

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

**TRANSPARENCY AND INTEGRITY PROGRAM FOR SUSTAINABLE
DEVELOPMENT II**

(HO-L1248)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Nicolás Dassen (IFD/ICS), Project Team Leader; Martín Ardanaz (IFD/FMM), Alternate Project Team Leader; María José Schaeffer, Juan Cruz Vieyra, Cecilia Álvarez Bollea, Gastón Pierri, Catherine de la Torre, María José Martínez, and Laura Rodríguez (IFD/ICS); Leslie Harper and Ana Cristina Calderón (IFD/FMM); Viviana Maya (LEG/SGO); Jordi Prat (CID/CID); Christian Contin (VPC/FMP); Raúl Lozano (FMP/CCR); Claudia Sierra and Policarpo Melara (CID/CHO); Francisco Manjarres (INE/WSA); Raquel López (CSD/CCS); Raimundo Arroio, Marcela Duque, and Álvaro González (Consultants). The project was reviewed by: Mariano Lafuente (IFD/ICS) and Axel Radics (IFD/FMM).

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ABBREVIATIONS

| | |
|-----------|--|
| AML | Anti-money laundering |
| ANSEC | National Civil Service Administration |
| CAAM | Convention on Mutual Administrative Assistance in Tax Matters |
| CFT | Combating the financing of terrorism |
| CNBS | National Banking and Insurance Commission |
| DEM | Development Effectiveness Matrix |
| ENTAH | National Transparency and Anticorruption Strategy |
| ERSAPS | Water and Sanitation Services Regulator |
| FATF | Financial Action Task Force |
| IAIP | Access to Public Information Bureau |
| IMF | International Monetary Fund |
| MARCI | Master framework for internal institutional control of public resources |
| ML/TF | Money laundering and terrorism financing |
| OECD | Organisation for Economic Co-operation and Development |
| OGP | Open Government Partnership |
| ONADICI | National Office for Integral Development of Internal Control |
| ONCAE | State Procurement Regulatory Office |
| PBL | Policy-based loan |
| PBP | Programmatic policy-based loan |
| PCR | Project completion report |
| SEFIN | Department of Finance |
| SENPRENDE | Servicio Nacional de Emprendimiento y Pequeños Negocios (National Entrepreneurship and Small Business Service) |
| SIGPRET | Sistema de Gerencia Pública por Resultados y Transparencia (Public Management System for Results and Transparency) |
| SOFR | Secured overnight financing rate |
| STLCC | Transparency and Anticorruption Department |
| TSC | Tribunal Superior de Cuentas (Court of Audit) |
| UCF | Fiscal Contingencies Unit |
| UIF | Financial Intelligence Unit |
| UNODC | United Nations Office on Drugs and Crime |
| USAID | United States Agency for International Development |

**PROJECT SUMMARY
HONDURAS
TRANSPARENCY AND INTEGRITY PROGRAM FOR SUSTAINABLE DEVELOPMENT II
(HO-L1248)**

| Financial Terms and Conditions | | | | | | | |
|---|---|--|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Borrower: | Fuente | % | Amount (US\$) | % | | | |
| Republic of Honduras | IDB (Regular OC): | 65 | 16,640,000 | 65 | | | |
| Executing Agency: | IDB (Concessional OC): | 35 | 8,960,000 | 35 | | | |
| Department of Finance (SEFIN) | IDB (Total): | 100 | 25,600,000 | 100 | | | |
| | Regular OC (FFF) ^(a) | | Concessional OC | | | | |
| Amortization period: | 20 years | | 40 years | | | | |
| Disbursement period: | 1 year | | | | | | |
| Grace period: | 5.5 years ^(b) | | 40 years | | | | |
| Interest rate: | SOFR-based | | 0.25% | | | | |
| Credit fee: | (c) | | N/A | | | | |
| Inspection and supervision fee: | (c) | | N/A | | | | |
| Weighted average life: | 12.75 years | | N/A | | | | |
| Approval currency: | U.S. dollars | | | | | | |
| Project at a Glance | | | | | | | |
| <p>Project objective/description: The general development objective of this operation is to increase accountability by the Honduran government. Contributing to this general objective are the specific development objectives of enhancing: (i) public transparency; (ii) the effectiveness of public integrity policies; and (iii) the efficiency of control systems.</p> <p>This is the second of two consecutive operations that are technically related but independently financed as a programmatic policy-based loan operation.</p> | | | | | | | |
| <p>Special contractual conditions precedent to the first and sole disbursement of the loan: The first and sole disbursement will be contingent upon fulfillment of the policy reform conditions established in the Policy Matrix (Annex II), the Policy Letter, and the conditions established in the loan contract (paragraph 3.4).</p> | | | | | | | |
| <p>Exceptions to Bank policies: None.</p> | | | | | | | |
| Strategic Alignment | | | | | | | |
| Objectives: ^(d) | O1 <input checked="" type="checkbox"/> | | O2 <input checked="" type="checkbox"/> | | O3 <input type="checkbox"/> | | |
| Operational Focus Areas: ^(e) | OF1 <input checked="" type="checkbox"/> | OF2-G <input checked="" type="checkbox"/> OF2-D <input checked="" type="checkbox"/> | OF3 <input checked="" type="checkbox"/> | OF4 <input type="checkbox"/> | OF5 <input type="checkbox"/> | OF6 <input type="checkbox"/> | OF7 <input type="checkbox"/> |

- (a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations, prevailing market conditions, and the level of concessionality of the loan into account when reviewing such requests in accordance with the Bank's applicable policies.
- (b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes to the grace period are permitted provided they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.
- (d) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).
- (e) OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); OF7 (Regional integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 This is the second and final operation in a programmatic policy-based loan (PBP) series. The first operation, approved by the Bank's Board of Executive Directors in September 2022 for US\$195 million and disbursed in December 2022 ([5593/BL-HO](#)), supported regulatory, technological, and governance measures to enhance transparency and integrity through the general development objective of increasing accountability and the specific development objectives of enhancing: (i) public transparency; (ii) the effectiveness of public integrity policies; and (iii) the efficiency of control systems. To this end, the first operation had four components: (i) economic stability; (ii) transparency of public information; (iii) public integrity policies; and (iv) control systems. The first operation adopted policy measures in accordance with international standards, and this second operation will move forward in implementing the measures and generating results to achieve program objectives.
- 1.2 **Macroeconomic context.** Honduras averaged 3.4% annual growth in 2010-2022, a rate similar to the rest of Central America and above the rest of Latin America and the Caribbean (2.0%). Annual growth per capita over this period was 1.58%, below the Central American average of 2.13% and well below the rate averaged by its lower-middle income peer countries (2.95%). The Central Bank of Honduras projects 3.5% and 4.5% growth for 2024 and 2025, respectively. While the economy is growing on the strength of expanding labor and capital, productivity has stagnated and has made no contribution to growth.¹ This is reflected in high rates of labor informality and significant social challenges. In 2022, Honduras had a 73% labor informality rate, a 64.1% poverty rate, and a Gini coefficient of 0.489, placing it among the Latin American and Caribbean countries with the highest rates of informality, poverty, and inequality. In 2023, Honduras and the International Monetary Fund (IMF) agreed to a 36-month arrangement under the extended credit facility, providing Honduras with access to US\$830 million in financing for economic reforms to create fiscal space to address urgent needs in social expenditure and investment, strengthen macroeconomic stability, ensure sustainability in the energy sector, achieve better governance, combat corruption, prevent money laundering and terrorism financing, and enhance climate resilience.²
- 1.3 **Evolution of, and institutional framework for, the transparency and integrity agenda.**³ In Honduras, the anticorruption agenda has four main components: (i) integrity; (ii) access to information and transparency; (iii) control; and (iv) mainstreaming and regulation that contribute to prevention and supervision on the national level.⁴ The Transparency and Anticorruption Department (STLCC) has

¹ The main factor behind slower growth in Latin American and Caribbean countries is productivity deficits. This conclusion is based on an analysis of other crucial components that influence aggregate output, namely human and physical capital. [2024 Latin American and Caribbean Macroeconomic Report: Ready for Take-Off? Building on Macroeconomic Stability for Growth \(iadb.org\)](#), Figure 2.5.

² See [Honduras: Article IV Consultation, IMF, September 2023](#).

³ For more details, see [optional link 10](#).

⁴ Mainstreaming means that the anticorruption agenda should cut across economic and social sectors, levels of government, and branches of government.

been established to promote transparency, integrity, and anticorruption policies and is basically responsible for preparing and coordinating implementation of an action plan to advance a national transparency and anticorruption strategy. The Access to Public Information Bureau (IAIP)⁵ was established for the access to information and transparency component. In the control component, the Court of Audit (TSC)⁶ is responsible for external control, and the National Office for Integral Development of Internal Control (ONADICI), which reports to the STLCC, is the specialized technical agency responsible for the overall development of internal control on the institutional level.⁷ Honduras also has the National Anticorruption Council, established by Congress as a body for citizen control exercised by civil society organizations. The Financial Intelligence Unit (UIF), which reports to the head of the National Banking and Insurance Commission (CNBS), is responsible for overseeing efforts to prevent and combat money laundering and terrorism financing and to help combat tax evasion and organized crime.

- 1.4 Other institutions that contribute to the transparency and integrity agenda in a crosscutting and sectoral manner are the Department of Finance (SEFIN), which prepares the budget and programs public investments, among other activities.⁸ Lastly, on the crosscutting level there is: (i) the State Procurement Regulatory Office (ONCAE), which develops operational, technical, and economic guidelines for public procurement systems; and (ii) the National Civil Service Administration (ANSEC), which manages and oversees public employment. Regulatory bodies on the sector level include the Water and Sanitation Services Regulator (ERSAPS), which regulates and oversees water and sanitation service providers and participates in one policy measure under this program (see [optional link 10](#)).
- 1.5 **Achievements of the first operation and progress under the program.** This institutional framework helped fulfill, in a complete and timely manner, the set of 18 policy measures under the first operation, as set forth in the memorandum and disbursement report dated in December 2022 ([see optional link 13](#)). Once this first stage of regulatory and administrative reforms was completed, this second operation has been designed in the context of the new IDB Group Institutional Strategy: Transforming for Scale and Impact (paragraph 1.29). This will allow for a focus on the implementation of the reforms undertaken with emphasis on the effectiveness of the results for achieving greater impact, thus fulfilling the program's objectives. The Government of Honduras, with the Bank's technical support (paragraph 1.26) continued to make strides in enhancing the transparency of public information, the effectiveness of public integrity policies, and the efficiency of control systems.
- 1.6 **Transparency.** The Government of Honduras managed to make progress with specific policies and activities to make public information more transparent, including (paragraph 1.34): (i) implementation in the Department of Finance of a digital platform for the visualization of budget data, including the gender

⁵ The IAIP is a deconcentrated body responsible for promoting and facilitating citizen access to public information (Article 12, Law on Transparency Access to Public Information, Legislative Decree 170-2006).

⁶ Created by Articles 222-227 of the Constitution and by Law 10-2002 Establishing the Court of Audit.

⁷ Created by Executive Decree PCM 26-2007.

⁸ SEFIN has its own Transparency Directorate responsible for overseeing compliance with specific transparency regulations and standards related to public budgeting.

perspective and public expenditure data,⁹ which is already showing preliminary results;¹⁰ (ii) implementation of actions for consistency between the budget classifier and the master catalogue of goods and services; (iii) design of a digital platform for the Fiscal Contingencies Unit (UCF) to gather data on risks related to natural disasters and litigation, and training on how to assess the fiscal impacts of extreme weather events;¹¹ (iv) certification of municipal officials in transparency and open government;¹² (v) approval of regulations in the water and sanitation sector by ERSAPS that include integrity and transparency indicators for operators in the sector;¹³ and (vi) publication of the climate change budget executed by the Department of Natural Resources and Environment, the Forest Conservation Institute, and ERSAPS.¹⁴

- 1.7 **Public integrity.** After the first operation, progress was made with important measures for: (i) starting implementation of the National Transparency and Anticorruption Strategy (ENTAH);¹⁵ (ii) approving the Fifth Open Government Action Plan (2023-2025), which contains commitments related to gender and

⁹ With the support of the Bank's Gender and Diversity Division, an innovative methodology was implemented that included an initial diagnostic assessment, a methodological proposal, and training workshops for public institutions. The result can be seen in this section of the [Honduras Inversiones](#) website.

¹⁰ The [Honduras Inversiones](#) platform is part of the Bank's [MapaInversiones](#) initiative comprising 14 countries, which includes data (automatically updated daily) on the budget and its execution; as well as on public investment projects and contracts and payment orders associated with government procurement. To date, a total of 114 institutions publish this information there, and there were an average of 1,288 monthly logons during 2023. The positive results since the implementation of the MapaInversiones platform in Costa Rica and Colombia are noteworthy. In Costa Rica, it was confirmed that financial progress on public investment projects increased by 18%, and physical progress increased by 8% compared to projects not published on the [Rendicuentas](#) platform (*Divulgación de información y desempeño de la inversión pública: el caso de Costa Rica*, Rossi, Martin et al., IDB, 2020). In Colombia, after the launch of MapaRegalías, public investment projects financed with mining royalties showed an average increase in execution efficiency of 7.99% (*Monitoreando la inversión pública: el impacto de MapaRegalías en Colombia*, Lauleta, Maximiliano et al., IDB, 2019).

¹¹ This training and the design of the digital platform for assessing six fiscal risks (litigation, natural disasters, State-owned enterprises, public-private partnership contracts, guarantees and endorsements, municipal risks) are set amid a broader context of collaboration between the Bank and the UCF (see [optional link 6](#)). Of the civil servants trained, 72.73% indicated that their knowledge had improved after the training.

¹² These activities are being coordinated with the Honduran Association of Municipalities through the Bank's technical advisory services, and they will cover 43 leagues of municipios encompassing a total of 298 municipios. See training program (see [optional link 7](#)). As preliminary results, it is noteworthy that 60% of the certified civil servants indicated that they "agreed very much" or "agreed" that the training had been useful.

¹³ The transparency requirements adopted in the water and sanitation sector were supported by the Bank's Water and Sanitation Division and include 16 indicators previously used in a pilot initiative with seven private service providers (see [optional link 7](#)).

¹⁴ With the Bank's Support, Honduras has a methodology for disaggregating and publishing the budget execution associated with the climate change sector. Moreover, as part of the policy measure for this operation, strategic projects of the Honduran Social Investment Fund, the Department of Agriculture, and the National Electric Power Company will be included.

¹⁵ This includes nationwide training events on transparency, anticorruption, and citizen participation with a gender approach; identification of indicators to generate a national transparency index; publication of statistics on corruption cases; and the signing of collaboration agreements with various State and academic entities (see [optional link 8](#)).

diversity;¹⁶ (iii) fostering greater participation by women-led microenterprises and small businesses as government vendors;¹⁷ (iv) development of a citizen whistleblower channel¹⁸ as part of the ENTAH;¹⁹ and (v) creating ANSEC, a functionally, technically, and administratively independent body with its own legal status, to regulate government employment policies,²⁰ and submitting to the executive branch of the draft amendments to the Civil Service Act, to bring greater integrity to hiring and promotion processes, job descriptions, and compensation²¹ (paragraph 1.35).

- 1.8 **Control systems.** Lastly, progress has been made that laid the groundwork for: (i) implementing the system for digital management of sworn financial disclosure statements through a pilot initiative with 213 TSC employees, which was extended to late 2023 and expanded to 9,917 users from at least 30 government entities;²² (ii) developing a plan for training auditors at the national and subnational levels on the new provisions adopted by the TSC regarding internal control, which has already yielded preliminary results;²³ (iii) approving a national plan for preventing and combating money laundering and terrorism financing (ML/TF), including

¹⁶ This action plan was developed with assistance from a [technical monitoring board](#) that included women's organizations (the Institute for Sustainable Development of Lenca Women in Honduras; the Comayagua and La Paz Network of Women Against Violence) and organizations of Indigenous and Afro-descendant people (the Confederation of Indigenous Peoples of Honduras and the Network of Indigenous and Afro-Honduran Women). In addition, the [co-creation methodology](#) entailed work sessions with the participation of organizations of women, Indigenous and Afro-descendant communities, persons with disabilities, and LGBTQ+ people.

¹⁷ This progress was made in the context of the "Sello Empresa Mujer" program, including signing a cooperation agreement between the STLCC (through ONCAE) and the National Entrepreneurship and Small Business Service (SENPRENDE); establishing regulations for the "Sello Empresa Mujer" council coordinated by the STLCC (through ONCAE), the Department of Women's Affairs, and SENPRENDE, to implement the program's action plan; and analyzing demand (State procurement sector) and supply (women-led microenterprises and small businesses that can be government vendors).

¹⁸ A collaboration agreement has been signed with the Dominican Republic's national public service system to implement the "line 130" whistleblower channel and install the associated software, which is now in its trial period at <https://web-app-dev.linea130.gob.hn/>. The Dominican Republic has expertise in this type of instrument, as it established the 3-1-1 public service system as the primary mechanism for lodging complaints about the public administration, as well as the 3-1-1 hotline and the website <https://311.gob.do/>.

¹⁹ Implementation of the action plan for ENTAH is under way (see [optional link 8](#)), such as the aforementioned whistleblower channel, submittal of the Beneficial Ownership Act to Congress, and adoption of the Fifth Open Government Action Plan. This strategy, however, is still in the process of being formally approved, pending completion of a round of consultations within the executive branch.

²⁰ The decree establishing ANSEC (PCM 39/2023) allows 90 days for a proposed amendment to the Civil Service Act to be submitted to the Office of the President.

²¹ The proposed law was supported by the Bank. ANSEC will also, in addition to other activities, conduct a census of civil servants, add 10 new entities to the civil service system, and add 26,000 members of the armed forces to the Integrated Financial Administration System for salary payment.

²² In coordination with the Bank's Office of Ethics, in 2022 the TSC implemented a digital system for filing the sworn financial disclosure statements for income, assets, and liabilities. By April 2024, the TSC made this system available to the approximately 55,000 filing employees from 173 entities, and training in the human resources areas on how to use the system are now under way. In the first month from that date, there have been 1,313 disclosures filed, and 971 in progress, distributed among 46 government institutions.

²³ With the Bank's support, and in coordination with the United States Agency for International Development (USAID), an open-code distance education platform (Moodle) was developed, and training materials (guidebooks, videos, handouts, etc.) were disseminated. Training was also provided to officials from 45 municipios, 10 municipal associations, civil society, audit units, decentralized entities, and internal audit units.

recommendations for regulating the nonprofit sector (information on more than 1,400 organizations has been updated already);²⁴ (iv) submitting to Congress a bill that would create a consolidated beneficial ownership registry, with the objective of identifying the individuals behind corporate structures registered in Honduras or abroad, so as to help counter money laundering, tax evasion, and organized crime in accordance with the recommendations of the FATF;²⁵ (v) approving an action plan and guidelines for supervision based on money laundering risk in the sector of designated nonfinancial businesses and professions, such as notaries, attorneys, accountants, real estate agents, etc.;²⁶ with the purpose of reporting transactions suspected of money laundering to the UIF after performing a due diligence process regarding their clients in the performance of their professional activities; and (vi) submitting the Convention on Mutual Administrative Assistance in Tax Matters (CAAM) to Congress for approval²⁷ (paragraph 1.36).

- 1.9 **Main challenge.** The progress outlined in the preceding paragraphs has helped to address the main challenge for this program, as identified in the first operation, regarding limited accountability,²⁸ which is still tied to the following causal factors:
- a. **Low levels of transparency of public information.**²⁹ These low levels of transparency are associated with: (i) fragmented and incomplete information on spending; (ii) difficulties for citizens, the private sector, and other control agencies in accessing information to determine what public resources are spent on, how, and by whom; and (iii) limited visualization of budget information on public-facing, open-data portals (see [optional link 1](#)). Thus, this operation's measures (see Policy Matrix, points 2.1 to 2.6) are aimed at consolidating progress made in the first operation in terms of transparency in budgeting and public investment, public procurement, and fiscal contingencies at the municipal and sector levels.
 - b. **Gaps in effectiveness in implementing public integrity policies.** Honduras received a score of 0.44 (on a scale of 0 to 1) in the "open government" factor of the most recent Rule of Law Index,³⁰ compared to averages of 0.56 for Latin America and the Caribbean and 0.72 for the countries of the Organisation for

²⁴ In view of the sector analysis of ML/TF risk in the nonprofit sector and the corresponding action plan (first operation), the Honduran government began the process of purging the registry of nonprofit organizations through the agency for civic association regulation, registration, and monitoring (DIRRSAC). Out of 8,433 registered organizations, 6,852 are under review and 161 have had their registrations revoked.

²⁵ For the meaning and scope of the international importance of these types of projects, see the guidance on [Beneficial Ownership of Legal Persons](#). The bill to create the registry was submitted to Congress along with the bill on tax justice.

²⁶ Using the Bank-supported sector analysis of ML/TF risk in the sector of designated nonfinancial businesses and professions, the UIF—assisted by the United Nations Office on Drugs and Crime (UNODC)—is preparing the guidelines and manual for strengthening supervision with an approach based on risks in the nonfinancial sector (see [optional link 9](#)).

²⁷ The bill for approval of this convention was submitted along with the tax justice bill and will serve, once implemented, to exchange tax information with more than 100 countries in order to detect tax evasion.

²⁸ This refers to information that all public officials should provide regarding their actions and the rationale for specific decisions, as well as the existence of government agencies to monitor and sanction officials who fail to uphold their duties to the public (Smulovitz, 2002).

²⁹ This diagnostic assessment was based on what was presented in the first operation. No further updates have been generated from the aforementioned indicators and sources for Honduras.

³⁰ World Justice Project, 2022.

Economic Co-operation and Development (OECD). Honduras scored –1.09 (on a scale of –2.5 to 2.45) for control of corruption in 2022, compared to averages of 0.33 for Latin America and the Caribbean and 1.22 for OECD countries.³¹ Thus, and in view of the diagnostic assessments conducted in the first operation, the current Policy Matrix (see measures 3.1 to 3.5) directly targets progress in anticorruption efforts, as well as in implementing open government policies with an emphasis on the gender perspective and on regularization of civil service.

- c. **Gaps in efficiency in control systems.** This operation supports policies (see Policy Matrix, measures 4.1 to 4.6) to close efficiency gaps in control systems; these gaps relate to changes in the financial situation of public officials and internal audit, greater exchange of tax information, and strengthening of anti-money laundering (AML) efforts. Honduras scored a 5.60 on the latest Basel AML Index, compared to averages of 5.45 for Latin America and the Caribbean and 3.92 for OECD countries (on a scale of 0 (low risk) to 10 (high risk)).³²
- 1.10 **Complementary reforms.** The government is also making headway in designing other public policies on integrity and transparency that are complementary to those included in this program, such as: (i) continuing negotiations for establishing the International Commission Against Impunity in Honduras with support from the United Nations; (ii) developing a public management system for results and transparency, consisting of a results-based directorate and planning units for the entire Honduran public sector; and (iii) developing the national evaluation of ML/TF risks with support from the World Bank.
- 1.11 **Pending challenges.** Challenges remain over the medium term in promoting greater transparency and integrity with a focus on legislative, regulatory, and administrative reforms on which the government and legislative branch continue to make headway, seeking the necessary consensus for approval and implementation. They include passage of: (i) a new public procurement law, on whose text the Bank has submitted comments, and development and implementation of a new State procurement system;³³ and (ii) the amendment to the Civil Service Act and the corresponding regulations and guidelines for implementation once it is passed.³⁴ The proposed legislation includes criteria for meritocracy, equity, and transparency related to income and promotions in public service, management bodies and their duties, a classification of career-track positions, and a set of special rules and principles for civil service, such as gender equality, persons with disabilities, Indigenous and Afro-descendant communities; (iii) passage of the law on beneficial ownership and subsequent issuance of regulations for this law; and (iv) the CAAM; each of these items entails passage of the respective regulations, changes in internal rules, and development of new information systems.

³¹ Worldwide Governance Indicators, 2022.

³² Basel AML Index, 2023.

³³ The proposed law includes topics such as “promoting various forms of citizen participation in the contracting process” in order to strengthen transparency. In terms of digital tools, the government reported that it is in the process of reforming the State procurement system. Discussions are being held with the Bank to collaborate in developing this new modular platform, which will include an e-store.

³⁴ The Bank has contributed to the drafting of the bill that will be submitted to Congress.

- 1.12 **Conceptual framework and the Bank’s strategy in transparency and integrity.** Multiple IDB Group documents stress the importance of institutional capacity and the rule of law as foundational conditions for development and the reduction of poverty and gender inequality (paragraph 1.29). They highlight the importance of making progress in various areas, such as public ethics, access to information and open government, and anticorruption policies, as well as areas to promote fiscal and financial transparency and measures to combat money laundering and the financing of terrorism, as are promoted under this operation.³⁵ As a complement to this, the Transparency and Integrity Sector Framework Document highlights the importance of adopting legal and regulatory measures aligned with international commitments and standards ([optional link 6](#)).³⁶ These conditions are necessary but not sufficient. To ensure sustainability, focus is needed on the strategic selection of policy measures whose implementation is aimed at achieving a greater impact.
- 1.13 There is academic evidence that corruption and a lack of transparency have a negative impact on countries’ growth to the detriment of human development, especially in the lowest-income countries.³⁷ In one of the first studies on the topic, Paolo Mauro noted the potential for negative macroeconomic consequences based on the correlation between honesty and bureaucratic efficiency indicators and economic growth.³⁸ There is also evidence that opacity hurts economic growth and private sector development, as it leads to inefficiencies in public expenditure, higher prices of goods and services,³⁹ and tax evasion.⁴⁰ Other studies have noted that the countries with the best systems for access to information have better transparency indicators.⁴¹
- 1.14 An IDB study demonstrates a strong positive correlation between the ratings issued by rating agencies (Standard & Poor’s, Moody’s, and Fitch) and commonly used corruption indicators,⁴² as reflected in a note from Moody’s Investors Service

³⁵ IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631).

³⁶ Main international transparency and integrity instruments.

³⁷ M. Ugur and N. Dasgupta, “Evidence on the Economic Growth Impacts of Corruption in Low-income Countries and Beyond: a Systematic Review,” EPPI Centre, Social Science Research Unit, Institute of Education, University of London (August 2011). See also S. Akçay, “Corruption and Human Development,” 26(1) *Cato Journal* 29, 29-48 (2006).

³⁸ P. Mauro, *The Effects of Corruption on Growth, Investment, and Government Expenditure*, IMF Working Paper WP/96/98 (1996).

³⁹ Issue Paper on Corruption and Economic Growth, G20 Anticorruption Working Group/OECD, p. 2 (2013).

⁴⁰ Vito Tanzi and Hamid Davoodi, *Corruption, Public Investment, and Growth*, IMF Working Paper WP/97/139. See also: (i) F. Nawaz, *Exploring the Relationships between Corruption and Tax Revenue*, Transparency International; and (ii) S. Gupta, H. Davoodi, and R. Alonso-Terme, *Does Corruption Affect Income Inequality and Poverty?* IMF Working Paper 98/76 (May 1998).

⁴¹ *Do More Transparent Governments Govern Better?* Roumeen Islan, World Bank Working Papers. *Transparency and Trust in Government: Evidence from a Survey Experiment*, Martín Alessandro, Bruno Cardinale, Carlos Scartascini, and Jerónimo Torrealday, IDB-WP-962.

⁴² U. Panizza, *The Use of Corruption Indicators in Sovereign Ratings*, IDB Technical Note IDB-TN-1318 (October 2017).

- on Paraguay.⁴³ Authors such as Zak and Knack⁴⁴ have identified a positive correlation between people's confidence, investment, and economic growth.
- 1.15 The evidence also points to the negative impact of the lack of transparency on private investment in infrastructure.⁴⁵ A similar situation applies in the financial sector, where failure by countries to effectively apply the Financial Action Task Force (FATF) Standards has negative reputational and economic consequences, particularly a reduction in payments from abroad.⁴⁶
- 1.16 **Rationale.** The underlying change theory for the program is that greater integrity and transparency contribute to economic growth and sustainable development ([optional link 12](#)). The first operation prioritized the adoption of policy measures aligned with international standards, such as those of the Open Government Partnership (OGP), the FATF, the OECD, and the United Nations. On this basis, and with technical assistance from the Bank, the country made progress in implementing these measures (paragraphs 1.26 and 1.27) ([optional link 4](#)). Still, the country continues to face challenges (paragraphs 1.17 to 1.20) that call for continuing these joint efforts to achieve sustainability and generate the desired results of this program. This will continue to benefit citizens in multiple ways, as demonstrated in the aforementioned substantive progress (paragraphs 1.5 to 1.8).
- 1.17 **Transparency of public information.** Honduras is moving toward a new cycle of reforms to facilitate access to public information and make it more transparent. This cycle began with first-generation reforms (passive transparency) with the passage of Law 170 in 2006 and the consequent creation of the IAIP as guarantor. Under this program, Honduras is now moving toward second-generation reforms (active transparency), whereby the government would proactively post information to the websites of various entities. The clearest example of this is implementation of the Honduras Inversiones platform for georeferenced visualization of data on budgeting and public spending on investments at the national and subnational levels. Transparency efforts are also under way in specific sectors, such as budget execution related to climate change, gender budgeting, and adoption of transparency and efficiency indicators in the water and sanitation sector.
- 1.18 **Effectiveness of public integrity policies.** Since the new administration took office, Honduras has set out a medium-term roadmap for policymaking and institution-building for public integrity. Notable developments include publication of the ENTAH, initial implementation of the ENTAH action plan ([optional link 8](#)), and

⁴³ Moody's Investors Service, 22 July 2022, at [Moody's.pdf \(sharepoint.com\)](#), cited in the Program to Support Transformation of the Public Sector II, an operation with Paraguay (loan [5742/OC-PR](#), US\$150 million, approved in 2023).

⁴⁴ P.J. Zak and S. Knack, "Trust and Growth," 111(470) *Economic Journal* 295-321 (2001).

⁴⁵ De Michele, Roberto; Prats, Joan; Losada Revol, Isaías, *Effects of Corruption on Public-Private Partnership Contracts: Consequences of a Zero-tolerance Approach*, Discussion Paper, IDB-DP-625.

⁴⁶ *The Impact of Anti-Money Laundering Regulation on Payment Flows: Evidence from SWIFT Data*, Matt Collin, Samantha Cook, and Kimmo Soramäki. Center for Global Development, Working Paper 445, December 2016. See also: *Is the Anti Money Laundering Compliance Convenient? International Capital Flows and Stigma Effect in Latin America: The Case of Paraguay*, Donato Masciandaro, IDB, Discussion Paper, September 2013.

adoption of the Fifth Open Government Action Plan (2023-2025), putting Honduras on par with other countries in the region.⁴⁷

- 1.19 **Efficiency in external and internal control systems.** Honduras is making significant strides in aligning to the control standards of international organizations. Notable developments include: (i) the government's commitment to the IMF to implement a digital system in the TSC for civil servants to file financial disclosure statements, which will help reduce costs for both filers and those charged with analyzing this information; (ii) progress in technical compliance with, and implementation of, FATF recommendations on nonprofit organizations, designated nonfinancial businesses and professions, and transparency in beneficial ownership by legal structures and entities; and (iii) signing of the CAAM (the OECD convention for administrative exchange of tax information).
- 1.20 **Gender and diversity gaps.** In budgeting (measure 2.1), Honduras has made strides in mainstreaming gender considerations through initiatives such as creating a working group on gender-sensitive budgeting, mainstreaming gender in budgeting regulations, and holding public hearings on the topic. In 2023, however, gender tagging was not done throughout the entire budget, but rather consisted primarily of the "Ciudad Mujer" program and involved only 11 public-sector entities with a total budget of some L 294 million (about US\$12 million).⁴⁸ This gap will be addressed in order to strengthen and expand the process of government budgeting with a gender lens. As for the open government action plans (measure 3.2), according to the OGP,⁴⁹ only the fourth of Honduras's first four actions plans included one gender commitment⁵⁰ and one diversity commitment,⁵¹ and none of them included a focus on Indigenous and Afro-descendant communities or LGBTQ+ people. Thus, the gap to be addressed is the inclusion of specific gender and diversity commitments in the Fifth Open Government Action Plan to meet the needs of women and the aforementioned population groups, including: (i) the lack of visibility of the circumstances of Indigenous and Afro-Honduran people, who make up 8.6% of the population⁵² and experience high rates of poverty and exclusion, with 70% of them living in poverty and more than 50% unemployed, as

⁴⁷ Only 15 of the Bank's 26 borrowing member countries are part of the OGP. Of these 15, Honduras and seven other countries are in the fifth action plan cycle, and Honduras is one of only a few that have a national transparency and integrity strategy.

⁴⁸ [SEFIN \(2023\)](#).

⁴⁹ [OGP commitments database](#).

⁵⁰ Commitments with the "gender" tag are aimed at achieving gender parity or focused on publishing gender-disaggregated data. The only such commitment was Commitment 11 of the Fourth Open Government Action Plan: "Participation and empowerment of certified women in road infrastructure projects, public works, and mitigation works."

⁵¹ Of the commitments with the "inclusion" tag, those that impact Indigenous and Afro-descendant peoples, persons with disabilities, and LGBTQ+ people were selected. The only commitment that satisfies these criteria is Commitment 5 of the Fourth Open Government Action Plan: "Promote electoral civic education and the creation of equal conditions of participation in society so that people can more effectively exercise their rights and fulfill their duties in a democracy." This included an activity that focused on persons with disabilities, but it was not completed ([OGP Independent Reporting Mechanism, 2023](#)).

⁵² This figure includes people from the Maya-Chortí, Lenca, Misquito, Nahua, Pech, Tolupán, Tawahka, Garifuna, and English-speaking Black communities, as well as others. [National Statistics Institute, Population and Housing Census 2013](#).

reported by organizations amid a lack of official estimates;⁵³ (ii) women's low rate of participation in public administration, particularly in decision-making positions, with women holding only 38.1% of ministerial positions as of January 2023;⁵⁴ and (iii) discrimination against LGBTQ+ people by government employees⁵⁵ and the numerous human rights complaints brought by LGBTQ+ people against such employees.⁵⁶ In public procurement (measure 3.3), according to reports from the High Performance Business Center in 2022:⁵⁷ (i) in a survey of 144 microenterprises and small businesses listed in the ONCAE database, 43.1% had participated in public procurement, and of these, only 42.9% were women-led; and (ii) in a survey of 205 microenterprises and small businesses listed in SENPRENDE, 94.1% were not government vendors, and of these, 74% were women-led. These gaps will be addressed to strengthen the participation of women-led microenterprises and small businesses as government vendors.

- 1.21 **Bank experience in the sector at the regional level.** The Bank has extensive experience in transparency programs, such as: (i) the Program to Support Transparency and Integrity Reforms in Argentina I and II (loan [4244/OC-AR](#), approved in 2017 for US\$200 million, closed; and loan [4796/OC-AR](#),⁵⁸ approved in 2019 for US\$200 million, closed); (ii) the Transparency and Anticorruption Program, to support Bolivia's Ministry of Institutional Transparency and Anticorruption (loan [2216/BL-BO](#),⁵⁹ approved in 2009 for US\$5 million, closed); (iii) the Program to Support the Transparency Agenda in Paraguay I and II (loan [4866/OC-PR](#), approved in 2019 for US\$90 million, closed; and loan [5244/OC-PR](#), approved in 2021 for US\$250 million, closed); (iv) the programs to strengthen control agencies in Peru and Colombia (loan [4724/OC-PE](#), approved in 2018 for US\$50 million, in implementation with 49% disbursed; and loan [3593/OC-CO](#), approved in 2015 for US\$30 million, closed); (v) the Program to Support the Transparency and Integrity Agenda in the Dominican Republic (loan [5505/OC-DR](#), approved in 2022 for US\$60 million, in implementation); (vi) Chile's Integrity and Transparency Agenda Support Program I and II (loan [3617/OC-CH](#), approved in 2015 for US\$130 million, closed; and loan [3748/OC-CH](#), approved in 2016 for US\$100 million, closed); (vii) Support for Strengthening Chile's Integrity and Transparency Systems (loan [5298/OC-CH](#), approved in 2021 for US\$50 million, closed); (viii) Support for Strengthening Chile's Integrity and Transparency Systems II (loan [5798/OC-CH](#), approved in 2023 for US\$100 million, as a PBP); and (ix) Support to Public Management and Transparency Policies in Suriname (loan [5839/OC-SU](#), approved in 2023 for US\$150 million, closed).

⁵³ [World Bank \(2022\)](#).

⁵⁴ [Inter-Parliamentary Union and UN Women \(2023\)](#).

⁵⁵ [Inter-American Commission on Human Rights \(2019\)](#).

⁵⁶ [National Human Rights Commission \(CONADEH\) \(2022\)](#). A large portion of the 93 complaints lodged by LGBTQ+ people with CONADEH in 2022 were against law enforcement or security officers.

⁵⁷ Reports prepared for IDB and ONCAE.

⁵⁸ The project completion report (PCR) for this program has been approved. All three specific objectives were achieved. The [impact evaluation](#) of the COMPR.AR e-procurement platform found that the number of organizations using the platform rose from 23 in 2016 to 116 in the first half of 2019.

⁵⁹ The PCR for this project has been approved. The most noteworthy outcomes documented in a [case study](#) were the recovery of US\$37.5 million and a reduction in the average time it took to investigate reports of illicit enrichment, from 55 days to 7 days.

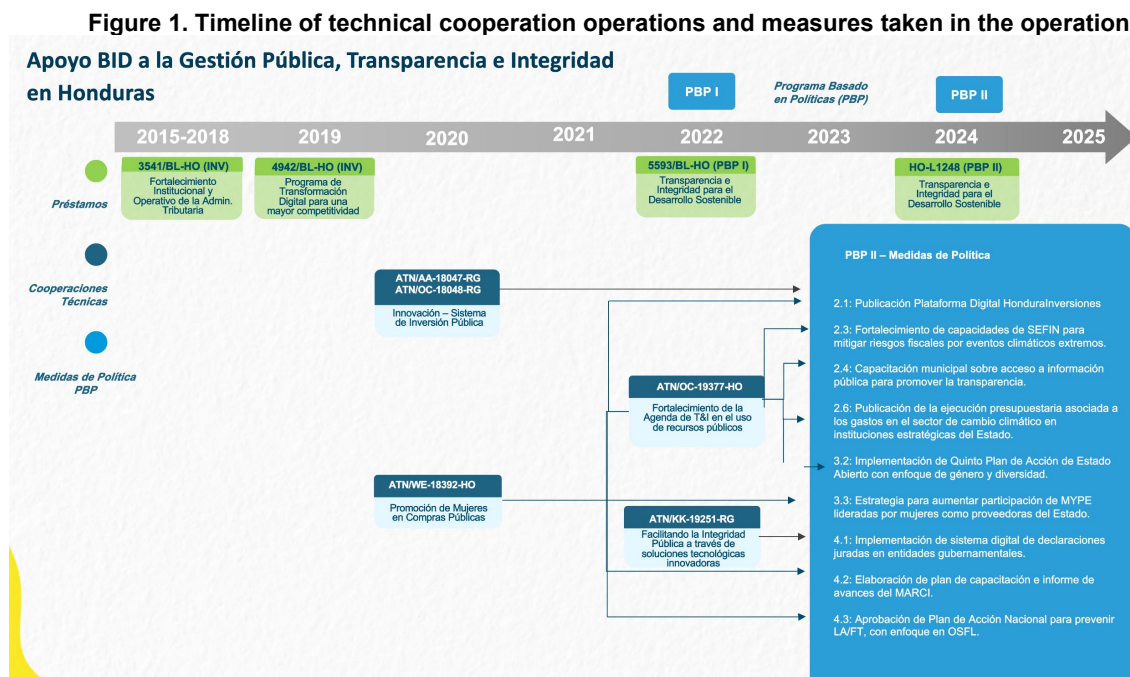
- 1.22 **The Bank's experience and complementarity with other operations in the country.** In the specific case of Honduras, the Bank has vast experience with loan and technical cooperation operations (paragraphs 1.24 and 1.25) that have made it a strategic partner: (i) the Fiscal Consolidation Support Program (loan [3590/BL-HO](#), approved in 2015 for US\$60 million, closed),⁶⁰ whose complementarity arises because this operation also supported the improvement of fiscal risk management (measure 2.3); (ii) Digital Transformation for Increased Competitiveness (loan [4942/BL-HO](#), for U\$44.7 million, approved in 2019, in execution with 8.95% disbursed), which complements this operation with support for ONCAE for the approval of the CUBS; and (iii) Tax Administration Institutional and Operational Strengthening ([3541/BL-HO](#) for US\$27 million, approved in 2015, fully disbursed), whose general objective is to improve tax revenue levels. This program is complementary in that it seeks greater transparency and integrity in the use of tax resources, as well as the exchange of tax information between countries (policy measure 4.6); (iv) the Transparency and Integrity Program for Sustainable Development ([5593/BL-HO](#)) (paragraph 1.1); (v) the Program to Support the Population and Housing Census and Strengthen the National Statistics System ([5832/BL-HO](#), US\$50 million, approved in 2023, in implementation), in that it aims to improve the quality and accessibility of official statistical data; and (vi) the first operation under this Transparency and Integrity Program for Sustainable Development (loan [5593/BL-HO](#), approved in 2022 for US\$195 million, closed), for which this operation represents its complement and continuity.
- 1.23 **Lessons learned.** Lessons learned from the programs mentioned in paragraphs 1.21 and 1.22 have been incorporated, particularly the importance of aligning transparency and integrity reforms with the international standards and initiatives that the countries have accepted and coordinating with the international cooperation agencies (paragraph 1.28). Compliance with those standards requires having more technically solid regulatory frameworks, a need addressed in the first operation, to allow for better implementation in this second operation. Special attention is paid to those standards for which an evaluation or monitoring mechanism is available, such as those of the OGP⁶¹ and the FATF,⁶² as the assessments include recommendations for advancing reforms related to open government and AML. Additional consideration should be given to: (i) economic policy and stronger interagency coordination; (ii) political leadership at the highest level; (iii) the existing institutional capacity of the entities involved and a clear sequence of actions; (iv) the value of using digital technologies to strengthen access to public information and integrity; and (v) the importance of prudently considering policy measures that require the passage of legislation by Congress or build on such laws (e.g., issuing regulations to implement a law after it is passed). These lessons will be incorporated through: (i) the operation's design and policy matrix; (ii) the OECD-IDB regional dialogue on transparency and integrity policies, in which Honduras is an active participant and which is attended by officials and specialists from the region; (iii) the participation of government officials

⁶⁰ The PCR for this program has been approved. All public expenditure objectives were achieved (see [here](#)).

⁶¹ For example, Honduras complied with all recommendations of the OGP Independent Reporting Mechanism for co-creation of the Fifth Open Government Action Plan with civil society. See report [here](#).

⁶² For example, the proposed law on beneficial ownership is aligned with FATF Recommendation 24.

- in other events and training sessions supported by the Bank;⁶³ and (iv) access to research and case studies published as part of the Bank’s knowledge agenda.
- 1.24 **Bank value-added.** The Bank has been supporting Honduras’s efforts to strengthen its transparency and integrity agenda since the middle of the last decade and will continue to do so in order to close remaining gaps after this program (paragraph 1.11). Past support was provided, for instance, for the preparation of: (i) a comprehensive transparency, integrity, and ethics policy for Honduras in 2014; (ii) a performance evaluation report on the TSC in 2016; and (iii) a national strategy for anti-money laundering and combating the financing of terrorism (AML/CFT) between 2016 and 2019.
- 1.25 In this program, the Bank has collaborated closely to ensure the fulfillment of many measures included in the results matrix, for both the first and second operations. The timeline in Figure 1 shows the Bank’s technical support for moving this agenda forward, including the specific tie-in between the technical cooperation operations and the measures of this operation (see paragraphs 1.22, 1.24, and [optional link 4](#) for more details).



Source: Prepared by the project team.

- 1.26 In addition, collaboration is under way with technical support on multiple activities that were not included as policy measures, such as: (i) preparation of a catalogue of emergency public procurement items ([ATN/LA-17667-RG](#) for US\$375,000, closed,

⁶³ For example, the Bank—in conjunction with the Financial Action Task Force of Latin America (GAFILAT) and the EU Global Facility on Anti-Money Laundering and Countering the Financing of Terrorism—held the Regional Conference on Transparency in Beneficial Ownership (Buenos Aires, November 2023), in which officials from the UIF in Honduras participated. The Bank also supported the participation of Honduran government officials in the specialized program of the OECD Latin American Academy for Tax and Financial Crime Investigation on investigative techniques for cash economies (2020).

research/dissemination); (ii) creation of a public beneficial ownership registry ([ATN/OC-16212-HO](#) for US\$243,000, closed, client support); (iii) with regard to strengthening country fiduciary systems, the Bank supported the country's procurement and auditing systems through technical cooperation operation [ATN/OC-18272-RG](#) (for US\$650,000, approved in 2020, client support); (iv) the analysis of capacity gaps and implementation of a pilot initiative to strengthen the capacities to monitor and evaluate the priorities of the Public Management System for Results and Transparency (SIGPRET) ([ATN/OC-20170-HO](#) for US\$250,000, approved in 2023, client support); and (v) institutional strengthening of SEFIN and SAR ([ATN/OC-19495-HO](#) for US\$300,000, approved in 2022, client support). In terms of technical cooperation operations: (i) Strengthening of the Transparency and Integrity Agenda in the Use of Public Resources in Honduras ([ATN/OC-19377-HO](#) for US\$400,000, approved in 2022, operational support); and (ii) Support for the Promotion of Women in Public Procurement in Honduras ([ATN/WE-18392-HO](#) for US\$285,000, approved in 2020, client support); these operations are complementary in that they each support implementation of policy measures under this program, or any other technical assistance that the counterparts need as value added from the Bank.

- 1.27 **Coordination with other donors.** The Bank participates actively in the Transparency and Good Governance Roundtable, which brings together the international donor community in Honduras, shares information, and coordinates technical assistance with the country (see [optional link 2](#)). In addition to sharing information on the Bank's support for Honduras with all roundtable members, the following activities were coordinated: (i) digitalization of the system of sworn financial disclosure statements at the TSC, which is part of the IMF program with Honduras and was coordinated with the IMF; (ii) implementation of a strategy for training on MARCI and dissemination of transparency principles at the municipal level were coordinated with the USAID democratic governance program; (iii) meetings and exchanges of documents have taken place with the Japan International Cooperation Agency to explore the possibility of formalizing financial support for SEFIN, in the form of a policy matrix containing measures in addition to those included in this program, as occurred in the first operation; (iv) support for the design of the Fifth Open Government Action Plan and its future implementation was coordinated with the OGP; (v) the sixth meeting of the Public Integrity Network was held as part of the regional policy dialogue program sponsored by the Bank's Vice Presidency for Sectors and Knowledge in 2022 and coordinated with the OECD; (vi) support activities with the Financial Intelligence Unit are being coordinated with UNODC on regulation and oversight of nonprofit organizations and designated nonfinancial businesses and professions; (vii) the Regional Conference on Transparency of Beneficial Owners (Buenos Aires, November 2023) was held with the Financial Action Task Force of Latin America—an FATF regional entity of which Honduras has been a member since 2012, and of which the Bank is an observer—and the Honduran government participated in this conference; and (viii) activities are being coordinated with the World Bank and SEFIN's Fiscal Contingencies and with the training of ONADICI's internal audit units, while the Bank is providing training for the TSC's external control function. This close cooperation with multiple entities fits within the Bank's new institutional development strategy for increasing the scale and impact of operations, as it seeks to work with other agencies and development banks as part of an integrated system.

- 1.28 **Strategic alignment.** The program is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with the objectives of: (i) reducing poverty and inequality, as greater transparency and integrity contributes to economic growth and promotes gender equality; and (ii) addressing climate change, as this operation will help identify, evaluate, and mitigate fiscal risks related to extreme weather events, as well as supporting transparency and reporting of financing efforts to address climate change. In accordance with the [multilateral development banks' joint methodology for tracking climate finance](#), this operation has 10.29% climate finance in mitigation and adaptation by virtue of its inclusion of policies that contribute to capacity-building to identify, evaluate, and mitigate fiscal risks related to extreme weather events, as well as the publication of information on the climate change budget executed in strategic State entities. These resources will contribute to the Bank's climate finance target of 30% of annual approvals by volume. The program is also aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality and inclusion of diverse population groups; and (iii) institutional capacity, rule of law, and citizen security (paragraph 1.13). This operation is also aligned with one of the five main channels for increasing scale and impact: the close work with multilateral development organizations and other international cooperation agencies (paragraph 1.28). The program is also aligned with the IDB Group Country Strategy with Honduras 2019-2022 (GN-2944)⁶⁴ in the strategic objectives of: (i) improving budget management; and (ii) improving the quality and efficiency of public expenditure. Furthermore, it is aligned with the IDB Group Gender and Diversity Action Plan (GN-3116-1) and is consistent with the Gender and Diversity Sector Framework Document (GN-2800-13) and the Employment Action Framework with Gender Perspective (GN-3057 and OP-2289-1), as it entails an analysis, intervention, and indicator related to promoting women-led businesses in public procurement (Component 3) and is classified as a Category 1 operation under the Employment Action Framework with Gender Perspective. Lastly, the operation is included in the 2024 Operational Program Report (GN-3207).
- 1.29 **Paris Agreement.** This operation has been reviewed using the Joint MDB Assessment Framework for Paris Alignment and the IDB Group [Paris Alignment Implementation Approach](#) (GN-3142-1), and it has been found to be: (i) aligned with the adaptation target of the Paris Agreement; and (ii) universally aligned with the mitigation target of the Paris Agreement ([optional link 5](#)).
- 1.30 **Considerations related to gender and diverse population groups.** The operation helps to close the aforementioned gender and diversity gaps through the following actions: (i) implementation of gender budgeting and promotion of budget transparency through a technological tool for online data visualization; (ii) inclusion and progress in implementing specific open-government commitments under the Fifth Open Government Action Plan to address the needs of women, Indigenous and Afro-descendant communities, and LGBTQ+ people; and (iii) design of a

⁶⁴ The coverage period of the IDB Group Country Strategy with Honduras has been extended until 31 December 2024 (GN-2944-2).

strategy as part of the “Sello Empresa Mujer” program⁶⁵ to increase participation by women-led microenterprises and small businesses as government vendors.

B. Objectives, components, and cost

- 1.31 The general development objective of this operation is to increase accountability by the Honduran government. Contributing to this general objective are the specific development objectives of enhancing: (i) public transparency; (ii) the effectiveness of public integrity policies; and (iii) the efficiency of control systems. The operation has four components, as described below.
- 1.32 **Component 1. Macroeconomic stability.** The objective of this component is to maintain a macroeconomic context consistent with the program objectives as established in the Policy Matrix and the Policy Letter ([required link 1](#)).
- 1.33 **Component 2. Transparency of public information.** This component will contribute to specific objective 1. The following policy actions are proposed for this second operation: (i) implement the Honduras Inversiones platform, which provides online data visualization with information on budget and public expenditure, including gender budgeting (measure 2.1 of the Policy Matrix);⁶⁶ (ii) increase transparency in public procurement through actions by the Interagency Technical Commission to achieve consistency between the budget classifier and the master catalogue of goods and services (measure 2.2);⁶⁷ (iii) strengthen the capacity of SEFIN’s Fiscal Contingencies Unit to identify, evaluate, and mitigate fiscal risks related to extreme weather events caused by climate change, through staff training (measure 2.3); (iv) promote municipal transparency through a program developed by the STLCC and the Association of Municipalities for certifying municipal officials in transparency and open government (measure 2.4); (v) approve sector regulations with integrity and transparency indicators in the water and sanitation sector, following dissemination and discussion with relevant sector actors (measure 2.5); and (vi) publish the

⁶⁵ This program is supported by the Bank; see [Sello Empresa Mujer](#). The strategy will provide a roadmap for contributing to access for women—particularly those who own microenterprises and small businesses—to become government vendors. The strategy will include findings of the diagnostic assessment of gaps for women’s participation in public procurement; analyses of goods and services offered by microenterprises and small businesses that can be sold to the government, of demand in the public procurement sector, and of the applicable legal and regulatory framework; and inputs from training workshops for women-led microenterprises and small businesses and from the entities on the “Sello Empresa Mujer” council.

⁶⁶ In 2024, with the Bank’s support, Honduras carried out the first phase of gender budgeting. This entailed [gender tagging in the 2024 draft budget](#) and posting the gender budget to the [Honduras Inversiones](#) website. Gender tagging assists in analyzing, identifying, and labeling budget programs that have an impact on narrowing gender gaps with a view toward the economic, physical, and decision-making aspects of autonomy and how these aspects are interrelated. The 2024 gender budget ended up encompassing 36 entities and totaled some L 1.445 billion. The gender budget was posted to the [Honduras Inversiones](#) platform on the basis of transparency and citizen participation, so that the public can know the amount of resources allocated to close gender gaps and so that citizen engagement may foster a more efficient use of resources.

⁶⁷ These activities include: (i) selection of 7,073 products to be made consistent with the United Nations catalogue of goods and services; (ii) identification of 1,100 capital goods and 3,995 consumer goods; and (iii) the commission’s consensus on matters related to public procurement regulations, accounting regulations, criteria for listing government assets in the catalogue, and mapping to the budget classifier for consistency between systems.

climate change budget executed in strategic State entities⁶⁸ (measure 2.6) ([optional link 1](#)).

- 1.34 **Component 3. Public integrity policies.** This component will support specific objective 2 through the following policy measures: (i) strengthen public integrity through the STLCC's publication and initial implementation of the ENTAH for 2022-2026⁶⁹ (measure 3.1); (ii) approve, and make progress in implementing, the Fifth Open Government Action Plan (2023-2025), including specific gender and diversity commitments (with a lens to Indigenous and Afro-descendant communities and LGBTQ+ people)⁷⁰ (measure 3.2); (iii) promote greater participation by women-led microenterprises and small businesses as government vendors, by designing a strategy as part of the "Sello Empresa Mujer" program (measure 3.3); (iv) promote strategic partnerships with civil society for anticorruption efforts by developing a citizen whistleblower mechanism as part of the ENTAH (measure 3.4); and (v) promote transparency and integrity in public employment through creation of the National Civil Service Administration and submittal to the executive branch of a draft amendment to the Civil Service Act by the Office of the Presidency (measure 3.5) ([optional link 1](#)).
- 1.35 **Component 4. Control systems.** This component will support specific objective 3 through the following policy measures: (i) implement the digital management system of sworn financial disclosure statements of income, assets, and liabilities in at least 30 government entities (measure 4.1); (ii) implement MARCI, including design of a remote training plan for auditors at the national and subnational levels (measure 4.2); (iii) approve the national action plan for AML/CFT, including recommendations for strengthening regulation of the nonprofit sector (measure 4.3); (iv) submit to Congress draft legislation that includes the creation of a consolidated beneficial ownership registry (measure 4.4); (v) approve an action plan and guidelines for supervision based on AML/CTF risk in the sector of designated nonfinancial businesses and professions (measure 4.5); and (vi) strengthen tax control by submitting the CAAM to Congress for approval (measure 4.6) ([optional link 1](#)).
- 1.36 **Changes in policy triggers and rationale.** See [optional link 1](#). The 18 policy measures in the Policy Matrix may be grouped into four categories:
- a. Measures replaced to reflect an increase in the Bank's scope of action and contribution: measure 3.3, on the incorporation of women certified to work on

⁶⁸ This is in accordance with objective 13 of the nationally determined contribution, and in line with Article 13 of the Paris Agreement.

⁶⁹ The 2022-2026 period coincides with the presidential term of office.

⁷⁰ This includes [Commitment 6, "Bringing visibility to voices of original peoples in building a collaborative policy: with them and for them."](#) which calls for formulating a public policy in collaboration with original (Indigenous and Afro-descendant) peoples to enable them to fully exercise their rights and to create an interactive, georeferenced map with updated information on the circumstances in which these peoples live; [Commitment 9, "Applying the parity principle in the public sector,"](#) which calls for generating and publishing open, gender-disaggregated data on job positions in the sector and developing a national action plan for achieving gender parity in leadership positions of public administration; and [Commitment 12, "Implementing international good practices for human rights protection and promotion by security and defense officers,"](#) which aims to reduce discrimination against LGBTQ+ people and other vulnerable population groups through listening sessions and a public survey that will serve as input in designing human rights training plans, including a focus on treatment toward LGBTQ+ people.

public infrastructure projects, has been replaced by a broader measure on which initial headway has been made by promoting the participation of women as government vendors in multiple areas; this is part of the Bank-supported program “Sello Empresa Mujer”; measure 4.3, on a proposed update to regulations for the nonprofit sector, has been replaced by an AML/CFT action plan, which is broader in that it is national in scope and covers multiple sectors, as well as including recommendations for future regulations of nonprofit organizations.

- b. Measures adjusted to better reflect progress made: measure 2.1 reflects implementation of the Honduras Inversiones platform, including gender budgeting; measure 2.4 reflects the creation of a program for certifying municipal officials in transparency and open government; measure 3.1 includes initial implementation of the ENTAH action plan; measure 3.2 adds gender and diversity commitments to the open government plan; measure 3.4 reflects the creation of the whistleblower mechanism; measure 3.5 reflects the creation of ANSEC; measure 4.1 expands coverage from 20 to 30 government entities that will implement the digital system for financial disclosure statements; and measure 4.2 includes remote training for auditors at the national and subnational levels.
 - c. Measures reworded for terminological accuracy: measures 2.2, 2.3, 2.6, 4.5, and 4.6.
 - d. No changes to measures 1.1, 2.5, and 4.4.
- 1.37 **Beneficiaries.** The main beneficiaries will be Hondurans who will interact with the government, civil society organizations, civil servants, control agencies, academia, economic agents, and those subject to financial regulations, since the reforms will be nationwide in scope, including some that are explicitly aimed at the subnational level, such as training of municipal officials in transparency-related matters. Also benefitting from the operation will be social organizations devoted to exercising social control over the transparency of budgets and public expenditure and private sector organizations that will have more access to information on spending on public investments. Women-led microenterprises and small businesses will particularly benefit from more opportunities to participate in public procurement and actions as part of the Fifth Open Government Action Plan, and entities in the climate change sector will benefit from having access to information on budget execution related to their work. Lastly, the civil servants of SEFIN, the STLCC, the UIF, ONADICI, and ONCAE will benefit from their enhanced capacity to carry out their mandates.

C. Key results indicators

- 1.38 **Expected results.** As noted above (paragraphs 1.13, 1.14, and 1.15), there is abundant literature indicating the benefits of transparency and integrity in the economic and social sphere. Along these lines, the main expected impact of this program will be an increase in accountability by public officials, measured by a narrower gap in noncompliance in filing sworn financial disclosure statements on

income, assets, and liabilities.⁷¹ Moreover, the following outcomes are expected: (i) greater transparency of public information related to publication of consolidated information on budget execution by public agencies on the Honduras Inversiones platform and the degree of access to that information (paragraph 1.6); (ii) greater effectiveness of public integrity policies thanks to an increase in full compliance with the open government commitments made under the fifth action plan submitted to the OGP⁷² and a larger percentage of women-led microenterprises and small businesses as government vendors;⁷³ and (iii) greater efficiency in control systems associated with lower costs for civil servants who digitally file their sworn statements disclosing income, assets, and liabilities;⁷⁴ and (iv) a stronger AML/CFT system, associated with an increase in the registration of nongovernmental organizations with the UIF, as a way to also help combat organized crime.⁷⁵

- 1.39 **Economic analysis.** Based on the recommendations made by the Office of Evaluation and Oversight in its 2011 Evaluability Review of Bank Projects,⁷⁶ and the review of evaluation practices and standards for policy-based loans by the Evaluation Cooperation Group in 2012,⁷⁷ provided for in paragraph 1.3 of the Review of the Development Effectiveness Matrix (DEM) for Sovereign and Non-Sovereign Guaranteed Operations (GN-2489-5), according to which an

⁷¹ This indicator was selected given the lack of scientific evidence of an impact study on the effect of digitalization of sworn financial disclosure statement systems. The selection of this indicator was also influenced by the fact that the Bank used, as a basis for supporting the TSC, the software used by the Office of Ethics for its employees to declare their conflicts of interest. Subsequently, using technical cooperation resources, the system was improved and tailored to current legislation in Honduras.

⁷² According to the OGP's Independent Reporting Mechanism, in the first 10 years, the difference in the rate of implementation among higher and lower income OGP countries is over 30%. About two thirds of all commitments are substantially or fully implemented by the end of the two-year period of each action plan. <https://www.opengovpartnership.org/ogp%20vital%20signs-10-years-of-data-in-review/>.

⁷³ In the Dominican Republic, on the basis of a policy to increase the participation of women-led businesses in public procurement processes, between 2013 and 2019 the value of the contracts for micro, small, and medium-sized enterprises increased by 600%, from US\$6 million to US\$42 million. [Skeptic's Guide to Open Government, 2022 Edition, Open Government Partnership](#), case study Empowering Women Businesses In Public Procurement in the Dominican Republic. In addition, in a study conducted in Argentina, the use of the electronic procurement system Compr.AR increased the likelihood of a bid process being awarded to a women by between 2.48% and 4.22%. [Transparency and Gender: The Impact of Electronic Purchasing on Access to Public Bidding by Women-led Small and Medium-sized Enterprises](#). Gaston Pierri et al., IDB 2021.

⁷⁴ One estimate prepared shows a reduction from US\$70 to US\$8 when moving from a paper-based system to a digital one. [The Role of the Anticorruption Office in Argentina](#), *The Journal of Public Inquiry*, Roberto de Michele, 2001. That same study also indicates, based on administrative data, an increase from 67% to 96% compliance with the filing of financial disclosures when moving from a paper to a digital system.

⁷⁵ Although not an impact study, in 2023, the FATF published best practices for "[Combating the terrorist financing abuse of non-profit organizations](#)."

⁷⁶ RE-397-1: The score for the economic analysis is calculated using the maximum of the cost-benefit analysis and the cost-effective analysis. However, these analyses cannot be applied to policy-based loans (PBLs).

⁷⁷ See *Good Practice Standards for the Evaluation of Public Sector Operations* (February 2012). Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition.

analysis of the efficiency of financial resource use does not need to be included,⁷⁸ it was determined that an economic analysis would not be undertaken for this type of loan, and the Bank's Board of Executive Directors was informed of this decision. An economic analysis is therefore not included and, accordingly, such an analysis will not be used for the purpose of assigning an evaluability rating in the DEM for this program.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This second operation is structured as a PBP, with two individual operations that are technically linked but financially independent, in accordance with Policy-based Loans: Guidelines for Preparation and Implementation (CS-3633-2). This financial instrument was selected based on the government's interest in obtaining IDB technical support throughout the entire reform process, from policy design to its regulation and subsequent implementation. The process of selecting measures include the proper sequencing of the reforms in order to take into account the capacities of the institutions involved and define a logic for the progressing advancement of reforms that combines regulatory progress with improved technical capacities and effective implementation. Consequently, the programmatic modality is justified in view of: (i) the need to allow enough time to implement complex reforms that require medium-term actions; (ii) the different time frames for implementing each of them; (iii) the relevance of evaluating progress in the triggers in view of lessons learned; and (iv) support and continuity of the policy dialogue in the country.
- 2.2 **Dimensioning.** This second operation will receive US\$25,600,000 in financing, consisting of US\$16,640,000 from Regular Ordinary Capital and US\$8,960,000 from Concessional Ordinary Capital, through a single disbursement. In accordance with paragraph 3.27(b) of the aforementioned guidelines (CS-3633-2), this amount has been determined on the basis of the country's need for fiscal resources, viewed broadly. This amount represents 2.65% of the debt level authorized under the Public Debt Policy for 2024-2027. Multilateral financing accounts for 37.1% of the central government's public debt, and the IDB accounts for 52% of this share.

B. Environmental and social risks

- 2.3 This PBL is not expected to have significant negative direct effects on the country's environment or natural resources, and therefore it is not subject to the IDB's Environmental and Social Policy Framework (GN-2965-23), in accordance with paragraph 4.7 of that document.

C. Fiduciary risks

- 2.4 No fiduciary risks associated with the operation have been identified. It entails no procurement items, and the loan proceeds will be paid directly into the Treasury

⁷⁸ According to the Evaluation Cooperation Group, PBLs should be evaluated based on their relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, given that the dimensioning of PBLs is linked to a country's financing gap, which is independent of a project's benefits.

Single Account to cover financing requirements. The executing agency has the necessary financial management tools and control instruments.

D. Other key issues and risks

- 2.5 **Institutional risk.** There is still a medium-high risk, as identified in the first operation, that if the institutions responsible for implementing the planned policy measures lack sufficient technical capacity, attainment of the program's objectives may be affected. To mitigate this risk, the IDB and other international agencies will continue to provide technical assistance in the form of specialized consulting services in various fields (legal, information technology, communication, gender, etc.) to support the institutions in fulfilling their mandates and policy commitments (paragraphs 1.25 and 1.29).
- 2.6 **Sustainability.** Most of the measures proposed in this operation are part of the country's international commitments, such as the country's adherence to the FATF Standards, open government principles, and the signature of international instruments such as the Inter-American Convention Against Corruption and the United Nations Convention Against Corruption. Furthermore, the program is included among the current government's policy commitments in the Government Plan 2022-2026 and the national transparency and anticorruption strategy 2022-2026, as well as initial implementation of the associated action plan⁷⁹ (paragraph 1.7). It includes policy measures aimed at applying the new tools, such as implementation of MapalInversiones, that will have a direct impact on the execution costs and times of the works involved.⁸⁰ Complementing these considerations is the government's willingness, over the medium term, to regain eligibility for development-related financial assistance from the Millennium Challenge Corporation. This sustainability is bolstered by the government's commitments along these lines, including governance targets with the IMF, a new program on fiscal matters and environmental sustainability with the World Bank, and the USAID governance program. It should be noted that the government's request for this second operation is directly related to its interest in upholding its commitment to the transparency and integrity agenda and continuing the Bank's technical support in achieving and implementing this agenda.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Honduras. The executing agency will be SEFIN, which will be responsible for monitoring and reporting on fulfillment of the policy commitments. SEFIN has had positive experiences as the executing agency of Bank-financed PBLs, including the first operation in this programmatic series ([5593/BL-HO](#), approved in 2022) and the programs to support policies in the water and sanitation sector ([4878/BL-HO and 4879/KI-HO](#), approved in 2019) and the transportation sector ([5342/BL-HO](#), approved in 2021).

⁷⁹ Completion of this project's measures does not depend on formal approval of the ENTAH. See footnote 20 under paragraph **Error! Reference source not found.**

⁸⁰ Projects posted to MapalInversiones perform better than unposted projects.

- 3.2 The executing agency will have the following responsibilities: (i) coordinate with the institutions responsible for activities included in this operation (including SEFIN itself; the STLCC and, within it, ONCAE and ONADICI; the UIF; ANSEC; and ERSAPS); (ii) submit evidence that the policy commitments have been fulfilled and any other evidence related to the program that the IDB requires to approve the respective disbursement; and (iii) once the disbursement occurs, compile information on the performance indicators to be used to evaluate program results. The executing agency will use the institutional means at its disposal to assure effective coordination between the public agencies affected by the policies included in this operation. It will also cooperate with the IDB in the necessary coordination with other organizations with an interest in the measures that are part of the operation.
- 3.3 **Interagency coordination.** SEFIN is responsible for coordinating fulfillment of this program's measures and will act through its Transparency Directorate. Coordination will include follow-up with the STLCC, the UIF, the TSC, ANSEC, the water and sanitation service regulator, the Tax Administration Service, and other branches in SEFIN, such as the UCF. The Transparency Directorate will coordinate the support stemming from the portfolio of technical cooperation projects under the transparency and integrity agenda with the different technical counterparts mentioned.
- 3.4 **Special contractual conditions precedent to the first and sole disbursement of the loan. The first and sole disbursement will be contingent upon fulfillment of the policy reform conditions established in the Policy Matrix (Annex II), the [Policy Letter](#), and the conditions established in the loan contract.**
- B. Summary of arrangements for monitoring results**
- 3.5 **Monitoring.** Program implementation will be monitored by SEFIN through its Transparency Directorate in particular. The borrower and the Bank will hold semiannual meetings to review fulfillment of the conditions. A monitoring and evaluation plan ([MEP](#)) has been designed for results monitoring. The tools in this plan are: (i) the Policy Matrix; (ii) the means of verification matrix ([required link 2](#)); and (iii) the Results Matrix. These establish the key supervision and results evaluation parameters for the program. The executing agency will be responsible for monitoring and tracking the operation's results for the purpose of reporting to the Bank.
- 3.6 **Evaluation.** The program will evaluate the indicators associated with the general development objectives by preparing the PCR using a before-and-after methodology. Particular attention will be paid to whether the following have increased: (i) access to consolidated information on budget execution; (ii) participation of women-led microenterprises and small businesses in public procurement; and (iii) civil servants' compliance with the requirement to submit their disclosure of income, assets, and liabilities. For other indicators, a before-and-after analysis will be used.

IV. POLICY LETTER

- 4.1 **Policy Letter.** The Policy Letter ([required link 1](#)) ratifies the Honduran government's commitment to the objectives and actions envisaged in the programmatic operation. The Bank and the government have also agreed on a Policy Matrix (Annex II) that identifies the policy actions under this operation.

| Development Effectiveness Matrix | | |
|--|---|---|
| Summary | | HO-L1248 |
| I. Corporate and Country Priorities | | |
| Section 1. IDB Group Institutional Strategy Alignment | | |
| Operational Focus Areas | <ul style="list-style-type: none"> -Biodiversity, natural capital, and climate action -Gender equality and inclusion of diverse population groups -Institutional capacity, rule of law, citizen security | |
| [Space-Holder: Impact framework indicators] | | |
| 2. Country Development Objectives | | |
| Country Strategy Results Matrix | GN-2944 | (i) improve budget management; (ii) improve the quality and efficiency of public spending |
| Country Program Results Matrix | GN-3207 | The intervention is included in the 2024 Operational Program. |
| Relevance of this project to country development challenges (If not aligned to country strategy or country program) | | |
| II. Development Outcomes - Evaluability | | Evaluable |
| 3. Evidence-based Assessment & Solution | | 9.2 |
| 3.1 Program Diagnosis | | 1.9 |
| 3.2 Proposed Interventions or Solutions | | 3.5 |
| 3.3 Results Matrix Quality | | 3.8 |
| 4. Ex ante Economic Analysis | | N/A |
| 5. Monitoring and Evaluation | | 9.5 |
| 5.1 Monitoring Mechanisms | | 4.0 |
| 5.2 Evaluation Plan | | 5.5 |
| III. Risks & Mitigation Monitoring Matrix | | |
| Overall risks rate = magnitude of risks*likelihood | | Medium Low |
| Environmental & social risk classification | | N.A. |
| IV. IDB's Role - Additionality | | |
| The project relies on the use of country systems | | |
| Fiduciary (VPC/FMP Criteria) | Yes | Budget, Treasury, Accounting and Reporting. Procurement: Information System. |
| Non-Fiduciary | | |
| The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions: | | |
| Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project | Yes | ATN/OC 18048-RG; ATN/OC-19377-HO; ATN/AA-18047-RG; ATN/AA 17281 RG; ATN/MA-17280-RG; ATN/WE-18392-HO; ATN/AA 16286 RG; ATN/AA 18179-RG; ATN/KK 19251-RG |

Evaluability Assessment Note: The document presents the second operation in a series of a programmatic policy-based loan that combines \$16,640 million of IDB ordinary capital and \$8,960 million of concessional resources. The general objective is to increase the accountability of the Government of Honduras. The operation seeks to increase (i) public transparency, (ii) the effectiveness of public integrity policies, and (iii) the efficiency of control systems.

The diagnosis is adequate and highlights accountability problems in Honduras. The main problem is related to low levels of transparency of public information, effectiveness gaps in the implementation of public integrity policies, and efficiency gaps in control systems. The proposed policies are consistent with the diagnosed deficiencies and contribute to achieving the general and specific objectives.

The results matrix is consistent with the vertical logic of the operation and presents reasonable, well-specified and adequate impact and results indicators to measure the achievement of the specific objectives. Targets require justification.

The monitoring and evaluation plan proposes a reflexive evaluation (before and after methodology) for most of the indicators associated with the program's specific objectives. An impact evaluation, using a difference-in-difference methodology, is proposed to estimate the impact of the program on the accountability of public officials and on the costs of filing sworn income declarations.

The project has a medium-low overall risk rating, highlighting the risk of the technical capacity of the institutions responsible for implementing the policy measures. Appropriate mitigation measures have been proposed and can be monitored throughout the project.

POLICY MATRIX

Objective: The general development objective of this operation is to increase accountability by the Honduran government. Contributing to this general objective are the specific development objectives of enhancing: (i) public transparency; (ii) the effectiveness of public integrity policies; and (iii) the efficiency of control systems.

| Component/ Policy objectives | Policy conditions for PBP I | Policy conditions for PBP II | Status of fulfillment of policy conditions for PBP II ¹ |
|---|---|--|---|
| Component 1: Macroeconomic stability | | | |
| Maintain a macroeconomic context consistent with program objectives | 1.1 Maintenance of a macroeconomic framework consistent with the policy objectives as established in this Policy Matrix and the Policy Letter | 1.1. Maintenance of a macroeconomic context consistent with program objectives as established in the Policy Matrix and the Policy Letter | Fulfilled |
| Component 2: Transparency of public information | | | |
| Enhance public transparency | 2.1 Promotion of budget and public expenditure transparency through the design and adaptation of a technology tool and online data visualization | 2.1 Implementation of the Honduras Inversiones platform, which provides online data visualization with information on budget and public expenditure, including gender budgeting | Fulfilled Q4 2023 |
| | 2.2 Strengthening of the public finance and procurement systems by guaranteeing consistency between the budget classifier and the master catalogue of goods and services through an interagency agreement between SEFIN, the STLCC, and the National State Property Directorate | 2.2 Increased transparency in public procurement through actions by the Interagency Technical Commission to achieve consistency between the budget classifier and the master catalogue of goods and services | Fulfilled Q2 2024 |
| | 2.3 Improvement in public finance management by integrating analyses of specific fiscal risks (public companies, municipios, public-private partnership contracts, litigation, guarantees and endorsements, and natural disasters) into the budget | 2.3 Strengthened capacity of SEFIN's Fiscal Contingencies Unit to identify, evaluate, and mitigate fiscal risks related to extreme weather events caused by climate change, through staff training | Fulfilled Q2 2024 |
| | 2.4 Strengthening of municipal transparency by including the 298 municipios in the IAIP transparency portal | 2.4 Promotion of municipal transparency through a program developed by the STLCC and the Association of Municipalities for certifying municipal officials in transparency and open government | Fulfilled Q1 2024 |
| | 2.5 Promotion of transparency in the water and sanitation sector by drafting general | 2.5 Approval of sector regulations with integrity and transparency indicators in the water and | Fulfilled Q3 2023 |

¹ As established in document CS-3633-2 (Policy-based Loans: Guidelines for Preparation and Implementation), fulfillment of all the disbursement conditions, including maintenance of an appropriate macroeconomic framework, will be verified by the Bank at the time of the disbursement request by the borrower and reflected in the disbursement eligibility memorandum.

| Component/ Policy objectives | Policy conditions for PBP I | Policy conditions for PBP II | Status of fulfillment of policy conditions for PBP II ¹ |
|--|--|--|---|
| | sector regulations that incorporate indicators to be reported in the Water and Sanitation Regulatory Information System by sector service providers | sanitation sector, following dissemination and discussion with relevant sector actors | |
| | 2.6 Promotion of transparency by identifying and publishing budgeted expenditures on actions in response to climate change | 2.6 Publication of the climate change budget executed in strategic State entities | Fulfilled Q2 2024 |
| Component 3: Public integrity policies | | | |
| Enhance the effectiveness of public integrity policies | 3.1 Prevention and combatting of corruption in public and private activities through creation of the STLCC | 3.1. Strengthening of public integrity through the STLCC's publication and initial implementation of a national transparency and anticorruption strategy (ENTAH) for 2022-2026 | Fulfilled Q4 2023 |
| | 3.2 Promotion of an open State through a start on the process of jointly drafting the Fifth Action Plan to be submitted to the OGP in consultation with civil society, including gender and Indigenous issues. | 3.2 Approval, and progress in implementation, of the Fifth Open Government Action Plan (2023-2025), including specific gender and diversity commitments (with a lens to Indigenous and Afro-descendant communities and LGBTQ+ people) | Fulfilled Q4 2023 |
| | 3.3 Promotion of greater participation by women in public procurement for infrastructure projects, through training that enables them to obtain labor certification in compliance with Commitment 11: "Participation and empowerment of certified women in road infrastructure projects, public works, and mitigation works" in the Fourth Open Government Action Plan | 3.3 Promotion of greater participation by women-led microenterprises and small businesses as government vendors, through design of a strategy as part of the "Sello Empresa Mujer" program | To be fulfilled Q2 2024 |
| | 3.4 Establishment of strategic partnerships to prevent and control corruption under a framework agreement on interagency cooperation and technical coordination between public institutions and civil society | 3.4 Promotion of strategic partnerships with civil society for anticorruption efforts by developing a citizen whistleblower mechanism as part of the ENTAH | Fulfilled Q2 2024 |
| | 3.5 Promotion of transparency and integrity in public employment by drafting amendments to the Civil Service Act | 3.5 Promotion of transparency and integrity in public employment through creation of the National Civil Service Administration and submittal to the executive branch of a draft amendment to the Civil Service Act by the Office of the Presidency | Fulfilled Q2 2024 |

| Component 4: Control systems | | | |
|---|--|---|----------------------|
| Enhance the efficiency of control systems | 4.1 Strengthening of public integrity through the design and adaptation of a platform for digital management of sworn financial disclosure statements of income, assets, and liabilities | 4.1 Implementation of the digital management system of sworn financial disclosure statements of income, assets, and liabilities in at least 30 government entities | Fulfilled Q4 2023 |
| | 4.2 Strengthening of the internal audit systems of the national public administration through approval of the master framework for internal institutional control of public resources (MARCI) | 4.2 Implementation of MARCI, including design of a remote training plan for auditors at the national and subnational levels | Fulfilled Q1 2024 |
| | 4.3 Identification and evaluation of money laundering and terrorism financing (ML/TF) risks in nonprofit organizations that includes an action plan with the measures to be implemented | 4.3 Approval of a national action plan for anti-money laundering and combating the financing of terrorism, including recommendations for strengthening regulation of the nonprofit sector | Fulfilled Q2 2024 |
| | 4.4 Promotion of business transparency through draft legislation that includes the creation of a consolidated beneficial ownership registry | 4.4 Submittal to Congress of draft legislation that includes the creation of a consolidated beneficial ownership registry | Fulfilled Q1 2023 |
| | 4.5 Sector evaluation of ML/TF risk in the area of designated nonfinancial businesses and professions, including an action plan with the measures to be implemented | 4.5 Approval of an action plan and guidelines for supervision based on AML/CTF risks in the sector of designated nonfinancial businesses and professions | Fulfilled Q2 2024 |
| | 4.6 Promotion of the exchange of information and cooperation in tax matters between tax collection agencies through signature of the OECD's Convention on Mutual Administrative Assistance in Tax Matters (CAAM) | 4.6 Strengthening of tax control by submitting the CAAM to Congress for approval | Fulfilled Q1 2023 |

RESULTS MATRIX

| | |
|---------------------------|--|
| Program objective: | The specific development objectives are to enhance: (i) public transparency; (ii) the effectiveness of public integrity policies; and (iii) the efficiency of control systems The general development objective of the program is to increase accountability by the Honduran government. |
|---------------------------|--|

GENERAL DEVELOPMENT OBJECTIVE

| Indicator | Unit of measure | Baseline value | Baseline year | Expected year achieved | Target | Means of verification | Comments |
|---|-----------------|----------------|---------------|------------------------|--------|---|---|
| General development objective: To increase accountability by the Honduran government | | | | | | | |
| Accountability by civil servants | Percentage | 21 | 2022 | 2026 | 15 | TSC note based on data from the platform used to digitalize the sworn statements disclosing income, assets, and liabilities | The baseline is the percentage of civil servants who currently do not submit sworn financial disclosure statements of income, assets, and liabilities. The new system will help to reduce the percentage of civil servants who fail to comply with the obligation to present statements and to carry out the actions established in the regulations on this noncompliance. |

SPECIFIC DEVELOPMENT OBJECTIVES

| Indicator | Unit of measure | Baseline value | Baseline year | Year project ends | Target | Means of verification | Comments |
|--|-----------------|----------------|---------------|-------------------|--------|---|---|
| Specific development objective 1: To enhance public transparency | | | | | | | |
| 1.1. Centralized government agencies that publish consolidated information on budget execution | Number | 0 | 2022 | 2026 | 71 | The database on the Honduras Inversiones platform, with data visualization or downloadable datasets | This indicator, associated with measure 2.1, is of the total coverage of institutions. The consolidated information includes: (i) budget planning; (ii) budget execution; and (iii) procurement, in accordance with the responsibilities of each institution. |

| Indicator | Unit of measure | Baseline value | Baseline year | Year project ends | Target | Means of verification | Comments |
|--|-----------------|----------------|---------------|-------------------|--------|--|--|
| 1.2. Number of accesses to consolidated information on budget execution by centralized government institutions | Number | 0 | 2022 | 2026 | 1,100 | Report on monthly visits and sessions to the Honduras Inversiones platform | The number of accesses to consolidated information associated with measure 2.1 is measured by the number of sessions per year. A session involves the activities of a single user interacting with the platform for an uninterrupted period of time. The same users can have several sessions in the same day if they stop interacting with the platform for a time and then return to it. Estimated target based on platforms with similar scope such as the ones in Paraguay and the Dominican Republic. |
| Specific development objective 2: To enhance the effectiveness of public integrity policies | | | | | | | |
| 2.1. Complete fulfillment of open government commitments | Percent | 14.81 | 2022 | 2026 | 24.81 | Evaluation report at the end of the Fifth Action Plan 2022-2024 | Indicator associated with measure 2.2. The numerator is the number of commitments in the Open Government Action Plan classified as "complete," and the denominator is the total number in the action plan. A commitment is considered "complete" when 100% of the milestones have been attained. The improvement will consider progress in the number of "complete" commitments in the Open Government Action Plans. The target assumes an increase of 10 percentage points over the value attained in the Fourth Action Plan 2018-2020 according to the self-assessment report produced at the end of that plan (2021). |

| Indicator | Unit of measure | Baseline value | Baseline year | Year project ends | Target | Means of verification | Comments |
|---|--|----------------|---------------|-------------------|--------|--|---|
| 2.2. Women-led microenterprises and small businesses that are government vendors | Percent | 42.9 | 2022 | 2026 | 45.0 | ONCAE-IDB. Analysis with a study of enterprises headed by women in public procurement (June 2022) | Pro-gender indicator. Measure 3.3. The numerator is the number of women-led microenterprises and small businesses registered in the ONCAE database that have participated in public procurement, and the denominator is the total number of women-led microenterprises and small businesses registered in that database. Women-led enterprises are defined as businesses owned by women, according to the study. |
| Specific development objective 3: To enhance the efficiency of control systems | | | | | | | |
| 3.1. Cost-effectiveness of digital submittal by civil servants of their sworn financial disclosure statements | Amount (Honduran lempiras per statement) | 1,033 | 2022 | 2026 | 172 | TSC-IDB. Calculation of the average cost to officials required to submit their sworn statements. Evaluation of program impact to verify the target (see monitoring and evaluation plan) | Indicator associated with measure 4.1. The baseline was calculated by the project team using information provided by the TSC. Digitalization will lead to savings in travel and transaction times for employees. The numerator will be the total cost of submitting a paper statement, and the denominator will be the number of civil servants who do so. The calculation is based on savings in time with digitalized processes (IDB, 2018), weighted by the estimated salary levels for each of the three main types of employees required to submit statements (police, school principals, and civil servants earning more than L 40,000 per month). The detailed calculation appears in the monitoring and evaluation plan . |
| 3.2. Number of nongovernmental organizations (NGOs) | Number | 15 | 2022 | 2026 | 200 | Updated report by the UIF on the number of NGOs registered | The indicator, associated with measure 4.3, will measure the increase in the number of NGOs |

| Indicator | Unit of measure | Baseline value | Baseline year | Year project ends | Target | Means of verification | Comments |
|---|-----------------|----------------|---------------|-------------------|--------|-----------------------|--|
| registered with the Financial Intelligence Unit (UIF) | | | | | | | registered with the UIF. It is expected to rise in the wake of an instruction sent in a circular to the financial system that includes a due diligence measure to the effect that their client NGOs must show evidence of registration in the UIF (new clients before opening an account, and existing clients before conducting a new transaction), which will be added to the client's file. |

OUTPUTS

| Indicator | Unit of measure | Baseline value | Baseline year | Year 1 (2024) | Final target | Means of verification | Responsible entity | Comments |
|---|-----------------|----------------|---------------|---------------|--------------|--|--------------------|----------------------|
| Component 2: Transparency of public information | | | | | | | | |
| 2.1. Implementation of the Honduras Inversiones platform, which provides online data visualization with information on budget and public expenditure, including gender budgeting | Document | 0 | 2023 | 1 | 1 | SEFIN note confirming launch of the Honduras Inversiones platform here | SEFIN | Pro-gender indicator |
| 2.2. Increased transparency in public procurement through actions by the Interagency Technical Commission to achieve consistency between the budget classifier and the master catalogue of goods and services | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching a progress report on implementation of the interagency agreement | SEFIN | |
| 2.3. Strengthened capacity of SEFIN's Fiscal Contingencies Unit to identify, evaluate, and mitigate fiscal risks related to extreme weather events caused by climate change, through staff training | Document | 0 | 2024 | 1 | 1 | SEFIN note confirming completion of training | SEFIN | |
| 2.4. Promotion of municipal transparency through a program | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching a report | STLCC | |

| Indicator | Unit of measure | Baseline value | Baseline year | Year 1 (2024) | Final target | Means of verification | Responsible entity | Comments |
|--|-----------------|----------------|---------------|---------------|--------------|--|--------------------|---|
| developed by the STLCC and the Association of Municipalities for certifying municipal officials in transparency and open government | | | | | | from the STLCC on the work plan, methodology, and outcomes of municipal training | | |
| 2.5. Approval of sector regulations with integrity and transparency indicators in the water and sanitation sector, following dissemination and discussion with relevant sector actors | Document | 0 | 2023 | 1 | 1 | SEFIN note attaching an official letter from ERSAPS with a copy of Resolution 19-2023 | ERSAPS | |
| 2.6. Publication of the climate change budget executed in strategic State entities | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching the report posted to its website on budget execution associated with expenditures in the climate change sector in strategic State entities at year-end 2023 | SEFIN | |
| Component 3: Public integrity policies | | | | | | | | |
| 3.1 Strengthening of public integrity through the STLCC's publication and initial implementation of the national transparency and anticorruption strategy (ENTAH) for 2022-2026 | Document | 0 | 2023 | 1 | 1 | SEFIN note attaching the report from the STLCC confirming publication of, and progress in implementing, the ENTAH | STLCC | |
| 3.2. Approval of, and progress in implementing, the Fifth Open Government Action Plan (2023-2025), including specific gender and diversity commitments (with a lens to Indigenous and Afro-descendant communities and LGBTQ+ people) | Document | 0 | 2023 | 1 | 1 | SEFIN note attaching the report from the STLCC confirming approval of, and progress in implementing, the Fifth Open Government Action Plan | STLCC | Pro-gender indicator Pro-diversity indicator |

| Indicator | Unit of measure | Baseline value | Baseline year | Year 1 (2024) | Final target | Means of verification | Responsible entity | Comments |
|---|-----------------|----------------|---------------|---------------|--------------|--|--------------------|----------------------|
| 3.3. Promotion of greater participation by women-led microenterprises and small businesses as government vendors, by designing a strategy as part of the "Sello Empresa Mujer" program | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching an official letter from ONCAE submitting the proposed strategy | STLCC/ ONCAE | Pro-gender indicator |
| 3.4. Promotion of strategic partnerships with civil society for anticorruption efforts by developing a citizen whistleblower mechanism as part of the ENTAH | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching the report from the STLCC on development of the whistleblower channel | STLCC | |
| 3.5. Promotion of transparency and integrity in public employment through creation of the National Civil Service Administration and submittal to the executive branch of a draft amendment to the Civil Service Act by the Office of the Presidency | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching a copy of Executive Decree PCM 39/2023 creating ANSEC and a copy of the official submittal letter of the draft amendment to the Civil Service Act by the Office of the Presidency | ANSEC | |
| Component 4: Control systems | | | | | | | | |
| 4.1. Implementation of the digital management system of sworn financial disclosure statements of income, assets, and liabilities in at least 30 government entities | Document | 0 | 2023 | 1 | 1 | SEFIN note attaching a report from the TSC on implementation of the digital management system of sworn financial disclosure statements of income, assets, and liabilities | TSC | |
| 4.2 Implementation of master framework for internal institutional control of public resources (MARCI), including design of a remote training | Document | 1 | 2024 | 1 | 1 | SEFIN note attaching a report from the TSC on | TSC | |

| Indicator | Unit of measure | Baseline value | Baseline year | Year 1 (2024) | Final target | Means of verification | Responsible entity | Comments |
|---|-----------------|----------------|---------------|---------------|--------------|--|--------------------------------------|----------|
| plan for auditors at the national and subnational levels | | | | | | progress in training on MARCI | | |
| 4.3 Approval of the national action plan for anti-money laundering and combating the financing of terrorism (AML/CFT), including recommendations for strengthening regulation of the nonprofit sector | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching an official letter from the Interagency Technical Commission for AML/CFT | CNBS/UIF | |
| 4.4. Submittal to Congress of draft legislation that includes the creation of a consolidated beneficial ownership registry | Document | 0 | 2023 | 1 | 1 | SEFIN note attaching the official letter from the Office of the Presidency submitting the draft legislation to Congress | CNBS/UIF | |
| 4.5. Approval of an action plan and guidelines for supervision based on money laundering and terrorism financing risk in the sector of designated nonfinancial businesses and professions | Document | 0 | 2024 | 1 | 1 | SEFIN note attaching the official letter from the CNBS indicating approval of the action plan and guidelines | CNBS/UIF | |
| 4.6. Strengthening of tax control by submitting the Convention on Mutual Administrative Assistance in Tax Matters (CAAM) to Congress for approval | Document | 0 | 2023 | 1 | 1 | SEFIN note attaching the official letter from the Office of the Presidency submitting to Congress the draft legislation for approval of the CAAM | Revenue Administration Service (SAR) | |

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/24

Honduras. Loan ____/BL-HO to the Republic of Honduras
Transparency and Integrity Program for Sustainable
Development II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Transparency and Integrity Program for Sustainable Development II. Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$8,960,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$16,640,000, subject to financial terms and conditions applicable to loan operations financed from the Bank's regular program of OC resources ("Regular OC"), as indicated in the Project Summary of the Loan Proposal, and subject to the Special Contractual Conditions of said Project Summary.

(Adopted on _____ 2024)