

SU/20/110

June 1, 2020

**The Acting Chair's Summing Up
Honduras—Second Reviews Under the Stand-By Arrangement and Arrangement
Under the Standby Credit Facility, Requests for Augmentation and
Rephasing of Access, and Modification of Performance Criteria
Executive Board Meeting 20/65
June 1, 2020**

Executive Directors welcomed Honduras's track record of sound macroeconomic policies and the progress in implementing reforms. They acknowledged that despite a challenging economic environment, the authorities have strived to maintain macroeconomic stability and protect social spending and investment. Directors noted that the COVID-19 pandemic and external spillovers are having a significant impact on the Honduran economy and welcomed the authorities' strong policy response to mitigate the impact.

Directors supported the use of the flexibility under the Fiscal Responsibility Law to temporarily increase the deficit and accommodate higher healthcare and critical social spending. They noted that measures are temporary and targeted to support affected groups and mitigate structural vulnerabilities, and that they do not jeopardize debt sustainability over the medium term. Directors encouraged the authorities to resume revenue mobilization efforts once the crisis subsides.

Directors noted that monetary policy remains geared toward maintaining price stability and an adequate level of international reserves. They commended ongoing efforts to strengthen the monetary policy framework and support the transition to a more flexible exchange rate.

Directors welcomed the steps taken to improve the institutional framework in the electricity sector and emphasized that further efforts are needed. They noted that important measures have been incorporated into the program, aimed at improving governance and facilitating the unbundling process of the national electricity company (ENEE), while tariffs continue to reflect the cost of electricity provision. Directors encouraged the authorities to sustain their reform efforts to create space for infrastructure and social spending.

Directors welcomed ongoing efforts to improve governance, including strengthening public procurement and the institutional framework in the central bank and the Treasury. They encouraged the authorities to persevere on reforms to enhance the Public Private Partnership, AML/CFT, and anti-corruption frameworks, and to guarantee transparency and accountability, including on pandemic-related emergency spending.