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## Country Study

### **ASSESSING HONDURAS' CCT PROGRAMME PRAF, PROGRAMA DE ASIGNACIÓN FAMILIAR: EXPECTED AND UNEXPECTED REALITIES**

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COUNTRY STUDY PUBLISHED BY THE INTERNATIONAL POVERTY CENTRE

## **ASSESSING HONDURAS' CCT PROGRAMME PRAF, PROGRAMA DE ASIGNACIÓN FAMILIAR: EXPECTED AND UNEXPECTED REALITIES \***

Charity Moore\*\*

### **ABSTRACT**

This Country Study investigates the evolution and current state of Honduras' conditional cash transfer programme, known as PRAF, the *Programa de Asignación Familiar*. The details of the past and current programmes are examined closely, with special attention paid to what can be learned from the experiences. While the programme was originally intended to compensate poor households for the hardships imposed by structural adjustment, it has evolved into a programme focused on human capital development. In this respect, it is similar to other conditional cash transfer programmes. However, its history and the dual nature of the programme (one part based on an external loan and the other domestically driven) have hindered institutional transformation. Although there have been attempts to make the domestic programme more closely resemble the externally financed version of PRAF, this process has been hindered on several occasions. In fact, domestic programme co-responsibilities have been neither emphasized nor enforced in the past. While the current alignment of political and economic forces, both inside and outside the country, has given the programme the opportunity to positively transform itself, other factors run counter to this goal. Although the outcome of this transformation is yet to be fully determined, several important lessons can be learned from the experience of PRAF in Honduras. These relate to topics that include organizational alignment, targeting methodology, administration of transfers, programme evaluation, enforcement of co-responsibilities and supply-side complements to the programme. These issues are investigated so that other similar programmes can learn both the strengths and weaknesses of the Honduran experience.

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## 1 INTRODUCTION

The past ten years have seen an increase in the use of conditional cash transfer programmes in development agendas throughout Latin America and other regions of the world. These programmes are designed to alleviate short-term hardships due to indigence while encouraging poor households to invest in human capital in order to decrease chronic poverty. Each conditional cash transfer programme, while typically using the same general framework, has unique aspects that set it apart from other programmes.

The aim of this Country Study is to provide an overview and a critical review of one such conditional cash transfer programme (CCT), Honduras' *Programa de Asignación Familiar* (Family Allowances Programme) or PRAF, in an effort to provide policymakers and practitioners with an understanding of the aspects of the programme and the challenges that it has faced and continues to confront. This understanding can help policymakers in other countries when they implement CCTs within their own cultural, economic and political milieu.

This investigation of PRAF is based on a thorough review of operational and ideological documents of the programme as well as related reports. Peer-reviewed journal articles have also provided insights into PRAF and the Honduran environment. The study was further enhanced through a mission to Honduras in July of 2007, during which field visits and interviews were conducted. Information from primary sources was gathered from observing and speaking with stakeholders who ranged from programme beneficiaries to upper-level decision-makers in the programme. A complete chronicling of the fieldwork conducted is provided in Appendix A.

Since PRAF has a long and complex history, this Country Study will give a chronological explanation of its development. Multiple aspects of the programme will be examined, including its components, the supply-side support given to it, its targeting methodology, the banking systems it has used, its administration of cash transfers, its monitoring and evaluation and its organizational structure. The difference between the various versions of the programme will be highlighted in order to aid in the understanding of PRAF's evolution. This will culminate in a thorough assessment of the present condition of the programme.

A final analysis will summarize general lessons that can be drawn from the examination of the programme. This analysis, while directly relevant to PRAF, provides insight into several general issues of interest to policymakers. In particular, the interaction between the domestically owned PRAF and the externally financed PRAF illuminate a potentially problematic area of conditional cash transfer programmes in small, low-income countries. Other possible pitfalls are also discussed as a result of PRAF's experience.

The study is organized as follows: Section Two describes forerunners to PRAF and Section three describes the original PRAF. Section Four explains PRAF-II, the CCT that most international practitioners refer to when referencing Honduras' experience. Section Five describes PRAF-III, the newest pilot programme of PRAF, and Section Six describes the current state of PRAF-I. Section Seven provides a critical review of the history and current state of PRAF, and Section Eight draws relevant conclusions.

## 2 EARLY SOCIAL SAFETY NET PROGRAMMES IN HONDURAS

PRAF was by no means the first significant social safety net programme in Honduras. Food programmes for the poor began in the 1950s, and they had extensive reach by the time PRAF was formed. By the 1990's, feeding programmes and food aid reached over one-quarter of Honduras' population, at that time a little over five million people. That Hondurans needed some sort of help was obvious, as one-third of the population was malnourished in 1991 (IADB 2004). These programmes were known to have extremely high operational costs and to distort local prices.

Other social protection programmes similar to PRAF, such as *El Plan de Acción Nacional para el Desarrollo Humano, Infancia, y Juventud* (National Action Plan for Child, Youth, and Human Development), or PAN, was created in 1991 and implemented from 1992 to 2000 (UNESCO 2000). PAN aimed to expand expenditures on supply side services, particularly health and education, in Honduras. It also sought to more efficiently focus resources on the poor. However, progress was limited, partially due to a lack of quality and efficiency in the education and health sectors (Cohen, Franco, and Villatoro 2006).

Another well-known development programme, the *Fondo Hondureño de Inversión Social* (Honduran Social Investment Fund), or FHIS, was created in 1990 to increase efficiency in infrastructure development throughout the country (Decreto 12-90 1990). This programme was a workfare programme, and it still exists today. Most current FHIS projects focus on coordinating with municipalities on development projects. Although it was intended to function in the most destitute areas and to compensate the poor for their work on infrastructure projects, the programme ultimately focused most resources in more populous areas and directed funds to private contractors and non-governmental organizations (NGOs). These groups exercised significant power in deciding how to invest the funds.

When Hurricane Mitch devastated the country in 1998, FHIS quickly mobilized and played a major role in the reconstruction effort. More recently, the programme has been relatively more successful in allocating resources to health and education-related projects in the poorest areas. However, its overall impact is still inconclusive (Cohen, Franco, and Villatoro 2006), although its political power is well established.

## 3 HONDURAS'S PROGRAMA DE ASIGNACIÓN FAMILIAR (PRAF-I)

PRAF, unlike CCTs in many other countries, has a relatively long history in Honduras. It was created in 1990, and a legislative decree later declared it to be a programme of indefinite duration (Decreto 135-92 1992). It was originally intended that PRAF be used as a compensatory mechanism for the poor, who were adversely affected by structural adjustment policies. Its goal was to keep poor families from falling below critically low consumption levels. This original programme technically had co-responsibilities assigned to it, although they differed from current ones. These co-responsibilities required beneficiaries to fulfil certain requirements before they could receive programme benefits. Most current PRAF employees do not believe that the programme ever enforced these co-responsibilities.<sup>1</sup> Figure 1 explains the various components of the first phase of PRAF, known henceforth as the original PRAF-I.<sup>2</sup>

FIGURE 1

**Overview of the Original PRAF-I**

Objective	Specific Goals
To compensate extremely poor Hondurans for the negative economic impact resulting from structural adjustment programmes.	<ul style="list-style-type: none"> <li>• Provide income to, and increase purchasing power of, extremely poor Hondurans</li> <li>• Improve nutrition in extremely poor households</li> <li>• Improve health in extremely poor households</li> <li>• Improve education levels in extremely poor households</li> <li>• Encourage school attendance and attainment for children from the first through third grade</li> <li>• Increase the availability of primary health care services</li> <li>• Improve nutrition and health-related education for the poor</li> </ul>

Source: IADB 1995.

**3.1 COMPONENTS OF THE ORIGINAL PRAF-I**

PRAF-I began with a few components and added more as time progressed. Some components included co-responsibilities, while others did not, although enforcement of any co-responsibilities appears to have been unlikely. Although the original PRAF-I did not have the same purpose or institutional structure as the current PRAF-I, it established a base from which the programme could grow. The programme reached an average of 233,000 people annually between 1992 and 1997. In 1998, it expanded to reach 318,000 people (Cohen, Franco, and Villatoro 2006).

External funding for the original PRAF-I came primarily from the Inter-American Development Bank, or IADB, via project 969 for institutional strengthening and programme analysis, and from the World Bank (IADB 1995). This funding represented almost one-fifth of the country's anti-poverty spending from 1992 through 1997 (Cohen, Franco, and Villatoro 2006). A summary of the components of the original PRAF-I can be found in Figure 2.

FIGURE 2

**Components of the Original PRAF-I**

Component	Year Began	Beneficiaries	Benefits	Co-responsibilities
Bono Escolar ( <i>School Voucher</i> )	1990	Children from first to third grade	10 months, up to three children per family <sup>3</sup>	School enrolment and attendance
Bono Materno Infantil (Maternal and Child Voucher)	1991	Pregnant and nursing mothers, children under five years old who qualified, or developmentally disabled children under age 12	12 months, up to three beneficiaries per family	Regular visits to health centres
DI-MUJER (Comprehensive Female Development)	1991	Women	Capacity development and training, credit for micro-businesses	Fulfilment of loan obligations and obligations to the local loan group; satisfactory participation in training
Bolsón Escolar (School Materials)	1992	Children	School materials distributed to children	School enrolment and attendance
Bono para la Tercera Edad (Voucher for Senior Citizens)	1993	Persons 65 years and older, with less than 400 lempiras of income per month and at least three identified unsatisfied needs	12 months of transfers	None
Bono Nutricional (Nutritional Voucher)	1998	Children under five years old who were at risk of malnutrition	12 months of transfers	Either unclear or no co-responsibilities attached

Source: Cohen, Franco, and Villatoro 2006.

The original Nutritional Vouchers were coupons for food that were given to mothers in households with children at risk of malnutrition. The School Voucher was intended for households with children in the first through third grade of school. Vouchers were given to mothers on the assumption that they would spend the money in ways that would help their children and promote human capital accumulation, while fathers would be more likely to spend the voucher for their own purposes. The mothers could either use the coupons to directly buy food from stores or they could take the coupons to banks to exchange them for cash.

Beneficiaries typically preferred to exchange the coupons for money, as they were not able to receive the full value of the coupon when they tried to redeem them at stores. The original programme benefits were substantial, but their real value deteriorated significantly over time. The health voucher originally amounted to 12 per cent of a basic food basket, while the education vouchers amounted to 38 per cent of this basket (Cohen, Franco, and Villatoro 2006).

### **3.1.1 Targeting in the Original PRAF-I**

Original PRAF targeting identified schools and health centres located in areas with the country's highest malnutrition levels. Specific schools and health centres were then chosen from within those areas as distribution points. The areas of PRAF that were supported by the IADB also required the distributing health care facilities to offer basic services and satisfy minimal staffing requirements. Beginning with the first IADB loan funds in 1995, at least 40 per cent of children attending the distributing health and education centres had to be malnourished, as determined by a weighted malnutrition rate.<sup>4</sup> Programme funds were distributed through these selected school and health centres in the identified locations.

The number of beneficiary children was decided upon before actual programme beneficiaries were selected, implying that the quantity of potential beneficiaries was capped before distribution began. Teachers and health centre employees were supposed to decide which children in their jurisdiction came from the poorest households and should therefore receive the transfers (IADB 1995). This selection method obviously introduced subjectivity into the process.

Anecdotal evidence suggests that the beneficiaries were often chosen based on political motivations rather than on the children's genuine needs. The first IADB loan to PRAF attempted to establish internal controls on beneficiary selection by allowing other stakeholders to contribute to selection decisions, but there were still widespread reports of local teachers and medical professionals using beneficiary selection for political purposes.

### **3.1.2 Supply Side Supports in the Original PRAF-I**

PRAF-I did not involve itself in the supply of health and educational services. Although some requirements were established to ensure that health centres had a minimum level of personnel, funds were not directed to these facilities or to distributing schools. Supply side infrastructure development and the improvement of primary health care and education facilities were left to the responsibility of other organizations, such as FHIS.

### **3.1.3 Banking System in the Original PRAF-I**

There was virtually no banking system that could distribute PRAF-I's cash transfers. Transfers were taken to distribution centres, and programme funds passed through the hands of

intermediaries (IADB 2006a). Financial controls on the cash were minimal and not widely trusted. Although this practice continued through 2006 for some portions of PRAF, it was not very successful, since there was a general public mistrust that PRAF-I funds were not being handled with integrity.

### **3.1.4 Monitoring in the Original PRAF-I**

It appears that original programme monitoring was, by and large, token in nature. In particular, monitoring of co-responsibilities was not enforced, despite the fact that distribution was tied closely to local health and education centres, which theoretically should have highlighted the cash transfer's connection to the fulfilment of co-responsibility. IADB involvement and an evaluation of the programme by CARE in the mid-1990s exposed some of these problems in the original PRAF-I monitoring (IADB 1995).

## **3.2 EVALUATION OF THE ORIGINAL PRAF-I**

Programme execution in PRAF-I was varied at best. Inclusion and exclusion were problems. It was found that some children received vouchers through the sixth grade, while new children were not allowed into the programme. A survey conducted by CARE in 1996 found that 30 per cent of the beneficiaries of the School Voucher and 40 per cent of the beneficiaries of the Maternal and Child Voucher belonged to the richest two income quintiles of the population. In fact, the average income of urban Hondurans who benefited from the programme was almost 60 lempiras higher than the incomes of urban non-beneficiaries (Cohen, Franco, and Villatoro 2006). These results pointed to major targeting issues that the original PRAF-I needed to confront.

The opportunity cost of training available to the adult female beneficiaries was too high for them to bear. Women that were eligible to participate in the Comprehensive Female Development programme had to commit to participating for 6-8 hours each week for six months in order to receive benefits. Most eligible women found this commitment too demanding. Additionally, poor families had difficulty in fulfilling requirements to receive credit and loans from this programme, which included prerequisites as complex as the formulation of written business plans.

Additional questions raised in the programme included whether the cash transfers covered the cost for children to attend schools and health clinics. Voucher amounts were eroded by inflation until the transfers lost 30 per cent of their original value. There were also concerns that providing a constant inflow of transfers to mothers would increase fertility rates among beneficiary families.

The lack of supply side development also impeded programme effectiveness. The education system varied in quality by region, did not have well-defined priorities, employed unqualified instructors, and was not able to properly motivate instructors (Cohen, Franco, and Villatoro 2006). Many rural health centres were inadequately supplied and staffed. Programme benefits and beneficiaries changed yearly, often without explanation. Finally, since co-responsibilities were not enforced, the programme was actually a cash transfer, rather than a conditional cash transfer, programme.

#### 4 PROGRAMA DE ASIGNACIÓN FAMILIAR II (PRAF-II)

The second phase of PRAF was a pilot project launched in 1998 via loan 1026 from the IADB. This project will henceforth be known in this study as PRAF-II. The IADB had criticized PRAF-I for its poor targeting and leakage, as well as for its failure to address supply side weaknesses. Despite the efforts of PRAF-I, it became clear that the programme was not having its desired impact in fighting poverty, as 48.6 per cent of Honduran households were living in extreme poverty in 1999 and inequality had increased from 1991 to 1999 (Cohen, Franco, and Villatoro 2006). There was also a general recognition that human capital indicators, such as literacy rates and child labour force participation rates, needed significant improvement. PRAF-II was launched to address these concerns.

PRAF-II is the Honduran CCT that is most well known by the international community, probably because of its close ties to the IADB and the International Food and Policy Research Institute (IFPRI). This programme signalled a major change in the purpose of PRAF. While the national programme continued as it had in the past, PRAF-II began as a separate programme with different goals than PRAF-I. PRAF-II reached 70 municipalities and approximately 60,000 households, and it was intended to serve as a prototype upon which PRAF-I would be modelled. PRAF-II's objective was to increase human capital accumulation, particularly through improving education and health outcomes, in order to decrease chronic poverty. This can be seen in Figure 3.

FIGURE 3

##### Overview of PRAF-II

Objective	Specific Goals
To increase the accumulation of human capital of the children of the poorest families in the country, thus breaking the cycle of poverty.	<ul style="list-style-type: none"> <li>• Increase demand for education</li> <li>• Encourage the community to participate in the educational development of children</li> <li>• Train mothers in nutrition and hygiene practices</li> <li>• Ensure households have enough money to support adequate consumption levels</li> <li>• Increase demand for, and access to, health services among pregnant and nursing mothers and for children under three years old</li> <li>• Guarantee pertinent, timely attention to the health of beneficiaries</li> </ul>

Source: IADB 1998.

The "transition" to the new programme was more of an addition to its initial structure, in which PRAF-I was retained in its original format while PRAF-II was implemented according to the IADB loan specifications. The two PRAF groups, while they worked in the same building, occupied different workspaces and functioned independently. Most vouchers in PRAF-I still worked in very much the same way as they always had, and PRAF-I's coverage continued to expand. PRAF-I vouchers reached a total of 628,475 Hondurans by 2005, while the cash transfers from PRAF-II reached an average of 109,649 beneficiaries annually (IADB 2006a).

Spending on both PRAF-I and PRAF-II totalled to 0.2 per cent of Honduras' GDP in 2001 (Cohen, Franco, and Villatoro 2006). The total amount of the PRAF-II loan equalled almost US\$ 50 million. The Nutrition and Health component cost almost US\$ 16 million, the Education component almost US\$ 20 million, and the Institutional Strengthening component almost US\$ 9 million (IADB 2006a).

Representatives of the IADB, the International Food Policy Research Institute, or IFPRI, and the PRAF-II group worked together through a series of meetings to agree on the objectives, measurement outcomes and evaluation of the project. Other stakeholders included representatives from the Secretary of Education and Secretary of Health. The programme functioned under the office of the president. This group met for three days in October of 1999, during which time IFPRI and IADB officials explained to Honduran functionaries how the programme would work. The design of PRAF-II came primarily from IFPRI and the IADB.

#### 4.1 COMPONENTS OF PRAF-II

A unique aspect of PRAF-II was its focus on utilizing both supply- and demand-side incentives to fight poverty. The most well-known CCTs have been developed in middle-income countries, which have fairly well-established infrastructure and supply systems. While many CCTs have focused primarily on encouraging demand for social services, the designers of PRAF-II recognized the need for supply side incentives within the Honduran setting. They could not encourage demand for services when their supply was weak, so both programme design and evaluation stressed the importance of the supply side. By targeting PRAF-II to rural areas, the programme was purposefully implemented in areas with the weakest infrastructure in the country. This made supply side incentives all the more essential.

From the outset, the programme recognized the role that advances in human capital, particularly in education and healthcare, would play in decreasing long-term poverty. With this in mind, it extended coverage to families with children from first through fourth grade, rather than just through third grade. The revised programme improved targeting methods to concentrate on the most vulnerable groups in society. An extensive evaluation and monitoring system was planned to track programme progress and impact. The evaluation of PRAF-II was designed specifically to assess the impact of the new components.

The demand side of the health and nutrition component provided a voucher to pregnant and nursing mothers and to children under age three in an effort to improve their health and nutrition (see Figure 4). To receive the voucher, the beneficiaries had to attend required medical check-ups. Specific goals of the supply side in the health component were to improve the health of extremely poor mothers and children, reduce the incidence of preventable illnesses, improve the quality of basic health services, give primary healthcare centres necessary resources and medicines, train healthcare teams in quality improvement, and track the consequent changes in health outcomes.

An additional component of the PRAF-II programme was the *Incentivo Parto Institucional* (Incentive for Institutional Births), or IPI, which began in 2003 to encourage mothers to give birth to their children in hospitals. Mothers that gave birth in a supported hospital and registered their infant in the national registry could receive money to compensate them for the cost of the hospital birth.

Goals for the educational portion of PRAF-II were to increase school enrolment and decrease grade repetition, drop outs, and unexcused school absences (see Figure 5) Benefits were given to families with children 6-12 years old who had not yet completed fourth grade and belonged to poor or extremely poor families. Goals for the supply side incentive in education were to improve the quality of schools that PRAF-II children attended, improve children's school performance, provide educational material, train parents to support

educational programmes and manage financial resources, train teachers in pedagogical methods and techniques, and improve the quality of education provided by teachers.

FIGURE 4

**Components of PRAF-II: Nutrition and Health Care**

Component	Beneficiaries	Benefits	Co-responsibilities
Demand-Side Incentives: <i>Bono de Nutrición y de Salud</i> (Nutrition and Health Voucher)	<ul style="list-style-type: none"> <li>Pregnant or nursing mothers</li> <li>Children age three and younger</li> </ul>	<ul style="list-style-type: none"> <li>Approximately US\$ 48 per person, per year</li> <li>Valid for up to two children per family</li> </ul>	<ul style="list-style-type: none"> <li>Mothers: Make five pre-natal visits during the pregnancy and attend a post-partum check-up</li> <li>Children: Attend nutritional and health check-ups</li> </ul>
Supply-Side Incentive: Incentivo a la Calidad de los Servicios de Salud (Health Quality Incentive), or ICS	<ul style="list-style-type: none"> <li>Unidad Proveedor de Salud, or Primary Health Care Units (UPS) (rural health posts)</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on the number of people the UPS served</li> <li>Average: US\$ 5,000-6,000</li> <li>Range: US\$ 3,000-15,000</li> </ul>	<ul style="list-style-type: none"> <li>Managers in UPS must participate in quality-improvement processes</li> <li>Units must provide health services according to standards outlined by the Secretary of Health and must meet annual goals regarding PRAF-II beneficiaries</li> </ul>

Sources: IADB 1998, IADB 2004.

FIGURE 5

**Components of PRAF-II: Education**

Component	Beneficiaries	Benefits	Co-responsibilities
Demand-Side Incentive: Bono Escolar (Education Voucher)	<ul style="list-style-type: none"> <li>6-12 year olds who belong to extremely poor families and have not finished the fourth grade</li> </ul>	<ul style="list-style-type: none"> <li>Approximately US\$ 38 per child per year</li> <li>Valid for up to three children per family</li> </ul>	<ul style="list-style-type: none"> <li>Enrolment within the first month of school</li> <li>No more than 20 absences per school year</li> <li>No repetition of a grade more than once</li> </ul>
Supply-Side Incentive: Incentivo al Desarrollo del Aprendizaje (Learning Development Incentive), or IDA	<ul style="list-style-type: none"> <li>APFs (parent organizations)</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on the size of the school</li> <li>Average: US\$ 4,000 per year</li> <li>Range: US\$ 1,600-23,000 per year</li> </ul>	<ul style="list-style-type: none"> <li>APFs must form and have a governing body</li> <li>Schools must commit to use resources to fund improvements in education</li> </ul>

Sources: IADB 1998; IADB 2004.

During the initial meetings held to plan PRAF-II, the amount of the two new vouchers, the School Voucher and the Nutrition and Health Voucher, were finalized. When deciding on the amount, both direct costs and opportunity costs, or the amount of money that the beneficiary would potentially forsake in order to fulfil the co-responsibility, were considered. The amount of the transfers was set equal to the total direct cost plus the opportunity cost (IFPRI 1999), and the amount varied by the number of children in the family. The Health and Nutrition Voucher equalled one-third of the basic food basket in rural areas. The School Voucher was the sum of the direct cost and the opportunity cost of attending school.

This method of determining the transfer size differs from some other CCTs, which have set voucher amounts at higher levels in order to alleviate the immediate problems of poverty. Setting the voucher at lower levels deterred wealthier households from trying to enrol in the program, thereby encouraging human capital investment only in the very poorest people. Wealthier people would be less likely to fulfil the co-responsibilities since they would perceive the benefits of doing so to be relatively lower (Das, Do, and Özler 2004). However, setting very small transfer levels also reduced any additional income impact that would result from giving larger transfers to poor families. Instead of being viewed as an income supplement to the poor, the transfer was created to be a self-selection mechanism, such as that typically seen in workfare programmes.

#### **4.1.1 Targeting in PRAF-II**

The targeting in PRAF-II was evaluated at the municipality level. IFPRI helped design and field the *Encuesta de Gastos y Medios de Vida* (Expenditure and Lifestyle Survey) in 1999, which quantified poverty levels in the 180 municipalities that were known to have the highest malnutrition levels in the country (IFPRI 1999).<sup>5</sup> This criterion essentially limited the programme to rural areas of Honduras. A survey was also conducted in municipalities to examine local economic activities and to facilitate comparisons of cost-of-living expenses across communities. This survey was also used to confirm data collected at the household level. Another community survey was conducted in order to evaluate the local infrastructure, price levels,<sup>6</sup> and local wages and employment opportunities.

The PRAF-II project selected 70 of the poorest municipalities in which to implement the pilot programme. Using census data, project organizers were able to conclude that 78 per cent of PRAF-II beneficiaries were living in poverty, and 71 per cent were living in extreme poverty (IFPRI 2000a). While the program was not able to completely exclude the non-poor from participating in the programme, these levels of inclusion errors were considered acceptable by IFPRI. However, they believed that the poor, but not the extremely poor, were under-represented in the beneficiary composition. It appears that Honduran officials were not satisfied with these outcomes, as they later revised the targeting.<sup>7</sup> While this targeting method functioned satisfactorily at the time, it was not known whether the size of the transfers would provide sufficient assistance to extremely poor families.

#### **4.1.2 Supply Side Supports in PRAF-II**

Two important supply side components were supposed to be used in PRAF-II. On the health side, a programme known as AIN-C (*Atención Integral a la Niñez en la Comunidad*, or Comprehensive Attention to Children in the Community) was used to involve communities in the monitoring of the health of their children.<sup>8</sup> Each community participating in the supply side of the PRAF-II project would have one or more AIN-C monitors, who were typically mothers from the community. The AIN-C monitors were to be trained by NGOs, which would teach the monitors how to measure the weight and height of children, identify when children were sick and refer them to health centres, treat dehydration, improve living conditions and train local mothers in health and nutrition.

On the education side, *Asociaciones de Padres de Familias* (Parent Associations), or APFs, were supposed to receive funds from NGOs. They would then choose how best to spend the money to benefit the local school. For example, they could spend funds to train teachers, buy

equipment or supplies for the school, or improve school facilities. The original specifications in the IADB loan were that monies be distributed first to NGOs, which would then distribute the funds to the APFs and monitor their use.

The NGOs would be used so that the gains realized in the supply side could be preserved in spite of any changes in government administrations. To be eligible to collaborate with PRAF-II, NGOs were required to prove that they had adequate financial backing to work in the communities. There were also stipulations attached to how funds could be used. Initial meetings were held to train the NGOs, consultants, and other stakeholders about the requirements of the project.

Another supply side programme that operated concomitantly with the PRAF-II project was a two-year technical training programme for teachers who worked in rural areas of Honduras. This programme, known as the *Programa de Formación Continua* (Continuing Training Programme), or PFC, was created to address the low educational attainment of teachers in Honduras. It was run through an agreement between PRAF and the national education university (the *Universidad Pedagógica Nacional*) in Honduras.

Teachers attended a regional university on Saturdays and Sundays for two years. At the end of the training period, they received a technical degree and were contracted through the communities to stay in these same villages for two more years. This programme was advantageous to teachers because they were able to earn more money once they had this technical degree. Funding for the teachers came through PRAF-II. By 2003, 669 teachers had graduated from the programme (Garcia 2003).

#### **4.1.3 Banking System in PRAF-II**

Beginning in 2003, PRAF-II began to work with the official banking system through the state bank, the *Banco Nacional de Desarrollo Agrícola* (National Bank of Agricultural Development), or BANADESA. Prior to this time, PRAF employees handled and distributed cash transfers. Partnering with the bank added an important measure of transparency. BANADESA completed two rounds of cash transfers in 2003 for both the PRAF-I programme and the PRAF-II project. However, BANADESA did not have branches in all of the areas covered by PRAF, it had a weak information system, and it lacked other necessary resources in its bank branches.

Private banks took note of the potential economic gains from working with PRAF and bid to work with the programme. PRAF-II chose to work with a private bank, BANHCAFE, the *Banco Hondureño del Café*, (Honduran Coffee Bank), which offered to provide the transfer services at a lower cost than BANADESA. The project also worked for a short period of time with another private bank, *Banco de los Trabajadores*.

BANHCAFE is a private national bank in Honduras that was originally formed to provide services to coffee farmers.<sup>9</sup> This prior emphasis had given it a strong base outside of large cities. The majority of its 39 offices are located in rural areas, an outreach that has facilitated the distribution of cash transfers. The bank still needed to open more local branches to improve its work for PRAF-II, and it did so. BANHCAFE managed one cash transfer in 2004 and both transfers of 2005. BANHCAFE employees noted that they transferred funds to 62,000 PRAF-II households within 15 days.

The information systems of BANHCAFE and PRAF-II were linked so that they could share information, and the bank worked to widen its information lines to increase the speed of

communication among all of its members. Since the information was shared among all bank offices, beneficiaries could travel to other bank offices to receive their transfers.<sup>10</sup>

These offices handed out a total of 90-95 per cent of the cash transfers intended for beneficiaries. According to the BANHCAFE official in charge of the transfers, the cost per family to deliver a cash transfer of 2,500 lempiras equalled 10 lempiras.<sup>11</sup> Although delivery of transfers was better controlled than it had previously been, the transfers were given less regularly than they were originally scheduled.

On days scheduled for cash transfers, PRAF employees supervised in BANHCAFE branches, working from early in the morning until late at night. At the end of the day, the PRAF employees and BANHCAFE employees reconciled their accounts using data on beneficiary names and amounts transferred. This information was also compared with the results in the main offices in Tegucigalpa at the end of the day.

To ensure security on transfer days, BANHCAFE relied on support from the national police and armed forces. BANHCAFE employees sometimes provided food for beneficiaries who arrived for the cash transfers, and they helped arrange for buses to transport beneficiaries to the banks where they were to receive their transfers. These measures, particularly the fiscal controls, were significant advancements for a Honduran development programme.

#### **4.1.4 Monitoring in PRAF-II**

Although PRAF-II had an elaborate design to monitor programme progress and co-responsibility fulfilment, it is not clear that this monitoring ensured enforcement of all co-responsibilities. Schools were tracked by checking in all 70 municipalities in which PRAF-II operated. Data were obtained to identify the schools, quantify the infrastructure status and evaluate resources available for teaching. Information about the professional development activities of teachers and data about local APFs were collected. Data were also collected annually on dates of enrolment, numbers of students repeating grades and numbers re-entering school after dropping out. These results were broken down by grades and gender. This information was supposed to be collected annually.

Tracking of health services was also conducted in PRAF-II zones. Data were gathered on identification of the service providers, coverage available, infrastructure of facilities, equipment available and personnel capabilities, along with details of cases at the clinics. In addition, training of health personnel was supposed to be monitored in order to identify the characteristics of the best health centres. Audits of recipients of benefits, via an automated registration system, were also to be conducted. A log of complaints was begun so that problems registered by beneficiaries and villages could be tracked and verified by operators. But, as mentioned previously, it is unclear to what extent this monitoring system actually functioned.

## **4.2 EVALUATION OF PRAF-II**

The design of the evaluation of PRAF-II, conducted by IFPRI, was extensively planned. Programme officials wanted to understand whether there were synergies between the supply and demand sides, as well as which programme impacts could be attributed solely to incentives on the supply or demand side—in comparison to the outcomes for a control group. The evaluation was designed to single out these effects, which could help identify the aspects of the programme that were most cost-effective, and could guide future programme design.

The baseline evaluation of PRAF-II began in 2000, an intermediate assessment would occur one year after the programme had been fully implemented, and the final evaluation would occur two years after the programme implementation (IFPRI 2000b). Villages were randomly assigned to one of four groups (see Figure 6) during a public ceremony in 1999 (IADB 2004). The supply-side-only intervention was restricted to 10 municipalities because of financial limitations (IFPRI 2003a).

FIGURE 6

**Experimental Design of PRAF-II**

Demand Only	Supply Only	Demand & Supply	Control Group
20 municipalities	10 municipalities	20 municipalities	20 municipalities

Source: IADB 2004.

Quantitative data covering demographics, household characteristics, consumption, durable goods ownership, and health variables were collected through the *Encuesta de Gastos y Medios de Vida* in 1999. This survey measured the socioeconomic well-being of Honduran families and determined the impact of Hurricane Mitch on family well-being. It was followed in 2000 by a census of over 5,500 households in 40 municipalities in the PRAF-II area of intervention.

This information was compiled in a database that provided a baseline for future analysis (IFPRI 2000b). Data for the intermediate assessment were collected in 2002 due to delays in programme implementation. The evaluation employed a panel dataset, so that the same households were interviewed in the baseline and intermediate surveys. The intermediate survey was very similar to the baseline survey, as should be expected (IFPRI 2003a).

#### 4.2.1 Complications in Evaluation

From the very beginning of the programme, complications arose that made implementation and evaluation more difficult. The government decided to begin programme implementation in the demand group prior to the originally specified timeline. Collection of data from the control group and the group with the supply side intervention only was delayed, forcing collection to take place during the coffee harvest for these two groups. The seasonality introduced by this change skewed the data, particularly in regard to school dropouts and consumption levels (IFPRI 2003a).<sup>12</sup>

Because of a multitude of unforeseen complications, the intermediate assessment of programme impact was delayed for a year, but even at this point, most supply side interventions were not in place. Distribution of supply side funds had been extremely limited—only 17 per cent of the health distributions and seven per cent of education distributions were complete. The formation of the APFs had not been legally approved, so they could not legally accept money. Therefore, APFs were not formed, and training sessions had not yet taken place. Teacher education had reached 74 per cent of the planned level. The rural health centres, or UPSs, also could not legally receive and spend PRAF funds. Moreover, the government had implemented supply side programmes in the control group that potentially distorted programme impacts.

Under these circumstances, it was concluded that gauging the impact of the supply side incentives was virtually impossible, and only the impact of the demand incentives could be correctly evaluated. However, it is also unclear how well the demand side interventions were implemented at the time of the intermediate assessment.<sup>13</sup> Although some effects were found on the demand side, much of the detected programme impact resulted from non-income effects as beneficiaries changed their behaviour in anticipation of receiving the conditional transfer.

Other concerns that PRAF-II employees expressed related to the intermediate assessment were that IFPRI contracted former, not current, employees to complete the assessment, and that the assessment took place over only one week. To their credit, these former employees had been involved in the original programme design and were therefore familiar with the program. Dissatisfaction of PRAF officials with both the work performed and the conclusions reached (particularly in IFPRI's reports four through six) led them to refuse to pay for all of the contracted services. As a result, a final evaluation by IFPRI was never completed.<sup>14</sup> Instead, it was completed by a domestic group using secondary data. But this information has not yet been released by the new government.

#### **4.2.2 Results of Intermediate Assessment<sup>15</sup>**

Although programme complications confounded some results of the intermediate assessment, other results were more straightforward. In the treatment group, enrolment rates of children who were not previously in school rose 17 percentage points and school attendance rose 4.3-4.6 percentage points. This result amounted to increasing average attendance by almost one additional school day per month and 10 additional school days per year. Some results indicated that grade completion rates increased in the treatment group as compared to the control group, but this result was not clear-cut (IFPRI 2003a).

Health usage outcomes yielded clearer results. Children's visits to health centres increased between 15 and 21 percentage points, and check-ups increased between 17 and 22 percentage points. The number of children with vaccination cards increased 4-7 percentage points. There was an 18-20 percentage point increase in the number of pregnant women that received five or more prenatal check-ups. However, post-natal check-ups did not rise significantly (IFPRI 2003a).

Actual health outcomes did not improve noticeably, and nutrition results were dismal. Diarrhoea in children increased in all four evaluation groups (see Figure 6), consumption levels did not change significantly, and dietary composition did not improve. Results on anaemia were inconclusive at best, and children's z-scores did not improve.<sup>16</sup>

Finally, birth rates were found to be 2-4 percentage points higher in PRAF-II households compared to the control group. Some analysts claimed that this result implied that receipt of transfers encouraged women to increase family size or speed up conception timeframes (Stecklov et. al). Overall fertility rates declined in all groups, making this result ambiguous (IFPRI 2003a). This issue was addressed when PRAF-II went through a partial re-design in 2002 and 2003; however, individuals both close to and far removed from the programme have contested the validity of the conclusions about fertility rates. The small size of the cash transfers, as will be discussed, makes the hypothesis of the fertility incentive much less plausible.

### 4.3 OVERALL EVALUATION OF PRAF-II

While some recognized glitches affected the programme evaluation, other weaknesses were discovered from the intermediate assessment. Significantly, the transfers provided by PRAF-II amounted to 3.6 per cent of a poor, rural family's total expenditures. When compared to *Oportunidades* in Mexico, which provides transfers equivalent to around 20 per cent of a poor family's expenditures, and Nicaragua's *RPS*, whose transfers were equal to around 18 per cent, the amount provided by PRAF-II was minimal (IADB 2004).

It was suggested that this transfer amount could not buy enough food to improve nutrition outcomes or enhance dietary composition. Additionally, the payments to families occurred only two times per year, hindering beneficiaries from connecting co-responsibility fulfilment and the receipt of payments. Families had a difficult time budgeting for the transfers since they did not occur frequently and they did not significantly contribute to their budgets. While this set-up limited program dependence and eliminated any need for an exit strategy, it also diminished program impacts.

Some of the problems that surfaced on the supply side of PRAF-II could not have been anticipated. After initial meetings were held with potential partner NGOs, Hurricane Mitch hit Honduras, distorting the market for NGOs. Local NGOs received money without restrictions for hurricane relief, and they were paid in dollars. NGOs had no desire to fulfil the requirements to work with PRAF-II when they could receive dollars with no strings attached from international organizations. However, PRAF-II could not legally bypass the NGOs to give money directly to local organizations such as APFs and rural health centres (IADB 2006a).

To solve this problem, PRAF-II personnel had to approach Congress to request either that the requirements on the NGOs, or that the restrictions on the APFs, be lifted. It proved easier for Congress to reduce the restrictions on the APFs than on the NGOs, so it passed a decree making it legal for APFs to form and maintain a governing body, as well as to receive and use the money granted to them from the project. By the end of 2003, 400 APFs were formed and had begun receiving funds from PRAF-II (Garcia 2003), although this was after the intermediate assessment.

Another problem with the supply side of the programme is that it is unclear whether supply side requirements were ever monitored or enforced (IADB 2004). Even as the respective supply side organizations received funds, their spending was not tracked to ensure that they were allocating resources in line with PRAF-II objectives. Although anecdotal reports of abuse of funds were not widespread, the lack of supply side monitoring and enforcement once again tended to undermine the supply-side results of the programme.

As often happens when new governments come into power in Honduras, the 2002 election of President Ricardo Maduro saw all current PRAF employees laid off. This mass dismissal destroyed much of the organization's institutional memory. After the 2006 election of President Manuel Zelaya, all but five PRAF employees were laid off once again. This pattern highlights the importance of depoliticizing PRAF in order to maintain and develop institutional memory. This habitual turnover in personnel is perhaps one reason that exit strategies were not highlighted in PRAF-II. Additionally, programme benefits were so small and distributed so irregularly that any sort of dependence on the programme probably did not develop, making an exit strategy practically irrelevant.

Following the intermediate assessment, some Hondurans, including then President Maduro, questioned the importance of the programme. PRAF was forced to defend its existence as well as improve its current structure. Results from the intermediate assessment were taken into consideration as PRAF-II underwent a redesign phase in 2002 and 2003. This re-engineering resulted in the establishment of a new operations manual and the employment of the formal banking system to deliver transfers.

After the re-engineering was complete, the Nutrition and Health Voucher was no longer awarded based on the number of children in the family; instead, the voucher was given at the household level because of concerns about encouraging fertility rates in beneficiary families.<sup>17</sup> The *Incentivo Parto Institucional* (Incentive for Institutional Births, or IPI) was added, and the Nutrition and Health Voucher expanded its coverage to children aged four and five years. Programme targeting was re-evaluated and new plans for future targeting were established.

The various glitches confronted during the execution of PRAF-II slowed down programme implementation and made it difficult for PRAF-I to absorb the institutional framework and organizational culture of PRAF-II. Although problems were encountered in the design, and particularly in the evaluation of PRAF-II, policymakers believed that the programme could be improved and could serve its intended purposes. By the end of 2006, the PRAF-II project had been carried out and the loan was closed. When the programme was finished, the IADB concluded that the evaluation design was too complex to be supported by the institutional framework (IADB 2004).

## 5 PROGRAMA DE ASIGNACIÓN FAMILIAR III (PRAF-III)

The new Honduran government, led by Liberal party member President Manuel Zelaya, agreed to continue the PRAF programme, and another loan and project with the IADB was planned. In this study, this version of PRAF will be known as PRAF-III in order to identify the newest IADB loan to PRAF. The loan experienced significant delays in its disbursement, as will be discussed.

Like its predecessor PRAF-II did, PRAF-III will take components from the previous programme and adapt them to better confront low levels of human capital and widespread chronic poverty. Indeed, that the former programmes had not done away with these problems was obvious. From 2000 to 2005, primary education levels had not improved, malnutrition remained a relevant issue, and inequality grew. Although poverty had decreased slightly to 62 per cent of Honduras, much of this decrease was dependent upon remittances from abroad, which had ballooned from 3 per cent of GDP in 2000 to 25.5 per cent in 2006 (IADB 2007a).

Before launching into a discussion of PRAF-III, a caveat is in order: most of the information about the project is based on hypothetical plans, rather than on the actual programme, as loan disbursement began at the end of 2007 and the first round of cash transfers was paid in early 2008, not long before this study was published. Whether PRAF-III will be an improvement over PRAF-II with respect to human capital outcomes, programme administration, or other aspects, is yet to be determined.

The loan will primarily be used to absorb the best practices of the former joint PRAF/IADB projects within the existing PRAF-I programme. As mentioned previously, PRAF-I continued concomitantly, more or less in its original form, throughout the duration of the PRAF-II project. PRAF-II was supposed to have standardized PRAF-I so that it reflected the PRAF-II project, but

the challenges that PRAF-II faced did not allow it to complete this process. Part of the most recent IADB loan, for PRAF-III, will be used to run another pilot project of cash transfers, based on the knowledge gained from the experience of PRAF-II.

According to the PRAF-III loan documents, the newest phase of PRAF will work with several other programmes supported by multilateral institutions. These include *El Fortalecimiento del Sector Salud*, or Health Sector Strengthening, through the IADB, and the *Programa Nacional de Atención a la Niñez*, or National Programme for Attention to Children, through US-AID (IADB 2004). Other funding that will directly and indirectly support PRAF-III comes from the *Programa Sectorial Asociado a la Estrategia de Reducción de la Pobreza*, or Sector Programme Associated with the Strategy of Poverty Reduction (IADB 2006b). This loan will help coordinate the Honduran government's *Red Solidaria*, which is the framework within which the PRAF-III project, the current PRAF-I programme and other Honduran social protection programmes fit. PRAF-III, as well as the current PRAF-I, will take a leading role in national social protection programmes and within the *Red Solidaria*.

Lessons learned from PRAF-II were considered in the formation of PRAF-III. The small sum of the demand transfers was recognized, and PRAF-III transfers amount to approximately 18-20 per cent of the expenditures of extremely poor rural families. This relative percentage is more closely aligned with transfer sizes in other well-known CCTs. Transfers are to be distributed four times per year instead of two in order to promote recognition of the connection between co-responsibilities and transfers. PRAF-III also extends benefits to children from first through sixth grade, instead of through fourth grade, in order to encourage children to complete primary school.

Supply side and monitoring requirements proved to be too cumbersome to effectively manage in PRAF-II. Therefore, PRAF-III has a streamlined monitoring system. Technological upgrades were needed to improve monitoring and evaluation, as well. A database to monitor all beneficiaries' fulfilment of co-responsibilities was proposed (IADB 2004), and this database has been created. The legal obstacles that previously blocked formation of the APFs and the handling of money by the APFs and the UPSs were eliminated, freeing the groups to perform the jobs they were assigned to do. AIN-C monitors will be working in PRAF villages, also. Finally, the new programme also narrows targeting to the village level and extends the programme's banking system.

## 5.1 ORGANIZATIONAL STRUCTURE PLANNED FOR PRAF-III

PRAF-III calls for increased coordination among top-level government institutions as well as increased operational decentralization. The executive director of PRAF is a member of the President's Social Cabinet,<sup>18</sup> as well as a member of the *Mesa de Redes de Protección Social*, or Social Protection Network Roundtable. The executive director must guarantee coordination between PRAF and other government institutions at the centralized level. PRAF's Health and Education Technical Committees are obligated to coordinate with the Secretaries of Health and Education to encourage line cohesiveness and capitalize on synergies. The committee is expected to meet at least twice a year<sup>19</sup> and must address how to best deal with increased demand for health and education services.

The PRAF-III project requires that there be departmental offices of PRAF that have programme liaisons, who work with department coordinators to harmonize programme plans and complement regional supply side services in health and education. The programme liaison would also be responsible for working with contracted NGOs (also known as *Organizaciones Proveedores de Servicios*, or Service Providers (OPS)), and community level committees that include Parent Associations, health posts, and schools to monitor progress. The liaison would represent PRAF in local meetings and conduct monthly informational sessions at the municipality level (IADB 2004).

PRAF-III also has plans to maintain a more complex organizational structure within targeted communities. At the village level, the APFs and/or *Asociaciones de Desarrollo Educativo Local* (Local Education Development Associations), or ADELs, must determine how to spend resources transferred to them, buy the selected goods, and then give account of how they used the resources. *Comités de Usuarios de Salud*, or Committees of Health Service Users, should be composed of four programme beneficiaries. They must monitor beneficiary satisfaction, ensure that NGOs are fulfilling their responsibilities, and recommend ways to improve the programme.

Volunteer Mothers should be designated to act as a liaison to other beneficiaries, informing other programme mothers about their co-responsibilities and cash transfer dates, as well as resolving beneficiaries' uncertainties about how PRAF-III functions. AIN-C monitors should also advise beneficiaries, although their role is more formal than that of the Volunteer Mothers. They are expected to receive formal training at regional meetings and will provide health training to mothers in their villages. They should provide scheduled height and weight check-ups and distribute vitamins to children, referring them to health posts when necessary. AIN-C monitors should be volunteers living in PRAF-III communities, although their work will be rewarded by small tokens of recognition, and their trips to regional training sessions will be financed (IADB 2004). PRAF-III plans to rely extensively on decentralized role-players in an effort to empower local stakeholders to identify their community's specific needs and to address them more effectively.

## 5.2 COMPONENTS OF PRAF-III

Along with funding that will be directed to institutional strengthening and standardization of PRAF practices, PRAF-III has both an education transfer component and a nutrition / healthcare transfer component (see Figure 7). The loan provides support for transfers to 20,000 households, a smaller number than the number of beneficiary households in PRAF-II (IADB 2004). The goals of PRAF-III are similar to those of PRAF-II, although the overall objective places more emphasis on the responsibility that families have in improving their lives. Most of the objectives, except for the final institutional strengthening goal, are empirically verifiable.

FIGURE 7

**Overview of PRAF-III**

Objective of PRAF-III	Overall goals of PRAF-III
To improve human capital outcomes in the poorest Honduran families through a comprehensive social protection programme, promoting behavioural changes at the household level that encourage families to actively participate in improving their well being.	<ul style="list-style-type: none"> <li>• Increase households' consumption of nutritious foods</li> <li>• Encourage the growth and normative development of children between the ages of zero and five</li> <li>• Monitor the health of women, particularly pregnant and nursing women</li> <li>• Increase school enrolment and attendance of children from first through sixth grade</li> </ul>
Specific Goals of PRAF-III	
Health and Nutrition	<ul style="list-style-type: none"> <li>• 10 per cent increase in food expenditures per capita in beneficiary homes</li> <li>• 10 per cent reduction in malnutrition in children under age two</li> <li>• 10 per cent increase in institutional births</li> <li>• 10 per cent increase in mothers who exclusively breastfeed children under six months old</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Five percentage point increase in net enrolment of children from first through sixth grade in target villages</li> <li>• Eight percentage point increase in school attendance of enrolled children in benefiting schools</li> </ul>
Institutional Strengthening	<ul style="list-style-type: none"> <li>• At least 70 per cent of beneficiary households must be classified as extremely poor</li> <li>• Administrative costs should not exceed 8.5 per cent after the first year</li> <li>• Processes of communication and coordination among the various operative groups must be improved</li> </ul>

Source: IADB 2004.

The total cost of this project is US\$ 22.2 million. The Honduran government will provide US\$ 2.2 million (10 per cent), while the IADB will finance the other US\$ 20 million over a period of 4.5 years. The loan will be dispersed in four tranches, dependent upon fulfilment of previously outlined requirements and per the approval of the IADB (IADB 2004). US\$ 13 million of the IADB loan will be dedicated to the health and nutrition components of PRAF-III (see Figure 8). The amount of the Nutrition and Health Voucher was significantly increased to US\$ 135, per recommendations based on results from PRAF-II. This new voucher equals approximately 10.6 per cent of the average consumption of an extremely poor household, and it is 58 per cent of the total possible transfer that a family could receive from PRAF-III.<sup>20</sup> Co-responsibilities are to be strictly enforced: missing one appointment, for instance, forfeits the voucher for that cycle.

The new IADB loan allocates US\$ 4.9 million dollars to improving educational outcomes (see Figure 9). The amount of the *Bono Escolar*, or School Voucher, equals US\$ 97 annually, and it is given at the household level. The amount of the voucher takes into account that most children eligible for PRAF who do not attend school are not absent because they are participating in the labour force.<sup>21</sup> Research revealed that the largest portion of the money needed for children to attend school was the cost of transportation. The voucher was set at US\$ 97 in order to cover the direct and opportunity costs of students and to allow families with more than one child in school to benefit from the voucher (Arcia 2007).<sup>22</sup> As with the health voucher, violation of co-responsibilities forfeits the voucher for that time period.

FIGURE 8

**PRAF-III: Nutrition and Health Component**

Component	Beneficiaries	Benefits	Co-responsibilities
Demand Side <i>Bono a la Demanda en Nutrición y Salud</i> (Nutrition and Health Demand Voucher)	<ul style="list-style-type: none"> <li>Pregnant and nursing mothers, households with children five years old and under</li> </ul>	<ul style="list-style-type: none"> <li>US\$ 135 per household per year, regardless of the size or composition of the household</li> </ul>	<ul style="list-style-type: none"> <li>Families must attend three out of four available educational workshops each year</li> <li>Children and mothers must attend all required health check-ups</li> <li>Children under the age of five must be weighed and measured, and receive vaccinations and nutritional supplements</li> <li>Children between the ages of two and five must be 'de-parasited'</li> <li>Babies under one year old must have monthly check-ups; those between one and two must go to a check-up every other month via the local AIN-C monitor</li> <li>Children between two and five must go to regional rural health centres for check-ups</li> <li>Mothers must accept health and nutrition information and family planning advice</li> <li>Mothers must attend pre-natal check-ups</li> <li>Mothers must receive vitamins, vaccinations and other pregnancy care if problems are detected or suspected</li> <li>Mothers must receive institutional care at the time of birth</li> </ul>
<i>Incentivo Parto Institucional (IPI)</i> (Incentive for Institutional Births)	<ul style="list-style-type: none"> <li>Pregnant women who give birth</li> </ul>	<ul style="list-style-type: none"> <li>Families are paid up to US\$ 60 to cover the costs of a hospital birth</li> </ul>	<ul style="list-style-type: none"> <li>Mother must give birth in a network hospital and attend a post-partum check-up</li> <li>Infant must be registered with National Registry of Persons</li> </ul>
Supply side	<ul style="list-style-type: none"> <li>AIN-C</li> </ul>	<ul style="list-style-type: none"> <li>Quantity not specified</li> </ul>	<ul style="list-style-type: none"> <li>Monitors must check the growth of children under two within their communities and identify when families should seek health assistance outside of the community</li> <li>Monitors must provide workshops within communities on health issues including family planning, domestic violence, oral hygiene, breastfeeding, and accident prevention</li> </ul>
	<ul style="list-style-type: none"> <li>NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Quantity not specified</li> </ul>	<ul style="list-style-type: none"> <li>NGOs must train and work with AIN-C leaders, teach households about their co-responsibilities, and plan and execute village workshops</li> </ul>
	<ul style="list-style-type: none"> <li>Comités de Usuarios</li> </ul>	<ul style="list-style-type: none"> <li>Quantity not specified</li> </ul>	<ul style="list-style-type: none"> <li>Committee members must monitor and review local health services and monitor village satisfaction levels in regard to healthcare services</li> </ul>

Source: IADB 2004.

FIGURE 9

**PRAF III: Education Component**

Component	Beneficiaries	Benefits	Co-responsibilities
Demand Side: <i>Bono Escolar</i> (School Voucher)	<ul style="list-style-type: none"> <li>Households with one or more children in school from first through sixth grade</li> </ul>	<ul style="list-style-type: none"> <li>US\$ 97 per year per household, independent of the number of children in school</li> </ul>	<ul style="list-style-type: none"> <li>Must enrol all children between 6 and 12 years old in school during the official enrolment period</li> <li>Children may not have more than nine unexcused absences per trimester</li> <li>Households with children aged 13 or 14 years who have not completed sixth grade may continue receiving the voucher if this child fulfils enrolment and attendance requirements, but if a family has a child aged 13 or 14 that has not yet completed the sixth grade, the child does not have to attend school for the family to receive the voucher</li> </ul>
Supply side	<ul style="list-style-type: none"> <li>APFs or ADELs of schools in targeted villages</li> </ul>	<ul style="list-style-type: none"> <li>US\$ 1,000 annually</li> </ul>	<ul style="list-style-type: none"> <li>Associations must sign an agreement with PRAF guaranteeing the regulations of the group that have been established</li> <li>Funds must be used for teaching material, school maintenance, or training for instructors</li> <li>Associations must receive training such as how to administer funds and establish the organization</li> </ul>

Source: IADB 2004.

US\$ 500,000 is set aside in the IADB loan to direct to the institutional strengthening component. This money will fund the standardization of programme objectives, processes, and technological and information systems. It will also encourage the *Unidad Coordinadora del Programa* (Programme Coordination Unit), or UCP, to facilitate programme organization and communication. Computers and other necessary equipment will be purchased. Staff will be trained, and operational manuals will be created.

Another US\$ 300,000 is allocated to improve the business organization via documentation and administrative systems. This amount will also be used to design a method to easily target beneficiary households in order to prepare for programme expansion into areas where poverty is not as homogeneously distributed. A public relations campaign to explain PRAF-III will also be planned and implemented. This money will also be used to support and train NGOs in order to facilitate communication among the various organizations and to expand their institutional capacities.

### 5.2.1 Targeting in PRAF-III

Targeting in PRAF-III is the same as the current PRAF-I targeting,<sup>23</sup> except that it is limited to 20,000 households in some of the poorest departments in the country. First, it was determined which departments and municipalities in the country have the highest percentages of households living in poverty, as estimated by several key variables collected from national census data. Targeted villages were then selected from this list. Selection of the targeted villages also took into consideration whether the communities already had basic health and education services.

This approach differs from PRAF-II, which sought to identify the municipalities with the poorest, most malnourished populations without taking the available supply side infrastructure into account. According to loan documentation, the targeted villages must have extreme poverty levels of 70 per cent or higher, as determined by previously specified calculations. Village families who meet benefit requirements are then eligible to register for PRAF-III, although their household information must be verified at a village assembly. Families can also choose to opt out of the programme.<sup>24</sup> It is noteworthy that many of PRAF-III's targeted areas have large proportions of indigenous populations, such as members of the Lenca, Cho'rti, and Tolupan communities<sup>25</sup> (IADB 2004).

### 5.2.2 Supply Side Supports in PRAF-III

The first step forward in the implementation of PRAF-III's supply side implementation is the certification, or official approval, of education and health services in PRAF-III villages. Rural healthcare units and schools must be certified before they can receive any supply side cash transfers.<sup>26</sup> To become certified, a teacher at a school or health worker at a clinic must fill out a questionnaire pertaining to the basic characteristics of the school or clinic. A PRAF employee reviews the surveys and uses previously established criteria to determine which facilities are eligible for supply side cash transfers.

Although PRAF employees already had an idea of the criteria that they would use in the certification process, these criteria had to be altered when the data from the surveys arrived at PRAF headquarters. For instance, it was first decided that a school could be certified if it met a requirement for the physical dimensions of the school, the student-teacher ratio, and

the existence and quality of sanitary services. Although a law was passed in the 1990s requiring all new schools to be larger than a given size, almost all PRAF schools were built before the law was passed, and they do not meet this criterion. PRAF employees had to decide how to change the certification standards to deal with this issue. This experience highlights the importance of allowing for flexibility in program design to deal with the idiosyncrasies present in any environment.

To be certified for health services, health centres must meet personnel requirements, offer specific services, have certain health care equipment in the centre,<sup>27</sup> and adequately maintain facilities. The rural health centres must also prove that they can maintain these established standards in order to be certified. If a school or health centre is not certified, it must begin to work with other Honduran social protection programmes, such as FHIS, to plan and implement improvements, thereby making it eligible for certification and supply side transfers from PRAF.

Around half of the NGOs that competed to work on PRAF-III supply side projects were international organizations. There are specific requirements that NGOs must meet to be eligible to work on the PRAF-III project. These conditions eliminate many small, local NGOs. Prerequisites of working on the PRAF-III project are that the NGO must have worked in the proposed region for more than three years (proven, for example, via budgets and receipts), that its budget be greater than a given amount, and that it has adequate management capacity. Three service providers (NGOs) were contracted by PRAF-III, and they were working in targeted communities by the beginning of 2008.

The NGOs were also supposed to pass through fairly intensive training in the PRAF-III programme. The NGOs are to be monitored through reports from the UCP, focus groups with beneficiaries and stakeholders, and direct communication with PRAF-III offices. Although the NGOs are expected to have some autonomy within villages, there are plans to create standardized manuals that will be used to train the APFs, standardized forms to monitor the fulfilment of co-responsibilities, and standardized materials that will be used to teach community members and AIN-C monitors.

Other aspects of supply side interventions will not be under the control of PRAF-III, but rather under line ministries such as the Ministries of Health and Education. For instance, teachers will receive a 'grade' from the Secretary of Education based on their initial and final school enrolments. This will be done to track the quality of services provided by teachers, as the lack of teacher attendance is known to increase desertion in rural schools (Arcia 2007). Other programmes, such as the *Programa Hondureño de Educación Comunitaria* (Honduran Programme for Community Education), or PROHECO, will help rural communities create primary schools that will be controlled at the community level. Likewise, many health supply-side issues will be managed at the national level.

### **5.2.3 Banking System in PRAF-III**

BANADESA, the state bank, is the bank that PRAF-III will use for its cash transfers. According to the executive director of PRAF, it would be illegal for the programme to use a private bank to give the cash transfers. This is partially why PRAF-III plans to work with BANADESA. When the new government took charge in Honduras and new PRAF officials came into power in 2006, the leaders believed that BANADESA was too weak to handle the cash transfers. BANADESA

responded by adding 22 new branches to their information system in addition to the 19 already in place, and by increasing information availability and sharing.<sup>28</sup>

#### 5.2.4 Monitoring in PRAF-III

During the PRAF-II era, an official Registry of Beneficiaries, known as SIPRAF, was created to house the names of beneficiaries and provide a method to cross-check identities. This registry was also used to monitor fulfilment of the health and education co-responsibilities within PRAF-II. Registry data for PRAF-III were collected through a survey known as the *Sistema de Registro de Beneficiarios de Honduras* (Beneficiary Registration System of Honduras), or SIRBHO. SIRBHO collects information concerning living conditions, employment, education, health, and access to health and education services.

Data from the latest round of SIRBHO were collected from 136,000 households, some of which resided in PRAF-III targeted villages and others of which were targeted as a part of the larger Honduran social protection scheme known as the *Red Solidaria*. The households were surveyed between July of 2006 and April of 2007 under the direction of international consultants. PRAF officials emphasize that the surveying was completed in a transparent and unbiased manner. Surveyors did not tell households why they were being interviewed so that people would not falsify information to appear eligible for benefits when they were not. Even though the surveyors might not have told households why they were being interviewed, the surveys themselves had markings indicating the survey was sponsored by the *Red Solidaria* (SIRBHO survey), which would indicate that the household was potentially being registered to receive PRAF benefits. The survey administrators also allegedly went to villages without receiving the permission or approval of local authorities.

Extensive institutional monitoring is planned for PRAF-III, and this information will be tied into the programme's information systems. The local committees (CUs) and schools' parent associations (APFs) are required to meet with local beneficiaries twice each year to discuss their experiences with the programme. These focus groups should provide administrators with information ranging from beneficiaries' satisfaction in regard to the training of the APFs, quality of services provided by AIN-C monitors, calibre of local educational services, facility in receiving cash transfers, and more. They are then supposed to provide a report of the beneficiaries' level of satisfaction to a regional liaison, who will, in turn, give this information to the Programme Coordination Unit (UCP). The UCP is charged with ensuring this information is entered into PRAF's information systems.

### 5.3 EXIT STRATEGY IN PRAF-III

PRAF-III plans to continue giving households the Nutrition and Health Demand Voucher and the School Voucher for three years, contingent upon their fulfilment of co-responsibilities and continued eligibility for benefits. Families can belong to PRAF for a fourth and final year, although they can receive only a reduced level of benefits during this time. The Incentive for Institutional Births (IPI) will still be available in order to encourage hospital births, as will the local services from AIN-C monitors. The APFs can also receive educational supply transfers during the fourth year.

The philosophy of this exit strategy is that during the three years that they participate fully in the programme, beneficiary households will gain enough information to make more

appropriate decisions regarding their family's human capital investments. The education provided to families, both through formal training and less formal methods such as an emphasis on the fulfilment of co-responsibilities, is expected to create positive behavioural changes so that once families are no longer in PRAF-III, they will continue sending their children to school and taking advantage of available health services.

#### 5.4 EVALUATION OF PRAF-III

The evaluation of PRAF-III will be completed via an experimental framework, meaning there will be a treatment and a control group. The control group should have characteristics very similar to those of the treatment group that receives benefits, except that they will not receive any PRAF benefits. However, the evaluation of PRAF-III will not include different versions of treatment groups (i.e., with regard to demand and supply) as existed in the PRAF-II evaluation. A firm will be contracted to perform a programme evaluation both at the middle and the end of the programme, using both qualitative and quantitative methods. The baseline data will be the ENCOVI<sup>29</sup> data from 2004.

The intermediate assessment is scheduled to take place after 50 per cent of the funds intended for the APFs have been distributed, and after the services provided by the AIN-C monitors have been provided for a year or more. This evaluation will cover issues related to programme registration, inclusion and leakage, distribution mechanisms, and monitoring of the fulfilment of co-responsibilities. Among the items to be evaluated are the public relations campaign to be undertaken by PRAF-III officials, the coordination among various stakeholders and between PRAF-III and the Secretaries of Health and Education, and the progress that has been made in standardizing programme policies and in increasing programme transparency. The evaluation will also cover advances in health, nutrition, and education outcomes, as well as changes in household bargaining and household power relationships attributable to the programme.

Results from the evaluation will be used to help PRAF-III leaders improve implementation during the second half of the pilot programme. The final evaluation will be similar to the intermediate evaluation, and it is expected to guide future programmes. Additional evaluations by PRAF-III and IADB employees should continue on an on-going basis. These would include conducting field visits and interviews, for example, with NGOs, APFs and beneficiaries.

## **6 THE CURRENT *PROGRAMA DE ASIGNACIÓN FAMILIAR* (CURRENT PRAF-I)**

Although the IADB loan projects have functioned fairly independently of PRAF-I, the original PRAF-I has experienced some changes over the years, partially due to the assessment of these projects. A portion of the IADB loans was supposed to be used to standardize best practices from PRAF-II, and now PRAF-III, within PRAF-I, which was operating much like it always had. Substantial changes within PRAF-I have been made, particularly since the re-engineering of PRAF-II and the beginning of PRAF-III. Therefore, it is important to highlight how PRAF-I currently functions. That is the aim of this section.

As mentioned previously, the IADB loan for PRAF-III experienced significant delays in disbursement. This delay has had positive consequences for the currently operating PRAF-I, although some say that it hurt the public image of PRAF in general. In an effort to absorb better policies within PRAF-I, the PRAF-III loan required that 50 per cent of the conditional transfers of the current PRAF-I be targeted and paid with the same frequency as the PRAF-III project, using national funds, before the second half of loan funds could be disbursed. The payment of the second half of the loan is conditional upon several other requirements: the current PRAF-I must have an operating manual that is updated twice yearly, formalized institutional processes, internal monitoring and auditing systems, an external evaluation of the cost effectiveness of the various PRAF-I projects, improved technology to handle cash transfers, and the ability to monitor co-responsibilities in at least a sample of targeted villages (IADB 2004). This requirement forces PRAF-I to absorb the practices and culture of the PRAF-III project.

The new executive director of the PRAF-I programme, brought on with the transition to the Zelaya government, decided to standardize and immediately begin absorption of PRAF-III practices within all of PRAF-I, rather than just parts of it. This procedure has delayed the disbursement of the loan since all PRAF employees, PRAF-I and PRAF-III alike, are working to combine the two organizations. This delay resulted in loan disbursement being pushed off until the end of 2007.

This delay also gave the Zelaya government time to form the *Red Solidaria* and situate PRAF as a leading component in that system. During the delay, the government used PRAF-III's revised targeting and applied it at the national level to target all *Red Solidaria* programmes. It also began the process of evaluating the status of supply side infrastructure throughout all communities targeted by the *Red Solidaria*, including PRAF-I communities, rather than just the PRAF-III project.

Obviously, restructuring PRAF-I based on PRAF-III is a substantial endeavour. Units within PRAF-I have had to decide how to standardize everything from enforcement of co-responsibilities to targeting, equipment, personnel, software, planning, evaluation, and more. A consultant has been hired to help restructure PRAF-I and merge it with PRAF-III, while other consultants have been hired to provide recommendations on targeting, monitoring, evaluations, and more.

## 6.1 INTER-INSTITUTIONAL COORDINATION WITH THE *RED SOLIDARIA*

Since coming to power in early 2006, President Manuel Zelaya and his wife, First Lady Xiomara de Zelaya, have organized a public campaign against poverty in Honduras. The First Lady leads the *Red Solidaria*, which is as an umbrella organization created to coordinate the activities of all social protection programmes. It is a leading player in the government's ERP, or *Estrategia para Reducir la Pobreza* (Strategy to Reduce Poverty).

The *Red Solidaria* itself falls under one of the President's most well-known and well-publicized programmes, *el Gobierno del Poder Ciudadano* (Government of Citizens' Power). The specific goal of the *Red Solidaria* is to eliminate extreme poverty in 200,000 households located in the most indigent areas of the country (Office of the First Lady of Honduras: *Red Solidaria* 2007). The *Red Solidaria* is composed of multiple organizations, some of which are related to the current PRAF-I and PRAF-III. It aims to align programmes that were previously isolated in order to capitalize on cross-organizational synergies and to more effectively reach the anti-

poverty goals of these programmes. The *Red Solidaria* provides social protection throughout an individual's life cycle, and it tries to encourage Hondurans to begin developing productive capacity. Although most of the work of the *Red Solidaria* focuses on rural areas and the extremely poor that live there, it plans to increase its coverage to urban areas in the near future. The goals of the programme, while decided by President Zelaya, are closely tied to the goals of Honduras' ERP and to the United Nations' Millennium Development Goals (MDGs). A summary of selected components of The *Red Solidaria* can be found in Appendix D.

The *Red Solidaria* will use PRAF's registry of beneficiaries to identify and track participants of all government social safety net programmes. PRAF will take a leading role in the *Red Solidaria* through providing the use of this database and through sharing infrastructure. The *Red Solidaria* has its headquarters within PRAF's headquarters in Tegucigalpa. Institutional knowledge is shared, since some employees of the *Red Solidaria* work closely with PRAF employees. Targeting and poverty mapping completed by PRAF using census data and ENCOVI data are being used by the *Red Solidaria* to target and coordinate their programmes. Therefore, the villages targeted by PRAF are also targeted by programmes of the *Red Solidaria*. The baseline evaluation for the *Red Solidaria*, like that of PRAF, has already been completed.

## 6.2 COMPONENTS OF THE CURRENT PRAF-I

Since the features of PRAF-I varied over the years, it is important to note the salient components and structure of the currently operating PRAF-I (see Figure 10). Most of the components that were initiated since PRAF's inception are currently in operation, although some have been altered. Several new programmes were started with the election of the President Zelaya. Active vouchers and programmes, in addition to the health and education transfers (*Bono de Salud* and *Bono de Educación*), include the *Bono Juvenil* (Youth Voucher), the *Bolsón Escolar* (School Supplies Benefit), *Mano Solidario* (Hand of Solidarity), DI-MUJER (the credit organization within PRAF), and the *Bono de Tercera Edad* (Senior Citizens Voucher).

The Youth Voucher is given to children between the ages of 14-24 years in marginalized urban areas in Tegucigalpa and San Pedro Sula, the two largest cities in the country. It currently provides benefits to over 16,000 Honduran youths. The programme provides training for three to six months in selected professions, such as computing, beautician skills, or mechanics. The youth receive money to compensate them for the time spent in training, and at the end of their training period they receive a lump sum to fund productive activities based on their newly acquired skills.

The *Mano Solidario* programme provides aid to families that work in the garbage dumps of five of the largest cities in Honduras. To qualify for programme benefits, children from the families can no longer work in the waste facilities. The government provides daycare services for children whose parents work in the dumps, and it encourages the development of parents' productive capacity, such as through micro-enterprises.

DI-MUJER is a programme for women between 18 and 60 years old. It provides business training and credit to small groups of women who jointly take out loans from the programme to improve their micro-businesses. The Senior Citizen Voucher is given to poor Hondurans over 65 years old in targeted PRAF communities, while the School Supplies Benefit is given to children who are in the first through third grade who belong to PRAF households. This programme provides a new backpack, notebooks, pencils, and other school supplies to beneficiary children. A summary of the current components of PRAF-I can be found below.

FIGURE 10

**Components of the Current PRAF-I**

Component	Beneficiaries	Benefits	Co-responsibilities
Bono de Salud (Health Voucher)	<ul style="list-style-type: none"> <li>Households with children under age five or pregnant or lactating women</li> </ul>	<ul style="list-style-type: none"> <li>1150 L annually (approximately US\$ 60.53)</li> </ul>	<ul style="list-style-type: none"> <li>Children under age five and pregnant or lactating mothers must attend regular health check-ups, as reported by local health centre</li> </ul>
Bono de Educación (Education Voucher)	<ul style="list-style-type: none"> <li>Households with children in the 1st through 4th grade<sup>30</sup></li> </ul>	<ul style="list-style-type: none"> <li>1,000 L annually (approximately US\$ 52.63)</li> </ul>	<ul style="list-style-type: none"> <li>Children must be enrolled in and attending school, as reported by the local school</li> </ul>
Bono Juvenil (Youth Voucher)	<ul style="list-style-type: none"> <li>Youth 14-24 years old in marginalized urban areas</li> </ul>	<ul style="list-style-type: none"> <li>3-6 months of vocational training, along with compensation for opportunity cost</li> <li>Lump-sum transfer upon completion of programme</li> </ul>	<ul style="list-style-type: none"> <li>Must participate in programme training</li> <li>Must use lump-sum transfer to fund productive activities based on programme training</li> </ul>
Bolsón Escolar (School Supplies Benefit)	<ul style="list-style-type: none"> <li>Children from the 1st-3rd grade</li> </ul>	<ul style="list-style-type: none"> <li>New bookbag and school supplies</li> </ul>	<ul style="list-style-type: none"> <li>Must be enrolled in and attending school, as reported by the local school</li> </ul>
Mano Solidario (Hand of Solidarity)	<ul style="list-style-type: none"> <li>Households working in urban waste disposal facilities who have children</li> </ul>	<ul style="list-style-type: none"> <li>Daycare for children</li> <li>Training in productive activities for parents</li> </ul>	<ul style="list-style-type: none"> <li>Children cannot work in the waste disposal facilities</li> </ul>
DI-MUJER (credit organization)	<ul style="list-style-type: none"> <li>Women between 18 and 60 years old</li> </ul>	<ul style="list-style-type: none"> <li>Training and credit to small groups of female micro-entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>Must participate in training sessions</li> <li>Must repay loan</li> </ul>
Bono de Tercera Edad (Senior Citizen Voucher)	<ul style="list-style-type: none"> <li>Poor Hondurans over 65 years old in targeted communities</li> </ul>	<ul style="list-style-type: none"> <li>Annual cash transfer of 600 L (approximately US\$ 31.60)</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>

Source: Interviews with PRAF personnel, and Cohen, Franco, and Villatoro 2006.

Original PRAF-I benefit amounts were raised within the last year as a result of PRAF-III loan requirements. More recently, the Health Voucher and Education Voucher have been combined to form the *Bono Solidario*, or Solidarity Voucher. This modification was purely semantic in nature. The co-responsibilities of the Solidarity Voucher are the same as those of the health and education transfers, and the transfer amount is just the sum of the two benefit amounts.

### 6.2.1 Targeting in the Current PRAF-I

Targeting had already been revised once for PRAF-II in 2004 in an attempt to create standardized targeting that could be used in PRAF-I as well as PRAF-II. However, the targeting was redone in 2006 by the same consultant in order to expand results to the national level (Arcia 2006).<sup>31</sup> The instruction that targeting be changed came from the new regime in Honduras, who was not satisfied with the coverage and certain aspects of previous targeting. High level geographic targeting was first completed using household information available through the *Encuesta Nacional de Condiciones de Vida* (National Life Conditions Survey), or ENCOVI, as well as through national census data from 2001.

First, departments and municipalities were ordered by their average per capita monthly expenditures. Then variables that the census data and the ENCOVI surveys shared were

regressed on the log of per capita monthly household expenditures, in order to better understand which variables best predicted poverty. The variables had to be common to both ENCOVI and the census so that targeting could be extended to a national level per the request of the government's new *Red Solidaria* programme.<sup>32</sup> Rural villages were then ordered by the percentage of households living in extreme poverty as predicted using the five variables, and villages with greater than 57 per cent<sup>33</sup> of households estimated to be living in extreme poverty were selected as target villages.

Selection of the final list of villages was approved from the top down, and it did contain some subjectivity. Top PRAF officials de-emphasized this subjective component, while programme practitioners were more likely to mention political or supply side issues that were taken into consideration in deciding the final list of targeted villages. Municipality seats were also excluded as it was assumed that more productive activities are available in these locations.

All households in these villages who fulfil PRAF criteria (i.e., have a pregnant or nursing mother and/or children covered by PRAF benefits) are eligible for cash transfers. The targeting and registration of the new round of the current PRAF-I was begun in 2006 and ended in 2007, and the first PRAF benefits given under the standardized system were provided in July and August of 2007. The first group targeted using the method described here consists of 1,047 villages, of which 80,000 households were chosen to receive benefits in 2007. The second group of targeted villages will add an additional 460 villages, for a total of 1,507 villages. This expansion should occur in 2008.

Conversion to smaller-scaled targeting presents special challenges. Some members of villages whose municipality used to receive PRAF-I benefits are no longer receiving benefits, because their villages are not considered poor enough. Also, new beneficiary families are located in fairly close proximity to non-beneficiary families, causing confusion among community members.

### **6.2.2 Supply Side Supports in the Current PRAF-I**

Unlike the previous PRAF-II project and the current PRAF-III project, the current PRAF-I claims to contain strictly demand-side components. The group of Honduran social protection programmes under the *Red Solidaria* is supposed to take the responsibility for supply side improvements away from PRAF. Indeed, PRAF-I employees expressed the sentiment that they had nothing to do with improvements in supply side healthcare or education components, and that the *Red Solidaria* would take care of these issues, including giving any transfers for creating and maintaining AIN-C monitors or Parent Associations in schools.

Even though PRAF-I will not provide supply-side supports to targeted communities, they will perform evaluation of supply side services, just as such services in PRAF-III villages are being evaluated. These evaluations will certify health and education suppliers if they meet specific criteria. If the centres do not meet the criteria, they must work with the *Red Solidaria* to meet the requirements. Technically, the villages that do not meet the supply side requirements may not receive transfers until they become certified; whether this policy will be strictly enforced is yet to be seen. This focus on solely the demand side represents a break from the philosophy of PRAF-II and PRAF-III, which have emphasized developing the supply side.

### 6.2.3 Banking System in the Current PRAF-I

BANADESA manages all PRAF-I transfers, including the Solidarity Voucher, the Youth Voucher, the Senior Citizens Voucher, and the loans given by the DI-MUJER programme. When a cash transfer is to take place, BANADESA receives a compact disc with a text file from PRAF indicating which households are eligible to receive cash transfers. BANADESA employees are present at cash transfers with personal desktop computers set up. The number of BANADESA employees present at a transfer event varies by the number of cash transfers that will be given at that particular location.<sup>34</sup>

Obviously, security is a concern for the bank as they travel to rural areas with large volumes of cash. BANADESA employees mentioned using the Honduran armed forces for security purposes, as well as trying to keep dates and places of cash transfers secret.<sup>35</sup> National police are used at the cash transfer event. Some members of the police indicated that they had worked at more than one cash transfer event.

According to the Executive Director of PRAF, distribution of one round of cash transfers should take place over the course of three weeks by next year. However, one round of cash transfers in 2007 took approximately seven weeks to complete.

### 6.2.4 Administration of Cash Transfers in the Current PRAF-I

There were two sets of transfers planned for PRAF-I during 2007, in July/August and later in October. Two to three sets of transfers are planned for 2008.<sup>36</sup> Although cash transfers are planned for any day of the workweek, a fair by the *Red Solidaria* typically accompanies transfers when they are given on Mondays and Fridays. The services provided by these fairs in the municipality seats may have been a factor in PRAF-I's decision not to work with mobile banks that could arrive at more isolated locations.

On days when there is a fair of the *Red Solidaria*, the president of Honduras often arrives and gives a speech to the community. Local leaders may speak or pray, and others may provide music. Various organizations of the *Red Solidaria* have booths set up in which they provide information and assistance regarding other programmes of the *Red Solidaria*. There are food staples for sale at low prices, and bags of beans are sometimes given away. Other services sometimes available include provision of supplies for schools (e.g., books for libraries), health services, and a registration booth where people can apply to receive a national registration card.

On the day of a cash transfer, PRAF-I employees arrive at the municipality and assemble their equipment (i.e., laptops, desks, etc.) in a local school or bank.<sup>37</sup> The cash transfer day is a vacation day for children who attend the municipal school. Although the cash transfers are given out in the municipality seat, most beneficiaries come from surrounding villages to receive their transfers. Those who live in the municipality seat enjoy economic gains from the day, but they typically do not receive the cash transfers.

Most PRAF beneficiaries walk or ride in from surrounding villages, some from as far away as two hours by foot. The beneficiaries know that there will be a cash transfer on a given day because a list is sent to the mayors of the local villages with the list of household beneficiaries, typically in the name of the mother. However, many people arrive from the surrounding villages without knowing whether they are beneficiaries. There is a list of beneficiary names,

organized by village and then alphabetically by names, on an outdoor wall where people can check to see if they are on the list of beneficiaries. Since many beneficiaries are illiterate, many need help in determining whether they are beneficiaries.

The cash transfer observed by the author took place from noon until after nine o'clock at night. Since many beneficiaries came from a long distance away, PRAF-I employees tried to organize beneficiaries by their villages, paying households from the farthest villages first.<sup>38</sup> Despite these efforts to organize the distribution of transfers, many beneficiaries complained that they had arrived from far away and still had to wait most of the day to receive benefits. Many beneficiaries wanted to know if they could return the next day to receive their transfer instead of waiting until after dark to return home. (They could not.)

Women began lining up before the transfers were given, and once the President and other leaders had finished speaking at the *Red Solidaria* fair, approximately 700 people lined up to receive benefits. Many family members, particularly children and babies, were present. Six members of the national police were present for general security issues. Crowd control and safety were significant problems throughout the day.<sup>39</sup>

When a beneficiary was allowed to enter the classroom to begin the process to receive the transfer, he or she first waited in a line that led to the BANADESA employees. When beneficiaries reached the front of the line, they handed an employee their national identification cards. The BANADESA employee entered the national identification number from the card into the computer system, which brought up a screen indicating that the person was a beneficiary and showing the amount of cash that she was due. Those who received the Solidarity Voucher were given a receipt for 1075 lempiras,<sup>40</sup> while elderly recipients of the Senior Citizen Voucher were given receipts for 600 lempiras.<sup>41,42</sup> The beneficiaries took the receipt and entered another line as directed by bank personnel, which depended on the village in which they lived. When they reached the front of this line, they worked directly with a person from PRAF-I. They told the PRAF-I employee what village they were from, and they showed the employee their receipts. The beneficiary then signed the bank schedule as maintained by PRAF-I, confirming that he or she had received the benefits.<sup>43</sup>

Once the beneficiary had signed this plan, the PRAF-I employee read off the unique PRAF identification number listed for this person from the PRAF bank plan, which had to be confirmed within PRAF's records by another PRAF-I employee. The PRAF-I employee saved this information in the computer system, and the beneficiary was directed to another line to actually receive the money. This new line led to two other bank employees who gave the cash to the beneficiaries. From there, the beneficiary could take her receipt to enter another line to pick up the School Supplies Benefit and/or a bag of basic first-aid medications, if she was eligible for these and supplies had not run out.

### **6.2.5 Practical Issues with Administration of Cash Transfers by the Current PRAF-I**

Beneficiary complaints on the cash transfer day were that the lines were too long and they had to wait too long to receive the transfers, especially given the long distance they travelled to arrive at the cash transfer. (Indeed, some beneficiaries waited over nine hours to receive their benefits.) Others complained that the vouchers were not very much money. Beneficiaries were also concerned about the risk of being robbed as they returned home. Some people indicated

they were taking extra precautions to avoid assaults by thieves who knew that people were receiving benefits that day. Many women made sure to walk home together with women from their villages, and others spent the night with friends in the municipality seat and waited to return home until the following day.<sup>44</sup>

In the cash transfer visited by the author, many women who were not beneficiaries complained that they received benefits in the previous year (when co-responsibilities were not enforced), or that they had sent their children to school and still did not receive the transfer.<sup>45</sup> Others arrived without a national identity card or an official paper signalling they had applied for their national identity. These people were told they could not receive benefits. Estimates indicate that 14-17 per cent of beneficiaries do not have national identification cards, indicating that this issue is widespread.<sup>46</sup>

Another problem that surfaced periodically was that the national identification number on the person's card and the list of beneficiaries did not exactly match. This problem could be resolved if the beneficiary told PRAF-I employees the issue, and the PRAF-I employee was able to search in the PRAF database to find the registry of the members of the person's family. The person then was told to quickly identify the names of their family members, and if these matched the names in PRAF's system, the person was allowed to receive the cash transfer. It appeared that some beneficiaries did not understand the nature of this problem and left without receiving benefits, as they were not able to explain the discrepancy to PRAF-I personnel.

Some husbands or relatives of beneficiaries went to the municipal seat to try to receive the transfer on behalf of the beneficiary. PRAF officials decided whether to give these transfers on a case-by-case basis, although most people were not permitted to collect the benefits unless they had an official note from their mayor or doctor saying they were going to pick up the transfer and that they truly did have the stated relationship with the beneficiary. The person who picked up the transfer in the name of someone else still needed to bring the identification card of the beneficiary to receive the transfer.

### **6.2.6 Monitoring in the Current PRAF-I**

Co-responsibility fulfilment in the current PRAF-I will be monitored with the help of the SIPRAF registry that was created during the PRAF-II project. This registry has been expanded to house information for the PRAF-I system as well as the *Red Solidaria*, and it appears to be fairly successful in keeping track of beneficiaries. Teachers in targeted villages fill out a survey indicating the grade of each eligible child, whether he or she is repeating a grade, and more. This survey is then sent to PRAF headquarters where the information is scanned into PRAF's system and input into SIPRAF. Later a PRAF employee manually verifies this information.

The same process is completed to input information on health co-responsibilities, although health information is not as detailed. A local health monitor simply checks a box indicating whether the PRAF beneficiary completed or failed to complete her required health co-responsibilities. If the monitor indicates that the person failed to complete her co-responsibilities, there is a space where he or she can write in what the beneficiary failed to do to meet the requirement. The first round of education monitoring forms was inputted beginning in July of 2007, and health monitoring forms was to be inputted at the end of 2007.

The round of PRAF-I cash transfers administered in July of 2007 was the first, outside of the PRAF-II loan, in which the beneficiaries were held responsible for the co-responsibilities tied to the transfers. The only co-responsibility verified in this round was that of education; the

health co-responsibility was then to be used to determine which beneficiaries received benefits in the second payment of 2007. PRAF employees noted that many former beneficiaries arrive at the newest round of cash transfers expecting to receive benefits without having fulfilled the education co-responsibility, since they have been able to do so in the past. Indeed, PRAF employees reported that 20 per cent of children in PRAF villages still are not enrolled in school, probably because these co-responsibilities have not been previously enforced. They hope this level is reduced to 10 per cent when beneficiaries begin to realize that they must enrol their children in school in order to receive benefits.<sup>47</sup>

Another important component of the fulfilment of co-responsibilities is that each beneficiary must sign a formal commitment in order to receive her cash transfers. This pledge lists all the co-responsibilities and states that the beneficiary understands them and will fulfil them. However, during the observed cash transfer, it was noted that some women, when signing on PRAF's bank plan to confirm that they had received their transfers, were also told to sign the pledge form. Nothing was explained to the women to let them know what they were signing. PRAF-I employees said that this was being done for women who had not received benefits in the past and had never signed a pledge form. Apparently, the emphasis on this contract is not as strong as the programme design had dictated.

Many PRAF-I employees, particularly those working in the headquarters, indicated that village assemblies were held to inform every village of the unique co-responsibilities of the programme. Some PRAF-I employees working at the cash transfer event observed by the author reported that there was supposed to be a village assembly before the transfers were given out to talk with community members about the programme co-responsibilities. However, time constraints faced by the team forced them to forego an assembly on that particular cash transfer day. Other PRAF-I employees indicated that local teachers were supposed to hold meetings with families to explain the co-responsibilities to them. However, it appears that these meetings are neither monitored nor enforced. Overall, it seems that these meetings are not considered a high priority by current PRAF-I personnel.

### **6.2.7 Beneficiaries' Perceptions of the Current PRAF-I**

When beneficiaries were asked why they were able to receive cash transfers, most people responded that they were poor and needed the money. Some beneficiaries were able to identify that they received the transfer because they sent their children to school. Many of the women who mentioned this co-responsibility expressed the belief that it was important for their children to be able to read and write. Very few beneficiaries knew anything about health co-responsibilities. Anecdotal evidence suggests that President Zelaya's frequent speeches to the poor more strongly address education co-responsibilities than health co-responsibilities in regard to PRAF and the *Red Solidaria*. Also, teachers are supposed to tell parents about co-responsibilities, in which case they are likely to place more emphasis on the education co-responsibility.

Women who were aware of the co-responsibilities indicated they had heard this information over the radio. PRAF pamphlets telling households that benefits are conditional upon their children's enrolment in school and school attendance, as well as their attendance at medical check-ups, were seen in PRAF headquarters. The pamphlet also told beneficiaries they had to have their national identification card to receive the Solidarity Voucher. Nevertheless, no beneficiaries mentioned seeing a pamphlet.

### 6.2.8 Exit Strategy in the Current PRAF-I

It appears that the current PRAF-I, although aligned with the PRAF-III loan in some areas, has not developed a clear exit strategy. Exit strategies are often used in CCTs to ensure that program discontinuation does not leave beneficiaries without necessary income and that behavioural changes resulting from the programme are continued post-program. At this point, when families are no longer eligible for PRAF-I benefits, they lose the benefits without any sort of graduated programme. This lack of a purposeful exit strategy could be the result of institutional or political factors that will be discussed later. The Executive Director of PRAF noted that she expects that even though PRAF-I benefits continue only through the fourth grade, the children will continue on to complete sixth grade even if they do not receive benefits. Others within and outside PRAF-I expressed doubt that families would continue sending their children to school when they did not receive benefits. In any case, the exit strategy of the PRAF-I is either not well-defined or completely non-existent.

### 6.3 EVALUATION OF THE CURRENT PRAF-I

Since PRAF-I is supposed to adopt PRAF-III's standards, the whole programme is currently undergoing an evaluation to determine how best it can move forward. However, no official evaluation plans for the current PRAF-I are yet in place. Some PRAF employees mentioned that an evaluation of PRAF-I, such as through surveys, should take place in the future to determine programme results. However, such plans are not official.

Another component of the evaluation is the budget for the programme. Although PRAF has enjoyed a long existence in Honduras, it has sometimes struggled to receive the domestic funding that it needs to function properly. Some PRAF employees indicated that the funds promised to beneficiaries were not always available, and that beneficiaries were sometimes compensated by in-kind benefits such as infrastructure or supplies, instead of the promised transfers. Another PRAF employee reported that in the original PRAF-I, when there was not enough money to give transfers to all those promised, the teacher in a targeted school would decide which children would no longer receive the transfers. Other employees indicated, however, that the current PRAF-I has now been committed to provide cash transfers, and that it would find a way to deliver funds, and not in-kind benefits, to the beneficiaries. Government funding of the project has been ensured through 2008.

According to PRAF-I employees, 60 per cent of the budget for the cash transfers came from the federal budget in 2006, and 40 per cent in 2007 came from the federal budget. Other financial support for the current PRAF-I includes funds from debt relief programmes, external credit, and external donations. It is generally agreed that PRAF-II was more cost-effective than PRAF-I, and PRAF-III will be more cost-effective as well. Therefore, the standardization process that is currently taking place within PRAF-I and PRAF-III should increase the cost-effectiveness of the organization.

The reported administrative costs for the programme are currently around 8.8 per cent of total programme expenses. The IADB reports that administrative expenses of comparable programmes range from six per cent to 10 per cent of total programme costs, so the expected PRAF cost is within an acceptable range (IADB 2004). According to the Executive Director of PRAF, administrative costs equal around eight per cent of total programme costs.

Reports of past programme inefficiencies indicate that either this figure is lower than it used to be or the true programme cost is higher than that reported.

#### 6.4 COMPARISON OF THE CURRENT PRAF-I AND PRAF-III

Although PRAF-I will share many more characteristics with PRAF-III than it shared with PRAF-II, the actual components of the programmes will still differ. In particular, the current amounts of the transfers differ, and the co-responsibilities that are currently being verified in the national project are much less stringent than those of PRAF-III, as can be seen below in Figure 11.

FIGURE 11

##### Current PRAF-I vs. Plans for PRAF-III

	PRAF-I	PRAF-III
Health Component	<ul style="list-style-type: none"> <li>Bono de Salud (Health Voucher): approximately US\$ 60.53<sup>48</sup></li> </ul>	<ul style="list-style-type: none"> <li>Bono de Nutrición y Salud (Nutrition and Health Voucher): US\$ 135 annually</li> </ul>
Health Co-responsibilities	<ul style="list-style-type: none"> <li>Health centre must report that household has fulfilled co-responsibilities (i.e., attended check-ups)</li> </ul>	<ul style="list-style-type: none"> <li>Families must attend three out of four available educational workshops each year</li> <li>Children and mothers must attend all required health check-ups</li> <li>Children under the age of five must be weighed and measured, and receive vaccinations and nutritional supplements</li> <li>Children between the ages of two and five must be 'de-parasited'</li> <li>Babies under one year old must have monthly check-ups; those between one and two must go to a check-up every other month via the local AIN-C monitor</li> <li>Children between two and five must go to a regional rural health centres for check-ups</li> <li>Mothers must accept health and nutrition information and family planning advice</li> <li>Mothers must attend pre-natal check-ups</li> <li>Mothers must receive vitamins, vaccinations, and other pregnancy care if problems are detected or suspected</li> <li>Mothers must receive institutional care at the time of birth</li> </ul>
Education Component	<ul style="list-style-type: none"> <li>Bono de Educación (Education Voucher): approximately US\$ 52.63 annually</li> </ul>	<ul style="list-style-type: none"> <li>Bono Escolar (School Voucher): US\$ 97 annually</li> </ul>
Education Co-responsibilities	<ul style="list-style-type: none"> <li>Local school must report that child has enrolled in and is attending school</li> </ul>	<ul style="list-style-type: none"> <li>Must enrol all children between 6 and 12 years old in school during the official enrolment period</li> <li>Children may not have more than nine unexcused absences per trimester</li> <li>Households with children aged 13 or 14 years who have not completed sixth grade may continue receiving the voucher if this child fulfils enrolment and attendance requirements, but if a family has a child aged 13 or 14 that has not yet completed the sixth grade, the child does not have to attend school for the family to receive the voucher</li> </ul>

Source: IADB 2004 and interviews with PRAF personnel.

The total annual amount given through the combination of the Health Voucher and the Education Voucher in PRAF-I is a little over US\$ 113, while the total given in PRAF-III is over twice this amount. PRAF-III transfers amount to 18-20 per cent of an extremely poor household's annual expenditures, but the PRAF-I transfers amount only to between 8.8 per cent and 9.8 per cent of the same households' annual expenditures.

Note that both the transfers for PRAF-I and PRAF-III remain the same size regardless of the size of the family. This outcome resulted from the claim that PRAF-II increased fertility rates because the benefit amounts given were dependent upon the number of family members that fulfilled co-responsibilities. Awarding transfers at the household level makes PRAF unique among CCT programmes, which typically allow at least part of the benefits to vary by the number of children in the household. The belief that PRAF-II increased fertility rates has led the IADB to support household-level transfers in other CCT projects, such as in the *Red Solidaria* in El Salvador.

Other differences between the current PRAF-I and PRAF-III are that the educational component of PRAF-I covers children from first through fourth grade, while that of PRAF-III plans covers children from first through sixth grade, the end of the primary school cycle in Honduras. Transfers from PRAF-III are supposed to be given out four times per year; however, PRAF-I cannot handle the costs of giving benefits this frequently. In 2007, the current PRAF-I planned to give two transfers, while it anticipated increasing this number to three transfers per year in 2008.

PRAF employees expressed the view that all of the co-responsibilities required by the PRAF-III project were co-responsibilities for the PRAF-I project as well. For instance, it was implied that families in the PRAF-I project were required to fulfil co-responsibilities such as participation in village assemblies, participation in APFs, and attendance at three of four educational workshops offered each year by a local teacher. However, the fulfilment of these co-responsibilities has not been monitored, and it is not clear that such assemblies and workshops are offered in PRAF-I villages.

## **7 CHALLENGES AND OVERALL EVALUATION OF PRAF<sup>49</sup>**

The standardization and institutional strengthening that PRAF is currently trying to implement is the key to its future, and it must be accomplished quickly. However, the political environment of Honduras is not conducive to this goal. Many PRAF employees and government officials mentioned the importance of having new systems standardized within the current PRAF-I before the end of 2007, a difficult goal given the speed at which bureaucratic wheels turn in Honduras. Beginning in 2008, the process of general elections began, and productivity in government offices is expected to drop off sharply, as employees assume that their tenure could be short-lived.<sup>50</sup>

It is unclear whether standardized practices from PRAF-III have been consolidated within the current PRAF-I so as to significantly improve programme outcomes. It is reported, for example, that the enforcement of co-responsibilities in PRAF-I was not fully put in place before the beginning of 2008. However, several current leaders in top positions within PRAF might still have the political capital necessary to push ahead the standardization process, if they could do so quickly.

PRAF faces a challenging road ahead as it tries to improve its practices and procedures. While it does have a written plan to standardize the organization, an up-to-date operations manual was still being created in late 2007, and there do not appear to be clear-cut organizational structures or procedural norms within the institution. Some PRAF-I employees indicated that they were unsure of exactly what mandates that their department would have once the standardization process was complete.

Others accuse PRAF-I of being inefficient, citing the length of time and number of employees needed to adopt PRAF-III standards within the current PRAF-I. Obviously, the logistics of the cash transfers need to be improved in order to increase programme efficiency. Along that same line, it is not clear that the banking system used by the programme is cost-effective. Some claim that using private banks that have more experience in rural settings would be more efficient and cost-effective.

Additionally, the enforcement of co-responsibilities is not communicated clearly to beneficiaries, and many of them still think that the programme provides a cash transfer without co-responsibilities attached. Although community assemblies are supposed to take place to inform beneficiaries of their co-responsibilities and provide other important training to them, PRAF-I cannot afford to conduct such assemblies.

PRAF also has yet to organize itself in a more decentralized manner. The current PRAF-I is aligned well with the central-level organization mandated by the IADB loan, but the lower-level structure is not decentralized to the degree that the IADB loan requires. Most lower-level employees are located within PRAF-I headquarters. At the time of the mission to Honduras (July 2007), liaisons to community leaders or groups were not in place, as had been planned.

Even if the PRAF-III structure were completely absorbed within the current PRAF-I, it is not clear that this process would be optimal. The IADB loan programme, while simplified compared to the format of PRAF-II, still has a complicated web of stakeholders who must fulfil various commitments as well as monitor others. This process is likely to be still too complex to be carried out well. It is also important that PRAF develop a more thoroughly planned exit strategy from the programme, particularly since the size of cash transfers has increased. It needs to consider how it will induce the behavioural changes that it expects to achieve, especially given the programme's minimal emphasis on the education of adult beneficiaries.

Another major weakness in the PRAF-I structure is that it now has to rely on the *Red Solidaria* to provide supply-side support. Some mention that the *Red Solidaria* is not yet unified, particularly in its coordination of supply-side activities. Anecdotal evidence indicates that the AIN-C project, for instance, was paralyzed for a significant length of time as the *Red Solidaria* struggled to organize itself. It is also reported that the *Red Solidaria* is not monitoring the decentralization of activities at the community level.

Finally, while PRAF itself is probably not in danger of being eliminated, the *Red Solidaria* might not be as long-lived. It is closely tied to the presidency of Manuel Zelaya and to the First Lady of Honduras, and many within Honduras and PRAF agree that this programme will probably not live beyond the current administration. The elimination of the *Red Solidaria* would impact PRAF in proportion to the degree that PRAF has become linked to it.

Some of the aspects of the standardization of PRAF have been positive. Information systems are now being used in an effective way throughout the organization. Targeting of communities and registering of households have been implemented in both PRAF and the *Red Solidaria*. The government budget for 2008-2011 obliges *Red Solidaria* communities to assign enough money to meet programme requirements in their villages, or their budgets will not be approved. This gives reason to hope that there will be important supply-side improvements.

A final important issue that must be addressed is whether a standardized PRAF can achieve its intended impacts on nutritional, educational and poverty outcomes. Funding for PRAF's cash transfers, while supported by the government, is limited. Beneficiaries of the

current PRAF-I transfers reported that they use the transfers to purchase food, as well as school uniforms or clothes for their children. Whether the amount of the transfers is sufficient to create significant, positive changes in vital indicators, such as for education and health, is not yet clear. Unfortunately, the impact of the current PRAF on macro-level poverty and inequality indicators has already been shown to be minimal (Osorio, forthcoming).

The amount of the PRAF-III transfers, particularly the health and nutrition transfer, is smaller than what was recommended, and the PRAF-I transfers are about half the size of the PRAF-III transfers. Moreover, cash transfers are given per household, reducing, for instance, the impact that they could have on families with more than one child in school. Making transfers of such modest size risks achieving the same results as those seen in the PRAF-II programme: increased fulfilment of co-responsibilities without the accompanying improvement in nutrition and health outcomes and/or educational achievements. It is also not clear that beneficiary households in the PRAF-I programme will receive training on nutrition, health care, and other vital topics. Therefore, the majority of programme impacts could come through the enforcement of co-responsibilities rather than through other education or income impacts. However, such an outcome remains to be seen.

Since PRAF has begun the standardization process under the new government, it has experienced many rapid changes. Whether these changes become permanent depends on many factors, some of which PRAF employees cannot control. The current support provided by the Zelaya administration and by the IADB gives PRAF a unique window of opportunity by which it can institutionalize targeting practices, co-responsibility monitoring, organizational processes, and more.

It is important to note, however, that the formidable task of standardization was necessary mainly because of the dual nature of the programme that developed over time. This challenge and other programme complications that have been confronted throughout PRAF's history can provide lessons and some guidance to policymakers who are interested in implementing a CCT in a similar country context.

## 8 CONCLUSION

This Country Study has provided information on Honduras' CCT programme, the *Programa de Asignación Familiar*, or PRAF. It has traced the programme's evolution from its inception as a compensatory mechanism to its current embodiment as a vehicle for encouraging human capital accumulation among the poorest Honduran households. Various aspects of the programme, such as its components, supply-side complements, targeting, monitoring and evaluation, have been assessed.

PRAF has many unique facets that should not be mechanically generalized or applied to other programmes without considering each country's distinctive political, economic and cultural context. Nevertheless, the experience of PRAF in Honduras can provide policymakers with valuable lessons on how they should design their own programmes.

One of the key lessons gained from PRAF is that external stakeholders should understand and take into account the domestic political and institutional environment, and should recognize the risks that they are taking in intervening with domestic stakeholders. International institutions often look for domestic 'champions' who could effectively implement a

programme of their own design, rather than working constructively with domestic stakeholders who have significant experience of their own in managing similar programmes.

This approach generates a programme duality, in which the programme based on an external loan and the programme driven domestically function separately. This approach can lead to counter-productive results since it alienates key domestic stakeholders and weakens the long-term national ownership of the loan-financed programme. The parallel functioning of PRAF-I and PRAF-II is a clear example of this scenario, and it highlights how programme duality can jeopardise the enhancement of the institutional capability of the domestic CCT programme.

The Honduran case also shows that trying to assimilate a well-established domestic programme within a loan-financed programme's framework can be extremely difficult. Prior to PRAF-III, the domestic PRAF's inefficiencies had become deeply ingrained, and domestic stakeholders did not have the necessary incentives or resources to increase their own institutional capacity. Whether the current standardization of the programme can be achieved and sustained remains to be seen. By all accounts, this standardization has proved to be a difficult task.

PRAF's experience also underscores the need to design programme evaluations that are not too complex for the given national environment. Eliciting domestic input is essential in identifying the types of evaluations that would be most useful. While less complex evaluations might be less glamorous, they sometimes represent a better choice, especially when the environment is volatile and the implementation time frames can shift suddenly. Unexpected changes within the programme or in external variables should not be able to jeopardise the implementation of the evaluation. All programmes encounter unexpected difficulties, especially in their beginning stages.

An additional aspect that is important for a loan-financed programme is the issue of sustainability. PRAF-II was a short-term pilot project that lasted only as long as loan funds permitted; PRAF-I has managed, despite all its difficulties and failures, to sustain its existence over a much longer period. Long-term adoption of an externally financed programme is less likely to occur when a parallel domestic programme also exists. Therefore, the issues of programme ownership and long-term sustainability need to be weighed carefully.

Successful evaluations, as well as programme sustainability, also require that the programme not be politicized. Politicization can occur in the selection of beneficiaries, the selection of programme staff (based, for example, on political parties rather than merit), and in the political use of the programme by an incumbent government. Programme success is hindered when opposition parties view the CCT as a government programme linked to a political party, rather than a state policy that supersedes such politicization. PRAF experienced significant opposition and turnover as a result of politicization, all of which significantly slowed progress in both the domestic and externally financed programmes.

It is also clear that the enforcement of programme co-responsibilities and the communication of programme goals to beneficiaries are vital to a CCT programme's successful implementation. If households receive benefits regardless of their fulfilment of co-responsibilities, the programme becomes a cash transfer, rather than conditional cash transfer, programme. The incentives that the programme has provided to households to encourage human capital investments are then wasted.

An important lesson learned in PRAF-II was that a small cash transfer will not be able to combat poverty in the short run, and will have limited impact on outcomes that depend significantly on an income effect. If co-responsibilities are neither communicated nor enforced, programme impacts will be further reduced. Additionally, while the current PRAF might want to enforce co-responsibilities and increase levels of human capital, it needs to effectively communicate this intention to decision makers within beneficiary households, especially if it wants to encourage behavioural modifications.

That being said, programmes should aim to do more than just change household behaviour, which is a common goal of CCTs. International experience has shown that transfers that represent a sizable proportion of beneficiaries' income do make a difference and need not generate negative impacts on labour supply (Soares et al, 2007b). Externally financed programmes that enforce human capital-related co-responsibilities for just a few years should not expect to induce major long-term behavioural changes. For this purpose, other goals should be included in these programmes. This is especially true when adult education has been minimal, co-responsibilities have not been communicated or enforced, and transfers have been relatively small. Therefore, the Honduran government's expectation that beneficiary households would continue to engage in the desired behaviour (e.g., sending their children to school or to regular medical check-ups) after the programme is discontinued is not realistic.

Finally, supply side-constraints on such programmes deserve greater attention, especially when co-responsibilities are being enforced. PRAF-II's attempt to deal with this issue was not altogether successful. It remains to be seen whether PRAF-III's strategy, together with a harmonisation of priorities with the *Red Solidaria*, will be able to deliver better results on this front.<sup>51</sup> The Beneficiary Registration System of Honduras, SIRBHO, could be used to identify the major supply-side deficiencies not only with regard to access to health and education but also with regard to other dimensions, such as community participation, that are crucial to the quality of life of beneficiaries.

Honduras' conditional cash transfer programme, PRAF, has undergone several major changes over the years. Whether it will be able to capitalize on its current opportunity to standardize and assimilate the desirable components and procedures encouraged by the externally-financed programme is yet to be demonstrated. Regardless of the outcome, PRAF's history and challenges contain valuable lessons that other policymakers and practitioners could benefit from closely examining.

## APPENDIX A

FIGURE 12

### Interviews Completed During Mission to Honduras, July 2007

	Organization and representative
<b>International Level:</b>	Social Programmes Specialist, IADB- in charge of IADB loan 1568
	Former National Technical Coordinator for the PRAF-II programme
<b>Financial System:</b>	Managers in charge of PRAF cash transfers, BANADESA (2)
	BANADESA workers present at actual cash transfer (4)
	Operations Manager, BANHCAFE
<b>PRAF:</b>	Executive Director of PRAF
	Sub-Coordinator of the Comprehensive Social Protection Programme
	Technical Sub-Coordinator
	Information Systems Coordinator
	Monitoring and Evaluation Coordinator
	Assistant Coordinator of Education
	Health Component Coordinator
	Education Component Coordinator
	Technical Coordinators of the cash transfers (4)
	Sub-Manager of Finances
	Former Senior Consultant in the Standardization of PRAF
<b>Supply Side:</b>	
<b>Red Solidaria</b>	Director of <i>Red Solidaria</i>
	Director of the Office of Social and Technical Assistance of the <i>Red Solidaria</i>
<b>PROHECO: Education</b>	General Coordinator
	Technical Assistant
	General Sub-Coordinator
<b>NGO: Healthcare</b>	Health Advisor, Plan International
<b>Local Level</b>	Programme beneficiaries, local village members (multiple)
	Members of National Police present at cash transfer (3)

## APPENDIX B: GLOSSARY

ADELs	<i>Asociaciones de Desarrollo Educativo Local/Local Education Development Associations</i>
AIN-C	<i>Atención Integral a la Niñez en la Comunidad/ Comprehensive Attention to Children in the Community</i>
APFs	<i>Asociaciones de Padres de Familias/Parent Associations</i>
BANADESA	<i>Banco Nacional de Desarrollo Agrícola/National Bank of Agricultural Development</i>
BANHCAFE	<i>Banco Hondureño del Café/Honduran Coffee Bank</i>
CUs	<i>Comités de Usuarios de Salud/Committees of Health Service Users</i>
ENCOVI	<i>Encuesta de Condiciones de Vida/Survey of Living Conditions</i>
ERP	<i>Estrategia para Reducir la Pobreza/Strategy to Reduce Poverty</i>
FHIS	<i>Fondo Hondureño de Inversión Social/Honduran Social Investment Fund</i>
IADB	Inter-American Development Bank
ICS	<i>Incentivo a la Calidad de los Servicios de Salud/Health Quality Incentive</i>
IDA	<i>Incentivo al Desarrollo del Aprendizaje/Learning Development Incentive</i>
IFPRI	International Food Policy Research Institute
IPI	<i>Incentivo Parto Institucional/Incentive for Institutional Births</i>
MDGs	Millennium Development Goals
NGO	Non-Governmental Organization
OPS	<i>Organizaciones Proveedores de Servicios, or Service Providers</i>
PAN	<i>El Plan de Acción Nacional para el Desarrollo Humano, Infancia, y Juventud/National Action Plan for Child, Youth, and Human Development</i>
PFC	<i>Programa de Formación Continua/Continuing Training Programme</i>
PRAF	<i>Programa de Asignación Familiar/Family Allowances Program</i>
PROHECO	<i>Programa Hondureño de Educación Comunitaria/Honduran Programme for Community Education</i>
SIPRAF	PRAF's information management system
SIRBHO	<i>Sistema de Registro de Beneficiarios de Honduras/Beneficiary Registration System of Honduras</i>
UPS	<i>Unidad Proveedor de Salud, or Primary Health Care Units</i>
UCP	<i>Unidad Coordinadora del Programa/Programme Coordination Unit</i>

## **APPENDIX C: SUMMARIZED RESULTS OF PRAF-II'S INTERMEDIATE ASSESSMENT<sup>52</sup>**

<b>Implementation</b>
<ul style="list-style-type: none"> <li>• Monetary transfers to UPS reached 17% of the planned amount</li> <li>• No training on the health side was completed</li> <li>• AIN-C implementation was 11-22% of the planned amount</li> <li>• 74% of the anticipated training for teachers was completed</li> <li>• Monetary transfers to schools were 7% of the planned amount</li> <li>• Transfers to school's Parent Associations were not completed</li> </ul>
<b>Results</b>
<ul style="list-style-type: none"> <li>• 15-21 percentage point increase in children that had visited a health service provider in the previous month</li> <li>• 17-22 percentage point increase in children that had a growth check-up in the previous month</li> <li>• 4-7 percentage point increase in children with vaccination cards</li> <li>• 7-10 percentage point increase in children receiving their first DPT vaccination within the correct timeframe</li> <li>• 18-20 percentage point increase in pregnant women who had 5 or more prenatal medical exams</li> <li>• 17 percentage point increase in probability that 5-12 year old children would enrol in school in 2002, given that they were not enrolled in 2000</li> <li>• 4.3-4.6 percentage point increase in attendance rate (equalling one additional day of school attendance per month) over children whose families did not receive transfers</li> <li>• School desertion rates dropped from 7 per cent to 2.4 per cent</li> <li>• Small positive impact on school advancement</li> <li>• No impact on consumption or dietary diversity</li> <li>• No reduction in stunting in children under five</li> </ul>
<b>Recommendation</b>
<ul style="list-style-type: none"> <li>• Reengineer supply side and increase quantity of transfers</li> </ul>

## APPENDIX D: COMPONENTS OF THE RED SOLIDARIA

Programme	Goal
<i>Educación Pre-básica</i> (Pre-school Education)	Expand pre-school coverage and give school supplies to said children
<i>Programa Hondureño de Educación Comunitaria</i> (Honduran Programme of Community Education), or PROHECO	Improve rural school services and encourage village participation
<i>Programa de Alfabetización y Educación Básica de Jóvenes y Adultos</i> (Basic Education and Literacy Programme of Youth and Adults), or PRALEBAH	Teach illiterate adults how to read
<i>Atención Integral a la Niñez de la Comunidad</i> (Comprehensive Attention to Community Children), or AIN-C	Improve children's health outcomes through community-level participation
<i>Fondo Hondureño de Inversión Social</i> (Honduran Social Investment Fund), or FHIS	Improve infrastructure in poor villages in education, healthcare, roads, homes, water sources, and more
<i>Programa Escuela Saludable</i> (Healthy Schools Programme), or PES	Provide a light meal at school for children from pre-kindergarten through sixth grade
<i>Instituto Nacional de la Mujer de Honduras</i> (National Institute of the Woman), or INAM	Combat violence against women
<i>Programa Nacional de Desarrollo Rural Sostenible</i> (National Programme for Sustainable Rural Development), or PRONADERS	Provide technical assistance and investments in rural development
<i>Bono Tecnológico Productivo</i> (Technical and Agricultural Voucher)	Provide a productive technology voucher
<i>Comedores Solidarios</i> (Solidarity Eateries)	Generate productive activities for women and sell healthy meals to community members
<i>Programa de Asignación Familiar</i> , (Family Allowances Programme), or PRAF	Improve human capital outcomes in the poorest rural areas of Honduras while alleviating short-term poverty

Source: Office of the First Lady of Honduras: Red Solidaria 2007.

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## NOTES

1. It is noteworthy that not one of the interviewed PRAF officials who spoke about the original PRAF-I believed that co-responsibilities had ever been enforced.
2. PRAF-I will be referred to in two ways: either as the 'original PRAF-I', which describes PRAF as it was initially designed, particularly before the implementation of PRAF-II, or the 'current PRAF-I', which describes PRAF-I as it began to operate in 2007.
3. When PRAF began, it appears that transfers to families were 30 lempiras each, which equaled approximately US\$ 3 in 1995 terms. Benefits under the first IADB loan were 30 lempiras in 1995, 40 lempiras in 1996, and 50 lempiras in 1997.
4. The weighted malnutrition rate was based on the height of local first graders. This was expected to give a good indication of local malnutrition levels.
5. Malnutrition levels were determined using the height-for-age z-scores of first graders from the *Sexto Censo Nacional de Talla de Escolares de Primer Grado* (Sixth National Height Census of First-Graders) conducted in 1997 (IFPRI 2000a).
6. This was completed to verify the results of the household and business surveys.
7. Although IFPRI claimed that the programme was well-targeted at the municipality level, PRAF employees hired another consultant in 2004 to evaluate the targeting. This consultant concluded that the municipality-level targeting was not satisfactory due to the high inequality within municipalities. Beginning with the next PRAF/IADB loan, targeting was narrowed to the village level, per the recommendations of this consultant.
8. It is unclear whether AIN-C began with PRAF-II or whether it was a system developed and used in Honduras since the 1980s. The most likely scenario is that PRAF-II adapted a previous model of AIN-C for its programme.
9. Today BANHCAFE also offers commercial banking services, such as credit cards and money transfers.
10. For instance, if a woman had been in Tegucigalpa, the capital city, because a family member was in the hospital, she could arrive at the Tegucigalpa office and receive her transfer there without any problems.
11. In dollars, the cash transfer equals approximately US\$ 131.50, and the cost equals approximately US\$ 0.53 per family, using the exchange rate of 19 lempiras per one dollar.
12. For example, most rural schools in Honduras close during the coffee season, so it would appear that school attendance during this time was abnormally low (IFPRI 2003a).
13. According to IFPRI, cash transfers were 'sporadic' (2003a), and by another account only one cycle of cash transfers had been fully delivered when the intermediate assessment began.
14. This information comes unofficially from Honduran officials; IFPRI personnel could not comment on their version of what had happened.
15. A summary of the intermediate assessment can be found in Appendix C.
16. Z-scores evaluated included height-for-age, weight-for-age, and weight-for-height measurements.
17. It is pertinent to highlight, once again, that the intermediate assessment found that fertility rates had actually decreased in both beneficiary and non-beneficiary households; the concern was raised because the fertility rate had decreased less in the beneficiary households than in the non-beneficiary households.
18. The First Lady of Honduras is a member of the Social Cabinet, showing the top-level support for these programmes (Office of the First Lady of Honduras 2007).
19. Participating members of the committee include the Operations Coordinator within PRAF's Programme Coordinating Unit and representatives from the Secretaries of Health and of Education (IADB 2004).
20. The consultant hired to determine the best amount for the vouchers recommended awarding either approximately US\$ 210 annually per household to improve health outcomes, or US\$ 609 annually per household to improve both health and nutrition outcomes and to push the 'extremely poor' into the 'relatively poor' category, depending on the goals of the programme (Arcia 2007).
21. It was found that the most important reason for school absences is teacher absenteeism (Arcia 2007).
22. It was estimated that a child needed 2,800 lempiras per year to attend school, and the voucher amount is approximately 1.5 times this amount (Arcia 2007).
23. Current PRAF-I targeting is discussed in section 6.2.1.
24. According to PRAF employees, families are more likely to be excluded by other village members who claim that the targeted family is actually not poor enough to receive benefits. Other village families and the family identified as being wealthier must provide proof for or against these claims before the families in question are removed from the list of beneficiary households.
25. PRAF-III also has plans to develop a supplementary targeting system to be used alongside the geographic targeting. This system will only be developed in the second half of the programme implementation, and it will be used in areas where poverty is less homogeneous. A method will be developed to easily classify potential beneficiary households according to 20 or fewer variables. Variables that PRAF-III plans to use to classify households include demographic information about family members, including ethnic identification, and school enrolment information. This targeting method will be tested and monitored in a database available to PRAF, and it will be used to perform a cost-benefit analysis to determine which type of targeting, geographic or household level, should be used as the programme continues to expand.
26. The certification process should be completed by 2008. As of August of 2007, education forms had been collected at PRAF headquarters, and health centre forms were being returned to the home office.

27. Services are related to maternal and child/infant health and to family planning, and health care equipment includes educational material for patients.
28. As of late July 2007, 12 more banks still needed to be placed in the information network of the bank.
29. *Encuesta de Condiciones de Vida*, or Survey of Living Conditions.
30. Education stipend benefits were extended to qualifying children in the fourth grade in 1998 (Cohen, Franco, and Villatoro 2006).
31. Some significant differences in the newest targeting method were that it used the ENCOVI survey instead of another household survey, the dependent variable was monthly per capita expenditures, the extreme poverty line was that set by ENCOVI (at 510 lempiras per capita each month) and the targeting was completed for all the villages of Honduras (Arcia 2006).
32. The five variables that were decided to best predict poverty and yet be easily verifiable were the following: whether the home was overcrowded, had electricity, had potable water, the number of children under five years of age living in the household, and the number of years of schooling of the head of the household.
33. 57 per cent is the number given by the consultant for the targeting project; PRAF employees indicated that this number was 50 per cent. It is probable that political issues were taken into consideration in selecting the final list of villages, and this is why the number cited by employees is lower than that suggested by the consultant who created the poverty maps.
34. Anecdotally, the number of transfers handed out at a given municipality seat ranges from 500 to 4,500 per cash transfer event. In some cases, it is necessary to hand out the transfers over a period of a few days since not all of the cash transfers can be distributed within one day.
35. This issue of secrecy was contradicted by PRAF employees who mentioned the different ways that they try to publicize and promote the time and date of cash transfers to ensure that beneficiaries arrive to receive the transfers.
36. Some PRAF employees say that only two sets of transfers will take place in 2008, in February and August, while others say that transfers will take place in the months of March, June, and October.
37. On days when there is a *Red Solidaria* fair, PRAF employees set up the transfer services in the municipal school to aid in security and to make the process run more smoothly. When the cash transfers are not accompanied by a fair of the *Red Solidaria*, they are handed out at the nearest local branch of BANADESA.
38. If the *Bono de Tercera Edad* is given out on the cash transfer day, the elderly beneficiaries receive their transfers before the beneficiaries of other transfers.
39. Despite the presence of law enforcement officials, people still aggressively pushed each other to arrive closer to the front of the line. One police officer reported that a child died at a cash transfer event during the previous week because of the pushing of the crowd.
40. Approximately US\$ 56.58, with 19 lempiras equal to US\$ 1.
41. Approximately US\$ 31.58, with 19 lempiras equal to US\$ 1.
42. The two cash transfers given the day that the author visited were the Solidarity Voucher and the Senior Citizens Voucher.
43. Most beneficiaries signed with their fingerprint, although this might not have been because they were illiterate- the PRAF-I employees typically did not ask beneficiaries if they could sign their name. However, if a beneficiary indicated that she could sign her name, she was allowed to do so.
44. These fears were realistic, as two female beneficiaries were assaulted during the afternoon of the transfers as they returned home after receiving their money, and they were taken to a local hospital.
45. PRAF employees typically believed beneficiaries who claimed to have fulfilled co-responsibilities were lying, revealing either faith in PRAF's information systems or doubt in the beneficiaries' honesty.
46. Although the *Red Solidaria* is trying to address this issue by helping Hondurans obtain these cards, some say it can take as long as two years to receive a national identification card. The National Registry claims that they do not have the materials needed to produce more cards.
47. Enrolment in public schools in Honduras is technically free, although some schools do charge fees at the time of enrolment. PRAF employees believe that any enrolment fees are too low to keep students from enrolling in classes.
48. This uses the approximate exchange rate in August of 2007 of 19 lempiras equal to US\$ 1.
49. Since the goal of the newest loan is to create a unified PRAF, in the future there should not be a need to refer to different versions of PRAF within the main organization. This section reflects that perspective in referring to the current PRAF-I and PRAF-III jointly as PRAF, unless we otherwise specify.
50. In 2002, when former President Maduro came into power, PRAF experienced a complete turnover of its employees, which erased virtually all institutional memory. In 2006, when the Zelaya administration came into power, all PRAF employees were released except for five. These five employees have helped to preserve the institutional capacity gained during the previous administration, particularly through the PRAF-II project.
51. El Salvador's experience with its CCT programme, the *Red Solidaria*, can offer some important lessons on how to integrate demand-side and supply side aspects. See Britto (2007).
52. IFPRI 2003a.



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