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May 29, 2020

**Statement by Mr. Mouminah and Mr. Rawah on Honduras  
(Preliminary)  
Executive Board Meeting 20/65  
June 1, 2020**

We thank staff for the well-focused report and Mr. Villar and Mr. Tabora Munoz for their helpful Buff statement. We are in broad agreement with staff's analysis and policy recommendations and would limit our remarks to a few issues.

1. **We support the authorities' request for the completion of the second reviews under the SBA and SCF as well as augmentation of access and rephasing.** It is encouraging to note that program performance remains strong, reflecting the authorities' commitment to the program objectives. However, the COVID-19 outbreak has hit the Honduran economy hard and is expected to cause a deep recession at a time when the health system is fragile and poverty rate is already high. In view of the temporary shocks, the augmentation of access is appropriate to help close the urgent financing needs and support the authorities' efforts to fight the pandemic, which have been reasonably swift and targeted. Also, we agree with the need to use the flexibility provided under the FRL and allow for a temporary widening of fiscal deficit, which should be gradually reduced once crisis abates. We are comforted to note that Honduras is assessed to be at low risk of debt distress and its capacity to repay the Fund is adequate. The authorities' commitment to transparency and accountability of emergency spending, including by facilitating the monitoring and publication of pandemic-related spending, is welcome. We also welcome concurrent audits by the Court of Accounts.

2. **Over the medium term, we agree that preventing tax revenue reduction and controlling non-priority current spending would be important to help create fiscal space for critical spending.** In this regard, the authorities' commitment to enhance revenue mobilization, including through targeted measures aimed at improving tax administration, is welcome. Also, we underline the importance of continued improvement in PFM and take positive note of the authorities' plan to enact a new wage negotiation mechanism for the civil

service with the assistance of the WB and FAD. In addition, we welcome the ongoing efforts to reform the energy sector and encourage further steps to improve the operations and governance of ENEE.

3. **Finally, we encourage the authorities to advance governance reforms and strengthen the anti-corruption framework.** In this connection, the submission of the new procurement law to Congress and the ongoing efforts to improve PPP framework and strengthen AML/CFT framework are welcome. We also support the initiatives aimed at improving the business climate and look forward to meaningful progress.

With these remarks, we wish the authorities further success.