

## Ex-Ante Evaluation (for Japanese ODA Loan)

Central America and the Caribbean Division  
Latin America and the Caribbean Department  
Japan International Cooperation Agency

### 1. Name of the Project

- ( 1 ) Country: Republic of Honduras
- ( 2 ) Project: Programme Loan to Improve Transparency and Integrity for Sustainable Development
- ( 3 ) Project Site / Target Area: Entire territory of the Republic of Honduras  
Loan Agreement: January 11, 2024

### 2. Background and Necessity of the Project

- ( 1 ) Current State and Issues of the Government Administration Sector and the Priority of the Project in the Republic of Honduras

Corruption and lack of transparency pose a serious challenge for the government administration sector in the Republic of Honduras (hereinafter referred to as “the Country”). According to the Corruption Perceptions Index, the Country ranks as 157<sup>th</sup> on the Corruption Perceptions Index (Transparency International, 2022), which makes it the fourth most corrupt country in Latin America, following only Venezuela, Haiti, and Nicaragua. According to the Open-Useful-Reusable Government Data Index, the Country scores much lower than the average for Central American countries (0.36 points), as well as 0.16 points in terms of transparency (OECD, 2019). Corruption of the government increases fiscal burdens on public work projects, while the lack of fiscal transparency causes difficulties when raising funds from external sources, resulting in a shortage and low quality of public services provided by the Country’s government. Such insufficiencies in public-sector services have also become a factor contributing to chronic poverty and worsening security in the Country, resulting in being an underlying cause of creating more unauthorized immigrants to the United States, an issue on which Japan and the United States declared to work together in 2021. Particularly, as part of its promotion of decentralization, the Country enforced the Municipal Reform Law in 1990 to allow municipalities to provide a number of their own administrative services. As a result, inefficient public spending is now even more likely to happen due to corruption and lack of transparency in provincial areas, where many municipalities do not function properly.

Under these circumstances, President Xiomara Castro, who took office in January 2022, regards it as an urgent task to prevent government corruption and enhance governance. She demonstrated a strong willingness to fight corruption on a medium- to long-term basis by declaring to “fight against corruption and abuse of power” in Chapter 3 of the 2022-2026 Honduras Country Strategy. More specifically, the Country, which states in the above document that all of its strategies should be based on developing the Country through building a democracy based on fairness, established the Ministry of Transparency and Fight Against Corruption (Secretaría de Transparencia y Lucha Contra la Corrupción: STLCC) in April 2022 to develop and implement policies in this area. In addition, the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH), led by the Organization of American States (OAS), took place from January 2016 through January 2020. This investigation led to the litigation of 14 cases in the Country that resulted in the prosecution of 133 people, including 80 cabinet ministers, legislators, and other government officials (the United States Department of Justice). The Country’s government highly evaluates the MACCIH investigation results, and the 2022-2026 Honduras Country Strategy contains nine policy measures that include the continuation of the MACCIH to place emphasis on the prevention of corruption and enhancement of governance (① approval and enforcement of laws concerning access to public information; ② continuation of the MACCIH for laying the foundation for a national corruption prevention system, and establishment of an international committee against impunity and corruption; ③ promotion of citizen involvement in the prosecution of public crimes, and penal reform; ④ implementation of thorough investigations on corrupt practices and violations of rights by state institutions; ⑤ establishment and promotion of the implementation of transparency, ethics, and morality; ⑥ revision of public service-related laws; ⑦ reform of high courts and the Institute of Access to Public Information; ⑧ promotion of the implementation of social auditing at municipal and national levels; and ⑨ promotion of audits of public funds, particularly subsidies). The policy actions adopted by the Project correspond to ⑤ and ⑧ of the above policy measures.

Meanwhile, the Country’s current account balance as a percent of GDP, which

recorded a surplus of 0.1% in 2019, declined to a deficit of 4.6% in 2020 due mainly to the COVID-19 pandemic, and stayed in the red again in 2021, despite some recovery at a deficit of 3.1% (IMF, April 2022). According to its Ministry of Finance, the Country is projected to require USD 1,936 million in 2023 and needs to raise the funds quickly, due to the Country's increased spending to respond to the hurricanes that hit in 2020 (ETA and IOTA) and to provide follow-up support and vocational training for people who illegally emigrated but were deported back, the number of which has increased since the COVID-19 pandemic. From that projected amount, USD 669 million is expected to be obtained from outside the Country in the form of financial assistance. As such, the Country is placing high hopes on the Project.

The Programme Loan to Improve Transparency and Integrity for Sustainable Development (hereinafter referred to as "the Project") aims to meet the financial needs of the Country's financially strapped government and improve its transparency and credibility. This will be accomplished by preventing government corruption and enhancing governance by setting policy actions concerning the improvement of transparency and integrity and offering funds to the Country when it achieves these efforts, thereby contributing to the political and social stabilization of the Country.

(2) Japan's and JICA's Cooperation Policy and Operations in the Government Administration Sector/Honduras

Japan's Development Assistance Policy for the Republic of Honduras (June 2021) includes an assistance program entitled "Social Service Enhancement Program" in the priority area "Regional Development." The Project is consistent with this assistance policy in that it promotes policy actions to encourage citizen involvement in regional development and improvement of regional administrative services. The JICA Country Analysis Paper for the Republic of Honduras (March 2020) also identifies the "proliferation of quality social services" as a subject for development. Furthermore, the Project, which aims to improve the transparency and credibility of the government, is in accordance with JICA Global Agenda No. 12 "A society where all people can live with dignity". Being a financial assistance program aimed at preventing injustice and corruption and increasing transparency and credibility through the enhancement of governance, the Project

can also contribute to SDG 16 (Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels).

### ( 3 ) Other Donors' Activities

- The IDB implemented Phase I of the Programme Loan to Improve Transparency and Integrity for Sustainable Development in 2022, during which a loan worth USD 195 million was offered. Phase II is scheduled to be implemented in 2024. The loan for the Project is to be co-financed with Phase I.
- The OECD compiled "OECD Public Governance Reviews: Honduras Inclusive and Effective Governance for Better Outcomes," financed by the EU.
- The UNODC (United Nations Office on Drugs and Crime) cooperated with the Honduran National Transparency and Anti-Corruption Strategy (Estrategia Nacional de Transparencia y Anticorrupción: ENTAH), adopted by the Ministry of Transparency and Fight Against Corruption (Secretaría de Transparencia y Lucha Contra la Corrupción: STLCC).
- The government of South Korea donated e-procurement/e-contract process software interconnectable with the Integrated Financial and Administration Management System (SIAFI).

## **3. Project Description**

### ( 1 ) Project Description

#### ① Project Objective

The Project will, through financial assistance to the Country's government, increase transparency and credibility of the government by enhancing governance and averting political and administrative injustice and corruption, thereby contributing to the promotion of political and social stabilization and development efforts of the Country.

#### ② Project Components

The Project focuses on the Country's opaque public procurement system, which can be a breeding ground for corruption, and the closed nature of public information, such as that related to budget and spending. The Project will seek to increase the transparency and efficiency of the public procurement, budget implementation, and fund management processes of the Country's government, as well as enhance its auditing process. This will be accomplished by, for example,

reinforcing its auditing system and encouraging citizen involvement in the process, mainly through the implementation of a series of policy actions aimed at developing a cross-ministerial public procurement platform system and facilitating the digitization and disclosure of public information, thereby achieving the above objective.

In more specific terms, the Project will allow the Country's government to continue to promote and improve its independent initiatives by setting a policy matrix revolving around the following components (see Annex) and monitoring the progress in achieving them. As the Project is co-financed with the IDB, it will use the IDB's policy matrix, while Components 2 and 3 include policy actions related to the activities of JICA.

Component 1: Macroeconomic stabilization

Component 2: Ensuring transparency of public information

Component 3: Improving public confidence in public-sector organizations

Component 4: Enhancing the management system for disclosed information

### ③ Project Beneficiaries (Target Group)

People of Honduras

( 2 ) Estimated Project Cost: 13.39 billion Yen (equivalent to USD 100 million)

( 3 ) Schedule: As the Project aims to offer financial assistance for the Country's FY2023 (starting in January), retroactive financing will be undertaken to cover spending made in January 2023 and later. The effective date is January 1, 2023. Given the fact that completion of all policy actions has been confirmed, the implementation of the lump-sum loan (scheduled for March 2024) is considered as the completion of the Project.

### ( 4 ) Project Implementation Structure

1 ) Borrower: Government of the Republic of Honduras (El Gobierno de Honduras)

2 ) Executing Agency: Ministry of Finance (Secretaría de Estado en el Despacho de Finanzas: SEFIN). Monitoring of policy actions will be jointly implemented by the Country's government and the IDB. In addition, JICA

will offer advice, mainly in providing input to policymakers in the above technical cooperation.

( 5 ) Collaboration and Sharing of Roles with Other Donors

- 1 ) Japan's Activity: The Project loan is planned to be co-financed with the IDB's Programme Loan to Improve Transparency and Integrity for Sustainable Development (this time providing a loan worth USD 195 million).
- 2 ) Other Donors' Activity: The IDB regards the above project as Phase I of the Programme Loan, which was already paid in December 2022, and plans to implement Phase II in 2024 (amount not yet decided). As stated above, monitoring will also be undertaken jointly with the IDB.

( 6 ) Environmental and Social Consideration

Category: C② Reason for Categorization: The Program is deemed to have minimal undesirable impact on the environment according to the JICA Guidelines for Environmental and Social Considerations (published in January 2022).

( 7 ) Cross-Sectoral Issues: None

( 8 ) Gender Category: Gender Informed (Significant) (Gender Activity Integration Project)

<Reason for Categorization> The Project has identified the need for women's social participation in the preparatory survey. Its policy matrix and operation and effect indicators include the expansion of female participation in infrastructure projects and improvement of the involvement of small- and medium-sized enterprises owned by women in public procurement through training programs for women based on government action plans. It has also agreed to work to promote the social inclusion of women through a preparatory survey MD.

( 9 ) Other Important Issues: None in particular

<b>4. Targeted Outcomes</b>
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( 1 ) Quantitative Effects

1 ) Outcomes (Operation and Effect Indicators)

As shown below. Set from the perspective of what effects, derived from the

policy actions, can be expected two years later if the Project is implemented.

Of the indicators shown below, 1 through 7 are set by the IDB, and 8 by JICA.

Indicator	Baseline (Actual value in November 2022)	Target (2025) [2 years after project completion]
1. Rate of government employees who do not submit personal asset declaration forms (%)	21	15
2. Number of central government agencies that disclose information concerning budget implementation	0	71
3. Number of times central government agencies access MapalInversiones (a data platform that integrates budget plans, contract information, and other information about government agencies)	0	1,100
4. Open Government Action Plan commitment achievement rate (%)	14.81	24.81
5. Rate of small- and medium-sized enterprises headed by women that participate in competitive bidding (%)	42.9	45.0
6. Average cost of submitting a personal asset declaration form (Honduran lempira/person)	1,033	172
7. Number of non-governmental organizations registered with the Financial Intelligence Unit	15	200

8. Number of municipality development plans (Plan de Desarrollo Municipal: PDM) adopted through the community development capacity enhancement process (FOCAL process)	255	266
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( 2 ) Qualitative Effects: Preventing political and administrative injustice and corruption and enhancing governance to increase transparency and credibility.

( 3 ) Internal Rate of Return: The internal rate of return is not calculated because this is a program-based loan.

#### **5 . External Factors and Risk Control**

( 1 ) Preconditions: None in particular

( 2 ) External Factors: None in particular

#### **6 . Lessons Learned from Past Projects**

It has been pointed out that, for example, in the ex-post evaluation of the Japanese ODA loans to Pakistan, the “Energy Sector Reform Program” and “Energy Sector Reform Program (II)” (FY2017 evaluation), to support concrete implementation of the policy actions under a development policy loan, JICA can increase the effectiveness of policy improvement and reform through a combination of provision of the development policy loan and technical cooperation in specific areas.

Taking into account the above lesson, the Project is designed to ensure the effectiveness of policy improvement and reform by combining the loan with ongoing technical cooperation in the government administration sector to support steady implementation of policy actions presented in the sector. For details of the coordination with the ongoing cooperation, see 3.(5).

#### **7 . Evaluation Results**

The Project is consistent with the Country’s development issues and policies, as well as the assistance policies and analyses of the Government of Japan and JICA. It aims to increase transparency and credibility by preventing injustice and



corruption and reinforcing governance through financial assistance, thereby contributing to the achievement of SDG 16 (Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels). Therefore, there is a strong need to support implementation of the Project.

## **8 . Plan for Future Evaluation**

### ( 1 ) Indicators to be Used

As indicated in Section 4.

### ( 2 ) Future Evaluation Schedule

Ex-post evaluation: Two years after project completion

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