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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX II**

to the Commission Implementing Decision on the financing of the annual action plan in favour of Honduras for 2024

**Action Document for “Access to Sustainable Finance for Green and Climate-Smart Value Chains”**

**ANNUAL PLAN**

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

**1. SYNOPSIS**

1.1. Action Summary Table

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	Access to Sustainable Finance for Green and Climate-Smart Value Chains Opsys number: ACT-62574 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	Yes, contributes to TEI “Green Partnership: Climate Change and Natural Resource Management” (Honduras), updated in March 2023 with the participation of France, Germany, Spain; and Switzerland as European like-minded partner
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Honduras, focusing on the geographical areas where Global Gateway Investment Agenda’s projects will be implemented.
<b>4. Programming document</b>	Multiannual Indicative Programme (2021-2027) Honduras
<b>5. Link with relevant MIP(s) objectives / expected results</b>	Priority Area 1: Sustainable Management of Natural Resources and Climate Change Priority Area 2: Employment, Decent Work and Growth
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	321 - Industry 160 - Other social infrastructure and services 240 - Banking and financial services 131 - Agriculture
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG: SDG1: End Poverty in all its forms everywhere Other significant SDGs: SDG 5: Gender equality SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 10. Reduction of Inequalities SDG 11: Sustainable cities and communities

	SDG 12: Responsible consumption and production SDG 13. Take urgent action to combat climate change and its impacts SDG 17: Partnerships for the Goals			
<b>8 a) DAC code(s)</b>	Industry (321) – 25% Sub-code 32130 – Small and medium-sized enterprises (SME) development (25%) Other social infrastructure and services (160) – 25% Sub-code 16020 – Employment creation (25%) Banking and financial services (240) – 25% Sub-code 24081 - Education/training in banking and financial services (25%) Agriculture (311) – 25% Sub-core 31120 - Agricultural development (25%)			
<b>8 b) Main Delivery Channel</b>	63000 - Private sector institution in third country			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>
Digitalisation @		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		YES	NO	

	digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities1 @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line(s) (article, item): BGUE-B2024-14.020140-C1-INTPA ACT-62574 Total estimated cost: EUR 7 350 000 Total amount of EU budget contribution EUR 7 350 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing</b>	Direct management through: - Procurement			

## 1.2. Summary of the Action

The Action aims to contribute to a more robust and inclusive financial ecosystem that drives sustainable economic growth, promotes equitable opportunities, and enhances resilience to environmental (and social) challenges in Honduras.

The Action supports three State-Owned Development Banks (SDBs) in Honduras, their networks of Intermediary Financial Institutions, including Microfinance Institutions (MFIs), and final beneficiaries with Technical Assistance focused on the following Strategic Objectives (SO):

**SO #1:** Strengthen State-Owned Development Banks' strategic role in green finance and green investments targeted for MSMEs and Households.

**SO #2:** Increase the operational efficiency, market access, institutional knowledge and capacities of State-Owned Development Banks, Financial Intermediaries, and MSMEs, integrating sustainable, gender-responsive, and green practices and standards.

**SO #3:** Increase socially and environmentally responsible European private sector investments in Honduras.

The action will advance environmental and climate change priorities in the public investments agenda, providing both financial institutions and investors with the necessary technical support for a green transition at national and

1 For more information, please consult: The European Commission inequality marker - Publications Office of the EU (europa.eu) and Inequality Marker – Complementary Guidelines Application of the I-Marker to SSC fiches and Action Documents | Capacity4dev (europa.eu)

local level, investing in both mitigation and climate resilience, in a strategic synergy with the Global Gateway Strategy and the corresponding Investment Agenda in Honduras<sup>2</sup>. In this regard, technical assistance is crucial in helping public financial institutions to develop sustainable and accessible financing, thereby unlocking the financial system's potential to offer gender-smart, green financing to MSMEs.

The Action will bring access to sustainable and inclusive finance for MSMEs and Households by enhancing the institutional and technical capacity of SDBs and Financial Intermediary Institutions to appraise, implement and monitor inclusive investment projects in green and climate-smart value chains. This will enhance capabilities to identify and develop gender-smart, green and climate-smart financing for MSMEs and household sectors, underpinning local efforts to improve access to credit and boost productivity and competitiveness of Honduran MSMEs.

The Action supports an EIB sovereign loan operation under NDICI IW1 to the Government of Honduras. The Borrower will be the Government of Honduras. Funds will be on-lent to three State-owned Development Banks<sup>3</sup>, who will be the financial intermediaries in the operation, providing financing to the final beneficiaries of the EU-EIB funds. These banks are:

1. Honduran Bank for Production and Housing (BAHPROVI);
2. National Bank for Agricultural Development (BANADESA); and
3. National Service for Entrepreneurship and Small Business (SENPRENDE)

The loan operation would be structured under the European Investment Bank's (EIB) "Five Great Forests of Mesoamerica Facility" (step 3 – eligibility completed in September 2023). Blending resources from the EU Delegation in Honduras (through LACIF) are envisaged to support the implementation of the operation, both through an investment grant of EUR 8 million to increase the concessionality and incentivize final beneficiaries' appetite for targeted investments and the present technical assistance of EUR 7.35 million that will accompany the credits placement all along the implementation of the financial operation.

The Action will contribute to the following Global Gateway Initiatives in Honduras:

- a) Sustainable recovery of the Yojoa Lake – in particular the sustainable development pillar (aiming at greening economic activities that currently harm the environment with sustainable solutions for human development) and
- b) Construction of the 'El Tablon multipurpose dam' – in particular contributing to offering economic alternatives to the communities impacted by the infrastructure works.

Thus, activities will focus primarily on the geographical areas of the Yojoa Lake Basin, Sula Valley and Choluteca River Basins, where planned infrastructure projects approved under the Global Gateway Investment Agenda (GGIA) are located, by supporting sustainable and inclusive access to finance in order to: a) invest into sustainable, social and economic activities, with a focus on MSME, sustainable agriculture and households including renewable energy solutions; b) contribute to the greening of the agro-forestry value chains through digital and technological smart solutions; c) mitigate the impact of the EU deforestation-free products regulation (EUDR), in particular on small and medium producers (with a focus on the coffee value chain due to its weight in the Honduran economy).

To promote the EU's Global Gateway strategy effectively, the Action integrates a matchmaking and investment-support component that will address challenges like underinvestment in emerging sectors such as the green economy and obstacles that Honduran businesses face in accessing new markets and financing. By partnering with EU private sector entities, including ESG-oriented companies, and leveraging EU global and regional investment programs, the Action aims to unlock private investments, enhance trade opportunities, and maximize the benefits of its technical assistance programme.

The combined intervention of these three outcomes is expected to contribute to the achievement of SDG #1: End Poverty in all its forms everywhere, SDG#5: Gender equality, SDG # 7: Affordable and clean energy, SDG #8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work

<sup>2</sup> [https://international-partnerships.ec.europa.eu/policies/global-gateway/eu-lac-global-gateway-investment-agenda\\_en](https://international-partnerships.ec.europa.eu/policies/global-gateway/eu-lac-global-gateway-investment-agenda_en)

<sup>3</sup> Even though Senprende is not a development bank, for its key role as a Public Agency responsible for guiding public policies and providing formalization services, technical assistance, financial assistance and market opportunities for entrepreneurs nationwide, in a wider sense, in the context of this Action Document, it will be considered as a State-owned Development Bank.

for all, SDG #10: Reduction of inequalities, SDG # 11: Sustainable cities and communities, SDG # 12: Responsible consumption and production, SDG # 13 Take urgent action to combat climate change and its impacts, SDG # 17: Partnerships for the SDGs.

The Action is fully aligned with the MIP 2021-2027 for Honduras, the Global Gateway principles and objective to attract private funding to the green and inclusive agenda. It will directly contribute to the implementation of the Global Gateway Investment Agenda for Honduras approved at the 2023 EU-CELAC Summit and is in line with MIP Priority Area 1 “ sustainable management of natural resources and climate change and 2 “employment, decent work and growth”.

### 1.3. Zone benefitting from the Action

The component 1 ‘Technical Assistance’ of the Action shall be carried out in Honduras, included in the list of ODA recipients. Some products will primarily benefit the geographical areas of the Yojoa Lake Basin, Sula Valley and Choluteca Basin, where the corresponding GGIA projects will be implemented.

## 2. RATIONALE

### 2.1. Context

**Honduras is one of the poorest and most unequal countries in the Western Hemisphere. The country is highly vulnerable to climate change and external shocks.** According to the Germanwatch Global Climate Risk Index 2019<sup>4</sup>, Honduras ranks among the top three countries worldwide most affected by extreme climate events in the last two decades. The country suffers from recurrent climate-related hazards with high impact on already stressed natural ecosystems, such as forests. With an estimated contraction of 3% of its GDP per natural disaster (projected to rise up to approx. 5.4% of GDP and 6.2% increase in public debt by 2050), adaptation to climate change is a structural challenge for the development of the country, including resilient basic infrastructure and sustainable value chains<sup>5</sup>.

**Climate change is a threat to the Honduran population** and its means of production and life, such as housing, crops and infrastructure. Consequently, a severely damaged national economy has to cope with food insecurity, poverty and Honduran nationals migrating in search of security for their families. That is particularly difficult for women and girls, who often lack access to instruments for increasing their resilience.

The impacts of climate change disproportionately affect the poorest Hondurans, especially women and IPADs, as they often live in the most vulnerable areas, are more dependent on subsistence agriculture and other natural resources such as forest and marine assets, and have limited resilience, low levels of access to infrastructure, and low capacity for institutional adaptation<sup>6</sup>.

Moreover, the country faces great challenges in overcoming the high level of poverty of a significant segment of its population, a condition that affects rural women and youth in particular, as well as the need to improve human development and reduce socioeconomic vulnerabilities arising from the climate change phenomenon and further aggravated by the COVID-19 pandemic. The COVID-19 pandemic, coupled with two tropical storms —Eta and Iota— in 2020, led to a sharp GDP decline of 9%, while income and employment sank, with about 400,000 people losing their jobs<sup>7</sup>.

**Unemployment and underemployment mainly affect women, youth and ethnic minorities.** Together, they push such groups towards irregular migration. The share of employed working age men is 75.5%, while only

<sup>4</sup> Eckstein, D., Hutfils M, & Wings M. (2019). Germanwatch Global Climate Risk Index 2019. sitio web de Germanwatch: Available from <https://www.germanwatch.org/sites/germanwatch.org>

<sup>5</sup> World Bank Group. 2023. Honduras - Informe Sobre Clima y Desarrollo. CCDR Series. © World Bank. Available from <http://hdl.handle.net/10986/39820>

<sup>6</sup> Ibidem

<sup>7</sup> República de Honduras. (2021). Plan de Reconstrucción y Desarrollo Sostenible. Gobierno de la República de Honduras. [On-line]. Available from: <https://fonac.hn/wp-content/uploads/2021/05/Presentacio%CC%81n-PRDS-1-mayo-1.pdf>

44.6% of working age women are employed (out of 3.7 million women)<sup>8</sup>. Gender inequality is among the highest in the continent (GINI Index:48.2)<sup>9</sup>.

**The agricultural sector plays a critical role in the economy of Honduras** through job creation, rural income, and export promotion. It accounts for 12.9% of the Gross Domestic Product (GDP) and for 35.6% of the total value of the country's exports. Furthermore, it has significant spillover effects on other sectors of the economy<sup>10</sup>. However, agricultural productivity in Honduras is facing the rising challenge imposed by low use of technologies, climate change<sup>11</sup>, natural resources depletion and environmental degradation.

Although women make up a major part of agricultural labor force, they receive lower incomes and experience greater food insecurity than men because they have less access to productive assets, technology, and extension and financial services. In rural areas, where 2.2 million women live, 1.3 million women live in poverty and extreme poverty<sup>12</sup>.

**Unsustainable agricultural practices** threaten the relatively undiversified productive sectors. Human activity occurs in 80% of the forest area with the intrusion of illegal logging, a significant rise in coca cultivation and drug trafficking<sup>13</sup>, migration from Latin America to the USA and rural families seeking to alleviate poverty by developing subsistence agriculture and pastoral activities. These unsustainable activities are all threatening Honduras' forests, putting at risk the pivotal role that they play in maintaining the biological richness of the region, grabbing carbon, providing water and avoiding soil erosion.

**Micro, Small, and Medium Enterprises (MSMEs)** employ over 700,000 people and contribute up to 25% of the GDP, Micro-enterprises make up 76% of MSMEs, followed by small enterprises at 17%<sup>14</sup>. Despite their significant contribution, MSMEs face numerous challenges that hinder their sustainable growth and encounter permanent challenges in technology adoption, capabilities (technical, human, and entrepreneurial), market orientation, and accessing financing.

**Informal economy** is a significant aspect of Honduras, with many MSMEs operating outside formal regulations and a disproportionate impact on employed women<sup>15</sup>. According to the World Bank, only 37% of MSMEs receive bank loans, disproportionately affecting informal businesses<sup>16</sup>. This lack of formalization presents challenges such as limited access to financing, legal protection, and government support programs. Additionally, informal MSMEs face obstacles like human capital deficiencies and financial literacy gaps, hindering their growth and productivity. Despite perceived benefits like lower costs and flexibility, informality also limits access to credit, formal markets, and leaves businesses vulnerable to economic shocks and exploitation.

A 2022 World Bank study<sup>17</sup> highlights a key **challenge facing MSMEs: the lack of access to suitable financial products (payments and credit)**. While acknowledging improvements in the country's financial infrastructure, the study notes that credit access remains highly restrictive, particularly for underserved segments in rural areas.

<sup>8</sup> Instituto Nacional de Estadística e Informática (2023). Encuesta Permanente de Hogares de propósitos múltiple junio 2023. [On-line] Available from: <https://ine.gob.hn>

<sup>9</sup> World Bank Group (2023), Poverty and Inequality Platform. [On-line]. Available from: Índice de Gini | Data (bancomundial.org)

<sup>10</sup> EUCA TRADE. 2023 June. Agriculture in Honduras, sector Fiche. [On-line] Available from: Sector Fiche Honduras Agriculture fv.pdf (europa.eu)

<sup>11</sup> The Government of Honduras has emphasized the relevance of the agriculture sector by establishing National Determined Contribution objective 2: Sustainable rural development.

Republica de Honduras. (2021). Actualización de la Contribución Nacional Determinada, NDC. Gobierno de la República de Honduras. Available from: <https://unfccc.int/sites/default/files/NDC/2022>

<sup>12</sup> European Union, (2023). EU Gender Action Plan III (GAPIII): Country Level Implementation Plans (CLIPs) and Gender Country Profiles (GCPs). [On-line]. Available from: CLIP Honduras | Capacity4dev (europa.eu)

<sup>13</sup> O'Brien, J/OCCRP. (2023). Drug traffickers are redrawing the map of the cocaine trade for the 21st century: Cultivation is spreading further north, into Central America, while processing labs are jumping across the Atlantic to Europe and beyond. Available from: OCCRP

<sup>14</sup> Gobierno de la República de Honduras. (2018) Plan Estratégico de Gobierno 2018-2022, pagina 56-58. Tegucigalpa, Honduras.

<sup>15</sup> 81% of working women are employed in informal sector Source: WFID Partnership. (2022). Towards Women's Financial Inclusion: a Gender Data Diagnostic of Honduras. Available from: WFID Partnership 2022

<sup>16</sup> World Bank Group (2022), Private Sector Diagnosis: Creating Markets in Honduras. Fostering Private Sector Development for a Resilient and Inclusive Economy.

<sup>17</sup> Ibidem

**Accessing finance presents even more challenges for small-scale producers**, primarily due to factors such as their risk profile, susceptibility to climate-related risks, and limited credit information and collateral. Only 7.6% of loans disbursed by Honduran financial institutions target the agriculture and livestock sector, despite its importance as main economic sector. Conversely, a considerable portion of formal lending is channeled into real estate acquisitions (22.7%) and consumer spending (21.3% as of 2019). Small-scale producers in climate-sensitive areas like the Dry Corridor receive a meager 7% of bank loans, suggesting a deficiency in customized financial offerings. Furthermore, banks suffer from a limited outreach and insufficiently tailored financial products<sup>18</sup>.

Medium and long-term credit options are scarce in some regions of Honduras especially for crops that require longer repayment cycles aligned with agroecological conditions. For instance, the credit extended by the financial system for basic grains amounts to only USD 8.2 million, which falls short in comparison to the sector's gross value added (USD 223.4 million) and its crucial role in ensuring the country's food security<sup>19</sup>.

**Women-led MSMEs** hold significant economic and social importance in Honduras due to their strong positive correlation with GDP growth. Women tend to invest their incomes in education, health, and household/community well-being. However, these enterprises, compared to those led by men, are reported to be smaller in size, less technology-intensive, with lower property and machinery values, monetary sales, and professional training. Additionally, women-owned businesses experience lower survival rates and face greater difficulties in accessing credit, largely due to the lack of land ownership that prevents them from providing collateral to access loans. In light of this, it is essential to establish programs that focus on women-led entrepreneurship, particularly providing technical assistance and support for the adoption of new green and smart technologies.

The substantial **financial inclusion gap** in Honduras (31.5%) is much lower compared to the Latin America and Caribbean average (51.4%)<sup>20</sup>. Financial inclusion of small rural producers in Honduras faces challenges from both financial institutions (supply side) and the producers themselves (demand side). These challenges include<sup>21</sup>:

a) Supply side challenges:

- Scarcity of financing targeting the sector
- Regulatory limitations regarding access requirements and reserve calculations
- Limited access to specialized technologies for the sector
- Limited specialized human resources
- Inadequate tools for mitigating sector-associated risks
- Lack of understanding or experience with the sector
- Increased citizen insecurity, among others.

b) Demand side challenges (producers):

- Lack of financial and fiscal information about the sector
- Low land titling and lack of real guarantees
- Limited and unstable income sources
- Rural dispersion
- Limited linkage to productive chains
- Lack of coordinated efforts to boost the sector
- Insufficient technical assistance services to strengthen the sector, among others.

**Microfinance is a key tool in combating social and financial exclusion.** Microfinance targets providing financial services to micro and small enterprises as well as low-income individuals not served by the traditional banking system. Few smallholder producers have loans with formal financial institutions, and women are underrepresented in loan portfolios despite their strong repayment history. Micro enterprises have significant adaptability to market demands due to low investments in fixed assets, primarily equipment, enabling them to adjust to changing operating conditions. It is a viable option for young entrepreneurs entering the workforce who would otherwise struggle to be absorbed into the job market.

<sup>18</sup> Germany Trade & Invest (2023). Comprehensive Rural Development and Productivity Project. [On-line]  
Available from: [IADB](#)

<sup>19</sup> Ibidem

<sup>20</sup> CEPAL - FIDA (2017). Estudio de caso sobre estrategias para promover la inclusión financiera de pequeños productores rurales en Honduras. Ciudad de Mexico, Mexico

<sup>21</sup> Ibidem

The microfinance sector in Honduras, including deposit-taking Microfinance Institutions, Private Financial Development Organization (OPDF) and non-deposit-taking MFIs is small, representing only 2% of total credit in Honduras. Despite its small size, **the microfinance sector is crucial for the national financial inclusion agenda** as its activities focus on providing financing to excluded populations, including low-income, underserved individuals, and microenterprises. The financial cooperative and microfinance markets in Honduras are fundamental components of the broader financial inclusion landscape, serving an estimated 1.5 million Hondurans, of which 51% are women<sup>22</sup>.

## 2.2. Problem Analysis

**Climate change is a major risk that exacerbates Honduras' existing vulnerabilities.** Transitioning to a green low carbon development is a priority. As highlighted in the World Bank Country Climate Development Report<sup>23</sup>, the growing climate change risk to Honduras competitiveness, macroeconomic stability and energy transition calls for policy actions that are also supportive of a sustainable development.

**Global Gateway Initiatives hold potential as a catalyst for directing investments towards the crucial and urgent green transition in strategic areas.** Transitioning towards a green sustainable economy has significant potential to drive sustainable development in Honduras. This economic approach, which integrates consideration of human well-being and environmental preservation, represents a viable solution to address the economic and environmental challenges facing the country. Honduras, with its vast biodiversity and natural wealth, is in a strategic position to adopt green practices that not only promote economic growth, but also ensure long-term sustainability. On the contrary, Honduran businesses often face difficulties accessing external financing as a result of insufficient awareness regarding available capital sources, leading to divergences with investor criteria or a failure to attract investors aligned with their business goals.

The European Union's Regulation on Deforestation-free Products (EUDR) poses challenges and opportunities for MSMEs in Honduras. While compliance may require adjustments in agricultural practices and supply chain management, particularly in sectors like coffee, palm oil, cattle ranching, and timber, the main challenge will be to demonstrate adherence to sustainable practices. However, what could be a traceability challenge especially for the production base of Honduras, characterized by small, fragmented producers, it also presents an opportunity for Honduran MSMEs to distinguish themselves in the global market by embracing sustainable practices. Investing in sustainable agriculture, agroforestry, and forest conservation can open up new markets and attract environmentally conscious consumers, boosting competitiveness. Additionally, aligning with deforestation-free principles can mitigate reputational risks and strengthen partnerships with European buyers prioritizing sustainability.

**Green and climate-smart businesses are currently not competitive in Honduras.** According to the World Bank's Honduras Country Climate and Development Report: "Not much has yet been done to implement many of the evolving international good practices for incentivizing the financial sector's contribution to greening the economy"<sup>24</sup>. Additionally, given the supply/demand challenging gap and the lack of accessible financing, it is not possible for MSMEs to adopt sustainable "green and climate-smart" production models. Low financial market depth, high cost of capital and sustainability products, lack of data and technical capacities limit the attractiveness to green projects and generate a high-risk perception in investors<sup>25</sup>. Moreover, there is a lack of awareness and understanding in the country regarding the potential of green and climate-smart financing and productive opportunities. Capacity constraints that make it harder for the country to achieve climate objectives also are bottlenecks to climate finance. This prevents public financial institutions from effectively funding productive sectors or intermediary financial organizations supporting green and climate-smart investments.<sup>26</sup> Through investment-related TA activities, the Action will enable these institutions to offer accessible and targeted banking products and services, thereby enhancing MSMEs greening in the GGIA target areas.

<sup>22</sup> Alliance for Financial Inclusion (2023) the role regulators play in closing the financial inclusion gender gap: a case study of Honduras. Tegucigalpa.

<sup>23</sup> [World Bank \(2023\). Honduras Country Climate and Development Report.](#)

<sup>24</sup> Ibidem, page 12.

<sup>25</sup> [OECD \(2023\). Bottlenecks to Access SDG Finance for Developing Countries](#)

<sup>26</sup> UN OCR Honduras (2023). Estrategia Nacional Integrada de Financiamiento de Honduras. Tegucigalpa, Honduras

Even though the Government of Honduras elaborated in 2015 the **National Financial Inclusion Strategy (NFIS)**, there is currently no legal and institutional framework specifically addressing the access to financing for sustainable productive practices. This lack of structure hinders small producers and family-farmers from adopting better practices, including those related to climate change mitigation and adaptation. There is an urgent need for a regulatory framework that facilitates access to credit on favorable terms, preferably through partnerships with State-owned Development Banks (SDBs). This would not only promote the adoption of more sustainable practices, but also drive increased income and agricultural production overall.

Although climate variability poses challenges to production and productivity, the adoption of climate-resilient technologies and best management practices offers potential for their improvement. However, the **lack of resources for investment and the absence of technical assistance limit the adoption of such technologies and best practices.**

**Financial institutions, such as commercial banks and financial cooperatives, hesitate to support MSMEs green transition** due to the absence of credit collateral, their limited financial knowledge, lack of established credit records, and the dispersed nature of rural areas. Private financial institutions perceive most green-agri-MSMEs as highly risky (especially those led by women), unsuitable and not sufficiently prepared to receive their financing in a profitable manner.

Given that the **private financial sector is not driving the necessary investments to undertake the green transition, the public sector must establish the necessary incentives** to redirect technology, energy and agricultural investments towards sustainable and financially accessible and gender sensitive projects.

To achieve this goal, the Action acknowledges the critical need to **create a range of inclusive and climate-smart financial products**, catering the demand for both working capital and investment needs. These products will grant MSMEs access to sustainable public finance as well as technical assistance. The overarching objective is to foster the growth of green value chains, enabling the adoption of competitive production models. Furthermore, the adoption of new gender and climate-smart technological products will support resilient producers in confronting and overcoming the vulnerability to climate change impacts on their “green” entrepreneurial endeavors.

By **providing tailored financial products and technical support services, SDBs and their network of Financial Intermediaries can empower MSMEs to invest in sustainable technologies**, improve productivity, and expand their businesses, ultimately contributing to inclusive and sustainable development in Honduras. Climate-smart financing solutions – currently unavailable in the country for a huge segment of rural small producers – could be tailored to small-scale producers in the coffee, cocoa, and staple crops chains, which have demand in the market<sup>27</sup>.

Complementary to the technical assistance, these solutions will enable them to acquire inputs, equipment, and technologies, and implement **regenerative and agroforestry agricultural models**. These financial products will empower producers to innovate by making investments in acquiring new technologies, appropriate inputs (e.g., seeds with suitable germplasm, environmentally friendly inputs, environmental certifications, and traceability on farms, etc.), and productive infrastructure (e.g., post-harvest equipment or drying with energy efficiency, compliance with environmental certifications in value-added processes and raw material transformation, and promotion of circular economy in post-harvest processes, etc.)<sup>28</sup>.

This could also imply the **development of innovative financing solutions**, such as microfinance products, mobile banking services, and alternative credit scoring mechanisms, to overcome the barriers to formal financial inclusion. Additionally, **capacity-building initiatives targeting informal MSMEs** can help improve financial literacy, business management skills, and compliance with regulatory requirements, thereby facilitating their transition to the formal economy.

<sup>27</sup> Organización de las Naciones Unidas para la Alimentación y la Agricultura (FAO) (2022). Marco Estratégico Regional para la Gestión de Riesgos Climáticos en el Sector Agrícola del Corredor Seco Centroamericano, Tegucigalpa, Honduras

<sup>28</sup> Banco Interamericano de Desarrollo (BID), (2019). Experiencias y Lecciones Aprendidas en Proyectos de Desarrollo Integral, Tegucigalpa, Honduras.

In this general context, it is worth analysing the role and functions of the State-Owned Banks as sustainable finance providers, partners in the EU blending operation on Access to Sustainable Finance for Green and Climate-Smart Value-Chains, and beneficiaries of the technical assistance described in this Action Document.

**The role of the State-owned Banks BANHPROVI and BANADESA stands out for bringing access to finance for the country's sustainable development.** These financial institutions, given their development mission, can play a critical role in supporting the growth and development of green value chains, particularly in the rural areas, enabling the “green transition” and system-wide change needed in the country, strategically addressing MSME’s critical economic, social, and environmental challenges.

**THE NATIONAL BANK FOR PRODUCTION AND HOUSEHOLDS (BANHPROVI)**, plays a leading financial role as a) First tier banking: social households programme; b) Second tier banking for middle-class households and productive agriculture specifically for vegetable and animal production, agriculture technology, agribusiness and Agri-market) with local banks and financial entities such as: commercial banks, cooperatives, financial institutions, private organizations for financial development, rural banks and trading companies.

**Evolution into a development bank (2018-2022):** The period 2018-2022 has coincided with the transformation of BANHPROVI into a comprehensive development bank. In addition to granting credits through first and second-tier banking, the range of other banking services expanded. These included the administration of trusts<sup>29</sup>, the management of Guarantee Funds, and Electronic Transaction Services.

**Financial Overview and Strategic Goals:** The bank traditionally operates with a pool of approximately 30 intermediary financial institutions, supervised by the National Banking and Insurance Commission. The loan portfolio balance as of June 30, 2022, amounted to HNL 36,229.86 million (equivalent to EUR 1,195.95 million), with the destination of the credits reflecting the most important long-term funding needs of the IFIs in the country. By 2024, the goal is to allocate around HNL 12.5 billion equivalent to EUR 4,125 million) in the areas of housing, production, and MSMEs. The current concentration of disbursements indicates that resources are channeled through regulated intermediaries, with commercial banks having the greatest access to funds. It is worth noting that this concentration of credit in the housing sector is mainly due to the association that the Honduran population makes between the bank and affordable housing. Consequently, BANHPROVI's funds are mostly concentrated in the departments of Francisco Morazán and Cortés<sup>30</sup>.

**BANHPROVI faces challenges in serving excluded segments and enhancing financial inclusion.** Based on the current bank’s portfolio, we can observe that BANHPROVI offers some financial products aligned with the technological and climate-smart focus of the Action, but they are not appropriately focused on serving excluded segments or those seeking financial inclusion. In relation to this, the Action can contribute to materialize the following recommendation of the Honduran Ministry of Finance: “*Being a solid financial institution with sufficient resources for granting loans, BANHPROVI is advised to consider venturing into another economic activity or creating new financial products. This would prevent the resources from remaining inactive and, at the same time, generate greater profitability and coverage of the services it provides*”<sup>31</sup>.

Indeed, in the case of BANHPROVI, technical assistance could play a crucial role in mitigating risks and bolstering investors' confidence. It underscores the significance of technical assistance in blended finance, especially for the 'missing middle' — i.e. small and medium enterprises (SMEs) — which find themselves in a financial “grey area”. These enterprises are deemed too large for microfinance, but too small or risky to access capital from conventional debt and equity investors.

<sup>29</sup> As part of President Castro's Government Plan to Refound Honduras, the repeal of trusts constituted with public funds was established, and their incorporation into the General Budget of Revenues and Expenditures of the Republic was determined. In this sense, as mandated by law, all resources managed through trusts were deposited into the Single Account of the General Treasury of the Republic.

<sup>30</sup> CEPAL, (2017). “Estudio de caso sobre estrategias para promover la inclusión financiera de pequeños productores rurales en Honduras,” Tegucigalpa.”

<sup>31</sup> Ministry of Finance (SEFIN) (2022). Decentralized Public Sector of Honduras, Financial Management Report, II Quarter. Tegucigalpa, Honduras

**Role in Climate Finance and Adaptation:** As per the country's **National Determined Contribution (NDC)**, updated in May 2021<sup>32</sup>, the Government of Honduras will begin a process to determine the specific climate-change adaptation/mitigation projects that will be implemented in order to meet NDC objectives and contributions. The public financial sector will be a key actor in defining the financing strategies for adaptation projects. Therefore, within the framework of NDC-related resource mobilization it becomes essential to be aware of the existing capacities and experience of public financial entities. As per BANHPROVI's increasing institutional involvement in climate finance, the Action could contribute to reinforcing its strategic and technical skills for accreditation and readiness processes before the Green Climate Fund, the Adaptation Fund and other global climate finance facilities.

The Honduras' NDC also highlights the need for the increased participation and inclusion of women, youth, and IPADs through six commitments on social inclusion<sup>33</sup>.

With reference to the strategic direction of technical assistance in support to Banhprovi, it is recommended to focus on the following areas:

- *Knowledge Transfer and Adoption of Green Taxonomy and Classification or the development of interoperable frameworks adapted to the country context:* This will ensure compliance with the EU-EBI "Green Window" standards, facilitating the development of "sustainable" and "climate-smart and resilient" financial products, while preventing any greenwashing with the Banhprovi's current agrotech program.
- *Comprehensive Market and Incentives Analysis for Energy Efficiency in Green Household Sector:* This includes social housing and middle-class housing and should involve exchanging best practices with the EU market on energy-efficiency solutions for their adaptation to the Honduran market.
- *Promoting Innovation in the Productive and Agrotech Sectors:* This entails supporting the feasibility of agrotech solutions and agro-industrial projects to drive the transformation of the country's production chains. It is essential to integrate the productive sector with TA efforts to comply with the EU's Zero Deforestation regulation (EUDR).

**THE NATIONAL AGRICULTURAL DEVELOPMENT BANK (BANADESA)** was established in 1950 as the National Development Bank and began operations under the name BANADESA in 1980 with the aim of supporting food security and the development of the agricultural sector.

**Financial Products and Services:** BANADESA main objective is to channel financial resources for the development of production and productivity in agriculture, livestock, fishing, poultry farming, beekeeping, forestry, and other activities related to the primary processing of these products, including their marketing. The bank has traditionally focused on serving the rural sector by providing loans to micro and small-scale producers and farmers, ensuring geographical coverage in rural areas, offering lower interest rates and longer repayment terms. The main financial products offered to rural producers include savings and checking accounts, term deposits, agricultural loans, MSME loans, home purchase and construction, domestic transfers, currency exchange, and remittance payments. Financial products related to loans provided by BANADESA are primarily for financing, and technical assistance for producers is not included.

**Challenges and Restructuring:** Despite historically offering more attractive credit conditions for rural products in terms of interest rates and terms, BANADESA is undergoing a long process of restructuring. Since May 2018, the autonomous institution has faced restrictions due to a delinquency rate of over 76%. The National Banking and Insurance Commission (CNBS) had to grant permissions to open accounts at this bank. As a result of the prohibition between 2022 and 2023, loans for micro, small, and medium-sized enterprises (MSMEs) were not being serviced.

**Financial Performance and Revitalization:** President Xiomara Castro's government has strongly supported BANADESA' reactivation. The Bank's performance over the past two years shows an improvement in its solvency situation through capitalizations totaling HNL 2,840.5 million (approximately equivalent to EUR 94 million) by the Government, which has allowed for the revitalization of its loan portfolio, primarily focusing on small agricultural producers through agriculture credit. The recovery of the loan portfolio is notable, exceeding HNL 1 billion (equivalent to EUR 33 million), which constitutes a source of funding with high profitability. On the other

<sup>32</sup> Republica de Honduras. (2021). Actualización de la Contribución Nacional Determinada, NDC. Gobierno de la República de Honduras"

<sup>33</sup> [World Bank \(2023\). Honduras Country Climate and Development Report](#)

hand, liquidity has improved substantially, leading to profitability and a source of resources for intermediation. The bank's profitability has shifted from a loss of HNL 133,1 million (equivalent to EUR 4,389 million) in 2021 to a profit of HNL 4,01 million (equivalent to 132,000 EUR) in 2023.<sup>34</sup>

**Strategic Directions and Future Prospects:** In the context of EU-EIB operation, technical assistance could indeed support BANADESA to strengthen the management's capacities and support with high-level strategic guidance the current transition of the bank towards a new sustainable and inclusive business model. Advisory services should focus on:

- Assessing the bank's current capacities and limitations to design and place in today's Honduran market, green and gender and climate-smart demand-driven financial products in the agribusiness sector
- Analyzing inherent risks in the lending portfolio, prepare strategic frameworks, strengthen their management information systems, develop new green products and risk management frameworks, and train their staff on these various initiatives.
- Providing strategic guidance on financing placements in traditional and non-traditional "green" productive sectors, including capacity-building on EU-EIB Green Taxonomy and Classification.
- Supporting technological innovation in productive sectors to support agricultural sustainable value chains.

**THE NATIONAL SERVICE FOR ENTREPRENEURSHIP AND SMALL BUSINESSES (SENPRENDE)** is the governmental institution supporting the MSME sector and Social Sector Enterprises in Honduras. For 2024, the institution had an approved budget of approximately HNL 337 million (equivalent to EUR 11,1 million) allocated for the development of its programme<sup>35</sup>.

**Institutional Role and Objectives:** SENPRENDE's institutional role strategically focuses on serving the segment of **microenterprises at the bottom of the pyramid**. By providing differentiated support and attention to microenterprises that operate in an informal condition and those that already have some degree of formality, SENPRENDE can contribute to addressing the challenges associated with the informal economy and unlock the potential of Micro and Small Enterprises as engines of economic growth, job creation, and poverty reduction in Honduras. In fact, **the institution is responsible for providing advisory services for the formalization of businesses, companies, and organizations in the Social Sector of the Economy**. This is aimed at promoting and facilitating the processes of formalization and legalization of MSMEs, entrepreneurship development, and Social Economy Enterprises, as well as the formulation of public policies that benefit them.

**Programmes and Initiatives:** SENPRENDE, in cooperation with the European Union Delegation in Honduras and the Secretariat of Labor and Social Security (SETRASS), has recently promoted the Popular Alternative Credit (CAP) programme, an alternative credit model for MSMEs and entrepreneurs, with the aim of generating employment and eradicating poverty and extreme poverty<sup>36</sup>. Additionally, SENPRENDE administers a Technical Assistance Platform aimed at contributing to job creation and improving the socio-economic conditions of the Honduran population. This is achieved through specialized advisory services fostering the growth, innovation, productivity, and profitability of MSMEs, social economy enterprises, new ventures, and vulnerable groups.

**Strategic Role:** The bank role is crucial in promoting responsible microcredit behavior and a sound culture of savings in rural GGIA selected areas to reduce financial instability among smallholders and producers. Financial credit education is crucial in this effort, empowering local rural savings banks to accumulate savings and demonstrate responsible lending and repayment practices. This strategy lays the groundwork for fostering a credit culture within savings banks and cooperatives, equipping them to efficiently administer microcredit programs.

Among Senprende's programmes, the Innovative Entrepreneurship and Startup Development Program stands out, offering opportunities for exchanging TA on best practices and attracting seed capital, as well as connecting with green startups and impact investors and European ESG-oriented companies.

<sup>34</sup> Banades (2024), Internal Report "Análisis de Situación Financiera 2023 y de Sostenibilidad Financiera 2024-2026", Tegucigalpa, Honduras.

<sup>35</sup> Gobierno de la República de Honduras (2024). Servicio Nacional de Emprendimiento y de Pequeños Negocios. On line Available from: [Honduras Inversiones](https://hondurasinversiones.gob.hn/)

<sup>36</sup> Senprende (2024). Gobierno y UE lanzan el programa "Crédito Alternativo Popular" para la MIPYME. Tegucigalpa.Honduras Available from: <https://senprende.hn>.

**Challenges and Future Scenarios:** As per SENPRENDE’s constant growth and massification of placements through an alternative microcredit financing model, the institution will face the challenge of serving new markets with greater diversification and geographic dispersion, such as semi-urban and rural regions, where many clients and communities (far from major cities) do not have access to microloans. This implies a greater endeavour in assuming relatively higher operational costs to achieve sustainable and efficient operations.

Technical Assistance brought by SENPRENDE and its network of Rural Savings and Credit Cooperatives (“Cajas Rurales”) at field level can support MSMEs to adapt to the EUDR. By providing targeted financing and technical assistance, they can help businesses transition to sustainable models, improve environmental performance, and enhance resilience to climate change. This includes funding investments in sustainable agriculture, reforestation, eco-friendly technologies, and facilitating access to certification schemes and green markets.

**Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:**

**Main implementing partners**

- State-owned Development Banks:
- Honduran Bank for Production and Housing (BAHPROVI);
- National Bank for Agricultural Development (BANADESA); and
- National Service for Entrepreneurship and Small Business (SENPRENDE)

**Intermediary Financial Institutions**

- Honduran commercial banks
- Financial development organizations (OFPDs)
- Rural Cooperatives and Savings Banks (Cajas Rurales y Cooperativas)
- Microfinance institutions

**Main stakeholders at policy level**

- Ministry of Finance (SEFIN)
- Ministry of Natural Resources and Environment (SERNA)
- Institute of Forest Conservation (ICF)
- Central Bank of Honduras
- Municipalities and local communities of the regions involved with GGIA action.

**International Financial Institutions and International Organizations**

- Central American Bank for Economic Integration (CABEI), InterAmerican Development Bank (IADB), World Bank Group (WBG), International Fund for Agriculture Development (IFAD)
- Inter-American Institute for Cooperation on Agriculture (IICA)
- United Nations Environment Programme (UNEP)
- UN Food and Agriculture Organization

**EU Investment and Development Facilities and Programs**

- Global Gateway
- AL-INVEST
- Latin America and Caribbean Investment Facility (LACIF)
- Forestry Alliance Honduras -UE
- Great Forests of Mesoamerica
- EUROCLIMA LAC

**European Private Sector**

- Impact Investors<sup>37</sup>
- ESG Investment Funds
- Social Enterprises

**Associations and Networks**

- Honduran Private Enterprise Council (COHEP)
- Federation of Chambers of Industry and Commerce (FEDECAMARAS)
- National Association of Micro and Small Industry of Honduras (ANMPIH).
- Federation of Cooperatives of Credit and Savings of Honduras (FACACH)
- RedMicroh Network (Microfinance)
- Red Katalysis (Microfinance)
- Network of Centers for MSME Business Development (CDE-MIPYME)

**Civil Society Organizations**

- Women’s Organizations
- Farmers’ Organizations
- Nature Conservancy and Protection Organizations

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Objectives and Expected Outputs

**The overall objective is to contribute to** more robust and inclusive financial ecosystem that drives sustainable economic growth, promotes equitable opportunities, and enhances resilience to environmental (and social) challenges.

**Specific Objectives (Outcomes)** of this action are to:

**SO #1:** Strengthen State-Owned Development Banks’ strategic role in green finance and green investments targeted for MSMEs and Households.

**SO #2** Increase the operational efficiency, market access, institutional knowledge and capacities of State-Owned Development Banks, Financial Intermediaries, and MSMEs, integrating sustainable, gender-responsive, and green practices and standards.

**SO #3:** Increase socially and environmentally responsible European private sector investments in Honduras

The following Outputs are contributing to SO #1:

OUTPUT 1.1	Improved State-Owned Development Banks’ current capacities for designing green finance products and structuring a green and climate-smart investment portfolio.
OUTPUT 1.2	Enhanced capacity of the State-Owned Development Banks for Pre-investment (Feasibility) and investment preparation, and for the design of the investment projects in order to maximize both financial and developmental impacts.
OUTPUT 1.3	Increased capacity of the State-Owned Development Banks for green investment project implementation are strengthened (investment and post-investment TA) including investment promotion, monitoring and evaluation process.

The following Outputs are contributing to SO #2:

OUTPUT 2.1	Enhanced operational and business-related capacity of the SDBs, Financial Intermediaries and final beneficiaries.
OUTPUT 2.2	Enabled business environment and market opportunities, supported policy reforms and improved knowledge-sharing initiatives on access to sustainable, gender responsive and green finance for MSMEs.

<sup>37</sup> Impactassets Invest (2024). IMPACTASSETS 50™. Online. Available from: [IA 50 Directory](#)

OUTPUT 2.3	Strengthened institutional and technical capacity building on Green Finance, green taxonomy and climate finance, as well as Gender Equality Standards.
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The following Outputs are contributing to SO #3:

OUTPUT 3.1	Improved matchmaking services for businesses and investors
OUTPUT 3.2	Strengthened opportunities for information-sharing, learning and market research networking between Honduras and the European Union.
OUTPUT 3.3	Improved Investment-facilitation support services to unlock social and environmentally responsible European private sector investments in Honduras.

### 3.2 Indicative Activities

#### Activities related to Output 1.1:

- Analysis and evaluations of different markets and value chains, while assessing opportunities for the SDBs to carry out new transactions and initiate collaborations with a range of possible local partners
- Review of market trends and existing financing portfolios to identify green and gender smart investment opportunities in selected sectors and prioritized areas
- Analysis of green and climate-smart technologies and their availability for MSMEs and Households financing through the banking channels to increase the use of new technologies, especially in youth, and women-led and low-income MSMEs, by supporting the adoption of gender and climate-smart technologies and/or comprehensive technical assistance<sup>38</sup>.
- Assessment of SDBs' current capacities for structuring a green gender-smart and climate-smart investment portfolio, recommending actions to strengthen their green strategy and internal systems, including their credit risk assessments, portfolio management, management information systems, and capacity to access climate finance opportunities.
- Identification of low-carbon and climate resilient potential in MSME and Household lending and mainstreamed green finance in the portfolio of core SDB banking products and services.
- Design, testing and placement of green financial products, adapted to SDBs' capacities and the overall Honduran financial market evolution.

#### Activities related to Output 1.2:

- Pre-feasibility and feasibility studies are conducted to strengthen project investment design and readiness operational and financial structures, project "bankability".
- Institutional strategies to develop organizational frameworks and operational guidelines.
- Legal appraisals, reviews and assessments of legal frameworks and regulatory environments to ensure compliance and manage legal risks.
- Environmental and social impact assessments to analyze project impacts on biodiversity, communities, and cultural heritage to identify and mitigate risks, ensuring adherence to environmental and social standards
- Business Plans, comprehensive financial and operational plans for project financing, ensuring strategic alignment and risk management.

#### Activities related to Output 1.3:

- Advisory services, training and capacity building for operational efficiency to ensure the effective use of the invested resources.

<sup>38</sup> Climate-Intelligent technologies encompass technologies and practices that increase agricultural productivity while contributing to climate resilience and/or reducing emissions. These include, for example, drip irrigation, ecological coffee processing and drying, solar cooling, greenhouses and the use of improved varieties

- Pilot-testing: Conducting small-scale trials or experiments to evaluate the feasibility, effectiveness, and scalability of innovative solutions, new technologies, methodologies, or approaches before full-scale implementation.
- Investment Monitoring and Evaluation process: short-term consultancies to develop appropriate M&E frameworks; methodologies to generate useful data and information for decision making and policy and product design, for a more effective and efficient use of the institutions' resources.

#### **Activities related to Output 2.1 :**

- Provide international and/or local Technical Assistance to enhance operational and business capacities of SDBs, Financial Intermediaries, and final beneficiaries through targeted capacity building and functional support initiatives
- Provide Technical Assistance **core support to Financial Intermediaries and their beneficiaries:** Credit and producers microfinance institutions and inclusive, gender responsive financial services whose beneficiaries are small-scale producers (with a focus on women entrepreneurs) that require long-term financing for working capital and fixed assets to enhance and diversify their productivity, access the market. Those beneficiaries will receive credit-related Technical Assistance for entrepreneurship, alliance building, administration, and credit management through capacity building activities, tailored trainings or investment-readiness trainings.
- Institutional capacity development and staff training: a series of trainings, workshops and seminars will be developed to provide expertise, institutional strategy development/project management methodologies, including gender lens investing, etc.
- Specific trainings to promote financial literacy and the uptake of gender-smart and climate-smart practices
- Participation in national/international available trainings to provide expert advice and diagnostic/assessment capacity
- Visibility and awareness events (with technical and/or institutional focus).
- Promote green financial products and placement strategy, supporting the development of a green, gender responsive and climate-smart portfolio.
- Training on how to develop, prepare, implement and monitor TA projects related to EU-EIB financed interventions.
- Outreach and training on NDC and Honduras commitments to the United Nations Climate Change Conference of the Parties (COP26).

#### **Activities related to Output 2.2**

- Develop specific studies and policy research, analyzing informal economy dynamics in the sectors and how to address it through the creation of market opportunities..
- Conduct policy dialogues, policy advice, drafting support of legal and policy documents.
- Organize knowledge sharing workshops and learning that contribute to developing and implementing projects on low-carbon and climate-resilient development.
- Develop strategic frameworks (both at national and SDB/financial intermediaries level) to address policy gaps, improve sectoral expertise and enhance enabling environments for green investments and sustainable finance for MSMEs (with a focus on women entrepreneurs).

#### **Activities related to Output 2.3:**

- Provision of long-term and short-term technical assistance (TA) for specific studies, advisory services, activities of dissemination, knowledge exchange.
- Training to build capacities on EIB-EU Green Finance Standards and eligibility, green taxonomy and gender and human rights standards.
- Peer to peer training services on inclusion of environmental criteria in microfinance products to promote sustainable activities, access to clean or more efficient use of energy or to reduce climatic and environmental risk for low-income households or microenterprises
- Training on green bankable technologies, capacity building in alternative technologies, clean energy, value chains climate investment planning, environmental Economic Instruments and approaches.
- Training of Trainers' Program for Developing Project Proposals to Access Green Climate Fund and Climate-Finance Facilities.

- Technical workshops and business seminars on Green Banking: Green Energy and Climate Finance to enhance the capacities for effective governance of climate finance; development of capacities for leveraging alternative sources of climate finance.

### **Activities related to Output 3.1:**

Supporting green and sustainable projects and products across Honduras to get access to private investors capital by connecting Honduran MSMEs with EU investors, while providing project preparation support to make them commercially sound. This TA will bring support to effectively channel and shape private investments, leveraging the convening power of the EU-EIB financing, alongside its on-the-ground presence and advisory services, combining synergies with the Global Gateway and other EU Investment Programs, ,such as EFSD+, ‘DINAMICA’ and ‘MIPYMES Verdes’.

- Development of a matchmaking website for data and information sharing.
- Market analysis/updates and identification of potential matches.
- Mapping and prioritization of EU investment programs.
- Mapping national investment and high-value productive-chains.
- Preparation of an investment pipeline and investment catalogue
- Promotion of investment opportunities through capacity development, business roundtables, missions, and participation in networking events.
- Learning journeys for foreign investors to understand local contexts and financing needs, aided by commercial brokers.
- Identifying and engaging with impact investors, social sector investors and ESG Funds, Bottom of the Pyramid and microfinance investors.

Investment promotion support activities:

- Capacity development for business engagement and negotiations
- Business and trade roundtables
- Business promotion visits
- Participation in networking events
- Participation in fairs and exhibitions
- Business missions for investors: facilitated learning journeys for foreign investors to gain a better understanding of the local context, local financing needs and opportunities and build relationships with entrepreneurs.
- Introductions facilitated by commercial brokers.

### **Activities related to Output 3.2:**

TA supports information-Sharing between HN and UE, learning and market research that seek to identify shared interests, respective capabilities, and learning experiences on inclusive and sustainable finance (including microfinance) for green and climate-smart projects that harnesses innovation, technology, research and development, industry expertise, and/or entrepreneurial skills to and enhance the effectiveness of the Technical Assistance Program and achieve development outcomes.

- Support on EU-CA Association Agreement framework.
- Learning opportunities; including e-learning.
- Co-create investment approaches with the EU private sector.
- Research and training exchange activities that promote climate resilient-solutions and sustainable development.
- Organization of workshops, exchange programs, shared market research, good practices, and joint strategic planning, exchange and execution and other activities that bring together European private sector and financial intermediaries and investors (including microfinance organizations) to share experiences and best practices with Honduran MSME.

### **Activities related to Output 3.3:**

Support the expansion, creation and regularization of businesses and informal sector self-employment activities with a development impact and prioritize activities focused on addressing the constraints to a market/trade transaction or broader investments and activities that can be replicated or brought to scale, prioritizing Global Gateway intervention areas in Honduras.

In this context, the Action aims to engage with environment and socially responsible EU enterprises and impact investors, including those committed to Environmental, Social, and Governance (ESG) principles, financial intermediation platforms, philanthropic organizations, and entities dedicated to Corporate Social Responsibility. The objective is to foster trade and market-oriented solutions, leveraging private capital to address development challenges within the Honduran market. Additionally, the initiative seeks to catalyze positive change by tackling specific environmental and socio-economic issues (including gender issues), such as: coffee rust, pine beetle infestation, lake water eutrophication, soil exhaustion and deforestation, particularly in the geographical regions identified by the GGIA.

- Investment Facilitation Support Services: Comprehensive assistance provided to streamline investment transactions, including identifying potential investors, coordinating meetings, assisting with documentation, and offering strategic guidance.
- Partnership Assessment (Management and Governance): Evaluation of potential partnerships' suitability, effectiveness, and sustainability, analyzing management structures, decision-making processes, and governance mechanisms.
- Due Diligence process: Comprehensive investigation and assessment of private-sector partners' background, performance, reputation, policies, and future plans to verify information, assess risks, and ensure capability.
- Business models and business plans preparation.

**All activities are subject to adjustment based on targeted and specific technical and institutional requirements identified during the needs assessment process.**

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers will be complemented by other contributions from Team Europe members, It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside of a TEI framework.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

##### **Outcomes of the SEA screening**

The SEA screening concluded that no further action was required.

##### **Outcomes of the EIA (Environmental Impact Assessment) screening**

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

##### **Outcome of the CRA (Climate Risk Assessment) screening**

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment)

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##### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1. This implies that gender equality is a significant objective as it is considered relevant to access to Sustainable Finance for Green and Climate-Smart Value Chains.

In the EU development policy, the focus remains on strengthening economic and social rights, particularly by empowering girls and women. This involves ensuring equal opportunities and access to employment, as well as equal pay for equal work, to promote economic independence for all genders.

In the context of the Action, gender equality intersects with access to inclusive finance by ensuring that women have equal opportunities to financial services. By addressing gender disparities in access, inclusive finance empowers women economically, promotes their financial independence, and enhances their ability to invest in education, healthcare, and entrepreneurship, thereby contributing to broader social and economic development goals. The concept of “Access to Sustainable Finance” inherently includes a social aspect, recognizing that sustainable development requires the balanced participation of everyone. The green economy has considerable potential to create employment for young women if the right skills development and investments are put in place. However, without specific measures, green transition practices can worsen the existing gender inequalities. Against this background the proposed Action will implement across the different outcomes, activities with a specific focus on gender, through targeted support interventions, ensuring that the central contribution of Honduran women to economic processes will be reflected in the choice of the Financial Institutions’ for accessible and inclusive financial products. Gender equality will be promoted to the maximum extent possible into the planning, assessment, implementation, monitoring and evaluation of the TA activities. An inclusive quota for women will be established in TA capacity building and trainings. The financial portfolio will include specific products for women and a quota for women for all portfolio will be considered as well.

The Action is aligned with the EU Gender Equality Strategy (2020-2025) and contributes to the Gender Action Plan III (GAP III, 2021-2025), more specifically “addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation” and “promoting economic and social rights empowering girls and women”.

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### **Human Rights**

In line with the principle “Leave No One Behind”, the Action aligns with international standards for the protection of human and environmental rights. The Action focuses on sustainable economic development, improved livelihoods and resilience of the Honduran population. Effective governance for sustainable development demands that public institutions at all levels conform to international human rights standards and principles and thus that they be non-discriminatory, inclusive, participatory, and accountable to people. For this reason, the TA brought for Financial Institutions financing strategies should benefit the most marginalized and be the product of transparent and participatory processes. Particular attention will be given to the rights of Bottom-of-the-pyramid producers of the GGIA targeted geographical areas. The Yojoa Lake Basin area is well known for its large hydroelectric projects and mining activities, which are the main cause of environmental defenders and activists’ human rights violations over the last decades in Honduras. The Chamelecon river basin is located in the most productive area of the country, with potential social and environmental impacts that need to be addressed.

The Action will also support Financial Institutions to increase their capacities to protect human rights, by supporting them in formalizing specific financial projects in a green and inclusive way, promoting a just transition. The Action will support Financial Institutions to continue including and further integrating human rights considerations in their decision-making processes when working and engaging with investee companies and clients. Indeed, with reference to SO #3, making human rights an integral part of sustainable investing strategies is essential for investors seeking to comprehensively assess risks and opportunities.

Finally, the Action directly contributes to strengthening the rights to work (Article 23) and to political participation (Article 21) of the Universal Declaration of Human Rights, and reinforces the application of the convention on the Elimination of all Forms of Discrimination against Women (CEDAW, 1983) and International Convention on the Elimination of All Forms of Racial Discrimination (2002).

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### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action does not include activities that specifically aim at the integration of or care for disabled persons. Among the

target beneficiaries of the TA activities, the action will promote the inclusion and participation of persons with disabilities. This will be achieved by ensuring accessibility to project and training- related buildings and facilities, as well as to information. Reasonable accommodations will be provided to participants with disabilities. These accommodations will include the digitalization of services to allow individuals with disabilities to virtually access to TA learning and training from their homes, surveys among beneficiaries to identify and address special needs in the context of the Action's implementation.

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### **Reduction of inequalities**

As per the Inequality Marker, this Action has been labelled as an I-1. Inequality reduction is a significant objective. Honduras is considered as one of the most unequal countries in Latin America. Data on the degree of inequality in income distribution based on the Gini coefficient currently reach a 48.2 rate<sup>39</sup>. Several factors contribute to inequality in Honduras, including limited access to education and healthcare, unequal distribution of wealth and resources, political instability, corruption, and historical legacies such as land concentration and social exclusion of indigenous and Afro-Honduran populations. These disparities threaten social stability and cohesiveness and obstruct efforts to promote sustainable development.

The Action contributes to tackle inequalities focusing on the following specific dimensions:

**Economic Empowerment:** By providing access to finance for green and climate-smart initiatives, disadvantaged individuals and communities can diversify their income sources and improve their economic resilience. This can create new employment opportunities, particularly in rural areas, and reduce dependence on traditional, often exploitative, activities.

**Environmental Sustainability:** Investing in green value chains promotes sustainable practices that benefit both people and the planet. By reducing environmental degradation and mitigating the impacts of climate change, vulnerable communities are less likely to suffer from natural disasters and loss of livelihoods, thus reducing their vulnerability to socio-economic shocks.

**Inclusive Development:** By targeting (micro) financing towards marginalized groups, such as smallholder farmers, indigenous communities, and women entrepreneurs, the Action can help bridge the gap in access to resources and opportunities. From the perspective of gender inequality, the action will promote equal participation between men and women, will contribute to increase female economic autonomy and access to decent “green” employment especially for the youngest and those who live in rural areas

**Supporting Education and Skill Development:** Technical assistance will support the development of business skills and financial literacy education that can reduce inequality. The action can help by sponsoring initiatives allowing disadvantaged areas access to quality education and providing scholarships, career training, entrepreneurship and mentorship programs.

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### **Democracy**

Enhancing the capacity of State-Owned Development Banks and Financial Intermediary Institutions is a primary goal of the Action, aiming to empower them to fulfill their mandates and lead towards a green sustainable transition.

Honduran public administration suffers from serious inefficiencies and corruption. By enhancing the institutional and technical capacity of State-Owned Development Banks and Financial Intermediary Institutions, the Action will support transparency and accountability, which are crucial for democratic governance. For this purpose, the Action will support with capacity building and trainings the reactivation process of Banadesa impelled by the current Government.

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<sup>39</sup> World Bank Group (2023), Poverty and Inequality Platform. [On-line]. Available from: Gini Index | Data (worldbank.org)

Providing access to sustainable finance for MSMEs and households in Honduras strengthens democracy by fostering economic empowerment and reducing inequality. With improved access to finance, MSMEs can contribute significantly to the economy, creating job opportunities and increasing incomes, which are vital aspects of democratic participation. Furthermore, investments in green and climate-smart value chains not only promote environmental sustainability but also empower local communities, enhancing their ability to participate in decision-making processes.

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### **Conflict sensitivity, peace and resilience**

The proposed action aims to enhance the dimension of environmental resilience in light of the country's vulnerability to natural disasters and climate change. Climate variability poses a significant threat to the country's sustainable development, exacerbating existing vulnerabilities. Failure to address these challenges could result in substantial economic losses, potentially reducing the annual GDP by 5.4%<sup>40</sup>.

Technical assistance will play an important role in building institutional capacities for identifying and financing technological solutions geared towards climate change mitigation and adaptation, thereby fostering economic sustainability. Additionally, the Action anticipates positive impacts on the economic resilience of MSMEs by promoting the emergence of new green businesses and facilitating the adoption of technological innovations to enhance productivity and environmental sustainability.

Moreover, technical assistance will provide support to financial institutions in identifying and structuring concrete, priority actions to facilitate a transition towards a low-carbon, resilient economy. By aligning financial mechanisms with climate objectives, this approach seeks to accelerate the shift towards sustainable practices and bolster the country's resilience to future environmental challenges.

With reference to peace and conflict sensitivity issues, the Action can contribute to provide technical assistance to strengthen national capacities for preventing (early warning, conflict analysis and early response) and reducing conflicts on land issues in GGIA selected geographical areas, resolving land conflict to promote people's right to peace.

It is also expected that the implementation of the action will have positive effects on the resilience of local communities and citizens by the promotion of green businesses and ecotourism (value chains, ecotourism), also by assisting them in the management of forests, and by improving the productive capacity of their environment (agroforestry).

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### **Disaster Risk Reduction**

Disaster risk reduction will be mainstreamed in technical assistance interventions as relevant to the specific context, with a particular attention to implications resulting from climate adaptation and climate resilience both at policy and investment-project design level and the nature of the investment pipeline generated by the different outcomes of the action.

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### **Other considerations if relevant**

#### **Contribution to TEI “Green Partnership: Climate Change and Natural Resource Management” (Honduras) –Spain, France, Germany and Switzerland.<sup>41</sup>**

The outputs reflected in section 3.1. for both components (Yojoa Lake and El Tablón) directly contribute to three of the expected outcomes of ongoing Honduras TEI, namely: i) Terrestrial and marine ecosystems as well as the biodiversity of Honduras are adequately preserved, including sustainable natural resource management systems; ii) The commitment of the public and private sectors and civil society in Honduras increased on responsible

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<sup>40</sup> [World Bank \(2023\). Honduras Country Climate and Development Report](#)

<sup>41</sup> [https://www.eas.europa.eu/delegations/honduras/equipo-europa-honduras-2023\\_es](https://www.eas.europa.eu/delegations/honduras/equipo-europa-honduras-2023_es)

production and consumption, including the management of solid and liquid waste and iv) Honduras undergoes transition to sustainable, healthy, and affordable food systems, promoting a climate change resilient food production sector and improvements in the food chain.

The total amount of the TEI “Green Recovery” in Honduras as updated in March 2023, was EUR 350,178,652, broken down as follows: EUR 155 million non reimbursable; the EUR 195 million credit lines were to be confirmed yet a by PROPARCO (EUR 100 million for green projects through private national banks and EUR 60 million through private sector for power plants); EUR 35 million from FONPRODE-AECID for rural development.

### 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
Risk related to external environment	Low interest and/or inability of Financial Institutions to support green investments	Medium	Medium	A comprehensive capacity assessment on SDBs capacities to provide Green Investment related TAs will be developed in the preliminary phase of the project.
Risk related to external environment	Low interest and/or inability of Financial Institutions to provide Green Investment related TA	Medium	Medium	A comprehensive capacity assessment on SDBs capacities to provide Green Investment related TAs will be developed in the preliminary phase of the project. The Action will adopt a flexible methodological approach based on tangible results to swiftly adapt the type of technical assistance interventions (Result-based technical assistance) to the level of involvement of different beneficiary institutions.
Risk related to external environment	Low interest of green financial products from MSME and Honduran market	Medium	High	Project stakeholders will be kept involved in the design phase and implementation of activities in order to promote their participation. Marketing and media campaigns will be delivered by the beneficiary banks to promote the green financial products.
Risk related to external environment	Political conflict and instability for the next political election (2025), difficult political environment	Medium	High	The Action will closely monitor political developments in the country and analyse potential impact on the work plan. It will organise events showing the benefit of the action in certain areas for countries.
Risks related to people and the organisation	A poor governance and weak internal management of the SDBs can put at risk the sound implementation of the TA action.	Medium	Medium	The Project Management Unit (PMU) will continue monitoring and reporting the way the SDBs are planning and managing the TA and will report to EUD. Experts and consultants providing technical assistance to the banks will be based in their offices and will contribute to strengthen their capacity.
Risks related to people and the organisation	Low tolerance for green, gender and human rights eligibility standards and regulations established by the EU and EIB taxonomy	Medium	Medium	Technical assistance will directly benefit the staff of the SDBs and Financial intermediaries. In order to mitigate the eventual criticism the policy reform will be introduced by best practices and case studies.

Risks related to people and the organisation	Conflict in governance, lack of coordination due to the involvement of multiple stakeholders in the implementation of the TA Programme	High	Medium	A Project Management Unit (PMU) will be established with the overall responsibility to manage and execute the Action. Set up of a Steering Committee provide strategic advice and oversight.
Risks related to people and the organisation	Lack of interest by EU investors in the Honduran market.	Medium	Medium	Strong mechanisms of coordination and information sharing with other EU investment facilities and programs operating in the region will be undertaken. The project should propose the creation of a web platform for investment promotion or to support any mechanism already existing at country level.
Risks related to planning, processes and systems	Overlapping and parallelism with other TA initiatives planned by other donors.	Medium	Medium	Technical assistance will have a strong technical and regional focus to avoid parallelism and duplication with other cooperation projects. As part of the work plan definition, beneficiary financial institutions will be requested to present technical cooperations that they have benefitted in the last years and planned request for institutional and technical support
Risks related to planning, processes and systems	Lack of technical experts, advisors and specialized consultants on financial, banking, gender lens investing and green sectors	High	High	Selection of specialized providers of financial advisory and consulting services at international level with a vast database of experts, including gender lens investing expertise.
Risk related to legality	General corruption, nepotism and political influence on implementation structures and individuals	High	High	Selection processes will be institutionalised as much as possible during the lifetime of the project and will therefore not depend of individuals of other party. Improved planning and implementation processes to promote transparency, financial management and monitoring, oversight. Strict, transparent and criteria-based process for TA beneficiary selection.
Risks related to people and the organisation	Risk of human rights violations committed by entities involved	Medium	Medium	An explicit commitment for all private sector actors to abide by the UN Guiding Principles on Business and Human Rights. The Action adopts a do no harm approach, and due diligence mechanisms will be created.
Risk related to people and the organization	Limited commitment to gender equality and women's empowerment, Human Rights Based Approach (HRBA) by the targeted institutions and non-state actors.	Medium	High	The Action will provide sufficient means to work with institutions and non-state actors on the importance of mainstreaming Gender Equality, and HRBA

**Lessons Learnt:**

Previous experiences in funding operations for increasing access to credit to MSMEs and households in Honduras show that, due to the complex political and institutional scenario, it is strategic to focus on the public financial sector as a key actor to trigger a green transition and increase competitiveness.

It is worth mentioning that by the public financial sector, technical assistance is perceived less as an optional investment tool and more as an essential element of operations, connected to the risk perception of financial intermediaries.

Currently, the National Financial Inclusion Strategy (ENIF) envisions the delivery of financial services as complementary to technical assistance services. Regulated and unregulated financial institutions have very few partnerships with providers of technical assistance (organizational, productive), marketers, among others, which would allow them to reduce the productive, market, and all type of risks associated with rural producers<sup>42</sup>.

Experience acquired demonstrates that a comprehensive approach of provision of financial services at various complementary tiers of the financial system, provides borrowers with access to finance together with non-financial services is far more effective and sustainable. As per technical assistance driving factors, the following elements need to be considered for the execution of the Action:

- 1) A situational analysis can be used to help define the technical assistance needs should be performed in advance
- 2) Involve partners and stakeholders in technical assistance design and process, to make sure their technical assistance needs are considered, improve ownership of the process, and increase the relevance and uptake of technical outputs.
- 3) Continued technical assistance support should be considered to support partners and stakeholders in disseminating TA outputs and establishing effective use of the technical assistance outputs.

As per technical assistance barriers or limiting factors to be taken into account:

- 1) Lack of specific expertise related to investment support and matchmaking services, considering that the current installed capacities of public institutions are very weak.
- 2) Limited assessment of in-country capacity, skills and availability to support the development and implementation of technical assistance outputs by the national financial stakeholders.
- 3) Limited knowledge of green classification and taxonomy by the financial institutions
- 4) Lack of technical assistance for corporate business modelling in support to Financial Institutions design of green financial products.

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<sup>42</sup> CEPAL – FIDA (2017). Estudio de caso sobre estrategias para promover la inclusión financiera de pequeños productores rurales en Honduras, Ciudad de Mexico, Mexico.

### 3.5 Intervention Logic

The key methodological premise is that State-Owned Development Banks (SDBs) play a pivotal role in catalyzing the needed transition towards a low-carbon, climate resilient quality investments, by establishing the green market conditions so that clear directions are given to the market (e.g. incentives, subsidies, credit facilities, regulations, standards, etc.) which can then commit with greater confidence and certainty into green and climate-smart investments. A second premise is that the technical assistance proposed in this Action will support both lending and non-lending operations (institutional strengthening capacity building), according to institutional needs.

The underlying intervention logic for the overall action articulates along three broad areas of technical assistance support:

**SO #1:** Strengthen State-Owned Development Banks' strategic role in green finance and green investments targeted for MSMEs and Households.

**SO #2** Increase the operational efficiency, market access, institutional knowledge and capacities of State-Owned Development Banks, Financial Intermediaries, and MSMEs, integrating sustainable, gender-responsive, and green practices and standards.

**SO #3:** Increase socially and environmentally responsible European private sector investments in Honduras

Strategic Objective #1: The underlying intervention logic for this component is based on the fact that investment-focused technical assistance will contribute to strengthen the capacities of SDBs to identify low-carbon and climate-smart potential in MSME lending and mainstream green finance in the portfolio of their core banking products and services. Within this context, **pre-investment TA role will be key for the identification and readiness on bankable projects**, even more in an emerging "green" market like the Honduran and provide support during the feasibility analysis. TA will also support SDBs for the introduction and structuring of green financing products tailored to promote environmentally sustainable practices. All identified outputs related to "Investment-focused specialized strategic and technical assistance" will contribute directly to positioning SDBs' strategic role through the identification, design and promotion of green finance products and investment operations targeted for MSMEs and Households.

Strategic Objective #2: The underlying intervention logic for this component is that **reinforced technical and institutional capacities of the staff of State-Owned banks and their networks of Financial Intermediaries** will raise awareness (and compliance with EIB-EU Green taxonomy and gender equality standards) and bring broader access to sustainable financial services facilitating investments in gender and climate-smart and green solutions at different levels, **ensuring more inclusive financial services**. Given the absence of a legal and institutional framework dedicated to addressing access to credit and financing for sustainable and climate resilient productive practices, complementing and integrating technical assistance services at various levels becomes fundamental. By doing so, the Action paves the way for systemic change, fostering **an enabling environment for the emergence of a "green finance" gender responsive market**. This intervention not only encourages the adoption of sustainable practices but also enhances overall income and promotes gender and environment-friendly production methods.

Strategic Objective #3: The intervention logic of this component is grounded in addressing the underinvestment faced by emerging sectors like the Green Economy due to various market constraints. By providing **technical support and facilitating connections with the EU private sector**, the Action enhances access to financing for green initiatives, thereby promoting environmental and social sustainability in Honduran businesses and market. The collaboration with EU global and regional investment programs, intermediary partners, and advisors further strengthens the project's ability to provide transaction support to businesses and projects, with a special focus on particularly vulnerable groups, catalyzing private investment in green initiatives that are gender responsive. Ultimately, these concerted efforts aim to facilitate sustainable and responsible access to green finance, aligning with EU-EIB standards and bolstering the environmental and social sustainability of MSMEs and households in Honduras.

The technical assistance is designed to accompany the EIB financial operation, blended with an EU investment grant and channelled through the 3 pre-selected SDBs all along its implementation and ensure a comprehensive pre-investment, investment monitoring and evaluation/sustainability approach. The financial operation will be designed to place at least 80% of micro/credits in the GGIA areas (defined by basin) with a revision cap at the end of the first year of implementation. Thus, the Technical Assistance will be focused on fostering credit placement and fulfilment of defined objectives primarily in the GG IA defined areas at least in its first year of implementation. General business environment enabling activities will be nation-wide.

### 3.6 Logical Framework Matrix

Results	Results chain (🌐): Main expected results (maximum 10)	Indicators (🌐): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	To contribute to more robust and inclusive financial ecosystem that drives sustainable economic growth, promotes equitable opportunities, and enhances resilience to environmental (and social) challenges	<ol style="list-style-type: none"> <li>GDP/capita</li> <li>Environmental Performance Index (EPI)</li> <li>Percentage increase in the number of financial institutions and businesses implementing sustainable finance practices and inclusive economic strategies, disaggregated by type of institution and business, and by demographic characteristics (e.g., gender, age, income level, disability status, ethnicity)</li> <li>Percentage of investment growth in SDBs green, inclusive, and sustainable portfolio in Honduras</li> </ol>	<ol style="list-style-type: none"> <li>USD 3247.2 (2024)</li> <li>40.2 (2024)</li> <li>(0) 2025</li> <li>(0) 2025</li> </ol>	<ol style="list-style-type: none"> <li>USD 3377 (2028)</li> <li>&gt; 45 (2028)</li> <li>8% (2028)</li> <li>5% (2028)</li> </ol>	<ol style="list-style-type: none"> <li>World Bank, Ministry of Finance (SEFIN)SDB Reports</li> <li>Yale and Columbia University, EPI Index</li> <li>State-Owned Development Banks' annual financial statements, sustainability audits, national financial supervision agency reports, and Development Banks external evaluation reports.</li> <li>CNBS Reports, SBDs and FI Allocations Reports.</li> </ol>	<i>Not applicable</i>
<b>Outcome 1</b>	<b>Strengthen State Owned Development Banks' strategic role in green finance and green investments targeted for MSMEs and Households.</b>	<ol style="list-style-type: none"> <li>GERF 2.13b/ IPA III RF 4.1.1.4b "Number of green jobs supported/sustained by the EU"</li> <li>Number of MSMEs and households accessing green finance products through State-Owned Development Banks disaggregated by sex (for households), urban/rural location, type of MSME</li> </ol>	<ol style="list-style-type: none"> <li>0 (2025)</li> <li>0 (2025)</li> </ol>	<ol style="list-style-type: none"> <li>1.956 (2028)</li> <li>3000 (2028)</li> </ol>	<ol style="list-style-type: none"> <li>State-Owned Development Banks' Portfolio and loan records, annual reports, and financial statements. MSMEs</li> </ol>	<p>Increased market demand for environmental goods and services.</p> <p>Public Financial sector plays a central role in commitment</p>

		<p>1.3 *MIP 2021-2027 – Indicator SO2 a.1 Number of financial guarantee programmes designed and operating</p> <p>1.4 Percentage of green finance products developed and offered to MSMEs and households with the support of EU specialized strategic and technical assistance disaggregated by type of MSME, urban/rural location</p> <p>1.5 *MIP 2021-2027 – Indicator SO2 a.2 Amounts of funds leveraged through financial guarantees, including EU guarantees</p> <p>1.6 Amount of outstanding loans to Micro, Small Medium and Enterprises (MSMEs) investing in Sustainable Consumption and Production (SCP) per year, disaggregated by sex and age group of the owner, enterprise size</p> <p>1.7 GERF 2.17a Number of beneficiaries with access to financial services with EU support: (a) firms,**</p> <p>1.8 GERF 2.17b Number of beneficiaries with access to financial services with EU support: (b) people (all financial services)**,</p> <p>1.9 *MIP 2021-2027 – Indicator SO2 a.3 Number of entrepreneurs benefitting from financial guarantee programmes</p> <p>1.10 Growth rates of household expenditure or income per capita among the bottom 40 per cent of the population with EU support</p>	<p>1.3 8 (2020)</p> <p>1.4 0 (2025)</p> <p>1.5 HNL 7,787,942,891.00 (2020)</p> <p>1.6, 1.7, 1.8 TBD</p> <p>1.9 31,635 (2020)</p> <p>1.10 0 (2025)</p>	<p>1.3 14 (2028)</p> <p>1.4 10 (2028)</p> <p>1.5 HNL 10,436,588,317.6 (2028)</p> <p>1.6, 1.67 1.8 TBD</p> <p>1.9 113,356 (2028)</p> <p>1.10 10 (2028)</p>	<p>associations reports.</p> <p>1.2 State-Owned Development Banks' records, strategic and technical assistance program reports</p> <p>1.3 Ministry of Finance budget settlement reports</p> <p>1.4 State-Owned Development Banks' loan records and financial statements and EU program reports</p> <p>From 1.5 to 1.10 Ministry of Finance budget settlement reports, State-Owned Development Banks' records and EU program reports</p>	<p>with NDCs targets.</p> <p>Improved regulatory environment for Green Finance.</p> <p>Political and Macro-Economic instability do not interfere with the implementation nor lead to inappropriate targeting.</p>
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<b>Outcome 2</b>	<b>Increase the operational efficiency, market access and institutional knowledge and capacities of State-Owned Development Banks, Financial Intermediaries, and MSMEs, integrating sustainable, gender-responsive, and green practices and standards.</b>	2.1 *MIP 2021-2027 – Indicator SO2 b.2 Variation in expenditure on innovation and development destined to MSMEs as a percentage of the Non Financial Public Sector Budget	2.1 0,04% of the GDP (2020)	2.1 0,3% of the GDP (2027)	2.1 Ministry of Finance budget settlement reports	SDBs and Financial Institutions willing to accept the change for financial inclusion and greening with effective cooperation
		2.2 Percentage of State-Owned Development Banks, Financial Intermediaries, and MSMEs adopting sustainable, gender-responsive, and green practices and standards. Disaggregated by type of institution (State-Owned Development Bank, Financial Intermediary), urban/rural location	2.2 TBD	2.2 TBD	2.2, 2.3, 2.4 Institutional reports, sustainability audits, and compliance assessments	
		2.3 *MIP 2021-2027 – Indicator SO2 b.1 Number of programs that promote MSMEs innovation and information technologies in prioritized economic sectors and value chains, supported by EU	2.3 1 (2020)	2.3 18 (2027)	2.5, 2.7 Training program records, capacity-building reports, participant surveys, aide memoires	
		2.4 *MIP 2021-2027 – Indicator SO2 c.1 Number of business initiatives aimed at preserving and restoring the environment.	2.4 0 (2020)	2.4 18 (2028)	2.6 MSME sales records, market analysis reports, surveys of MSMEs	
		2.5 Number of MSMEs receiving training and capacity-building support on sustainable, gender-responsive, and green practices and standards, disaggregated by sex of the owner, urban/rural location, and enterprise size	2.5, 2.6 TBD	2.5, 2.6 TBD		
		2.6 Increase in market access for MSMEs integrating sustainable, gender-responsive, and green practices, measured by the percentage change in sales or market share, disaggregated by sex of the owner, urban/rural location, and enterprise size				
		2.7 Number of people who have benefited from institution or workplace based VET/skills development interventions supported by the EU: (a) all VET/skills develop	2.7 0 (2025)	2.7 TBD		

<p><b>Outcome 3</b></p>	<p><b>Increase socially and environmentally responsible European private sector investments in Honduras.</b></p>	<p>3.1 Number of new ESG investment and trade business between EU and Honduras</p> <p>3.2 Amount of green investments in targeted sectors (OPSYS predefined indicator)</p> <p>3.3 GERF Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support</p>	<p>3.1 0 (2025) 3.2, 3.3 TBD</p>	<p>3.1 4 (2028) 3.2, 3.3, TBD</p>	<p>3.1 Investment records from European private sector companies, investment reports from European Chambers of Commerce, and national investment promotion agencies</p> <p>3.2, 3.3, 3.4 Institutional reports, sustainability audits, and compliance assessments</p>	<p>Main Focus on Portfolio Investments versus FDI investments</p> <p>Sufficient Incentive Policies</p> <p>Political and Macro-Economic instability do not interfere with the implementation nor lead to inappropriate targeting.</p> <p>Trust in formal financial sector</p>
<p>Output 1 relating to Outcome 1</p>	<p>1.1 Improved the capacity of the State-Owned Development Banks' current capacities for designing green finance products and structuring a green and climate-smart investment portfolio.</p>	<p>1.1.1 Number of capacity assessments developed with TA support of the EU-funded intervention</p> <p>1.1.2 Number of market analysis and assessments developed with support of the EU-funded intervention</p>	<p>1.1.1 0 (2025)</p> <p>1.1.2 0 (2025)</p>	<p>1.1.1 3 (2028)</p> <p>1.1.2 3 (2028)</p>	<p>1.1.1 Assessment documents</p> <p>1.1.2 Market analysis documents</p>	<p>SDBs and Financial Institutions willing to accept the change for financial inclusion and greening with effective cooperation</p>
<p>Output 2 relating to Outcome 1</p>	<p>1.2 Enhanced capacity of the State-Owned Development Banks for Pre-investment (Feasibility) and investment preparation, and for the design of the investment projects in order to maximize both financial and developmental impacts.</p>	<p>1.2.1 Number of feasibility studies and strategies developed with support of the EU-funded intervention delivered through AT</p>	<p>1.2.1 0 (2025)</p>	<p>1.2.1 5 (2028)</p>	<p>1.2.1 Feasibility studies</p>	<p>High demand for investments</p>

<p>Output 3 relating to Outcome 1</p>	<p>1.3 Increased the capacity of the State-Owned Development Banks for green investment project implementation are strengthened (investment and post-investment TA) including investment promotion, monitoring and evaluation process.</p>	<p>1.3.1 Number of State-Owned Development Banks staff trained in green investment project implementation, disaggregated by sex and age</p> <p>1.3.2 Number of green investment projects implemented by State-Owned Development Banks with post-investment technical assistance (TA), disaggregated by type of project and sector</p>	<p>1.3.1 0 (2025)</p> <p>1.3.2 0 (2025)</p>	<p>1.3.1 200 (2028)</p> <p>1.3.2 8 (2028)</p>	<p>1.3.1 Training program records, human resources reports, attendance sheets</p> <p>1.3.2 Project implementation records, monitoring and evaluation reports, investment promotion records.</p>	<p>in GGIA targeted areas</p> <p>EU-EIB Green Standards applicable to Honduran market</p> <p>Promoted MSME access to credit</p>
<p>Output 1 relating to Outcome 2</p>	<p>2.1 Enhanced operational and business-related capacity of the SDBs, Financial Intermediaries and final beneficiaries</p>	<p>2.1.1 Number of SDB and FI staff trained by the EU-funded intervention with increased knowledge and/or skills in business and operations, disaggregated by sex, age, income level, disability, area of residence, institution and training topic.</p>	<p>2.1.1 0 (2025)</p>	<p>2.1.1 160 (2028)</p>	<p>2.1.1 Aide Memoires, training programs, workshop agendas, materials and list of presence</p>	<p>Previous capacity assessment identifies training needs</p> <p>SDBs and Financial Institutions willing to accept the change for financial inclusion and greening with effective cooperation</p>
<p>Output 2 relating to Outcome 2</p>	<p>2.2 Enabled business environment and market opportunities, supported policy reforms and improved knowledge-sharing initiatives on access to sustainable, gender responsive and green finance for MSMEs.</p>	<p>2.2.1 Number of studies and policy research supported developed with support of the EU-funded intervention</p> <p>2.2.2 Percentage of increase of knowledge-sharing initiatives facilitated with support of the EU-funded intervention on access to sustainable, gender responsive and green finance for MSMEs.</p>	<p>2.2.1 0 (2025)</p> <p>2.2.2 0 (2025)</p>	<p>2.2.1 4 (2028)</p> <p>2.2.2 50 (2028)</p>	<p>2.2.1 Policy research documents, financial institution records, policy reform impact assessments</p> <p>2.2.2 Knowledge events and activities reports,</p>	<p>Access to Innovative technologies</p>

					knowledge-sharing initiative reports, MSME surveys	
Output 3 relating to Outcome 2	2.3 Strengthened institutional and technical capacity building on Green Finance, green taxonomy and climate finance, as well as Human Rights and Gender Equality Standards	<p>2.3.1 Number of institutions (e.g., State-Owned Development Banks, Financial Intermediaries) that have successfully integrated Green Finance, green taxonomy, climate finance principles, and Human Rights and Gender Equality Standards into their policies and procedures, disaggregated by type of institution.</p> <p>2.3.2 Number of technical staff trained in Green Finance, green taxonomy, climate finance, and Human Rights and Gender Equality Standards, disaggregated by sex and age, income level, disability, area of residence and role (e.g., policy maker, technical expert).</p>	<p>2.3.1 0 (2025)</p> <p>2.3.2 0 (2025)</p>	<p>2.3.1 12 (2028)</p> <p>2.3.2 120 (2028)</p>	<p>2.3.1 Institutional policy documents, compliance reports, and internal audits</p> <p>2.3.2 Training program records, participant list and surveys, and training evaluation reports, aide Memoires</p>	

<p><b>Output 1</b> <b>relating to Outcome 3</b></p>	<p>3.1 Improved matchmaking services for businesses and investors</p>	<p>3.1.1 Number of contacts established between business and investors with support of the EU-funded intervention, matchmaking initiatives facilitated disaggregated by sex and type of the business owner</p> <p>3.1.2 Number of business-investor partnerships facilitated by the matchmaking services in businesses events and investment and trade promotion fairs, disaggregated by business' lead sex, age, income level, area of residence.</p>	<p>3.1.1 0 (2025)</p> <p>3.1.2 0 (2025)</p>	<p>3.1.1 8 (2028)</p> <p>3.1.2 6 (2028)</p>	<p>3.1.1 Informative websites, investors mapping document, meeting reports</p> <p>3.1.2 Investment promotion events.</p>	<p>No major political or financial shocks in the country/region</p> <p>Synergetic approach with other EU investment programs</p>
<p><b>Output 2</b> <b>relating to Outcome 3</b></p>	<p>3.2 Strengthened opportunities for information-sharing, learning and market research networking between Honduras and the European Union.</p>	<p>3.2.1 Number of Information-Sharing and networking mechanisms between Honduras and the EU set up with support of the EU-funded intervention</p> <p>3.2.2 Number of collaborative projects or partnerships established between businesses or institutions in Honduras and the European Union, as a result of facilitated information-sharing and networking opportunities.</p>	<p>3.2.1 0 (2025)</p> <p>3.2.2 0 (2025)</p>	<p>3.2.1 3 (2028)</p> <p>3.2.2 10 (2028)</p>	<p>3.2.1 Market research documents, Data-sharing, Joint-learning initiatives</p> <p>3.2.2 Event attendance records, participant engagement surveys, activity reports</p>	<p>Availability of skilled and experienced international profiles (including gender lens investing expertise)</p> <p>PR campaign support</p> <p>Promotion of Foreign direct Investment and EU-CA trade agreement impelled by the Honduran Government</p>
<p><b>Output 3 related to Outcome 3</b></p>	<p>3.3 Improved Investment-facilitation support services to unlock social and environmentally responsible European private sector investments in Honduras</p>	<p>3.3.1 Number of TA provided for investment-facilitation support services by business' lead sex, age, income level, disability status, ethnicity, area of residence.</p> <p>3.3.2 Number of investment partnership built between Honduras and EU initiated with support of the EU-funded intervention</p>	<p>3.3.1 (0)</p> <p>3.3.2 (0)</p>	<p>3.3.1 8 (2028)</p> <p>3.3.2 3 (2028)</p>	<p>3.3.1 Business plans, partnership assessments and due diligence reports</p> <p>3.3.2 Investment proposal, Business agreements</p>	<p>Promotion of Foreign direct Investment and EU-CA trade agreement impelled by the Honduran Government</p>

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Honduras.

### 4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3. Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>43</sup>.

#### 4.3.1. Direct Management (Procurement)

A call for tender will be launched during the first quarter of 2025 to identify the best service provider in support of achieving the planned strategic outcomes detailed in section 3. The provider will offer specialized investment-oriented support and advisory services and will provide a set of skills for comprehensive international and/or local technical assistance focused on institutional capacity building, policy advice and knowledge-sharing to improve green finance and banking practices and bring access to sustainable and inclusive financial services. This will ensure an integrated technical advice and capacity building for the institutions and beneficiaries, and the coordination between the two components and the national counterparts.

The technical assistance contract will be a key instrument to support the implementation of the MIP 2021-2027 Priority Area 2 and generate access-to-finance green opportunities and investment-support in the regions prioritized by the GGIA.

#### 4.3.2. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case the actions as described in section 4.3.1 (direct management/procurement) cannot be implemented through direct management due to circumstances outside of the Commission's control, then the relevant part of this action will be implemented through indirect management with a pillar assessed entity which will need to demonstrate to have:

- Solid technical experience in climate finance technical assistance projects and relevant experience with capacity building of public banks and financial intermediaries;
- Proven experience in managing EU-funded projects and providing technical assistance to EIB and/or other multilateral and development banks;
- Able to mobilise a multidisciplinary team of experts related to targeted subjects on forest related topics;
- Preparedness to establish an office in Honduras to closely monitor the project;
- Experience in working with the private sector and the civil society;
- Experience in working in Central America and/or Honduras.

<sup>43</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

#### 4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realization of this action impossible or exceedingly difficult (Article 28(10) NDICIGlobal Europe Regulation).

#### 4.5. Indicative Budget

Indicative Budget components <sup>44</sup>	EU contribution (amount in EUR)
<b>Implementation modalities</b> – cf. section 4.3	
<b>Objective 1:</b> Strengthen State Owned Development Banks' strategic role in green finance and green investments targeted for MSMEs and Households. (Portfolio and Investment-related technical assistance) composed of:	2,450,000
Procurement (direct management) – cf. section 4.3.1	
<b>Objective 2:</b> Increase the operational efficiency, market access and institutional knowledge and capacities of State-Owned Development Banks, Financial Intermediaries, and MSMEs, integrating sustainable, gender-responsive, and green practices and standards.; composed of:	2,650,000
Procurement (direct management) – cf. section 4.3.1	
<b>Objective 3:</b> Increase socially and environmentally responsible European private sector investments in Honduras.	2,000,000
Procurement (direct management) – cf. section 4.3.1	
<b>Procurement</b> (all outcomes) – total envelope under section 3.1 <sup>45</sup>	7,100,000
<b>Evaluation</b> – cf. section 5.2	250,000
<b>Audit</b> – cf. section 5.3	
<b>Totals</b>	7,350,000

#### 4.6. Organisational Set-up and Responsibilities

##### **Project Management Unit**

To ensure the effective management and execution of technical assistance initiatives, a Project Management Unit (PMU) will be established. The PMU will be responsible for overseeing the management, supervision, tracking, and reporting of technical assistance long-term and short-medium term assignments, ensuring their alignment with the program's objectives.

<sup>44</sup> N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

<sup>45</sup> In order to avoid details on budgets for individual contracts, it is sufficient to indicate the total envelop for procurement. If budgets for individual contracts are public, tenderers tend to orientate themselves on them and not on the terms of reference.

The PMU will act under the supervision of the responsible Head of Cooperation and the EU Programme Manager at the EU Delegation to Honduras. The primary function of the PMU will be to streamline and present technical assistance requests and demands from State-Owned Development Banks and Intermediary Financial Institutions, as well as the EU delegation, prioritizing activities that align with the program's outputs and outcomes. This will ensure efficient monitoring of actions and enable the PMU to provide strategic guidance or reorientation suggestions to the European Union Delegation and the Steering Committee.

Comprising key personnel, the PMU will include a Senior Program Manager experienced in designing, managing, and supervising technical assistance of green financial portfolios, responsible for strategic oversight and coordination. Additionally, a Project Associate Manager will provide project-specific support, while an Administrative Officer will handle administrative duties, ensuring the efficient management of the technical assistance portfolio. Within the Project Management Unit, two Investment Promotion Officers will coordinate the implementation of SO #3 Component, execute matchmaking and networking services, information-sharing, and investment facilitation efforts with EU private sector in support of the Investment Portfolio leveraged by SO#1 and SO#2 activities.

One of the preliminary tasks of the PMU will be to coordinate a thorough assessment of the Sustainable Development Banks' (SDBs) current capacities. This assessment will focus on evaluating their readiness for structuring a green and climate-smart investment portfolio and prioritize TA requirements. Recommendations will be provided to strengthen their green strategy and internal systems. These recommendations may encompass enhancements to their credit risk assessments, portfolio management techniques, management information systems, and strategies for accessing climate finance opportunities.

#### **Steering Committee**

The PMU will report directly to the Head of Cooperation and the EU Programme Manager and inform the Steering Committee that will convene periodically to ensure effective governance and strategic oversight. This committee will comprise six members representing: the European Union Delegation (EUD), the Ministry of Finance (SEFIN), the European Investment Bank (EIB) and the three SDBs (Banhprovi, Banadesa and Senprende).

The Steering Committee's primary role will be to decide on strategic issues and provide orientation and maintain alignment between all TA assignments and projects and the overarching goals and objectives of the Action. Through at least 2 committee sessions per year, the committee will provide guidance, review progress, and make strategic decisions to steer the program towards its goals and objectives.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

## **5. PERFORMANCE MEASUREMENT**

### **5.1. Monitoring and Reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

- Honduran Ministry of Finance (SEFIN) and State-Owned Development Banks will be in charge to define the correct baselines and regularly collect data as part of their internal monitoring systems. Data collection, monitoring and reporting will be performed periodically and will be defined at contractual level. Impact level indicators will require accessing data provided by national institutions.
- Reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action.
- The final report, narrative and financial, will cover the entire period of the action implementation.
- Indicators shall be disaggregated at least by income. All monitoring and reporting shall assess how the action is taking into account inequality reduction.
- Gender equality results will be monitored and reported, thus, the inclusion of sex-disaggregated information within the monitoring tools used will be ensured along with including specific gender and questions in the monitoring protocols.

## 5.2. Evaluation

Having regard to the nature of the action, a mid-term evaluation may be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving and learning purposes, in particular with respect to the level of loan placement in target areas, geographical focus, reduction of costs for final beneficiaries, among others. loan placement target areas, geographical focus, reduction costs for final beneficiaries, among others. The Commission shall inform the implementing partner at least two months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination<sup>46</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

Evaluations shall assess to what extent the action is taking into account inequality reduction, human rights as well as how it impacts the most vulnerable (bottom 40% contributes to gender equality and socio-economically disadvantaged individuals) women's empowerment and inclusion. Expertise on inequality reduction, human rights, and gender equality will be ensured in the evaluation teams.

## 5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

# 6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will

<sup>46</sup> See best [practice of evaluation dissemination](#). European Union, (2023). Disseminating Evaluations[On-line]. Available from: CLIP Honduras | Capacity4dev (europa.eu)

instead-be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

## Appendix 1 - REPORTING IN OPSYS

A Primary Intervention<sup>47</sup> (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

<b>Action level (i.e. Budget Support, blending)</b>		
<input type="checkbox"/>	Single action	Present action: all contracts in the present action
<b>Group of actions level (i.e. top-up cases, different phases of a single programme)</b>		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action(s)>
<b>Contract level</b>		
<input checked="" type="checkbox"/>	Single Contract 1	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 2	<foreseen individual legal commitment (or contract)>
	(...)	
<b>Group of contracts level (i.e. series of programme estimates, cases in which an Action includes for example four contracts and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other)</b>		
<input type="checkbox"/>	Group of contracts 1	<foreseen individual legal commitment (or contract) 1> <foreseen individual legal commitment (or contract) 2> <foreseen individual legal commitment (or contract) #>

<sup>47</sup> For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including 'Action' and 'Intervention' where an 'Action' is the content (or part of the content) of a Commission financing Decision and 'Intervention' is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](#).