International Monetary Fund

Honduras and the IMF

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Honduras: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 19, 2014

The following item is a Letter of Intent of the government of Honduras, which describes the policies that Honduras intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Honduras, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Letter of Intent

November 19, 2014

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde,

1. Macroeconomic conditions in Honduras weakened in 2013. Economic growth declined to 2.6 percent in 2013 from 4.1 percent in 2012, owing to a drop in coffee production due to leaf-rust disease, less favorable external conditions, and lower private investment from increased uncertainty related to last year's presidential elections. At the same time, the public finances continued to weaken, reflecting higher spending and rising losses by the state-owned electricity company. In the external sector, the current account deficit rose, although international reserves increased due to the placement of sovereign global bonds for US$1 billion.

2. The government that took office in January 2014 is implementing measures to strengthen the public finances and advance structural reforms. A broad set of fiscal measures, aimed mainly at increasing revenue, was approved in December 2013. In addition, we have decided to reduce current spending and transfers, and lower electricity subsidies through better targeting. On the structural side, legislation to reform the electricity sector and pension funds has been enacted, while measures to strengthen tax administration and improve discipline in the budget process have also been adopted. The government has also decided to strengthen the social safety net through increased transfers to low-income groups.

3. The main objective of our 2014–17 economic program is to preserve macroeconomic stability while improving the conditions for sustainable and inclusive economic growth. The main elements of the program include strong fiscal consolidation; structural reforms to strengthen the macroeconomic policy framework and promote economic growth; and measures to strengthen the social safety net. We believe that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the objectives of our program, but we will take any further measures that may become appropriate for this purpose. Honduras will consult with the Fund on the adoption of these measures, and in advance of any revision to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation..

4. In support of our program, we are requesting a 36-month SBA arrangement and a 24-month arrangement under the SCF in the amount of SDR129.5 million (equivalent to 100 percent of Honduras' IMF quota, or about US$200 million at current exchange rates). The SCF/SBA arrangements, which we intend to treat as precautionary, will signal our commitment to implement sound economic policies, allow us to catalyze external financial assistance, and bolster investor confidence.

5. Program implementation will be monitored through semi-annual reviews, with the first one scheduled to be completed by April 2015. The quantitative performance criteria and structural benchmarks under the program are set out in tables 1 and 2 of the attached MEFP. We will provide Fund staff with all information required to monitor program performance and complete program reviews.

6. Consistent with the commitment to keep the public informed, we authorize the IMF to publish this Letter of Intent, its attachments and the related staff report, as well as all future program documents.

Sincerely yours,

/s/	/s/
Marlon Tábora Muñoz	Wilfredo Rafael Cerrato Rodriguez
President, Central Bank of Honduras	Minister of Finance

Attachments
I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies for 2014–17

Background and Program Objectives

1. **Honduras faces significant challenges.** Honduras is one of the poorest countries in the region, with a poverty rate of about 60 percent. It also continues to face a difficult, though improving, security situation, with high levels of crime. Amid these long-standing challenges, upon taking office in January 2014, the government of President Hernandez inherited a difficult macroeconomic situation. Economic growth decelerated significantly to 2.6 percent in 2013, driven mainly by exogenous external and domestic factors, including political uncertainty related to last year's presidential elections. The fiscal accounts continued to weaken, with the combined public sector (CPS) deficit rising to 7.6 percent of GDP in 2013, from 2.8 percent of GDP in 2011. This deterioration was driven by higher primary spending and interest payments, as well as by a substantial increase in the deficit of the state-owned electricity company (ENEE). The relaxation of fiscal policy has led to a rapid increase in public debt and to cash-flow pressures. In addition, combined with a real appreciation of the exchange rate and less favorable terms of trade, it has led to a sizeable increase in the external current account deficit and limited reserve coverage.

2. **The government has taken decisive measures to address these challenges.** To support fiscal consolidation, a substantive set of fiscal measures focused on raising revenue (including an increase in the VAT rate from 12 to 15 percent, higher fuel taxes and a reduction in electricity subsidy through better targeting) was approved in December 2013. In addition, the government is implementing measures to restrain spending, including a wage freeze in 2014–15, while protecting the social safety net. At the same time, legislation has been enacted to enable the implementation of key structural reforms, including in the electricity and pension sectors, which would support both fiscal consolidation and long-run growth.

3. **The main objective of our economic program is to preserve macroeconomic stability while improving conditions for sustainable inclusive growth.** Our strategy includes strong fiscal consolidation, aimed at eliminating cash-flow pressures and stabilizing public debt by 2017–18. The improvement in the public finances will also help bolster the external sector position. Our structural reform agenda seek to support fiscal consolidation efforts while strengthening the macroeconomic policy framework and boosting growth. With these objectives in mind, our program includes (i) a substantial increase in tax revenue following the December 2013 tax reform; (ii) strong measures to reduce spending; (iii) significant strengthening of ENEE's financial position; (iv) structural reforms in several key areas (e.g., electricity sector, tax administration, pension funds); and (v) measures to strengthen the social safety net and protect low-income groups.

Recent Economic Development and Outlook

4. **Macroeconomic and fiscal conditions have started to improve.** Economic growth picked up to 2.6 percent through August (up from 2.1 percent in the same period last year). The recovery is being driven by improved investor confidence and more favorable external conditions, factors that have offset the dampening effects of ongoing fiscal consolidation. Annual inflation rose to 6.3 percent in October, up from 4.6 percent a year earlier, mainly due to one-off factors (the December 2013 fiscal measures and a recent spike in food prices due to the effect of a drought). On the fiscal side, the CPS overall deficit declined to 1 percent of GDP through August, about 3.3 percentage points lower than in the same period last year. This improvement was explained by the December 2013 fiscal measures and lower primary spending. The external position has also improved, with a lower current account deficit—reflecting slow import growth and increased remittances—and higher international reserves.

5. **Macroeconomic performance should continue to strengthen during the program period.** We project growth to rise to 3 percent in 2014–15, supported by more favorable external conditions, the dissipation of political uncertainty related to last year's elections, and a recovering coffee sector—factors that would continue to offset the dampening effects of fiscal consolidation. The latter are expected to be relatively modest, given the high degree of openness of the Honduran economy. With sound macroeconomic policies and structural reforms, confidence should continue to strengthen leading to higher private investment. In this context, we expect growth to continue picking up, reaching 3.7 percent by 2018. While we project inflation to rise to 6½ in 2014—reflecting mainly to the one-off effects mentioned above—it should come down next year and stabilize in the 5–6 percent range over the medium term. Our economic program is also expected to lead to a significant reduction in the external current account deficit and a sizeable increase in the level of international reserves.

Fiscal Policy

6. **The program aims at restoring fiscal discipline and putting public debt on a sustainable path.** The fiscal strategy seeks to stabilize public debt ratios by 2017-18 and reduce them thereafter. To achieve this, the program will target a reduction of the CPS overall deficit to 1.8 percent of GDP by 2017. Of this adjustment about 2 percent of GDP will take place in 2014 on the back of measures already in place. The remaining consolidation effort will result from further reducing central government spending, improving the financial situation of ENEE, and higher revenue through tax administration measures.

7. **For 2014 and 2015, we are targeting a CPS deficit of 5.9 and 3.2 percent of GDP, respectively.** A significant portion of this year's consolidation is driven by the increase in revenue from the December 2013 measures. On the spending side, the wage bill and goods and services will bear most of the adjustment. In September, we submitted to congress a draft budget consistent with the program's fiscal targets for 2015 (prior action). This budget will maintain nominal wages

constant, prioritize and optimize capital spending and reduce expenditure in goods and services. After the tax measures of December 2013, we do not anticipate the need to raise tax rates during the remainder of the program period, but we will step up our reform program to improve tax administration. The 2015 budget law will also aim at standardizing benefits for public employees, and this standardization will continue during the remainder of the program until we can address the problem in a more permanent manner through a comprehensive reform of public employment and compensation.

A. Revenue

8. We expect tax revenue to rise by close to 2 percent of GDP during 2014–17. Of this increase, around 1¾ points would come from the measures approved in December 2013, with the remainder stemming from improvements in tax administration. Our program to strengthen tax administration covers the following areas:

- **Large Taxpayer Unit (LTU).** We will strengthen the LTU by hiring new qualified personnel (structural benchmark, September 2015). We also plan to ensure a more efficient use of our resources and better control of the most important taxpayers. To this effect, we will assess the benefits of reducing the number of taxpayers classified as large, and based on this evaluation we will decide whether to reduce the number of such taxpayers. We will significantly increase the coverage of risk-based audits for large taxpayers in the next fiscal year relative to 2014.

- **Tax intelligence and risk analysis unit**. To streamline operations in this unit, we will standardize information and introduce an adequate technology platform (data warehouse).

- **Customs**. Operational management within customs need to be improved to facilitate controls, information sharing, and speed up processes. We aim to establish a business process mapping to define activities and responsibilities, and within this context, a customs manual will be elaborated. In addition, based on the findings of previous IMF technical assistance, we will revisit our procedures to control fuel imports with the goal to have a new system in place by March 2015.

B. Spending

9. **Expenditure reduction plays a key role in our fiscal program.** We are implementing measures to reduce the wage bill, expenditure on goods and services as well as to prioritize and optimize capital outlays, while protecting the social safety net. More specifically, the spending plan includes the following:

- **Wage bill**. Nominal wage rates for 2014–15 will remain at the same level of 2013. However, the wage bill of the CPS will still decline to 12.4 and 11.8 percent of GDP in 2014 and 2015, respectively, from about 12.8 percent of GDP in 2013. For 2016–17, we plan to limit wage increases for all central government employees (including in the health and education sectors) to 5 percent, broadly in line with inflation. Our program also includes a reduction in public sector payroll derived from several initiatives: (i) we have started a program to improve payroll controls by conducting audits in public institutions, aimed at identifying and removing irregular workers. The first step, already underway, is to conduct a comprehensive census to pave the way for the audits. We expect to have the results for the first group of six institutions by December 2014, and for the rest of the institutions by March 2015; (ii) we will eliminate all current non-critical open positions; and (iii) we will close all positions where employees decide to leave the public sector, with the exception of those positions deemed as critical. In addition, in order to gain more control over the payroll, we have issued a resolution to include, for payment purposes, all public employees in the system for financial administration (SIAFI) by June 2015. Finally, we will start a pilot program to reduce public employment by using severance payments. The 2015 budget includes a provision to this end. We view the significant reduction in the wage bill that will result from these measures as key to creating fiscal space under our program to protect social programs and strengthen the social safety net in order to support our poverty reduction efforts (see paragraphs 12-13).

- **Goods and services**. We will reduce spending in goods and services by about ½ percent of GDP throughout the program. To help achieve this, we will impose stricter spending controls to ensure that ceilings set in SIAFI for each institution are met.

- **Capital spending.** We anticipate capital spending to decline from its peak of 5.1 percent of GDP in 2013 to 3.7 percent of GDP in 2017. The adjustment is expected to materialize mainly in 2015. To rationalize capital spending, we are planning to conduct a full review of our investment program to prioritize projects. We will seek to protect those investments that yield the highest contribution to growth.

- **Transfers.** Transfers to decentralized institutions (local governments and the national university) will remain stable in nominal terms at their 2013 level.

10. **Strengthening spending control.** We will create a committee, headed by the chief of the Economic Cabinet and the Finance Minister, to assess spending developments in all institutions of the CPS. The 2014–15 budget laws empower this committee to enforce spending ceilings.

11. **ENEE needs urgent measures to restore its financial sustainability.** The overall deficit of ENEE reached 1.8 percent of GDP in 2013, owing to low tariffs, high technical and non-technical losses, and operational inefficiencies. We plan to use a set of tools to address ENEE's multidimensional problem.

- Under the current institutional set up, tariffs in Honduras are adjusted on a monthly basis to incorporate variations in fuel costs. We recently adjusted tariff by revising the tariff formula to reflect fuel cost increases in the first half of 2014 while also taking into account the fuel price changes that have taken place in recent months. We have also adjusted tariffs to reflect other cost increases during recent years in order to help meet the economic program's fiscal targets, including regarding the operational margin of ENEE. The average tariff will be further adjusted by the new sector regulator (see paragraph 22) by 2.5 percent in 2015. Appendix I provides more details on how the 2015 tariff adjustment will be carried out. Under the new electricity law, the new regulator will also be charged with adjusting tariffs quarterly to reflect current changes in costs.

- In addition, we will reduce technical and non-technical losses by at least 7 percentage points during 2015–17 and lower ENEE's wage bill (net of severance payments) by about ¼ percent of GDP in 2015 by reducing the company's workforce. These wage bill savings will be maintained at least through 2017. Our program provisions for the cost of severance payments (estimated at about 0.2 percent of GDP) associated with the latter measure. The aim of this set of measures is to eliminate ENEE's deficit by 2018.

- We also plan to allow private participation in distribution and transmission by giving these segments in concession under long-term contracts and public-private partnership (PPP) arrangements as conditions allow it over the next few years. This should raise efficiency in the sector, helping promote economic growth, and further reduce technical and non-technical losses.

C. Social Safety Net

12. **We plan to maintain recent levels of social spending to continue supporting our efforts to reduce poverty.** Social spending has been rising in recent years, supported to a large extent by external donors**.** We are aware that social conditions for the most vulnerable need to continue improving. Our program envisages locking in recent increases in social spending by maintaining overall expenditure under our main social programs at 1.6 percent of GDP during 2014–15 while shifting funding toward domestic, revenue sources. An important fraction of this spending will focus on raising living standards for low-income groups by improving their housing (improvements in roofs, floors, and cooking systems to reduce air contamination inside in dwellings) under our new Vida Mejor program. This program is aimed at helping 400,000 families in extreme poverty and is part of a broader government plan that sets development goals for improved governance, human development, and security. We also plan to maintain the electricity subsidy for those consuming less than 75KW per month. In addition, with a view to improving the effectiveness of social spending, we will conduct a review of our current social programs (by June 2015) to ensure that these are properly targeted.

13. **We also plan to reform our pension and healthcare systems to expand coverage in both areas to further bolster our poverty reduction efforts**. Draft legislation providing for this reform was submitted to congress in September. Given our country's fiscal situation, we will ensure that the proposed draft legislation will be amended to minimize its cost, and to be fully consistent with our program fiscal targets and sustainable on an intertemporal basis. In addition, the reform will be implemented gradually. With assistance from the World Bank and the Inter-American

Development Bank (IADB), we will also strengthen the design of the reform to make the new pension and healthcare systems more effective while keeping their costs within the budget.

D. Financing

14. **The program will be financed mainly from external sources.** MDBs have already committed about US$480 million (2.5 percent of GDP) for 2014 and are expected to disburse about US$780 million (3.8 percent of GDP) during 2015–16. In addition, these institutions and the European Union have agreed to disburse about US$220 million in budget support (1.1 percent of GDP) in 2014 upon approval of the IMF program. For 2015–16, we anticipate that financing conditions for Honduras will improve on the basis of our strong fiscal consolidation efforts. Thus, we are planning to tap global markets to meet remaining financing needs. ENEE is planning to borrow US$250 million from local banks in 2014 to finance its deficit. With the program fully financed, we are confident that we will not need to withdraw resources from the IMF.

15. **A loan from the Central American Bank for Economic Integration (CABEI) will be used for liability management.** Our goal is to replace high-interest, short-maturity domestic debt with cheaper and longer-maturity external debt while diversifying the portfolio of pension funds. To this end, we have contracted a US$300 million loan with CABEI to repay government bonds held by pension funds. The loan has a 20-year repayment period and carries a variable interest rate. Under the loan agreement, pension funds will create a trust fund to invest in CABEI loans and invest in projects financed by CABEI. We will ensure that pension funds upgrade their investment policies and governance in line with best international practices to safeguard pension fund resources while achieving adequate returns. We will not contract further loans with CABEI for these purposes during the program period.

16. **Domestic arrears.** Domestic arrears by the public sector were estimated at about 3 percent of GDP by end 2013. These arrears are mainly with suppliers of goods and services, pension funds, and other public entities, and private generators of electricity. We are planning to conduct a full review to assess the validity of these claims (structural benchmark, June 2015) and then clear validated arrears with domestic bonds. The public sector does not have external arrears.

Monetary, Exchange Rate, and Financial Sector Policies

17. **Our monetary policy will aim to keep inflation in check and maintain an adequate level of international reserves.** The central bank (BCH) will seek to keep annual inflation at 5–6 percent. However, for 2014–15 we anticipate a spike in inflation owing to temporary factors (tax measures, higher energy costs, and food price increases due to a drought). The central bank's monetary program is consistent with a prudent expansion of bank credit to the private sector to support the growth objectives of the government. We will control the growth of net domestic credit through active placements of central bank bills, and will not extend new credit to the central government. We will not provide financing to Banhprovi beyond that envisaged under the trust fund approved in 2013. At the same time, we will adopt all necessary measures to ensure that monetary targets are

met. We will also keep the monetary policy rate (TPM) at a positive level in real terms. Monetary conditions will be monitored closely to adjust liquidity as needed to keep inflation under control and the meet program's international reserve targets. Our monetary program envisages that net international reserves will increase by US$60 million in 2014 and by US$140 million in 2015. This will maintain reserve coverage at about 3¾ months of imports. The program also sets a ceiling on net domestic assets of the central bank.

18. **We will continue to improve the operational framework for conducting monetary policy.** The BCH will continue moving in this direction, including by (i) moving toward a system of liquidity forecasting and liquidity management on a daily basis; (ii) improving market-based repo operations for liquidity management, (iii) increasing the signaling content of the TPM; and (iv) phasing out banks' use of government bonds to meet a portion of reserve requirements during the program period. In addition, we plan to adopt international financial reporting standards for the central bank. We envisage continued technical assistance from the IMF to strengthen the central bank's institutional capacity and move forward with these reforms.

19. **Our exchange rate policy will be consistent with the objective of safeguarding competitiveness and strengthening the external position.** We will allow for higher exchange rate flexibility to support the external position and competitiveness, as well as to reduce the dampening effect of fiscal adjustment on economic activity. We will prepare and implement a plan for the gradual removal of foreign exchange surrender requirements (structural benchmark, December 2015). This will help foster the future development of an interbank foreign exchange market and more exchange rate flexibility over the medium term. We will issue the regulations needed to ensure a proper functioning and development of the foreign exchange market.

20. **Recapitalization of the central bank.** To enhance the central bank's ability to pursue effective monetary policy, we will immediately begin implementing the BCH recapitalization program approved by congress in May 2014. The recapitalization will be carried out through non-marketable bonds bearing a positive interest rate in real terms.

21. **We are fully committed to further improving the regulatory framework and supervisory practices in the financial system.** In particular, we plan to: (i) resume publication of the Financial Stability Report; (ii) increase efforts to discourage foreign-currency borrowing by unhedged agents, for which the Superintendency of Banks will adopt additional measures by setting loan-to-value and debt service-to-income ratios that are more stringent for such borrowers. (iii) strengthen the capacity for risk-based supervision; (iv) strengthen the risk-based supervision framework for saving and loans cooperatives; and (v) enact an AML/CFT Law in line with the 2012 FATF standard.

Structural Reforms

22. **Electricity sector.** We have begun to adopt measures to overhaul the electricity sector. A new electricity sector law was enacted in July to promote a more efficient, open and transparent

electricity sector. The law also allows for greater private sector participation in transmission, distribution and public lightening through PPP initiatives. Private sector companies already participate in electricity generation. We anticipate that the full implementation of the law could take about 2 years due to the complexity of the process. With support from World Bank, the IADB and bilateral donors, we have started the implementation of the new law, and will issue the key regulations by December 2014. A first step in this process is to create an independent and stronger regulatory entity (CREE) that inter alia will be charged with regulating the operation of the new electricity market, and setting tariffs, access mechanisms and use of the electricity systems, in a more efficient and transparent way, and based on technical criteria. CREE will become fully functional by March 2015.

23. **Telecommunications company (HONDUTEL).** HONDUTEL's financial situation has deteriorated in recent years owing to poor management and increasing competition. We acknowledge that the company faces significant challenges to compete in a high-tech market that is constantly evolving. We plan to restore the financial sustainability of HONDUTEL through its restructuring and private sector participation. In consultation with Fund staff, we will prepare a plan to restore its financial viability by March 2015 (structural benchmark), and implement it during the program period (starting in 2015).

24. **Strengthening fiscal responsibility.** We strongly believe that our fiscal institutional framework should be strengthened, including by establishing an institutional mechanism to lock in the deficit reduction from the implementation of our program. Such mechanism could be developed under the framework of a fiscal responsibility law (FRL), building on the successful experience of some Latin American countries. As a first step in this direction, we will develop a medium-term fiscal framework with a clear fiscal anchor and fiscal policy targets by June 2015 (structural benchmark). This new fiscal framework will be used on the preparation of the 2016 budget. We will then decide on the appropriate timing for the adoption of an FRL.

25. **Fuel prices.** In July, we agreed with fuel suppliers to stabilize retail fuel prices for several months. However, we note that this could distort consumer expectations, creating pressures to demand a permanent subsidy. To prevent this, we will reinstate the automatic mechanism to adjust domestic fuel prices in line with international prices and exchange rate variations (prior action).

26. **Strengthening the framework for PPPs.** We believe that PPPs are important to address infrastructure gaps and support economic growth. However, to limit fiscal costs and risks arising from PPPs and protect the public finances, we will submit to congress legislation to strengthen the framework for PPPs (prior action). This legislation is expected to be approved by December 2014 (structural benchmark). In the meantime, we will refrain from approving new PPP projects. In the new framework, the ministry of finance will have a leading role in project evaluation and approval, including the power to stop projects that may jeopardize fiscal sustainability. The legislation will thus limit the role of COALIANZA to the promotion and facilitation of PPPs, with the technical and financial assessment of projects also transferred to the ministry of finance. In addition, we are planning to enhance the government's capacity to assess and quantify PPP-related risks by creating a special unit at the ministry of finance. We will also finance COALIANZA directly from the budget

and not from fees charged to users. To further limit PPP-related risks, we will repeal legislation that allows issuing government guarantees for debt contracted by private companies involved in PPP projects (structural benchmark, December 2014).

27. **Pension funds and social security institute (IHSS).** We are committed to continue to reform our public pension funds. To this end, we have adopted a parametric reform of the public employees' fund, aimed at reducing its actuarial deficit and strengthening its governance. Building on the experience of our successful pension reform so far we will also reform the IHSS. The preparatory work for this reform is ongoing and we anticipate having the corresponding legislation approved by congress June 2015 (structural benchmark).

Safeguards Assessment

28. **We will request the IMF to update the safeguards assessments of the BCH.** The update will be completed before the first program review. We intend to implement the recommendations that arise from the assessment.

Program Monitoring

29. **Program monitoring.** The program will be subject to semi-annual reviews, and will be monitored through performance criteria, indicative targets, and structural benchmarks, as set out in tables 1 and 2. The first review is expected to be conducted in April 2015 the second review in October 2015, and the third review in April 2016. To facilitate program monitoring, we are committed to provide detailed information as specified in the technical memorandum of understanding (TMU). Relevant definitions and reporting procedures are further specified in the accompanying TMU.

30. **Program Monitoring Committee (PMC).** The PMC—comprising the chief of the economic cabinet, the minister and vice minister of finance, the director of DEI, the president of the CNBS, the chief economist of the Central Bank, the director of *Unidad de Planeamiento y Evaluacion de Gestion* and the treasury director at the ministry of finance—will meet at least once a month to review implementation of the Fund-supported program and consistency of all relevant policy initiatives with the program's objectives. The IMF resident representative will attend the meetings as an observer. The central bank will prepare minutes of the meetings and send them to the IMF resident representative no later than 5 business days after each meeting.

Table 1. Honduras: Performance Criteria 1/

(Cumulative flows; millions of Lempiras, unless specified)

	2014		2015	
	Prel.	PC	PC	PC
	End-Jun.	End-Dec.	End-Jun.	End-Dec.
QUANTITATIVE PERFORMANCE CRITERIA				
Fiscal targets 2/				
Overall balance of the combined public sector (floor)	-2,642	-23,931	-5,256	-14,283
Overall balance of the central government (floor)	-4,365	-22,252	-6,870	-17,873
Overall balance of ENEE (floor) 3/	-2,155	-5,521	-1,491	-3,353
Public debt targets 4/				
Contracting and guaranteeing of new non-concessional loans (continuous ceiling, in million US$)	…	600	600	600
Accumulation of new arrears by ENEE (continuous ceiling)	…	0	0	0
Accumulation of new external arrears (continuous ceiling, in million US$)	0	0	0	0
Monetary targets				
Net international reserves of the Central Bank (floor, in million US$)	2,362	2,271	2,390	2,411
Stock of net domestic assets of the central bank (ceiling) 5/	-28,900	-22,017	-27,001	-22,454
Indicative targets 2/				
Wage bill of the central government (ceiling)	17,945	38,049	18,850	39,248
Social spending (floor)	2,496	7,078	2,834	7,333
Operating revenue-to-spending ratio of ENEE (floor)	…	0.85	0.97	0.97

1/ Definitions as specified in the Technical Memorandum of Understanding.
2/ Cumulative starting in January of the correspondent year.
3/ Excluding government transfers.
4/ Cumulative starting in December 2014. Targets on non-concessional debt and external arrears are for the combined public sector.
5/ Using the program exchange rate of L21.1066 = 1US$.

Table 2. Honduras: Prior Actions and Structural Benchmarks 2014–2015

Measure	Target Date
Prior actions	
Present to congress a 2015 budget bill consistent with the central government and combined public sector deficits targeted under the program	Met
Submit to congress a bill to strengthen the framework for public-private partnerships (PPPs)	Met
Reinstate the automatic mechanism for the adjustment of fuels prices	5 days before Board discussion of program
Structural benchmarks	
Adjust the average electricity tariff by 2.5 percent during 2015 to reflect past cost increases; further adjust tariffs to incorporate current changes in costs (see Appendix I).	Continuous
Approval of legislation to strengthen the PPP framework	December 2014
Repeal legislation allowing the issuance of government guarantees for debt contracted by private companies involved in PPP projects	December 2014
Conduct a census of public employees, with the aim of identifying and cancelling redundant positions during 2015	December 2014
Take actions sufficient to achieve savings in ENEE's wage bill as indicated in paragraph 11.	March 2015
Submit to congress legislation to reform the Social Security Institute (IHSS) to strengthen its actuarial position and improve its governance	March 2015
In consultation with staff, prepare a plan to address the financial difficulties of HONDUTEL	March 2015
Approval of the law reforming the IHSS	June 2015
Complete an audit of public sector arrears, with a view to clearing them	June 2015
Present a program for developing a medium-term fiscal framework with a clear fiscal anchor and fiscal policy targets	June 2015
Present to congress a 2016 budget bill consistent with the program targets for central government and CPS deficits	September 2015
Strengthen the Large Taxpayer Unit with adequate staff levels	September 2015
Present a plan for a gradual removal of foreign exchange surrender requirements	December 2015

Appendix I. Main Policies and Structural Reform Program

A. Public Finances

Budget

- Present to congress a 2015 budget bill consistent with the central government and combined public sector (CPS) deficits targeted under the program (prior action).
- Present to congress 2016–17 budget bills consistent with the central government and CPS deficit targeted under the program (for 2016 budget bill, structural benchmark, September 2015).
- Ensure that the social protection bill will be amended to keep its costs within the budget and bring it for discussion in congress only when it has been made consistent with the program's fiscal targets.

Tax administration

- Strengthen the Large Taxpayer Unit with adequate staff levels (structural benchmark, September 2015); assess reducing the number of taxpayers classified as "large".
- Increase the coverage of risk-based full scope audits for large taxpayers relative to current levels (December 2015).
- Strengthen the tax intelligence and risk analysis units by standardizing information and introducing an adequate technology platform (data warehouse) (structural benchmark, December 2015).

Customs administration

- Establish a business process mapping (BPM) defining activities and responsibilities (March 2015).
- Develop a customs manual based on the BPM (June 2015).
- Strengthen the post clearance and risk management departments (September 2015).
- Strengthen control processes for fuels imports, bulk cargo and exports (March 2015).

Expenditure measures

- Conduct a census of public employees (structural benchmark, December 2014), with the aim of identifying and cancelling redundant positions during 2015.

- Limit recruiting to levels consistent with budget ceilings (2015–17).
- Maintain central government wages constant in nominal terms in 2014-15, and limit annual increases in employee compensation to a maximum of 5 percent for all central government workers in 2016–17.
- Keep transfers to local government and other public entities stable in nominal terms (2014–17).
- Adopt a mechanism to strengthen expenditure controls, including by bringing central government employees into SIAFI, and improve treasury liquidity management (March 2015).
- Assess bringing employees from decentralized institutions into SIAFI (June 2015) with the aim of implementing this initiative during the remainder of the program period.

Arrears

- Complete an audit of public sector arrears, with a view to clearing them (structural benchmark, June 2015).

Fiscal framework

- Submit to congress legislation to strengthen the legal framework for public-private partnerships (PPPs) and stop the approval of new PPP projects until this reform is approved (prior action).
- Approval of the above-mentioned bill (structural benchmark, December 2014).
- Repeal legislation allowing the issuance of government guarantees for debt contracted by private companies involved in PPP projects (structural benchmark, December 2014).
- Present a program for establishing of a medium-term fiscal framework (MTFF) with a clear fiscal anchor and targets (June 2015).
- Assess the appropriateness of adopting fiscal responsibility legislation based on the MTFF (December 2015).
- Start implementing the MTFF in budget preparations (September 2015).

Electricity Sector and HONDUTEL

- Adjust the average electricity tariff by 2.5 percent in July 2015 to reflect adjustment lags from past increases in costs; further adjust tariffs quarterly to reflect current changes in costs.[1]
- Adopt measures sufficient to reduce ENEE's wage bill (net of severance payments) by about ¼ percent of GDP.
- Issue key implementing regulations for the new general electricity sector law (December 2014).[2]
- Establish a fully functional Regulatory Committee for Electrical Energy (CREE) (March 2015).
- In consultation with staff, prepare a plan to address the financial difficulties of HONDUTEL (March 2015).
- Start implementation of the plan to address HONDUTEL's financial difficulties (September 2015).
- Conduct audits of the financial statements of ENEE and HONDUTEL through an internationally-recognized firm (September 2015).

Pension funds

- Submit to congress legislation to reform the Social Security Institute (IHSS) to strengthen its actuarial position and improve its governance (structural benchmark, March 2015).
- Approval of the law reforming the IHSS (structural benchmark, June 2015).
- Approve the implementing regulations for the law reforming the public employees' pension fund (INJUPEMP) (December 2014).
- Strengthen regulations governing investments by pension funds (June 2015).

[1] The 2.5 percent increase will be calculated over the average tariff in place in December (that is, 3.70 lempiras per KWH), and will exclude other adjustments for current changes in costs applied during 2015. Specifically, the increase in 2015 derived from the 2.5 percent adjustment will be about 0.09 lempiras per KWH.

[2] These comprise (i) the general regulations to the law; (ii) CREE's internal regulations; (iii) regulations governing the electricity sector operator; and (iv) regulations for the price regime and system access and use.

B. Financial Sector

- Adopt additional measures aimed at reducing currency mismatches by unhedged borrowers by setting loan-to-value and debt service-to-income ratios that are more stringent for such borrowers (March 2015).
- Resume publication of Financial Stability Report (March 2015).
- Enact AML/CFT legislation in line with the 2012 FATF standard (June 2015).

C. Monetary Sector

Exchange rate policy

- Allow for higher exchange rate flexibility within the current exchange rate regime (November 2014).
- Present a plan for a gradual removal of foreign exchange surrender requirements (structural benchmark, December 2015).
- Lift in steps surrender requirements to the BCH and allow interbank foreign exchange transactions (precise timing to be defined after presentation of plan).
- Elaborate regulations needed to ensure a proper functioning and development of the foreign exchange market by (precise timing to be defined after presentation of plan to remove FX surrender requirements).

Monetary policy and framework

- Cease central bank financing to Banhprovi beyond the level envisaged under the trust fund approved in 2013 (2014–2017) and reform legislation to prohibit central bank financing to it (December 2015).
- Abstain from central bank lending to the public sector (continuous).
- Gradually modernize the operational framework of monetary policy, including for adjusting the policy interest rate with a view to achieving the inflation and international reserves targets (2014–2017).
- Adopt international financial reporting standards for the central bank (Precise timing to be defined after the completion of the safeguards assessment).
- Implement the program to recapitalize the central bank (2014–17).

D. Social Policies

- Complete a review of the "*Bono 10 mil*" and "*Vida Mejor*" social programs to ensure that they are adequately targeted to low-income families (June 2015).

Attachment II. Technical Memorandum of Understanding

1. This memorandum sets out technical understandings between the Honduran authorities and the Fund staff for monitoring of the economic program agreed for the period November 2014–November 2017. It defines the concepts used to assess observance of quantitative performance criteria, structural benchmarks, and indicative targets specified in Tables 1 and 2 of the Memorandum of Economic and Financial Policies (MEFP). It also specifies the frequency of the data to be provided to the Fund to monitor the developments under the program.

A. Program Assumptions

2. For program monitoring purposes, unless otherwise indicated, U.S. dollar denominated components of the balance sheet of the Central Bank of Honduras will be valued at the exchange rate of L21.1066/US$ exchange rate at end-August 2014. Amounts denominated in other currencies will be converted for program purposes into U.S. dollar amounts using the cross-rates as of end-August 2014 published on the IMF website http://www.imf.org, including US$/EUR = 1.3188, JPY/US$ = 103.71, CHF/US$ = 0.9145, CAD/US$ = 1.0858, SDR/US$ = 0.6586.

B. Fiscal Targets

3. **The deficit of the combined public sector (CPS)** will be measured from the financing side (i.e., "below the line"), and will correspond to the net borrowing of the CPS, from both external and domestic sources, excluding payment of arrears accumulated until December 2013. The CPS comprises the nonfinancial public sector (NFPS) and the operating result (quasi-fiscal balance) of the central bank. The NFPS covers the central government, local governments and decentralized agencies, the social security institute (IHSS), the public pension funds (INJUPEMP, INPREMA, IPM), and the public enterprises. For the purposes of the program, the public enterprises will comprise the State Electricity Company (ENEE), the State Telecommunications Company (HONDUTEL), the State Water and Sewerage Company (SANAA), and the State Ports Company (ENP).

4. **The deficit of the central government** also will be measured from the financing side, excluding payment of arrears accumulated until December 2013. The central government includes the executive, judicial, and legislative branches, and the so-called decentralized agencies (desconcentradas) (Table B).

5. **The current primary expenditure of the central government** is defined as total current expenditure less interest payments.

6. **The central government wage bill** is defined as all central government wages and salaries, including severance payments, plus employer social security and pension contributions; other remunerations (such as bonus payments and in-kind compensations) are also included in the definition.

7. **Social spending** is defined as the programs and projects of social content that are financed with domestic resources, debt relief, grants and loans. (See Table C).

8. **The deficit of ENEE** will be also measured from the financing side. For program purposes, it will be defined excluding transfers from the central government to the company.

9. **The operating margin of ENEE** will be defined as the ratio of operating revenue to operating expenditure. Operating revenue will be defined as total current revenue minus transfers from the central government. Operating expenditure will be defined as total expenditure excluding interest payments and capital spending.

10. **The operating balance of the public enterprises** is defined as the difference between the operating revenue (excluding interest earnings and transfers) and the operating expenditure (excluding interest payments and transfers) of the enterprises.

11. **Net domestic financing of the CPS** will be measured as the operating result of the central bank and the change (relative to end-December 2013) in the stocks of: (1) outstanding indebtedness of the NFPS (direct bank credit plus bank holdings of public sector bonds less deposits) to the domestic financial system (central bank, commercial banks, and other financial institutions); (2) outstanding public sector bonds held outside the financial system; (3) repatriation of deposits held abroad; and (4) outstanding suppliers' credit and floating debt (un-cashed and undelivered checks, and unpaid invoices and orders) of the central government, and unpaid orders of the rest of the NFPS. For the purposes of the program, domestic financial system is defined as comprising all depositary institutions, according to the Monetary and Financial Statistics Manual (MFSM) definition.

12. **Discrepancies.** The authorities will undertake periodic reconciliations to minimize discrepancies between above-the-line and below-the-line financing data. As needed, such reconciliations must be carried out prior to completion of the program reviews.

13. **Adjustor.** If tax revenues were to exceed those projected under the program for 2014 and 2015, at least 50 percent of the excess revenue will be saved and the residual will be allocated as counterpart to social and/or capital projects (Paragraph 7, Table C).

C. Monetary Targets

14. **Net International Reserves (NIR) of the central bank (program definition).** For program purposes, the NIR of the central bank will be measured as gross international reserves that are readily available minus (i) short-term reserve liabilities (including purchases and credits from the Fund), as described in the international reserves table prepared by the central bank according to the MFSM; (ii) foreign assets that are counterpart of foreign currency deposits of financial institutions at the central bank and of any other liability of the central bank with residents that is payable in foreign currency; (iii) any conversion of short-term reserve liabilities; and (iv) the transfer to the central bank of foreign currency deposits held abroad by HONDUTEL, INJUPEMP, and IHSS, which amounted to US$98 million at end-August 2014. Readily available reserves also exclude those assets that are

pledged or otherwise encumbered, including but not limited to reserve assets used as collateral or guarantee for a third-party external liability. NIR will be valued at program accounting exchange rates.

15. **Net domestic assets (NDA) of the central bank** will be measured as the difference between currency issue and NIR, both measured on the basis of end-of-period data.

16. **Adjustor**. Starting in 2014, the target floor on NIR will be adjusted downwards (the target ceiling on net domestic assets of the central bank will be adjusted upwards) by up to US$100 million for the shortfall of programmed external disbursements to the budget (including from sovereign bond placements). In case of an excess during the program period, the target floor on NIR will be adjusted upwards (the target ceiling on domestic assets of the central bank will be adjusted downwards) by the full such amount. The external disbursements contemplated in the program are to be received from the World Bank, IADB, and the European Union totaling US$473 million between 2014 and 2017.

D. External Targets

17. **External debt.** For program purposes, the definition of debt is the one set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to External Debt (Executive Board's Decision No. 6230-(79/140), as amended by Decision No 14416-(09/91, effective December 1, 2009). This definition applies also to commitments contracted or guaranteed for which value has not been received, and to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the public sector. Excluded from this definition are normal import-related credits, defined as liabilities that arise from the direct extension, during the normal course of trading, of credit from a supplier to a purchaser—that is, when payment of goods and services is made at a time that differs from the time when ownership of the underlying goods or services changes. Normal import credit arrangements covered by this exclusion are self-liquidating; they contain pre-specified limits on the amounts involved and the times at which payments must be made; they do not involve the issuance of securities. For the purpose of the program, external debt is defined on the basis of residency.

18. **Debt definition**. The definition of debt set forth in No. 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements reads as follows:

> (a) For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary

exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lesser retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in point (a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt give rise to new debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

19. **Definition of public debt**. For the purpose of the program, public sector debt is defined as the debt of the combined public sector excluding the debt of local governments.

20. For purpose of the program, the guarantee of a debt arises from any explicit legal obligation of the general government or any other agency acting on behalf of the general government to service such a debt in the event of nonpayment by the recipient (involving payments in cash or in kind), or from any implicit legal or contractual obligation to finance partially or in full any shortfall incurred by the debtor.

21. **Concessionality** will be calculated using a unified discount rate of 5 percent and taking into account all details of the loan agreement, including maturity, grace period, payment schedule, upfront commission, and management fees. The grant element of loans can be calculated using the concessionality calculator available at the IMF web site http://www.imf.org.[1] For program purposes, a debt is **concessional** if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is 5 percent.

22. **Borrowing on nonconcessional terms**. For the purposes of the program, this continuous ceiling applies to the contracting or guaranteeing of nonconcessional external debt by the CPS or

[1] Currently available at http://www.imf.org/external/np/pdr/conc/calculator/default.aspx.

any other agencies on its behalf.[2] Debt denominated in currencies other than the U.S. dollar shall be converted to the U.S. dollars using program assumptions on bilateral exchange rates. The continuous ceiling applies not only to debt as defined above, but also to commitments contracted or guaranteed for which value has not been received. This ceiling will be adjusted downwards by the amount of programmed disbursements that change into concessional resources.

23. **Exclusions**. Excluded from the non-concessional external debt continuous ceiling are: (i) debts classified as international reserve liabilities of the Central Bank, (ii) debts to restructure, refinance, or prepay existing debts, (iii) use of Fund resources (iv) short-term import financing (with a maturity of less than one year), and (v) central bank instruments placed in the domestic market held by nonresidents.

24. **Stock of external debt arrears**. For the purpose of the program's continuous ceiling, external debt service arrears are defined as overdue debt service arising in respect of obligations incurred directly or guaranteed by the public sector, except on debt subject to rescheduling or restructuring, as indicated by the respective creditors. The CPS will accumulate no external debt arrears during the program period.

E. Energy Sector

25. **Arrears of ENEE** are defined as overdue payments of ENEE to private and public entities. During the program period, no new arrears to the private sector will be accumulated, excluding technical delays stemming from the payment process. Technical delays are defined as the maximum period allowed for the payment of suppliers' and/or contractors' invoices to ENEE without incurring arrears, in line with the law on public contracts (Decree 74-2001). This period extends up to 45 days, starting from submission of appropriate documents for payment.

F. Monitoring and Reporting Requirements

26. **The information required to monitor the compliance with quantitative and structural benchmarks** specified in the MEFP will be supplied to the Fund at least monthly (electronically, to the extent possible) and within 45 days of the end of the previous month (unless otherwise noted) according to the sources detailed in the next paragraph.

27. **The ceilings on the deficit of the central government and of the CPS** will be monitored below-the-line on the basis of the monthly reports *Financiamiento de la Administración Central* and *Financiamiento del Sector Público Combinado*, respectively, prepared by the central bank, which contain:

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[2] This includes short-term external debt (with an original maturity of up to and including one year) and non-concessional medium- and long-term debt with original maturities of more than one year.

- **Net external financing** of the central government and the NFPS, respectively, with detailed information on disbursements, amortizations, exceptional financing, zero coupon bonds, and accumulation of arrears. This information will be prepared by the central bank and reconciled with the Ministry of Finance.

- **Net domestic financing** of the central government and the NFPS, respectively, with detailed information on: (1) net domestic financing from the central bank and the rest of the financial system to the central government and the NFPS, as contained in the *Balance diario*; (2) net placement of bonds (including stabilization bonds) by the central government and the NFPS outside the financial system, as reported by the central bank with data from the Public Credit Directorate of the Ministry of Finance; (3) change in foreign currency deposits held abroad by the central government and the NFPS; and (4) change in the outstanding stock of suppliers' credit and floating debt of the central government, as reported by the Treasury, and the rest of the NFPS as reported by the central bank. To monitor the net domestic financing to the CPS, the central bank will provide the Fund with detailed data on a cash basis on the operating revenue and expenditure of the central bank.

28. **The ceilings on the wage bill of the central government** will be monitored monthly on the basis of the Ministry of Finance report: *Sueldos y salarios de la administracion central.*

29. To complement the monitoring of fiscal performance, a breakdown of tax revenue by type of tax will also be provided monthly.

30. **Social spending (Table C)** will be monitored quarterly on the basis of financial reports provided by the Ministry of Finance.

31. **The overall balance of ENEE** and its nonaccumulation of arrears will be monitored monthly on the basis of financial reports provided by the Ministry of Finance.

32. **The floor on NIR and the ceiling on NDA of the central bank** will be monitored on the basis of information produced by the central bank, in accordance with the new presentation of the MFSM. This information will be provided within two weeks of the end of the previous month.

33. **The ceilings on the contracting of nonconcessional external debt and on the nonaccumulation of external payments arrears** will be monitored with information provided by the Ministry of Finance. The accounting of non-reschedulable external debt-service arrears by creditor (if any), with detailed explanations, will be transmitted by the Ministry of Finance on a monthly basis within four weeks of the end of each month. Moreover, a loan-by loan accounting of all new loans contracted or guaranteed by the public sector, including detailed information on the amounts, currencies, and terms and conditions, as well as relevant supporting materials, will be transmitted by the central bank on a quarterly basis within four weeks of the end of each quarter.

34. **Implementation of structural measures in the program** will be monitored monthly based on information provided by the central bank, the Ministry of Finance, and the Banking and Securities Commission.

Table A. Data to be Reported to the IMF

Item	Periodicity
I. Fiscal Data	
Net external financing: detailed information on disbursements, amortizations, exceptional financing, zero coupon bond, and accumulation of arrears.	Monthly, within 45 days of the end of each month.
Net domestic financing of the central government and the NFPS: detailed information on (1) net domestic financing from the central bank and the rest of the financial system to the central government and the NFPS, (2) net placement of bonds by the central government and the NFPS outside the financial system, (3) change in foreign currency deposits held abroad by the central government and the NFPS; and (4) change in the outstanding stock of suppliers' credit and floating debt of the central government, as reported by the Treasury, and the rest of the NFPS as reported by the central bank.	Monthly, within 45 days of the end of each month.
Monitoring of net domestic financing to the central government will require that the central bank provide the Fund with detailed data on a cash basis on the operating revenue and expenditure of the central bank.	Monthly, within 45 days of the end of each month.
Monitoring of net domestic financing to the CPS will require that the central bank provide the Fund with detailed data on a cash basis on the operating revenue and expenditure of the central bank.	Monthly, within 45 days of the end of each month.
Overall balance of ENEE and arrears (if any, with detailed explanations)	Monthly, within 45 days of the end of each month.
Wage bill of the central government.	Monthly, within 45 days of the end of each month.
Breakdown of tax revenue by type of tax	Monthly, within 45 days of the end of each month.
Social spending	Quarterly, within 45 days of the end of each quarter.

Detailed information on: Revenues and expenditures of the central government. Revenues and expenditures of the NFPS, including the operating balance of public enterprises. Revenues and expenditures of ENEE.	 Monthly, within 45 days of the end of each month. Quarterly, within 45 days of the end of each month. Monthly, within 45 days of the end of each month.
II. Monetary Data	
Detailed information on the Central Bank balance sheet, including Net International Reserves and Net Domestic Assets.	Monthly, within 2 weeks of the end of each month.
Detailed information on domestic liabilities of the central bank payable in foreign currency, including change in foreign currency deposits of public enterprises in the central bank.	Monthly, within 2 weeks of the end of each month.
III. External Debt	
Loan-by loan accounting of all new loans contracted or guaranteed by the public sector, including detailed information on the amounts, currencies, and terms and conditions, as well as relevant supporting materials	Quarterly, within four weeks of the end of each quarter.
The accounting of arrears on external debt-service by creditor (if any), with detailed explanations.	Monthly, within four weeks of the end of each month.
IV. Additional Data	
Balance of Payments statistics	Quarterly, within three months of the end of each quarter.

Table B. Decentralized Agencies of the Public Sector

Programa de Asignación Familiar
Fondo Hondureño de Inversión Social
Instituto de la Propiedad
Programa Nac. de Prevención Rehabilitación y Reinsercion Soc
Instituto Nacional de la Juventud
Instituto Nacional de Conservación y Desarrollo Forestal
Instituto de Acceso a la Información Pública
Instituto Hondureño de Geología y Minas
Comisión Permanente de Contingencias
Cuerpo de Bomberos de Honduras
Empresa Nacional de Artes Gráficas
Instituto Nacional Penitenciario
Centro Nacional de Educación para el Trabajo
Ente Regulador de Servicios de Agua Potable y Saneamiento
Dirección Investigación y Evaluación de la Carrera Policial
Comisión Nacional de Telecomunicaciones
Comisión Administradora Zona Libre Turística Islas de la Bahia
Dirección Ejecutiva de Ingresos
Dirección de la Marina Mercante
Fondo Víal
Direccion de Ciencia y Tecnología Agropecuaria
Dirección Nacional de Desarrollo Rural Sostenible
Fondo Nacional de Desarrollo Rural Sostenible
Programa Nacional de Desarrollo Rural y Urbano Sostenible
Comisión Nacional de Energía
Centro de la Cultura Garinagu de Honduras
Procuraduría del Ambiente y Recursos Naturales

Table C. Main Social Programs

Description
***Bono Diez Mil* and *Vida Mejor* Programs**
Bono Diez Mil
Vida Mejor
Other social investment expenditures and programs
Honduran Social Investment Fund (FHIS)
Community Education Program (PROHECO)
Family allowances program (PRAF)
Healthy schools program (Free school meals)
Free tuition
Social work scholarships
Transportation education bond
Social aid to persons
Patronatos Aldeas y Caserios, NGOs
Academic excellence scholarships
Various scholarships
Other scholarships and programs