



Independent Country Program Review

# Honduras 2019-2022

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**Inter-American Development Bank, 2023**

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**RE-580, CII/RE-91  
May 2023**

**Independent Country Program Review**

# **Honduras 2019-2022**

**Office of Evaluation and Oversight**





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# Acknowledgements

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## Acronyms and Abbreviations

<b>AEPAS-H</b>	Agencia Estratégica de Proyectos Productivos, Ambientales y Sociales [Strategic Agency for Productive, Environmental, and Social Projects of Honduras]
<b>BCH</b>	Central Bank of Honduras
<b>BMGF</b>	Bill & Melinda Gates Foundation
<b>CCF</b>	Contingent Credit Facility
<b>CCTP</b>	Conditional cash transfer program
<b>CDC</b>	Country Development Challenges
<b>CPE</b>	Country Program Evaluation
<b>CS</b>	Country strategy
<b>ENEE</b>	Empresa Nacional de Energía Eléctrica [National Electricity Company]
<b>EO</b>	Expected outcome
<b>ICPR</b>	Independent Country Program Review
<b>IGR</b>	Investment grant
<b>IMF</b>	International Monetary Fund
<b>INE</b>	Instituto Nacional de Estadística [National Statistics Institute]
<b>INV</b>	Investment loan
<b>INVEST-H</b>	Inversión Estratégica de Honduras [Strategic Investment-Honduras]
<b>IOM</b>	International Organization for Migration
<b>IPHR</b>	Immediate public health response
<b>LAC</b>	Latin America and the Caribbean
<b>MSME</b>	Micro, small, and medium-sized enterprise

<b>NSG</b>	Non-sovereign guaranteed
<b>OVE</b>	Office of Evaluation and Oversight
<b>PAHO</b>	Pan American Health Organization
<b>PBL</b>	Policy-based loan
<b>PBP</b>	Programmatic policy-based loan
<b>SDL</b>	Special development lending
<b>SEDIS</b>	Ministry of Development and Social Inclusion
<b>SEFIN</b>	Ministry of Finance
<b>SESAL</b>	Ministry of Health
<b>SG</b>	Sovereign guaranteed
<b>SME</b>	Small and medium-sized enterprise
<b>SO</b>	Strategic objective
<b>TCP</b>	Technical cooperation operation
<b>TFFP</b>	Trade Finance Facilitation Program
<b>UMAPS</b>	Unidad Municipal de Agua Potable y Saneamiento [Municipal Unit of Potable Water and Sanitation]
<b>WHO</b>	World Health Organization
<b>XSR</b>	Expanded supervision report

# Executive Summary

**Purpose.** This Independent Country Program Review (ICPR) analyzes the IDB Group's country strategy and country program with Honduras during the 2019-2022 period. ICPRs seek to reinforce the accountability of the IDB Group's work in the country, provide the Boards of Executive Directors of the IDB and IDB Invest with useful information to consider for the next country strategy, and invite Management to incorporate the review's findings based on their usefulness for future work with the country.

**Country context.** Honduras is a lower middle-income country that faces productivity challenges, with an economy that is vulnerable to external shocks. The country's average economic growth was 3.6% between 2010 and 2019, and 2.7% between 2019 and 2022. In 2020, Honduras had a particularly difficult year, with a 9% decline in GDP; however, its GDP rebounded in 2021 with 12.5% growth. This growth was a result of increases in external demand and domestic consumption. Three exogenous shocks occurred during the country strategy period: a drought and water shortage emergency in 2019; Hurricanes Eta and Iota in 2020, and Julia in 2022; and the COVID-19 pandemic in 2020 and 2021. Moreover, the control of corruption indicator for Honduras fell to a percentile rank of 14.4 in 2021, from 21.6 in 2019. As evidence of institutional weaknesses, there were corruption cases involving top public officials. The November 2021 elections resulted in a new party taking over the government in 2022.

Honduras has attained relative macrofiscal stability, reinforced by its arrangements with the International Monetary Fund (IMF). However, the financial situation of the National Electricity Company (ENEE) remains as the main challenge for fiscal sustainability. With respect to social indicators, monetary poverty had improved—although slowly—during the previous period. However, the COVID-19 pandemic and climate shocks impacted this progress, and monetary poverty increased from 43.1% in 2019 to 54% in 2021. Gaps remain in various sectors, including education, health, citizen security, infrastructure, and financing for small and medium-sized enterprises (SMEs).

**Strategic objectives and crosscutting issues.** The 2019-2022 country strategy established 10 strategic objectives (SOs) and 22 expected outcomes (EOs) in three priority areas: (i) public management and institutional structure; (ii) human capital accumulation; and (iii) expansion of sustainable production opportunities.



The country strategy also included three crosscutting issues: (i) climate change adaptation; (ii) women’s empowerment and diversity; and (iii) innovation and use of new technologies to achieve greater relevance and efficiency in interventions.

<b>Strategic objectives of the Bank’s country strategy</b>
<b>Priority area 1: Strengthening of public management and institutional structure</b>
SO1. Improve budget management
SO2. Improve the quality and efficiency of public expenditure
SO3. Increase the efficiency of the tax system
<b>Priority area 2: Human capital accumulation</b>
SO4. Reduce poverty and improve education and health services for the vulnerable population
SO5. Improve the security of at-risk youth
SO6. Increase in coverage of specialized services for women
<b>Priority area 3: Expansion of sustainable production opportunities</b>
SO7. Improve logistics performance
SO8. Expand credit access for agricultural MSMEs
SO9. Improve the efficiency, coverage, quality, and sustainability of the electricity service
SO10. Expand the country’s forest cover and resilience to climate change

Source: IDB Group Country Strategy with Honduras 2019-2022.

**Relevance of the strategic objectives and the framework of the country strategy.** In general, the strategic objectives for 2019-2022 were aligned with the country’s development challenges, the national priorities established in the 2018-2022 Strategic Plan, and the objectives of the IDB Group’s Institutional Strategy. Despite the difficult context that Honduras faced, in general, the country strategy was still relevant as a guide for the IDB Group’s country program. The water and sanitation sector, a country strategy dialogue area, regained importance because of the hurricanes and drought that occurred. The vertical logic of the country strategy Results Matrix was adequate, although the Office of Evaluation and Oversight (OVE) identified challenges with the timely monitoring of country strategy indicators and weaknesses in the evaluability of some indicators. (For three indicators, it was difficult to define or calculate the baselines.) The country strategy identified macroeconomic, portfolio execution, and natural disaster risks that materialized during the period; risk mitigation measures were planned and implemented, mainly through Bank operations. Lastly, Management took relevant actions, achieving substantial progress on the three recommendations made in the Country Program Evaluation with Honduras 2015-2018.

**Country program.** During the 2019-2022 period, the Bank approved US\$1.116,3 billion in sovereign guaranteed operations, higher than for the previous period and considerably surpassing the US\$671 million lending framework. This was partly in response to the COVID-19

pandemic (US\$304.2 million, including a special development lending operation). Approvals of non-sovereign guaranteed operations totaled US\$114.3 million in loans (more than the previous period) and US\$398.6 million in transactions to support foreign trade.

**Country program alignment.** The IDB Group proactively used a wide range of instruments to adapt to the country's priorities. Despite the difficult situation that Honduras faced during the period, the program was strongly aligned with the country strategy's 10 strategic objectives: sovereign guaranteed operations covered all of the strategic objectives and their expected outcomes, while non-sovereign guaranteed operations aligned with two strategic objectives of priority area 3. This support was implemented in coordination with the government and other international organizations, particularly in addressing the pandemic. Two sovereign guaranteed loans approved in the water and sanitation sector (9% of the total) were not aligned with any strategic objective. A significant portion of the non-sovereign guaranteed operations (more than 50%) were not aligned with any strategic objective—although some were aligned with pandemic response—and covered diverse issues, including support for SMEs and the export sector. Lastly, the Bank's program incorporated crosscutting issues into the three priority areas of the country strategy adequately and as planned (climate change was included in 55% of the sovereign guaranteed operations; gender and diversity, in 76%; and innovation and use of new technologies, in 55%). IDB Invest had a few operations with energy efficiency elements, support for women-run SMEs, and use of technologies.

**Country program implementation.** Disbursements for sovereign guaranteed operations during the period totaled US\$1.138 billion, surpassing country strategy estimates by 26%. This was driven by fast-disbursing loans associated with IMF programs and the pandemic response. For non-sovereign guaranteed operations, disbursements increased by 61% over the previous strategy period. For investment operations, the time elapsed between approval by the Board of Executive Directors and the first disbursement lengthened compared to the previous period, and was longer than for its regional comparators. However, this did not translate into higher execution costs.

Generally, the portfolio's execution pace was satisfactory, especially during the beginning of the country strategy period, but slowed toward the end of the period. The pandemic and the hurricanes intensified the implementation challenges during the period. The factors that impacted program implementation included staff turnover in line agencies, the dissolution or change of key executing agencies, the government transition, coordination challenges between relevant actors, and the legislative ratification process. The IDB Group worked to prevent, detect, and manage integrity risks.

**Country program contribution to the strategic objectives.** To date, the IDB Group has mainly made medium-level contributions to the country strategy objectives—a positive result, considering the challenges that Honduras faced during the period. The IDB Group made high-level contributions to one strategic objective, medium-level contributions to more than half of the objectives, and low-level contributions to two objectives. The main reasons for medium- or low-level contributions to date were: (i) the early stages of execution for the aligned operations, which other than generating some outputs have not achieved their outcomes; (ii) the lack of evidence on outcomes for the aligned program, even for operations in advanced stages of execution; (iii) the cancellation or reformulation of operations; and (iv) the pandemic situation and the climate shocks, which have led to stalled outcome indicators, particularly for the social sector (social protection, health, and education).

In the priority area of **strengthening of public management and institutional structure**, the Bank made high-level contributions to the objective to *increase the efficiency of the tax system* (SO3), through operations that helped increase the tax returns filed electronically. There were medium-level contributions to the objective to *improve budget management* (SO1) and low-level contributions to *improve the quality and efficiency of public expenditure* (SO2), since budget information and monitoring mechanisms for macrofiscal rules were strengthened, and the targeting of redistributive programs was improved with long-term technical support. However, the implementation of results-based budgeting is still at an early stage. In the electricity sector, the activities to strengthen ENEE did not reduce the fiscal burden.

In the area of **human capital accumulation**, the Bank made medium-level contributions to the objective to *improve the security of at-risk youth* (SO5), with medium-term interventions aimed at managing security and professionalizing the police. The Bank also made medium-level contributions to the objectives to *reduce poverty and improve education and health services* (SO4) and *increase in coverage of specialized services for women* (SO6), with income support measures for populations living in poverty, as well as operations that helped prevent and reduce gender violence and expand service delivery channels for nutrition and maternal and child health. However, the COVID-19 pandemic slowed the progress on poverty and maternal and child mortality indicators. In education, there were low-level contributions due to the program's reformulation (due to the pandemic) and the lack of evidence about graduation and learning quality outcomes during the period; however, there was progress on enrollment.

In the area of **expansion of sustainable production opportunities**, the IDB Group made medium-level contributions to the objectives to *improve logistics performance (SO7)*; *improve the efficiency, coverage, quality, and sustainability of the electricity service (SO9)*; and *expand the country's forest cover and resilience to climate change (SO10)*. This was achieved by improving the quality of transport infrastructure in the Mesoamerican Pacific Corridor and other targeted segments, and of the electricity transmission network; beginning the restoration process for 32,400 hectares of public forests impacted by pest outbreaks; and increasing renewable energy generation. However, contributions were low with respect to increasing electricity coverage in rural areas, since the main relevant operation is still in execution and climate finance operations have low execution levels. Lastly, the IDB Group made low-level contributions to the objective to *expand credit access for agricultural MSMEs (SO8)*, due to the low execution or cancellation of sovereign guaranteed operations; however, non-sovereign guaranteed operations showed progress.

**Conclusions. Country strategy:** The country strategy remained relevant as a guide for the country program. The focus of continuing to support low-income and vulnerable populations (a recommendation from OVE) became even more relevant with the pandemic. In addition, since the water and sanitation sector regained its importance, its future relevance should be evaluated. **Dialogue and cooperation:** The Bank's dialogue with the Honduran government during the transition process was aimed at achieving progress on relevant issues and portfolio execution, as well as coordinating responses to emergencies and to the COVID 19 pandemic with the government and other international organizations. **Country program performance:** The implementation of the country program progressed favorably, particularly at the beginning of the strategy period, when the IDB Group mainly made medium-level contributions to country strategy objectives. Some implementation challenges—such as the dissolution or change of key executing agencies and coordination challenges between relevant actors—underscored that there are institutional capacity-building opportunities for executing agencies and execution units. **Support for reforms:** Budgetary support instruments helped lay the foundation for relevant reforms on social protection, logistics, transparency, and water and sanitation. Nevertheless, given that consolidation and deepening of some of these reforms are still in early stages, these agendas should be monitored.





# 01

## Introduction

- 1.1 This Independent Country Program Review (ICPR) analyzes the IDB Group's country strategy (CS) and country program with Honduras during the 2019-2022 period. ICPRs assess the relevance of the Bank's latest country strategy and provide aggregate information on the program's relevance and execution. If the available information allows it, ICPRs also report on progress toward achieving the objectives that the IDB Group established in the country strategy. ICPRs are based on a systematic, comprehensive review of documents, and on triangulating information with IDB Group specialists and outside sources of information. According to the Updated Proposal: OVE Country Product Protocol. Final version (document [RE-348-8](#)), ICPRs focus mainly on accountability. Accordingly, ICPRs do not make recommendations, but rather provide the Board of Executive Directors with useful information and conclusions to be considered for the next country strategy.
- 1.2 This ICPR includes six sections and an annex with supporting information. After this introduction, Section II describes the country context, development challenges, and government priorities. Section III reviews the strategic objectives of the 2018-2021 country strategy and its Results Matrix, as well as the findings of the previous Country Program Evaluation (CPE) and implementation of its recommendations. Section IV describes the country program approved for the period and analyzes its alignment with strategic objectives. Section V reviews the program's implementation, the outcomes achieved to date, and their contributions to the strategic objectives. Section VI presents the conclusions. The annex includes a detailed analysis of all country program operations and presents supplementary information on the analyses performed.



# 02

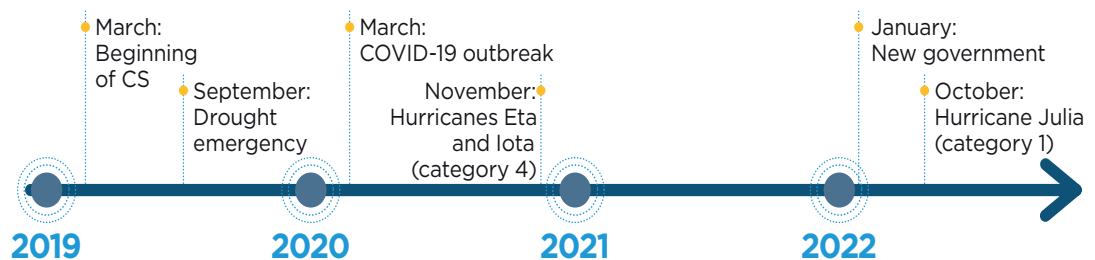
## Country Context



2.1 During the country strategy period, Honduras faced three exogenous shocks. During the period, Honduras experienced a drought and water shortage emergency in 2019; Hurricanes Eta and Iota in 2020, and Julia in 2022; and the COVID-19 pandemic in 2020 and 2021 (Figure 2.1).

**Figure 2.1**  
**Figure 2.1. Main events in Honduras, 2019-2022**

Source: Prepared by the authors.



## A. Macroeconomic and fiscal situation

2.2 Honduras is a lower middle-income country with an economy that is vulnerable to external shocks.<sup>1</sup> In 2021, its gross domestic product (GDP) was US\$28.2 billion (with the services sector accounting for 70%)<sup>2</sup> and its per capita GDP was US\$2,771, the second lowest in Central America. Its economic growth, on average, was 3.6% between 2010 and 2019 and 2.7% between 2019 and 2022, above the average for Latin America and the Caribbean (LAC) (2.2% and 0.9%, respectively, for the same periods) (World Bank, 2022a). With respect to external shocks, 2020 was a particularly difficult year, since the country experienced a 9% decline in GDP, above the 6.6% average for Latin America. However, GDP rebounded in 2021, growing by 12.5%. This vigorous recovery was a result of increased external demand (driven by the expansion experienced by its main trading partners, such as the United States) and rising domestic consumption based on a gradual recovery in economic activity and household and business income (ECLAC, 2021; and Central Bank of Honduras (BCH), 2021).

2.3 Honduras has attained relative macrofiscal stability, reinforced by its arrangements with the IMF. However, the crises faced during the period put pressure on its fiscal accounts. The electricity sector still poses the main challenge for fiscal sustainability. In 2019, the IMF approved a second combined program—comprised of a Standby Credit Facility and a Stand-By Arrangement—to support the Honduran government in strengthening its macroeconomic and fiscal policy frameworks

<sup>1</sup> The data in this section are for the most recent year available.

<sup>2</sup> The industrial and agriculture sectors accounted for 13% and 18%, respectively (BCH, 2021a).

(IMF, 2019).<sup>3</sup> This program was modified partially in 2020 to address emergency needs and move toward an economic recovery (IMF, 2021). Under these programs, mechanisms to attain fiscal discipline were established (fiscal rule and medium-term fiscal framework), the debt was stabilized, and elements of a modern monetary policy framework were introduced.<sup>4</sup> However, the crises during the period and the countercyclical measures implemented<sup>5</sup> reduced the fiscal headroom, and the debt increased from 42.6% of GDP in 2019 to 48.8% in 2021 (IMF, 2022).<sup>6</sup> In addition, the operational and financial situation of the National Electricity Company (ENEE) remains as the main challenge for fiscal sustainability (the electricity sector's fiscal deficit accounts for 0.6% of GDP).<sup>7</sup>

2.4 The external sector does not present balance of payments risks and has benefited from increases in commodity prices and the nearshoring trend. Since current account imbalances are financed through foreign direct investment and a high level of remittances (see Annex I.C), they do not pose a crisis risk for the balance of payments.<sup>8</sup> Honduras ranks eighth in the world with respect to the highest proportion of remittances to GDP (22.1%) (BCH, 2021a; World Bank, 2023a). In exports, the main sectors are textiles, agriculture, and services, with 32%, 31%, and 21% in 2020, respectively. The main export sectors are information and communications technology services (18%), textiles and clothes manufacturing (10.1%), and coffee (8.9%) (Harvard University, 2023). Supply chain disruptions related to the pandemic and the geopolitical context, coupled with logistics improvements in Honduras (paragraph 2.6), have presented opportunities. Some foreign companies are subcontracting business processes to closer destinations (nearshoring), while U.S. retail brands, mainly textiles, are relocating their operations to Honduras (World Bank, 2022b). In the agroindustrial sector, coffee prices and exports have been rising since 2021.

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3 In 2017, Honduras completed its first combined program (IMF, 2018a).

4 In the fiscal area, the Fiscal Responsibility Law (LRF) was approved. In monetary policy, an arrangement was reached to recapitalize the BCH (IMF, 2018a).

5 These included liquidity support for households and businesses, cash transfers, credit relief, and rebuilding infrastructure. To finance these measures, the government had access to US\$2.5 billion in loans, after activating the fiscal rule escape clause (World Bank, 2022a).

6 The nonfinancial public sector deficit was 3.7% of GDP in 2021, within the limit of 5.4% of GDP set under the LRF. The central government's deficit was 5% of GDP (Ministry of Finance (SEFIN), 2022).

7 This deficit can be attributed to low rates; expensive, limited generation capacity; and electricity losses due to technical (distribution infrastructure breakdowns) and nontechnical issues (poor administrative practices and electricity theft). This in turn led to restrictions on electricity investment projects (World Bank, 2022a; IMF, 2018a; and interviews). The IMF (2018a) has recommended a rate adjustment.

8 In addition, the BCH could cover imports for up to eight months with its reserves, well above the three-month threshold that the IMF recommends.

## B. Productive development

- 2.5 The country's productivity has been declining for several decades. Between 2009 and 2017, economic growth was attributable to factor accumulation (labor and capital), and total factor productivity was negative (-2.3% on average). In the past five years, growth has declined due to less capital accumulation and lower total factor productivity (Ulku and Zaourak, 2021). Agriculture and services (relevant export basket sectors with the largest multipliers) concentrate their productivity in a few capital-intensive formal businesses, with the rest of the activities corresponding to informal jobs where productivity tends to be low because of the absence of economies of scale and limited access to finance (World Bank, 2022a).
- 2.6 With respect to competitiveness, Honduras has improved its logistics performance (although infrastructure gaps remain) and faces economic competition challenges. Honduras has the second-best logistics performance in Central America, after Panama,<sup>9</sup> but also has room for improvement in infrastructure compared to LAC (Calatayud et al., 2021). Only 23% of the highways are paved and 35% are in poor condition, since the country's public investment in road transport infrastructure is among the lowest in the region (Rodríguez and Montes, 2021). In addition, commercial regulations, price controls, and clientelism are dampening competition (World Bank, 2022a). The Global Competitiveness Index ranks Honduras as 118th out of 141 countries on the burden of government regulation and 93rd on domestic competition. There are also barriers to entry that inhibit competition and encourage informality among businesses (World Bank, 2022a). Moreover, budget adjustments made by reducing capital expenditure have compromised productivity. Capital expenditure is barely returning to the average for Latin America (3.6% of GDP) (World Bank, 2022a). Nevertheless, the financial system is stable, liquid, and well capitalized (IMF, 2019; Annex I.C).
- 2.7 The labor market is characterized by the high concentration of micro, small, and medium-sized enterprises (MSMEs) in the informal economy. The country's MSMEs employ 70% of the workforce, generating nearly 50% of GDP. The informal sector generates 45% of GDP, and 58% of workers are part of the informal economy (World Bank, 2022b). In 2019, the informality rate was 96% for those living in poverty and 99% for those living in extreme poverty (World Bank, 2022a). The nationwide unemployment rate (open unemployment) rose from 5.7% in

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<sup>9</sup> In the Logistics Performance Index, the ranking for Honduras rose by 19 places between 2016 and 2018, and by 27 places between 2018 and 2023 (Annex III).

2019 to 8.9% in 2022,<sup>10</sup> and is particularly high for women (8.7%) and young people ages 15 to 24 (11.3%).<sup>11</sup> This exacerbates the challenges of access to traditional credit for individuals and businesses (IDB, 2019).

## C. Social development

2.8 Honduras had improved, although slowly, in terms of poverty reduction, but the COVID-19 pandemic wiped out these improvements. Between 2019 and 2021, total monetary poverty increased from 43.1% to 54%, and extreme monetary poverty rose from 19.5% to 28.9%; in contrast, from 2017 to 2019, monetary poverty declined. Honduras still has one of the highest poverty levels in LAC (World Bank, 2021). Rural areas have a higher incidence of poverty.<sup>12</sup> In addition, the economic crisis that the pandemic caused increased the intention to emigrate (IOM, 2022). The migrant Honduran community living abroad accounts for 10% of its population, representing a significant source of income for more than 30% of the country's households (Ibid).

2.9 Honduras faces significant challenges in educational coverage, particularly in third-cycle education, and in learning quality. Primary school coverage (first and second cycles) increased in the past decade, from 91.7% in 2014 to 93% in 2019, although there was a setback due to the pandemic (90% in 2022). However, although far from achieving universal coverage, secondary school (third cycle) coverage also advanced, from 45% in 2014 to 55.5% in 2019 and 55.6% in 2022.<sup>13</sup> The greatest challenges are in rural areas, which have 41% coverage compared to 70% in urban areas (INE, 2021 and 2022). On learning quality, no updated data is available for the period. However, the latest information available indicated that most students ages 15 and 16 in seventh grade or above performed poorly in the subjects evaluated in the 2018 PISA (Programme for International Student Assessment) examination, with scores below the average for LAC (IDB, 2018).<sup>14</sup>

2.10 In the health area, maternal mortality rates fell during the past decade, but the pandemic stalled this progress. Maternal mortality rates had improved in the last decade—decreasing from 73.1 deaths per 100,000 live births in 2009 to 66.6 in 2019—but

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10 National Statistics Institute of Honduras (INE), based on the Multipurpose Household Survey.

11 Nearly 27.6% of women lost their jobs permanently or temporarily within four months after the pandemic started, compared to the 11.1% reported for men.

12 Poverty rates are 50.5% in urban areas and 58.7% in rural areas (INE, 2021a, 2021b, and 2022).

13 The third cycle graduation rate rose from 22% in 2017 to 46% in 2020 (Annex III).

14 In math, 85% of students showed low performance, compared to 69% in LAC. In addition, 76% of students performed poorly in science, and 70% in reading.

increased to 71.8 deaths per 100,000 live births in 2020 (World Health Organization (WHO), 2022), pointing to stalled progress due to the pandemic.<sup>15</sup> However, in 2019 (latest data available), the infant mortality rate was 17 deaths per 1,000 live births, an improvement compared to 2011-2012, while the average rate for LAC was 13.9 deaths and is higher for rural areas (IDB, 2022; Ministry of Health (SESAL), 2019).<sup>16</sup> With respect to medical equipment and personnel, Honduras has 6 hospital beds and 3 physicians per 10,000 people, well below the LAC average of 20 beds and 23 physicians (World Bank, 2022c).

- 2.11 There is strong disparity between urban and rural populations in access to basic services. While 95% of households in urban areas had access to water services, 79% of households in rural areas had access to these services (Government of Honduras, 2021). In sanitation, the gap is more drastic, since 63% of households in urban areas are connected to the sewer system, compared to 3% in rural areas (OLAS, 2021). In terms of access to electricity, 98% of the population in urban areas has this service, compared to 69% in rural areas (SEN, 2020) (Annex III).

## D. Governance

- 2.12 In governance effectiveness, the ranking for Honduras fell by 10 places; control of corruption and citizen security stand out as important challenges. The World Bank's governance indicator remained stable between 2017 and 2020, and then decreased in 2021. In the rankings, Honduras went from the 31st percentile<sup>17</sup> in 2019 to the 21st percentile in 2021 (World Bank, 2023b) (Annex 1, Figure I.1.1). Honduras has a combination of high rates of organized crime—in connection with drug trafficking and corruption activities—and high rates of corruption in public institutions, which also impacts the private sector (GAFILAT, 2016). With respect to the control of corruption indicator, the percentile rank for Honduras was 14.4 in 2021, compared to 21.6 in 2019 and to 49.8 for LAC (World Bank, 2023b). These institutional weaknesses were evident in corruption cases involving top public officials.<sup>18</sup> The November 2021 elections resulted in a new party taking over the government in 2022.
- 2.13 While the homicide rate has decreased, Honduras is still among the most violent countries in the Hemisphere. After the police reform in 2012, violence in Honduras decreased and the homicide

15 The Bill & Melinda Gates Foundation (BMGF) (2021) also identified stalled health indicators.

16 The infant mortality rate in rural areas was 21 deaths per 1,000 live births in 2019 (Annex III).

17 The highest percentile for governance is 100.

18 The trial of the former president is scheduled for September 2023.

rate was reduced by half, from 83.7 per 100,000 people in 2011 to 36.3 in 2020. However, the homicide rate is still among the highest in the world (UNODC, 2022). Young people are the main victims of homicide. The femicide rate is among the world's highest, although it has improved (paragraph 5.18).<sup>19</sup>

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<sup>19</sup> The homicide rate for men ages 20 to 24 is 126 per 100,000 people in the age group (2021), more than triple the national rate. The femicide rate is three times the global rate, which is 2 per 100,000 women (Annex III).





# 03

## IDB Group Country Strategy



- 3.1 The 2019-2022 country strategy established 10 strategic objectives in three priority areas. The priority areas, strategic objectives, and expected outcomes appear in Table 3.1. The country strategy also included three crosscutting issues: (i) climate change adaptation; (ii) women’s empowerment and diversity; and (iii) innovation and use of new technologies to achieve greater relevance and efficiency in interventions. The strategy also included areas of dialogue regarding water and sanitation, tourism, and agriculture.

**Table 3.1. Strategic objectives and expected outcomes of the IDB Group Country Strategy with Honduras 2019-2022**

Strategic objective	Expected outcome
<b>Priority area 1: Strengthening of public management and institutional structure</b>	
SO1. Improve budget management	EO1.1. Increase in the use of results-based budgeting practices
	EO1.2. Increase in the availability and quality of budget information
SO2. Improve the quality and efficiency of public expenditure	EO2.1. Improvement in the targeting of redistributive programs
	EO2.2. Reduction of the fiscal burden of the electricity sector
	EO2.3. Increase in the use of information and communication technologies in the public sector
SO3. Increase the efficiency of the tax system	EO3.1. Increase in the digitalization of tax revenue processes
<b>Priority area 2: Human capital accumulation</b>	
SO4. Reduce poverty and improve education and health services for the vulnerable population	EO4.1. Reduction in monetary poverty
	EO4.2. Reduction in infant mortality in rural areas
	EO4.3. Increase in the third-cycle graduation rate
	EO4.4. Increase in learning quality in the third cycle
SO5. Improve the security of at-risk youth	EO5.1. Reduction in the youth homicide rate
SO6. Increase in coverage of specialized services for women	EO6.1. Reduction in violence against women
	EO6.2. Reduction in maternal mortality in rural areas
	EO6.3. Reduction in adolescent pregnancy
<b>Priority area 3: Expansion of sustainable production opportunities</b>	
SO7. Improve logistics performance	EO7.1. Improvement in infrastructure coverage and quality
	EO7.2. Increase in connectivity for small producers
SO8. Expand credit access for agricultural MSMEs	EO8.1. Increase in financing for agricultural sector producers
SO9. Improve the efficiency, coverage, quality, and sustainability of the electricity service	EO9.1. Increase in the operating efficiency of the sector
	EO9.2. Improvement in the quality and reliability of the transmission network in the central and northern areas of the country
	EO9.3. Increase in the share of renewable sources in the energy mix
	EO9.4. Increase in electricity coverage in rural areas
SO10. Expand the country’s forest cover and resilience to climate change	EO10.1. Increase in the control of pest outbreak events at the national level

Source: IDB Group Country Strategy with Honduras 2019-2022.

- 3.2 The strategic objectives were aligned with the country's development challenges and the government's medium- and long-term priorities. To formulate the country strategy, the IDB Group prepared a Country Development Challenges (CDC) document, which highlighted the importance of inclusive, sustainable economic growth. The CDC identified growth constraints related to human capital challenges (education, health, basic services); infrastructure (logistics, energy); institutional weaknesses (corruption and crime); and type of economy (lacking diversification and vulnerable to climate change). The 2021 CDC update concluded that these challenges persist and have intensified with the pandemic. Some partners in development emphasize the issues of governance, transparency, and fiscal management (Annex II.B). The government's priorities were reflected in a medium-term policy framework (2018-2022 Strategic Government Plan), which is in line with a long-term plan (2010-2038 Country Vision). In these plans, the Honduran government highlighted objectives associated with poverty reduction, strengthening human capital and infrastructure, macroeconomic stability, security and transparency, and more. The 2019-2022 country strategy was aligned with these priorities (Annex II.A) and maintained continuity with respect to the 2015-2018 country strategy in terms of priority areas and most of the strategic objectives. In addition, the IDB Group proposed working on credit access for agricultural MSMEs, forest management, and the security of at-risk youth,<sup>20</sup> therefore broadening the scope of the country strategy. Generally, the strategic objectives were consistent with the country's development needs and government priorities, and with the IDB Group's Institutional Strategy.
- 3.3 In general, the vertical logic of the country strategy was adequate; however, OVE identified challenges with the timely monitoring of country strategy indicators, some of which had evaluability weaknesses. The chain of causality between the strategic objectives, the expected outcomes, and the actions proposed in the country strategy was adequate. The country strategy Results Matrix included 23 indicators (associated with the 22 expected outcomes); however, these were not monitored in a timely manner pursuant to country strategy guidelines. Therefore, although some of the data was collected during the preparation of this ICPR, four indicators lacked updated data, which limited the analysis of progress on the expected outcomes. Lastly, three indicators (numbers 11, 12, and 15) had

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20 The CPE for the 2015-2018 period concluded that the priority areas of the 2015-2018 country strategy were relevant, although they should have included citizen security. The 2019-2022 country strategy incorporated this issue as a strategic objective within the area of human capital accumulation. However, it is noteworthy that the issue of security goes beyond that strategic area, since it also includes elements of the national police's institutional framework.

evaluability weaknesses (problems defining or calculating their baselines) (Annex III). In some cases, OVE used supplementary and/or project-level indicators that made it possible to reach conclusions about progress.

- 3.4 The country strategy identified macroeconomic, portfolio execution, and natural disaster risks that materialized during the period, as well as various mitigation measures. With respect to *macroeconomic risks*, possible shocks to external and fiscal sustainability<sup>21</sup> for the country were anticipated, which could have affected the dynamic of borrowing, perception of risk, and headroom for making public investments. As a mitigation measure, the Bank proposed continuing to work in coordination with the Honduran government and the IMF on the design and execution of measures to help maintain fiscal balance and macroeconomic stability. In addition, under priority area 1 of the strategy, it offered support to strengthen public management. With respect to *portfolio execution risks*, the Bank proposed continuing with the good execution practices identified in the previous strategy.<sup>22</sup> During the period, assessments of the institutional capacity of some execution units and portfolio analyses took place.<sup>23</sup> Generally, the operations performed favorably with respect to their implementation indicators, especially at the beginning of the country strategy period (paragraph 5.4 and Annex XI.B). However, some implementation challenges (paragraph 5.6) demonstrated that there is room for institutional capacity-building of executing agencies and execution units. Lastly, *natural disaster risks* materialized in the form of hurricanes and drought. The country strategy mentions that the Bank has instruments in place to assist in the event of an emergency (Box 4.1), and includes climate change as a crosscutting issue.
- 3.5 Substantial progress has been made in implementing the three recommendations included in the CPE 2015-2018 (Box 3.1 and Annex IV).

**Box 3.1. Implementation of the recommendations from the CPE 2015-2018**

Between 2019 and 2022, progress was made in implementing recommendation 1, focused on continuing and intensifying efforts to support rural areas and lower income groups. Social protection and health operations to support families living in poverty and vulnerable groups (including the Mesoamerica Health Initiative) stand out, as well as conditional cash transfers and decentralized health care providers. These actions became even more relevant in the context of the pandemic (Box 4.2). In addition, a significant part of the operations—77% of the investment loans (INVs) and investment grants (IGRs)—included in their designs components or

21 At the time that the country strategy was published, external sustainability indicators pointed to moderate risks, since international reserves covered over five months of imports.

22 Such as working with highly specialized executing agencies that are familiar with the Bank's processes.

23 5x1 review by sector management and portfolio reviews with the Honduran government.

activities focused on poverty or support for underserved regions (Annex X). The Bank also made progress on **recommendation 3**, to include in country strategies any actions and objectives of the existing loan portfolios with the country that align with the Bank's medium-term lines of work. The 2019-2022 country strategy considered the legacy portfolio and maintained continuity with respect to the strategic areas of the previous country strategy, while staying consistent with the country's development needs. It also included a strategic objective focused on citizen security, as OVE suggested. In **recommendation 2**, OVE mentioned stepping up efforts to identify niches for private sector support. IDB Invest increased its approvals and disbursements compared to the previous period (paragraph 4.3), although synergies at the operations level between the windows of the IDB and IDB Invest were not achieved.

*Source:* OVE, with information from the Evaluation Recommendation Tracking System (ReTS) (Annex IV).





# 04

## Program Alignment

## A. Description

- 4.1 The country program included 162 operations: 145 were sovereign guaranteed and 17 were non-sovereign guaranteed. The program consists of all the operations approved between 13 March 2019 and 31 December 2022<sup>24</sup> (83 sovereign guaranteed and 10 non-sovereign guaranteed) and legacy operations (62 sovereign guaranteed and none non-sovereign guaranteed) from previous strategy periods (meaning approved before 13 March 2019 and with amounts pending disbursement on that date). The non-sovereign guaranteed portfolio includes the seven<sup>25</sup> operations needing an expanded supervision report (XSR) between 2019 and 2022. Box 4.1 summarizes the country program, and Annex V lists the operations.
- 4.2 Between 2019 and 2022, Honduras maintained its concessional status, and the Bank approved US\$1.1163 billion in sovereign guaranteed operations; the annual average was higher than for the previous period (2015-2018).<sup>26</sup> During the period, Honduras maintained its concessional status,<sup>27</sup> and the Bank approved 5 programmatic policy-based loans (PBP)/policy-based loans (PBLs), 1 special development lending (SDL)<sup>28</sup> operation, and 16 investment operations (INVs and IGRs), totaling US\$1.0911 billion (Figure 4.1).<sup>29</sup> In addition, 60 technical cooperation operations were approved, totaling US\$25.1 million.<sup>30</sup> The average annual approval amount during the period (US\$291.4 million) surpassed by 14% the average during 2015-2018 and almost doubled the estimated lending framework of the country strategy, which projected annual approvals of US\$167.8 million.<sup>31</sup> The difference

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24 The country strategy was approved on 13 March 2019 and remained in effect through 31 December 2022, with a transition period through December 2023.

25 For these seven operations, all the XSRs have been validated by OVE.

26 Comparison period: January 2015 to December 2018 (48 months). Review period: March 2019 to December 2022 (46 months).

27 The IDB's allocation of concessional resources is determined every two years. For Honduras, this allocation went from concessional Ordinary Capital resources accounting for 65% and Ordinary Capital resources for 35% in 2019-2020, to 35% and 65%, respectively, in 2021-2022.

28 The SDL is a budget support lending instrument aimed at addressing the effects of a macroeconomic crisis on a country's economy and contributing to its social progress (document GN-2031-17). The SDL was aligned with the Stand-by Arrangement that the IMF approved in 2019.

29 Investment operations included 12 INVs and 4 IGRs. The US\$1.091,1 billion correspond to 5 PBLs/PBPs (US\$544.6 million), 1 SDL (US\$76.2 million), and 16 investment operations (INVs and IGRs) (US\$470.3 million).

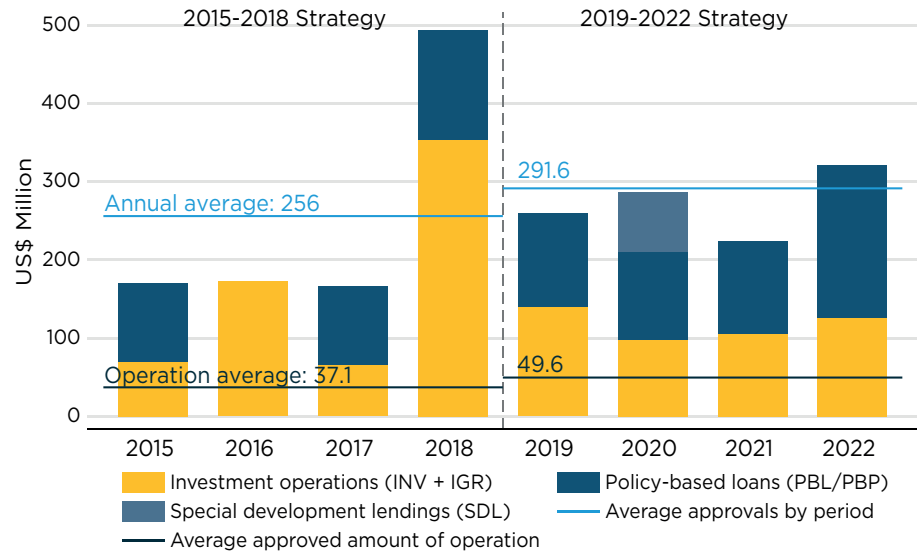
30 While the annual average number of sovereign guaranteed operations approved between 2019 and 2022 decreased by 9% compared to the 2015-2019 period (21 compared to 23), the average annual approval amount for the 2019-2022 period increased by 14% (Annex V, Table I.5.2).

31 The indicative lending framework projected that US\$671 million would be approved in new sovereign guaranteed operations (Annex III of the country strategy); the difference with the total approved was US\$445.1 million.

is partly attributable to the approval of an SDL, a PBP, and other operations related to COVID-19. This larger amount reflects an exceptional increase in the biannual allocation of concessional resources to Honduras, and the increase in resource limits for PBPs. A contingent credit facility (CCF)<sup>32</sup> was approved, aimed at improving the financial management of natural disaster and public health risks.

**Figure 4.1**  
Approval of sovereign guaranteed operations for the 2015-2022 period, by type of instrument

Source: OVE, with data from the IDB (2022).



Note: Technical cooperation operations were not included.

4.3 During the period, approvals of non-sovereign guaranteed operations totaled US\$114.3 million in loans and guarantees, and there were US\$398.6 million in transactions to support foreign trade. With this, the annual average increased by 78% over the previous period. During the country strategy period, IDB Invest approved one senior loan, two senior secured loans, and one senior and subordinated loan. Most of the period's approvals focused on the industrial and manufacturing sectors (82%), as well as one energy sector operation (18%).<sup>33</sup> The amount approved for senior loans (including guarantees) and subordinated loans increased from US\$25.9 million in 2015-2018 to US\$114.3 million in 2019-2022. In addition, under the Trade Finance Facilitation Program (TFFP), US\$398.6 million were approved, including loans and guarantees in six lines of credit. Therefore, the average annual approval amount for non-sovereign guaranteed operations between 2019 and 2022 (US\$133.9 million) rose by 78% compared to the 2015-2018 period. Despite the progress, IDB Invest reported that it faced challenges originating operations because of reputational and integrity risks.

32 A parametric instrument that is activated based on the criteria established for its approval.

33 This operation did not reach financial closing, meaning that the loan contract was not signed.



- 4.4 The program included sovereign-guaranteed legacy operations, which at the beginning of the period had undisbursed balances of US\$607.6 million. These included 20 investment operations with undisbursed balances of US\$595.7 million<sup>34</sup> and 42 technical cooperation operations with US\$11.69 million in undisbursed balances. None of the legacy operations were non-sovereign guaranteed operations with undisbursed balances. In addition, non-sovereign guaranteed operations for which XSRs were prepared during the strategy period were included. They consisted of five senior loans, one senior secured loan, and one subordinated loan for US\$48 million.
- 4.5 During the period, the Bank continued using various instruments to adapt to the country's needs; however, sovereign guaranteed financing trended toward budgetary support operations that established the foundations for relevant reforms and supported financing requirements. The sovereign guaranteed program included various instruments (PBP, SDL, INV, CCF, IGR, and technical cooperation operations) that addressed several country strategy sectors and strategic objectives. However, it was more focused on budgetary support operations (PBPs and SDLs). Between 2019 and 2022, the percentage of budgetary support operations approved increased, with 56% during that period compared to 33% during the 2015-2018 period. The operations consisted of five PBPs that were part of four programmatic series: (i) one focused on accountability and transparency in the Honduran government (active series; priority area 1); (ii) one focused on improving redistributive social protection (completed series; priority area 2); (iii) two focused on transportation and logistics (completed series; priority area 3); and (iv) one focused on water and sanitation reforms (active series; not aligned with any of the strategic objectives) (Annex VII). In turn, these operations were complemented with INVs (for the social sector) that achieved progress in their execution,<sup>35</sup> and technical cooperation operations for the four programmatic series. Most policy conditions for the PBPs approved for transportation and social protection had a medium degree of structural depth, while for transparency and water and sanitation, the majority had a medium or low degree (Annex VII). The SDL sought to support the Honduran government's efforts to contain the effects of the COVID-19 pandemic and preserve macroeconomic stability and fiscal sustainability.<sup>36</sup> The

34 This includes US\$578.5 million for INVs and US\$17.2 million for IGRs. For the operations with undisbursed balances, the main sectors were energy (US\$182.4 million of the US\$194.4 million approved), health (US\$126.9 million of the US\$130.4 million approved), and transportation (US\$96.8 million of the US\$230 million approved).

35 Of the three INVs that support PBPs, two were disbursed completely and one has disbursed 65%.

36 The program objectives and components are aligned with those of the IMF program.

percentage of investment operations approved (INVs and IGRs) decreased during the period (42% between 2019 and 2022 compared to 65% between 2015 and 2018). These operations focused on the social investment, private company and SME, environmental, and modernization of the State sectors.

- 4.6 The number of annual approvals of technical cooperation operations remained stable compared to the previous period. Most were for client support, while some provided timely assistance for emergencies. Of the 60 technical cooperation operations approved (US\$25.1 million), 42 (70%) were for client support, 17 (28%) for operational support, and one for research and dissemination, a breakdown similar to the previous period's<sup>37</sup> (Annex V, Table I.5.13). Strategic objective 2 (public spending) had the largest amount approved as technical cooperation funding (Table 4.1). Strategic objectives 9 (electricity service) and 10 (forest cover) had the strongest relationship between the amounts approved as technical cooperation funding and as loans. The use of technical cooperation operations was particularly timely for emergency response (Box 4.1).<sup>38</sup>

## **B. Program alignment with the country strategy's objectives and crosscutting issues**

- 4.7 Despite the difficult context for Honduras during the period, the IDB Group's program was strongly aligned with the 10 strategic objectives and their expected outcomes within the three priority areas.<sup>39</sup> Table 4.1 groups the operations based on the strategic objective with which they were aligned, by number and amount.<sup>40</sup> Under *priority area 1*, strategic objective 1 was covered through operations aimed at strengthening financial management, accountability, and results-based budgeting. Strategic objective 2 had a program focused on improving the targeting of redistributive programs, the digital transformation of the public sector, and the institutional capacity of ENEE. The

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37 That period had 65 technical cooperation operations: 69% for client support, 29% for operational support, and 2% for research and dissemination.

38 During 2019-2022, Honduras ranked as the Bank's 5th top country in the usage of technical cooperation funding per million of INV approved, and as the 7th country when INVs and PBLs/PBPs are considered.

39 This ICPR classifies alignment as "strong" when the program deployed relevant operations to contribute to all of the expected outcomes under the strategic objective (coverage), and when it is possible that if these operations were to be implemented properly, they will help achieve the strategic objective by making progress with the expected outcomes (feasibility) (Annex VII).

40 The sovereign guaranteed program covered the 10 strategic objectives, while the non-sovereign guaranteed program's operations were aligned with two strategic objectives. Since 2019, there have not been any regional operations focused on the Plan of the Alliance for Prosperity in the Northern Triangle. However, the country program continued to address its main issues.

program for strategic objective 3 focused on modernizing the technology systems of the Revenue Administration Service (SAR) and developing a plan for the adoption of electronic signatures, among other things. Under priority area 2, strategic objective 4 had operations focused on strengthening the conditional cash transfer program (CCTP),<sup>41</sup> improving health care, and improving access to and quality of learning for third-cycle education. Strategic objective 5 was covered through operations aimed at improving security management and police effectiveness. Strategic objective 6 had operations aimed at preventing and reducing violence against women, and improving the treatment success and use of maternal and child health care services. Under *priority area 3*, strategic objective 7 had operations focused on strengthening the institutional framework of the logistics and road sector, and rehabilitating and expanding road segments in strategic corridors.<sup>42</sup> For strategic objectives 8 and 9, there were sovereign guaranteed and non-sovereign guaranteed operations that focused on improving access to finance for MSMEs, promoting generation from nonconventional renewable energy sources,<sup>43</sup> etc. Strategic objective 10 was covered with operations such as those developing plans and measures for sustainable forest management and the restoration process for forests (public and private).<sup>44</sup>

**Table 4.1. Sovereign guaranteed and non-sovereign guaranteed country program, by alignment with strategic objectives**

Strategic objective <sup>a</sup>		Legacy portfolio			Approvals 2019-2022			Total
		SG	NSG <sup>b</sup>	TCP	SG	NSG	TCP	
<b>Priority area 1. Strengthening of public management and institutional structure (US\$1.1359 billion)</b>								
SO1. Improve budget management (S)	Number	0	0	6	4	0	5	15
	US\$ millions	0	0	2	315.9	0	2	319.9
SO2. Improve the quality and efficiency of public expenditure (S)	Number	4	0	8	6	0	17	35
	US\$ millions	184.3	0	2.8	479.6	0	6.7	673.4
SO3. Increase the efficiency of the tax system (S)	Number	1	0	1	2	0	1	5
	US\$ millions	16.1	0	0	126.2	0	0.3	142.6

41 First known as Bono 10,000, then Better Life Voucher Program, and currently the Red Solidaria system.

42 While expected outcome 7.1 was defined broadly (it focused on infrastructure in general), the associated indicators address road and logistics infrastructure. In addition, there were no operations for digital connectivity in rural areas.

43 Loan HO-L1102 sought to rehabilitate the infrastructure of the Cañaveral-Río Lindo hydropower complex, while loan HO-L1203 was intended to modernize the Francisco Morazán hydropower plant.

44 The Bank estimates that, once completed, the operations will contribute to 20% of the country's target to restore 1.3 million hectares of forests.

Strategic objective <sup>a</sup>		Legacy portfolio			Approvals 2019-2022			Total
		SG	NSG <sup>b</sup>	TCP	SG	NSG	TCP	
<b>Priority area 2. Human capital accumulation (US\$972.6 million)</b>								
SO4. Reduce poverty and improve education and health services for the vulnerable population (S)	Number	5	0	10	7	0	11	33
	US\$ millions	143.2	0	1.3	298.5	0	3.7	446.7
SO5. Improve the security of at-risk youth (S)	Number	3	0	3	1	0	4	11
	US\$ millions	111.3	0	0.7	1.8	0	0.9	114.7
SO6. Increase in coverage of specialized services for women (S)	Number	9	0	4	5	0	5	23
	US\$ millions	220.5	0	0.7	186.1	0	3.9	411.2
<b>Priority area 3. Expansion of sustainable production opportunities (US\$712.8 million)</b>								
SO7. Improve logistics performance (S)	Number	3	0	0	3	0	5	11
	US\$ millions	96.8	0	0	245.6	0	1.9	344.3
SO8. Expand credit access for agricultural MSMEs (S)	Number	0	0	1	4	1	3	9
	US\$ millions	0	0	0.3	76.4	2.4	1.1	80.2
SO9. Improve the efficiency, coverage, quality, and sustainability of the electricity service (S)	Number	4	3	7	1	2	3	20
	US\$ millions	179.8	0	2.6	18	25.3	1.2	226.9
SO10. Expand the country's forest cover and resilience to climate change (S)	Number	2	0	2	2	0	3	9
	US\$ millions	22.8	0	1.8	35	0	1.8	61.4
<b>Operations not aligned with any strategic objective (US\$631.1 million)</b>								
Not aligned	#	0	4	10	2	0	12	28
	US\$M	0	0	2.3	105	0	6.6	113.9
Aligned with responses to COVID 19 and weather emergencies <sup>c</sup>	#	0	0	0	0	7	5	12
	US\$M	0	0	0	0	485.2	1	486.2
<b>Total<sup>d</sup></b>	#	20	7	42	23	10	60	162
	US\$M	595.7	0	11.9	1,091.1 <sup>e</sup>	512.9	25.2	2,236.8

Source: OVE, with data from the IDB (2022) and IDB Invest (2016, 2022).

Notes: <sup>a</sup> (S) indicates strong alignment, (W) weak alignment, and (NC) no coverage. <sup>b</sup> The portfolio of legacy non-sovereign guaranteed operations consists of seven loans with one XSR prepared during the period, and was therefore not included in the total approvals in this table. <sup>c</sup> Other operations also supported the response to COVID 19 and the emergencies, but were aligned with at least one strategic objective. <sup>d</sup> The table includes some operations more than once, when they aligned with more than one strategic objective; however, this duplication was eliminated in calculating the totals for number of operations and amounts. <sup>e</sup> The CCF is included in the number of operations, but not in the total amount.

4.8 Most of the operations not aligned with any strategic objective were technical cooperation operations, some of which provided support for emergencies. Of the 29 sovereign-guaranteed operations not aligned with any strategic objective, 27 were technical cooperation projects. Five of these projects were approved to address emergencies that occurred in the country (Box 4.1). Moreover, the two loans (INV and PBP) and four technical cooperation projects without alignment were for the water and sanitation sector—a country strategy dialogue area that regained importance due to hurricanes and drought (paragraph 5.27). The remaining non-aligned technical cooperation operations addressed diverse issues. For IDB Invest, the 11 non-sovereign

guaranteed operations not aligned with any strategic objective supported SMEs and foreign trade. They correspond to six senior loans (secured and subordinated) and operations associated with the TFFP (aligned with the pandemic response).

- 4.9 During the period, the IDB Group responded to several emergencies and challenges that emerged from the COVID-19 health crisis; this support was provided in coordination with the government and other international organizations. As of 2019, some operations were already focused on emergency response (hurricanes and drought), for which it was particularly timely to have technical cooperation operations. However, the IDB and the Honduran government acknowledged the difficulties of using retroactive expenditure justification mechanisms during emergencies (Box 4.1). Throughout the strategy period, the Bank's support for Honduras included bilateral partners in various sectors (Annex VI).<sup>45</sup> The work coordinated with the government and other international and contributing organizations to address the pandemic and emergencies stands out. The Bank's dialogue with the government during the transition process to achieve progress on relevant issues and portfolio execution is also noteworthy.

#### ***Box 4.1. IDB Group operations focused on emergencies, 2019-2022***

During the strategy period, technical cooperation projects were approved to support an immediate response to emergencies. To address the drought declared in 2019, the IDB supported the government—through HO-T1348, executed by the Red Cross in Honduras—with funds for food and essentials for more than 2,000 families. Subsequently, after two hurricanes made landfall in 2020, the Bank helped provide humanitarian assistance with nonperishable food supplies to more than 7,000 families (through HO-T1384 and HO-T1385). Investment loan HO-L1194 financed cash transfers for affected and vulnerable populations. In addition, investment loan HO-L1222 was approved in 2021 to help rebuild part of the infrastructure and basic services damaged by Hurricane Eta. However, this operation has not been executed.<sup>a</sup>

In late 2022, under technical cooperation operation HO-T1415, the Bank provided humanitarian assistance to families impacted by rainfall and landslides in Tegucigalpa. To address the effects of Hurricane Julia, technical cooperation operation HO-T1417 was approved, providing drinking water, food, and essentials.

In 2021, the CCF instrument to address natural disaster and public health emergencies was approved as HO-O0008,<sup>b</sup> which was ratified by Congress in 2022 (and to date has not been used). The IDB Group in the country holds the pro tempore presidency of the G16+, a mechanism that has promoted dialogue between the Honduran government and disaster management and relief organizations.

*Source:* OVE, based on technical-cooperation progress reports, progress monitoring reports, Convergence, and interviews. *Notes:* <sup>a</sup> The Bank and the Honduran government believe that it has been difficult to use this instrument because it includes retroactive expenditure justifications, which reduced the operation's timeliness. <sup>b</sup> Previously, Honduras had an active CCF (HO-X1016), which was not renewed.

<sup>45</sup> For example, cofinancing with the Swiss Agency for Development and Cooperation to address citizen security.

4.10 Since 2020, 40% of the sovereign guaranteed loans and investment grants approved focused on addressing the effects of the pandemic. Moreover, various sovereign guaranteed operations approved before 2020 were reformulated for the same purposes (Box 4.2).<sup>46</sup> Most non-sovereign guaranteed operations approved starting in 2020 were aligned with pandemic response.

**Box 4.2. IDB Group operations focused on the COVID-19 pandemic, 2020-2022**

The IDB Group's support during the pandemic was complementary and addressed several aspects: rapid health care response, social support measures for vulnerable populations, and reactivation of the productive sector.

**In 2020, the IDB reformulated three INVs for US\$50 million to support an immediate public health response (IPHR); in 2021, the Bank reformulated another INV for US\$53.8 million to support vaccine procurement. Moreover, from their design phase, other INVs focused on the pandemic response.** The government, through the Ministry of Health (SESAL) and with technical support from the Pan American Health Organization (PAHO), developed a COVID-19 Strategic Preparedness and Response Plan. To support these efforts, the Bank reformulated three INVs (jointly known as IPHR-HO 1, already completed): HO-L1121 (road integration) for US\$20 million (26.7% of its original budget);<sup>a</sup> HO-L1187 (civic coexistence) for US\$15 million (25% of its budget)<sup>b</sup>; and HO-L1188 (education quality and employment) for US\$15 million (25% of its budget).<sup>c</sup> In 2021, an investment loan for health, HO-L1199 (62% disbursed), was fully reformulated, and is known as IPHR-HO 2. In addition, investment loans HO-L1194 and HO-L1226 were approved in 2020 and 2022, and include cash transfers for vulnerable populations. With respect to productive sector reactivation, HO-L1216 was approved in 2020 to support the sustainability of MSMEs during the pandemic with credit and short-term guarantees to finance working capital.

**This program was complemented with an SDL to support the financing of expenditures related to addressing the pandemic.** The SDL (HO-L1215), approved in 2020 for US\$76 million, provided complementary budgetary support to ensure the sustainability of public finances, finance additional spending in the social and health sectors, and protect monetary and financial stability.

**These actions as a whole have shown some relevant progress with respect to outputs, but it is too early to observe progress on outcomes.** The support provided includes:

(1) *Health*: Provided financing to hire specialists and epidemiologists, and to obtain equipment and technical support for the epidemiological surveillance information clearinghouse and the integrated information system for health and diagnostic test procurement. Digital health and telemedicine were promoted. Contracting agreements were signed with 26 nonprofit organizations that have provided basic health care services at home, at the primary care level, and in 27 hospitals.<sup>d</sup> Moreover, rapid-response teams were strengthened with personnel and equipment, to actively seek and detect cases and control outbreaks; they visited more than 700,000 households. 2) *Vaccines*: Financed the procurement of 1.1 million vaccines (although the operation's target number of vaccine doses was not achieved, because the government received a vaccine donation). 3) *Social protection*: Conditional cash transfers were provided to vulnerable families. 4) *Education*: Continued the alternative modality for third-cycle education during the pandemic, with lessons that aired on the radio and digital audio. Under a regional operation (RG-T3742), schools in Tegucigalpa and San Pedro Sula received biosafety kits and facial protection supplies. 5) *Support for financing*: Provided short-term guarantees and credit to MSMEs to finance

<sup>46</sup> Sovereign guaranteed operations with elements related to COVID-19 totaled US\$304.2 million: US\$103.8 million for reformulated operations, US\$76.2 million for SDLs, and US\$124.2 million for other associated operations.



working capital, under HO-L1216. **IDB Invest** supported the private sector with financing through TFFP transactions; and supported to facilitate the conversion of its facilities from manufacturing textiles to producing health care clothing and face masks.

**Cooperation with international organizations was promoted.** For procurement, the IDB worked with the World Bank to consolidate the suppliers identified by the WHO-PAHO. Through the United Nations Development Programme, the Bank worked with SESAL to procure diagnostic tests and medical, non-medical, and laboratory equipment, and to coordinate the cold-storage chain for vaccines. Operationally, an agreement was reached for PAHO to execute multichannel communication (including customizing messages in indigenous languages) and prepare health care protocols.<sup>e</sup>

*Source:* COVID Dashboard ([link](#)), progress monitoring reports, semiannual progress report for IPHR-HO (January-June 2022), Data Warehouse/Convergence, and interviews conducted between November 2022 and January 2023.

*Notes:* <sup>a</sup>When it was reformulated, this INV (multiple works modality) had disbursed 61.9%. <sup>b</sup>When it was reformulated, this INV (multiple works modality) had disbursed 24%. <sup>c</sup>When it was reformulated, this INV (multiple works modality) had disbursed 11.7%. <sup>d</sup>Under IPHR-HO 1, 15 public hospitals, 8 of which already had decentralized management agreements, received support. Coverage was expanded to 27 under IPHR-HO 2. <sup>e</sup>The Bank also finances the cost for the Government Auditing Office to audit IPHR-HO resources.

- 4.11 The country program incorporated climate change as a crosscutting issue<sup>47</sup> in the three priority areas; however, based on the country strategy, it specifically focused on the area of production opportunities. Considerations and measures aimed at improving resilience and adaptation to climate change were incorporated into 55% of the sovereign guaranteed operations.<sup>48</sup> Noteworthy in the area of “production opportunities” are operations to strengthen renewable energy generation capacity and to implement criteria for energy efficiency (in the transportation and logistics sectors), sustainable management, and forest restoration. IDB Invest had some operations (35% of the non-sovereign guaranteed operations) with energy efficiency and climate change elements. Moreover, as mentioned in the country strategy, operations to renovate or build infrastructure included energy savings measures and designs that took into consideration hydrometeorological events (for logistics and health). OVE also identified operations with climate change considerations in the other two priority areas<sup>49</sup> (Annex IX).
- 4.12 The country program incorporated gender as an issue within the three priority areas and a diversity approach into environment sector operations, as the country strategy proposed. Among

47 This ICPR considers that an operation has incorporated a crosscutting issue if any of the following elements were identified in its design: general or specific objectives; and Results Matrix components, activities, or indicators. The analysis excluded technical cooperation operations.

48 For 74% of the investment operations (INVs and IGRs) and three budgetary support operations.

49 In the area of strengthening public finances, the CCF stands out. In the area of human capital accumulation, digital tools are being developed to better identify the locations and people vulnerable to and/or affected by natural disasters.

sovereign guaranteed operations,<sup>50</sup> 76% incorporated gender and diversity as relevant issues. In the priority area of “strengthening of public management,” the program sought to promote women’s talents as part of the Honduran government’s digital transformation. In the priority area of “human capital accumulation,” there were operations to improve health care and other services for women (such as through the Ciudad Mujer program) and to develop strategies against gender violence. Lastly, in the area of “production opportunities,” there were operations to promote job training for women in nontraditional activities (logistics) and equitable inclusion and hiring policies (energy). In addition, 20% of the IDB Invest operations focused on providing financing options to women-run MSMEs and supporting their growth. For the diversity approach, based on the country strategy, the IDB sought to strengthen the cultural relevance associated with indigenous and Afro-descendant peoples in its environment sector operations.<sup>51</sup> Two relevant actions were also identified for priority area 2, focused on education (inclusive education) and health (messages in indigenous languages) (Annex IX).

4.13 The program also incorporated innovation and the use of new technologies into the three priority areas, based on the country strategy,<sup>52</sup> although with a stronger focus on public management. The country strategy proposed interventions to include information and communication technologies in 55% of sovereign guaranteed operations in the three priority areas. These technologies contribute to the “strengthening of public management and institutional structure,” given the expected outcome of increasing the use of information and communication technologies in the public sector, and to loan HO-L1202, which focuses on digital transformation and promoting innovation. In the three priority areas, interventions concentrated on the digitalization of processes and increased use of visualization data, systems, and platforms for control and decision-making. IDB Invest financed certain projects (24% of non-sovereign guaranteed operations) that included technology use, such as the installation of specialized machinery to recycle plastics (Annex IX).

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50 For 75% of the investment operations, the CCF, and five budgetary support operations.

51 Notably, an IGR to strengthen the capacity to adapt to climate change among Tolupan and Garifuna indigenous peoples.

52 Including 47% of INVs and IGRs (17 out of 36) and the 5 PBPs.







# 05

## Implementation and Results

## A. Portfolio execution

5.1 Disbursements for sovereign guaranteed operations were above those of the previous period, slightly surpassing country strategy estimates. The country strategy projected total disbursements for the period of US\$901 million, with annual disbursements of US\$225.25 million.<sup>53</sup> At year-end 2022, disbursements for sovereign guaranteed loans and investment grants totaled US\$1.138 billion (US\$297.1 million per year), slightly above country strategy projections.<sup>54</sup> This represented a 39% increase over the previous period, when average annual disbursements were US\$213.25 million (Figure 5.1). For budgetary support operations, the share of total disbursements increased from 39% to 54% during this period (in line with increased approvals of these instruments), while for investment operations, it decreased from 58% to 45%. However, for technical cooperation projects, the share of disbursements remained stable during both periods (2% to 3%). Of the 20 legacy investment operations, 9 completed disbursement and the other 11 increased from an average of 10% disbursed at the beginning of the period to an average of 74% disbursed at year-end 2022.

5.2 Non-sovereign guaranteed operation disbursements increased by 61% over the previous period. During the 2015-2018 period, the total disbursed was US\$319.3 million, including TFFP transactions, for an annual average of US\$79.8 million. In contrast, during 2019-2022, disbursements totaled US\$492.6 million, accounting for an annual average of US\$128.6 million (Figure 5.2). This was mainly due to TFFP operations, which played a countercyclical role during the pandemic and accounted for 81% of total non-sovereign guaranteed disbursements in the 2019-2022 period.

**Figure 5.1 (left)**

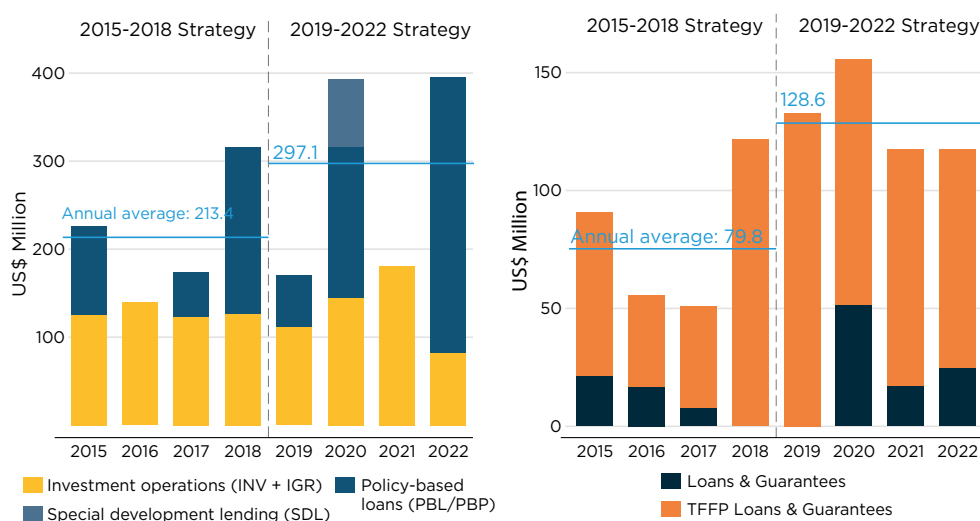
**Sovereign guaranteed operation disbursements, by type of instrument**

Source: OVE, with data from the IDB (2022).

**Figure 5.2 (right)**

**Non-sovereign guaranteed operation disbursements, by type of instrument**

Source: OVE, with data from IDB Invest (2022a, 2022b).



<sup>53</sup> These estimates appear in Annex III of the country strategy.

<sup>54</sup> This calculation includes INVs, PBLs/PBPs, SDLs, and IGRs. Of the total US\$1.138 billion disbursed, US\$621 million were for budgetary support operations (PBLs/PBPs and SDLs), US\$499 million for INVs, and US\$18 million for IGRs.

- 5.3 Even though a small share of the sovereign guaranteed portfolio had cancellations, these reduced the Bank’s contributions to applicable strategic objectives. Less than 0.5% of the country program envelope was cancelled.<sup>55</sup> Under the strategic objective to *expand the country’s forest cover and resilience to climate change*, the cancellations (US\$1.8 million) reduced support of sustainable agroforest management issues. Under the strategic objective to *support agricultural MSMEs*, the cancellations (US\$1.6 million) reduced support to women-run agricultural MSMEs focused on resilience to climate change. The reasons reported for the cancellations included delays caused by executing agency changes and redirection of resources to the pandemic response (Box 4.2; Annex XI, Table I.11.3).
- 5.4 In the execution of INVs and IGRs, in general, the Bank’s program had a favorable pace at the beginning of the period but slowed toward the end. Compared to the previous period, the time elapsed between approval by the Board and the first disbursement lengthened from 12 to 18 months; this was also above the average for the Country Department Central America, Haiti, Mexico, Panama, and the Dominican Republic (CID) and the IDB (for both, 14 months).<sup>56</sup> However, this did not translate into higher execution costs, which remained at the same levels as the previous period (US\$16,742 per million disbursed). Significantly, at the beginning of the period, the active portfolio performed favorably in its implementation indicators,<sup>57</sup> but this deteriorated between 2021 and 2022 due to the pandemic and the change in government (Table 5.1 and Annex XI.B).<sup>58</sup>

**Table 5.1. Summary of annual performance of INVs**

Indicator	2019	2020	2021	2022
% of projects with a satisfactory annual CPI	100	100	94.7	85.7
% of projects with a satisfactory annual SPI	91.7	100	63.2	66.7
Number of active operations in disbursement	12	16	19	21

Source: OVE, with data from progress monitoring reports.

Note: The annual Cost Performance Index (CPI) and annual Schedule Performance Index (SPI) measure the cumulative deviation of the operation’s cost and progress, respectively, compared to the annual plan reviewed.

55 This involves three cancellations: one agriculture IGR and two agriculture and financial markets technical cooperation operations (Annex XI, Table I.11.3).

56 Average preparation times in Honduras did not change significantly (shortened from 14 to 12 months) and are similar to the Bank’s times (the CID average is 13 months and the IDB’s is 14 months) (Annex XI.A). Preparation times are based on the average time elapsed between the registration of a project profile for an operation and its approval by the Board. With respect to execution times, it is still not possible to make comparisons after the first disbursement, since for the INVs in the analyzed portfolio, not enough has been disbursed.

57 Measured by the Bank’s synthetic indicator and others (Annex XI.B).

58 Of the 16 investment operations approved during the period, 7 had average disbursements of 49%, 8 are beginning disbursement, and 1 IGR was cancelled. The projects with the most delays include two INVs and one IGR for the environment and natural disasters (HO-L1200, HO-G1252, and HO-L1222); two INVs for rural development (HO-L1201 and HO-L1211) and one INV for modernization of the State (HO-L1202) approved in 2019 and just beginning disbursement; and one INV for energy (HO-L1186), with 53% disbursed.

- 5.5 Despite a favorable pace of execution, more than one third of the INVs and IGRs faced challenges in execution related to the COVID-19 pandemic and the hurricanes, particularly in the priority area of human capital accumulation. The Bank reported that the health crisis and the weather emergencies affected the execution of 14 out of the 36 (39%) INVs and IGRs that were active during the analysis period. Several loans were reformulated to address the health crisis (Box 4.1; Annex XI, Table I.11.4). While this did not impact their general objectives, it limited their scope and contributions, particularly in the priority area of *human capital accumulation*. The reformulation of an employment skills program (HO-L1188) reduced by 25% the number of schools benefiting from the project and by 23% the number of students benefiting from access to services for the third cycle of primary education through alternative modalities (SO4). In addition, the reformulation of a civic coexistence operation, HO-L1187, reduced by 46% the number of informal neighborhoods to be improved, and suspended the call for proposals for the construction of the National Police Academy (SO5). In addition, lockdown measures and shifting priorities resulted in gaps and reprogramming of activities to later years (SO4, SO5, and SO6). In health care, on the demand side, the target population reduced their use of services for fear of infection; on the supply side, there were restrictions on health care services that could have impacted progress on outcomes. Moreover, in 2020, difficulties were reported in delivering support through the Better Life Voucher Program, even though the delivery of transfers was prioritized over other components of loan HO-L1194. Delays were also reported on works for educational infrastructure (HO-L1093), health care (HO-L1195),<sup>59</sup> and Ciudad Mujer Centers<sup>60</sup> (in Choluteca). In the area of *sustainable production opportunities*, the reformulation of HO-L1121 limited the scope of road segments rehabilitated with IDB funds (SO7).
- 5.6 More than one quarter of the projects reported execution delays associated with the dissolution or change of executing agencies, staff turnover in line agencies, the government transition, and/or the legislative ratification process. During the period, 11 out of the 36 (31%) INVs and IGRs reported difficulties in execution for one of these reasons, within the three strategic areas. Several operations (or some of their components) had changes in executing agency as a result of the dissolution of Strategic Investment-Honduras (INVEST-H) and the Strategic Agency for Productive, Environmental, and Social Projects of Honduras (AEPAS-H).<sup>61</sup>

59 The contract for a company to design and supervise the works was not awarded, and the project was rescheduled to 2024.

60 During the pandemic, in-person services at these centers were suspended temporarily.

61 AEPAS-H was created in 2020 to work with multilateral organizations. Therefore, the executing agency for some projects changed from INVEST-H to AEPAS-H. Eleven operations were impacted by the dissolution of INVEST-H and/or AEPAS-H; some are

Interviews showed that having too many projects executed by INVEST-H, without sufficiently strengthening its processes and procedures (including internal control mechanisms), created risks associated with its functionality. This highlights the importance of continuing to strengthen the institutional capacities of executing agencies and execution units. Moreover, the change of government in 2022 also resulted in changes of personnel in decision-making positions and technical specialists in ministries and executing agencies, such as the Ministry of Development and Social Inclusion (SEDIS).<sup>62</sup> It also slowed the congressional ratification process for some operations (such as HO-L1213) and contracts for active operations.<sup>63</sup>

- 5.7 Lastly, some projects reported coordination challenges between relevant actors and challenges associated with the fiscal headroom. In the priority area of *human capital accumulation*, there is room for improvement in information exchange and management between the National Center for Social Sector Information (CENISS) and the Geographic Information System (SIG), as well as in coordination among ministries for interventions in priority locations<sup>64</sup> (SO4). The same applies to the Ciudad Mujer project (SO6).<sup>65</sup> Similarly, in the priority area of *production opportunities*, Management reported that there is room to improve coordination between stakeholders involved in environmental issues, which impacted the ability to make further contributions to strategic objective 10. Operations in the social, energy, and reform of the State sectors reported difficulties in project execution related to budget constraints and limited fiscal headroom.
- 5.8 The IDB Group worked to preventively manage integrity risks<sup>66</sup>. During the strategy period, the Bank's Office of Institutional Integrity (OII) and the Country Office in Honduras performed preventive work to detect and manage integrity risks in sovereign guaranteed and non-sovereign guaranteed operations with Honduras.

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being transferred to line agencies (interviews and IDB, 2023).

62 SEDIS was replaced by Red Solidaria, since the Honduran government wanted to strengthen strategic management in the sector. In the short term, this slowed the execution of projects in the social, education, and health care sectors.

63 Pursuant to Honduran legislation, contracts for goods, works, or services continuing beyond the term of an administration are sent to the new National Congress to be re-ratified.

64 Particularly between SEDIS, SESAL, and the Ministry of Education (SEDUC).

65 Including the National Institute of Women, SEDIS, SESAL, and SEFIN.

66 The IDB Group prohibits all corrupt, fraudulent, coercive, collusive, and obstructive practices, as well as misappropriation. More information available at: <https://www.iadb.org/en/integrity/oii>.

## B. Contribution to the strategic objectives

- 5.9 This subsection summarizes country program results and their contribution to the country strategy's strategic objectives and expected outcomes. During the period, 12 sovereign guaranteed loans, 3 IGRs, and more than 50 technical cooperation operations completed disbursement, as well as 4 non-sovereign guaranteed operations. For seven non-sovereign guaranteed operations, an XSR was prepared during the period.<sup>67</sup> Except for the five PBPs and one SDL approved during 2019-2022, the other INVs and IGRs that concluded were legacy projects. Almost half of the investment operations approved during the period had average disbursements of 47%. While the ICPR considers the entire program, the contributions observed came primarily from these more mature operations. Contributions were classified as high, medium, or low level (Annex VIII).
- 5.10 To date, reports show that the IDB Group has mainly made medium-level contributions to the country strategy objectives, a positive result, considering the challenges that Honduras faced during the period. The program made a high-level contribution to one strategic objective, medium-level contributions to more than half of the objectives, and low-level contributions to two objectives. There are no objectives to which the IDB Group did not contribute. Table 5.2 summarizes the program's contributions to each strategic objective (details in Annex VIII).<sup>68</sup> The progress and sources for the country strategy's Results Matrix indicators are described in Annex III.

**Table 5.2. Country program contributions to the strategic objectives and expected outcomes**

Country strategy priority areas and strategic objectives		Contribution	EO ● High ● Medium ● Low
<b>Priority area 1. Strengthening of public management and institutional structure</b>			
SO1	Improve budget management	Medium	● ●
SO2	Improve the quality and efficiency of public expenditure	Low	● ● ●
SO3	Increase the efficiency of the tax system	High	●

67 Of these 12 sovereign guaranteed loans, one IGR has a project completion report validated by OVE (and two have these reports not yet validated). Of the 11 non-sovereign guaranteed operations closed, 7 have an XSR validated by OVE (Annex XII).

68 According to the OVE Country Product Protocol (document RE-348-8), ICPRs review contributions systematically, using documentary sources and information systems from the IDB Group. They also review information gathered from the specialists responsible for the loans implemented and key external counterparts in the country.

Country strategy priority areas and strategic objectives		Contribution	EO ● High ● Medium ● Low
<b>Priority area 2. Human capital accumulation</b>			
SO4	Reduce poverty and improve education and health services for the vulnerable population	Medium	● ● ● ●
SO5	Improve the security of at-risk youth	Medium	●
SO6	Increase in coverage of specialized services for women	Medium	● ● ●
<b>Priority area 3. Expansion of sustainable production opportunities</b>			
SO7	Improve logistics performance	Medium	● ●
SO8	Expand credit access for agricultural MSMEs	Low	●
SO9	Improve the efficiency, coverage, quality, and sustainability of the electricity service	Medium	● ● ● ●
SO10	Expand the country's forest cover and resilience to climate change	Medium	●

Source: OVE.

Note: The number of dots corresponds to the number of expected outcomes within the strategic objective. For more information, see Table 3.1.

## 1. Priority area 1. Strengthening of public management and institutional structure

### Strategic objective 1: Improve budget management

- 5.11 The country program made a low-level contribution to expected outcome 1.1 (increase in the use of results-based budgeting practices) and a medium-level contribution to expected outcome 1.2 (budget information). During the period, the Bank provided technical support that laid the foundation to *increase the use of results-based budgeting practices* (EO1.1). This included preparing budget monitoring and evaluation indicators; developing guidelines to prepare zero-based budgets; and preparing an integrated methodology manual for results-based budgeting. However, the implementation of these outputs is still in early stages, and therefore, has not translated into an increase in the percentage of the national budget that is based on results (0% in 2018 and 2022). The Bank also contributed to expected outcome 1.2, *increase the availability and quality of budget information*, through a PBP that in 2022 implemented an InvestmentMap platform for Honduras that promotes transparency in budgeting, public investment, and public contracting.<sup>69</sup> There was also a technical cooperation operation to design indicators and strengthen the mechanisms to monitor macrofiscal targets and rules. It is feasible that these actions helped improve the Open Budget Index for Honduras, which rose from 59 in 2019 to 61 in 2021 (Annex III).

<sup>69</sup> The platform was designed by SEFIN, the Ministry of Transparency and Anti-Corruption, and the Private Secretary to the Office of the President, with support from the IDB (<https://hondurasinversiones.gob.hn>).



## **Strategic objective 2: Improve the quality and efficiency of public expenditure**

- 5.12 The country program made a high-level contribution to expected outcome 2.1 (improvement in the targeting of redistributive programs), providing long-term technical support and budgetary support coordination. The Bank has been supporting the design and strengthening of the conditional cash transfer program (CCTP) in Honduras. During the strategy period, it supported the government, through PBPs and INVs, in implementing an updated targeting algorithm for more than 1 million households (surpassing the pilot's target of 15,000 households). The number of social sector programs with geographic targeting that adopted an updated income poverty map also increased.<sup>70</sup> Management reported that targeting improved, with the percentage of CCTP beneficiary households that are living in extreme poverty in rural areas increasing from 31.7% in 2015 to 71.9% in 2021. The Bank also sought to gradually incorporate country resources into the financing of the CCTP and helped strengthen the structure of the Fund for Solidarity, Protection, and Allowances for Poverty Reduction. During the period, this fund's allocations to programs subject to evaluation increased from 4.7% to 9.4% (Annex III); however, there is room to improve the funding mechanisms for the CCTP and make it independent from external financing.
- 5.13 The country program made low-level contributions to expected outcomes 2.2 (reduction of the fiscal burden of the electricity sector) and 2.3 (increase in the use of information and communication technologies in the public sector). The program (HO-G1006 and HO-L1102) reported progress with activities to strengthen the operations and management of ENEE, such as creating an electricity sales department, rehabilitating electrical substations, and updating the national energy information system. As an outcome, the program helped increase electricity sales in the regional energy market, from 310 GWh in 2012 to 6,162 GWh in 2020. As part of a special development loan and the IMF program, the Honduran government reported in 2020 that ENEE's deficit remained below L 6,160 (it had reached L 5,937). However, these advances did not translate into improvements for expected outcome 2.2, *reducing the fiscal burden of the electricity sector*, which remained at 0.6% of GDP. The country program made a low-level contribution to expected outcome 2.3, *increase the use of information and communication technologies in the public sector*, because several related operations are just beginning their execution. Progress was achieved on the InvestmentMap platform (paragraph 5.11) and the technology infrastructure of the Revenue Administration Service (paragraphs 4.13 and 5.14).

<sup>70</sup> At the output level (HO-L1093), a technical note stands out: "Focalización del programa de Transferencias Monetarias Condicionadas en Honduras."

However, the country's score in the E-Government Development Index of the United Nations fell, from 0.447 in 2018 to 0.394 in 2022 (Annex III).

### **Strategic objective 3: Increase the efficiency of the tax system**

5.14 The country program made a high-level contribution to expected outcome 3.1, increase the digitalization of tax revenue processes. The Bank mainly contributed through one INV, one SDL, and technical cooperation projects. With investment loan HO-L1108, the Bank supported the Revenue Administration Service through initiatives to professionalize human resources; reengineer and modernize its technological infrastructure and systems; and achieve progress (which is not yet complete) in consolidating its integrated information system. In its progress reports, the operation has continuously shown increases in the tax returns that are filed electronically, from 80.5% in 2019 to 96% in 2021 (Annex III). Moreover, under the SDL, the government made progress on the plan to adopt digital signatures, aimed at accelerating the processing of tax and duty transactions by SEFIN. However, there are opportunities to ensure they are implemented throughout the country.

## **2. Priority area 2. Human capital accumulation**

### **Strategic objective 4: Reduce poverty and improve education and health services for the vulnerable population**

5.15 The country program made medium-level contributions to expected outcomes 4.1 (reduction in monetary poverty) and 4.2 (reduction in infant mortality in rural areas). Considering the positive outcome of the impact evaluations of the CCTP in terms of promoting human capital and reducing poverty,<sup>71</sup> the Bank supported expanding this program during the period, as well as financing cash transfers to address the pandemic and the hurricanes (Boxes 4.1 and 4.2). The number of people in beneficiary households increased from 470,000 in 2016 to 800,000 in 2021.<sup>72</sup> The Bank also helped implement a pilot project for 800 households to graduate from the CCTP. Its impact evaluation reported improvements on income, food expenses, and asset holdings, among other areas, between 2018 and 2020.<sup>73</sup> However, expected outcome 4.1, *reduction in monetary poverty*,

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71 In 2017, with Bank support, an impact evaluation was performed (Attanasio et al., 2017). Its findings include reduced poverty and increased spending on food, health care, and education, as well as improved use of services and better health, nutrition, and education indicators as a result of the CCTP. López and Creamer (2018) identified significant positive results in cognitive development for children 0 to 60 months and in medical checkups among CCTP beneficiaries.

72 Support was provided through integrated services to more than 200,000 people in 52 municipios in rural areas.

73 Maldonado et al. (2021).

was impacted by the pandemic and climate shocks during the strategy period. Total monetary poverty rose from 43.1% in 2019 to 54% in 2021 (INE, 2022), reversing the positive trend of the previous period. There are no counterfactuals available, but it is feasible that the adverse impact would have been worse without the Bank's support. On the technical side, the Bank helped update the methodology for poverty measurements in Honduras (INE, 2021b). For expected outcome 4.2, *reduction in infant mortality in rural areas*, the Bank provided support through investment grants for the Mesoamerica Health Initiative, to deliver maternal and child health services using a decentralized management model.<sup>74</sup> Prior to the pandemic, the initiative had reported important improvements in treating neonatal complications based on standards of care, providing dietary supplements to children 6 to 23 months, and treating diarrhea among children 0 to 59 months.<sup>75</sup> Also noteworthy are INVs for social protection and health that helped procure micronutrients and equipment for health facilities;<sup>76</sup> and provide health care through a decentralized management model, the Family Health Teams (ESFAM), and a conditional cash transfer program with co-responsibilities for children's health.<sup>77</sup> There is no updated official information about child mortality in rural areas, although preliminary estimates point to stalled progress because of the pandemic.<sup>78</sup>

5.16 In education, the country program made a low-level contribution, since there was no evidence during the period that program outputs translated into improvements in graduation rates (EO4.3) or learning quality in the third cycle (EO4.4). Investment loan HO-L1093 reported that educational offerings increased, with facilities for third-cycle education built at 152 schools and 275 facilities contracting with the Honduran Radio Education Institute (IHER). Investment grant HO-L1188, in execution, reported that 11,000 students enrolled in third-cycle education through alternative modalities offered by IHER.<sup>79</sup> A PBP, HO-L1204, developed an Inclusive Education Policy (undergoing approval) that includes having over-age boys and girls and those with

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74 PBP HO-L1204 helped develop the rules for the selection and certification of health managers.

75 According to the progress report for HO-G1003, based on an analysis by the Institute for Health Metrics and Evaluation at the University of Washington.

76 However, as part of HO-L1195, the construction of a neonatal and obstetrics section at Hospital Occidente and neonatal intensive care units are still pending.

77 Loan HO-L1105 reported that fulfillment of co-responsibilities for children's health increased from 17% in 2015 to 90% in 2021, while loan HO-L1093 reported that more than 1,000 health care centers are verifying co-responsibilities with the National Early Childhood Registry (RENPI).

78 BMGF (2021), within the framework of the Mesoamerica Health Initiative.

79 This INV was reformulated because of COVID-19. Its objectives were not modified, but for alternative modalities, it had a limited scope (reduced the average gross enrollment rate in targeted areas by 9%).

disabilities attending school, and automatically enrolling students completing sixth grade in seventh grade. In addition, some technical cooperation operations support output-level initiatives such as adapting educational resources for digital platforms and preparing a document of good practices in education for third-cycle teachers. With respect to outcomes, there was progress in enrollments. However, there is no information on improvements during the period for expected outcomes 4.3 and 4.4 (*graduation rates and learning quality in the third cycle*) that resulted from the interventions.<sup>80</sup> Therefore, the Bank is currently supporting an assessment of learning achievements, which is collecting and processing information.

### **Strategic objective 5: Improve the security of at-risk youth**

5.17 The country program made a medium-level contribution to expected outcome 5.1, reduction in the youth homicide rate, through medium-term interventions focused on security management. The Bank helped improve the capacity for crime investigation, strengthen the institutional capacity of the Ministry of Security, and expand the reform of the police academy system. Investment grant HO-G1244<sup>81</sup> reduced the victimization of at-risk youth in targeted municipios from 36% to 21.5%; increased the rate of homicide investigations being conducted by the National Bureau of Crime Investigation that the Office of the Prosecutor accepted; and improved average scores on the competence examination taken by police academy graduates.<sup>82</sup> Other Bank operations (such as HO-G1251) are continuing these lines of work and have advanced with respect to activities to strengthen police investigations (trained 150 police officers in crime scene processing) and the modernization of police headquarters in Choluteca and Nacaome. However, it is too early to report outcomes. In addition, the reformulation of HO-L1187 for citizen coexistence reduced its scope (paragraph 5.5). Nationwide, the youth homicide rate decreased from 147.8 in 2018 to 126.2 in 2021 (men ages 20 to 24, per 100,000 people in the age group) (Annex III).

### **Strategic objective 6: Increase in coverage of specialized services for women**

5.18 The country program made a high-level contribution to expected outcome 6.1, reduction in violence against women. Through HO-G1244, the Bank helped improve the management of civic coexistence and public safety. Reports showed that the rate of

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80 The information available about learning scores is from before 2019, the start date of this country strategy.

81 This IGR was complemented with HO-L1063, which concluded before the strategy period.

82 OVE (2021 project completion report validation) concluded that it was reasonable to assume that the IDB-supported police reform had positively contributed to these indicators and to violence reduction indicators.

femicides caused by intrafamily violence in the targeted areas decreased during the operation's execution, from 14.6 deaths per 100,000 women to 8.6. The Bank also supported the construction of three Ciudad Mujer Centers (HO-L1117) in San Pedro Sula, Choluteca, and La Ceiba, which are already operating. For 2022, these centers reported that more than 26,000 women had been served through the violence against women modules. Moreover, the Bank helped prepare protocols and training on domestic violence for police officers and medium- and high-ranking police officials. During the strategy period, the female homicide rate decreased from 8.3 deaths per 100,000 women in 2018 to 6.8 in 2021 (Annex III).

- 5.19 The country program made a high-level contribution to expected outcome 6.3, reduction in adolescent pregnancy. The program helped expand information channels and reproductive health care. Specifically, the expansion of the Ciudad Mujer Centers (paragraph 5.18) contributed to the participation of more than 44,000 female adolescents in classes on sexual and reproductive health in 2022. The Bank also provided support (HO-L1093 and HO-L1105) through the CCTP, through training on reproductive health for beneficiaries. Between 2016 and 2021, reports showed an increase from 0 to 80% in the personnel trained on counseling for family planning (in the 33 priority municipios and 8 decentralized hospitals), as well as an increase in primary and secondary health-care facilities with family planning supplies. Lastly, the Bank helped provide pregnancy and pre-pregnancy care in the country's poorest areas through the Mesoamerica Health Initiative, the decentralized management model, and the Family Health Teams. The evaluations of the Mesoamerica Health Initiative have shown positive results on the number of couples using a family planning method. Nationwide, the number of births per 1,000 women ages 15 to 19 decreased from 72 in 2018 to 70 in 2020.
- 5.20 For expected outcome 6.2, reduction in maternal mortality in rural areas, the Bank has implemented relevant actions, even though the pandemic has meant stalled indicators. The Mesoamerica Health Initiative, in addition to the measures mentioned above, implemented a "screening sheet" to increase the early detection of pregnancy and activities to improve quality in hospitals. This initiative (HO-G1003 and HO-G1249) reported important progress in its performance indicators, such as early detection of pregnancy and prenatal care, institutional childbirth, birth and postpartum care with quality parameters, and cervical cancer screening. Prior to the COVID-19 pandemic, this initiative had contributed to reducing maternal deaths in the targeted municipios.<sup>83</sup> Moreover, the CCTP, also Bank-financed, reported progress (especially

<sup>83</sup> Reported for HO-G1003 based on an analysis by the Institute for Health Metrics and Evaluation.

before the pandemic) in the percentage of women beneficiaries receiving prenatal and postpartum care from qualified personnel.<sup>84</sup> Despite progress at an operational level, the country's maternal mortality rate increased between 2019 and 2020,<sup>85</sup> and no updated information is available for the expected outcome of maternal mortality in rural areas (Annex III). A study to update the causes of maternal mortality is pending, as part of HO-L1195.

### **3. Priority area 3. Expansion of sustainable production opportunities**

#### **Strategic objective 7: Improve logistics performance**

5.21 The country program made a high-level contribution to expected outcome 7.1, improvement in infrastructure coverage and quality; and a low-level contribution to expected outcome 7.2, increase in connectivity for small producers because of the lack of evidence about results. While expected outcome 7.1 was to *improve infrastructure coverage and quality* overall, and the country program focused only on road and logistics infrastructure, the program contributed to the rehabilitation and maintenance of several road segments,<sup>86</sup> including three segments of the Mesoamerican Pacific Corridor connecting San Pedro Sula and Puerto Cortés. In addition, microenterprise partnerships worked on the routine maintenance of secondary and minor roads that feed into this corridor. As outcomes, the IDB reported that the targeted corridors are in good repair,<sup>87</sup> and that some segments showed reduced average vehicle-operating costs and average travel times.<sup>88</sup> The Logistics Performance Index improved during the period (Annex III). Through two PBPs, the Bank supported the sector's institutional reform. This helped lay the foundation for the National Logistics Law (submitted to Congress in 2020), and create the National Logistics Council, whose operation is still in early stages, as the coordinator between sector entities.<sup>89</sup> For expected outcome 7.2, *increase in connectivity for small producers*, the Bank provided support for road and logistics infrastructure with potential benefits in rural areas; however, there is no evidence of its effects on physical or digital connectivity indicators.

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84 Reported for HO-L1093 based on the household survey.

85 According to BMGF (2021), progress in health stalled due to the pandemic. See Annex III.

86 Segments I, El Amatillo-Jícara Galán (Highway CA-1); II, Jícara Galán-Choluteca (CA-1); III, Choluteca-Guasaule (CA-3); Neteapa-Danlí (CA-6); and clearing the rights of way for 23 kilometers of the La Barca-Pimienta segment.

87 The international roughness index (IRI) is below three for the targeted segments.

88 For example, La Barca-Pimienta reported a decrease from 0.48 to 0.28 (U.S. dollars per vehicle-kilometer) between 2016 and 2021.

89 Most of the conditions for the PBP series are of medium depth, and should be accompanied by other measures to ensure the sustainability of the reform (Annex VII).



### **Strategic objective 8: Expand credit access for agricultural MSMEs**

5.22 The country program made a low-level contribution to expected outcome 8.1, increase in financing for agricultural sector producers, due to the low level of execution or cancellation of sovereign guaranteed operations. Progress was reported for non-sovereign guaranteed operations. For sovereign guaranteed operations, the IDB made a low-level contribution to expected outcome 8.1. Investment loans HO-L1201 and HO-L1211, aimed at improving rural and productive development in Honduras' dry corridor, are just beginning execution. Investment grant HO-G1254, intended to increase the resilience of women-run agricultural MSMEs, was cancelled. Moreover, although the Bank supported helping MSMEs affected by the pandemic in overcoming temporary liquidity problems (Box 4.2), no disaggregated information is available for the agriculture sector. IDB Invest supported foreign trade operations with for agricultural MSMEs that export coffee, through the TFFP. Nationwide, the percentage of the rural population obtaining credit from financial institutions grew from 9.8% in 2017 to 12.2% in 2021.

### **Strategic objective 9: Improve the efficiency, coverage, quality, and sustainability of the electricity service**

5.23 The IDB Group made a medium-level contribution to expected outcome 9.2, improvement in the quality and reliability of the transmission network, by modernizing electrical infrastructure. However, it made a low-level contribution to expected outcome 9.1, increase in the operating efficiency of the sector. Through INVs, IGRs, and technical cooperation operations, the Bank supported activities for the institutional strengthening of ENEE; there was also progress with sales in the regional energy market (see SO2). Support was also provided for projects such as the expansion of transformers at the Toncotín substation (country's central region) and the Progreso substation (northern region), and the modernization of the substation at the Cañaveral-Río Lindo hydropower complex, which accounts for approximately 9.6% of the electricity supply in Honduras.<sup>90</sup> As outcomes, the Bank reported a decrease in power outages in the western region (measured as equivalent time in hours per year) and progress in average transformer load, although less than expected, at the Occidente and Toncotín substations.<sup>91</sup> These mean that a medium-level contribution was made to expected outcome 9.2, *improvement in the quality and reliability of the transmission network*. Nationwide, the amount of energy not supplied due to transmission network failures decreased, mainly in the northern

<sup>90</sup> Other INVs with activities to expand substations (Láinez and Miraflores, San Pedro Sula Sur and San Buenaventura) and support the institutional strengthening of ENEE are starting or continuing execution.

<sup>91</sup> Average transformer load at the Progreso substation showed minor progress, because of challenges involving existing transformers.

region (from 9,540 MWh in 2016 to 6,326 MWh in 2021). This indicator also fell, although to a lesser extent, in the central region (from 4,946 MWh to 4,536 MWh during the same period). For expected outcome 9.1, *increase in the operating efficiency of the sector*, no improvements were identified with respect to total electricity distribution losses.<sup>92</sup>

5.24 The IDB made a low-level contribution to expected outcome 9.4, increase in electricity coverage in rural areas, because the main related operation is still in execution. Through a technical cooperation project, the IDB helped design a Strategic Plan for Universal Access to Electricity. Investment grant HO-G1247 only reported advances on outputs, such as awarding contracts for microgrids and residential photovoltaic systems in Guanaja and Brus Laguna islands and the El Corpus and Concepción de María municipios. Nationwide, there was a minor improvement in electricity coverage in rural areas, from 66.9% in 2017 to 69.22% in 2020.

5.25 The IDB Group made a medium-level contribution to expected outcome 9.3, increase in the share of renewable sources in the generation mix. Through sovereign guaranteed operations, the Bank supported the modernization of the substation at the Cañaveral-Río Lindo hydropower complex and the design and construction of renewable energy microgrids. However, with respect to outcomes, only the Progreso substation reported program indicators that showed an increase in renewable energy supply (from 0 to 208 GWh per year in 2020), as a result of the transmission constraints that were avoided under the program. IDB Invest supported through senior loans and senior secured loans, to install photovoltaic panels. This increased the power generated from nonconventional renewable energy sources and reduced carbon dioxide emissions. In addition, with a senior secured loan, it concluded the first phase of installing photovoltaic panels in an industrial park, increasing production capacity from nonconventional renewable energy sources. Nationwide, the share of energy generation from renewable sources increased from 56% in 2019 to 64% in 2021 (Annex III).

**Strategic objective 10: Expand the country's forest cover and resilience to climate change**

5.26 The country program made a medium-level contribution to expected outcome 10.1, increase in the control of pest outbreak events. The Bank's program, through INVs and technical cooperation projects, supported 37 agreements for forest restoration plans and 85 forest protection brigades; helped design and implement an early warning system for pests; provided

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92 These went from 27.4% in 2017 to 31.8% in 2019 and 30.6% in 2022 (Annex III).



equipment to the Forest Protection Department;<sup>93</sup> and trained technical specialists on sustainable forest management. With respect to outcomes, these measures helped start the process of restoring 32,400 hectares of public pine forest impacted by pests. Nationwide, the percentage of beetle outbreaks that were controlled improved, from 43% in 2016 to 88% in 2022. Despite advances, the implementation of an incentive mechanism for private forests is still in early stages,<sup>94</sup> and a mechanism for access to climate finance is needed.<sup>95</sup>

### **Other: Water and sanitation, and private sector support**

- 5.27 In water and sanitation, the country program helped establish the institutional foundations for the transfer of services to municipios. Water and sanitation was already a dialogue area in the country strategy. However, the negative context that Honduras faced—drought and water shortages, hurricanes, and a health emergency—highlighted the importance of the sector in addressing development needs. The Bank approved one PBP (the first in a series of two) and technical cooperation operations that helped establish the institutional foundations and regulations for the transfer of water and sanitation services from the National Water and Sewage Service (SANAA) to the Municipal Unit of Potable Water and Sanitation (UMAPS) of the Central District.<sup>96</sup> The UMAPS is already operating.<sup>97</sup> Other operations aimed at increasing access to and quality of water and sanitation services in rural areas began recently.
- 5.28 In the private sector, IDB Invest mainly supported the financial sector through transactions to support foreign trade and financing for the manufacturing sector. IDB Invest financed in transactions to support foreign trade, mainly in the agricultural products and manufactured goods sectors.<sup>98</sup> Additionally, three operations approved before 2019 supported financial institutions to expand their SME portfolios; the volume growth of SME portfolios associated with these operations has ranged from 3% to 36%, compared to their baseline. In the industrial sector, IDB Invest helped increase the production capacity of a textile company, enabling it to expand the value of its exports and the number of women-run SMEs in its supply chain.<sup>99</sup>

93 Including vehicles and drones for the Honduran Forest Conservation Institute (ICF).

94 The target is 6,500 hectares of private pine forest with incentives for sustainable forest management.

95 Operations HO-L1200 and HO-G1252—with resources from the Green Climate Fund—had low execution levels.

96 The process to decentralize service delivery from SANAA to the 33 municipalities where it operated began as a result of the government's decentralization policy and the Sector Framework Act of 2003.

97 The second PBP is still in the pipeline, although there has been progress with the implementation of the initial fee schedule and approval of a strategic plan for UMAPS.

98 This support was not for the MSME sector.

99 IDB Invest (12167-03) also supported a food company by providing liquidity.



# 06

## Conclusions

- 6.1 During the strategy period, the country faced exogenous shocks. Honduras is a lower middle-income country with relatively low economic growth (2.7% during 2019-2022) and vulnerability to external shocks. During the period, the country faced a drought and water shortage emergency in 2019; Hurricanes Eta and Iota in 2020, and Julia in 2022; and the COVID-19 pandemic in 2020 and 2021.
- 6.2 The control of corruption indicator for Honduras fell between 2019 and 2021. In late 2021, the country held a general election. Honduras had a percentile rank of 14.4 for the control of corruption indicator in 2021, a decrease from 21.6 in 2019 and below the average for LAC. As evidence of institutional weaknesses, there were corruption cases involving top public officials. The November 2021 elections resulted in a new party taking over the government in 2022.
- 6.3 The 2019-2022 country strategy was appropriate for the development challenges of Honduras, and despite a difficult context, remained relevant as a guide for the country program, which was strongly aligned with the strategy's 10 strategic objectives. The country strategy for Honduras was based on a diagnostic assessment of its development challenges, and its objectives were consistent with the country's needs and government priorities. Given that the water and sanitation sector (a dialogue area) regained its importance during the period, its future relevance should be evaluated. The sovereign guaranteed program included operations that covered all of the strategic objectives and their expected outcomes in the three priority areas. The non-sovereign guaranteed program had operations aligned with two strategic objectives of priority area 3. The country strategy had an adequate vertical logic; however, OVE identified challenges with the timely monitoring of strategy indicators, some of which had evaluability weaknesses. The program incorporated crosscutting issues into the three priority areas adequately and as planned in the country strategy. In addition, progress was achieved in implementing the three recommendations made in the CPE 2015-2018.
- 6.4 The IDB Group used a wide range of instruments, suitably responding and adapting to the country's structural and situational needs and government priorities. During the 2019-2022 period, the Bank approved US\$1.1163 billion in sovereign guaranteed operations, higher than for the previous period. Significantly, budgetary support instruments helped establish the foundations for relevant reforms on social protection and health care, transportation and logistics, transparency, and water and sanitation. However, given that the consolidation and deepening of some of these reforms are still in early stages, these agendas need monitoring. In addition, a special development lending

operation, which was approved, was relevant in supporting the government's financing needs during the pandemic. Since 2020, the program has directed much of its support to addressing the challenges arising from the COVID-19 pandemic, with the Bank working in coordination with other international organizations. Moreover, since 2019, the use of technical cooperation operations was timely in responding to other emergencies (hurricanes and drought); however, the IDB and the Honduran government acknowledged the difficulties of using retroactive expenditure justification mechanisms during emergencies. At IDB Invest, non-sovereign guaranteed approvals and disbursements also increased, despite difficulties in originating operations within a context of integrity risks. Part of the non-sovereign guaranteed operations (more than 50%) was not aligned with the strategic objectives—although some were aligned with the pandemic response—and covered diverse issues, including support for SMEs and the export sector.

- 6.5 While investment loans and investment grants had a relatively favorable execution pace at the beginning of the strategy period, this pace slowed toward the end of the period. The main challenges for execution included the pandemic and the hurricanes, staff turnover in line agencies, the dissolution or change of executing agencies, the government transition, and coordination challenges between key actors. Some of these challenges demonstrate that there is still room to strengthen the institutional capacity of executing agencies and execution units. The IDB Group worked to prevent, detect, and manage integrity risks.
- 6.6 To date, reports show that the IDB Group has mainly made medium-level contributions to the country strategy objectives, a positive result given the challenges that Honduras faced during the period. The program made high-level contributions to one strategic objective, medium-level contributions to more than half of the objectives, and low-level contributions to two objectives. The main reasons for medium- or low-level contributions to date were: (i) the early stages of execution for the aligned operations, which other than generating some outputs have not achieved their outcomes; (ii) the lack of evidence on outcomes for the aligned program, even for operations in advanced stages of execution; (iii) the cancellation or reformulation of operations; and (iv) the pandemic situation and the climate shocks, which have meant stalled outcome indicators, particularly for the social sector.



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