

**PROGRAM FOR INSTITUTIONAL REORGANIZATION AND EXPANSION OF BASIC SERVICES  
IN THE HEALTH SECTOR**

**(HO-0032)**

**EXECUTIVE SUMMARY**

**BORROWER AND GUARANTOR:** Republic of Honduras

**EXECUTING AGENCY:** Secretariat of Health (SS)

**AMOUNT AND SOURCE:** IDB: US\$36.0 million (FSO)  
Local counterpart funding: US\$ 4.0 million  
Total: US\$40.0 million

**FINANCIAL TERMS AND CONDITIONS:** Amortization period: 40 years  
Grace period: 10 years  
Disbursement period: 5 years  
Interest rate: 1% during grace period  
and 2% thereafter  
Inspection and supervision: 1% of loan amount  
Credit fee: 0.5% on undisbursed  
balances

**OBJECTIVES:** The objectives of the program are: (i) to help set the stage (from an institutional, methodological, and management standpoint) to enable the Secretariat of Health (SS) to design and implement the reform of the health sector in the medium term, and (ii) in the short term, to improve the quality of services and to strengthen and promote health education through expanded access to primary health care services.

**DESCRIPTION:** The program is designed as a long-term transition project to carry out the institutional reform of the SS, complementing activities initiated under the technical cooperation for the public sector reform program (PRSP/CTPRSP: PR-967/SF-HO and PR-968/SF-HO), resolves existing health problems, and prepares institutional capacity for the future reform of the sector.

With respect to the first objective, the program will help: (i) to complement the institutional reorganization of the SS through financing for activities geared to rationalizing and restructuring the ministry's technical and administrative systems; (ii) to undertake a pilot plan for hospital reform that includes activities of restructuring,

modernizing management, reinforcing autonomy at six hospitals including actions to rehabilitate and outfit three hospitals and to strengthen the national emergency system at three other existing hospitals to initiate the reform; and (iii) to develop the necessary technical and management capacity for the sector so that it can carry out the program and set the stage for an operation for reform of the sector in the future. This would be achieved through technical assistance and three sector studies.

As to the second objective, the program seeks to resolve health problems affecting mainly the poor, women, and children, with financing for activities that would: (i) expand the access program with basic services; and (ii) bolster three public health programs (health education, epidemiologic surveillance with a focus on AIDS control, and nutrition improvement).

The program is structured around two components:

A. **Component to develop the basis for reform of the health sector (US\$24,800,000)**, which would be effected through three activities:

(a) Institutional reorganization of the Secretariat of Health, for the purpose of modernizing the institution and making it more efficient. This would be achieved through restructuring at the central level (confirming the hierarchical structure of the SS, improving and decentralizing systems for administration of human resources, procurement, and budget), and readjusting the institutional policies of the sector including a redefinition of institutional roles, the creation of mechanisms for coordination between the SS and Social Security and the Private Sector, and the development of mechanisms for accreditation of establishments to improve the quality of health care.

(b) Pilot program for hospital reform to finance the development of a new model for hospital organization and care that would be carried out under a pilot plan at six hospitals structured around: (i) the strengthening of hospital autonomy taken to mean the decentralized management of the budget, personnel, and the procurement system; participation by civil society through support committees or boards; introduction of

cost recovery mechanisms; execution of management contracts between the SS and the hospital and the hiring of general services (cleaning, supervision, etc.) that would be offered by the private sector; (ii) modernization of management at six hospitals including the development of new management systems, information management, personnel and procurement management, accounting, budget, quality control, transport, and communications and maintenance; (iii) physical and operational rehabilitation and basic reconditioning of three hospitals; (iv) the development of a national emergency system using existing infrastructure at three hospitals; and (v) the application of environmental safety measures.

- (c) development of institutional operating capacity. The Program Coordinating Unit (PCU) will be in charge of implementing the program and preparing documentation and establishing methodologies that provide technical underpinning for future reform of the sector including the hiring of consulting services to perform mid-term and final evaluations. The Unit will also be responsible for supervising three sector studies: **promoting participation by the private sector** as service provider, analysis of the **Social Security** health system, and analysis of **domestic violence** as a health problem.

- B. **Primary health care strengthening component (US\$9,400,000)**. This component is designed to improve protection of population groups at social and epidemiologic risk (the poor, women, and children) through financing for two activities:

- (a) expanding the Access Program to population groups lacking basic service coverage (30% of the population, or approximately 45% of municipalities in the country) including the strengthening of management at the local level, participation by civil society, restructuring of the benefits system, and
- (b) strengthening of three public health programs concerned with health education, epidemiologic surveillance to target disease prevention and control, with a special focus on controlling AIDS in pregnant women, and

nutritional improvement (micronutrient supplementation and breast feeding).

**ENVIRONMENTAL  
CLASSIFICATION:**

The Environmental Summary of the program showed that its environmental effects would be favorable since hospital personnel would receive training in procedures to prevent and provide protection against sanitary waste as well as environmental protection measures with a focus on the control of liquid and hospital waste (see paragraph 4.11 and environmental summary). Moreover, given the nature of the program, virtually all of the activities are intended to have an impact on the social conditions of the most vulnerable human groups such as the poor, women, and children. An analysis of the beneficiaries (paragraph 4.26) shows that the program targets mainly the very poor. The impact on women and children is accorded priority under the program since the activities of the primary health care strengthening component (paragraph 2.19) under the "expanded Access Program" target mainly women and children, with the expectation of reducing mother and child mortality rates. Likewise, the public health strengthening actions will benefit groups at risk (women and children) through health education, epidemiologic surveillance, nutrition improvement for pregnant women and children under six and the control of AIDS in HIV infected pregnant women. The program entails health education and health care with special activities for indigenous populations (paragraph 2.19.b). The three hospitals selected for rehabilitation and reconditioning were given priority owing to their support for the Access Program and their scheduled health care programs for women (pregnancy, birth, postnatal care, reproductive health, and breast feeding) and for children (growth and development, immunization, basic care). The program encompasses a study on domestic violence that focuses on the health of women and children and identifies strategies for sector care.

**BENEFITS:**

The program targets the majority of its benefits to the population living in poverty and at greatest epidemiologic risk. The estimated number of beneficiaries is 2,590,000 (47% of the country's population) of whom 920,000 are children under six (70% of that age group) and 555,000 women of child-bearing age (46% of that group). The Access Program will expand coverage of basic services to 80% of municipalities. The program would also bring other benefits resulting from the improved institutional efficiency, which would have positive effects on productivity and return on investment.

**RISKS:** The uncertainty associated with the program has to do with its financial sustainability. Public spending on health is low and poorly targeted. In this context, the program's structure has been designed to improve the targeting of public spending and make it more efficient. The operational weaknesses of the SS are a problem entailing some risk for the execution of the program. The coordinated and complementary actions of the CTPRSP and the program are positive steps for minimizing this potential risk.

**THE BANK'S COUNTRY AND SECTOR STRATEGY:** The Bank's strategy in Honduras is geared to poverty reduction, development of human capital, institutional strengthening and support for modernization of the State. In health, the Bank's strategy centers on improving the efficiency, effectiveness, and equity of the system.

**IMPACT ON POVERTY:** The program satisfies the Eighth Replenishment criteria, inasmuch as it targets geographical areas where the majority of the population can be classified as poor. The initiatives proposed assign priority to preventive measures that will have maximum external positive impact on the health of the population in general, with special emphasis on the human groups at greatest risk ? women, children and the poor.

**SPECIAL CONTRACTUAL CONDITIONS:** Conditions precedent to the first disbursement

The following requirements must be met prior to the first disbursement: (i) the Project Coordinating Unit (PCU) must have been formed with local and essential personnel in accordance with the structure already agreed on with the Bank (see paragraphs 3.4 and 3.5); (ii) the Annual Plan of Operations (APO) for the first year of execution must have been submitted as indicated in paragraph 3.10 of the document; and (iii) the final terms of reference for the performance of the activities envisaged in the APO for the first year must have been submitted.

Special conditions for disbursement of funding for investment in hospitals

The disbursement of financing for the overall rehabilitation of three hospitals and the strengthening of the national emergency system at three others are predicated on fulfillment, to the Bank's satisfaction, of the activities and conditions described in paragraphs 2.9 to 2.15 of the present document.

Other conditions

The following documents must be submitted 30 days before the mid-term evaluations (to be completed 30 months after the effective date of the loan contract): report on the general status of the program; analysis of the performance of the activities included in the approved APOs and a proposal for the next phases.

The loan contract will also include the standard Bank clauses concerning, inter alia, audits, reports, inspections, loan evaluation, procurement of goods, services contracts for construction works and hiring of consultants.

**EXCEPTIONS TO  
BANK POLICY:**

None.

**PROCUREMENT  
CONDITIONS:**

International competitive bidding will be required for contracts valued at more than US\$250,000 in the case of services and US\$1 million in the case of goods. Paragraph 2.22 gives a breakdown of the direct costs of the program by investment and the tentative procurement plan is presented in Annex III.