank project is altered by events beyond Borrower and Bank control, it is essential that both parties be realistic about what can no longer be achieved. Recognition of the new reality and the resultant restructuring need to happen quickly to prevent resources from being used for purposes that are no longer

viable.

2. Social Investment Funds have the potential to play an important role in emergency situations, however, what happens in the immediate post-disaster period has an impact on the reconstruction process that follows, and often influences the long-term development of the country. The appropriateness of the social fund to address the emergency situation should be assessed in the light of alternatives available.
3. Major disaster events provide no holiday from the exigencies of good practice. The experience of earlier FHIS projects was that, even without a disaster, more attention to the social aspects of sustainability was necessary. Reducing long-term vulnerability to disaster (as called for in OP8.50) requires high standards of construction and adequate attention to maintenance. Equally important, significant attention needs to be given to the social structure upon which the continued use of the project-built infrastructure will depend. Attention to these sustainability issues should never be left entirely to a follow-on.

8. Assessment Recommended? ☒ Yes ☐ No

Why? (i) To verify the outcome, institutional development and sustainability impact; (ii) To make an adequate assessment of Bank Performance.

9. Comments on Quality of ICR:

The ICR is satisfactory and provides a thorough account of project experience.