

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

TRANSPARENCY AND INTEGRITY PROGRAM FOR SUSTAINABLE DEVELOPMENT

(HO-L1232)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Nicolas Dassen (IFD/ICS), Project Team Leader; Juan Cruz Vieyra (IFD/ICS) and Martín Ardanaz (IFD/FMM), Alternate Project Team Leaders; Mariano Lafuente, Cecilia Álvarez, Sebastián del Hoyo, Michelle Manzur, and Sonia Rojas (IFD/ICS); Gastón Pierri (SPD/SDV); Viviana Maya (LEG/SGO); Jordi Prat (CID/CID); Ana Cristina Calderón (IFD/FMM); Claudia Sierra (CID/CHO); Cecilia del Puerto and Christian Contin (VPC/FMP); Magdalena Méndez (SCL/GDI); Francisco Manjarres (INE/WSA); Daniel Vieitez (VPC/002); Raúl Delgado (CSD/CCS); and Raimundo Arroio, Alexis de Agueda, Denisse Wolfenzon, and Marcela Duque (Consultants).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

CONTENTS

PROJECT SUMMARY

I.	PROJECT DESCRIPTION AND RESULTS MONITORING	1
A.	Background, problem addressed, and rationale	1
B.	Objectives, components, and cost	13
C.	Key results indicators	14
II.	FINANCING STRUCTURE AND MAIN RISKS	15
A.	Financing instruments	15
B.	Environmental and social risks.....	16
C.	Fiduciary risks	16
D.	Other risks and key issues	16
III.	IMPLEMENTATION AND MANAGEMENT PLAN	17
A.	Summary of implementation arrangements	17
B.	Summary of results monitoring arrangements	18
IV.	POLICY LETTER	18

ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) – Summary
Annex II	Policy Matrix
Annex III	Results Matrix

REQUIRED ELECTRONIC LINKS (REL)	
1	Policy letter
2	Means of verification matrix
3	Monitoring and evaluation plan

OPTIONAL ELECTRONIC LINKS (OEL)	
1	Diagnostic analysis of the transparency of public information
2	Institutional plan of the transparency and integrity sector
3	Gender and diversity annex
4	Activities of the United States Agency for International Development (USAID) for fiscal transparency
5	Bibliography

ABBREVIATIONS	
AML/CFT	Anti-money laundering and combating the financing of terrorism
CAAM	Convention on Mutual Administrative Assistance in Tax Matters
CNA	National Anti-Corruption Council
DEM	Development Effectiveness Matrix
DGSC	Directorate General of the Civil Service
ERSAPS	Water and Sanitation Services Regulator
FATF	Financial Action Task Force
IAIP	Access to Public Information Bureau
LRF	Fiscal Responsibility Act
MARCI	Master framework for internal institutional control of public resources
MESICIC	Follow-Up Mechanism for the Implementation of the Inter-American Convention against Corruption
ML/TF	Money laundering and terrorism financing
MSE	Microenterprises and small businesses
NFPS	Nonfinancial public sector
NGO	Nongovernmental organization
OC	Ordinary Capital
OECD	Organisation for Economic Co-operation and Development
OGP	Open Government Partnership
ONADICI	National Office for Integral Development of Internal Control
ONCAE	National State Procurement and Contracting Standards Office
PBL	Policy-based loan
PBP	Programmatic policy-based loan
SEFIN	Department of Finance
STLCC	Transparency and Anti-Corruption Department
TSC	Court of Audit
UCF	Fiscal Contingencies Unit
UIF	Financial Intelligence Unit
USAID	United States Agency for International Development

PROJECT SUMMARY
HONDURAS
TRANSPARENCY AND INTEGRITY PROGRAM FOR SUSTAINABLE DEVELOPMENT
(HO-L1232)

Financial Terms and Conditions			
Borrower	Source	Amount (US\$)	%
Republic of Honduras	IDB (Regular OC):	126,750,000	65
Executing agency	IDB (Concessional OC):	68,250,000	35
Department of Finance (SEFIN)	IDB (Total):	195,000,000	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	
Currency of approval:	U.S. dollar		
Project at a Glance			
Objective/description: The general development objective of this operation is to increase accountability by the Honduran government, which will contribute to the specific development objectives of enhancing: (i) public transparency; (ii) the effectiveness of public integrity policies; and (iii) the efficiency of control systems.			
This operation is structured as a programmatic policy-based loan (PBP), with two individual operations that are technically related but independently financed.			
Special contractual conditions precedent to the first and sole disbursement: The first and sole disbursement will be contingent upon fulfillment of the policy reform conditions established in the Policy Matrix, the Policy Letter , and the conditions established in the loan contract (paragraph 3.4).			
Exceptions to Bank policies: None.			
Strategic Alignment			
Challenges: ^(d)	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (document 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) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context.** After the sharp contraction of 9.0% of GDP in 2020 in the context of the COVID-19 pandemic and storms Eta and Iota, the economy saw a robust recovery in 2021, with growth of 12.5%.¹ The good economic performance was reflected in a substantial rise in incomes and in a nonfinancial public sector (NFPS) deficit that was smaller than expected. Growth of about 3.8% of GDP is expected in 2022, lower than the 4.2% predicted at the start of the year² owing to the macroeconomic impacts of the Russian invasion of Ukraine, among other factors. In the fiscal area, the Honduran government has maintained a prudent fiscal policy in recent years under the Fiscal Responsibility Act (LRF), which has served as an anchor for fiscal policy formulation since 2016. However, owing to the 2020 crisis, the authorities used the escape clause to increase the deficit to 5.6% of GDP, which they were able to bring down to 3.7% in 2021. Despite this, uncertainty continues regarding the behavior of public finances in 2022. This is because the authorities recently approved amendments to the national budget, adjusting the deficit ceilings permissible under the LRF in consideration of the complicated national and international economic contexts. For 2022, the NFPS deficit is expected to be about 3.3% of GDP, which is below the 4.9% ceiling. Despite the changes, the new authorities have demonstrated a commitment to the LRF to safeguard fiscal sustainability in the medium term. Honduras needs to consolidate its economic recovery and take steps to return to a fiscal path that is consistent with the LRF, but it faces fiscal restrictions and latent risks.
- 1.2 **Institutional framework for transparency and integrity.**³ In Honduras, the anti-corruption 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. The Transparency and Anti-Corruption Department has been established to promote transparency, integrity, and anti-corruption policies and is basically responsible for preparing and coordinating implementation of the Honduran national transparency and anti-corruption strategy. The Access to Public Information Bureau (IAIP)⁴ was established for the access to information and transparency component. In the control component, the Court of Audit (TSC) is responsible for external control and the National Office for Integral Development of Internal Control (ONADICI) is the specialized technical agency responsible for the overall development of internal control on the institutional level. The country also has the National Anti-Corruption Council (CNA) established by Congress as a body for citizen control exercised by civil society organizations. The Financial Intelligence Unit (UIF) is responsible for overseeing the prevention and control of money laundering and terrorism

¹ Central Bank of Honduras.

² Idem.

³ For more detail see [optional link 2](#).

⁴ The IAIP is a deconcentrated body responsible for promoting and facilitating citizen access to public information.

financing, a body that reports to the head of the National Banking and Insurance Commission (CNBS).

- 1.3 Other institutions that contribute to the transparency and integrity agenda in a crosscutting and sectoral manner are the Department of Finance (SEFIN), responsible for preparing the budget and programming public investments, among other activities.⁵ Lastly, on the cross-sector level there is: (i) the National State Procurement and Contracting Standards Office (ONCAE), in charge of preparing guidelines for the public procurement systems in the operational, technical, and economic aspects; and (ii) the Directorate General of the Civil Service (DGSC), responsible for managing and supervising public employment. Regulatory bodies exist on the sector level, particularly the Water and Sanitation Services Regulator (ERSAPS), responsible for regulating and overseeing water and sanitation service providers, which participates in one policy measure in the program proposed here (paragraphs 1.13 and 1.37).
- 1.4 **Progress and challenges for greater transparency.** Honduras has made efforts to adapt its legal and institutional framework for the promotion of transparency and public integrity to reflect the international initiatives it has joined.⁶ It approved the Act to Combat Terrorism Financing (2010), the Efficient and Transparent Procurement Act through electronic means (2013), the Transparency and Access to Public Information Act (2014), the Special Act to Combat Money Laundering (2014), a national open data policy (2019) and a Code of Ethics. It also amended the Act establishing the Court of Audit (2020) and the Criminal Code (2020).
- 1.5 The main policy measures of the new government that took office on 27 January 2022 include: (i) creation of the above-mentioned Transparency and Anti-Corruption Department (STLCC); (ii) adhesion to the regional MapalInversiones initiative⁷ to visualize information on public spending; (iii) adoption of a workplan to produce the Fifth Open Government Action Plan, which will include a broad consultative process with different stakeholders from civil society, academia, and the private sector, as well as a strong subnational footprint; (iv) preparation of draft legislation to reform the civil service and create a system governing beneficial ownership of businesses, aligned with international standards; (v) two interagency cooperation agreements with the National Anti-Corruption Council and for smooth operation of the integrated financial administration system; and (vi) a start on the process of drafting a Honduran national transparency and anti-corruption strategy 2022-2026, with support from the United Nations.⁸ This program will help to spur the advances mentioned, and its structure is aligned with the institutional framework described above.

⁵ SEFIN has its own Transparency Directorate responsible for overseeing compliance with specific transparency regulations and standards related to public budgeting.

⁶ The Inter-American and United Nations Conventions against Corruption, the Financial Action Task Force (FATF), the Open Government Partnership (OGP), and others.

⁷ [MapalInversiones](#).

⁸ The component on combating corruption and abuse of power includes the reinstallation of a commission against impunity as part of the Government Plan to Renew Honduras 2022-2026.

- 1.6 **The challenges and their causes.** The main challenge that the project will help to solve is the limited accountability⁹ associated with public resource management, which affects the country's inclusive and sustainable growth. This is particularly reflected in the fact that 21% of civil servants fail to submit sworn financial disclosure statements on income, assets, and liabilities and so do not report their financial interests. This challenge is also reflected in the low scores received by Honduras in the World Bank's Corruption Control Indicator, where the country ranks 149th out of 192 countries, far below the average for the region.¹⁰ The report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity for Latin America and the Caribbean points out the prime importance of having legal and regulatory measures that conform to the standards established in the global and regional initiatives adhered to by countries to ensure the effectiveness and sustainability of reforms [1].¹¹
- 1.7 Limited accountability is associated with the following factors: (i) low levels of transparency in public information; (ii) gaps in effectiveness in applying public integrity policies and (iii) gaps in efficiency in the control systems.
- 1.8 **Low levels of transparency in public information.** The country has ample room for improvement in the field of access to information and transparency. The Right to Information Rating, which measures seven main variables in access to information systems, assigned Honduras 84 points out of a possible 150,¹² while the average for six Central American countries is 97 points. As for the transparency of budget information, the country received 61 points out of a possible 100 in 2021 from the Open Budget Index (the third lowest in Central America), compared to 52 points for Latin America and the Caribbean, and 65 (average for the OECD countries).¹³ The OECD's OURdata Index of 2019 gave the country 0.16 points (the lowest among five Central American countries, whose average was 0.36) and below the average for Latin America and the Caribbean (0.43) and the OECD countries (0.60).¹⁴ The open data platform administered by the STLCC stopped operating after having published 75 datasets from just seven institutions, which gives an idea of the embryonic state of this initiative.
- 1.9 These low levels of transparency are associated with: (i) the existence of fragmented and incomplete information on spending; (ii) difficult access by citizens, the private sector, and other control agencies to determine what public resources are spent on, how, and by whom; and (iii) limited visualization of budgetary information on portals accessible by citizens and open data ([optional link 1](#)).
- 1.10 Furthermore, the transparency of public procurement is being clouded by inconsistencies between the budget classifier by item of expenditure used by

⁹ Understood as the information that all employees need to provide on their actions, the reasons why a particular decision was taken, and the existence of government agencies that can control and sanction employees who contravene their public duty (Smulovitz, 2002).

¹⁰ Governance Indicators 2020.

¹¹ See Bibliography ([optional link 5](#)).

¹² The index has analyzed [legislation on access to public information since 2011](#).

¹³ [International Budget Partnership](#).

¹⁴ OECD.

SEFIN and the master catalogue of goods and services applied by Honducompras, which makes it difficult to improve the management of public finance. Furthermore, there are limitations on the design and implementation of procurements based on sustainability criteria, such as those aligned with the country's climate change agenda or the promotion of the participation of vulnerable groups, such as companies headed by women (43% of microenterprises and small businesses registered in the ONCAE 2022 database that have participated in public bidding are led by women).¹⁵ Information on public spending is decentralized, uncoordinated, and incomplete¹⁶ and is not easily accessible by citizens, the private sector, or other control agencies that wish to learn what public resources are used for, how they will be¹⁷ and were executed, and by whom.¹⁸

- 1.11 The access to information problem also affects Honduras' public finances, which are vulnerable to fiscal risks of different kinds. SEFIN has a Fiscal Contingencies Unit (UCF) whose mandate is to estimate specific fiscal risks and study their implications.¹⁹ However, their analysis and management are still incipient, since the UCF does not have the complete and updated information needed for its work. This is because the institutions responsible for generating that information—such as the government legal defense area—do not share it systematically and fully with the UCF, hobbling its capacity to analyze the implications for the national budget.²⁰
- 1.12 As for transparency on the subnational level, major gaps in information exist, since just 28% of municipios are included in the unified transparency portal. This means

¹⁵ Businesses headed by women are defined as businesses owned by them, according to the study.

¹⁶ According to the study on the quality of management conducted by the IDB's Fiscal Management Division (IDB, 2022), despite the fact that the regulatory framework establishes that nearly 75% of government procurement is required to be registered in the Honducompras system, which is the only contracting portal, in the case of procurements and contracts, just 31% of expenditures were registered in 2019 and 6% in 2020, which hampers the strategic actions on public procurement that ONCAE is required to take as the lead agency, since it only has information on less than one third of contract prices.

¹⁷ For example, according to the same study (2022), even though the annual procurement and contracting plans (PACC) are important elements for strategic institutional planning and for the annual and multiyear budgets, as mentioned in the planning guidelines issued by ONCAE and as can be deduced from the analyses that support the medium-term fiscal framework, the plans are not centralized in the electronic procurement system. Of the 471 agencies that received budgets in 2019, Honducompras only registered 100 PACCs and they only covered 27% of total contracting expenditure in that fiscal year. In 2020, 102 agencies registered their PACCs in Honducompras for 14.8% of total spending on contracting in that year.

¹⁸ According to the 2021 Open Budget Index, Honduras scores an average of 59/100 in budgetary transparency, 17/100 in public participation in the different budgeting stages, and 46/100 in budget control, leaving room to strengthen these three variables.

¹⁹ Fiscal risks arise from a variety of sources that can be classified as: (i) macroeconomic risks; and (ii) specific fiscal risks. On the macro level, shocks such as changes in the prices of agricultural commodities and oil, the exchange rate, and remittances from emigrants hit Honduras particularly hard. Specific fiscal risks arise from explicit or implicit contingent liabilities and other uncertainties, such as natural disasters, legal action against the government, bank failures, or the insolvency of State-owned enterprises or subnational governments.

²⁰ Some of the most relevant contingent liabilities that have recently been quantified include: government guarantees and endorsements, lawsuits, implicit liabilities of public companies, and natural disasters. For example, guarantees and endorsements amount to 18% of GDP (Fiscal Risk Estimates, UCF, September 2021). Furthermore, the information compiled by the Office of the Comptroller General does not consider total liabilities and does not apply international accounting standards, according to the UCF report. As well, the public employees responsible for defending the government legally do not inform the UCF about the status of legal action that could impact the stability of public accounts.

that a large number of municipal governments (214 out of a total of 298) do not report to the citizenry on the use of public funds.²¹

- 1.13 On the sector level, the water and sanitation sector,²² which is one of the most important for human development, stands out on account of the lack of transparency in its bids and contracts, coupled with limited mechanisms for accounting control. This can lead to overcosts for households and public finances, limiting the possibility of access to the services by families and making infrastructure more expensive to build.²³ This is particularly relevant in Honduras, given that 13% of the rural population still does not have any access to drinking water.²⁴ ERSAPS is the main agency responsible for promoting transparency in the sector and it has drafted a proposed resolution to adopt specific indicators that provide greater access to information and social control over the service by users.
- 1.14 **Gaps in effectiveness in the application of public integrity policies.** The recently-created STLCC has the main objective of coordinating implementation of the National Transparency, Probity, Integrity, and Corruption Prevention Policy that is currently in advanced stage of preparation. Its broad mandate²⁵ includes: (i) issuing general guidelines on transparency and accountability whose observance is obligatory for public institutions; (ii) following up on the recommendations that arise from mechanisms that monitor the implementation of international commitments;²⁶ and (iii) coordinating transparency, integrity, and corruption control policies with other institutions.²⁷ The STLCC's Transparency and Accountability Directorate does not have staff in sufficient numbers or with sufficient qualifications to carry out this mandate and lacks modern information systems.²⁸ Part of this mandate is to represent the country in the Open Government Partnership (OGP). It is an initiative that promotes implementation of concrete commitments in integrity, transparency, social participation, and the use of technology for greater openness and accountability.²⁹ As part of its review of the process of drafting the Fourth Action Plan, the OGP's Independent Reporting Mechanism recommend that future plans broaden the scope and diversity of participation to include the citizenry and civil society organizations, and territorial

²¹ Fourth Alliance for Open Government Action Plan, Commitment No. 2.

²² Inclusion of this sector in the program will generate knowledge to promote similar transparency and integrity measures in future operations in other strategic public services.

²³ [Transparency International](#) estimates that corruption in developing countries can increase the cost of obtaining a water or sewer connection by about 30% ([Global Corruption Report 2008, Corruption in the Water Sector](#)).

²⁴ [Central American Integration System](#).

²⁵ Executive Decree PCM 05-2022 published on 6 April 2022 in Official Gazette No. 35892.

²⁶ Including the Follow-Up Mechanism for the Implementation of the Inter-American Convention against Corruption (MESICIC), and the United Nations Convention Mechanism.

²⁷ These agencies include the IAIP, the TSC, and the CNA.

²⁸ The Directorate has two employees to carry out 13 processes and computers with a basic text-processing system and spreadsheets that require data and reports to be inputted manually.

²⁹ An open government promotes citizen-centered relations to obtain greater social participation and cooperation in matters of public interest, better accountability processes, and efficient, effective, and transparent public services. Countries commit to concrete open government solutions, presenting voluntary action plans designed participatively in consultation with civil society to be implemented in two-year periods. The plans are evaluated by an Independent Reporting Mechanism that issues reports on its findings and recommendations.

representatives.³⁰ Of the 20 commitments to the OGP included in that plan, just 50% had been fulfilled between 90% and 100%, such as the certification program to promote the contracting of women in public infrastructure projects.³¹ This commitment is the only gender-related commitment made in the four previous open government plans. As for diversity, no commitments have been included in any of the open government action plans.³² Also, there has been no participation by civil society organizations that represent women and/or diverse groups. The gender and diversity gap to be addressed in the proposed program will focus on participation by organizations representing women and diverse groups in consultations on the action plans to be presented to the OGP and on incorporating specific and/or crosscutting commitments in these areas into other commitments to respond to the needs of these groups ([optional link 3](#)).

- 1.15 The civil service, whose lead agency is the DGSC, suffers from a lack of integrity in its hiring and promotion processes, and definition of job profiles and the corresponding remuneration, which impacts personnel management and incentives for fulfilling their responsibilities. On that account, Honduras obtained just 12 out of a possible 100 points in the Civil Service Development Index for the entire region.³³
- 1.16 **Gaps in efficiency in external and internal control systems.** The mandate of the TSC, which is in charge of external control, includes control over the financial interests of civil servants and possible conflicts of interest. Its main tool is the annual sworn financial disclosure statements of income, assets, and liabilities. However, since there is no digital system for their submission and control, these statements are completed manually on paper and should be presented at one of the TSC's four offices around the country.³⁴ Each year, 48,000 civil servants distributed nationally and in the 298 municipios present their statements. This entails high costs in terms of time and money, for the employees who make the statements who have to travel to visit an office, and for the TSC since the statements are only registered and controlled at its central office, which undermines the efficiency of controls over conflicts of interest and illicit gains. According to the TSC, 10 files on illicit enrichment were sent to the Public Prosecutor between 2016 and 2020.³⁵
- 1.17 **Internal control.** ONADICI bears the main responsibility for internal control in the executive branch. It follows the TSC's technical guidelines and draws support from the internal audit units established in the different agencies of the centralized public administration, deconcentrated institutions, and decentralized autonomous institutions. The units' specialists have significant knowledge gaps that affect their

³⁰ Self-assessment report at the end of the Fourth Open Government Plan.

³¹ Ten commitments out of a total of 20. Executive Report, Presidential Office of Transparency and Modernization, April 2022.

³² Self-assessment report on open government, mid-term, Fourth Open State Action Plan of Honduras, 2018-2020.

³³ IDB, 2022.

³⁴ Tegucigalpa, San Pedro Sula, Ceiba, and Copán.

³⁵ [Organization of American States Report](#), 17 March 2022, page 55.

ability to fully carry out their functions. According to a study by USAID,³⁶ a high percentage of the employees surveyed mentioned the importance of receiving additional training, in the following areas in particular: (i) information and communication (30%); (ii) control activities (30%); (iii) supervision, monitoring, and evaluation (45%); and (iv) risk assessment and management (83%). The same study recommends establishing learning development plans, since they are critical for the sustainability and effectiveness of internal control and internal audit.

- 1.18 **Control of money laundering.** The International Standards on Combating Money Laundering and the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction (hereinafter the Standards) are published by FATF and constitute the guiding principles in these areas. In February 2012, FATF approved an update to the Standards that included more specific and stricter requirements.
- 1.19 FATF simultaneously prepared a methodology for assessing country compliance with the Standards. FATF performs these assessments through a peer review or mutual evaluation mechanism.³⁷ According to its most recent methodology adopted in 2013, the assessment measures technical compliance with the recommendations as well as effectiveness in their implementation. Technical compliance refers basically whether to local laws and regulations are formally consistent with the requirements of the FATF Standards. The assessment of the effectiveness of a country's anti-money laundering and combating the financing of terrorism (AML/CFT) regime is as important as the technical compliance assessment and measures the degree to which the results defined in the Standards are achieved. In other words, the effectiveness assessment will measure the extent to which the legal and institutional framework produces the expected results.³⁸
- 1.20 When the results of the mutual evaluation indicate that a country has strategic shortcomings in technical compliance and effectiveness, it may be listed and included in the so-called FATF lists.³⁹ The negative consequence of being included in the FATF grey list for lack of technical compliance with the regulations and effectiveness have been verified in various studies, including one by the IDB. That study examines the links between countries on the grey list and inflows and outflows of capital from the Latin American banking sector. The study demonstrates that the flow shrinks at the time of the event and that the effect ceases when the country is removed from the list [2].
- 1.21 In the particular case of Honduras, in 2016 the Financial Action Task Force of Latin America (GAFILAT) published the Mutual Evaluation Report on Honduras corresponding to the fourth round. The report identified challenges in the area of

³⁶ Assessment of internal control requirements for the Honduran public sector. USAID-Fiscal Transparency, July 2018, pages 21 and 26 ([optional link 4](#)).

³⁷ The methodology is complemented by the document "Key Principles for Mutual Evaluations and Assessments," which offers a practical guide on how to conduct the evaluation process. From the late 1990s to date, four rounds of evaluations have been carried out, with the most recent being in 2013.

³⁸ FATF (2013).

³⁹ FATF holds a series of plenary meetings during the year at which, among other business, it examines the results of the evaluations and decides on whether to include the country on a list. Once the decision has been made, a public communication is issued.

supervision of the nonfinancial sectors, including designated nonfinancial businesses and professions and nonprofit organizations, and in transparency and identification of beneficial owners and legal structures.⁴⁰ As a result of the evaluation, Honduras was subject to increased monitoring because it presented significant shortcomings in its AML/CFT system. The Basel Anti-Money Laundering Index for 2021 classified the country as medium risk, with 5.52 points (on a scale of 0-10, where 10 represents the highest risk) [3].

- 1.22 **Evasion control and international taxation.** The Honduran economy loses an annual average of US\$307 million, or about 6% of its tax revenues for 2021, as a result of actions by multinational corporations that transfer their profits to tax havens and people who hide their foreign assets and income.⁴¹ To address these challenges, the country is making progress in developing mechanisms to facilitate implementation of international standards for tax transparency. Honduras joined the Global Forum on Transparency and Exchange of Information for Tax Purposes in 2019.⁴² However, at present the country has exchanges of information with just five jurisdictions stemming from a multilateral agreement with the Central American countries and a bilateral agreement with the United States. Exchanges are expected to increase significantly with signature of the Convention on Mutual Administrative Assistance in Tax Matters, which has helped the Latin American countries to rapidly expand administrative cooperation in combating tax evasion and illegal financial flows [4].
- 1.23 **Consequences of the lack of transparency, integrity, and control.** Considerable academic evidence exists indicating that these factors have a negative impact on national growth, especially in low-income countries, to the detriment of their human development. This evidence coincides with the information provided by the Human Development Report (United Nations Development Programme, 2019) which reflects the linkage between corruption and inequality, confirming that corruption impacts the neediest sectors. One of the earliest studies on the matter warns of the eventual negative macroeconomic consequences, using the linkage between honesty indicators and bureaucratic efficiency and economic growth [5]. There is also evidence that the lack of transparency and access to information encourages tax evasion [6] and translates into inefficient allocation of public procurement expenditure (Development in the Americas, 2018), a decline in competition, and citizen mistrust of the legitimacy of public decisions [7].
- 1.24 An IDB study demonstrates a strong positive correlation between the ratings issued by the three main rating agencies (Standard & Poor's, Moody's, and Fitch) and three corruption indicators [8]. This suggests that in countries with high corruption indexes, there will be fewer entrepreneurial initiatives particularly those coming from developed countries [9]. This puts a brake on productivity and private

⁴⁰ Mutual Evaluation Report, Republic of Honduras, GAFILAT, 2016.

⁴¹ Tax Justice Network (2020).

⁴² The Global Forum on Transparency and Exchange of Information for Tax Purposes is coordinated by the OECD and currently has 165 member countries. The Forum has developed standards for the transparency and the exchange of tax information, which are principally applied in three areas: (i) the lifting of bank secrecy and elimination of bearer securities; (ii) the exchange of tax information, both automatically and on request; and (iii) knowledge of who the beneficial owner is throughout the ownership chain.

initiative [10], reducing economic growth [11]. In turn, there is evidence that where institutions are able to effectively control corruption, public investments bring higher returns [12].

- 1.25 The evidence also points to the negative impact of the lack of transparency on private investment, including infrastructure, where problems of integrity have had unfortunate consequences for the countries of the region [13]. A similar situation applies in the financial sector, where failure by countries to effectively apply the FATF Standards has negative reputational and economic consequences, particularly a reduction in payments from abroad [14].
- 1.26 Different theories offer suggestions on how to promote integrity and control corruption.⁴³ However, it is clear that transparency and a solid system of control and accountability are the keys for combating corruption. Some of the most influential suggestions come from authors such as Robert Klitgaard (1988) who recommend a combination of anti-corruption measures, including the adoption of regulations and systems that make it easier to curb discretionality and ensure access to public information [15]. As an example, countries that have policies to prevent conflicts of interest and reforms to promote access to information, targeted transparency, standardized regulations, and the use of digital technologies have better transparency indicators [16].
- 1.27 **Program design strategy.** This program is based on the guidelines of the Transparency and Integrity Sector Framework (document GN-2981-2). It presents a program of reforms which, in general terms, promote legal and regulatory reform in the first operation, with greater emphasis in the second on implementation of the measures adopted in the first. The country's transparency and integrity agenda is multidimensional, covering adaptation of the legal and regulatory framework to international standards, institutional capacity, human resources, and digital technologies. A sequence of policy reform measures is presented here that effectively cover the accountability cycle on the national level. This includes: (i) quality of and access to information and dissemination of data for decision-making (the policy measures included in Component 2 will help to close the gaps mentioned in paragraphs 1.7 to 1.12); (ii) improvement in the integrity systems and relations with civil society (the policy measures included in Component 3 will help to close the gaps mentioned in paragraphs 1.13 and 1.14); and (iii) strengthening of audit and control bodies (the measures included in Component 4 will help to close the gaps mentioned in paragraphs 1.15 to 1.21). Out of the universe of measures, almost all in this first operation (14 out of 17) are targeted to policy design and formulation while the ratio is reversed in the second operation, which emphasizes policy implementation. Complementarily and as explained below, the program will support the different technical areas of the Honduran government's integrity and transparency system through the provision of technical cooperation funding (paragraph 1.30), in close coordination with the international donor community (paragraph 1.31).

⁴³ One of the first analytical studies that promoted the analysis of information and the quality of regulations governing administrative decisions is by S. Rose Ackerman, *Corruption: A Study In Political Economy* (Academic Press, 1978). Ackerman proposes to analyze the different administrative decision-making models (hierarchical, fragmented, sequential, etc.) and identify the opportunities for corruption (for both the public and private sectors) based on the design of the decision process.

- 1.28 **Bank experience in the sector.** The Bank has lengthy experience in transparency programs, such as: (i) the program to support to Chile's probity and transparency agenda ([3617/OC-CH](#) for US\$130 million, closed, and [3748/OC-CH](#) for US\$100 million, closed), and a second program with the country initiated with the first operation ([5298/OC-CH](#) for US\$50 million, closed); (ii) the program to support transparency and integrity reforms in Argentina ([4244/OC-AR](#) for US\$200 million, closed, and [4796/OC-AR](#) for US\$200 million, closed); (iii) the program to support Bolivia's Institutional Transparency and Anti-Corruption Ministry ([2216/BL-BO](#) for US\$5 million, closed); (iv) the public finance program for sustainable development in Paraguay ([4667/OC-PR](#) for US\$300 million, closed); (v) the program to support Paraguay's transparency agenda ([4866/OC-PR](#) for US\$90 million, closed; and [5244/OC-PR](#) for US\$250 million, closed); (vi) the programs to strengthen control agencies in Peru and Colombia ([4724/OC-PE](#) for US\$50 million, in implementation with 49% disbursed, and [3593/OC-CO](#) for US\$30 million, closed); (vii) the program to support the Dominican Republic's transparency and integrity agenda ([5505/OC-DR](#) for US\$60 million, 2022, pending ratification); (viii) the program of support for fiscal consolidation in Honduras ([2745/BL-HO](#) for US\$63.8 million, closed); and (ix) the program for digital transformation for increased competitiveness in Honduras ([4942/BL-HO](#) for US\$44.7 million, in implementation with 1.1% disbursed).
- 1.29 **Lessons learned.** Lessons from the programs mentioned above have been taken into account, particularly the importance of aligning transparency and integrity reforms with the international standards and initiatives that the countries have accepted in the areas covered by this operation. Compliance with those standards requires having more technically solid regulatory frameworks to allow for better implementation. Special attention is paid to those standards for which an evaluation or monitoring mechanism is available, such as those of the OGP and the FATF, since a negative evaluation can have consequences for the country in reputational and economic terms, as explained in this proposal. In addition, 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 clear sequencing of actions; (iv) the value of digital technologies; and (v) use of the standards developed by international agencies and prestigious research and academic institutions as references. These lessons will be incorporated through: (i) the regional dialogue on transparency and integrity policies to be organized in the country jointly with the OECD and which will be attended by officials and specialists from the region; (ii) participation of government officials in other events and training sessions supported by the Bank;⁴⁴ and (iii) access to different research and case studies published as part of the Bank's knowledge agenda.
- 1.30 **Bank value-added.** The Bank has been supporting Honduras' efforts to strengthen its transparency and integrity agenda since the start of the last decade and will continue to do so in order to close remaining gaps. Past support was provided, for example, for the preparation of: (i) a comprehensive transparency, probity, and ethics policy for Honduras in 2014; (ii) a performance evaluation report

⁴⁴ For example, participation by SEFIN officials in the Open America event organized by the OGP in the Dominican Republic.

of the Court of Audit (TSC) in 2016;⁴⁵ and (iii) a national strategy for anti-money laundering and combating the financing of terrorism (AML/CFT) between 2016 and 2019. In addition to this support, technical assistance has continued to be provided in recent years in other areas, even contributing some of the policy measures included in the Policy Matrix. One example is the contribution to digitizing the system of sworn statements of disclosure of assets and liabilities at the TSC ([ATN/AA-16286-RG](#) for US\$385,000, research and dissemination, and [ATN/AA-18179-RG](#) for US\$450,000, client service), related to measure 4.1. In addition, the TSC will benefit from cooperation activities financed by the South Korean government under a technical-cooperation project to promote public integrity through technology solutions ([ATN/KK-19251-RG](#) for US\$500,000, research and dissemination); preparation of a catalogue of emergency public procurements ([ATN/LA-17667-RG](#) for US\$375,000, research and dissemination); and the creation of a beneficial ownership registry ([ATN/OC-16212-HO](#) for US\$243,000, client service). Measure 2.5 is being supported with assistance related to transparency in the water and sanitation sector ([ATN/AA-17281-RG](#); [ATN/MA-17280-RG](#) for US\$1 million, client service), and work is being done with ONCAE related to measure 3.3 to support the contracting of enterprises headed by women in public procurement systems ([ATN/WE-18392-HO](#) for US\$285,000, client service). As for strengthening transparency in the use of public resources, support is being provided for SEFIN through implementation of the MapalInversiones platform ([ATN/AA-18047-RG](#); [ATN/OC-18048-RG](#) for US\$790,000, client service), linked to measure 2.1. With regard to strengthening national fiduciary systems, the Bank supported the country's procurement and auditing systems through [ATN/OC-18272-RG](#), for US\$650,000 (client support). Through the technical cooperation project to strengthen Honduras' agenda for transparency and integrity in the use of public resources ([ATN/OC-19377-HO](#) for US\$400,000, approved in July 2022, operational support for this program), work will be done with different counterparts to contribute to implementation of the measures envisaged in the second operation under this programmatic policy-based loan (PBP). This involves activities related to measures 2.1 and 2.3 with SEFIN, measure 3.2 with the STLCC, and measure 3.5 with the DGSC.

- 1.31 **Coordination with other international organizations.** The Bank participates actively in the Transparency and Good Governance Roundtable that brings together the international donor community in Honduras, shares information, and coordinates technical assistance with the country. During preparation of this operation and throughout program execution, special emphasis will be placed on coordination with other agencies. These actions include USAID, particularly with regard to measures 2.4, 3.4, and 4.2 in the Policy Matrix.⁴⁶ Meetings and exchanges of documents have taken place with the Japan International Cooperation Agency (JICA) to explore the possibility of formalizing financial support for SEFIN, in the form of a policy matrix containing measures on governance and quality in infrastructure and on transparency in local governments that are additional to the measures proposed in this program. Support for the

⁴⁵ The evaluation was based on the Supreme Audit Institutions Performance Measurement Framework in 2016.

⁴⁶ USAID has a long history of working with the IAIP and the CNA and has contributed to preparing the master framework for internal institutional control of public resources (MARCI) with the TSC.

design of the Fifth Open Government Plan and its future implementation is being coordinated with the OGP. Studies on governance will be coordinated with the OECD, and the United Nations will cooperate with comments on the Honduran national transparency and anti-corruption strategy.

- 1.32 **Additional government efforts.** The government is also making headway in designing other public policies on integrity and transparency that are complementary to those included in this program. Worthy of mention are: (i) the request to the United Nations to install the International Commission against Impunity in Honduras; and (ii) progress in preparing the new external control master framework and, in coordination with STLCC, preparation of the above-mentioned Honduran national transparency and anti-corruption strategy is under way.⁴⁷ This document will set out a roadmap of reforms that will also require continued support from the Bank beyond this program in order to address this challenge. The Honduran national transparency and anti-corruption strategy will have six strategic lines⁴⁸ and an action plan calling for, among other activities, preparing a risk-based approach to anti-corruption, strengthening the transparency municipal management model, spurring the development of thematic transparency portals, developing rules and regulations for concurrent control, strengthening information systems, such as those at ONCAE and UIF, and strengthening the administrative career profile, including personnel selection processes.
- 1.33 **Strategic alignment.** The program is consistent with the Second Update to the Institutional Strategy 2020-2023 (document AB-3190-2) and aligned with the development challenge of productivity and innovation through the use of digital information technologies in transparency and control. It is aligned with the crosscutting themes of: (i) gender equality, through the inclusion of actions to increase participation by women in the sector (paragraph 1.34); (ii) diversity through the inclusion of actions to increase participation by indigenous groups in the sector (paragraph 1.34); (iii) institutional capacity and rule of law, by contributing to compliance with international rules and commitments and promotion of open government and transparency with the use of technologies; and (iv) climate change, since applying the [joint methodology of the multilateral development banks for estimating climate finance](#), 17.65% of the operation's resources will be invested in activities to mitigate climate change, given that three of the policy measures in this operation support compliance with country's climate commitments (paragraphs 1.37 and 1.38). It will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) indicators for: (i) agencies with strengthened transparency and integrity practices; (ii) countries with strengthened tax and expenditure policy; (iii) agencies with strengthened digital technology and managerial capacity; and (iv) countries with strengthened gender equality and diversity policy frameworks. The program is aligned with: (i) the Bank's [Vision 2025](#) (document AB-3266) since the quality of institutions and transparency are fundamental crosscutting themes for democratic governance and

⁴⁷ [Progress report to the Inter-American Convention against Corruption](#).

⁴⁸ The strategic lines are: (i) to increase awareness about the phenomenon of corruption; (ii) to strengthen institutional capacity to prevent corruption; (iii) to detect and investigate corruption; (iv) to punish corruption; (v) to increase the responsibility shared by other actors in the National Transparency and Integrity System; and (vi) to strengthen agreements for multistakeholder coordination on anti-corruption efforts.

private sector development; and (ii) the IDB Group's Country Strategy with Honduras 2019-2022 (document GN-2944), with the strategic objectives of: (i) improving budget management; and (ii) improving the quality and efficiency of public expenditure. Lastly, the operation is included in the 2022 Operational Program Report (document GN-3087).

- 1.34 **Gender and diversity considerations.** In line with the Operational Policy on Gender Equality in Development (OP-761, document GN-2531-10) and the IDB Group Gender and Diversity Action Plan 2022-2025, the program will finance actions to promote specific policies and participation by women in different areas. The planned actions, described in [optional link 3](#), include: (i) increasing participation by women-led microenterprises and small businesses (MSEs) as government suppliers; (ii) promoting women's empowerment and economic growth through their certification for infrastructure projects; (iii) actively promoting participation by women's organizations and indigenous groups in preparing open government plans and including commitments that respond to their interests and needs through the design of a strategy for concrete actions for mapping and liaison with the groups in question to raise awareness and increase their representation in preparing future open government plans; and (iv) diagnostic study and recommendations on a methodology for including the gender perspective in budgets. All these measures are directly linked to the integrity and open government agenda by promoting policies for greater participation and closer involvement in government for women and indigenous groups.

B. Objectives, components, and cost

- 1.35 The general development objective of this operation is to increase accountability by the Honduran government, which will contribute to 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.
- 1.36 **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](#).
- 1.37 **Component 2. Transparency of public information.** The goal is to: (i) promote budget and public expenditure transparency through the design and adaptation of a technology tool and online data visualization; (ii) strengthen 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; (iii) improve 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; (iv) strengthen municipal transparency by including the 298 municipios in the IAIP transparency portal; (v) promote the transparency of the water and sanitation sector by drafting general sector regulations that incorporate indicators to be reported in the Water and Sanitation Regulatory Information System by sector service providers; and (vi) promote transparency by identifying and publishing budget expenditures on actions in response to climate change.

- 1.38 **Component 3. Public integrity policies.** These will make it possible to: (i) prevent and combat corruption in public and private activities through creation of the STLCC; (ii) promote 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;⁴⁹ (iii) promote greater participation by women in public procurement for infrastructure projects, through training that enables them to obtain labor certification in fulfillment of Commitment No. 11: “Participation and empowerment of certified women in road infrastructure projects, public works, and mitigation works” in the Fourth Open Government Action Plan; (iv) establish strategic partnerships to prevent and control corruption under a framework agreement on interagency cooperation and technical coordination between public institutions and civil society; and (v) promote transparency and integrity in public employment by drafting amendments to the Civil Service Act.
- 1.39 **Component 4. Control systems.** These will make it possible to: (i) strengthen public integrity through the design and adaptation of a platform for digital management of sworn financial disclosure statements of income, assets, and liabilities; (ii) strengthen the internal audit systems of the national public administration through approval of the master framework for internal institutional control of public resources (MARCI); (iii) identify and evaluate money laundering and terrorism financing (ML/TF) risks in nonprofit organizations that includes an action plan with the measures to be implemented; (iv) promote business transparency through draft legislation that includes the creation of a consolidated beneficial ownership registry; (v) prepare a sector evaluation of ML/TF risks in the area of designated nonfinancial businesses and professions, that includes an action plan with the measures to be implemented; and (vi) promote 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).
- 1.40 **Beneficiaries.** The main beneficiaries will be the citizenry who will have a public administration that manages public resources more transparently and fully and provides information that helps in social control, in particular, 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 will also benefit from more job opportunities in works and the public employees of SEFIN, STLCC, UIF, ONADICI, and ONCAE will be provided with better capacity to carry out their mandates.
- C. Key results indicators**
- 1.41 **Results.** The Results Matrix will be used to measure the results of the policy actions and reforms envisaged in the program. Progress in the indicators will be presented in the status reports prepared by the executing agency. The main expected impact of the operation will be an increase in accountability by public officials, measured by a narrower gap in failure to submit sworn financial disclosure

⁴⁹ The Results Matrix will include preparation of a strategy for incorporating the gender and diversity perspective in future open government action plans.

statements on income, assets, and liabilities. The impact will be the consequence of the following results: (i) an increase in the transparency of public information related to publication of consolidated information on budget execution by public agencies and the degree of access to that information; (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 presented to the OGP and a larger percentage of MSEs headed by women as government suppliers; and (iii) greater efficiency in control systems associated with lower costs for civil servants presenting their sworn statements disclosing income, assets, and liabilities by digital means and greater efficiency in the prevention of money laundering, associated with an increase in registration of nongovernmental organizations with the UIF.

- 1.42 **Economic analysis.** Based on the recommendations made by the Office of Evaluation and Oversight (OVE) in its Evaluability Review of Bank Projects 2011⁵⁰ and the review of evaluation practices and standards for policy-based loans by the Evaluation Cooperation Group 2012,⁵¹ provided for in paragraph 1.3 of the Review of the Development Effectiveness Matrix (DEM) for Sovereign and Non-Sovereign Guaranteed Operations (document GN-2489-5), according to which an analysis of the efficiency of financial resource use does not need to be included,⁵² it was determined that an economic analysis would not be undertaken for this type of loan, and the Board of Executive Directors of the Bank 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 operation is structured as a PBP, with two individual operations that are technically linked but financially independent, in accordance with the document Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-2). The first operation is planned for 2022. The amount and timing of the operation will be determined with the government of Honduras during the Bank's programming exercise, in accordance with document CS-3633-2 and in function of progress in the triggers defined in the proposed operation. The PBP modality was selected based on the government's interest in obtaining IDB support for sector policy reforms and institutional changes in the short and medium terms. The programmatic modality is justified on account 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 pertinence of evaluating

⁵⁰ 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 PBLs.

⁵¹ 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.

⁵² 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 scaling of PBLs is linked to a country's financial gap, which is independent of a project's benefits.

progress in the triggers in function of the lessons learned; and (iv) support and continuity of the policy dialogue in the country.

- 2.2 **Scale.** The first operation will be for US\$195,000,000, with US\$126,750,000 from the Ordinary Capital and US\$68,250,000 from the Concessional Capital, through a single disbursement, determined on the basis of the country's need for fiscal resources. Its gross financing needs for 2022 are an estimated US\$2.326 billion (7.7% of GDP). This operation would represent 8.4% of those needs, about 22% of financing from multilateral and bilateral sources, and close to 19.6% of the deficit projected for the year (net financing). The operation is justified on the basis of paragraph 3.27 (b) of Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-2).

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 (document 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. On the one hand, no procurements are involved, and on the other, the loan proceeds will be paid directly into the Treasury Single Account to cover financing requirements. The executing agency has the necessary financial management tools and control instruments.

D. Other risks and key issues

- 2.5 **Political risk.** A medium-high political risk was identified to the effect that if there are delays in obtaining approval of the project from the Legislative Assembly, the agenda for reform and institutional change of this programmatic series would be delayed. It will be mitigated through information presented by SEFIN to different relevant stakeholders, including Congress, on the program's importance and the launch with Bank technical assistance of a communication plan that also involves civil society and the private sector which will help publicize the importance of accountability, transparency, and integrity policies.
- 2.6 **Institutional risk.** A medium-high risk was identified to the effect that if the institutions responsible for implementing the planned policy measures lack sufficient technical capacity, attainment of the program's objective will be affected. To mitigate it, the IDB and other international agencies will provide technical assistance in the form of specialized consulting services in different fields (legal, information technology, communication, gender, etc.) to support the institutions in fulfilling their mandates and policy commitments.
- 2.7 **Sustainability.** Most of the measures proposed in this operation are part of the country's international commitments. The following stand out: the country's adherence to the FATF Standards, the Principles of Open Government, 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 Honduran national transparency and anti-corruption strategy 2022-2026. 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.⁵³

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Honduras, and 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 loans, such as the programs to support social sector policies ([4877/BL-HO](#) approved in 2019), the water and sanitation sector ([4878/BL-HO](#), [4879/KI-HO](#) approved in 2019), and the transportation sector ([4625/BL-HO](#) approved in 2018).
- 3.2 The executing agency will have the following responsibilities: (i) coordinate with the institutions responsible for activities mentioned in this operation (including SEFIN itself, the STLCC and within it, ONCAE and ONADICI, the UIF, the DGSC, 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 forming part of the operation.
- 3.3 **Interagency coordination.** SEFIN is responsible for coordinating this program's measures and will act through its Transparency Directorate. Coordination will include follow-up with the STLCC, the UIF, the TSC, the DGSC, 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, the [Policy Letter](#), and the conditions established in the loan contract.

⁵³ Projects published in MapalInversiones perform better than unpublished projects [18].

B. Summary of results monitoring arrangements

- 3.5 **Monitoring.** Program implementation will be monitored by SEFIN through its Transparency Directorate in particular. The borrower and the IDB will hold semiannual meetings to review fulfillment of the conditions. A [monitoring and evaluation plan](#) has been designed for results monitoring. The tools in this plan are: (i) the Policy Matrix; (ii) the [means of verification matrix](#); 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 IDB.
- 3.6 **Evaluation.** A quasi-experimental impact evaluation will be performed to evaluate the program's results (see the [monitoring and evaluation plan](#)) that will report on how the indicators respond to the different components included in the program. This impact evaluation will allow for a causal attribution of the benefits estimated in the project study. Specifically, it will help to substantiate the program's attributive arguments relating to the improvement in efficiency and effectiveness in the use of public resources linked to better supervision and control of accountability by Honduran citizens.

IV. POLICY LETTER

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

Development Effectiveness Matrix		
Summary		HO-L1232
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Countries with strengthened gender equality and diversity policy frameworks (#) -Countries with strengthened tax and expenditure policy and management (#) -Agencies with strengthened digital technology and managerial capacity (#) -Agencies with strengthened transparency and integrity practices (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2944	(i) improve budget management; and (ii) improve the quality and efficiency of public expenditure
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 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 High
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	Financial Management: 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	This operation and several of the policy measures included have been supported, with the following TCs already approved: ATN/AA-16286-RG; ATN/AA-18179-RG; ATN/KK-19251-RG; ATN/LA-17667-RG; ATN/OC-16212-HO; ATN/AA-17281-RG; ATN/MA-17280-RG; ATN/WE-18392-HO; ATN/AA-18047-RG; ATN/OC-18048-RG; and the ATN/OC-18272-RG. In addition, the operational support TC ATN/OC-19377-HO.

Evaluability Assessment Note: (HO-L1232) Transparency and Integrity Program for Sustainable Development

The overall development objective of this operation is to increase the accountability of the Government of Honduras; to this objective are added specific development objectives with the aim to increase: (i) public transparency; (ii) efficacy of public integrity policies; and (iii) efficiency of control systems.

This project is the first operation structured under the modality of Programmatic Loan to Support Policy Reforms (PBP).

The program offers a diagnosis based on corruption, transparency and accountability gaps where Honduras currently reflects particularly low scores in the World Bank's Corruption Control Indices, as well as in those of the Open Budget (Presupuesto Abierto); in addition, 21% of state officials do not report their personal assets.

The proposed solutions focus on improvements to the transparency of public information in matters of public spending, finance, public contracting, and the strengthening and improvement of participation in terms of public integrity. The solutions are appropriate to respond to the problems of low levels of transparency in public information; (iii) efficacy gaps in the application of public integrity policies; and (iii) efficiency gaps in the control systems. The results matrix (RM) is consistent with the vertical logic of the project. The result indicators are appropriately defined to measure the achievements of the program and the fulfillment of its specific objectives. All impact indicators are aligned with the general objective development.

The project does not foresee an economic analysis based on the exception provided for this type of project.

The monitoring and evaluation plan includes an impact evaluation that aims to generate evidence of this program attributions in relation to efficiency and efficacy improvement in the use of public resources connected to a greater control and supervision of accountability by citizens in Honduras, as well as closing knowledge gaps in regards to the effectiveness of said reforms. For this purpose, a quasi-experimental design using the difference-in-differences method will be implemented. All baseline variables were based on administrative data. The rest of the indicators will be measured by the before and after method. Monitoring and evaluation activities will be carried out by the Ministry of Finance (SEFIN) in coordination with the Bank.

POLICY MATRIX

Objective: The general development objective of this operation is to increase accountability by the Honduran government, which will contribute to 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	Status of fulfillment of the policy conditions for PBP I ¹	Triggers for PBP II
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.	Fulfilled	1.1 Maintenance of a macroeconomic framework consistent with policy objectives and with the guidelines established in the sector Policy Letter.
Component 2. Transparency of public information			
Transparency of public information	2.1 Promotion of budget and public expenditure transparency through the design and adaptation of a technology tool and online data visualization.	To be fulfilled (Q3 2022)	2.1 Online publication of the first version of a technology tool and online data visualization, including information on budgeting and public expenditure.
	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.	Fulfilled (Q3 2022)	2.2 Implementation of actions under the interagency agreement.
	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.	Fulfilled (Q3 2022)	2.3 Strengthening the capacity of SEFIN's Fiscal Contingencies unit to identify, assess, and mitigate specific fiscal risks, through training in the analysis of the fiscal impact of extreme climate phenomenon caused by climate change.

¹ This information is merely indicative as of the date of this document. 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	Status of fulfillment of the policy conditions for PBP I ¹	Triggers for PBP II
	2.4 Strengthening of municipal transparency by including the 298 municipios in the IAIP transparency portal.	Fulfilled (Q4 2021)	2.4 Promotion of municipal transparency through training for officials in theoretical and regulatory aspects of access to public information and other joint activities (such as awareness-raising and communication with citizens) for the STLCC and the Association of Municipalities.
	2.5 Promotion of the transparency of the water and sanitation sector by drafting general sector regulations that incorporate indicators to be reported in the Water and Sanitation Regulatory Information System by sector service providers	Fulfilled (Q2 2022)	2.5 Approval of sector regulations with integrity and transparency indicators for water and sanitation services, following dissemination and discussion with relevant stakeholders.
	2.6 Promotion of transparency by identifying and publishing budget expenditures on actions in response to climate change.	Fulfilled (Q3 2021)	2.6 Publication of budget execution associated with expenditure on climate change.
Component 3. Public integrity policies			
Strengthen public integrity and open government policies	3.1 Prevention and combatting of corruption in public and private activities through creation of the STLCC.	Fulfilled (Q2 2022)	3.1 Approval by the STLCC of a Honduran national transparency and anti-corruption strategy.
	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.	Fulfilled (Q2 2022)	3.2 Approval and implementation of the Fifth Action Plan.
	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 No. 11: "Participation and empowerment of certified women in road infrastructure projects, public works, and mitigation works" in the Fourth Open Government Action Plan.	Fulfilled (Q4 2021)	3.3 Preparation of a report on the inclusion of certified women in public infrastructure projects, including an analysis of the sustainability of the inclusion policy.
	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.	Fulfilled (Q2 2022)	3.4 Implementation of a framework agreement on interagency cooperation and technical coordination between public institutions and civil society.
	3.5 Promotion of transparency and integrity in public employment by drafting amendments to the Civil Service Act.	Fulfilled (Q3 2022)	3.5 Submission to the executive branch of the draft amendments to the Civil Service Act by the Office of the Presidency.

Component/ Policy objectives	Policy conditions for PBP I	Status of fulfillment of the policy conditions for PBP I ¹	Triggers for PBP II
Component 4. Control systems			
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.	Fulfilled (Q1 2022)	4.1 Implementation of the system for digital management of sworn financial disclosure statements of income, assets, and liabilities in at least 20 government institutions.
	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).	Fulfilled (Q4 2021)	4.2 Preparation of a training plan and report evaluating progress in implementing the MARCI.
	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.	Fulfilled (Q1 2022)	4.3 Review and proposal for updating the regulations applicable to nonprofit organizations as a result of agreements reached in working groups involving the competent authorities and sector representatives.
	4.4 Promotion of business transparency through draft legislation that includes the creation of a consolidated beneficial ownership registry.	Fulfilled (Q2 2022)	4.4 Submission to Congress of draft legislation on the creation of a consolidated beneficial ownership registry.
	4.5 Sector evaluation of ML/TF risk in the area of designated nonfinancial businesses and professions, that includes an action plan with the measures to be implemented.	Fulfilled (Q3 2022)	4.5 Approval of an action plan, preparation of a roadmap, and identification of stakeholders in the area of nonfinancial businesses and professions and government institutions to begin implementing the measures identified in the action plan.
	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).	Fulfilled (Q3 2022)	4.6 Submission to Congress of the Convention on Mutual Administrative Assistance in Tax Matters (CAAM) for approval.

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 of achievement	Target	Means of verification	Comments
General development objective: To increase accountability by the Honduran government							
Accountability by civil servants	Percent	21	2022	2025	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 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	2025	71	The database on the MapaInversiones platform in Honduras, with data visualization or downloadable datasets.	This is an indicator of the total coverage of institutions. The consolidated information includes: (i) budget planning; (ii) budget execution; and (iii) procurements and contracts, in accordance with the responsibilities of each institution.
1.2 Number of accesses to consolidated information on budget execution by centralized government institutions.	Number	0	2022	2025	1,100	Report on monthly visits and sessions to the MapaInversiones platform in Honduras.	The number of accesses to consolidated information is measured by the number of sessions. 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	2025	24.81	Evaluation report at the end of the Fifth Action Plan 2022-2024.	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 targets 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 MSEs led by women government suppliers.	Percent	42.9	2022	2025	45.0	ONCAE-IDB. Analysis with a study of enterprises headed by women in public contracting (June 2022).	Pro-gender indicator. The numerator is the number of MSEs headed by women registered in the ONCAE database that have participated in public bidding, and the denominator is the total number of MSEs headed by women registered in that database. Enterprises headed by women are defined as businesses belonging to them, as per the study.
Specific development objective 3: To enhance the efficiency of control systems							
3.1 Cost-effectiveness of digital submission by civil servants of their sworn financial disclosure statements.	Amount (Honduran lempiras per statement)	1,033	2022	2024	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).	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 has been 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 NGOs registered with the UIF.	Number	15	2022	2025	200	Updated report by the UIF on the number of NGOs registered.	The indicator will measure the increase in the number of NGOs 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 (2022)	Year 2 (2023)	Target Final	Means of verification	Responsibility	Comments
Component 2: Transparency of public information									
2.1 Promotion of budgetary and public expenditure transparency through the design and adaptation of a technology tool and online data visualization.	Agreement	0	2022	1	0	1	SEFIN note attaching a copy of the agreement between the IDB and the Honduran government for administrative use of the MapaInversiones platform.	SEFIN	
2.2 Strengthening of 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.	Document	0	2022	1	0	1	SEFIN note attaching a copy of the signed interagency agreement.	SEFIN and ONCAE	
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.	Document	0	2022	1	0	1	SEFIN note attaching the report on fiscal contingencies, which is an annex to the 2023 draft budget.	UCF (SEFIN)	
2.4 Strengthening of municipal transparency by including the 298 municipios in the IAIP transparency portal.	Document	0	2021	1	0	1	SEFIN note attaching a copy of the report on the incorporation of 298 municipios in fulfillment of Commitment No. 2: "Strengthening municipal mechanisms for greater citizen access to public information" of the Fourth Open Government Action Plan.	DGSC	

Indicator	Unit of measure	Baseline value	Baseline year	Year 1 (2022)	Year 2 (2023)	Target Final	Means of verification	Responsibility	Comments
2.5 Promotion of the transparency of the water and sanitation sector by drafting general sector regulations that incorporate indicators to be reported in the Water and Sanitation Regulatory Information System by sector service providers.	Document	0	2022	1	0	1	SEFIN note attaching a copy of the draft general sector regulations prepared by the ERSAPS Directors' Committee.	ERSAPS	
2.6 Promotion of transparency by identifying and publishing budget expenditures on actions in response to climate change.	Document	0	2021	1	0	1	SEFIN note attaching a copy of the document "Analysis of national climate change budget tagging."	Public Investment Directorate, SEFIN	
Component 3: Public integrity policies									
3.1 Prevention and combatting of corruption in public and private activities through creation of the STLCC.	Document	0	2022	1	0	1	SEFIN note attaching a copy of Executive Decree PCM 05-2022.	STLCC	
3.2 Promotion of an open State through the start 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.	Document	0	2022	1	0	1	SEFIN note attaching the work plan for preparing the Fifth National Action Plan for the OGP.	STLCC	
3.3 Promotion of greater participation by women in public procurement for infrastructure projects, through training that enables them to obtain labor certification in fulfillment of Commitment No. 11: "Participation and empowerment of certified women in road infrastructure projects, public works, and mitigation works" in the Fourth Open Government Action Plan.	Document	0	2021	1	0	1	SEFIN note attaching a report on the training program for women, in fulfillment of Commitment No. 11: "Participation and empowerment of certified women in road infrastructure projects, public works, and mitigation works" in the Fourth Open Government Action Plan.	STLCC	Pro-gender indicator.

Indicator	Unit of measure	Baseline value	Baseline year	Year 1 (2022)	Year 2 (2023)	Target Final	Means of verification	Responsibility	Comments
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.	Document	0	2022	1	0	1	SEFIN note attaching a copy of the framework agreement on interagency cooperation and technical coordination between the National Anti-corruption Council and the STLCC.	STLCC	
3.5 Promotion of transparency and integrity in public employment by drafting amendments to the Civil Service Act.	Document	0	2022	1	0	1	SEFIN note attaching the draft amendments to the Civil Service Act.	STLCC	
Component 4: 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.	Document	0	2022	1	0	1	SEFIN note attaching copies of: (i) The agreement between the TSC and the IDB transferring a license to use the system for sworn statements of income, assets, and liabilities; (ii) Minutes of TSC Plenary Administrative Session No. 3/2022 of 22 February 2022 in which the TSC resolved to use the cloud to store information and conduct a pilot test; (iii) Memorandum No. 086-2022-GI-TSC of 7 February 2022 from the TSC's Information Systems Manager to the Presiding Magistrate of the TSC requesting performance of a pilot test; (iv) TSC report on the preparations to organize a pilot test of the system for digital management of sworn statements disclosing income, assets, and liabilities.	TSC	

Indicator	Unit of measure	Baseline value	Baseline year	Year 1 (2022)	Year 2 (2023)	Target Final	Means of verification	Responsibility	Comments
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).	Document	1	2021	0	0	1	SEFIN note attaching a copy of the MARCI issued by the TSC and published in Official Gazette No. 35795 of 11 December 2021.	SEFIN	
4.3 Identification and evaluation of the money laundering and terrorism financing (ML/TF) risks in nonprofit organizations that includes an action plan with the measures to be implemented.	Document	0	2022	1	0	1	UIF note to SEFIN attaching a copy of the analysis with an action plan containing measures to be implemented related to nonprofit organizations.	CNBS/UIF	
4.4 Promotion of business transparency through draft legislation that includes the creation of a consolidated beneficial ownership registry.	Document	0	2022	1	0	1	UIF note to SEFIN attaching draft legislation for the creation of a consolidated beneficial ownership registry.	CNBS/UIF	
4.5 Preparation of a sector evaluation of ML/TF risk in the area of designated nonfinancial businesses and professions that includes an action plan with the measures to be implemented	Document	0	2022	1	0	1	UIF note to SEFIN attaching a copy of the preliminary analysis that includes a sector evaluation of ML/TF risk related to nonfinancial businesses and professions, with an action plan containing measures to be implemented.	CNBS/UIF	
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).	Document	0	2022	1	0	1	SEFIN note attaching a copy of the signed Convention (CAAM).	Tax Administration Service	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

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

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. Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$68,250,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$126,750,000, 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 ____ 2022)