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December 10, 2020

**Statement by Mr. Sigurgeirsson and Ms. Skrivere on Honduras  
(Preliminary)  
Executive Board Meeting  
December 14, 2020**

We thank staff for the comprehensive report and Mr. Moreno, Ms. Rivera Molina, and Mr. Cartagena Guardado for their informative Buff statement. Despite the negative impact of the pandemic and the two tropical storms, program performance has remained strong and we welcome the authorities' commitment to the reform agenda. **We support the proposed decisions:** the conclusion of the third review under the Stand-By Arrangement (SBA) and the arrangement under the Standby Credit Facility (SCF), the extension and rephasing of the arrangements, the waiver of nonobservance of performance criteria, and the modification of performance criteria. We broadly share staff's appraisal and would like to add the following points on governance issues and fiscal policy for emphasis.

**Transparency and good governance are essential, including to ensure that the crisis-related expenditure is targeted and efficient.** We note that there have been some implementation challenges and wrongdoing allegations regarding some crisis-related spending, particularly related to the USD 47 million purchase of mobile hospitals by Invest-H. We underline the important role the civil society can play by helping to identify irregularities and putting pressure on the authorities to swiftly address any possible issues. For this process, transparency and timely availability of relevant data to the public is crucial. More broadly, we welcome the efforts so far on a range of structural reforms to enhance governance, including on a new procurement law, a comprehensive beneficial ownership registry, and the public officials' asset declaration system. We also positively note the authorities' plans to further strengthen controls by leveraging the expertise from FAD and the Inter-American Development Bank. *We note that FAD technical assistance emphasized three immediate measures to strengthen controls, namely (i) enhancements to the labeling*

*mechanism to categorize and track all pandemic and post-pandemic related expenditure in the budget, (ii) adoption of a manual of procedures for emergency purchases, and (iii) implementation of an action plan to strengthen internal agency controls—covering both procedures for public procurement and monitoring—in particular for agencies in charge of Covid-19 related spending. As the authorities intended to implement these measures during November, we would welcome an update from staff on the most recent progress.*

**While a temporary relaxation of the fiscal stance was warranted in response to the crisis, it will be important to preserve fiscal credibility on the post-crisis period.** We note the authorities' intention to return to the 1 percent NFPS deficit ceiling in 2022, in line with the requirements by the FRL. While the pace of consolidation appears ambitious, we note the authorities' positive track-record in the past, and we welcome their strong commitment to preserve fiscal credibility. Going forward, reform priorities on the fiscal front rightly focus on strong monitoring of fiscal risks from PPPs and public enterprises, streamlining and avoidance of new tax exemptions, and customs administration reform.