

Trade Policy Review Body

TRADE POLICY REVIEW

HONDURAS

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of HONDURAS is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on HONDURAS.

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I. INTRODUCTION

1. After operating for several decades on the basis of a development model oriented toward export substitution, with non-market and often protectionist policies, since the beginning of the 1990s Honduras has become more closely integrated into the world economy. In global terms, during the 1990s the Honduran economy had its ups and downs, sometimes due to exogenous factors such as the energy crisis of 1994, hurricane Mitch in 1998 and, more recently, the fall in the international prices of its main exports. In the course of that decade, Honduras implemented a broad programme of macroeconomic and structural reform aimed at correcting the imbalances which had built up during the previous decade and laying the foundations for a more open and competitive economy. Substantial efforts were made to consolidate participatory democracy and social measures were adopted to temper the adverse effect of some of the adjustment measures. In the course of time, the different policy variables were brought under better control, as reflected in the improvements both at the macro level and in the social sectors. However, Honduran participation in international trade is still limited as compared with that of neighbouring countries such as Costa Rica, El Salvador and Guatemala. This is because its exportable offer is restricted in both volume and range, the products have little value added, its trade is concentrated on a few trading partners; and many of its products are sufficiently competitive on the domestic, regional and international markets.

2. The market-opening process in which Honduras is engaged has helped to establish a more stable economic environment, which has led to substantial increases in exports, in foreign trade-related investment and in job creation. However, it has also encouraged the development of a much more competitive climate and is obliging every sector of the economy to take stock of itself and develop more precise strategies in such areas as the modernization of the means of production; trade restructuring; the negotiation and administration of trade agreements; the training of human resources; labour issues; micro, small and medium-sized businesses; greater competitiveness, institutional and legal reform; the development and strengthening of strategic alliances at regional and international levels; the improvement of services and infrastructure; plant and animal health and food safety; environmental management; and the reduction of vulnerability and risk, etc.

3. This new development strategy is also obliging the representatives of all sectors of the Honduran economy to concern themselves with and participate effectively in the discussion and formulation of policies and strategies on issues which under the previous development model went unnoticed and which today must be taken more comprehensively into account so that the economy can be integrated into international trade under conditions of competitiveness and with the prospect of success, since otherwise the country would run the risk of losing both its competitiveness and its ability to produce for the domestic market.

4. Within the context of foreign trade policy, Honduras' primary objective has been to accomplish, effectively and efficiently, its integration into the world economy and to promote, facilitate and consolidate Central American integration. As a member of the Central American Common Market (CACM), Honduras has actively promoted integration and economic cooperation in the region, and the obstacles to regional trade have been largely eliminated.

5. In the area of trade policy, the barriers to foreign trade have been lowered and efforts have been made to gain access to international markets for Honduran products under competitive conditions, as well as to open up the country more widely to trade and integrate it more closely into the world economy. In this connection, trade and investment treaties and partial scope agreements have been signed with several countries, progress has been made with Central American Integration, and having

acceded to the General Agreement on Tariffs and Trade (GATT), Honduras became a founding member of the World Trade Organization (WTO).

6. Although this report naturally lays its main emphasis on the economic and trade aspects, it is worth mentioning that Honduras has made considerable efforts to fight poverty in such specific areas as health, education, vulnerable group welfare, the environment, democracy and governance. Each component of the current Government Plan has a series of general and specific objectives and developed policy measures, a portfolio of prioritized projects, and performance indicators. Nevertheless, it should be pointed out that success in achieving the current administration's objectives depends not only on its ability to implement the Government Plan but also on a combination of exogenous variables linked with the international environment, as indicated by Honduras's sensitivity to changes in the international prices for its main export products, international fuel prices and the application of debt relief measures under the Heavily Indebted Poor Countries (HIPC) Initiative, not to mention the volatile international political scene, all factors on which a small country such as Honduras has little or no impact.

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II. GOVERNMENT PLAN 2002-2006

7. The Government Plan proposed to the Honduran people for the period 2002-2006 is based on fundamental principles which seek to orient and prioritize the various actions, policies, programmes and projects. These principles are consistent with the following policies: (1) a long-term vision, with the emphasis on fighting poverty, (2) development centred on the human person, (3) the inclusion and participation of all sectors, and (4) the transparency of every action whether taken at public or private level.

8. The Government has launched a series of actions aimed at achieving such high-priority national objectives as the establishment of law and order, the consolidation of democracy and the mitigation of poverty.

9. When hurricane Mitch struck at the end the 1998, it revealed a high degree of ecological and social vulnerability which made necessary a reordering of national priorities and sparked an extensive process of national reconstruction and transformation. Against this background, the following important events stand out: (i) the meeting of the Consultative Group in Stockholm (Sweden) in May 1999 at which, following the destruction wrought by Mitch, a programme of cooperation for national reconstruction and transformation was decided upon, (ii) the declaration of Honduras' eligibility and subsequent reaching of the decision point for debt relief within the framework of the HIPC Initiative, (iii) the participatory formulation of the Poverty Reduction Strategy Paper (PRSP), and (iv) the decision of the present Government to continue with its implementation with a view to achieving a sustained reduction in poverty over a 15-year period.

10. In the final Declaration of the Meeting of the Consultative Group for the Reconstruction and Transformation of Central America, held in May 1999 in Stockholm (Sweden), six goals and principles were defined. For Honduras they constitute the main foundation for the various actions taken with respect to reconstruction and especially transformation. These principles are as follows: (a) reduce the social and ecological vulnerability of the region, (b) reconstruct and transform the country on the basis of an integrated approach of transparency and good governance, (c) consolidate democracy and good governance, reinforcing the process of decentralization, with the active participation of civil society, (d) promote respect for human rights as a permanent objective,

(e) coordinate donor efforts, guided by priorities set by the recipient countries, and (f) intensify efforts to reduce the external debt burden.

Revitalization of the economy and job creation

11. In Honduras, economic growth is very variable and not very rapid. This has had an adverse effect on the creation of the jobs being demanded by an expanding population of working age and is therefore limiting the possibilities of making progress with the reduction of poverty. Thus, almost a third of the economically active population is unemployed or underemployed. Despite significant changes in the legal and institutional framework to encourage private investment, advances in macroeconomic policy and increased international cooperation, these efforts have not made the impact necessary to increase and improve employment and hence social welfare.

12. In this connection, the present Government considers that the most immediate challenges facing the nation are as follows: (a) to speed up economic growth mainly through tax reforms, the consolidation of reforms in the financial sector and the reinvigoration of such production sectors as agro-industry, forest products, light assembly, tourism and mining; (b) to improve the access of small and medium-sized producers, especially those in rural areas and from the gender standpoint, to the factors of production as a key element in raising their living standards and their contribution to the national economy; and (c) to improve the production support infrastructure and other factors that determine the country's competitiveness. The following paragraphs describe the sectoral objectives as defined in the current Government Plan.

13. **Macroeconomic stability.** Despite progress with the management of most of the macroeconomic policy variables, the country faces certain problems of sustainability. Accordingly, the overall objective is to establish a stable macroeconomic framework capable of generating the confidence and certainty necessary to encourage private investment and guarantee economic growth, which require the creation of more abundant sources of wealth within the population. The policy measures in this area are as follows: (i) to exercise firm control over current expenditure, (ii) to make efforts to improve tax administration, (iii) to establish a uniform public-sector wage policy, (iv) to pursue the foreign debt relief negotiations, (v) to ensure proper management of the monetary variables, (vi) to continue reducing the mandatory investment requirement for national currency deposits until it is eliminated, and (vii) to maintain a stable and predictable exchange rate system based on clear rules.

14. **Promotion of investment and trade.** Gross internal investment in Honduras stands at about 30 per cent of GDP, which is much higher than the Latin American average (22 per cent). However, this does not seem to be influencing the country's economic growth due, among other things, to its low level of efficiency. Here, the objective is to promote opportunities for investment, especially in areas with a strong production potential, capable of generating more value added, technology transfer and jobs, and to improve the integration of the Honduran economy into international trade flows under competitive conditions. The investment and foreign trade promotion policy measures include: (i) strengthening the legal framework to encourage the establishment of new enterprises, (ii) strengthening the agencies involved in the negotiation and administration of treaties and the promotion of trade and investment, (iii) promoting and/or supporting action to improve legal certainty in the area of investment, contracts, dispute settlement, and rural and urban land tenure, (iv) strengthening the bilateral and multilateral negotiating and trade dispute settlement mechanisms, (v) creating the conditions and agencies necessary for the effective promotion of investment and exports, (vi) promoting Honduran participation in multilateral forums, (vii) negotiating agreements to speed up the transit of persons and goods and eliminate obstacles to free trade and cooperation with other countries and regions of the world, and (viii) strengthening Honduran participation in the

Central American integration process, with a view to improving joint negotiating capacities vis-à-vis third parties.

15. **Job creation policy.** The accelerating process of urban development is encouraging large numbers of people to migrate from rural areas in search of employment and better living conditions. At the same time, the structural heterogeneity of the Honduran economy has led to considerable differences within the labour market and a redefinition of the function of the State directed towards establishing the conditions necessary to make private enterprise and not the public sector the country's main source of employment. The aim is to bring about a substantial improvement in the labour market and labour productivity leading to more skilled jobs with an improvement in real wages and the predominance of formal employment among the economically active population, so as to create decent living conditions and make the Honduran economy more competitive. The policy measures for job creation are: (i) to define an employment and wages policy consistent with the fiscal objectives and public policies, (ii) to promote the modernization of the labour market, and (iii) to strengthen the key productive sectors as strategic factors in the creation of new jobs.

16. **Revitalization of the production sectors.** The country needs measures to promote medium-term economic recovery within a framework of stability and confidence. In this connection, it is necessary to promote a well-defined, coherent and sustainable policy of development of the production sectors capable of benefiting from the country's comparative and competitive advantages such as agriculture and forestry, mining, tourism, the light assembly industry, and micro, small and medium-sized enterprises (MSME). The primary sectors require coordinated action to strengthen the institutional framework, and where the light assembly industry is concerned this should lead gradually to better integration into the national economy and product diversification, including the production of technology goods which make it possible to open up new international markets and expand local opportunities. The development of tourism depends, above all, on more intensive international promotion and improvements in the infrastructure and support services, while in the MSME sector it will be necessary to resolve the problems caused by low levels of productivity and competitiveness.

17. Priority will be given to agri-food development and the rural environment with a view to ensuring that the sectors which make up the food supply chain significantly increase their contribution to economic growth and the sustainable reduction of rural poverty by improving their competitiveness and their capacity to integrate successfully into the international economy. The policy measures include: integration of the agri-food chain, the development of agriculture, the promotion of stock farming, the development of fishing and aquaculture, forest products and forest protection, and sustainable rural development.

18. As far as the light assembly sector is concerned, the general objective is to go on promoting the domestic *maquila* industry so that it continues to be an important source of employment and contributes, in its turn, to the generation of the competition necessary to increase the productivity of capital and labour in other production sectors. The policy measures are: (i) to promote and encourage the establishment of enterprises with more technology transfer, (ii) to extend and improve the support services infrastructure in order to expand the *maquila* industry, (iii) to promote in the textile *maquila* industry the integration of the stages of the production process and vertical integration, (iv) to design a strategy and programmes for training administrative human resources to meet the needs of the *maquila* industry, and (v) to encourage economies of scope.

19. **Strengthening the financial system.** The channelling of financial system resources to the production sectors, on accessible terms, is a key to the revitalization and development of the economy. This important function of the financial system has been limited by factors such as the

contraction of domestic capital investment, the lack of investment in long-term financial products, and the lack of a proper analysis of the economic and social return on the projects to be financed. The aim is to strengthen and increase the efficiency of the financial system thereby enabling it to channel the resources needed to revive the economy, generate sustainable long-term growth and consolidate macroeconomic stability. The principal policy measures are: (i) to continue the process of modernizing the supervision of the financial system, (ii) to take timely preventive action when a financial institution is looking fragile, (iii) to find ways of improving access to financing in the housing sector, (iv) to create specific mechanisms to enable the agricultural and tourism sectors and small and medium-sized enterprises to obtain better access to financing, and (v) to promote options for meeting the demand for financing not satisfied by domestic funds and savings.

20. Infrastructure development and modernization. The damage done to the infrastructure sector by hurricane Mitch seriously undermined the support which that sector provides for the national economy. Accordingly, in recent years action has been taken to rehabilitate, reconstruct and maintain, in particular, the country's road network, in fulfilment of the objectives laid down in the National Reconstruction and Transformation Master Plan. Likewise, efforts have been made to extend the coverage and improve the quality of a series of basic services such as telecommunications, energy, ports and airports. Moreover, action has been taken to implement reforms and expand investment opportunities in these sectors by a variety of means, including the granting of concessions and the sale of part of the share ownership.

21. With respect to the road network, the objective is to maintain the country's road network in the best possible operating condition, with the broad participation of private investment. The policy measures include: (i) promoting the increased participation of the entrepreneurial sector in road network construction and maintenance, particularly by granting concessions, and (ii) strengthening the municipalities administratively and technically in order to develop local and urban road network construction and improvement projects with community participation.

22. As regards the ports, the objective is to improve their efficiency and competitiveness in providing port services by encouraging private initiatives. The policy measures for this sector consist of: (i) defining a strategy for the reform and modernization of the port sector, (ii) facilitating the greater participation of private enterprise in the various port activities which help to promote trade and tourism, and (iii) encouraging the implementation of equipment maintenance and port infrastructure construction and improvement programmes.

23. In the energy sector, the general objective is to develop the electrical subsector as a contributor to national competitiveness and economic and social well-being through the supply of electrical energy under appropriate conditions of cost, quality, availability, coverage and sustainability. The policy measures are: (i) to restructure the National Electricity Company (ENEE), to reinforce and modernize the transmission and control infrastructure of the national grid within the context of closer integration into the regional electricity market, (iii) to contract for new basic thermal generating capacity, (iv) to invite bids and contract for billing and collection services with a private operator, (v) to promote power saving and minimize losses at national level, (vi) to incorporate the private sector in the management of the distribution systems, (vii) to formulate an integral and sustainable energy policy, (viii) to establish a fund for the implementation of rural and marginal electrification projects, and (ix) to promote power generation through the use of renewable sources.

24. In telecommunications, the aim is to extend and modernize telecommunications services and other services necessary for communication for the purpose of achieving productivity and quality ratings comparable with international standards. The policy measures are: (i) to promote the

competitiveness of mobile telephony, (ii) to initiate the authorization process for offering final basic services before the expiry of HONDUTEL's exclusivity, (iii) to establish an International Transit Centre to cater for the needs of the Central American region, (iv) to improve access to telematic services and offer a higher grade of value-added services, (v) to expand the installed capacity of the telephone line network for marketing purposes, (vi) to establish and implement a Fund for the Development of Universal Access Telephone Services, (vii) to promote the provision of appropriate and high-quality telecommunications services in accordance with market requirements, (viii) to establish a tariff rebalancing programme for telephone services, and (ix) to arrange for the private sector to take a minority stake in HONDUTEL's operations with management control.

25. Science and technology. The facilitation of scientific research is essential in order to support national development and to compete in an environment increasingly dominated by knowledge and information. In this area, the aim is to develop, continuously and systematically, qualified human resources, competitiveness and entrepreneurial productivity by encouraging the development of science and technology through the direct financing of research and innovation projects in industry and research centres. The policy measures are: (i) to create the Honduran Foundation of Science and Technology (FUHCYT) as a private non-profit institution with State participation to preside over the national system of science and technology, and (ii) to promote professional development and training in engineering firms and consultancies with a view to improving productivity and competitiveness.

III. ECONOMIC AND TRADE POLICY ENVIRONMENT

Background

26. During the 1990s, judging by its main economic and social indicators, Honduras fared better on average than in the previous decade. Nevertheless, the average rate of growth of GDP barely exceeded the rate of population increase. Thus, according to the UNDP's Human Development Report, per capita income (around US\$ 900 in 2001) is equivalent to only 38 per cent of the Central American average, including Panama and Belize. Moreover, the rate of growth is too variable and sluggish to create enough jobs to absorb the increase in the population of working age. As a result, more than one-third of the economically active population is having employment problems, mainly associated with underemployment.

27. A comparison of the trends in GDP and employment during the decade reveals a close correlation between the two variables. Thus, between 1991 and 1994 the annual average increase in employment was 5.4 per cent, while GDP grew by 3.4 per cent. During the following period (1994-1997), the employment rate increased slightly (from 5.4 per cent to 5.5 per cent), while GDP increased by eight tenths of a point (from 3.4 per cent to 4.2 per cent). In the latest three-year period both variables showed conspicuous weakness, the annual average growth rates being only 1.9 per cent in the case of GDP and 3.7 per cent in the case of employment. This performance was mainly a reflection of the devastating effects on the national economy of the passage of hurricane and tropical storm Mitch.

28. The Government Plan currently in force in Honduras, for the period 2002-2006, is intended to correct the imbalances that have built up as a result of a series of factors, both exogenous and endogenous, and is based on the relevant policy instruments such as the Poverty Reduction Strategy, the principles of the Stockholm Declaration and an assessment of the realities of the country's situation. Its objective is to reduce poverty in its various manifestations: economic backwardness, poor quality of life, lack of ethical and civic values, and a high degree of social and environmental vulnerability.

Recent economic trends

29. For the period 2002-2006, the Government is making efforts to correct the macroeconomic imbalances within the framework of a set of policies aimed at reducing poverty. Under this scenario, it is negotiating a new agreement with the International Monetary Fund (IMF) that will maintain the country's credibility in terms of access to funding from the international community, while permitting a macroeconomic management policy that favours economic recovery, the attraction of productive investment, provision for the social sectors and the environment, and the consolidation of democracy. It is also seeking to ensure that the country continues to benefit from the Heavily Indebted Poor Countries (HIPC) Initiative so as to obtain full access to the foreign debt relief so necessary for the satisfactory implementation of the Poverty Reduction Strategy.

30. Within this context, a review of the performance of the main economic variables leads to the following conclusions.

31. **Fiscal sector.** There has been a conspicuous increase in expenditure, especially during 2001, when it rose by almost 20 per cent. A particular concern is the increase in current expenditure due mainly to the continuing strong upward pressure on wages and salaries during the last four years. For its part, revenue is tending to decline from year to year due to reduced economic activity and the shortcomings of the tax collection system, which is restricting the Government's ability to fulfil its commitments, especially in the social area. The budget has therefore been adjusted to adapt it to the country's priority needs. This made it possible to close 2002 with a Central Government deficit of 5.2 per cent of GDP, lower than the 6 per cent recorded in 2001.

32. **Monetary policy.** Inflation has been gradually brought under control. Within the financial system, interest rates, although still unattractive for the production sectors, are tending to fall and there is an adequate level of international reserves. The Central Bank of Honduras has reduced the mandatory investment requirement to only 3 per cent¹, thereby helping to keep the legal reserve for the banks at not more than 15 per cent, while opting for the greater use of open market operations as an instrument of monetary control.

33. **Exchange regime.** The policy of a crawling band nominal exchange rate under the Foreign Currency Public Auction System (SAPDI) has been maintained. Under this mechanism, during recent years the nominal exchange rate has slid by an average of 4.9 per cent per year. Nevertheless, the international financial institutions have expressed concern at the real effective appreciation of the national currency observed since 1997, which, although it has helped to control inflation, has also affected the competitiveness of Honduran products on world markets.

34. **Financial sector.** This sector is showing certain weaknesses which have made necessary various types of intervention in several financial institutions and other additional measures to ensure the sustainability of the system. Work is continuing on strengthening the financial system supervision and regulation functions exercised by the National Banking and Insurance Commission (CNBS) and on consolidating the Deposit Insurance Fund (FOSEDE).

35. **Agricultural policy.** In October 2002, the Honduran Agricultural Round Table was established as a mechanism for consultation between the public, private and farm sectors on the policies pursued with respect to 20 key crops, with a view to raising the income of rural families. One of the principal results is the State Policy Proposal for Honduran Agriculture, 2000-2021, which identifies the problems of the agri-food sector and proposes various possible solutions.

¹ Government Plan 2002-2006.

36. **Trade policy.** This has focused on securing access to international markets for Honduran products on competitive terms. In this connection, it is important to mention the entry into force of the Free Trade Agreement with Mexico and the Dominican Republic and the progress being made in negotiating similar agreements with other countries. Likewise, in 2000, export tariffs were totally eliminated and the programme of tariff reduction, within the framework of Central American Economic Integration, was completed with the establishment of a floor of 0 per cent and a ceiling of 15 per cent for merchandise imports.

37. **Internal trade.** Certain controls that limit trade liberalization continue to be applied, in some cases taking the form of mechanisms such as price setting for sensitive products, the establishment of tariff bands for imports, and possible prohibitions on the export of basic cereals. These mechanisms have served to moderate, in the short term, the rise in the prices of staple products. Nevertheless, for several years work has been proceeding on various initiatives with a view to securing the passage of competition policy legislation designed to correct distortions in the process of price formation and suppress anti-competitive practices that distort competition and harm consumers, especially the poorest, as well as businesses.

38. **Foreign debt.** The policy has been to assume new debt only on concessional terms for the purpose of financing priority projects of social or productive importance. At the same time, considerable progress has been made with foreign debt relief following the signing of the Paris Club IV Agreements and the acceptance of Honduras as a beneficiary of the HIPC Initiative.

39. **Social area.** In recent years there has been a tendency for social spending to increase, although this may have been more to satisfy wage type demands than to achieve the objective of improving the standard of living of the population. At the same time, although significant progress has been made with such key indicators as the illiteracy rate, average school enrolment, life expectancy, primary health care, etc., these continue to be among the lowest in Latin America.

The Poverty Reduction Strategy (PRS)

40. The PRS explicitly sets itself the fundamental objective of reducing poverty significantly and sustainably and is largely based on the development of conditions conducive to rapid economic growth and the achievement of social equity through improved access to production factors for the poor, including the development of human capital and social security networks. The main support for the implementation and follow-up of the PRS comes from the commitment of Honduran society's representative bodies and society in general, which is converting it into a State policy with a long-term vision.

41. The implementation, follow-up and evaluation of the PRS is the responsibility of the Social Cabinet, which is advised by a Consultative Council composed of representatives of the Government, civil society and the Honduran Association of Municipalities.

42. During 2003-2006, the PRS will be implemented on the basis of prioritization of the programmes and projects laid down in the Government Plan 2002-2006.

National Competitiveness Programme (NCP)

43. Executive Decree No. PCM-004-2002 of 2 April 2002 established the NCP, assigning the technical and operational secretariat function to the Foundation for Investment and Development of Exports (FIDE). The National Competitiveness Commission (CNC) coordinates the measures taken

under this Programme. Its main objective is to improve the climate for investment and business operations in Honduras, and promote productivity and management capacity on international markets.

44. Its principal components are: improvements in the investment climate and the logistical infrastructure; building innovative capacity in the private sector; improvements in the quality assurance system and the labour market; the promotion and enhancement of SMEs in high-potential sectors; the creation of the Competitiveness Fund; and the strengthening of foreign trade management, with the emphasis on areas with an excellent development potential, such as forestry, agribusiness, tourism and *maquila* industries.

IV. TRADE POLICY TRENDS 1990-2003

(1) LEGAL AND INSTITUTIONAL FRAMEWORK

45. The general objective of Honduras's foreign trade strategy is to achieve closer integration into world trade, promote domestic production and the availability and provision of goods and services through foreign trade and to foster efficiency, diversification and national competitiveness by exploiting comparative advantages and opening up new markets.

46. Since the 1990s, the Honduran Government has been applying a policy of liberalizing trade through the adoption of economic adjustment programmes that include fiscal and foreign exchange type measures, while freeing prices and privatizing State enterprises. During the period between 1990 and 2003, a dynamic and participatory strategy has been pursued in a search for closer collaboration in regional and world markets with a view to developing an efficient economy and expanding trade by creating the appropriate conditions for domestic and foreign investment.

47. The Ministry of Industry and Trade (SIC) is responsible for formulating, coordinating, implementing and evaluating Honduran policies relating to the promotion and development of industry, industrial estates and free trade zones, domestic and international trade in goods and services, export promotion, economic integration, private investment, business development, intellectual property matters, micro, small and medium-sized enterprises, crafts, trades and related activities, and the promotion, development and fostering of the social sector of the economy. At institutional level, the Ministry of Industry and Trade coordinates with the government institutions involved in the formulation, administration and follow-up of foreign trade policy, as well as with the Honduran Private Enterprise Council (COHEP), the main link between the public and private sectors in the area of international trade and investment, and the institutions of Honduran civil society through bodies such as the National Convergence Forum (FONAC).

48. Executive Decree No. 001-2003 of 24 April 2003 established the National Foreign Trade Commission as a joint body with responsibility for advising on the formulation of recommendations to the President of the Republic in the field of trade negotiations. The Committee is made up as follows: the Minister for the President's Office (Chairman), the Minister for Industry and Trade, who acts as Secretary, the Minister for Foreign Affairs, the Minister for Finance, the Minister for Agriculture and Livestock, the Presidency of the Central Bank, a representative of the General Union of Workers (CGT), a representative of the Honduran Confederation of Workers (CTH), a representative of the Unitary Confederation of Workers of Honduras (CUTH), a representative for the National Peasant Farmers Council (CNC) and for the Honduran Confederation of Peasant Women (CHMC), and five representatives of the organized private sector (COHEP).

(2) MULTILATERAL TRADE

49. In the area of multilateral trade, Honduras' trade policy is primarily shaped by its commitments as a Contracting Party to the GATT and a founding Member of the World Trade Organization (WTO). Honduras ratified the Protocol of Accession to the GATT in Legislative Decree No. 17-94 of 13 April 1994 and under the Marrakesh Agreement establishing the WTO ratified its membership of the WTO with the approval of Decree No. 177-94 in December 1994, thereby assuming a series of commitments contained in the various multilateral Agreements. As a Member of the WTO, Honduras firmly supports the incentives of the multilateral trading system while respecting the principles and fulfilling the obligations arising therefrom.

50. Honduras has adapted its national legislation to WTO rules in fulfilment of the obligations assumed under the Uruguay Round Agreements. Likewise, Honduras has made institutional adjustments in the specialized public sector for the purpose of administering those Agreements.

(3) TRADE AGREEMENTS

51. With regard to trade agreements, since the middle of the past decade, Honduras has actively promoted the signing of regional trade agreements and has stepped up its participation in the regional economic integration scheme as part of its market diversification strategy. This has made it possible to reduce its dependence on a single export market while broadening the exportable offer and winning important niche markets. Although it has not yet been possible to measure the value of regional schemes effectively because of the recentness of the agreements with Mexico and the Dominican Republic, it is obvious that market diversification is an important component of trade policy strategy, especially in connection with the signature of the agreements currently being negotiated with the United States and Canada, whose main objectives are centred on safeguarding the competitive position of national products on those markets, while in the case of the Central American integration scheme the aim is the more effective exploitation of the advantages inherent in closer integration.

52. Central American Common Market (CACM). For Honduras, the General Treaty on Central American Economic Integration, under which the country became part of the Central American Common Market (CACM), has been in force since 4 June 1961. In 1969, due to the armed conflict with El Salvador, Honduras ceased to be part of the CACM Free Trade Area. It was not until 1990, with the adoption of the Central American Economic Action Plan (PAECA), that concrete steps were taken to re-establish free trade and the legal normality of the integration process.

53. Honduras was fully reincorporated into the General Treaty on Central American Economic Integration by Legislative Decree No. 222-92 of 10 December 1992, which approved its accession to the Convention on the Central American Tariff and Customs Regime. Free trade between Honduras and the rest of the Central American countries was re-established by Decree No. 59-93 of 31 March 1993 for all natural and manufactured products originating in their respective territories.

54. On 1 June 1992 there entered into force the Tegucigalpa Protocol reforming the Charter of the Organization of Central American States (OCAS) with a view to modernizing the regional legal framework by establishing the Central American Integration System (SICA). On 17 August 1995 there entered into force the Guatemala Protocol, a supplement to the Tegucigalpa Protocol aimed at achieving the equitable and sustainable economic and social development of the Central American countries. In this Protocol countries undertook to improve the Central American Free Trade Area, establish a Customs Union between their territories, and gradually and progressively complete the Central American Economic Union.

55. In order to advance the regional integration process, Honduras and the other Central American countries have negotiated Central American regulations. Between 1990 and 2003 regulations were adopted in the following areas: Sanitary and Phytosanitary Registers, Rules of Origin of Goods, Safeguard Measures, Standardization Measures, Metrology and Authorization Procedures, Unfair Trade Practices, International Customs Transit Regulations, Dispute Settlement Regulations, and the Treaty on Services and Investment, while the question of Government Procurement is pending. These regional trade rules have been adapted to WTO commitments.

56. A majority of the products originating in the Central American area benefit from zero tariffs; most barriers to intraregional trade have also been removed. The main exceptions are the products in Annex "A" such as coffee, sugar, ethyl alcohol and petroleum products.

57. In relation to the Central American tariff, in Decree No. 257-2000 of 22 December 2000, Honduras approved the Third Protocol to the Central American Tariff and Customs Convention, ratifying it on 6 February 2002. This Protocol authorizes the establishment of nominal ad valorem tariff rates ranging from zero per cent (0%) to one hundred per cent (100%). Honduras does not apply tariffs higher than 100 per cent in accordance with the tariff policy in force and its GATT accession commitments.

58. In conformity with the Guatemala Protocol, under Resolution No. 57-2000 of the Council of Ministers for Economic Integration (COMIECO) of 29 August 2000, Honduras is participating in the Customs Union process initiated by El Salvador and Guatemala, with a view to forming a common territory.

59. It should be noted that as an intermediate step towards a Customs Union, integrated customs offices have been established at the border posts El Amatillo and El Poy, between Honduras and El Salvador, and El Guasaule, between Honduras and Nicaragua. Moreover, a peripheral customs office has been established at Puerto Cortes (Honduras) between Honduras and El Salvador. Resolution No. 75-2001 (COMIECO) of 6 April 2001 approved the mutual recognition of sanitary registers for foods and beverages processed and produced in Guatemala, El Salvador, Honduras and Nicaragua.

60. With respect to the Uniform Central American Customs Code (CAUCA III), its amendments were approved by Resolution No. 85-2002 of the Central American Tariff and Customs Council on 19 June 2002. The CAUCA Regulations are contained in Resolution No. 101-2002 of the Central American Tariff and Customs Council of 12 December 2002.

61. Free and Preferential Trade Agreement between the Republics of Honduras and Panama. The purpose of this agreement, which was signed on 8 November 1973 and entered into force for Honduras on 23 February 1976, is to expand markets and increase production so as to promote trade between the two countries to the maximum extent. In August 1999, the two countries converted from the Uniform Central American Tariff Nomenclature (NAUCA II), used by Honduras, and the Customs Cooperation Council Nomenclature (CCCN), used by Panama, to the Central American Tariff System (SAC), for Honduras, and the Harmonized Commodity Description and Coding System (HS), for Panama. This agreement covers 213 products with two-way free trade treatment, 230 products with preferential treatment, 2 products subject to quotas, and 24 products with treatment under import control.

62. Free-Trade Agreement between El Salvador, Guatemala, Honduras and Mexico. In force for Honduras since 1 June 2001, this Agreement signed between Guatemala, El Salvador, Honduras and Mexico is a new-generation agreement establishing rules and disciplines applicable not only to trade

in goods but also to other areas such as trade in services, investment, intellectual property, government procurement, customs procedures, rules of origin, technical regulations, and sanitary and phytosanitary measures.

63. Central America-Dominican Republic Free-Trade Agreement. In force for Honduras since December 2001, this Agreement between Guatemala, El Salvador, Honduras, Costa Rica and the Dominican Republic has as its objective the substantial intensification and diversification of trade relations between the parties by promoting the complementarity of their economies. The Agreement also covers such topics as unfair practices, competition policy and dispute settlement and was negotiated in two protocols which include definitions of the treatment to be given to goods and services produced under free trade zone and other special regimes and of products excluded from and subject to tax relief programmes.

64. Partial Scope Agreement between Honduras and Colombia. Legislative Decree No. 191-84 of 25 October 1984 approved Decision No. 546-84 of the Executive, dated 11 June 1984, relating to the Colombia-Honduras Partial Scope Agreement. This Agreement, with a term of three years automatically renewable for further three-year periods, covers a total of 11 products.

65. The Second Protocol Amending the Partial Scope Agreement was signed on 13 June 2001, approved in Honduras by Decision No. 48-2001 of 24 July 2001 and ratified by the National Congress on 10 October of that year. It provides for the extension of preferences through the incorporation of two products and the amendment of the transcript of the list of products in the First Protocol Amending the Agreement.

66. Partial Scope Agreement between Honduras and Venezuela. Legislative Decree No. 43-86 of 8 April 1986 approved Decision No. 150-86 of 20 February 1986 relating to the Partial Scope Agreement between Venezuela and Honduras in which they agreed to grant each other, on the taxes in force, tariff preferences for the products included in the Agreement for a term of three (3) years automatically renewable for further three-year periods. The First Protocol Amending the Partial Scope Agreement between Honduras and Venezuela, signed on 29 September 1992, amended Article 5 of the Agreement. The Agreement gives Honduras access to the Venezuelan market with a list of 31 products that benefit from tariff preferences.

67. Central America-Chile Free-Trade Agreement. The negotiations leading to this Agreement began on 17 August 1998 when the Deputy Ministers for the Economy of Central America approved the organizational framework for the negotiation of a Free Trade and Investment Agreement. The treaty instruments were signed in October 1999 by the Presidents of the six countries. In the case of Honduras, it remains to formalize the bilateral annexes on market access, services reservations and rules of origin for the agreement to be finally approved by the National Congress.

68. Central America-Panama Free-Trade Agreement. In 1998, negotiations were begun with a view to establishing a new agreement that would replace the bilateral agreement in force since the 1970s and would not only provide broad coverage of the tariff schedule but also include provisions on rules of origin and customs procedures, investment, services, government procurement, anti-dumping measures, sanitary and phytosanitary measures and dispute settlement. In May 2001, the negotiation of the body of the agreement was concluded, leaving pending the negotiation of the Annexes on market access, specific rules of origin and reservations in respect of services and investment.

69. Free-Trade Agreement between El Salvador, Guatemala, Honduras, Nicaragua and Canada. The negotiations on this Agreement began in December 2001. The aim was to obtain preferential access

for industrial and agricultural products with due account for the differences in scale and development between the two economies. The Agreement also includes the parallel signing of environmental and labour cooperation agreements, based on cooperation between the parties. New rounds of negotiations were conducted in July 2003.

70. Central America-United States Free-Trade Agreement. The negotiations with the United States were launched on 8 January 2003 with the establishment of a negotiating agenda which includes: (i) market access, (ii) services and investment, (iii) dispute settlement, transparency and institutional provisions, (iv) government procurement and intellectual property, (v) labour and environmental issues, (vi) a working group on sanitary and phytosanitary measures, and (vii) a working group on cooperation. A timetable for nine rounds of negotiations was drawn up and five had been conducted by July 2003, the intention being that the negotiations should be concluded in December 2003. With this Agreement, Honduras is planning to further consolidate its position with regard to preferential access to the United States and attract more investment.

71. Free-Trade Area of the Americas (FTAA). Honduras is participating in the FTAA negotiations. Since it began in 1994, this participation has involved working in the negotiating groups and on the Trade Negotiations Committee (TNC) and Honduras' position with respect to the FTAA is to give total support to the formation of such an Area, while taking into account the realities of the country's situation in its present phase of development.

72. Caribbean Basin Initiative (CBI). Since 1 January 1984, Honduras has enjoyed the benefits of duty-free treatment for eligible imports under the Caribbean Basin Economic Recovery Act, better known as the Caribbean Basin Initiative, which the United States grants unilaterally to exports originating in Central America and the Caribbean. Since October 2000, import agreements concluded within the framework of the special access programme have benefited from total tax exemption under the Caribbean Basin Trade Partnership Act (CBPTA), which grants duty-free treatment to textile and clothing products. Thus, since 2 October 2000, Honduras has enjoyed preferential tariff treatment for textile products and garments made using United States fabric, which were previously excluded from the programme, a concession which expires in September 2008 or with the entry into force of the Free Trade Area of the Americas (FTAA). The main products exported under the CBI are: bananas, coffee, shrimps, gold and silver concentrate, minerals (gold and silver), wooden furniture, metal furniture, cigars, tobacco and tilapia.

73. Generalized System of Preferences (GSP). Honduras is a beneficiary of this preferential scheme involving unilateral tariff exemptions and reductions granted by industrialized countries. Under this mechanism, goods are exported to the United States, the European Union, Canada, Japan, Australia, Norway, New Zealand, Switzerland, Bulgaria, Belarus, Hungary, the Russian Federation, Poland, Slovakia and the Czech Republic.

74. In 1999, for Honduras and the other Central American countries, the European Union extended the benefits of the GSP to industrial products under the special arrangements to combat drug production and trafficking, which grant benefits additional to those available under the System's general regime. At present, the European Union is granting tariff preferences to Honduras under Regulation (EC) No. 2501/2001, up to 31 December 2004. The principal exports under the GSP are: coffee, shrimps, zinc concentrate, bananas and pinewood.

(4) SPECIAL REGIMES

75. As part of its export development and promotion strategy, Honduras grants a range of essentially fiscal incentives which have made possible the unprecedented development of certain exports. The impact of these special regimes on exportable production and hence the national economy has been highly significant since they provide a primary source of employment, help to support the value of the currency and are creating a dynamic economy without parallel in recent economic history, allowing Honduras to diversify its exportable products and occupy a competitive position on international markets. Thus they form an important part of the growth and poverty reduction formula. It should be noted that Honduras is allowed these incentives because of its low per capita national income which, at less than US\$1,000 at 1990 constant prices, has warranted its inclusion in Annex VII to the Agreement on Subsidies and Countervailing Measures.

76. In Honduras, imports by enterprises established under the export promotion legislation, for example, the Temporary Import Regime (RIT), Free-Trade Zones (ZOLI), Industrial Export Processing Zones (ZIP) and the Tourism Incentives Law (LIT), are exempt from the payment of taxes.

77. Under the Temporary Import Regime (RIT), the authorities can suspend the payment of customs duties, consular fees, general sales tax and any other taxes or surcharges arising out of the import of raw materials, semifinished products, containers, packaging and any other inputs necessary to produce the goods or services exported; machinery and equipment, moulds, tools, spare parts and accessories if used exclusively for assembling, processing, modifying or producing the goods or services for export, and collections of samples, instructions, patterns, mannequins and models necessary to adapt the production of goods and services to the standards and designs required on the international market or for demonstrational, research or instructional purposes.

78. The Law on Industrial Export Processing Zones (ZIP) permits the importation free of levies, customs duties, charges, surcharges, consular fees, internal consumption and sale taxes and other taxes, charges and levies directly or indirectly related with the customs operations of import of all goods imported and exclusively applied or incorporated in the development and operation of the Industrial Export Processing Zone, including building materials, equipment, spare parts, office machinery and equipment, provided that these goods are not produced domestically and subject to the prior authorization of the Minister for Industry and Trade. Moreover, exemption from income tax (ISR) and municipal taxes is granted to users of the industrial estate for an indefinite period, while the Operating Company is granted 20 years of exemption from ISR and 10 years of exemption from municipal taxes.

79. The Law on Free-Trade Zones (ZOLI) allows goods to be introduced free of customs duties, charges, surcharges, consular fees, internal consumption taxes and other taxes and levies directly or indirectly related with the customs operations of import and export. Likewise, sales and production within the Free-Trade Zone and its land, buildings and commercial and industrial establishments are exempt from the payment of local rates and taxes.

80. The Tourism Incentives Law is intended to promote the development of Honduras' tourism offer by granting the following tax incentives: exemption from the payment of income tax, granted exclusively for new projects; exemption from the payment of taxes and other charges arising out of the import of goods, services and new furnishings, granted exclusively to new projects; exemption from the payment of taxes and other charges arising out of the import of printed matter for promoting or advertising new projects or the country as a tourist destination; and exemption from the payment of

taxes, rates, charges and any other kind of levy or pecuniary obligation on shows and cultural presentations.

(5) FOREIGN INVESTMENT REGIME

81. By Legislative Decree No. 80-92 of 29 May 1992, the Government of Honduras enacted the Law on Investment and its Regulations in accordance with Decision No. 345-92 for the purpose of encouraging and guaranteeing domestic investment, foreign investment and joint investment to promote national growth and economic and social development. Under the Law, *inter alia*, investors are guaranteed access to the purchase of foreign currency in the banking system, in exchange bureaux and other institutions authorized by the Central Bank of Honduras; the right of ownership, without limitations other than those laid down in the Law; unlimited percentage participation in the capital, except in those cases specified in the Constitution of the Republic; freedom to produce and market goods and services in general, except those prohibited by the Law; free determination of the prices of the products or services offered by the investors, etc.

82. As part of its investment policy, the Government of Honduras has signed investment promotion and protection agreements and conventions with a view to ensuring conditions of security and certainty for foreign investors and establishing criteria for the treatment and protection of investments and investors. These agreements also incorporate a clause allowing foreign investment in accordance with the national legislation, together with the national treatment and most-favoured-nation principles and a mechanism for the settlement of disputes between the investor and the State.

(6) INFRASTRUCTURE

83. In the past decade, Honduras has made important changes in its infrastructure. This is reflected in the enactment of the Framework Law on Telecommunications, which opens up and expands the delivery of these services; the Framework Law on the Electricity Subsector, which authorizes private participation in the generation of electricity; the granting to an international enterprise of a concession to operate four Honduran air terminals; the recent approval of a Water Resources Law and the concession to the private sector of various activities previously carried out by the State. Similarly, important reforms are envisaged in the port services sector, as well as various concessions for the construction of public works. Honduras recognizes that the development of its infrastructure is a fundamental part of its strategy for making the country competitive.

(7) INTELLECTUAL PROPERTY

84. In 1993, subject to analysis of the TRIPS Agreement, which was awaiting finalization and signature in the Uruguay Round, the Laws on Industrial Property and Copyright and Related Rights were drawn up and, moreover, a Directorate General of Intellectual Property and a Copyright and Related Rights Office were established in the Ministry of Industry and Trade. In 1994, as a Member of the WTO, Honduras accepted the commitments, rights and obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and also adopted the Paris Convention for the Protection of Industrial Property (Stockholm Act of 1967).

85. In 2000, the National Congress approved a new Industrial Property Law as well as a new Law on Copyright and Related Rights incorporating all the provisions of the TRIPS Agreement, including the enforcement measures and civil, criminal and administrative procedures. In 2002, the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) were ratified. All the conventions and agreements signed by Honduras have been ratified by the National Congress and therefore form part of the national legislation.

86. The Law on Copyright and Related Rights, with the amendments introduced in 2000, extended the term of protection for works and related rights from fifty (50) to seventy-five (75) years, added a chapter regulating the collective administration societies and defined cases of infringement of the protected rights. With respect to related rights, it provided in respect of performers, phonogram producers and broadcasting organizations for the inclusion in favour of phonogram producers of the right of distribution through sale, rental or any other means and the right to import copies of the protected phonograms. It also established administrative, civil and criminal procedures for claiming the infringement of rights and the payment of damages.

87. The Industrial Property Law provides for the patenting of all inventions, in any sector of technology, protecting them for a term of twenty (20) years from the filing of the application. It also protects industrial designs and distinctive signs: trademarks, including well-known marks, trade names, emblems and labels; advertising slogans and signs; and geographical indications.

88. Honduras makes provision for the suspension of the release of customs clearance of imports or exports, in accordance with the measures that the holder of a protected right may request in the event of an infringement of his right, on the basis of the Law on Copyright and Related Rights and the Industrial Property Law. The Honduran legislation allows the holder to initiate any proceeding before the Administrative Authority, without prejudice to the initiation of proceedings in the civil and criminal courts, directly or through legal representatives.

89. Moreover, to ensure the full application and enforcement of the various intellectual property laws, agreements and conventions, Honduras has set up an Inter-institutional Commission against Piracy in order to protect, oversee and safeguard intellectual property rights. This Commission, working in coordination, is taking concrete steps to counteract piracy. Honduras' application of its intellectual property legislation was first reviewed by the WTO Council for TRIPS in 2001. Draft texts on the approval of the laws on the protection of plant varieties and the legal protection of lay-out designs of integrated circuits have been submitted to the National Congress.

(8) GOVERNMENT PROCUREMENT

90. Up to 1985-1986, Honduran government procurement procedures were regulated by the provisions of the Constitution of the Republic and other relevant legislation. As regards the supply of goods, materials and equipment, from April 1958 control was exercised through the Law Organizing the Office of the Purveyor-General of the Republic. The Government Procurement Law and Regulations were enacted in 1985 and 1986 and amended in 2000 and 2001, respectively, with a view to modernizing government procurement procedures and making them reliable, flexible and transparent, so as to strengthen the credibility of the transactions. Moreover, the application of the Government Procurement Law and its Regulations is a means of combating corruption and thereby ensuring administrative efficiency and transparency and legal certainty with a view to improving the utilization of State resources and attracting foreign investment.

91. As the application of the Government Procurement Law and its Regulations and the Procurement and Purchasing Standards Office are in the development stage, the Government and the Inter-American Development Bank (IDB) have signed an agreement on a loan for the implementation of the Programme for Efficiency and Transparency in Government Procurement. By this means it is hoped to ensure the proper use of public resources while minimizing costs and acquisition times.

92. At regional level, Honduras has submitted to the other Central American countries proposals which may lead to agreement on and the signature of a Central American Government Procurement

Treaty. Government procurement was one of the issues negotiated in the Free-Trade Agreement between Central America and Chile and the existing FTA between Central America and the Dominican Republic in which, taking account of the principles that govern Honduran legislation, non-discriminatory national treatment is granted. Honduras also intends, together with the other countries of the Central American area, to negotiate the issue of government procurement with the European Union.

V. CONCLUSION

93. In developing its main economic policies, Honduras has been applying macroeconomic and structural reform processes that signal its firm intention to achieve ever closer integration into the international economy and a macroeconomic environment favourable to private initiative and to take action leading to the consolidation of sustainable economic growth as the principal means of reducing poverty. In this connection, Honduras will continue pursuing policies linked with that objective by promoting investment to encourage production, technology transfer and increased exports and create jobs for the benefit of the Honduran people as the basis of a sustainable strategy for raising their standard of living.

94. Thus, Honduras will continue to focus on the application of an optimum economic policy formula directed, externally, towards combining multilateral trade policy with the strategy of concluding regional trade agreements, in a two-edged approach that seeks to ensure that the national economy benefits from efficient participation in the world economy. This is imperative for a small economy such as that of Honduras operating within an equitable policy framework.

95. Practice shows that there is still work to be done on reforming the economy and consolidating democracy. Honduras is firmly committed to this. However, experience also shows that the responsibilities must be shared between governments and the international community. While the former must ensure the continuity of the policies and their responsible administration, the latter and, in particular, the developed membership of the WTO, should recognize the basic needs of countries such as Honduras, by giving material expression to the aspirations of the Doha Ministerial Declaration and progressing from a declaratory approach to an approach based on concrete considerations. This would further strengthen the confidence already displayed by countries such as Honduras in the multilateral trading system, as expressed in their more vigorous participation in international trade forums and their commitment to an open and dynamic economy.

VI. ANNEX 1- 11

Table No. 1 HONDURAS: Basic economic indicators, 1995-2002

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002e |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| I. GDP | | | | | | | | |
| Current GDP (lempiras millions) | 37,507 | 47,763 | 61,322 | 70,438 | 77,096 | 89,401 | 99,062 | 107,870 |
| Current GDP (US\$ millions) | 3,961 | 4,079 | 4,717 | 5,264 | 5,437 | 6,024 | 6,403 | 6,565 |
| Per capita GDP (US\$) | 707 | 704 | 789 | 852 | 851 | 913 | 939 | 933 |
| GDP at 1978 constant prices (lempiras millions) | 6,148 | 6,368 | 6,686 | 6,880 | 6,750 | 7,138 | 7,325 | 7,511 |
| Real GDP, growth rate (%) | 4.1 | 3.6 | 5.0 | 2.9 | -1.9 | 5.7 | 2.6 | 2.5 |
| <i>Structure of GDP (% of current GDP at factor cost)</i> | | | | | | | | |
| Agriculture, hunting, forestry and fishing | 21.5 | 22.3 | 23.0 | 19.1 | 15.9 | 16.2 | 14.0 | 13.5 |
| Mining | 1.9 | 1.9 | 1.7 | 1.8 | 2.0 | 1.9 | 1.8 | 1.9 |
| Manufacturing | 17.8 | 18.1 | 18.0 | 18.6 | 19.6 | 19.6 | 20.3 | 20.4 |
| Construction | 5.5 | 4.6 | 4.6 | 5.1 | 5.9 | 5.4 | 4.9 | 4.1 |
| Electricity, gas and water | 5.4 | 6.2 | 5.5 | 5.1 | 4.9 | 4.7 | 4.3 | 4.3 |
| Transport and communications | 4.7 | 4.4 | 4.6 | 5.0 | 5.2 | 5.5 | 5.9 | 5.9 |
| Trade, restaurants and hotels | 12.0 | 11.9 | 11.8 | 12.3 | 12.7 | 12.4 | 12.6 | 12.6 |
| Financial and other services | 9.2 | 8.9 | 9.4 | 10.5 | 10.9 | 10.7 | 10.9 | 10.9 |
| Home ownership | 5.6 | 5.6 | 5.5 | 5.8 | 6.1 | 5.9 | 6.0 | 6.1 |
| Government administration and defence | 5.9 | 5.9 | 6.0 | 6.0 | 5.9 | 6.7 | 7.1 | 7.4 |
| Personal services | 10.3 | 10.1 | 9.8 | 10.6 | 11.0 | 11.0 | 12.2 | 12.8 |
| <i>Breakdown of GDP by type of expenditure (% of current GDP)</i> | | | | | | | | |
| Total consumption | 72.8 | 74.0 | 73.5 | 76.7 | 80.4 | 83.3 | 86.9 | 87.8 |
| Private | 63.5 | 64.4 | 64.6 | 66.6 | 69.0 | 70.7 | 73.0 | 74.0 |
| Government | 9.3 | 9.5 | 8.8 | 10.1 | 11.3 | 12.5 | 13.9 | 13.8 |
| Gross fixed capital formation | 24.0 | 24.0 | 25.7 | 28.2 | 29.8 | 26.1 | 23.6 | 22.2 |
| Private | 14.0 | 15.2 | 18.9 | 22.8 | 23.5 | 20.3 | 16.9 | 17.3 |
| Public | 10.0 | 8.8 | 6.8 | 5.4 | 6.3 | 5.9 | 6.8 | 4.8 |
| Exports of goods and services | 43.7 | 46.9 | 46.2 | 46.4 | 41.0 | 41.3 | 37.9 | 37.3 |
| Imports of goods and services | 48.1 | 52.0 | 51.8 | 54.1 | 56.0 | 55.2 | 54.7 | 53.0 |
| Gross national savings | 27.1 | 26.4 | 28.6 | 28.5 | 30.2 | 26.5 | 25.3 | 24.1 |
| II. Fiscal indicators (in percentage of GDP) | | | | | | | | |
| Income | .. | 23.6 | 17.4 | 19.3 | 20.0 | 19.0 | 19.4 | .. |
| Expenditure | .. | 23.4 | 22.4 | 23.3 | 25.9 | 25.8 | 27.0 | .. |
| Overall balance | .. | 0.2 | -4.9 | -4.1 | -5.8 | -6.8 | -7.6 | .. |
| III. Memo items | | | | | | | | |
| Population (millions) | 5.6 | 5.79 | 5.98 | 6.18 | 6.39 | 6.60 | 6.82 | 7.04 |
| Net international reserves (US\$ millions) | 198.3 | 371.3 | 667.7 | 897.7 | 1,371.6 | 1,490.4 | 1,637.7 | 1,851.7 |
| Total external debt (US\$ millions) | 4,242.6 | 4,120.6 | 4,073.3 | 4,403.8 | 4,729.2 | 4,706.0 | 4,808.0 | 4,963.7 |
| Total external debt (as a percentage of GDP) | 107.1 | 101.0 | 86.4 | 83.7 | 87.0 | 78.1 | 75.1 | 75.6 |
| Public external debt (US\$ millions) | 3,969.7 | 3,775.6 | 3,630.9 | 3,792.7 | 4,119.6 | 4,101.0 | 4,229.6 | 4,396.7 |
| Public external debt (as a percentage of GDP) | 100.2 | 92.6 | 77.0 | 72.0 | 75.8 | 68.1 | 66.1 | 67.0 |
| External public debt servicing (US\$ millions) | 578.4 | 676.4 | 497.4 | 448.9 | 330.1 | 770.7 | 333.0 | 263.9 |

.. Not available.

e Estimated.

Source: Central Bank of Honduras and Ministry of Finance

Table No. 2 HONDURAS: Central Government Financial Accounts, 1996-2002
(in millions of lempiras and percentage of GDP)

| | 1996 | 1997 | 1998 | 1999a | 2000a | 2001a | 2002p/ |
|---|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 7,983 | 10,694 | 13,565 | 15,440 | 16,753 | 19,239 | 20,924 |
| Current revenue | 7,954 | 10,342 | 13,176 | 14,939 | 15,862 | 17,935 | 19,786 |
| Tax | .. | 8,651 | 11,973 | 13,620 | 14,620 | 16,446 | 17,278 |
| Direct | .. | 2,512 | 3,377 | 3,099 | 3,175 | 3,759 | 4,012 |
| Indirect | .. | 3,982 | 6,479 | 8,546 | 9,357 | 10,171 | 11,095 |
| Foreign Trade | .. | 2,156 | 2,115 | 1,973 | 2,088 | 2,513 | 2,166 |
| Imports | .. | 2,068 | 2,043 | 1,966 | 2,083 | 2,513 | 2,166 |
| Non-tax revenue | .. | 1,691 | 1,203 | 1,319 | 891 | 1,489 | 2,508 |
| Capital revenue | 29 | 25 | 20 | 19 | 11 | 31 | -- |
| External transfers (including HIPC grants) | -- | 327 | 369 | 482 | 881 | 1,273 | 1,138 |
| Expenditure | 10,888 | 13,718 | 16,424 | 19,940 | 22,756 | 26,732 | 26,710 |
| Current expenditure | 7,377 | 9,234 | 10,288 | 12,168 | 14,691 | 17,538 | 20,565 |
| Consumer spending | 4,239 | 5,281 | 6,275 | 7,747 | 10,381 | 12,701 | 14,236 |
| Interest payments | 1,650 | 2,084 | 1,965 | 1,717 | 1,438 | 1,316 | 1,842 |
| Transfers | 1,650 | 1,868 | 2,047 | 2,705 | 2,872 | 3,520 | 4,487 |
| Current account savings | 577 | 1,109 | 2,889 | 2,771 | 1,171 | 397 | -779 |
| Capital expenditure | 2,267 | 3,024 | 4,078 | 6,048 | 6,485 | 7,582 | 6,145 |
| Investment | 1,353 | 1,658 | 2,265 | 2,092 | 2,420 | 2,326 | 2,376 |
| Financial investment | 148 | 263 | -21 | 1,503 | 611 | 1,389 | 848 |
| Transfers | 766 | 1,104 | 1,835 | 2,453 | 3,455 | 3,867 | 2,985 |
| Debt redemption | 1,244 | 1,460 | 2,058 | 1,724 | 1,580 | 1,613 | 2,636 |
| Internal | 496 | 424 | 781 | 693 | 564 | 649 | 600 |
| External | 749 | 1,036 | 1,277 | 1,031 | 1,017 | 964 | 2,036 |
| Gross deficit (expenditure less total revenue) | -2,905 | -3,024 | -2,859 | -4,500 | -6,003 | -7,493 | -5,786 |
| Net deficit (excluding total redemption) | -1,673 | -1,564 | -801 | -2,776 | -4,423 | -5,880 | -3,150 |
| Gross deficit as a percentage of GDP | -6.1 | -4.9 | -4.1 | -5.8 | -6.8 | -7.6 | -5.3 |
| Net deficit as a percentage of GDP | -3.5 | -2.5 | -1.1 | -3.6 | -5.0 | -5.9 | -2.9 |

Note: There may be slight differences in the totals as they have been rounded off.

.. Not available.

-- Zero.

a Estimate.

p Provisional.

Source: Ministry of Finance

Table No. 3 HONDURAS: Main monetary indicators, 1995-2002
(Annual rates of change)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|-------|-------|-------|-------|-------|-------|-------|------------------|
| Money and credit | | | | | | | | |
| M1 money supply | 18.4 | 26.9 | 33.8 | 12.7 | 21.8 | 4.7 | 5.2 | 14.6 |
| M2 money supply | 19.8 | 38.5 | 43.3 | 16.8 | 21.2 | 16.6 | 8.3 | 11.3 |
| M3 money supply ^a | 23.8 | 51.0 | 39.6 | 18.4 | 22.2 | 18.2 | 14.1 | 13.2 |
| Net domestic credit | 11.1 | 41.9 | 29.2 | 16.7 | 1.8 | 22.8 | 17.5 | 6.8 ^a |
| Weighted interest rate | | | | | | | | |
| Deposit rate (annual average) | 11.25 | 11.84 | 15.31 | 15.27 | 15.63 | 13.41 | 12.03 | 10.61 |
| Lending rate (annual average) ^b | 26.95 | 29.75 | 32.07 | 30.55 | 30.15 | 26.82 | 23.76 | 22.69 |
| Legal reserve requirements^b | | | | | | | | |
| Legal reserve requirement for commercial banks | 34 | 34 | 12 | 12 | 12 | 12 | 12 | 12 |
| Legal reserve requirement for savings companies | 21 | 21 | 12 | 12 | 12 | 12 | 12 | 12 |
| Legal reserve requirement for financial companies | 15 | 15 | 12 | 12 | 12 | 12 | 12 | 12 |
| Legal reserve requirement for short-term bonds | 15 | 15 | 12 | 12 | 12 | 12 | 12 | 12 |
| Investment requirements for commercial banks | n.a. | n.a. | 19 | 13 | 13 | 7 | 3 | 0 |
| Investment requirements for savings companies | n.a. | n.a. | 9 | 5 | 5 | 5 | 3 | 0 |
| Financial investment requirements and short-term bonds | n.a. | n.a. | 3 | 3 | 3 | 3 | 3 | 0 |
| Inflation | | | | | | | | |
| Consumer price index (average % change) | 29.5 | 23.8 | 20.2 | 13.7 | 11.6 | 11.1 | 9.6 | 7.7 |
| Exchange rate | | | | | | | | |
| Average exchange rate (lempira/US\$) | 9.47 | 11.71 | 13.00 | 13.38 | 14.18 | 14.84 | 15.47 | 16.43 |
| Exchange rate end of period (lempira/US\$) | 10.34 | 12.87 | 13.09 | 13.81 | 14.50 | 15.14 | 15.92 | 16.92 |
| Real effective exchange rate index (1995 = 100) ^{c, d} | 100.0 | 100.5 | 108.7 | 119.5 | 123.2 | 128.3 | 133.3 | 133.0 |
| Terms of trade (1995 = 100) ^c | 100.0 | 94.0 | 90.5 | 92.2 | 92.4 | 91.3 | 83.7 | 84.9 |

n.a. Not applicable.

a The foreign currency is valued at the exchange rate prevailing at the end of the period each year.

b End of period.

c Information from the Central Bank of Honduras.

d An increase in the index means real appreciation.

Source: WTO calculations based on information from the Central Bank of Honduras and the Economic Commission for Latin America and the Caribbean (ECLAC).

Table No. 4 HONDURAS: Balance of payments, 1996-2002
(in US\$ millions)

| | 1996 | 1997 | 1998 | 1999 | 2000 ^{p/} | 2001 ^{p/} | 2002 ^{p/} |
|---|---------------|---------------|---------------|-----------------|--------------------|--------------------|--------------------|
| Current account balance | -193.9 | -169.8 | -128.2 | -240.9 | -245.6 | -293.4 | -243.0 |
| Balance of goods and services | -470.6 | -481.8 | -615.7 | -977.8 | -992.5 | -1,222.6 | -1,200.0 |
| Balance of goods | -341.3 | -504.4 | -758.6 | -1,291.8 | -1,233.4 | -1,416.1 | -1,433.6 |
| Balance of services | -129.3 | 22.6 | 142.9 | 314.0 | 240.9 | 193.5 | 233.6 |
| Exports of merchandise and services | 1,944.30 | 2,223.7 | 2,504.1 | 2,310.9 | 2,600.7 | 2,517.5 | 2,517.5 |
| Merchandise exports ^{a/} | 1,417.6 | 1,534.3 | 1,611.9 | 1,217.8 | 1,436.2 | 1,391.3 | 1,370.7 |
| Freight and insurance on merchandise | 16.7 | 17.9 | 19.3 | 14.6 | 17.2 | 16.7 | 16.4 |
| Travel costs | 115.0 | 145.6 | 167.6 | 208.0 | 259.8 | 256.3 | 291.1 |
| Dividends and interest | 29.0 | 40.6 | 55.2 | 72.2 | 104.1 | 81.5 | 60.0 |
| Government transactions | 38.0 | 41.0 | 45.0 | 47.0 | 50.0 | 55.0 | 57.8 |
| Maquila value added | 203.7 | 312.7 | 454.9 | 538.5 | 575.4 | 551.5 | 559.7 |
| Other | 124.3 | 131.6 | 150.2 | 212.8 | 157.9 | 165.2 | 161.8 |
| Imports of merchandise and services | 2,414.9 | 2,705.6 | 3,119.8 | 3,288.7 | 3,593.1 | 3,740.1 | 3,717.5 |
| Merchandise imports f.o.b. | 1,758.9 | 2,038.7 | 2,370.5 | 2,509.6 | 2,669.6 | 2,807.4 | 2,804.3 |
| Freight and insurance on merchandise | 170.1 | 198.6 | 234.3 | 247.3 | 263.8 | 275.8 | 275.1 |
| Travel costs | 60.0 | 62.0 | 81.0 | 94.0 | 119.6 | 127.6 | 130.6 |
| Return on foreign direct investment | 70.0 | 60.0 | 70.0 | 43.6 | 70.0 | 75.2 | 84.9 |
| Interest on the external debt and other | 217.4 | 193.2 | 193.6 | 192.1 | 186.8 | 154.0 | 141.0 |
| Government transactions | 8.2 | 9.2 | 10.3 | 11.0 | 13.8 | 14.0 | 14.2 |
| Other | 130.4 | 143.9 | 160.1 | 191.1 | 269.5 | 286.1 | 267.4 |
| Transfers | 276.7 | 312.0 | 487.5 | 736.9 | 746.9 | 929.2 | 957.0 |
| Capital account balance | 227.2 | 227.4 | 171.8 | 335.6 | 68.4 | 230.7 | 187.8 |
| Long term | 84.9 | 115.5 | 179.5 | 426.3 | 177.0 | 254.7 | 80.5 |
| Private sector | 103.3 | 112.6 | 170.4 | 291.2 | 298.8 | 197.4 | 127.3 |
| Direct investment | 90.0 | 127.7 | 99.0 | 237.3 | 282.0 | 195.0 | 142.9 |
| Loans | 13.6 | -15.1 | 71.4 | 53.9 | 16.8 | 2.4 | -15.6 |
| Debt arrears | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Government sector | -8.8 | -55.0 | -30.3 | 168.8 | -48.9 | 123.7 | -10.0 |
| Loans | 45.7 | -27.8 | -0.4 | 223.6 | 18.5 | 127.3 | 41.5 |
| Debt arrears | -54.5 | -27.2 | -29.9 | -54.8 | -8.0 | 0.0 | -47.7 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | -59.4 | -3.6 | -3.8 |
| Banking sector | 4.5 | 57.9 | 39.4 | -33.7 | -72.9 | -66.4 | -36.8 |
| Loans | -9.1 | 57.9 | 39.4 | -32.1 | -69.8 | -66.4 | -35.2 |
| Debt arrears | -0.5 | 0.0 | 0.0 | -1.6 | -3.1 | 0.0 | -1.6 |
| Other | 13.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short term | 142.3 | 111.9 | -7.7 | -90.7 | -108.6 | -24.0 | 107.3 |
| Private sector | 42.7 | 138.0 | 13.7 | -18.3 | -28.2 | 22.7 | 18.8 |
| Government sector | 99.6 | -26.1 | -21.4 | -72.4 | -80.4 | -46.7 | 88.5 |
| Errors and omissions and capital not determined | 69.4 | 130.9 | 97.7 | 121.3 | 123.5 | 62.4 | 118.7 |
| Overall balance | 102.7 | 188.5 | 141.3 | 216.0 | -53.7 | -0.3 | 63.5 |
| Change in international reserves (- increase) | -174.3 | -296.4 | -230.0 | -473.9 | -118.8 | -147.3 | -214.0 |
| Debt renegotiation | 18.4 | 107.4 | 69.7 | 57.9 | 250.7 | 83.4 | 19.1 |
| Arrears renegotiation | -1.0 | -25.7 | -30.0 | -2.0 | -158.8 | -12.0 | 0.0 |
| Change in debt arrears | 53.1 | 29.1 | 39.0 | 93.3 | 13.6 | -13.5 | 64.8 |
| Debt conversion | 0.0 | -4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt forgiveness for the year | 1.1 | 1.1 | 10.0 | 36.9 | 16.4 | 39.5 | 31.0 |
| Debt forgiveness | 1.4 | 1.1 | 19.4 | 2.5 | 31.9 | 19.0 | 0.0 |
| Reduction in arrears as a result of external debt forgiveness | -1.4 | -1.1 | -19.4 | -2.5 | -31.9 | -19.0 | 0.0 |
| Debt servicing payments funded by CAETF | - | - | - | 71.8 | 44.9 | 17.3 | 13.3 |
| HIPC Initiative repayments | - | - | - | - | 5.7 | 32.9 | 12.3 |

a/ Includes non-monetary gold and exports of electric power.

p/ Provisional

Source: Central Bank of Honduras.

Table No. 5 HONDURAS: Flows of foreign direct investment, 1997-2001
(in US dollars thousands)

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|---------|-----------|---------|---------|---------|
| By country investing | | | | | |
| United States | 50,499 | 33,049 | 113,855 | 64,241 | 52,600 |
| El Salvador | 25,839 | 7,652 | 13,908 | 7,879 | 9,240 |
| Guatemala | 6,088 | 5,190 | 3,355 | 11,085 | 10,847 |
| Costa Rica | 7,554 | 5,587 | 6,442 | 21,187 | 24,107 |
| Panama | 676 | 973 | 19,475 | 15,100 | 18,088 |
| Mexico | 6,677 | 1,183 | 4,613 | -139 | 207 |
| Spain | 305 | 1,649 | 5,884 | 7,775 | 9,785 |
| United Kingdom | 12,983 | 6,609 | 2,567 | 14,957 | 4,289 |
| Switzerland | 1,310 | 3,746 | 6,948 | -4,051 | -1,250 |
| Italy | 7,200 | 11,885 | -3,606 | 13,625 | 7,624 |
| Germany | 1,212 | 4,187 | 157 | 219 | 189 |
| Japan | 4,348 | 1,898 | 124 | -- | 1,151 |
| Canada | -- | 11,999 | 55,100 | 36,058 | 15,057 |
| Other | 3,000 | 3,711 | 8,516 | 94,056 | 43,069 |
| Total | 127,701 | 99,321 | 237,337 | 282,000 | 195,001 |
| By economic activity | | | | | |
| Agriculture, hunting and fishing | 3,662 | -9,491 | 54,364 | 39,270 | 20,000 |
| Mining and quarrying | 4,201 | 12,063 | 58,160 | 28,022 | 20,859 |
| Manufacturing | 48,960 | 23,142 | 46,519 | 88,616 | 55,963 |
| Electricity, gas and water | 10,596 | 23,996 | 1,293 | 2,377 | 1,770 |
| Construction | 11,005 | 13,999 | -3,517 | 14,722 | 10,958 |
| Trade, restaurants and hotels | 28,133 | 22,770 | 58,122 | 83,512 | 61,485 |
| Transport, storage and communications | 1,701 | 3,500 | 10,572 | 12,137 | 12,034 |
| Financial establishments, insurance | -- | -- | -- | -- | -- |
| Immovable property and business services | 12,751 | 7,792 | 11,485 | 13,344 | 11,933 |
| Other | 6,693 | 1,550 | 341 | -- | -- |
| Total | 127,701 | 99,321,20 | 237,337 | 282,000 | 195,001 |

-- Zero.

Source: Central Bank of Honduras, 20 September 2002.

Table No. 6 HONDURAS: Legal reserve rate and mandatory investment requirement for national currency bonds, 1997-2002
(%)

| National Financial System | | | | | | | | | |
|---------------------------|--------|------------------|-----------------------|-------------------------------|-----------------------|-------------------|-----------------------|------------------|-----------------------|
| Years | Months | Commercial banks | | Savings and loan associations | | Finance companies | | Short-term bonds | |
| | | Legal reserves | Mandatory investments | Legal reserves | Mandatory investments | Legal reserves | Mandatory investments | Legal reserves | Mandatory investments |
| 1997 | Feb | 34 | - | 21 | - | 15 | - | 15 | - |
| | Mar | 33 | - | 21 | - | 15 | - | 15 | - |
| | Apr | 12 | 21 | 12 | 9 | 12 | 3 | 12 | 3 |
| | Aug | 12 | 19 | 12 | 9 | 12 | 3 | 12 | 3 |
| 1998 | Apr | 12 | 17 | 12 | 9 | 12 | 3 | 12 | 3 |
| | Oct | 12 | 15 | 12 | 9 | 12 | 3 | 12 | 3 |
| | Nov | 12 | 13 | 12 | 5 | 12 | 3 | 12 | 3 |
| 2000 | Jun | 12 | 10 | 12 | 5 | 12 | 3 | 12 | 3 |
| | Sep | 12 | 8.5 | 12 | 5 | 12 | 3 | 12 | 3 |
| | Oct | 12 | 7 | 12 | 5 | 12 | 3 | 12 | 3 |
| 2001 | May | 12 | 5 | 12 | 3 | 12 | 3 | 12 | 3 |
| | Sep | 12 | 3 | 12 | 3 | 12 | 3 | 12 | 3 |
| 2002 | Jul | 12 | 1.5 | 12 | 1.5 | 12 | 1.5 | 12 | 1.5 |
| | Sep | 12 | 0 | 12 | 0 | 12 | 0 | 12 | 0 |

Source: Central Bank of Honduras. Information collected up to May 2003.

Table No. 7 HONDURAS: Goods subject to special import arrangements under the CACM

| Tariff heading | Description | Measure |
|---|--|--------------------------------|
| Arrangement common to all five countries | | |
| 09.01.1 | Coffee, not roasted | Subject to import duties (DAI) |
| 17.01 | Cane sugar, refined or unrefined | Import controls |
| 17.01.11.00 | Of sugar cane | |
| 17.01.91.00 | Containing added flavouring or colouring matter | |
| 17.01.99.00 | Other | |
| Bilateral arrangement with Guatemala | | |
| 09.01.2 | Roasted coffee | Subject to import duties |
| 22.08 | Distilled alcoholic beverages | Subject to import duties |
| 27.10 | Petroleum products (except mineral solvents | Subject to import duties |
| 27.12 | (27.10.11) and asphalt (27.13.20.00), which may be | |
| 27.13 | freely traded between the States party) | |
| 27.15 | | |
| Bilateral arrangement with El Salvador | | |
| 09.01.2 | Roasted coffee | Subject to import duties |
| 22.07 | Ethyl alcohol, denatured or undenatured | Import controls |
| 22.08.90.10 | | |
| 22.08 except 22.08.90.10 | Distilled alcoholic beverages | Subject to import duties |
| 27.10 | Petroleum products (except mineral solvents | Subject to import duties |
| 27.12 | (27.10.11) and asphalt (27.13.20.00), which may be | |
| 27.13 | freely traded between the States party) | |
| 27.15 | | |
| Bilateral arrangement with Nicaragua | | |
| 09.01.2 | Roasted coffee | Subject to import duties |
| 22.08 | Distilled alcoholic beverages | Subject to import duties |
| 27.10 | Petroleum products (except mineral solvents | Subject to import duties |
| 27.12 | (27.10.11) and asphalt (27.13.20.00), which may be | |
| 27.13 | freely traded between the States party) | |
| 27.15 | | |
| Bilateral arrangement with Costa Rica | | |
| 09.01.2 | Roasted coffee | Subject to import duties |
| 22.07 | Ethyl alcohol, denatured or undenatured | Import controls |
| 22.08.90.10 | | |
| 22.08 except 22.08.90.10 | Distilled alcoholic beverages | Subject to import duties |
| 27.10 | Petroleum products (except mineral solvents | Subject to import duties |
| 27.12 | (27.10.11) and asphalt (27.13.20.00), which may be | |
| 27.13 | freely traded between the States party) | |
| 27.15 | | |

Source: Resolution No. 44-99 of the Council of Ministers for Economic Integration (COMIECO), 17 September 1999, and Resolution No. 01-2002 of the Executive Committee of Central American Integration (CEIE), which entered into force in January 2003.

Table No. 8 HONDURAS: f.o.b exports by main products
(Volume in thousands and value in US\$ millions)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 ^{p/} | 2001 ^{p/} | 2002 ^{p/} |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------------|--------------------|--------------------|
| Bananas | | | | | | | | | | | | | |
| Value | 357.9 | 314.4 | 256.3 | 225.6 | 155.1 | 214.2 | 279.8 | 224.6 | 219.6 | 38.1 | 124.2 | 204.2 | 172.4 |
| Volume in 40 lb. boxes | 42,321 | 38,325 | 40,933 | 36,324 | 26,824 | 31,726 | 38,748 | 33,126 | 28,234 | 6,750 | 20,686 | 25,487 | 23,453 |
| Price | 8.46 | 8.21 | 6.26 | 6.21 | 5.78 | 6.75 | 7.22 | 6.78 | 7.78 | 5.64 | 6.01 | 8.01 | 7.35 |
| Coffee | | | | | | | | | | | | | |
| Value | 180.9 | 145.9 | 147.6 | 124.6 | 200.1 | 349.3 | 278.9 | 326.3 | 429.8 | 256.1 | 339.4 | 160.7 | 182.5 |
| Volume in 60 kg. bags | 1,735 | 1,444 | 1,961 | 1,705 | 1,718 | 1,796 | 2,060 | 1,722 | 2,330 | 1,986 | 2,903 | 2,391 | 2,711 |
| Price | 104.25 | 101.00 | 75.31 | 73.06 | 116.45 | 194.47 | 135.38 | 189.46 | 184.49 | 128.92 | 116.90 | 67.20 | 67.32 |
| Volume in 46 kg. bags | 2,264 | 1,883 | 2,556 | 2,225 | 2,241 | 2,343 | 2,687 | 2,246 | 3,039 | 2,591 | 3,787 | 3,119 | 3,536 |
| Price | 79.93 | 77.52 | 57.78 | 56.01 | 89.28 | 149.10 | 103.79 | 145.31 | 141.44 | 98.84 | 89.63 | 51.52 | 51.61 |
| Timber | | | | | | | | | | | | | |
| Value | 16.1 | 15.3 | 15.6 | 21.9 | 21.3 | 19.0 | 21.7 | 19.5 | 17.1 | 27.5 | 33.5 | 33.9 | 33.7 |
| Volume P.T. | 36,868 | 30,627 | 33,690 | 36,387 | 32,282 | 28,654 | 30,111 | 25,658 | 25,540 | 38,168 | 44,179 | 44,026 | 43,205 |
| Price | 0.44 | 0.49 | 0.46 | 0.60 | 0.66 | 0.66 | 0.72 | 0.76 | 0.67 | 0.72 | 0.76 | 0.77 | 0.78 |
| Gold | | | | | | | | | | | | | |
| Value | 25.3 | 31.4 | 37.0 | 39.6 | 39.0 | 13.0 | 11.0 | 0.0 | 0.0 | 0.0 | 6.3 | 63.8 | 80.5 |
| Volume in troy ounces | 11,463 | 14,154 | 16,523 | 16,886 | 16,248 | 5,967 | 5,900 | 0 | 0 | 0 | 24 | 244 | 265 |
| Price | 2.21 | 2.22 | 2.24 | 2.35 | 2.40 | 2.18 | 1.87 | 0.00 | 0.00 | 0.00 | 260.32 | 261.68 | 303.89 |
| Silver | | | | | | | | | | | | | |
| Value | 4.7 | 4.3 | 5.2 | 3.5 | 4.4 | 5.5 | 4.7 | 6.5 | 7.8 | 5.4 | 8.3 | 7.9 | 5.1 |
| Volume in troy ounces | 1,034 | 1,115 | 1,374 | 855 | 866 | 1,114 | 945 | 1,434 | 1,525 | 1,085 | 1,733 | 1,846 | 1,165 |
| Price | 4.57 | 3.83 | 3.75 | 4.12 | 5.02 | 4.93 | 5.02 | 4.52 | 5.14 | 4.94 | 4.77 | 4.26 | 4.39 |
| Lead | | | | | | | | | | | | | |
| Value | 4.2 | 3.3 | 7.9 | 1.8 | 1.7 | 1.8 | 2.7 | 4.6 | 3.2 | 3.7 | 3.3 | 3.3 | 2.9 |
| Volume lbs. | 12,339 | 12,741 | 29,749 | 7,828 | 6,349 | 5,774 | 7,423 | 13,624 | 10,365 | 12,435 | 10,835 | 15,092 | 15,975 |
| Price | 0.34 | 0.26 | 0.27 | 0.23 | 0.27 | 0.30 | 0.36 | 0.34 | 0.31 | 0.30 | 0.30 | 0.22 | 0.18 |
| Zinc | | | | | | | | | | | | | |
| Value | 46.4 | 36.3 | 35.7 | 23.0 | 21.1 | 27.1 | 25.7 | 53.8 | 36.3 | 50.2 | 54.5 | 38.5 | 29.0 |
| Volume lbs. | 69,226 | 74,161 | 70,272 | 58,497 | 51,408 | 63,160 | 61,543 | 96,572 | 85,659 | 94,786 | 97,396 | 101,334 | 93,556 |
| Price | 0.67 | 0.49 | 0.51 | 0.39 | 0.41 | 0.43 | 0.42 | 0.56 | 0.42 | 0.53 | 0.56 | 0.38 | 0.31 |
| Sugar | | | | | | | | | | | | | |
| Value | 12.4 | 8.4 | 5.4 | 5.2 | 4.8 | 6.8 | 9.5 | 12.1 | 10.2 | 5.3 | 7.8 | 30.4 | 17.5 |
| Volume kg. | 27,111 | 20,053 | 12,829 | 11,637 | 9,634 | 13,292 | 19,343 | 24,862 | 21,033 | 10,509 | 25,499 | 160,083 | 97,066 |
| Price | 0.46 | 0.42 | 0.42 | 0.45 | 0.50 | 0.51 | 0.49 | 0.49 | 0.48 | 0.50 | 0.31 | 0.19 | 0.18 |
| Farmed shrimps | | | | | | | | | | | | | |
| Value | 29.0 | 43.2 | 53.3 | 100.5 | 106.7 | 93.9 | 124.6 | 130.8 | 135.9 | 127.4 | 122.7 | 156.3 | 131.9 |
| Volume kg. | 3,323 | 4,675 | 5,966 | 9,092 | 8,190 | 6,962 | 9,296 | 9,083 | 10,037 | 9,200 | 8,250 | 10,912 | 13,336 |
| Price | 8.73 | 9.25 | 8.93 | 11.05 | 13.03 | 13.48 | 13.40 | 14.42 | 13.54 | 13.85 | 14.87 | 14.32 | 9.89 |
| Shrimps caught | | | | | | | | | | | | | |
| Value | 7.1 | 11.0 | 15.6 | 11.9 | 26.9 | 30.6 | 18.6 | 20.1 | 21.0 | 22.4 | 33.0 | 20.8 | 15.8 |
| Volume kg. | 811 | 1,187 | 1,757 | 1,083 | 2,066 | 2,273 | 1,386 | 1,393 | 1,549 | 1,620 | 2,222 | 1,456 | 1,600 |
| Price | 8.73 | 9.25 | 8.93 | 11.05 | 13.03 | 13.48 | 13.40 | 14.42 | 13.54 | 13.85 | 14.87 | 14.32 | 9.88 |
| Lobsters | | | | | | | | | | | | | |
| Value | 29.6 | 38.7 | 32.4 | 26.8 | 31.9 | 34.1 | 35.0 | 28.2 | 31.8 | 39.5 | 29.6 | 29.9 | 37.0 |
| Volume kg. | 1,792 | 2,231 | 1,697 | 1,188 | 1,045 | 1,066 | 1,082 | 866 | 968 | 1,200 | 897 | 1,029 | 1,193 |
| Price | 16.54 | 17.35 | 19.14 | 22.56 | 30.53 | 32.00 | 32.38 | 32.54 | 32.80 | 32.93 | 32.95 | 29.01 | 31.05 |

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 ^{p/} | 2001 ^{p/} | 2002 ^{p/} |
|----------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|--------------------|--------------------|--------------------|
| Tobacco | | | | | | | | | | | | | |
| Value | 2.5 | 2.1 | 4.1 | 6.4 | 5.8 | 5.5 | 5.3 | 7.3 | 8.6 | 10.5 | 12.6 | 7.2 | 6.5 |
| Volume kg. | 1,221 | 1,188 | 1,869 | 2,858 | 2,572 | 2,394 | 2,322 | 2,438 | 2,729 | 3,750 | 4,606 | 2,547 | 2,321 |
| Price | 2.07 | 1.78 | 2.16 | 2.22 | 2.25 | 2.30 | 2.29 | 2.98 | 3.16 | 2.80 | 2.75 | 2.84 | 2.80 |
| Melons | | | | | | | | | | | | | |
| Value | 6.6 | 12.8 | 10.8 | 19.6 | 24.2 | 25.4 | 30.9 | 39.3 | 43.8 | 35.7 | 31.4 | 25.5 | 27.8 |
| Volume kg. | 38,301 | 42,216 | 44,958 | 67,719 | 83,420 | 68,718 | 79,312 | 98,193 | 109,603 | 102,000 | 120,864 | 127,589 | 132,235 |
| Price | 0.17 | 0.30 | 0.24 | 0.29 | 0.29 | 0.37 | 0.39 | 0.40 | 0.40 | 0.35 | 0.26 | 0.20 | 0.21 |
| Pineapples | | | | | | | | | | | | | |
| Value | 12.2 | 12.8 | 20.1 | 21.2 | 19.7 | 21.5 | 18.1 | 18.4 | 18.5 | 19.2 | 11.3 | 10.0 | 11.6 |
| Volume kg. | 45,350 | 53,171 | 51,248 | 54,339 | 50,420 | 53,835 | 43,034 | 42,695 | 43,096 | 43,527 | 41,710 | 35,714 | 40,000 |
| Price | 0.27 | 0.24 | 0.39 | 0.39 | 0.39 | 0.40 | 0.42 | 0.43 | 0.43 | 0.44 | 0.27 | 0.28 | 0.29 |
| Soaps and detergents | | | | | | | | | | | | | |
| Value | 2.5 | 5.0 | 7.7 | 8.3 | 10.4 | 26.3 | 34.1 | 36.9 | 37.2 | 38.7 | 45.7 | 50.6 | 26.1 |
| Volume kg. | 5,263 | 8,705 | 11,256 | 13,430 | 16,747 | 31,402 | 40,118 | 42,900 | 43,256 | 44,527 | 46,308 | 57,500 | 37,286 |
| Price | 0.48 | 0.58 | 0.69 | 0.61 | 0.62 | 0.84 | 0.85 | 0.86 | 0.86 | 0.87 | 0.88 | 0.88 | 0.70 |
| Articles of wood | | | | | | | | | | | | | |
| Value | 9.7 | 11.0 | 14.1 | 15.7 | 16.5 | 15.9 | 16.5 | 21.2 | 26.4 | 26.0 | 32.4 | 30.5 | 33.4 |
| Volume kg. | 34,745 | 37,730 | 53,371 | 59,009 | 55,612 | 51,163 | 50,280 | 51,773 | 60,000 | 60,465 | 46,900 | 58,700 | 77,674 |
| Price | 0.28 | 0.29 | 0.26 | 0.27 | 0.30 | 0.31 | 0.33 | 0.41 | 0.44 | 0.43 | 0.69 | 0.52 | 0.43 |
| Palm oil | | | | | | | | | | | | | |
| Value | 1.7 | 0.7 | 4.8 | 6.2 | 4.3 | 3.1 | 3.2 | 1.6 | 22.1 | 13.4 | 16.2 | 25.7 | 30.3 |
| Volume kg. | 4,599 | 1,423 | 10,707 | 14,424 | 8,686 | 4,075 | 4,279 | 3,000 | 30,031 | 21,830 | 27,000 | 35,205 | 57,212 |
| Price | 0.38 | 0.47 | 0.45 | 0.43 | 0.50 | 0.75 | 0.75 | 0.53 | 0.74 | 0.62 | 0.60 | 0.73 | 0.53 |
| Sub-Total | 748.8 | 696.6 | 673.7 | 661.8 | 693.9 | 892.9 | 920.3 | 951.2 | 1069.3 | 719.1 | 912.1 | 899.2 | 844.0 |
| Other | 82.2 | 95.8 | 127.8 | 200.0 | 271.6 | 327.3 | 395.7 | 494.5 | 463.5 | 445.3 | 467.9 | 441.5 | 486.9 |
| Total Goods | 831.0 | 792.4 | 801.5 | 861.8 | 965.5 | 1,220.2 | 1,316.0 | 1,445.7 | 1,532.8 | 1,164.4 | 1,380.0 | 1,340.7 | 1,330.9 |

Note: Since 1993, an adjustment to Central American exports has been incorporated under the heading "Other".

p/ Provisional.

Last updated 23/06/2003.

Table No. 9: HONDURAS: c.i.f. imports
(US\$ millions)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 ^{p/} | 2001 ^{p/} | 2002 ^{p/} |
|--|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------------------|--------------------|--------------------|
| 1. Live animals; animal products | 13.6 | 17.3 | 18.4 | 36.1 | 34.8 | 33.9 | 43.5 | 60.8 | 71.3 | 71.5 | 94.1 | 86.3 | 60.4 |
| 2. Vegetable products | 34.6 | 51.6 | 39.1 | 54.8 | 77.3 | 83.2 | 99.1 | 99.8 | 103.6 | 134.4 | 145.0 | 143.0 | 150.9 |
| 3. Animal or vegetable fats and oils | 2.4 | 4.1 | 6.0 | 7.2 | 6.9 | 20.2 | 16.8 | 15.6 | 21.5 | 22.3 | 19.2 | 13.5 | 21.3 |
| 4. Prepared foodstuffs | 49.0 | 51.1 | 57.1 | 82.4 | 105.9 | 114.1 | 149.5 | 229.2 | 260.3 | 260.1 | 263.1 | 302.9 | 290.0 |
| 5. Mineral products | 171.2 | 174.4 | 163.3 | 186.8 | 194.5 | 226.3 | 249.8 | 238.7 | 219.6 | 261.6 | 394.2 | 417.2 | 420.3 |
| 5.1 Other mineral products | 3.0 | 2.0 | 2.5 | 4.1 | 3.9 | 4.7 | 3.6 | 5.0 | 5.2 | 5.2 | 10.5 | 22.8 | 7.7 |
| 5.2 Fuels and lubricants | 168.2 | 172.4 | 160.8 | 182.7 | 190.6 | 221.6 | 246.2 | 233.7 | 214.4 | 256.4 | 383.6 | 394.4 | 412.7 |
| 6. Products of the chemical or allied industries | 146.9 | 158.6 | 171.3 | 206.7 | 209.6 | 248.2 | 266.1 | 276.5 | 336.5 | 351.7 | 390.2 | 421.1 | 444.8 |
| 7. Plastics and articles thereof | 76.8 | 73.5 | 76.4 | 91.4 | 94.4 | 121.4 | 123.0 | 135.1 | 144.7 | 147.4 | 165.7 | 181.2 | 187.9 |
| 8. Raw hides and skins, leather, furskins and articles thereof | 0.5 | 1.2 | 1.0 | 1.6 | 2.3 | 2.8 | 2.9 | 4.3 | 4.8 | 5.8 | 5.7 | 6.6 | 8.3 |
| 9. Wood and articles of wood; wood charcoal; cork and articles of cork | 1.1 | 1.9 | 1.8 | 2.9 | 2.7 | 3.7 | 9.0 | 10.5 | 13.2 | 8.7 | 12.8 | 11.6 | 10.8 |
| 10. Pulp for manufacturing paper and articles of paper | 64.7 | 76.3 | 66.7 | 83.3 | 81.0 | 110.3 | 116.9 | 101.4 | 125.3 | 120.9 | 142.5 | 167.2 | 168.0 |
| 11. Textiles and textile articles | 28.2 | 29.8 | 33.9 | 28.4 | 30.7 | 41.2 | 54.7 | 58.0 | 79.1 | 85.9 | 80.9 | 85.5 | 82.0 |
| 12. Footwear, headgear, feathers and flowers | 3.3 | 2.5 | 2.7 | 3.4 | 3.2 | 4.9 | 6.6 | 12.1 | 15.0 | 16.4 | 18.6 | 28.5 | 25.6 |
| 13. Articles of stone, plaster, cement, glass | 16.9 | 19.3 | 21.0 | 30.8 | 29.4 | 44.1 | 35.0 | 42.0 | 46.4 | 44.0 | 44.5 | 45.5 | 46.6 |
| 14. Pearls, precious stones and metals and articles thereof | 0.3 | 1.4 | 0.3 | 1.3 | 0.7 | 0.6 | 3.7 | 2.0 | 1.7 | 3.5 | 1.2 | 1.4 | 2.6 |
| 15. Base metals and articles of base metal | 80.3 | 69.0 | 79.4 | 98.8 | 116.2 | 143.6 | 151.3 | 185.0 | 204.9 | 245.2 | 201.6 | 239.9 | 208.1 |
| 16. Machinery and mechanical appliances; electrical equipment | 133.3 | 128.0 | 164.8 | 207.9 | 295.2 | 274.4 | 306.2 | 370.2 | 514.9 | 519.3 | 465.6 | 449.7 | 487.0 |
| 17. Transport equipment | 88.5 | 76.3 | 108.4 | 137.0 | 146.5 | 134.0 | 156.7 | 245.8 | 295.0 | 279.1 | 299.1 | 283.4 | 266.9 |
| 18. Optical, photographic, cinematographic and surgical instruments and appliances | 13.0 | 11.0 | 14.1 | 15.2 | 12.7 | 15.0 | 24.1 | 25.9 | 29.5 | 40.5 | 48.3 | 32.5 | 36.4 |
| 19. Arms and ammunition | 2.5 | 0.9 | 0.4 | 0.4 | 0.8 | 1.1 | 0.8 | 0.6 | 1.1 | 3.0 | 5.5 | 8.7 | 2.1 |
| 20. Miscellaneous manufactured articles | 7.3 | 6.8 | 10.3 | 13.9 | 15.4 | 19.6 | 24.1 | 34.2 | 44.9 | 53.1 | 56.6 | 57.9 | 56.2 |
| 21. Works of art, collectors' pieces | 0.5 | 0.1 | 0.2 | 0.3 | 0.1 | 0.1 | 0.2 | 0.9 | 1.5 | 1.7 | 0.4 | 0.3 | 0.1 |
| Total | 934.8 | 955.2 | 1036.6 | 1290.6 | 1460.3 | 1642.7 | 1840.0 | 2148.6 | 2534.8 | 2676.1 | 2854.7 | 2983.9 | 2976.3 |
| Total not including fuel | 766.6 | 782.8 | 875.8 | 1107.9 | 1269.7 | 1421.1 | 1593.8 | 1914.9 | 2320.4 | 2419.7 | 2471.1 | 2589.5 | 2563.6 |

Note: Does not include imports by assembly plants (*maquiladoras*) in Honduras.

p/ Provisional.

Last updated: 23/06/2003.

Source: Figures provided by the Directorate General of Statistics and Census (DGEC), until 1995, and by SIECE, the information system for foreign trade statistics, adjusted by the Balance of Payments Section, in 1996 and 1997.

Table No. 10 HONDURAS: Regional distribution of f.o.b. exports
(in US\$ millions)

| COUNTRY | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 ^{P/} | 2001 ^{P/} | 2002 ^{P/} |
|----------------------|-------|-------|-------|-------|-------|---------|---------|---------|---------|---------|--------------------|--------------------|--------------------|
| America | 457.2 | 463.8 | 516.9 | 572.5 | 655.7 | 846.1 | 898.2 | 961.2 | 1,034.4 | 864.8 | 943.4 | 1,042.4 | 1,048.7 |
| North America | 414.0 | 408.1 | 434.0 | 433.7 | 474.6 | 613.5 | 621.3 | 673.6 | 692.3 | 577.4 | 609.3 | 651.5 | 696.4 |
| United States | 410.4 | 403.3 | 419.9 | 432.2 | 470.4 | 608.2 | 612.4 | 666.2 | 686.0 | 572.4 | 604.2 | 607.6 | 665.2 |
| Canada | 3.6 | 4.8 | 14.1 | 1.5 | 4.2 | 5.3 | 8.9 | 7.4 | 6.3 | 5.0 | 5.1 | 43.9 | 31.2 |
| Latin America | 43.2 | 55.7 | 82.9 | 138.8 | 181.1 | 232.6 | 276.9 | 287.6 | 342.1 | 287.4 | 334.1 | 390.9 | 352.3 |
| Central America | 22.9 | 32.1 | 48.2 | 105.2 | 139.9 | 180.8 | 206.4 | 213.0 | 262.3 | 257.2 | 264.5 | 326.6 | 280.9 |
| Guatemala | 10.5 | 8.9 | 11.9 | 25.5 | 34.7 | 49.2 | 56.1 | 57.8 | 88.7 | 72.9 | 83.5 | 129.3 | 83.9 |
| Nicaragua | 1.7 | 4.2 | 8.9 | 36.5 | 40.2 | 56.2 | 64.0 | 66.1 | 65.7 | 73.7 | 30.8 | 26.5 | 9.4 |
| Costa Rica | 1.5 | 2.6 | 4.1 | 10.5 | 21.5 | 23.5 | 27.2 | 28.1 | 24.6 | 27.3 | 30.3 | 35.8 | 30.6 |
| El Salvador | 9.2 | 16.4 | 23.3 | 32.7 | 43.5 | 51.9 | 59.1 | 61.0 | 83.3 | 83.3 | 119.9 | 135.0 | 157.0 |
| Mexico | 2.4 | 3.7 | 2.3 | 4.2 | 2.0 | 2.5 | 4.1 | 4.5 | 6.0 | 1.4 | 4.1 | 7.4 | 11.2 |
| Trinidad and Tobago | 0.1 | 0.1 | 0.2 | 1.5 | 2.5 | 3.1 | 0.3 | 2.1 | 2.0 | 3.5 | 12.8 | 7.6 | 6.9 |
| Venezuela | 0.0 | 0.7 | 1.0 | 0.2 | 0.1 | 0.1 | 0.3 | 0.6 | 1.1 | 1.2 | 0.6 | 0.5 | 0.4 |
| Colombia | 1.1 | 1.2 | 0.8 | 1.4 | 1.5 | 1.9 | 1.3 | 1.2 | 0.6 | 1.6 | 1.6 | 3.9 | 5.3 |
| Brazil | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.4 | 0.2 | 0.0 | 0.2 | 2.6 | 0.1 |
| Argentina | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dominican Republic | 0.2 | 0.6 | 0.8 | 0.5 | 1.0 | 1.3 | 7.5 | 3.1 | 2.7 | 4.5 | 1.5 | 4.4 | 3.5 |
| Ecuador | 1.4 | 2.8 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 1.2 | 0.2 |
| Other Latin American | 15.1 | 14.5 | 27.6 | 25.7 | 34.0 | 42.8 | 57.0 | 62.6 | 67.2 | 18.0 | 48.8 | 36.7 | 43.8 |
| Europe | 285.8 | 277.6 | 246.0 | 239.7 | 236.5 | 297.7 | 353.8 | 417.3 | 385.1 | 213.9 | 300.9 | 228.7 | 230.1 |
| Germany | 63.9 | 41.3 | 87.7 | 99.7 | 60.0 | 104.7 | 85.8 | 120.6 | 94.2 | 50.4 | 74.9 | 57.4 | 83.9 |
| Netherlands | 12.6 | 11.3 | 9.3 | 8.5 | 18.4 | 23.1 | 29.9 | 15.6 | 15.0 | 12.8 | 23.5 | 19.2 | 23.9 |
| Belgium | 72.5 | 71.1 | 50.3 | 55.6 | 41.6 | 42.4 | 82.4 | 72.8 | 70.4 | 40.1 | 78.1 | 70.5 | 41.0 |
| France | 2.8 | 1.7 | 2.6 | 8.2 | 11.2 | 14.1 | 13.6 | 14.5 | 15.6 | 12.4 | 13.0 | 14.0 | 9.8 |
| Spain | 11.2 | 10.3 | 11.9 | 16.7 | 30.8 | 38.8 | 43.5 | 49.1 | 44.3 | 27.1 | 16.7 | 16.4 | 9.9 |
| Italy | 30.8 | 35.0 | 23.7 | 9.0 | 16.3 | 20.5 | 28.8 | 41.7 | 30.9 | 25.1 | 20.5 | 14.6 | 19.6 |
| United Kingdom | 28.2 | 47.4 | 29.8 | 24.1 | 38.3 | 29.0 | 21.8 | 56.7 | 32.9 | 10.4 | 38.8 | 4.6 | 12.2 |
| Other European | 63.8 | 59.5 | 30.7 | 17.9 | 20.0 | 25.1 | 48.0 | 46.3 | 81.8 | 35.6 | 35.4 | 32.0 | 29.8 |
| Japan | 38.5 | 39.6 | 19.1 | 18.9 | 31.2 | 39.3 | 37.6 | 43.2 | 66.7 | 55.5 | 42.4 | 30.0 | 20.2 |
| Rest of the world | 49.5 | 11.4 | 19.5 | 30.7 | 42.1 | 37.1 | 26.4 | 24.0 | 63.7 | 30.2 | 43.4 | 39.5 | 31.9 |
| Total | 831.0 | 792.4 | 801.5 | 861.8 | 965.5 | 1,220.2 | 1,316.0 | 1,445.7 | 1,549.9 | 1,164.4 | 1,330.0 | 1,340.7 | 1,330.9 |

Source: Figures provided by the DGEC, the SIECE, Central American Central Banks, and adjusted by the Balance of Payments Section.

P/ Provisional.

Last updated: 30/06/2003.

Table No. 11 HONDURAS: Regional distribution of CIF imports
(in US\$ millions)

| COUNTRY | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 ^{p/} | 2001 ^{p/} | 2002 ^{p/} |
|---------------------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|--------------------|
| America | 682.5 | 739.4 | 846.4 | 1,061.5 | 1,143.1 | 1,289.3 | 1,536.1 | 1,822.8 | 2,143.5 | 2,274.8 | 2,487.2 | 2,556.5 | 2,559.7 |
| VII. North America | 401.3 | 467.4 | 556.9 | 602.4 | 640.0 | 716.1 | 869.7 | 1,045.3 | 1,188.4 | 1,198.7 | 1,238.2 | 1,298.5 | 1,230.6 |
| UNITED STATES | | | | | | | | | | | | | |
| CANADA | 397.7 | 460.1 | 547.2 | 588.3 | 626.6 | 705.2 | 857.6 | 1,033.0 | 1,177.3 | 1,182.7 | 1,220.2 | 1,281.7 | 1,213.1 |
| | 3.6 | 7.3 | 9.7 | 14.1 | 13.4 | 10.9 | 12.1 | 12.3 | 11.1 | 16.0 | 18.0 | 16.8 | 17.5 |
| Latin America | 281.2 | 272.0 | 289.5 | 459.1 | 503.1 | 573.2 | 666.4 | 777.5 | 955.1 | 1,076.1 | 1,249.0 | 1,258.0 | 1,329.1 |
| Central America | 74.6 | 96.8 | 114.5 | 198.8 | 214.2 | 290.2 | 299.6 | 342.2 | 501.7 | 540.9 | 596.4 | 630.3 | 573.7 |
| Guatemala | 33.9 | 44.6 | 48.8 | 83.0 | 93.7 | 134.4 | 133.5 | 151.1 | 232.5 | 224.7 | 233.1 | 295.4 | 236.6 |
| Nicaragua | 10.7 | 9.1 | 8.2 | 10.2 | 13.6 | 14.8 | 17.4 | 21.1 | 24.9 | 38.0 | 37.3 | 47.9 | 57.8 |
| Costa Rica | 14.6 | 22.4 | 26.8 | 55.3 | 47.9 | 57.4 | 59.3 | 56.6 | 87.9 | 97.8 | 100.9 | 103.0 | 103.3 |
| El Salvador | 15.4 | 20.7 | 30.7 | 50.3 | 59.0 | 83.6 | 89.4 | 113.4 | 156.4 | 180.4 | 225.1 | 184.0 | 176.0 |
| Mexico | 56.0 | 48.9 | 66.5 | 35.6 | 43.7 | 72.2 | 90.0 | 115.2 | 120.7 | 136.6 | 140.1 | 140.5 | 166.7 |
| Trinidad and Tobago | 0.6 | 0.1 | 0.4 | 4.2 | 3.7 | 1.5 | 4.5 | 9.7 | 24.8 | 15.5 | 30.5 | 35.0 | 75.8 |
| Venezuela | 61.0 | 59.8 | 18.6 | 11.8 | 13.0 | 21.7 | 29.4 | 28.5 | 31.8 | 29.3 | 30.9 | 26.3 | 52.9 |
| Colombia | 12.4 | 7.9 | 10.9 | 16.3 | 13.4 | 18.7 | 19.0 | 16.0 | 16.6 | 28.0 | 34.3 | 29.8 | 28.9 |
| Brazil | 16.2 | 17.4 | 19.4 | 24.7 | 25.9 | 26.3 | 20.5 | 24.2 | 23.5 | 30.9 | 29.6 | 29.5 | 37.8 |
| Argentina | 4.8 | 2.9 | 4.4 | 3.6 | 1.9 | 2.5 | 2.9 | 6.4 | 3.1 | 4.4 | 6.1 | 6.7 | 6.8 |
| Dominican Republic | 0.9 | 1.4 | 1.7 | 1.2 | 1.4 | 4.8 | 14.5 | 12.8 | 6.8 | 6.1 | 3.1 | 4.2 | 7.6 |
| Ecuador | 0.7 | 0.7 | 0.9 | 1.1 | 1.6 | 3.9 | 4.6 | 4.0 | 1.6 | 10.9 | 12.5 | 2.0 | 22.6 |
| Other Latin American | 54.0 | 36.1 | 52.2 | 161.8 | 184.3 | 131.4 | 181.4 | 218.5 | 224.5 | 273.5 | 365.5 | 353.6 | 356.3 |
| Europe | 153.5 | 123.9 | 100.9 | 119.0 | 181.0 | 187.9 | 147.1 | 162.2 | 188.8 | 219.3 | 172.1 | 238.5 | 220.2 |
| Germany | 37.2 | 26.8 | 20.5 | 29.7 | 52.3 | 37.3 | 30.4 | 33.4 | 33.5 | 46.4 | 35.9 | 30.7 | 33.5 |
| Netherlands | 61.0 | 45.9 | 22.1 | 11.8 | 21.8 | 55.7 | 17.8 | 9.7 | 35.1 | 27.6 | 10.7 | 83.5 | 51.1 |
| Belgium | 4.9 | 3.7 | 5.1 | 8.1 | 20.5 | 14.8 | 14.7 | 20.0 | 17.0 | 14.4 | 10.7 | 10.6 | 22.7 |
| France | 4.8 | 6.4 | 8.8 | 9.1 | 8.9 | 5.2 | 19.8 | 9.0 | 17.7 | 25.5 | 28.6 | 20.5 | 17.0 |
| Spain | 6.6 | 7.9 | 6.8 | 7.4 | 26.7 | 27.0 | 19.9 | 20.1 | 26.7 | 30.6 | 29.9 | 37.4 | 37.8 |
| Italy | 6.0 | 5.2 | 4.4 | 12.9 | 9.9 | 12.0 | 11.1 | 14.9 | 14.5 | 22.3 | 12.9 | 18.5 | 14.2 |
| United Kingdom | 10.5 | 8.8 | 11.0 | 10.4 | 10.0 | 7.3 | 9.4 | 10.5 | 16.0 | 12.1 | 9.8 | 7.7 | 7.2 |
| Other European | 22.5 | 19.2 | 22.2 | 29.6 | 30.9 | 28.6 | 24.0 | 44.6 | 28.3 | 40.4 | 33.6 | 29.6 | 36.7 |
| Japan | 64.2 | 56.0 | 53.0 | 56.8 | 68.7 | 59.2 | 78.3 | 76.4 | 117.1 | 107.2 | 103.2 | 114.3 | 101.4 |
| Rest of the world | 34.6 | 35.8 | 36.3 | 53.3 | 67.5 | 106.3 | 78.5 | 87.2 | 85.3 | 74.9 | 92.1 | 74.6 | 95.0 |
| Total | 934.8 | 955.1 | 1,036.6 | 1,290.6 | 1,460.3 | 1,642.7 | 1,840.0 | 2,148.6 | 2,534.8 | 2,676.1 | 2,854.6 | 2,983.9 | 2,976.3 |

p/ Provisional.

Last updated 30/06/2003.

Source: Figures provided by the DGEC and by Central American Central Banks, adjusted by the Balance of Payments Section.

VII. ANNEX NO. 12

THE POVERTY REDUCTION STRATEGY

All for Honduras

What is it and how far have we progressed?

BACKGROUND

1. The Poverty Reduction Strategy (PRS) is a response to the need to establish a long-term policy framework that would enable Honduras to overcome the problems associated with the development of its human capital, which has been historically limited by a combination of factors of an economic and social nature, a situation made worse by the effects of hurricane and tropical storm Mitch in November 1998. This coincided with certain changes in the view of the support provided by the international community, such as the replacement of the IMF's Enhanced Structural Adjustment Facility (ESAF) by its Poverty Reduction and Growth Facility (PRGF) and with Honduras admission to the Heavily Indebted Poor Countries (HIPC) Initiative, which will eventually constitute an important source of financing for the PRS.

2. The PRS paper was formulated with the broad participation of Honduran civil society, which introduced a sense of ownership that will help to make the programme sustainable in the longer term. The participatory process took place between January 2000 and May 2001, with the direct participation of more than 3,500 representatives of civil society organizations. In many instances, the participants bore mandates stemming from the consultations which their organizations had previously held with their membership. The results of each meeting and the written proposals submitted by the NGOs were organized, summarized and analysed to determine the points of agreement and assess them on the basis of technical criteria within the context of the country's economic and social viability. Accordingly, the final version of the PRS includes greater development, as well as incorporating a series of topics proposed by civil society.

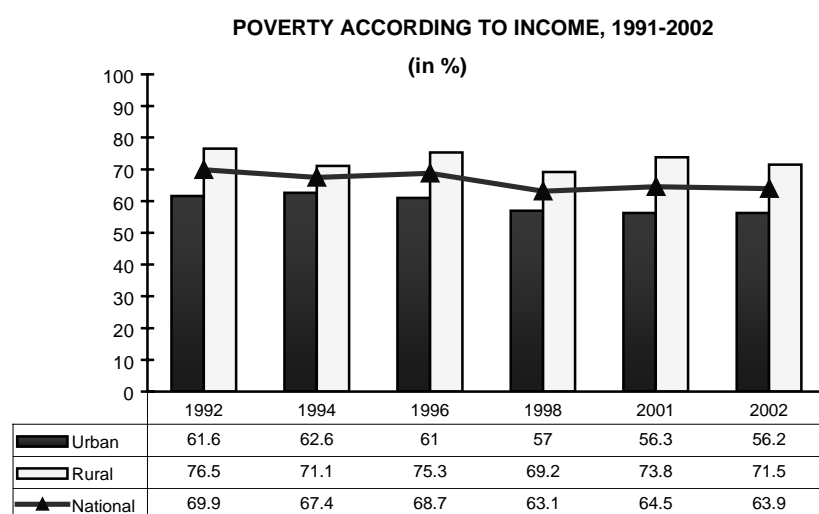
3. The year 2002 was the first year of implementation of the PRS. Like other countries which have prepared and implemented strategies of this type within the framework of the HIPC Initiative, Honduras has undergone a learning process based on the lessons and the difficulties of this ambitious project. In many instances, it has had to experiment with novel arrangements and procedures, with only very general guidance from multilateral bodies and only a distant acquaintance with the experience of countries that had previously embarked on the process. Moreover, the process has in some ways turned out to be more complicated in the case of Honduras, since 2002 was the first year of a new Government.

4. An initial stocktaking reveals considerable progress in the restructuring of macroeconomic policy, in the orchestration of the PRS, project prioritization and the management of supplementary resources. On the other hand, the implementation of the planned investments has fallen short of expectations, due partly to the overambitious original programming and partly to mismatches with the completion of the HIPC Initiative. It is expected that during 2003 the level of investment will pick up sharply, reaching 3.2 per cent of GDP, and that the objectives set for 2004-2005 will be met.

CONTENT OF THE PRS

Status of poverty

5. Because poverty is multidimensional, there are various methods of measuring it, all of which show that in Honduras poverty still stands at a high level, despite a modest improvement in recent years. In 2002, approximately 64 per cent of households were below the poverty threshold and almost 47 per cent fell within the extreme poverty category, a slight improvement on the 75 per cent and 54 per cent, respectively, observed in 1991. The Unsatisfied Basic Needs method revealed a more favourable trend, the total number of households with UBN having fallen from 67 per cent to 47 per cent between 1990 and 1997. Nevertheless, the nutritional state of schoolchildren is a cause for concern and the level of human development in Honduras continues to be one of the lowest in Latin America due largely to the low per capita income, still one of the lowest in Latin America, with little prospect of significant improvement into the medium term since in the past decade the rate of growth averaged 0.5 per cent per year. This situation, together with the low poverty-income elasticity (0.65 per unit per capita GDP), is making it necessary to intensify the measures that would make possible a significant increase in the economic growth rate and to take steps to improve the distribution of income, in order to achieve the objective of reducing the levels of poverty and destitution by 24 percentage points by 2015.



6. In some cases the social indicators are more encouraging, especially in areas linked with basic education and health services, which may be related with the increase in government social spending from 45 per cent to 49 per cent of total expenditure. Nevertheless, these indicators continue to lag behind the regional averages. Coverage in the first two cycles of primary education is approaching 90 per cent, due to the fact that it here that the greatest efforts have been made; however, coverage in pre-primary education and at the third level of primary education is giving cause for concern, especially with respect to the third cycle, where the young people about to enter the labour market are or should be found.

7. The health indicators also reveal some significant progress, although insufficient to ensure the development of the country's human capital. Figures taken from the last national population and housing census show that between 1970 and 2001 life expectancy at birth rose from 54 to 71 years; the infant mortality rate fell from 116 to 43 per 1,000 live births and the nursing mothers' mortality rate dropped to 33 per 1,000 live births. Likewise, in 2001 the maternal mortality rate was 104 per 1,000 live births, the situation being worse in the rural areas where the primary care services are less reliable. On the other hand, the chronic malnutrition rate for children under the age of five is 32.9 per cent. The percentage of the population with access to drinking water and sanitation services has increased satisfactorily, thanks to the social programmes and projects set up during the last ten years, such as the Social Investment Fund (FHIS), etc. At present, 80 per cent of the national population has access to drinking water, although the percentage is lower if only those who have that service inside the home are considered. All the infrastructure damaged in 1998 by hurricane Mitch has been repaired, so that the level of coverage achieved before the disaster has now been restored. However, it is essential to increase the coverage of these services in view of their huge impact on the health of the population.

GLOBAL VISION AND OBJECTIVES OF THE PRS

8. Both the global objectives and the intermediate and final performance indicators of the PRS have been so designed as to be consistent with the diagnostic elements and determinants of poverty used as a basis for the discussions with civil society during the consultation process. During that process, the country's Global Vision up to the year 2015 and the Strategic Guidelines for realizing that vision were also defined. Table 1 reproduces the objectives of the PRS, with a baseline updated in the light of the latest figures available.

| OBJECTIVE | (2) INDICATOR | Base date | Projection | | | |
|---|---|-----------|------------|------|------|------|
| | | | 2005 | 2010 | 2015 | 2015 |
| Real GDP growth | Real GDP growth ¹ (2002) | 2.1 | 3.5 | 4.5 | 5.1 | 5.6 |
| Per capita GDP growth | Per capita GDP growth ² (2002) | -0.3 | 1.1 | 2.2 | 2.8 | 3.7 |
| Population | Growth rate ³ (2002) | 2.4 | 2.4 | 2.3 | 2.3 | 1.9 |
| Social spending | Social spending as % of total expenditure ⁴ (2001) | 47.5 | 47 | 48 | 50 | 50 |
| Reduce poverty by 24 percentage points | Poverty rate (2002) ⁵ | 63.9 | 62.1 | 60.2 | 58.4 | 39.9 |
| | Extreme poverty rate (2002) ⁵ | 45.2 | 43.4 | 41.5 | 39.7 | 21.2 |
| Double net coverage in pre-primary education up to age 5 | Coverage rate in pre-primary education (2002) ⁵ | 31.3 | 36.9 | 39.7 | 42.5 | 62.6 |
| 95% net coverage in the first two cycles of primary education | Coverage rate 1st and 2nd cycles (2002) ⁵ | 87.7 | 88.7 | 89.2 | 89.7 | 95.0 |
| 70% net coverage in the third cycle of primary education | Coverage rate 3rd cycle of primary education (2002) ⁵ | 31.3 | 36.9 | 39.7 | 42.5 | 70.0 |
| 50% of emergent labour force to complete secondary education | Coverage of diversified cycle (10th to 12th grades) ⁵ (2002) | 15.3 | 20.3 | 22.8 | 25.3 | 50.0 |
| | % of emergent LF completing secondary education ⁵ (2002) | 11.8 | 14.5 | 17.3 | 20.0 | 50.0 |
| Halve mortality rates for infants and children below age 5 | Infant mortality rate /1,000 live births (2001) ⁶ | 34 | 32 | 30 | 29 | 16 |
| | Mortality rate below age 5 (per 1,000 live births) ⁶ (2001) | 45 | 42 | 40 | 39 | 23 |
| Malnutrition below age 5 | Infant malnutrition rate ⁵ (2001) | 32.9 | 30.9 | 29.9 | 28.9 | 20.0 |
| Halve maternal mortality | Maternal mortality rate per 100,000 live births ⁶ (2001) | 108 | 100 | 96 | 93 | 54 |
| 95% access to water and sanitation | % of population with access to drinking water ³ (2002) | 78.8 | 81.1 | 82.3 | 83.4 | 95.0 |
| | % of population with access to sewage systems ³ (2002) | 68.4 | 70.7 | 71.9 | 73.0 | 95.0 |
| Equal treatment and a 20% increase in the human development index for women | HDI relating to gender ⁷ (2001) | 0.64 | 0.65 | 0.66 | 0.67 | 0.77 |
| | Gender potentiation index ⁷ (2001) | 0.46 | 0.47 | 0.48 | 0.49 | 0.59 |
| Implement a sustainable development strategy | % area with forest cover ⁸ (2001) | 54 | 56 | 57 | 58 | 60 |
| | % protected areas under management ⁸ (2001) | 30 | 50 | 60 | 70 | 100 |
| | Air pollution in urban centres ($\mu\text{g}/\text{m}^3$ PTS) (2001) | 618 | 584 | 549 | 514 | 200 |

¹ Central Bank of Honduras (BCH).

² National Unit for Technical Support (UNAT), with BCH and National Statistical Institute (INE) figures.

³ CMPV / INE

⁴ Ministry of Finance (SEFIN).

⁵ Estimates based on the Ongoing Multi-purpose Survey of Households (EPHPM). The original data are from the Ministry of Education (SE), but it is impossible to follow them up

⁶ Ministry of Health, Investigation of maternal mortality and the mortality of women of reproductive age in Honduras, 1997.

Human Development Report 2000.

Honduran Forestry Development Cooperation (COHDEFOR), on the basis of the National System of Prioritized Protected Areas (40 areas protected).66.0

9. In designing the objectives, the international parameters defined up to 2015 by the United Nations Organization, the Organization for Economic Co-operation and Development (OECD) and the World Bank were also taken into consideration. Nevertheless, for them to be viable a great effort in terms of additional financing will be required and this will depend on the reaching of the

completion point within the framework of the HIPC Initiative, as well as on the improved channelling and greater efficiency of external resources in general. To this end, a considerable effort is being made to coordinate with international cooperation, as described in more detail in the next section.

10. In order to achieve these objectives, work is also being done on national strategies that should make possible substantial improvements in the competitiveness of the Honduran economy and specific action is being taken to develop sectors with a high potential in terms of productivity and job creation. Moreover, it is becoming ever clearer that there is the political will to increase, substantially and sustainably, both the quantity and the quality of social spending. The viability of the objectives requires, in addition to an adequate rate of sustained growth, a decision to forge ahead with the processes of national transformation in fundamental areas relating to the promotion of competitiveness, human development and the reduction of environmental vulnerability.

III. Progress with the application of the PRS in 2002

IMPLEMENTATION OF POLICY MEASURES

11. The PRS has a very ambitious agenda involving both the reform of policies and legislation and administrative changes. It includes measures to strengthen the legal system, combat corruption, modernize the political system and improve the climate for investment. During 2002, the Government and the National Congress pressed aggressively forward with the implementation of this agenda.

12. In the field of economic policy, it was planned, in the short term, to fulfil the obligations of the PRGF agreement between Honduras and the IMF in the areas of taxation, monetary policy, management of the financial system, balance of payments and structural reform. Although Honduras succeeded in achieving the monetary and balance-of-payments objectives, the country encountered difficulties with fiscal management, which led to the suspension of the PRGF in 2001. However, corrective measures were taken and this has made possible the signing of a Letter of Intent concerning a new PRGF programme for 2003-2005. Within this framework, Honduras will endeavour to achieve the PRS objectives of boosting tax revenue, rationalizing public expenditure with priority for PRS programmes, obtaining external financing on concessional terms, and maintaining inflation at low levels.

13. Other policy measures planned under the PRS which have already been implemented include: action to strengthen the legal system and combat corruption, approval of the Law on the Streamlining of Administrative Procedures, the establishment of the National Competitiveness Council, and the initiation of negotiations and a free trade agreement with the United States (CA-US FTA).

14. Some of the policy measures and legal and administrative changes planned in the 2001 PRS paper have not yet been implemented, due partly to the impossibility of pushing through all the initiatives at the same time and the need to reconsider the content and design of some of the policies and laws. Draft framework laws on electric power were withdrawn from Congress for redrafting and new versions were submitted in 2003. Other outstanding measures include: the Forestry Law, reforms of the Labour Code, and the Commercial Code, the Law on the Promotion and Protection of Competition, the IHSS Law, the Law on the Modernization of the Housing Sector and the General Framework Law on Education. Draft laws on income tax simplification and modernization and on the Unified National Property Register have already been prepared and sent to the National Congress.

DEVELOPMENT OF THE INSTITUTIONAL FRAMEWORK OF THE PRS

15. During 2002, the Government and civil society worked together to establish the basis for the operational framework of the PRS. As a result, the PRS now has a well-defined institutional framework, mechanisms have been established for focusing the Strategy and interfacing it with the decentralization process, and progress is being made with the design and speedy implementation of systems for monitoring and evaluating PRS policy measures, projects and indicators.

16. An operational and institutional framework, with clearly defined and well coordinated functions, has been set up for the purpose of implementing, monitoring and evaluating the PRS. To this end, certain legal provisions have been adopted, the necessary institutional adjustments have been made and new mechanisms have been established to ensure that the processes are properly articulated, from central to municipal and local levels, with a view to achieving the poverty reduction objectives more efficiently and with emphasis on the more vulnerable groups. The most prominent features of this operational framework include the definition of the functions of the Social Cabinet, the setting up of the Consultative Council, the establishment of an Interinstitutional Technical Support Group and the creation of the Fund for the Reduction of Poverty.

Medium-term commitments and policy measures

17. The present administration has prioritized the objectives and programmes of the PRS on the basis of the fundamental principles of its governing agenda and the short and medium-term requirements. Thus, policy commitments have been assumed and resources have been channelled into three main areas: (i) revitalization of the economy and job creation; (ii) development of the human capital; and (iii) justice and law and order.

18. Through these priorities run three cross-cutting threads, namely, environmental protection and risk prevention; gender equality; and decentralization. These commitments are all consistent with the policy measures and programmatic areas of the original PRS paper, enriched and supplemented by the proposals made within the context of the work of the sectoral round tables and the other participating bodies representing civil society and international cooperation.
