

**Republic of Honduras: Interim Strategy Note
and
Honduras: Emergency Fiscal Recovery Development Policy Credit**

**Meeting of Executive Directors
November 9, 2010**

Chairman's Summing Up

The Executive Directors discussed the joint IDA/IFC Interim Strategy Note for the Republic of Honduras (IDA/R2010-0330[IFC/R2010-0349]). They approved an Emergency Fiscal Recovery Development Policy Credit (DPC) in the amount of USD 74.7 million equivalent for the Republic of Honduras on the payment terms and conditions set out in the President's Memorandum (IDA/R2010-0331).

Directors commended the progress made by Honduras in macroeconomic performance and fiscal reform. In particular, they noted the efforts, such as the new tax law, which have contributed to achieving a Stand-By Agreement with the IMF. However, Directors highlighted that serious challenges remain, including the need to address deep-rooted and persistent poverty, inequality in social indicators and incomes, high rates of crime and violence, as well as the effects of climate change. In this regard, Directors were pleased to note the authorities' commitment – as expressed in the National Vision and the National Plan – to human development, social justice, fiscal stability, good governance, improved security and mitigation of the impact of climate change.

Directors expressed broad support for the interim strategy and its approach. They welcomed the ISN's focus on macroeconomic stability and growth to ensure poverty reduction and higher employment. They noted that given the political and economic circumstances and the urgent needs of the government, the option of an ISN rather than a full CPS is appropriate. In this regard, they supported the ISN pillars and agreed that it would be opportune for the new CPS to coincide with the first year of the IDA16 cycle.

Directors welcomed IFC's significant and growing role in Honduras and encouraged further joint Bank/IFC efforts going forward. They also noted Honduras' selection as a pilot country for the Climate Investment Funds, noting the potential for developing a strong program for renewable energy. Directors commented on the Bank's support for the conditional cash transfer program and expressed strong support for its success. They also suggested continued improvement of portfolio quality and the mainstreaming of gender in Bank/IFC operations. Directors appreciated the candid assessment of risks and urged staff to work with national authorities to identify and mitigate key weaknesses.

Summary of Discussion*

With respect to the DPC, the Executive Directors agreed with its design and reform areas. They stressed the importance of policy continuity and a close dialogue with the government. Some Executive Directors asked the Bank to provide contingency planning to be able to react to changing priorities on the ground. Directors underlined the importance of continued donor collaboration and noted that the DPC was prepared in coordination with major donors.

* This summary is not an approved record.