



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

HONDURAS

Revision

This report, prepared for the fourth Trade Policy Review of Honduras, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Honduras on its trade policies and practices.

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Document WT/TPR/G/443 contains the policy statement submitted by Honduras.

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SUMMARY

1. During the first part of the review period, the Honduran economy saw rapid growth. Honduran GDP grew at an average annual rate of 3.8% between 2016 and 2019, which means that per capita income rose. Growth was spurred mainly by private consumption expenditure, which in turn was driven up in large part by remittances from abroad, an important source of financing for consumption. In 2020, the Honduran economy was hit very hard by the economic effects of the COVID-19 pandemic, with GDP contracting by 9%. All the components of aggregate demand contracted, but gross capital formation recorded the largest decline. All productive sectors were similarly affected. However, macroeconomic conditions improved rapidly in 2021 and 2022. Real GDP expanded by 12.5% in 2021 and by 4.0% in 2022. With the exception of agriculture and fishing, and mining and quarrying, all sectors recorded growth in 2022, particularly hotels and restaurants; financial intermediation; manufacturing; and construction.

2. The agricultural sector (including fishing) remains relatively important for the Honduran economy, accounting for 12.6% of GDP in 2022 and is a major employer. The sector's share of GDP varied during the review period, mainly due to the impact of natural phenomena and the pandemic. Continuing the trend observed in the previous review period, the GDP share of the manufacturing sector, including the *maquila* industry, declined in this review period, from 17.1% in 2016 to 16.0% in 2022. Services accounted for 51.3% of GDP in 2022; those that contributed the most to GDP were trade, hotels and restaurants, financial intermediation and real estate services.

3. For most of the period under review, fiscal policy was geared towards fiscal consolidation, reducing spending and increasing revenue. The Fiscal Responsibility Law (LRF) of 2016 established targets for reducing the deficit and achieving fiscal consolidation. Limits were set for the increase in nominal current expenditure and in public debt. The targets set out in the LRF for the non-financial public sector (NFPS) deficit could not be met. The central government deficit widened in 2020 to 7% of GDP as a result of higher public spending on support programmes to address the effects of the pandemic, as well as the shortfall in revenue collection caused by the slowdown in economic activity. In this regard, the National Congress agreed to suspend compliance with the targets set out in the LRF for two years; instead, it authorized an annual ceiling for the NFPS deficit of 5.4% of GDP in 2021, between 2.3% and 2.9% in 2022 and no more than 1.0% in 2023. Public finances improved with uptick in economic growth, as evidenced by the reduction in the central government deficit of 1.3% of GDP in 2022.

4. Between 2016 and 2019, the aim of monetary policy was to keep inflation low and stable and maintain an adequate level of international reserves, by ensuring that levels of liquidity in the financial system would guarantee price stability. During the period under review, inflation generally remained within the established tolerance range, with the exception of 2022, when price levels were affected by the higher international price for raw materials, mainly energy and food, causing inflation to accelerate, reaching 9.1%. The Central Bank of Honduras (BCH) implements the exchange rate policy through the exchange rate banding system, using a margin of 1% above or below the centre of the exchange rate band.

5. The current account of the balance of payments continued to post large deficits during the review period, with the exception of 2020. The deficit peaked at USD 1,582 million in 2018, equivalent to 6.6% of GDP. In 2020, as a result of the pandemic, imports contracted considerably, leading to a current account surplus of USD 666 million, equivalent to 2.8% of GDP. However, when economic activity recovered in 2021 and 2022, imports of goods and services increased substantially, again leading to a deficit, which reached USD 1,487 million in 2021 and USD 1,080 million in 2022, accounting for 5.3% and 3.4% of GDP respectively.

6. Honduras' overall exports in 2022 (including *maquila*) totalled USD 12,135 million, compared to USD 7,926 million in 2016, an increase of 53%. The main export products were textiles and textile articles (40.5% of the total), coffee (11.7% of the total), machinery and appliances, electrical equipment and parts thereof (9.7%) and bananas and other fruits (6.5%). Honduras's c.i.f. imports totalled USD 19,544 million in 2022, compared to USD 12,407 million in 2016, an increase of 57.5%. In 2022, imports consisted primarily of manufactured products, particularly textile fibres (19.9% of the total), fuels (15.2%), machinery and equipment (13.5%) and chemicals (11.4%). The main market for Honduran exports continues to be the United States, which absorbed 50.6% of the total in 2022, down from the 57.0% recorded in 2016. It is followed by the European Union (11.4%), Nicaragua (8.7%), El Salvador (8.5%) and Guatemala (5.5%). The United States is also the main

source of imports, corresponding to 36.9% of total imports in 2022 (42.4% in 2016), followed by China (11.5%), Guatemala (9.4%) and El Salvador (7.7%).

7. The Honduran services balance shows a structural deficit, which increased substantially during the review period (from USD 578.3 million in 2016 to USD 2,121.6 million in 2022). This increase was largely attributable to the impact of the COVID-19 pandemic, which significantly reduced travel sector credit, which usually records a surplus, while all other sectors were in deficit. The sectors posting the largest deficit are transport, particularly maritime transport, royalties and insurance.

8. The main objective of Honduran trade policy is to integrate into world trade by consolidating and diversifying the range of products and markets. To promote exports, Honduras continues to use special regimes, in particular free trade zones and taking advantage of preferential market access. Despite these policies, Honduras's trade remains highly concentrated in a few products (coffee and textiles) and just one market. Honduras faces a number of challenges that affect the competitiveness of its exports and the resilience of its economy.

9. Honduras is an original Member of the WTO and accords at least most-favoured nation (MFN) treatment to all its trading partners. For Honduras, as a small and vulnerable economy, the multilateral system based on clear and stable rules is essential to advancing growth and well-being. In WTO negotiations, Honduras is part of two groups that promote flexibilities in agricultural trade in line with development needs. Honduras is of the view that the new trade-related topics are key, and therefore participates in joint initiatives to promote e-commerce, the integration of MSMEs into trade, investment facilitation for development, as well as in structured discussions and working groups to promote environmental sustainability and women's participation in trade. Honduras is not party to the plurilateral agreements, nor is it an observer to the respective committees. Since 2016 Honduras has not made use of the dispute settlement mechanism, although it has been a third party in a number of cases.

10. Honduras's strategy for trade openness and integration into value chains also includes participation in preferential agreements, mainly in the region, such as the Central American Common Market (CACM) and CAFTA-DR. Since 2016, in the framework of CACM, Honduras has made progress in the gradual and progressive process of deep integration with Guatemala, with a view to creating a customs union. During the review period, trade agreements that Honduras negotiated with Peru, the Republic of Korea and the United Kingdom entered into force. Most of Honduras' trade is conducted under preferential agreements.

11. Honduras pursues an investment regime relatively open to private investment, including foreign investment, although some activities are still reserved to the State, on the grounds of public order or social interest; for certain activities, mainly services, caps on foreign direct investment (FDI) are still imposed. On the other hand, despite a sector or activity being liberalized, the State still has natural monopolies (this is the case for electricity transmission and distribution). Foreign-owned stakes in small-scale industry and trade are also governed by reciprocity. In sectors where foreign capital investment is permitted, Honduras guarantees national treatment. Honduras does not impose preconditions on foreign investment nor restrictions on the repatriation of capital or profits; these are subject to the Honduran tax regime. Sectoral and horizontal incentives are provided to attract investment. With regard to incentive programmes, the Employment and Economic Development Zones (ZEDE) regime was abolished in 2020.

12. There have been no major changes to the customs legal framework of Honduras since 2016. At the institutional level, the Customs Administration of Honduras (AAH) replaced the Customs Revenue Directorate in 2020, becoming the new customs authority. Meanwhile, since the previous Review in 2016, Honduras has implemented trade facilitation procedures, in accordance with its commitments arising from the WTO Trade Facilitation Agreement; to date, Honduras has implemented 70.6% of its commitments. The measures introduced include the adoption of a single customs declaration at the Central American level; the implementation of the authorized economic operator programme; the creation of a digital portal providing information on customs procedures for imports and exports, by product and market; and the implementation of a paperless customs pilot project. Honduras mainly uses the transaction method to set the value of imports. Between 2021 and 2022, to mitigate the impact of the increase in maritime transport costs, "one-off" reduction of 75% in the freight cost used to calculate the customs value was authorized. Price guides are still used to determine the value of certain goods, particularly used vehicles.

13. In 2022, Honduras' tariff contained 7,531 lines at the HS 2022 10-digit level (6,974 lines at the HS 2012 10-digit level). In most cases, Honduras applies *ad valorem* tariffs. Honduras' tariff structure has not changed substantially. The average MFN applied rate was kept at 5.9%. The protection given to agricultural products (WTO definition) remains higher than that given to non-agricultural products (WTO definition); the gap between the average applied tariff applied to agricultural products (10.7% in 2015 and 10.8% in 2022) and to non-agricultural products (5.1% in 2015 and 2022) remained practically unchanged. Of Honduras's tariff lines, 48.1% had a rate of 0% in both 2015 and 2022. The price band system, which affects six tariff lines, is still in force in, although, according to the authorities, it is not used. Honduras did not negotiate tariff quotas within the framework of the WTO; however, it did negotiate preferential tariff quotas under certain regional agreements. Honduras mainly uses quotas negotiated under the CAFTA-DR. For certain agricultural products, shortage quotas may also be triggered should domestic supply fall short.

14. Honduras uses non-tariff measures to protect human health, public safety and the environment. In certain cases, however, these measures may be used to protect domestic production and food security. During the review period, a seasonal ban was imposed on imports of onions to protect domestic production, while a ban on exports of red beans, lifted in 2020, was introduced to guarantee food security. Foreign trade in certain products, including onions and red beans, was regulated through import and export licences and other types of permits. Honduras has not used any trade defence measures since 2016. There are no state trading enterprises in Honduras. Honduras applies the same taxes and levies to both imports and domestic production; however, the so-called eco-tax is levied only on imports of used vehicles. Exports of green coffee (HS 0901.11.30.00) and certain minerals remain subject to a levy used to finance support measures. Exporters are required to deposit and sell foreign currency within a specified period; this requirement does not apply to exporters operating under the free zone (ZOLI) regime.

15. Honduras has notified two subsidy programmes to the WTO: the Temporary Import Regime (RIT) and the ZOLI regime, from which a considerable number of exporting companies benefit. In 2020, substantial changes were made to the ZOLI regime with a view to improving it and providing greater certainty for users and investors; Honduras has also streamlined the procedure for setting up companies in free zones, facilitated the entry of goods and increased the period of validity for related tax benefits.

16. During the review period, there were no significant changes regarding the formulation, application and objectives of technical regulations and sanitary and phytosanitary measures. These regulations and measures are based on international guidelines, standards and recommendations. Since 2016, Honduras has submitted to the WTO 13 regular notifications concerning technical regulations and 12 on sanitary and phytosanitary measures. There have been no emergency notifications. A specific trade concern was raised against Honduras regarding sanitary and phytosanitary measures.

17. The Honduran competition regime has not undergone any substantial changes since 2016. The Commission for the Defence and Promotion of Competition is, in principle, the governing authority, although sectoral laws may grant regulatory bodies the same powers as those held by the Commission. This is the case in the telecommunications sector. Between 2020 and 2021, Honduras regulated the sales price of several goods, including ethyl alcohol and mats, owing to the pandemic and the hurricanes that had ravaged the country. At present, only fuel and electricity prices are regulated.

18. Regarding government procurement, the main development during the review period was the creation of the position of certified public buyer (CPC) to enhance procedural efficiency and transparency. Since 2018, each procuring entity has been required to have a CPC, yet this is not always the case in practice. Furthermore, annual procurement plans are not published systematically and procurement cannot be conducted via the digital platform. Honduras continues to apply preferences in favour of Honduran suppliers. Honduras is not party to the WTO Agreement on Government Procurement and does not participate as an observer in the Committee.

19. In terms of intellectual property, the most significant development was the 2018 repeal of the Law on the Protection of New Varieties of Plants of 2012. Certificates granted under this Law are, however, still valid. Marks are the type of industrial property protection most widely used by residents; the use of patents is rare, although initiatives have been introduced to foster a culture of

innovation. Honduras has successfully strengthened its intellectual property regime in some areas, although there is room for improvement as regards protecting rights in the digital sphere.

20. While the agricultural sector has retained its relative importance for the Honduran economy, its share of GDP fell during the 2016-21 period, before recovering in 2022. During the review period, the sector experienced erratic growth due to adverse weather events and a lack of dynamism owing to a shortage of funding and, therefore, investment. Other factors to negatively impact the sector include migration and an ageing rural population. Honduras has several domestic support programmes that seek to benefit producers with limited resources by providing inputs, access to capital and technical assistance, thereby contributing to the economic recovery and food security of small farmers. Agricultural production is still relatively concentrated: products such as coffee and bananas exceeded 40% of total agricultural output (in 2021). High-quality Honduran coffee and organic coffee surpassed bananas as the main agricultural export products. However, aside from traditional agricultural products, Honduras is also promoting the cultivation of non-traditional products. During the 2016-21 period, the share of agricultural products (as defined by the WTO) in total exports averaged over 30%. Honduras notified the WTO that it did not subsidize any agricultural exports between 2016 and 2020. Honduras provides preferential credit and has guarantee funds to support loans to the agricultural sector.

21. In 2022, Honduras launched an energy reform to increase state involvement in the sector. The National Electricity Company (ENEE) - a state enterprise - and several private operators participate in this market. In principle, private operators were able to participate in all activities until 2022, when the ENEE became the only entity entitled to market electricity. The ENEE also has a natural monopoly on transmission and distribution. As a result, private operators only participate in the generation market, which they dominate. The energy reform also covers the renegotiation of ENEE agreements concluded with generators, which could lead to uncertainty and affect future decisions to invest in the generation sector at what is a particularly critical time for the diversification of the country's energy matrix, as the security of the electricity supply relies on hydroelectric plants, a source that has been affected by climate change.

22. The telecommunications market has seen no substantial changes during the review period. HONDUTEL, the state operator, continues to hold significant market power in terms of fixed services, while the mobile service market remains dominated by two operators. Honduras has attempted to narrow the digital divide, and since 2016 the broadband penetration rate has increased. In 2022, however, 18% of the country's population still had no Internet access, and 28% of those with access did not make use of it.

23. The main development in the transport services sector since 2016 has been the opening of Palmerola International Airport, a new airport which, unlike the old one, can handle larger aircraft. It is therefore hoped that, as well as serving the capital city and facilitating air connectivity, the new airport will, in the future, promote tourism by allowing for more passenger arrivals and being closer to areas with tourism potential. Since 2016, the country has also attracted new airlines, including some low-cost operators, even though the level of air connectivity remains low. Puerto Cortés is Honduras' main port and one of the most important ports in Central America. For this reason, it was chosen for the implementation of a paperless customs pilot project, which has optimized clearance times and brought about environmental benefits thanks to the reduced use of paper.

24. The tourism sector's share of GDP is still modest; however, the sectors' synergies with the rest of the economy make it a priority sector for promoting economic development, particularly in areas away from the main production hubs. The sector is also a key source of foreign exchange and, as such, the largest component in service exports. Honduras has therefore reaffirmed its commitment to the sector by providing incentives, supporting financing and implementing marketing programmes, all with a view to reviving tourism following the health and climate crises. Nevertheless, the sector faces serious challenges that could affect recovery, such as a lack of air connectivity, a low level of diversification in terms of tourism offerings, and the country's image and its vulnerability to climate change.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. Honduran nominal GDP amounted to more than USD 30 billion in 2022. The country's population was around 9.6 million in 2022 and continues to grow at a rapid annual rate. The Honduran economy was hit very hard by the COVID-19 pandemic, with GDP per capita declining in 2020. However, growth picked up in 2021 and GDP rebounded; GDP per capita increased from USD 2,563 in 2020 to USD 3,010 in 2021 and USD 3,303 in 2022, driven in part by faster growth in income from remittances, which continue to provide a major boost to aggregate demand. Despite this, and although growth exceeded 12% in 2021 and 4% in 2022, GDP per capita continues to be among the lowest in Latin America.

1.2. The World Bank classifies Honduras as a lower-middle-income economy, and the country's score on the World Bank's Human Capital Index was 0.48 in 2021 (the index ranges from 0 to 1). Development and poverty indicators improved in the period up to 2019. The poverty rate fell from 17% in 2012 to 12.7% in 2019 (in terms of the percentage of the population with a daily income below USD 2.17 in 2017 purchasing power parity) and from 57% to 50% (in terms of the percentage of the population with a daily income below USD 6.85 in 2017 purchasing power parity). The reduction in poverty came hand in hand with a slight improvement in income distribution; the country's Gini coefficient went from 53.4 in 2012 to 48.2 in 2019, reflecting in part the impact of remittances on people's income.¹ According to data from the United Nations Development Programme (UNDP), in 2019, 12% of the country's population lived in multidimensional poverty (the index covers health, education and living standards), 3% lived in severe multidimensional poverty and 14.8% were vulnerable to multidimensional poverty. In addition, 14.8% of the population earned a daily income of less than USD 1.90 and 48% lived below the national poverty line defined by the Government.²

1.3. The agricultural sector (including fishing) has retained its relative importance for the Honduran economy. After feeling the impact of the pandemic, the sector recovered in 2022, when it accounted for 12.6% of the country's GDP, an increase of 1.6 percentage points compared with 2021. The sector's share of GDP varied during the review period, mainly due to the impact of natural phenomena and the pandemic (Table 1.1). The agricultural sector continues to play a major role as a source of employment in Honduras.

1.4. Continuing the trend observed in the previous review period, the GDP share of the manufacturing sector, including the *maquila* industry, declined in this review period, from 17.1% in 2016 to 16.0% in 2022. Services accounted for 51.3% of GDP in 2022. The services that contributed the most to GDP were trade (14.9%), education services, financial intermediation and real estate services (Table 1.1).

Table 1.1 Structure of the economy, 2016-2022

	2016	2017	2018	2019 ^a	2020 ^a	2021 ^a	2022 ^a
Gross domestic product (GDP)							
GDP at current prices (market prices, HNL million)	495,922	543,403	575,285	614,918	585,734	684,204	776,636
GDP at current prices (market prices, USD million)	21,567	22,975	23,900	24,916	23,662	28,291	31,523
GDP at constant prices (HNL million in 2000)	197,497	207,061	215,023	220,728	200,940	226,126	235,166
Real GDP (annual percentage change)	3.9	4.8	3.8	2.7	-9.0	12.5	4.0
GDP per capita (USD)	2,488	2,614	2,669	2,743	2,563	3,010	3,303
GDP by activity (% of GDP at current prices)							
Crop farming, livestock breeding, hunting, forestry and fishing	12.0	12.7	11.6	10.8	12.1	11.0	12.6
Mining and quarrying	0.5	0.7	0.7	0.6	0.6	0.8	0.7
Manufacturing	17.1	17.1	16.9	16.4	16.0	16.4	16.0
Electricity and water supply	2.7	2.9	3.0	4.0	3.8	3.7	3.9
Construction	5.5	5.8	6.0	6.1	5.4	5.8	5.6

¹ Information from the World Bank. Viewed at: <https://data.worldbank.org/indicator/SI.POV.DDAY?locations=HN>.

² UNDP (2022). Multidimensional Poverty Index: developing countries, Table 1. Viewed at: https://hdr.undp.org/sites/default/files/publications/additional-files/2022-10/2022_mpi_statistical_data_table_1_and_2_en.pdf.

	2016	2017	2018	2019 ^a	2020 ^a	2021 ^a	2022 ^a
Services	52.8	51.5	52.2	52.6	53.2	52.1	51.3
Trade, repair of motor vehicles, motorcycles, and personal and household goods	13.7	13.6	14.1	13.9	14.1	14.2	14.9
Hotels and restaurants	3.1	3.1	3.1	3.2	2.0	2.7	3.0
Transport, storage	4.0	3.7	3.5	3.8	3.3	3.3	3.1
Communications	3.3	3.2	3.3	3.2	3.6	3.0	2.6
Financial intermediation	6.6	6.3	6.1	6.1	6.2	5.9	6.2
Housing	4.9	4.8	4.7	4.7	5.2	4.7	4.4
Real estate and business activities	4.6	4.6	4.6	4.7	4.6	4.6	4.6
Public administration and defence; compulsory social security	5.6	5.4	5.4	5.4	5.8	5.5	5.4
Education services	6.7	6.4	6.7	6.9	7.5	6.9	6.5
Social and health services	3.2	3.1	3.1	3.1	3.6	3.5	3.2
Community, social and personal services	2.7	2.7	2.6	2.7	2.5	2.6	2.5
Less: financial intermediation services indirectly measured	5.6	5.3	5.1	5.0	5.2	4.9	5.0
Gross value added at basic prices	90.7	90.8	90.4	90.4	91.2	89.7	90.2
Plus: taxes net of production and import subsidies	9.3	9.2	9.6	9.6	8.8	10.3	9.8
Real growth rates (% at constant prices)							
Crop farming, livestock breeding, hunting, forestry and fishing	4.8	10.3	2.6	-1.0	-6.3	0.4	-0.7
Mining and quarrying	5.4	14.1	12.7	1.9	-23.5	17.3	3.9
Manufacturing	3.0	3.9	3.9	2.0	-14.0	19.4	6.0
Electricity and water supply	6.5	3.8	7.2	2.4	-3.9	26.6	0.8
Construction	6.2	8.5	1.7	0.3	-25.4	17.2	6.0
Services	3.7	3.8	3.9	3.8	-6.5	10.6	4.5
Trade, repair of motor vehicles, motorcycles, and personal and household goods	3.3	4.0	4.2	2.3	-11.5	14.6	4.3
Hotels and restaurants	3.0	1.9	5.0	5.4	-46.3	56.1	21.2
Transport, storage	3.5	3.4	5.2	3.2	-24.4	18.4	6.3
Communications	3.7	3.3	3.0	3.1	3.3	2.4	1.9
Financial intermediation	6.2	5.7	5.4	8.4	-0.9	16.7	12.2
Housing	2.1	2.0	2.1	2.6	2.1	2.5	3.0
Real estate and business activities	3.0	4.2	3.1	5.0	-11.7	13.9	3.4
Public administration and defence; compulsory social security	1.0	2.4	1.8	1.3	1.1	2.4	1.1
Education services	3.3	2.6	3.0	1.8	-2.4	1.8	1.7
Social and health services	4.1	2.5	4.0	3.3	9.5	8.2	2.0
Community, social and personal services	3.0	3.7	2.1	5.4	-14.7	13.9	1.4
Less: financial intermediation services indirectly measured	4.5	3.9	4.0	6.9	-0.1	13.1	11.5
Gross value added at basic prices	3.9	5.0	3.7	2.5	-8.6	11.5	4.0
Plus: taxes net of production and import subsidies	4.3	3.4	5.1	4.2	-13.0	24.3	3.8
GDP by expenditure category (real growth rate)							
Final consumption expenditure	4.1	4.6	4.9	4.2	-5.0	14.1	4.4
Private sector	4.0	5.2	5.5	4.7	-6.2	15.1	5.0
Public sector	4.4	1.4	1.0	1.7	2.9	8.5	0.8
Gross fixed capital formation	-7.4	11.2	7.3	-5.2	-23.8	33.3	-0.7
Private sector	-11.0	6.0	11.1	-4.8	-24.4	35.8	0.4
Public sector	28.7	46.6	-12.0	-7.7	-20.1	17.8	-8.6
Variation in inventories	21.6	25.5	12.7	-104.3	211.4	-625.4	15.8
Exports of goods and services, f.o.b.	0.9	4.9	1.4	2.4	-20.8	21.5	5.8
Imports of goods and services, c.i.f.	-1.6	7.2	4.5	-2.4	-18.5	33.0	4.8
Monetary indicators							
Consumer price index (annual average, 1999=100) ^b	292.5	304.0	317.2	331.1	342.6	357.9	390.4
Consumer price index (end of period, 1999=100) ^b	296.1	310.1	323.2	336.4	349.9	368.5	404.6
Annual inflation rate (% annual average) ^b	2.7	3.9	4.4	4.4	3.5	4.5	9.1
Exchange rate (HNL to USD, annual average)	23.0	23.7	24.1	24.7	24.8	24.2	24.6
Real effective exchange rate, index (2009=100, end of period)	100.6	100.0	101.1	101.6	105.3	105.9	108.5
Real effective exchange rate, annual change (end of period)	-0.7	-0.6	1.1	0.5	3.6	0.6	2.5
Interest rate on loans in national currency (end of period)	18.8	18.2	17.4	17.4	16.7	15.1	14.3
Interest rate on loans in national currency (annual average)	19.3	19.3	17.8	17.3	17.0	16.0	14.6
Interest rate on deposits in national currency (end of period)	8.2	8.0	8.3	8.5	7.5	4.6	4.6
Interest rate on deposits in national currency (annual average)	8.6	8.3	8.3	8.4	8.1	5.8	4.3
Monetary base, broad definition (HNL million)	111,458	131,863	129,474	142,997	201,936	208,117	209,745
Monetary base, narrow definition (HNL million)	64,645	68,005	73,154	84,067	133,666	131,563	114,128
Employment							
Employed labour force ('000 persons)	3,945	4,093	4,336	4,220	4,103	4,071	..

	2016	2017	2018	2019 ^a	2020 ^a	2021 ^a	2022 ^a
Open unemployment rate (%)	7.4	6.7	5.6	5.7	10.9	8.7	..
Other economic indicators							
Current account balance (% of GDP)	-3.2	-1.3	-6.6	-2.6	2.8	-5.3	-3.4
Total external debt (end of period, USD million) ^c	7,503	8,576	9,030	9,521	10,856	11,371	11,804
Public- and private-sector debt	6,112	7,149	7,389	7,704	9,096	9,257	9,548
Non-guaranteed private-sector debt	1,391	1,428	1,641	1,817	1,760	2,115	2,256
Total external debt (% of GDP)	34.8	37.3	37.8	38.2	45.9	40.2	37.4
Net international reserves of the BCH (USD million) ^b	3,888	4,786	4,853	5,809	8,149	8,678	8,421
Population ('000) ^b	8,721	8,860	9,024	9,152	9,304	9,451	9,598

.. Not available.

a Preliminary figures.

b Data for the full year 2022.

c Includes external public-sector debt, external private-sector debt with a public guarantee and non-guaranteed external private-sector debt.

Source: Central Bank of Honduras (BCH), National Institute of Statistics (INE), International Monetary Fund (IMF) and the International Financial Statistics (IFS) database.

1.5. Since 2010, Honduras has been drawing up and implementing a series of strategic development plans. The Government's 2014–18 Strategic Plan, the second in the series, focused on improving well-being and social inclusion levels, modernizing and simplifying the State, and fostering competitiveness and sustainable use of the country's human and material resources. The Plan aimed to reduce extreme poverty through conditional monetary transfers, and improvements to basic housing conditions and the quality of education and health services. One of its objectives was to increase employment and reduce poverty by promoting investment and competitiveness, stimulating foreign trade and supporting the development of small urban and rural enterprises. The Plan also sought to consolidate the country's public finances, boost economic growth and invest in programmes to reduce and alleviate poverty.³

1.6. The Government's 2018–22 Strategic Plan, the third in the series, focused on the strategic objective of improving the living standards of the poorest members of the population by expanding and better allocating social investment, and ensuring inclusive and sustainable economic growth. The 2018–22 Plan sought to boost economic growth by improving the competitiveness and productivity of the sectors with the highest development potential in order to attract investment, and increase job opportunities and productive enterprises. It also aimed to strengthen and upgrade Honduras' productive infrastructure to position the country as a regional logistics hub. From a macrofiscal standpoint, the 2018–22 Plan sought to continue the process of fiscal consolidation to ensure public debt sustainability and macroeconomic stability in the medium term, paving the way to reducing poverty, improving external indicators and creating the fiscal space needed to carry out structural reforms, improve the perception of sovereign risk and attract foreign direct investment (FDI).⁴

1.7. The macroeconomic objectives of the 2018–22 Plan were: (a) to achieve macroeconomic stability through implementation of the Fiscal Responsibility Law (LRF), in order to ensure fiscal consolidation and debt sustainability, bolster the medium-term macrofiscal environment, and develop a policy to optimize and rationalize tax exemptions; (b) to improve the business environment and competitiveness in order to attract investment through the implementation of a national competitiveness strategy focused on innovation, enhanced productive capacity and jobs in key sectors, as well as through the development of a foreign investment promotion policy; (c) to create high-quality jobs by expanding work-related capacity-building and training programmes, managing public initiatives to create jobs and opportunities, and improving platforms that link labour supply and demand; (d) to enhance production potential by further boosting productivity, competitiveness and diversification in high-potential productive sectors; (e) to increase high-potential sectors' supply and exports by fostering a more diverse production of crops with greater commercial value, promoting production chains that are geared towards export markets, and

³ Office of the President of the Republic of Honduras, Ministry of General Government Coordination, *Plan Estratégico de Gobierno 2014-18*. Document updated in December 2015. Viewed at: https://www.sefin.gob.hn/wp-content/uploads/2016/01/Plan_Estrategico_Gobierno_Diciembre_2015.pdf.

⁴ Government of the Republic of Honduras, Ministry of General Government Coordination, *Plan Estratégico de Gobierno 2018-22*. Viewed at: https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/Plan%20Estrate%CC%81gico%20de%20Gobierno%202018-2022%20%28PR4%29_0.pdf.

implementing a national plan for scientific and technological development and innovation; and (f) to enhance the competitiveness and productivity of micro, small and medium-sized enterprises (MSMEs) by drawing up and implementing a comprehensive MSME development strategy and a regulatory framework that provides flexible borrowing conditions for MSMEs.⁵

1.8. The current Government, which was elected in 2021, is now implementing the Government Plan to Refound Honduras 2022–26. Its main objectives include developing an industrial policy based on innovation and greater productivity, fostering the development of MSMEs and restructuring fiscal policy (Box 1.1).⁶

Box 1.1 Government Plan to Refound Honduras 2022–2026

The Government Plan to Refound Honduras 2022–26 was adopted in September 2021 and covers a broad range of sectors, including health, education, human rights, industrial development, fiscal and monetary policy, agricultural development and tourism.

With regard to industrial policy, the Plan seeks to:

- boost industrial development in high-potential and high-tech sectors;
- set up an incentives regime for the development of industrial clusters;
- promote FDI through structural reforms;
- develop regional and sector-specific policies, and technical capacity-building and training programmes;
- promote the creation of industrial and technological parks, and agro-parks;
- create productivity and innovation hubs, and invest in innovation;
- establish a digital economy agenda;
- provide incentives to integrate *maquila* firms into other domestic companies;
- create a regulatory framework for technical certification and standardization, and establish an accreditation entity.

In terms of the policy to promote MSMEs, the Plan seeks to:

- foster the integration of MSMEs into industry, basic services, financial services, construction and trade;
- effectively incorporate MSMEs into the country's productive structure, and foster private investment;
- promote the diversification of, and productive linkages with, MSMEs in export-related value chains;
- implement special mechanisms to ensure access to financing.

In terms of fiscal policy, the Plan seeks to:

- promote tax reform with a view to making taxation more progressive;
- apply a single tax for high net-worth individuals;
- reduce tax exemptions;
- tackle tax evasion;
- improve tax administration;
- rebuild the health and education systems;
- increase social security coverage;
- introduce a universal single income for vulnerable and older people;
- refocus assistance programmes on lower-income families;
- improve public spending efficiency by monitoring and assessing outcomes;
- readjust debt in order to reduce its weighting within the national budget;
- develop a public investment programme to support infrastructure, roads and highways;
- set up electricity subsidies for low-income sectors, the unemployed and persons with disabilities.

In terms of monetary and lending policy, the aim is to:

- lower interest rates on personal loans and credit cards;
- reduce reserve requirements in both foreign and local currency to facilitate lending;
- set up a Central Bank of Honduras (BCH) fund to rescue MSMEs;
- authorize the BCH to provide resources to the National Treasury to support emergency programmes.

With regard to energy and telecommunications, the Plan seeks to:

- ensure a constant electricity supply and access to telecommunications;
- rescue the National Electricity Company (ENEE);

⁵ Government of the Republic of Honduras, Ministry of General Government Coordination, *Plan Estratégico de Gobierno 2018-22*. Viewed at: https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/Plan%20Estrate%CC%81gico%20de%20Gobierno%202018-2022%20%28PR4%29_0.pdf.

⁶ Government of the Republic of Honduras, *Plan de Gobierno para Refundar Honduras 2022-26*. Viewed at: <https://observatorioplanificacion.cepal.org/es/planes/plan-de-gobierno-para-refundar-honduras-2022-2026-de-honduras>.

- implement environmentally-friendly and economically-sustainable energy and telecommunications reforms;
- restructure the Honduran Telecommunications Company (HONDUTEL);
- develop financial sustainability plans for ENEE and HONDUTEL;
- increase national electricity and telecommunications coverage;
- maximize installed capacity efficiency and upgrade infrastructure;
- diversify power generation sources;
- achieve an energy mix that includes 70% renewable energy;
- reduce reliance on fossil fuel imports;
- recover the state frequency band;
- amend the power purchase agreements;
- increase the transparency of electricity procurement processes;
- review the contracts and concessions awarded;
- update the national energy security and telecommunications strategy;
- update the calculation for determining the prices of fuels sold to end consumers;
- reduce spending on oil imports;
- guarantee the quality of fuel through the National Quality Control Laboratory;
- promote renewable electricity generation;
- cut energy tariffs for consumers and businesses;
- promote research on, and the production and use of, biofuels.

Source: *Plan de Gobierno para Refundar Honduras 2022-26*. Viewed at: https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/PLAN-DE-GOBIERNO-XIOMARA-CASTRO_0.pdf.

1.9. The Government's 2014–18 Strategic Plan served as the basis for the 2014–17 economic programme, which was geared towards maintaining macroeconomic stability by bolstering the country's fiscal and external positions. This was to be achieved by reducing the fiscal deficit and providing the conditions necessary to deliver inclusive and sustainable growth. In December 2014, the Executive Board of the IMF approved a Stand-By Arrangement (SBA) for Honduras of USD 113.2 million, and a USD 74.4 million arrangement under the Stand-By Credit Facility (SCF).⁷ These arrangements were considered precautionary.

1.10. In July 2019, the Executive Board of the IMF approved an SBA for Honduras of USD 207.5 million (XDR 149.88 million), and an arrangement under the SCF amounting to USD 103.8 million (XDR 74.94 million). The total amounted to USD 311 million, or 90% of the country's quota.⁸ The Honduran authorities initially treated the arrangement as precautionary, but in 2020 they began making use of the funds. These arrangements provided support to the economic and institutional reform programme, the main aims of which were to secure the country's fiscal position through the application of the Fiscal Responsibility Law (see below) and to protect social investment and expenditure. This was coupled with reforms to address structural challenges in the electricity sector⁹ and further revenue mobilization efforts, including through the revision of tax exemptions. The reforms were expected to narrow the infrastructure gap and increase social spending, while simultaneously ensuring fiscal sustainability. Under the programme, monetary policy would continue to focus on controlling inflation, with a view to transitioning towards inflation targeting. The programme also included initiatives to tackle poverty and bolster gender equality.¹⁰

1.11. The fiscal situation in Honduras worsened in the wake of the two hurricanes that swept the country and the economic impact of the COVID-19 pandemic. In response, in April 2020, Honduras decided to set aside its precautionary view of the arrangement and request the disbursement of USD 143 million (XDR 104.92 million). In June 2020, Honduras requested and obtained an

⁷ IMF (2014), Press Release No. 14/545, 4 December 2014. Viewed at: <https://www.imf.org/external/spanish/np/sec/pr/2014/pr14545s.htm>.

⁸ IMF (2019), *El Directorio Ejecutivo del FMI aprueba un Acuerdo Stand-By por USD 207,5 millones y un acuerdo en el marco del Servicio de Crédito Stand-By por USD 103,8 millones a favor de Honduras*, Press Release No. 19/284, 16 July 2019. Viewed at: <https://www.imf.org/es/News/Articles/2019/07/16/pr19284-honduras-imf-executive-board-approves-stand-by-arrangement-and-standby-credit-facility>.

⁹ The aim of the proposed reforms to the energy sector is to enhance efficiency in the provision of electricity, boost investment and strengthen ENEE's financial position. Measures include changes to the institutional framework, measures to set electricity tariffs through an independent regulatory body, and governance and operational reforms within ENEE.

¹⁰ IMF (2019), *El Directorio Ejecutivo del FMI aprueba un Acuerdo Stand-By por USD 207,5 millones y un acuerdo en el marco del Servicio de Crédito Stand-By por USD 103,8 millones a favor de Honduras*, Press Release No. 19/284, 16 July 2019. Viewed at: <https://www.imf.org/es/News/Articles/2019/07/16/pr19284-honduras-imf-executive-board-approves-stand-by-arrangement-and-standby-credit-facility>.

augmentation of the funds under the SBA and SCF arrangements. The Executive Board of the IMF approved augmentations of access under both arrangements by about USD 223 million (XDR 162.37 million), bringing combined total access under the SBA and SCF arrangement to about USD 531 million (XDR 387.19 million, or 155% of the country's quota). The additional funds were used to help Honduras meet urgent balance of payments and fiscal financing needs stemming from the pandemic. Following its discussion on the augmentations, the Executive Board highlighted the Honduran authorities' commitment to the IMF-supported economic programme, despite the challenging environment, underscoring the progress made on electricity sector reforms, and the efforts to strengthen the monetary policy framework, support the transition to a more flexible exchange rate, and strengthen public procurement.¹¹

1.12. In September 2021, upon the completion of the fourth review of Honduras' performance under its economic programme supported by the SBA and SCF, an augmentation of access by USD 215.8 million (XDR 149.9 million) was approved and the duration of the SBA and SCF was extended by two months until 14 January 2022.¹² Following the augmentations, the two-year arrangement provided access to about USD 773 million (XDR 537.1 million). The completion of the review allowed for immediate disbursements of USD 125.8 million (XDR 87.4 million) to help Honduras meet its balance of payments and fiscal financing needs, which had been exacerbated by the pandemic and tropical storms Eta and Iota.

1.13. During a visit to Honduras in April 2022, IMF staff indicated that the Honduran economy had recovered strongly in 2021, exceeding pre-pandemic levels, supported by strong remittances and robust external demand. The Honduran authorities stressed their commitment to protecting the vulnerable and combating poverty, improving public financial management and investment, and enhancing institutions and transparency.¹³ Another visit was carried out in October 2022.¹⁴

1.14. Honduras is among the 39 countries officially included by the World Bank and the IMF in the Heavily Indebted Poor Countries (HIPC) Initiative. It is one of the 35 countries to have reached the completion point and is now eligible for debt reduction through the Multilateral Debt Relief Initiative (MDRI).¹⁵

1.2 Recent economic developments

1.2.1 Production and employment

1.15. Honduran GDP grew at an average annual rate of 3.8% between 2016 and 2019, which means that per capita income rose during the period. Growth was spurred mainly by private consumption expenditure, which in turn was driven up in large part by remittances from abroad.

1.16. In 2020, the Honduran economy was hit very hard by the economic effects of the COVID-19 pandemic, with GDP contracting by 9% and external demand also falling. All the components of

¹¹ IMF (2020), *El Directorio Ejecutivo del FMI Concluye las Segundas Revisiones del Programa en el Marco de los Acuerdos Stand-By y Facilidad de Crédito Standby, y Aprueba los Aumentos de Acceso para Apoyar las Medidas de Honduras contra la Pandemia COVID-19*, Press Release No. 20/230, 1 June 2020. Viewed at: <https://www.imf.org/es/News/Articles/2020/06/01/pr20230-honduras-imf-execboard-completes-2nd-rev-under-sba-scf-arrange-support-covid19>.

¹² IMF (2021), *El Directorio Ejecutivo del FMI Concluye la Cuarta Revisión del Programa en el Marco de los Acuerdos Stand-By y Facilidad de Crédito Stand-By a favor de Honduras*, Press Release No. 21/262, 13 September 2021. Viewed at: <https://www.imf.org/es/News/Articles/2021/09/13/pr21262-honduras-imf-execboard-completes-4threv-under-imfs-sba-and-arrange-under-sbc-facility>.

¹³ IMF staff stated that economic growth in Honduras reached 12.5% in 2021, led by strong remittances, which supported private consumption, and robust external demand boosted by the recovery in the United States. After remaining within the central bank's reference range of 3-5% for most of 2021, inflation breached the upper band in December and neared 7% year on year at end-March, largely reflecting supply side factors, together with some demand pressures from strong remittances and higher government spending. IMF (2022), *El personal técnico del FMI concluye su visita a Honduras*, Press Release No. 22/137, 29 April 2022. Viewed at: <https://www.imf.org/es/News/Articles/2022/04/30/pr22137-honduras-imf-staff-concludes-visit>.

¹⁴ IMF (2022), *El personal técnico del FMI concluye su visita a Honduras*, Press Release No. 22/338, 5 October 2022. Viewed at: <https://www.imf.org/es/News/Articles/2022/04/30/pr22137-honduras-imf-staff-concludes-visit>.

¹⁵ Under HIPC rules, debt reduction is assigned as a proportion of annual debt service over a period of 8-15 years, depending on the creditor. The resources made available each year by this reduction in debt service must be used to finance programmes and projects included in the Poverty Reduction Strategy.

aggregate demand contracted, but gross capital formation recorded the largest decline, of 23.8% in real terms. All productive sectors were similarly affected: the crop farming, livestock breeding, hunting, forestry and fishing sector contracted by 6.3%; mining and quarrying by 23.5%; manufacturing by 14%; construction by 25.4%; and services by 6.5%. Within the services sector, the hotels and restaurants, and transport subsectors were hit particularly hard.

1.17. Macroeconomic conditions improved in 2021 and 2022. Real GDP expanded by 12.5% in 2021 and by 4.0% in 2022. With the exception of agriculture and fishing, and mining and quarrying, all sectors recorded growth in 2022. The areas that saw the highest growth rates were hotels and restaurants (+21.1%); financial intermediation (+12.2%); manufacturing (+6.0%); construction (+6.0%); transport (+6.3%); and trade (+4.3%). In constant terms, overall supply increased by 4.3%, after rebounding by 20.0% in 2021, driven by a rise in both domestic supply (+4.0%) and imports of goods and services (+4.8%).¹⁶ Supply increased as a result of the solid performance of financial intermediation activities. Growth in the manufacturing industry was spurred primarily by the rise in orders for apparel and textile products, the manufacture of machinery and equipment (electrical harnesses), and an increase in the production of foodstuffs, beverages and tobacco (mainly sugar production and poultry slaughtering).

1.18. In terms of GDP by type of expenditure, domestic demand increased by 3.7% in 2022 (+19.3% in 2021), thanks primarily to private-sector final consumption expenditure, which rose by 5.0% (+15.1% in 2021). This rise was due to growth in household income resulting from higher salaries, greater availability of consumer loans and the increase in family remittances from abroad (Table 1.1).¹⁷ Public-sector consumption expenditure increased by 0.8% (+8.5% in 2021) due to a rise in purchases of goods and services, and higher salary payments. Growth in gross fixed capital formation declined sharply, coming in at just 0.7% (+49.1% in 2021). This was mainly due to lower public-sector investment levels, which fell by 8.6%. Private-sector gross fixed capital formation, however, increased, primarily as a result of the rise in imported capital goods, mainly for private-sector construction. External demand (i.e. exports of goods and services) rose by 5.8% (+21.5% in 2021) thanks to an uptick in exports of apparel products, machinery, electrical appliances and parts thereof (electrical harnesses), bananas, lobsters, and plastics and articles thereof. In 2022, imports of goods and services were up by 4.8% in real terms (+33.0% in 2021). Gross domestic savings accounted for 20.6% of GDP, a rise of 1.6 percentage points on the 2021 level. This was mainly due to the increase in salary payments, the rebound in producers' profits and the rise in family remittances. Family remittances accounted for 26.7% of GDP in 2022, up 1.5 percentage points compared with 2021, and for 31.0% of private-sector final consumption expenditure.¹⁸

1.19. The expenditure composition of Honduran GDP reveals a relatively high level of private consumption, financed in large part by remittances from abroad (Table 1.1). In constant terms, private-sector final consumption expenditure accounted for 81.9% of GDP in 2022, with total consumption expenditure equivalent to 95.1%. Also in constant terms, gross fixed capital formation amounted to 18.9% of GDP, which is lower than the 19.8% reported in the previous review. Exports of goods and services accounted for 51.8% of current GDP in 2022, while imports were equivalent to 67.8%. Net exports thus made a negative contribution to GDP, offsetting the very high share of GDP contributed by private-sector consumption. Total trade flows of goods and services (exports plus imports) were equivalent to 118.6% of GDP, demonstrating that Honduras has a very open economy.

1.20. According to the National Institute of Statistics (INE), the employed labour force increased from 3.94 million in 2016 to 4.22 million in 2019, before dropping to 4.07 million in 2021, as a result of the pandemic's adverse effects on economic activity. The open unemployment rate fell from 7.4% in 2016 to 5.7% in 2019 but then rose to 8.7% in 2021 as a consequence of the pandemic. Levels of visible and invisible underemployment are persistently high, with rates estimated to be between

¹⁶ BCH (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

¹⁷ BCH (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

¹⁸ BCH (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

30% and 40%. The informal economy remains very large in Honduras, affecting employment considerably.

1.2.2 Fiscal policy

1.21. The Ministry of Finance (SEFIN) is responsible for formulating and implementing fiscal policy. For most of the period under review, Honduran fiscal policy was geared towards fiscal consolidation, reducing spending and increasing revenue. The Fiscal Responsibility Law (LRF), Decree No. 25-2016 of 4 May 2016, established macrofiscal targets.¹⁹ The Law states that reducing the fiscal deficit and achieving fiscal consolidation is a government priority. To this end, an annual ceiling was set for the non-financial public sector (NFPS) deficit at 1% of current GDP, to be implemented gradually. The deficit fell from 1.6% of GDP in 2016 to 1.5% in 2017, 1.2% in 2018 and 1% in 2019. A limit was also set for the increase in nominal current expenditure, which cannot exceed the average real GDP growth rate over the past 10 years plus the expected inflation rate for the next year. In addition, a paragraph was included stating that the increase in public debt in a given year may not exceed 0.5% of current GDP.

1.22. The LRF allows exceptions in the event of natural disasters that affect GDP by more than 1%, in which case any of the rules contained in the Law may be suspended for up to two years. In such cases, Congress sets the limit for the fiscal deficit. It also allows macrofiscal targets to be missed and the deficit to reach up to 2.5% of GDP for a maximum of two years in the event of an economic recession, understood as a contraction of real GDP for two consecutive quarters. In this scenario, the fiscal deficit should be reduced by 0.5% per year until the target for the year in question is reached. The LRF also defines a Medium-Term Macroeconomic Framework (MMFMP), understood as the projection of the main macroeconomic variables over a four-year time frame within which fiscal targets must be met, prepared by SEFIN with input from the Central Bank of Honduras (BCH), and which must be published annually.

1.23. In this regard, the National Congress, through Legislative Decree No. 27-2021, agreed to suspend, for a maximum of two years, the Multi-year Fiscal Performance Rules for the NFPS set out in the LRF. During this suspension period, the annual ceiling for the overall deficit in the NFPS balance sheet is set at no more than 5.4% of GDP in 2021, between 2.3% and 2.9% in 2022 and no more than 1.0% in 2023.²⁰

1.24. Despite the Government's efforts, the central government accounts continued to be in deficit during the review period, with deficits ranging from 2% to 3% of GDP between 2016 and 2019 (Table 1.2). The targets set out in the LRF for the NFPS deficit could not be met. The Government continued to implement a fiscal consolidation programme with the support of the IMF for most of the period. The remainder of the public sector continued to post a surplus, fuelled above all by the earnings of the social security institutes. The central government deficit widened in 2020 to 7% of GDP as a result of the pandemic, which led to increased spending due to support programmes and a shortfall in revenue collection caused by the slowdown in economic activity.

Table 1.2 Financial accounts of the central government, 2016-2022

(% of GDP)

	2016	2017	2018	2019	2020	2021	2022
Total income	20.0	20.3	20.2	19.2	16.6	19.1	19.6
Current income	19.3	19.6	19.4	18.4	15.7	18.5	19.1
Tax revenue	18.3	18.3	18.4	17.5	14.8	17.3	17.7
Non-tax revenue	0.9	1.3	1.0	0.9	0.9	1.1	1.3
Current transfers	0.0	0.0	0.0	0.0	0.0	0.1	0.2
Other revenue	0.0	0.1	0.1	0.1	0.3	0.1	0.1
Grants	0.8	0.6	0.7	0.7	0.6	0.5	0.4
Current expenditure	17.8	17.7	17.0	17.1	19.3	18.8	17.8
Consumption expenditure	10.8	10.3	9.6	9.9	10.9	10.8	9.8
Remunerations	8.0	7.8	7.6	7.6	8.2	8.0	7.5
Goods and services	2.7	2.5	1.9	2.2	2.7	2.8	2.3
Interest and commissions	2.6	2.7	3.0	3.0	3.4	3.1	3.0

¹⁹ The Fiscal Responsibility Law can be viewed at:

<https://www.poderjudicial.gob.hn/CEDIJ/Leyes/Documents/Ley%20de%20Responsabilidad%20Fiscal.pdf>.

²⁰ BCH (2023), *Memoria Anual 2022*. Viewed at:

<https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

	2016	2017	2018	2019	2020	2021	2022
External	0.9	1.0	1.1	1.0	1.2	0.9	0.8
Internal	1.7	1.7	1.9	2.0	2.3	2.3	2.2
Current transfers	4.4	4.6	4.5	4.2	5.0	4.9	5.0
Current account savings	1.5	1.9	2.4	1.4	-3.6	-0.3	1.3
Capital expenditure	5.0	5.3	5.3	4.6	4.3	5.3	3.1
Real investment	2.0	2.5	2.3	1.7	0.9	1.6	0.9
Capital transfers	3.0	2.8	3.0	2.9	3.3	3.7	2.2
Total net expenditure	22.8	23.0	22.3	21.6	23.6	24.1	20.9
Savings (+) Deficit (-)	-2.7	-2.7	-2.1	-2.5	-7.0	-5.0	-1.3
Financing	2.7	2.7	2.1	2.5	7.0	5.0	1.3
Net external financing	0.7	3.6	0.9	1.5	..	..	..
Net external credit	0.7	3.7	0.9	1.5	..	..	..
Use	1.5	4.8	1.9	2.5	..	..	..
Amortization	-0.8	-1.1	-1.0	-1.0	..	..	..
Other	0.0	0.0	0.0	0.0	..	..	..
Net domestic financing	2.0	-0.9	1.2	1.0	..	..	..
Net domestic credit	2.3	0.7	1.7	1.5	..	..	..
Other net financial transactions	-0.3	-1.6	-0.5	-0.5	..	..	..
Public sector external debt (end of period, % of GDP)	28.3	31.1	30.9	30.9	38.4	32.7	32.7
Central government domestic debt (% of GDP)	18.3	18.0	19.1	19.3	25.1	26.3	26.3

.. Not available.

Note: The sum of the figures may not correspond to the totals, owing to rounding.

Source: BCH, *Memoria Anual 2022* and previous years.

1.25. Total income held steady at around 20% of GDP in 2016-18 but fell to 19.2% in 2019, reflecting fiscal adjustments and lower GDP growth. Owing to the negative effects of the COVID-19 pandemic, tax revenue dropped to 16.6% of GDP in 2020. This is explained mainly by a significant reduction in tax collection (the tax revenue-to-GDP ratio fell to 14.8% in 2020). Tax revenue rebounded with the recovery of the economy, accounting for 19.1% of GDP in 2021. The tax on production, consumption and sales (IPCV) was the main source of tax receipts, accounting for 47.3% of the total in 2021, followed by income tax (30.6%), the tax on services and specific activities (16.6%), taxes on imports (4.6%), property taxes (0.9%) and taxes on potential profits and gambling (0.01%).²¹

1.26. Tax and non-tax revenue continued to recover during 2022, with total revenue accounting for 19.6% of GDP in 2022. This, coupled with a decline in the pace of expenditure growth as the effect of most aid programmes came to an end, contributed to a reduction in the central government deficit amounting to 1.3% of GDP.

1.27. The share of expenditure decreased between 2017 and 2019, when it stood at 21.6% of GDP, before rising sharply to 23.6% of GDP in 2021 as a result of higher current expenditure due to COVID-19 pandemic response measures. In 2021, the share of expenditure in GDP fell to 19.9% as a result of cuts in current expenditure, despite attempts to improve revenue collection.

1.28. The fiscal position improved significantly in 2022, thanks in part to the strong economic recovery. The central government achieved a surplus of HNL 14,000.9 million in the first nine months of 2022, mainly as a result of higher tax revenue and lower capital expenditure. Total revenue amounted to HNL 152,542.5 million (HNL 21,869.1 million more than in the same period of 2021), obtained primarily from higher receipts from income tax and the IPCV, which together accounted for 72.8% of total tax revenue. In fact, tax revenue totalled HNL 137,519.0 million (17.7% of GDP), up by 16.2% compared to 2021, owing mainly to an increase in income and sales tax receipts. Total central government expenditure reached HNL 98,246.5 million in the first three quarters of 2022, down HNL 2,054.1 million compared to 2021, as a result of a decline in capital transfers and real investment and lower spending on goods and services, which offset higher spending on current transfers (mainly to public enterprises and the private sector), remuneration and interest payments on public debt. Of this expenditure, 46.9% was on consumption, 24.1% on current transfers, 14.8% on capital expenditure and 14.2% on interest and commission payments. The balance sheet for the

²¹ High Court of Auditors, *Informe de Rendición de Cuentas del Sector Público, Periodo 2021*, 31 August 2022. Viewed at: https://www.tsc.gob.hn/web/Rendicion_de_cuentas/2021/Informe_Ejecutivo_Verificacion_2022.pdf.

year showed a deficit of HNL 10,033.6 million, equivalent to 1.3% of GDP, financed entirely from external funds.²² This is a departure from previous years, when the deficit was financed mostly by domestic borrowing, and in particular through bond issues, generally at market interest rates. Central government domestic borrowing stood at HNL 200,407.8 million in December 2022, of which 76.2% was bonded debt, the main holders being the BCH, decentralized agencies and the private financial system.²³

1.29. Legislative Decree No. 8-2022 of 15 February 2022 declared a fiscal and financial emergency. It also authorized SEFIN to restore the fiscal balance, revive economic growth and, if necessary, during the fiscal years 2022 and 2023, take out internal or external loans directly, reallocate available external resources, place debt securities in the domestic or international market and carry out other public credit operations worth up to USD 2 billion in addition to the amount of debt authorized in Article 1 of Decree No. 107-2021 of 10 December 2021 (USD 1,250 million).²⁴

1.30. To address the increase in the fiscal deficit, the BCH made HNL 24,745.5 million (USD 1 billion) available to the Government for social investment and job creation projects, especially in the social sector and in the areas of health, education, agriculture, natural resources and the environment, energy, youth training, access to credit, and infrastructure.

1.31. According to the current administration's budgetary guidelines, the macrofiscal rules laid down in the LRF penalize public investment by treating fiscal responsibility as a policy of fiscal discipline and adjustment aimed at avoiding discretionary spending and indebtedness without having achieved a significant curtailment of exemptions, under which the tax foregone on an annual basis amounts to 7% of GDP or 44.8% of the tax revenue approved in the General Revenue and Expenditure Budget for Fiscal Year 2022. The current administration considers that ensuring fiscal consolidation and debt sustainability requires amendments to the LRF. Accordingly, the budget for 2023 modifies the fiscal rules by establishing a new way of recording current expenditure, differentiating it from social expenditure and excluding the payment of interest and commissions on public debt.²⁵

1.32. The 2023 budget seeks to improve tax collection and redirect public expenditure towards investment and the social sector, improving efficiency by reducing the number of tax exemptions. In line with the Medium-Term Macroeconomic Framework 2023-26, to estimate revenue and expenditure, the 2023 budget uses the following macroeconomic variables observed in June 2022: (a) GDP growth estimated in the range of 3.5% to 4.5%; (b) cumulative inflation of 6.57%; (c) the average exchange rate projected at present dollar values.²⁶ The fiscal targets for the central government and the NFPS, as set out in the Framework, are based on Legislative Decree No. 30-2022, which interprets the exception rule set out in the Fiscal Responsibility Law, allowing the deficit levels in the Law to be exceeded. For 2023, deficits of 4.4% and 6.0% of GDP are proposed for the NFPS and the central government, respectively. The difference is explained by a surplus of 2.0% of GDP in the pensions and social security sector.²⁷

1.33. The NFPS domestic debt balance at the end of June 2022 stood at HNL 153,513.1 million, equivalent to 19.8% of GDP, compared to HNL 146,442.9 million in December 2021 (21.4% of GDP). The NFPS external debt balance was USD 8,398.9 million (26.4% of GDP), compared to USD 8,558.6 million at the end of 2021 (30.1% of GDP). This reduction reflects the net balance between disbursements of USD 232.1 million and external debt service payments of USD 448.1 million (USD 319.4 million principal and USD 128.7 million interest payments).

²² BCH (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

²³ BCH (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

²⁴ The text of the Decree can be viewed at: <https://www.tsc.gob.hn/web/leyes/Decreto-107-2021.pdf>.

²⁵ Government of the Republic of Honduras, Ministry of Finance (2023), *Lineamientos de Política Presupuestaria 2023*. Viewed at: https://www.sefin.gob.hn/download_file.php?download_file=wp-content/uploads/Presupuesto/2023/aprobado/Lineamientos-AIF-2023.pdf.

²⁶ Office of the President of the Republic, Ministry of Finance. *Marco Presupuestario de Mediano Plazo 2023-25*. Viewed at: https://www.sefin.gob.hn/download_file.php?download_file=wp-content/uploads/Presupuesto/2023/aprobado/Marco-Macro-Fiscal-Mediano-Plazo-2023-2026.pdf.

²⁷ Office of the President of the Republic, Ministry of Finance. *Lineamientos de Política Presupuestaria. Ejercicio Fiscal 2023*. Viewed at: https://www.sefin.gob.hn/download_file.php?download_file=wp-content/uploads/Presupuesto/2023/aprobado/Política-Presupuestaria-2023.pdf.

1.2.3 Monetary and exchange-rate policy and prices

1.34. The Constitution of the Republic and the Law on the BCH establish that the BCH is responsible for maintaining the internal and external value of the national currency and ensuring the smooth functioning of the payments system. The Governing Board of the BCH formulates, develops and implements the country's monetary, credit and exchange-rate policy. The Law on the BCH sets the objective of maintaining the internal and external value of the currency and, to this end, establishes an annual monetary programme with specific targets for domestic assets and net international reserves, in line with inflation. Every year, the Board of Directors approves the monetary programme, the policy guidelines of which are informed by an analysis of domestic and external economic conditions and an assessment of future economic trends and the possible impact on the exchange rate. The BCH monitors the behaviour of the exchange rate without setting targets.

1.35. The Open-Market Operations Commission (COMA) of the BCH is in charge of following and applying the guidelines established by the Governing Board in the monetary programme, for which purpose it meets at least eight times a year, on pre-established dates, to analyse the trends and prospects for macroeconomic variables and the different markets' performance and outlook, with a view to determining policies for the participation of the BCH in the money and financial market. COMA is committed to setting moderate interest rates in order to contribute to maintaining the internal and external value of the lempira. COMA submits proposals on monetary policy and on mechanisms and instruments for its implementation to the Governing Board of the BCH for its consideration. The ongoing monitoring and analysis of economic variables and of compliance with the targets in the monetary programme that the Commission requires for decision-making is carried out by the Technical Committee on Monetary Policy (CTPM).

1.36. The monetary programme contains a detailed analysis of recent trends in the main domestic macroeconomic variables and in the international context relevant to Honduras, and is an instrument used by the BCH to influence the expectations of economic agents. In this connection, COMA seeks to disseminate and explain its recommendations to the public in order to facilitate decision-making by households and firms, reduce uncertainty, increase the effectiveness of monetary policy and disseminate information on which economic agents may base their expectations. In formulating monetary policy recommendations, COMA seeks to reduce deviations (as measured by the percentage change in the consumer price index) from the inflation targets established in the monetary programme, in a manner consistent with economic growth and employment targets.

1.37. The main monetary policy tools deployed by the BCH are open-market operations and the monetary policy rate (MPR). It may also use the legal reserve. Open-market operations consist mainly of selling BCH securities in competitive auctions. The MPR signals the monetary policy stance of the BCH and is the maximum interest rate acceptable for bids to purchase at liquidity auctions for Honduran financial institutions and the minimum acceptable rate for bids to sell. The MPR serves as a reference for interbank operations. In its conduct of monetary policy, the BCH uses short-term interest rates as an operational variable, while the monetary aggregates serve as indicative targets. The legal reserve is calculated on the average of deposit obligations in the immediately preceding fortnight; it must be fully constituted in demand deposits at the BCH, and a minimum daily amount equivalent to 80% of the deposit must be held.

1.38. During the period under review, a cautious, somewhat restrictive monetary stance was maintained between 2016 and 2019, and the MPR was kept at between 5.5% and 5.75%. Prior to the pandemic, in both December 2019 and February 2020, the BCH, in response to the moderation of growth in the national economy, decided to reduce the MPR by 25 basis points to 5.25%. Later, in a context marked by the worsening of the COVID-19 pandemic (extension of lockdown measures and restrictions on the mobility of goods and services), which led to a decline in economic activity and employment, the BCH, among other measures, authorized reducing the MPR on three further occasions in 2020: from 5.25% to 4.50% in March; to 3.75% in August; and to 3.00% in November, a rate that has remained in force to date.

1.39. The BCH is authorized to extend credit to banks, savings and loan associations and financial corporations to meet their temporary liquidity shortages, subject to prior certification of their compliance with current capital adequacy requirements issued by the National Banking and Insurance Commission (CNBS). Financial entities may also avail themselves of the permanent credit facilities and repurchase agreements (repos). Moreover, between 2020 and 2021, the BCH channelled the funds received under the SBA and the SCF to the public sector. Also, as already

noted, the BCH granted a loan of USD 1 billion to finance public investment projects (Decree No. 30-2022).

1.40. During the pre-pandemic part of the period under review, the monetary policy of the BCH continued to be geared towards maintaining low and stable inflation and an adequate level of international reserves, periodically analysing the domestic and international environment and outlook, and adjusting the conduct of monetary policy in order to maintain levels of liquidity in the financial system consistent with price stability. During the pandemic, the BCH revised and updated the macroeconomic projections contained in the monetary programme and its revisions on several occasions, in line with developments in the global and domestic economy, maintaining the inflation tolerance range at 4.0 ± 1.0 percentage point.²⁸ In the 2022-23 review of the monetary programme, the BCH estimated an inflation rate (year-on-year percentage change in the consumer price index) of 10.30% for 2022 and 5.63% by the end of 2023; a real GDP growth rate of between 4.0% and 4.5% in 2022 and between 3.5% and 4.5% in 2023; growth in goods exports of 18.7% in 2022 and 2.6% in 2023, and in imports of 18.5% and 2.7% in 2022 and 2023, respectively; a balance-of-payments current account deficit of 4.5% in 2022 and 2.8% in 2023, both as a percentage of GDP; and a NFPS deficit — as a percentage of GDP — of 3.0% and 4.2% for 2022 and 2023, respectively.²⁹

1.41. The review of the monetary programme establishes the following monetary, credit and exchange-rate policy measures with the aim of maintaining the internal and external value of the currency: (a) continue to use the MPR as the main instrument to signal the monetary policy stance to the market, while adjusting its level in line with the national and international economic situation and outlook, the inflation expectations of economic agents and the BCH's short- and medium-term inflation forecasts; (b) continue to analyse the composition of direct monetary policy tools in order to better signal the policy stance; (c) continue to gradually withdraw excess liquidity so that liquidity levels are consistent with economic activity and the objective of price stability; (d) monitor the performance of the foreign exchange market, in particular the organized foreign exchange market, in order to preserve the internal and external value of the currency; (e) evaluate the monetary programme (Article 16 of the Law on the BCH) at least every three months and adjust monetary, credit and exchange-rate policy measures in the light of likely changes in the outlook or assumptions used in the programme; (f) continuously monitor the impact of COVID-19 and geopolitical factors on the national economy with a view to the timely adoption of the necessary countermeasures. In addition, the Monetary Authority reaffirmed its commitment to periodically analyse the national and international environment and outlook, and to adjust its conduct of monetary policy in order to keep liquidity levels in the financial system consistent with price stability.³⁰

1.42. During the period under review, inflation generally remained within the established tolerance range, except in 2022, when it was affected by external shocks stemming from global supply chain problems and the Russian invasion of Ukraine. Between 2016 and 2021, the annual average rate of inflation, as measured by the consumer price index, ranged from 2.71% to 4.48%. In 2022, rising global inflationary pressures due to higher global costs affecting the prices of raw materials, mainly energy and food, led to an acceleration of domestic inflation, which peaked at 10.86% in July 2022. The three items that contributed most to the increase in total inflation were food and non-alcoholic beverages; transport; and housing, water and electricity.³¹ Core inflation (which excludes agri-foodstuffs, fuels and electricity rates) behaved similarly to total inflation, standing at 9.16% in

²⁸ BCH (2022), *Revisión del Programa Monetario 2022-23*, August 2022. Viewed at: <https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Revisi%C3%B3n%20Programa%20Monetario%202022-2023.pdf>.

²⁹ BCH (2022), *Programa Monetario 2022-23*. Viewed at: <https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Programa%20Monetario%202022-2023.pdf>.

³⁰ BCH (2022), *Programa Monetario 2022-23*. Viewed at: <https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Programa%20Monetario%202022-2023.pdf>.

³¹ According to the BCH, the three items account for about 69.1% of year-on-year inflation. The industrially processed foods that recorded the largest price increases include ground coffee, vegetable shortening, chicken and beef, graded rice, powdered and pasteurized milk, and bottled soft drinks. The agri-foodstuffs that experienced price increases are red beans, corn, chicken eggs, corn tortillas, potato, cabbage, dairy products, sweet chili, pear tomato and red onion. BCH (2022), *Revisión del Programa Monetario 2022-23*, August 2022. Viewed at: <https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Revisi%C3%B3n%20Programa%20Monetario%202022-2023.pdf>.

July 2022, driven by higher raw material and fuel prices and by inflationary pressures caused - albeit to a lesser extent - by aggregate demand, and a process of adjustment in production costs.³²

1.43. Under the current foreign exchange system, exchange rate policy is implemented through the exchange rate band regime, via the electronic system for foreign currency transactions (SENDI, through which the interbank foreign exchange market (MID) operates). The BCH uses a margin of 1% above or below the centre of the exchange rate band.³³ Foreign exchange dealers (banks and exchange bureaux) and the BCH participate in the MID by submitting non-nominative purchase and sale bids of at least USD 10,000 in full multiples of USD 10 for higher amounts, and of up to USD 500,000 for bids for the purchase of currency. The BCH participates in the MID to prevent sudden fluctuations in the price of foreign currency without changing its trend, and to accumulate international reserves and meet the foreign exchange requirements of public sector institutions.³⁴ Bids in the MID that are above the ceiling or below the floor of the exchange rate band are not accepted.

1.44. Every day, an amount of foreign currency (USD) is auctioned publicly and equitably among the various foreign exchange dealers through the SENDI, which is administered by the International Department of the BCH. Foreign exchange operations are settled in the deposit accounts held by the institutions of the financial system at the BCH through the BCH real-time system (BCH-TR). The BCH-TR, operational since March 2013 and administered by the BCH, is the real-time gross settlement (RTGS) for large-value payments. It is a system for the continuous clearing of funds transfers and settlement of securities on an individual (one-to-one) basis, in real time and without net compensation. The BCH-TR is a key tool that facilitates the BCH's functions of liquidity management, payments system oversight and monetary policy implementation.³⁵

1.45. During the period under review, the BCH took steps to incorporate more market elements in the determination of the exchange rate. In 2017, the BCH introduced changes to the foreign exchange regulations, as a result of which, since 14 June 2021, dealers have been allowed to sell 100% of the foreign currency acquired from the public to their private sector clients; at the same time, BCH foreign exchange auctions were suspended as a mechanism for allocating foreign currency to natural and legal persons. Moreover, to incorporate more market elements in the determination of the reference exchange rate, the Governing Board of the BCH, through Agreement No. 17/2021 of 9 December 2021, modified the foreign exchange regulations to give greater weight to MID negotiations when calculating the centre of the exchange-rate band. At the same time, the participation of exchange bureaux in the MID was incorporated in order to stimulate the foreign exchange market, and access to foreign currency was facilitated for members of the public who carry out transactions in these bureaux.³⁶ In March 2022, the BCH modified the foreign exchange regulations to give greater weight to the base price³⁷ when calculating the centre of the exchange rate band, thereby helping to reduce exchange rate depreciation, which had been fuelled by higher

³² According to the BCH, the three items account for about 69.1% of year-on-year inflation. The industrially processed foods that recorded the largest price increases include ground coffee, vegetable shortening, chicken and beef, graded rice, powdered and pasteurized milk, and bottled soft drinks. The agri-foodstuffs that experienced price increases are red beans, corn, chicken eggs, corn tortillas, potato, cabbage, dairy products, sweet chili, pear tomato and red onion. BCH (2022), *Revisión del Programa Monetario 2022-23*, August 2022. Viewed at: <https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Revisi%C3%B3n%20Programa%20Monetario%202022-2023.pdf>.

³³ The centre of the exchange rate band is calculated by adding the average base price (price of the currency estimated by the BCH to guide negotiating positions in the foreign exchange auction and in the MID) over the previous seven days, weighted at 80%, to the weighted average exchange rate of the MID over the previous seven days, weighted at 20%. The BCH reviews the base price after every five events in order to maintain the external competitiveness of the national currency. As part of this review, it considers the internal and external inflation differential between Honduras and its main trading partners, the nominal effective exchange rate index and the international reserves coverage.

³⁴ BCH, *Mercado Interbancario de Divisas*. Viewed at: <https://www.bch.hn/operativos/INTL/Paginas/Mercado-Interbancario-de-Divisas.aspx>.

³⁵ BCH, *Sistema Banco Central de Honduras en Tiempo Real (BCH-TR)*. Viewed at: <https://www.bch.hn/politica-institucional/sistemas-de-pago/sistemas-de-pagos/bch-tr>.

³⁶ BCH (2022), *Memoria 2021*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202021.pdf>.

³⁷ The base price is determined as follows: (1) the differential between domestic inflation and the expected inflation rates of Honduras' main trading partners; (2) changes in the exchange rates of the main trading partners; and (3) the performance of official reserve assets (coverage in months of imports).

inflows of foreign exchange from family remittances and exports. Lastly, effective 5 March 2022, a change was made to the calculation of the reference exchange rate, which is now defined as the weighted average exchange rate calculated at the close of the previous business day's trading in the MID, in order to reflect the supply and demand conditions for foreign currency in the foreign exchange market. Furthermore, changes were made to the rules governing the BCH's intervention in the MID, with the aim of moderating exchange rate volatility, and to the rules governing intervention through reserve accumulation.

1.2.4 Balance of payments

1.46. The current account of the balance of payments continued to post large deficits during the review period, with the exception of 2020. The deficit peaked at USD 1,582 million in 2018, equivalent to 6.6% of GDP (Table 1.3). In 2020, as a result of the impact of the pandemic on economic activity, imports contracted considerably, resulting in a current account surplus of USD 666 million, equivalent to 2.8% of GDP. However, as the usual pace of economic activity resumed, imports of goods and services increased substantially in 2021 and 2022, again leading to a deficit, which reached USD 1,487 million in 2021 and USD 1,080 million in 2022, accounting for 5.3% and 3.4% of GDP respectively.

1.47. Imports of goods and services increased rapidly between 2016 and 2018, before declining in 2019 and experiencing a sharp drop in 2020, reflecting the contraction in demand caused by the pandemic. With the recovery of growth in 2021, imports of goods and services rebounded strongly, reaching USD 15,034 million, and were 46.8% higher than in 2020; they totalled USD 17,581 million in 2022. Exports of goods and services grew by 3.2% between 2016 and 2019, before contracting by 15.9% in 2020. Exports rebounded in 2021 and grew by 31.9%. The export figures include the earnings of the *maquila* industry. Exports of goods and services grew again (19.1%) in 2022. The balance of goods and services was deeply in deficit in all years of the review period: the deficit reached USD 6,586 million in 2021, equivalent to 23.3% of GDP, and USD 7,533 million in 2022, equivalent to 23.9% of nominal GDP. This reflects structural deficits in the balances of both goods and services.

1.48. Net transfers from abroad continued to be one of the main elements of the deficit in the balance of goods and services. Transfers continued to grow on a sustained basis during the review period, and the balance of transfers reached USD 7,621 million in 2021, equivalent to 26.8% of GDP, and USD 8,939 million in 2022, equivalent to 28.4% of GDP. Family remittances are particularly important in this category, totalling USD 7,184 million or 25.3% of GDP in 2021, an increase of 86.7% compared to 2016, and USD 8,465 million (26.9% of GDP) in 2022. Remittances increased in each year of the review period, including in 2020 during the pandemic. Private transfers are ever more essential to sustaining domestic demand, particularly to financing much of domestic consumption, as they are responsible for financing more than a quarter of private expenditure.

1.49. The financial and capital accounts of the balance of payments are generally in surplus, and recorded net income of USD 1,450 million in 2021 (5.1% of GDP) and USD 1,380 million in 2022 (4.4% of GDP), largely owing to direct capital investment flows for private investment and loans to the General Government and the financial sector. Net international reserves held in the financial system stood at USD 8,678 million in late 2021, equivalent to almost seven months of goods and services imports. The level of reserves declined slightly in December 2022, when it totalled USD 8,421.3 million. This was because of an external debt service payment of USD 730.4 million, net foreign exchange sales in the interbank foreign exchange market (MID) amounting to USD 336.2 million, an increase to the fuel import bill of USD 76.8 million and other net outflows of USD 121.5 million. These negative flows were only partially offset by external disbursements of USD 871.2 million, foreign exchange purchases of USD 107.5 million and donations of USD 23.5 million. The official reserve assets of the Central Bank of Honduras covered 6.0 months of imports of goods and services.³⁸

³⁸Central Bank of Honduras (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

Table 1.3 Balance of payments, 2016-2022

(USD million)

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
I. Current account^b	-683	-288	-1,582	-653	666	-1,487	-1,080
Goods and services							
Balance of goods	-2,599	-2,753	-3,818	-3,361	-2,569	-4,857	-5,412
Exports	7,960	8,656	8,644	8,788	7,684	10,216	12,169
General goods	3,813	4,439	4,245	4,151	4,144	5,039	5,987
Goods for processing	4,019	4,082	4,277	4,522	3,392	4,980	6,033
Other goods	128	135	121	115	148	197	149
Imports	10,559	11,409	12,462	12,149	10,253	15,073	17,581
General goods	8,166	8,787	9,742	9,406	8,123	11,935	13,545
Goods for processing	2,384	2,613	2,711	2,734	2,120	3,128	4,027
Other goods	9	9	9	9	10	10	10
Services balance	-578	-775	-1,062	-1,213	-1,102	-1,729	-2,122
Income	1,154	1,282	1,254	1,193	706	853	1,094
Expenditure	1,732	2,058	2,316	2,406	1,807	2,582	3,216
Goods and services balance	-3,178	-3,528	-4,880	-4,574	-3,671	-6,586	-7,533
Balance of income	-1,508	-1,406	-1,882	-1,973	-1,646	-2,522	-2,485
Income	88	137	170	185	124	114	200
Interest	60	98	144	166	105	79	163
Direct investment	12	21	9	2	3	16	16
Other income	16	18	17	17	16	19	21
Payments	1,595	1,542	2,051	2,159	1,770	2,636	2,685
Interest	276	368	385	483	455	431	465
Direct investment	1,278	913	1,378	1,346	1,023	1,861	1,881
Other income	41	261	288	330	292	344	339
Balance of goods, services and income	-4,685	-4,934	-6,762	-6,547	-5,317	-9,108	-10,019
Balance of transfers	4,003	4,646	5,180	5,894	5,983	7,621	8,939
Income from family remittances	3,847	4,305	4,760	5,385	5,573	7,184	8,465
II. Capital account	130	181	168	195	551	301	279
Credit	130	181	168	195	551	301	279
Capital transfers	130	181	168	195	551	301	279
Debit	0	0	0	0	0	0	0
III. Financial account^c	993	1,622	1,088	1,129	474	1,188	1,101
Direct investment ^d	900	1,035	895	496	373	382	680
Direct investment abroad	-239	-141	-66	-3	-46	-357	-143
Direct investment in Honduras	1,139	1,176	961	498	419	739	823
Portfolio investment	-75	678	-54	6	91	-89	-326
Assets	-77	-119	-36	-24	-23	-230	-206
Shares and other capital participation	0	-3	2	-2	-3	0	-1
Debt securities	-77	-116	-38	-22	-20	-230	-206
Liabilities	2	797	-19	30	114	141	-120
Shares and other capital participation	2	797	-19	30	114	141	-120
Other investment	167	-91	247	628	10	895	747
Assets	-103	-394	-200	261	-702	249	229
Commercial credit	12	-68	-8	-15	-54	-92	38
Sectors other than the General Government	12	-68	-8	-15	-54	-92	38
Loans	-7	-10	-4	12	0	-22	13
Financial sector	-7	-10	-4	12	0	-22	13
Currency and deposits	-113	-276	-184	247	-334	128	151
Financial sector	-48	-28	84	46	-212	-20	122
Other sectors	-65	-248	-268	201	-122	149	29
Other assets	5	-39	-4	17	-315	235	28
Central Bank	-2	-3	-6	0	0	0	0
Financial sector	7	-36	2	17	-315	235	28
Liabilities	270	303	447	366	713	646	518
Commercial credit	61	-35	-25	42	62	46	57
General Government	0	0	0	0	0	0	0
Other sectors	61	-35	-25	42	62	46	57
Loans	190	289	468	305	624	258	496
Central Bank	-2	-1	-1	-24	32	-21	-21
General Government	152	191	219	372	767	131	603
Financial sector	-166	26	262	146	-73	335	-47
Other sectors	206	74	-12	-189	-102	-187	-40
Currency and deposits	27	34	7	33	13	-1	-40
Central Bank	0	2	-5	-2	0	0	1
Financial sector	27	32	13	35	12	-1	-41
Other liabilities	-7	14	-3	-15	14	343	5
Central Bank	0	0	0	0	0	342	0
General Government	0	0	0	-3	0	0	0
Financial sector	-7	14	-3	-12	14	1	5
IV. Net errors and omissions^e	-390	-630	372	318	220	457	-426
Overall balance	50	885	46	988	1,911	459	-126

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
V. Reserves and related headings	-50	-885	-46	-988	-1,911	-459	126
BCH reserve assets ^f	-66	-884	-50	-993	-2,381	-587	122
Use of IMF credit	0	0	0	0	466	124	0
Special financing	16	-1	4	5	4	4	4

a Preliminary data.

b A positive (negative) sign means an inflow (outflow) of capital for the country.

c Net variation in assets: A positive (negative) sign means a reduction (increase) in claims on non-residents. Example: Reduction in deposits by residents abroad (positive sign). Net variation in liabilities: A positive (negative) sign means an increase (reduction) in liabilities to non-residents. Example: Increase in deposits by non-residents in the country (positive sign).

d Includes shares and capital participations, profits, and reinvested dividends or other capital.

e A positive (negative) sign means an inflow (outflow) not recorded in the balance of payments.

f A positive (negative) sign means a reduction (increase) in claims on non-residents.

Note: The sum of the parts is not necessarily equal to the total, owing to rounding.

Source: Central Bank of Honduras.

1.50. The total external debt was USD 11,796.3 million at the end of 2022, USD 208.8 million less than in December 2021, and equivalent to 37.4% of GDP. Of this total, USD 9,540.1 million was public sector debt, an increase of USD 290.3 million compared to December 2021, and USD 2,256.5 million was non-guaranteed private sector debt. Of the external debt portfolio contracted by the public sector, 83.1% is in USD, 12.8% is in SDR, 2.3% is in EUR and 1.8% is in other currencies. In 2022, the General Government contracted a new external debt of USD 1,309.0 million, of which USD 1,155.0 million was for budgetary support and USD 154.0 million was for the implementation of projects and programmes.³⁹ External debt service payments totalled USD 1,827.8 million, equivalent to 5.8% of GDP (USD 1,849.4 million in 2021), of which 96.8% was used for principal repayments and 3.2% was for interest payments and other financial costs.⁴⁰ The balance of public sector external debt/GDP stood at 30.1%, down from 32.4% in December 2021.

1.3 Developments in trade and investment

1.3.1 Trends and patterns in merchandise and services trade

1.3.1.1 Composition of merchandise trade

1.51. The composition of merchandise exports is divided between manufactured and agricultural products. Exports from the *maquila* industry are mainly manufactured products. The main export item was textiles, in particular made-up textiles.

1.52. Honduras' overall exports in 2022 (including *maquila*) totalled USD 12,135 million, compared to USD 7,926 million in 2016, an increase of 53%. This is equivalent to average annual growth in export value of 7.3%. The main export products were textiles and textile articles (40.5% of the total), coffee (11.7% of the total), machinery and appliances, electrical equipment and parts thereof (9.7%) and bananas and other fruits (6.5%) (Table A1.1 and Chart 1.1).

1.53. Honduras's c.i.f. imports totalled USD 19,544 million in 2022, compared to USD 12,407 million in 2016, an increase of 57.5%. Between 2016 and 2022, c.i.f. imports increased at an average annual import value rate of 7.8%. In 2022, imports consisted primarily of manufactured products, particularly textile fibres (19.9% of the total), fuels (15.2%), machinery and equipment (13.5%) and chemicals (11.4%) (Table A1.2 and Chart 1.1).

1.3.1.2 Direction of merchandise trade

1.54. The main market for Honduran exports continues to be the United States, which absorbed 50.6% of the total in 2022, down from the 57.0% recorded in 2016 (Table A1.3 and Chart 1.2). It

³⁹ By creditor, USD 613.0 million was agreed with the Inter-American Development Bank, USD 450.0 million with the Central American Bank for Economic Integration, USD 210.0 million with the International Development Association of the World Bank and USD 36.0 million with the Official Credit Institute of the Government of Spain. Central Bank of Honduras (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

⁴⁰ Central Bank of Honduras (2023), *Memoria Anual 2022*. Viewed at: <https://www.bch.hn/estadisticos/GIE/LIBMemoria/Memoria%20Anual%202022.pdf>.

is followed by the European Union with 11.4% of the total exported in the same period, Nicaragua (8.7%), El Salvador (8.5%) and Guatemala (5.5%).

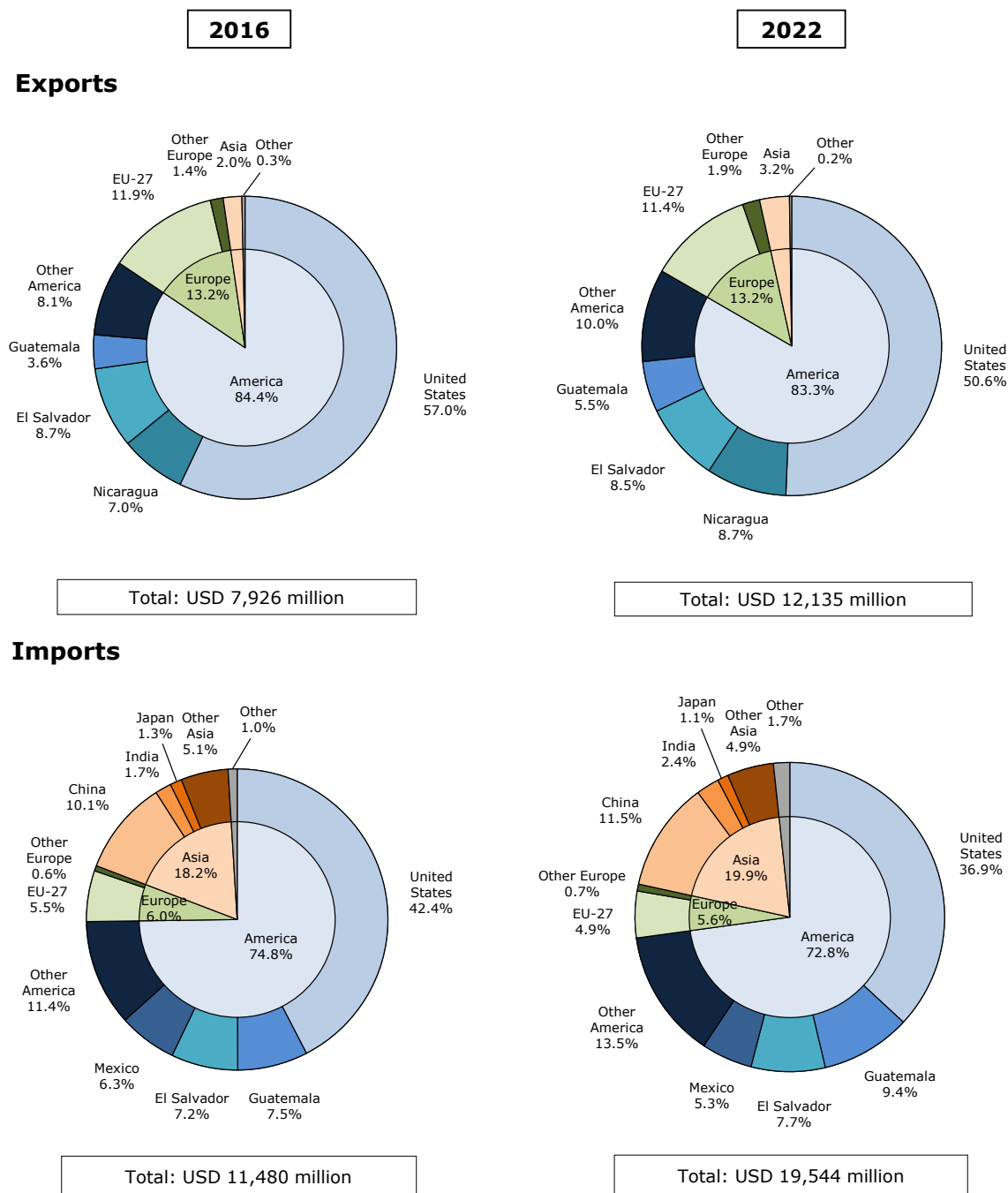
1.55. The United States is also the main source of imports, corresponding to 36.9% of total imports in 2022 (42.4% in 2016). China was the source of 11.5% of imports in 2022, followed by Guatemala (9.4%) and El Salvador (7.7%) (Table A1.4 and Chart 1.2). Other significant trading partners in terms of imports are Mexico (5.3%), Costa Rica (5.3%) and the European Union (4.9%).

Chart 1.1 Merchandise trade by main products, 2016 and 2022



Source: WTO Secretariat calculations based on data provided by the authorities.

Chart 1.2 Merchandise trade by trading partner, 2016 and 2022



Source: WTO Secretariat calculations based on data provided by the authorities.

1.3.1.3 Trade in services

1.56. The Honduran services balance shows a structural deficit, which increased substantially during the review period from USD 578.3 million in 2016 to USD 2,121.6 million in 2022 (Table 1.4). This increase was largely attributable to the impact of the COVID-19 pandemic, which significantly reduced travel sector credit, in which Honduras traditionally has a surplus, while all other sectors were in deficit. The sectors posting the largest deficit are transport, particularly maritime transport, royalties and insurance.

Table 1.4 Services balance, 2016-2022

(USD million)

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
Services balance	-578.3	-775.2	-1,062.0	-1,213.2	-1,101.7	-1,728.9	-2,121.6
Credit	1,153.5	1,282.4	1,253.6	1,192.7	705.5	853.2	1,094.2
1. Transport	120.4	127.3	142.5	144.5	95.1	127.7	173.6
1.1 Maritime	78.6	81.4	84.3	84.8	64.5	82.8	96.6
1.1.1 Freight - general merchandise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Freight - goods for processing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.3 Other maritime transport	78.6	81.4	84.3	84.8	64.5	82.8	96.6
1.2 Air	28.5	30.9	45.2	47.1	19.3	32.9	58.6
1.2.1 Fares	5.3	5.1	6.9	7.3	2.3	1.8	9.4
1.2.2 Freight - general merchandise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.3 Freight - goods for processing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.4 Other air transport	23.3	25.8	38.3	39.9	17.0	31.1	49.2
1.3 Other transport	13.3	15.0	12.9	12.6	11.3	12.0	18.3
1.3.1 Fares	2.1	2.1	2.1	2.0	0.1	0.5	2.4
1.3.2 Freight - general merchandise	11.2	12.9	10.9	10.6	11.3	11.5	15.9
1.3.3 Freight - goods for processing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.4 Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Travel	577.8	602.5	591.6	549.1	154.9	302.6	539.7
2.1 Business	57.8	60.3	59.2	54.9	15.5	62.6	111.7
2.2 Personal	520.0	542.3	532.5	494.2	139.4	240.0	428.0
3. Other services	455.3	552.6	519.5	499.0	455.5	422.9	381.0
A. Communications services	249.6	262.4	220.6	176.3	143.0	122.9	90.0
A.1 Postal and courier services	1.3	1.1	1.3	1.3	1.3	1.3	1.3
A.2 Telecommunications services	248.3	261.3	219.3	175.0	141.7	121.6	88.7
B. Construction services	2.4	0.0	0.0	13.0	15.8	21.7	14.5
C. Insurance services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D. Financial services	3.8	19.1	3.1	3.8	3.8	3.4	3.8
D.1 Financial services	3.8	19.0	3.1	3.8	3.8	3.4	3.8
D.1.1 Credit card transactions	1.9	1.9	1.9	1.9	1.9	1.8	1.9
D.1.2 Other financial services	1.9	17.1	1.2	1.9	1.9	1.6	1.9
E. Computer and information services	8.7	12.3	11.5	11.9	11.6	15.5	11.7
F. Royalties and licence fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0
G. Other business services	128.4	199.9	218.6	238.4	223.7	197.4	205.2
G.1 Trade-related services	31.3	8.4	8.2	9.4	6.5	6.1	10.1
G.2 Operational leasing	2.9	1.8	1.1	1.9	11.2	1.7	1.1
G.3 Business, professional and technical services	94.2	189.7	209.3	227.1	206.0	189.6	194.0
H. Personal, cultural and recreational services	7.4	7.4	7.4	5.9	4.5	7.4	7.4
I. Government services, n.i.e.	54.9	51.5	58.2	49.7	53.0	54.6	48.4
Debit	1,731.8	2,057.6	2,315.6	2,405.9	1,807.2	2,582.1	3,215.8
1. Transport	914.4	983.5	1,199.5	1,162.2	927.7	1,502.7	1,973.8
1.1 Maritime	544.2	605.0	794.0	743.9	600.0	1,002.1	1,386.9
1.1.1 Freight - general merchandise	410.4	540.7	636.7	595.4	494.3	841.9	1,188.8
1.1.2 Freight - goods for processing	133.7	64.3	157.4	148.5	105.7	160.2	198.2
1.1.3 Other maritime transport	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Air	153.1	155.5	199.0	207.4	129.7	195.0	267.7
1.2.1 Fares	109.7	114.9	147.9	155.3	66.4	136.2	202.2
1.2.2 Freight - general merchandise	37.6	37.8	44.2	45.6	58.6	51.8	56.8
1.2.3 Freight - goods for processing	5.8	2.8	6.8	6.5	4.6	7.0	8.6
1.2.4 Other air transport	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Other transport	217.1	223.1	206.4	211.0	198.0	305.6	319.2
1.3.1 Fares	2.1	0.7	1.7	0.7	0.3	0.3	0.5
1.3.2 Freight - general merchandise	209.2	219.6	197.9	203.8	193.2	298.4	310.1
1.3.3 Freight - goods for processing	5.8	2.8	6.8	6.5	4.6	7.0	8.6
1.3.4 Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Travel	370.1	401.4	408.0	499.1	133.0	281.2	420.2
2.1 Business	76.2	82.7	84.0	101.3	13.3	28.1	42.0
2.2 Personal	293.8	318.7	323.9	397.8	119.7	253.1	378.2
3. Other services	447.4	672.7	708.2	744.6	746.5	798.2	821.8
A. Communications services	77.3	81.9	72.4	76.8	64.0	71.3	71.2
A.1 Postal and courier services	17.6	19.0	17.6	22.7	11.4	17.9	17.0
A.2 Telecommunications services	59.7	62.9	54.7	54.1	52.6	53.4	54.3
B. Construction services	1.2	5.0	5.0	0.0	0.0	0.0	0.0
C. Insurance services	105.5	118.0	118.1	130.5	140.5	151.9	147.9
C.1 Reinsurance commissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C.2 Reinsurance charges	96.6	108.3	107.9	120.0	131.4	139.8	133.9
C.3 Freight insurance charges	8.9	9.7	10.3	10.5	9.1	12.2	14.1
D. Financial services	19.7	40.4	45.0	43.1	46.9	43.2	45.8
D.1 Financial services	2.9	22.5	30.3	29.8	23.9	27.5	30.2
D.1.1 Credit card transactions	1.5	1.5	0.0	1.5	1.5	1.5	1.5
D.1.2 Other financial services	1.5	21.1	30.3	28.4	22.4	26.1	28.6
D.2 Commissions and other services	16.8	17.9	14.7	13.3	23.0	15.7	15.6
D.2.1 External debt commissions	15.9	17.0	13.9	12.5	22.2	14.9	14.8
D.2.2 Commissions on arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D.2.3 Services survey	0.8	0.8	0.8	0.8	0.8	0.8	0.8

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
E. Computer and information services	15.5	13.5	97.4	113.5	111.8	120.0	135.5
F. Royalties and licence fees	66.6	109.4	115.1	84.5	62.4	93.9	102.3
G. Other business services	116.3	256.4	220.4	236.8	265.5	227.2	237.9
G.1 Trade-related services	2.8	17.6	17.3	16.8	12.2	13.3	6.2
G.2 Operational leasing	12.5	14.3	10.1	2.9	2.4	2.9	2.4
G.3 Business, professional and technical services	101.1	224.5	193.0	217.1	250.9	211.1	229.3
H. Personal, cultural and recreational services	9.3	9.3	9.3	32.4	27.2	31.3	41.3
I. Government services	36.0	38.8	25.5	27.1	28.2	59.3	39.8

a Provisional figures.

Source: Central Bank of Honduras.

1.3.2 Trends and patterns in FDI

1.57. Foreign direct investment (FDI) flows declined during the review period, partly owing to the impact of the pandemic on economic activity and disinvestment in some sectors, including the *maquila* sector, and partly to the climate of insecurity, dropping from USD 1,139.4 million in 2016 to USD 498.1 million in 2019 (Table 1.5). Investment flows were subsequently affected by the pandemic, falling to USD 418.7 million in 2020 before recovering in 2021 and 2022, when FDI flows stood at USD 738.7 million and USD 822.6 million respectively. The best performance in these years was mainly owing to greater investment in the commerce, restaurant and hotel sector. Between 2016 and 2022, the sectors receiving the largest volume of investment were: financial and business services; commerce, restaurants and hotels; and *maquila*.

Table 1.5 Foreign direct investment flows by economic activity, 2016-2022

(USD million)

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
Agriculture, forestry, hunting and fishing	-29.2	-67.2	62.1	-3.8	6.7	18.8	35
Commerce, restaurants and hotels	156.5	157.3	58.4	7.1	-11.3	147.9	393.5
Construction	20.3	102.0	5.8	-3.1	-30.8	15.3	-11.4
Electricity, gas and water	4.3	171.0	242.6	138.5	77.4	98.9	82.3
Services ^b	419.7	118.9	298.8	261.3	314.3	314.1	321.8
Mining and quarrying	-64.8	0.2	-5.6	12.3	-1.1	43.5	58.6
Manufacturing	221.8	35.5	63.1	-75.7	-165.3	42.0	-27.1
Goods processing industry (<i>maquila</i>)	208.4	599.9	-100.5	-34.6	235.0	77.4	3.6
Transport, storage and telecommunications	202.3	58.1	336.6	196.1	-6.3	-19.2	-33.7
Total	1,139.4	1,175.8	961.3	498.1	418.6	738.7	822.6

a Preliminary figures.

b Includes financial institutions, insurance and business services.

Note: The sum of the parts is not necessarily equal to the total, owing to rounding. Negative values mean disinvestment, owing mainly to acquisitions of businesses or a decrease in liabilities.

Source: Central Bank of Honduras, Macroeconomic Statistics Department, Balance of Payments Section.

1.58. Panama, the United States and European Union countries are the main sources of foreign investment and together account for over half of the total FDI in Honduras between 2016 and 2022, followed by Colombia and Guatemala (Table 1.6).

Table 1.6 Foreign direct investment flows by origin, 2016-2022

(USD million)

	2016	2017	2018	2019 ^a	2020 ^a	2021 ^a	2022 ^a
Total	1,139.4	1,175.8	961.4	498.3	418.4	738.7	822.6
America	761.6	1,021.5	506.2	468.3	523.7	698.7	787.1
North America	138.2	600.7	63.0	102.6	215.3	83.2	220.6
United States of America	-3.6	564.2	-15.4	-42.5	247.6	109.5	190.5
Canada	-12.5	3.5	-1.9	8.7	0.4	2.7	19.8
Mexico	154.3	33.1	80.3	136.4	-32.7	-29.0	10.3
Latin America	623.3	420.8	443.2	365.7	308.4	615.4	566.5
Central America	479.0	214.1	271.4	199.7	145.2	292.2	333.8
Guatemala	158.1	55.8	39.7	120.6	72.4	133.5	60.1
El Salvador	20.3	4.6	16.6	25.5	3.2	15.7	22.1
Nicaragua	23.7	3.5	8.0	5.8	12.0	11.0	14.4
Costa Rica	4.2	-6.1	19.3	-41.6	1.6	0	0
Panama	272.7	156.3	187.8	89.4	56.0	132.0	237.2

	2016	2017	2018	2019 ^a	2020 ^a	2021 ^a	2022 ^a
Caribbean	43.3	166.3	88.1	62.3	30.5	141.2	59.3
Bahamas	10.5	179.3	38.6	5.1	7.3	0	0
Barbados	0.7	-0.7	2.9	-2.9	-3.7	0	0
Bermuda	26.0	-23.7	33.4	33.0	24.8	0	0
Curaçao	..	..	0.0	1.5	-10.5	0	0
Cayman Islands	..	..	-3.4	8.5	3.5	0	0
British Virgin Islands	6.0	3.8	12.3	12.3	2.9	0	0
Dominican Republic	..	..	4.3	4.8	6.2	0	0
Other	0.0	7.7	0.0	0.0	0.0	0	0
Rest of Latin America	101.0	40.4	83.7	103.7	132.7	182.0	173.4
Argentina	..	..	-0.7	0.0	0.0	0	0
Brazil	1.9	28.2	-15.9	0.3	-23.0	0	0
Chile	..	..	1.4	-0.2	0.0	0	0
Colombia	98.6	30.5	105.8	104.5	156.3	169.1	160.4
Ecuador	0.5	-0.6	-6.7	0.0	0.0	0	0
Peru	..	..	0.0	-0.4	-0.3	0	0
Uruguay	..	..	-0.2	-0.5	-0.3	0	0
Other	0.0	-17.7	0.0	0.0	0.0	0	0
Europe	376.1	100.4	456.0	25.3	-96.1	-10.5	5.0
Germany	157.6	44.1	26.3	-8.2	-15.1	-19.2	2.8
Austria	3.6	0.9	0.6	3.5	1.6	0	0
Belgium	77.5	1.1	126.5	8.1	-35.1	-64.1	-49.7
Denmark	..	..	-1.2	-0.2	-0.1	0	0
Spain	0.3	1.0	9.2	1.8	-4.3	-7.1	35.5
Finland	-9.2	0.9	6.9	10.4	6.8	0	0
France	..	..	-0.1	-0.1	0.0	0	0
Italy	12.1	49.8	-31.2	2.1	7.2	14.6	4.1
Luxembourg	107.8	-2.8	247.4	10.2	-6.3	12.7	-22.9
Norway	..	..	12.7	1.3	-0.6	0	0
Netherlands	-12.6	15.5	49.2	2.4	-14.6	0.7	20.2
Portugal	..	..	-2.8	0.5	0.0	0	0
United Kingdom	-0.1	-20.0	1.3	-0.4	1.6	0	0
Sweden	..	..	4.4	-2.7	-0.7	0	0
Switzerland	39.1	-13.4	6.8	-3.4	-36.5	28.2	3.9
Other	0.0	23.4	0.0	0.0	0.0	0	0
Asia and Oceania	1.7	53.9	-0.8	4.7	-9.2	50.4	30.5
China	11.0	18.7	-20.4	5.2	-4.4	0	0
Republic of Korea	1.1	10.9	-3.0	3.1	-1.5	18.5	12.9
Philippines	0.0	0.0	15.1	-4.9	14.0	0	0
Hong Kong, China	1.3	-0.2	-1.5	-2.1	-2.0	0	0
India	3.1	0.2	2.1	1.2	-1.1	0	0
Israel	..	..	9.8	3.0	3.3	14.9	8.2
Japan	..	..	7.0	2.7	1.0	8.0	6.8
New Zealand	-0.7	0.1	-3.1	-1.7	-0.7	0	0
Singapore	-14.0	-2.6	-8.1	-1.8	-12.7	0	0
Sri Lanka	0.0	8.1	1.4	-0.7	-5.2	0	0
Chinese Taipei	-0.1	0.6	-0.1	0.7	0.1	0	0
Other	0.0	18.0	0.0	0.0	0.0	0	0

.. Not available.

a Preliminary figures.

Note: The sum of the parts is not necessarily equal to the total, owing to rounding. Negative values mean disinvestment, owing mainly to acquisitions of businesses or a decrease in liabilities.

Source: Central Bank of Honduras, Macroeconomic Statistics Department.

2 TRADE AND INVESTMENT REGIME

2.1 General framework

2.1. During the period under review (2016-22), the 1982 Constitution of the Republic of Honduras was amended twice.¹ The constitutional reform process is initiated by the National Congress, which also approves and ratifies the reform decree.² Once the decree has been ratified, the executive branch promulgates it and cannot sanction or object to it.³ All provisions of the Constitution can be amended, except the constitutional reform process, the system of government (which will always be republican, democratic and representative), the presidential term of office and the criteria for selecting presidential candidates. In 2022, a reform decree was adopted, which repealed all constitutional provisions relating to the Employment and Economic Development Zones (ZEDE)⁴, which as of March 2023 had still not been ratified.

2.2. The State of Honduras has three separate and independent branches of power. The President of the Republic is the head of the executive branch; if they are unable to exercise their functions, they are replaced by a presidential appointee.⁵ The President is elected every four years (re-election is not permitted).⁶ The National Congress, comprising 128 deputies elected every four years, constitutes the legislative branch. The judicial branch is made up of the Supreme Court of Justice (CSJ), the courts of appeal and lower courts.⁷

2.3. The centralized public administration comprises the Office of the President of the Republic, the Council of Ministers, and the government ministries. These report directly to the President of the Republic.⁸ In 2022, the public administration was restructured, and several ministries were created.⁹ Honduras currently has 24 ministries.¹⁰

2.4. Honduras is divided into 18 departments and 298 municipalities. Each department is led by a governor appointed by the Executive. Each municipality has a municipal council (*corporación municipal*) comprising a mayor and councillors.¹¹

2.5. The Constitution is the supreme law and takes precedence over: (a) international treaties¹²; (b) organic laws; (c) codes of the Republic; (d) ordinary laws; (e) regulations (executive decisions); (f) executive decrees; (g) legislative decrees; and (h) decisions issued by the ministries. To become part of domestic law, an international treaty requires approval by the National Congress and ratification by the Executive.¹³ Honduras has an online legal information system, but there are no

¹ Decrees No. 2-2019 and No. 3-2021.

² Both approval and ratification require a qualified majority of two thirds of deputies.

³ Articles 218, 373 and 374 of the Constitution.

⁴ Decree No. 32-2022.

⁵ Three presidential appointees are also elected when the President is elected.

⁶ The most recent general elections were held in 2021.

⁷ Article 303 of the Constitution.

⁸ General Law on Public Administration (Decree No. 146-86) and Article 246 of the Constitution.

⁹ Executive Decree No. PCM-05-2022.

¹⁰ They are: (1) the Office of the President; (2) the Ministry of Social Development; (3) the Ministry of Finance; (4) Ministry of Justice, the Interior and Decentralization; (5) the Ministry of Foreign Affairs and International Cooperation; (6) the Ministry of Transparency and Anti-Corruption Measures; (7) the Ministry of Strategic Planning; (8) the Ministry of Economic Development; (9) the Ministry of Women's Affairs; (10) the Ministry of Security; (11) the Ministry of Defence; (12) the Ministry of Health; (13) the Ministry of Natural Resources and the Environment; (14) the Ministry of Education; (15) the Ministry of Human Rights; (16) the Ministry of Agriculture and Livestock; (17) the Ministry of Energy; (18) the Ministry of Infrastructure and Transport; (19) the Ministry of Labour and Social Security; (20) the Ministry of Tourism; (21) the Ministry of Cultures, Arts and Heritage of the Peoples of Honduras; (22) the Ministry of Community Development, Water and Sanitation; (23) the Ministry of National Risk and Contingency Management; and (24) the Ministry of Project Development and Monitoring, under the Office of the President.

¹¹ Law on Municipalities (Decree No. 134-90).

¹² International human rights treaties have the same status as the Constitution.

¹³ Treaties are approved by an absolute majority, unless they modify the Constitution. In such cases, a qualified majority is required. Articles 16 and 17 of the Constitution.

consolidated texts of laws that include all changes.¹⁴ The Official Journal can be viewed online, but registration is required.

2.6. There are two types of laws in Honduras: ordinary or common; and organic. There have been no changes to the legislative procedure since the last review in 2016 (Box 2.1). Draft laws are debated in plenary sessions of Congress three times, unless classified as "urgent" (e.g. in the event of a health or climate crisis), in which case a single debate may be held.¹⁵ Draft laws, once approved by the National Congress, must be sanctioned by the Executive, unless it raises any objections. However, in certain cases (e.g. constitutional reforms and the budget law), the Executive's sanction is not required nor can it object.¹⁶

Box 2.1 Legislative procedure

Right of initiative: A draft law can be proposed by deputies, the President, ministers, the CSJ (judicial matters), the National Electoral Council (electoral matters)^a and citizens (supported by at least 3,000 signatures).

Formulation of laws:

The draft law is submitted to and examined by the various committees. If the purpose of the draft law is to amend the Codes of the Republic (e.g. the Tax Code) or the budget law, the committee will ask for the opinion of the CSJ or the Ministry of Finance.

The draft approved by the committee is forwarded to the plenary session of Congress where three debates are held. The text as approved (by an absolute majority) is submitted to the Executive.

Sanction, promulgation and entry into force:

- The Executive sanctions the draft law. The law is promulgated and published in the Official Journal. Laws usually enter into force 20 days after their publication.
- The Executive makes comments. The draft law and comments are returned to Congress where the text is debated further. If comments are submitted on grounds of unconstitutionality, Congress will request an opinion from the CSJ. The text, if approved by deputies (by a qualified majority), is submitted to the Executive to be promulgated "without delay".

a The National Electoral Council, which replaced the Supreme Electoral Tribunal, was set up in 2019 through a constitutional reform.

Source: Articles 213-221 of the Constitution; and Organic Law of the Legislature (Decree No. 363-2013), as amended by Decrees No. 117-2021 and 140-2021.

2.7. While the power to legislate rests with the National Congress, the Constitution also grants this power to the Executive; it can legislate through executive decrees on matters within its competence, some of which relate to trade, such as the regulation of tariffs, and the establishment of extraordinary measures in economic and financial matters when the national interest so warrants.¹⁷ To have legal force, executive decrees must be "authorized" by the minister in charge of the relevant portfolio.¹⁸ The National Congress may amend and repeal these decrees.¹⁹ Since 2016, various executive decrees have been issued on the creation of new entities in the area of trade, such as the Customs Administration of Honduras (AAH) and the Health Regulation Agency (ARSA).²⁰

2.2 Trade Policy formulation and objectives

2.8. The Ministry of Economic Development (SDE) is the institution responsible for formulating and implementing trade policy, promoting exports and attracting investment. To set the direction of trade policy and plan its objectives, the SDE consults and coordinates with other ministries and other public institutions that are directly or indirectly linked to foreign trade. It works mainly with the Ministry of Foreign Affairs and International Cooperation (SRECI), the Ministry of Finance (SEFIN), the Ministry of Agriculture and Livestock (SAG), the Ministry of Strategic Planning (SPE), the Ministry of Natural Resources and the Environment (MiAmente), and the Ministry of Women's Affairs. The AAH and the Revenue Administration Service (SAR) are also involved in formulating trade policy.²¹

¹⁴ Virtual Library of the High Court of Auditors. Information viewed at: <https://www.tsc.gob.hn/biblioteca/index.php>.

¹⁵ Article 63 of the Organic Law of the Legislature (Decree No. 363-2013).

¹⁶ Article 218 of the Constitution.

¹⁷ Article 245 of the Constitution and information provided by the authorities.

¹⁸ Article 248 of the Constitution.

¹⁹ Article 205 of the Constitution.

²⁰ The AAH was set up by Executive Decree No. PCM-059-2019, and the ARSA by Executive Decree No. PCM-032-2017.

²¹ Information provided by the authorities.

The SDE also meets with trade associations, especially the Honduran Private Enterprise Council (CHEP) to learn about and consider the positions of different sectors of the economy.

2.9. Honduran trade policy is set out in a long-term development plan, the 2010-38 Country Vision, which has been implemented through various government plans.²² In the context of this review, the authorities have indicated the need to update trade policy guidelines and objectives in the light of the impact of the pandemic and the weather events that struck Honduras in 2020. The 2022-26 National Plan to Refound Honduras (PNRH) was therefore produced, with a strategic government plan being drawn up and sectoral policies being reviewed with a view to its implementation.

2.10. Honduras considers that trade should contribute to economic growth in order to promote inclusiveness and sustainability. Honduran trade policy continues to be oriented towards openness, with the objective of continuing to integrate into international markets. The main objective of Honduran trade policy continues to be to increase exports by consolidating and adding value to traditional exports, and to bring about diversification.²³ To promote export growth, Honduras intends to integrate into global value chains and better manage trade agreements (through digitalization and simplified processes). In this context, Honduras is still using tools like the free trade zone regime to promote exports. However, it faces certain challenges in terms of access to finance, research and development, infrastructure, and recognition of technical and sanitary requirements, which undermine its export capacity.

2.11. Honduras considers that there should be greater participation of women in its internationalization strategy. The authorities have indicated that numerous initiatives have been taken in this regard, such as the Women's City (*Ciudad Mujer*) Project, which aims to promote women's economic empowerment and their integration and participation in trade. In addition, Honduras considers it essential to adopt responsible and sustainable trade practices given its vulnerability to climate change.²⁴

2.3 Trade agreements and arrangements

2.3.1 WTO

2.12. Honduras is an original Member of the WTO and accords at least most-favoured nation (MFN) treatment to all its trading partners. This is the fourth review of its trade policies. Since the previous Review in 2016, Honduras has notified its trade and trade-related measures to the WTO (Table A2.1).

2.13. In 2015, Honduras adopted the Trade Facilitation Agreement (TFA)²⁵ and submitted its instrument of ratification to the WTO in 2016. To coordinate Honduras' implementation of the Agreement, which entered into force in 2017, the National Trade Facilitation Committee (CONFACO) was set up in 2018 and started meeting in 2019.²⁶ CONFACO, which is chaired by the SDE, comprises representatives of nine public institutions and eight representatives from the private sector (each representative has voting rights).²⁷ By March 2023, Honduras had implemented 70.6% of its commitments.²⁸

²² Information provided by the authorities.

²³ Information provided by the authorities.

²⁴ Honduras National Climate Change Strategy adopted in 2022. Information viewed at: <https://icf.gob.hn/wp-content/uploads/2022/02/Estrategia-Nacional-de-Cambio-Climatico.pdf>; and Third National Communication on Climate Change. Information viewed at: <https://unfccc.int/sites/default/files/resource/Third%20National%20Communication%20HONDURAS.pdf>.

²⁵ Decree No. 146-2015.

²⁶ Executive Decree No. PCM-039-2018; and SDE. Information viewed at: <https://sde.gob.hn/comite-de-facilitacion-de-comercioconfaco/>.

²⁷ Representing the public sector: (a) the SDE, SAG, SEFIN and the Ministries of Health, Security, and Infrastructure and Public Services; (b) the Presidential Commission for the Comprehensive Reform of the Customs System and Trade Operators (COPRISAO); (c) the Health Regulation Agency; and (d) the National Migration Institute. Representing the private sector: the Honduran Private Enterprise Council (COHEP), the industrial sector, the export sector, the logistics sector, the transport sector, the production sector and the agro-industrial sector.

²⁸ TFA Database. Information viewed at: <https://tfadatabase.org/en/members/honduras>.

2.14. Honduras joined the Information Technology Agreement (ITA), but does not participate in the expanded ITA. Honduras is not a party to the Agreement on Government Procurement or the Agreement on Trade in Civil Aircraft, and does not have observer status in the respective committees. In 2011, Honduras accepted the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

2.15. At the Twelfth Ministerial Conference (MC12), Honduras reiterated its support for the multilateral trading system based on clear and equitable rules, which should contribute to the growth and well-being of all Members. At the same time, Honduras is in favour of reforming the WTO to strengthen its functioning. Honduras believes it is important for the WTO to consider "issues concerning the dynamic and ever-changing reality of international trade".²⁹ In this connection, Honduras participates in joint initiatives, structured discussions and the working groups on e-commerce, the integration of MSMEs into trade, investment facilitation for development, and the relationship between trade and environmental sustainability, and between trade and gender.

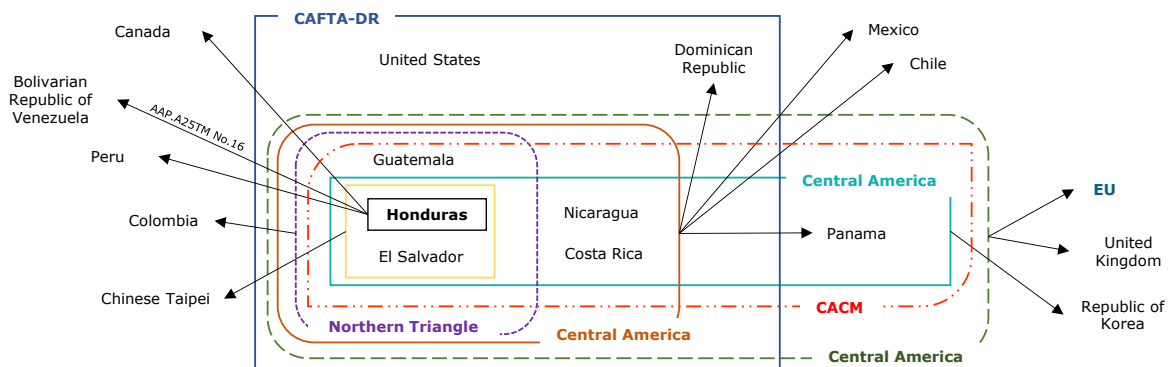
2.16. In the context of WTO negotiations, as a small and vulnerable economy, Honduras promotes provisions that, in its view, are "crucial" to sustaining food security and farmers' well-being. Honduras supports special and differential treatment and other flexibilities, such as domestic support measures, the special safeguard mechanism and public stockholding programmes.³⁰ Honduras is part of two negotiating groups on agriculture (the G-33 and the Group of Small and Vulnerable Economies). It has also co-sponsored the proposal to establish a multilateral system for notifying and registering geographical indications for wines and spirits.

2.17. Since 2016, Honduras has not made use of the dispute settlement mechanism or been involved either as a complainant or a respondent, but has been a third party in 11 cases.

2.3.2 Regional and preferential agreements

2.18. As of 2022, Honduras was participating in 14 trade agreements, including the Central American Common Market (CACM), to which Costa Rica, El Salvador, Guatemala, Nicaragua and Panama are also parties. Most of Honduras' trade agreements are with partners in the region (Chart 2.1).

Chart 2.1 Honduras' trade agreements in force in 2022



Note: AAP.A25TM is a partial scope agreement under Article 25 of the Treaty of Montevideo.

Source: WTO Secretariat.

2.19. All of Honduras' trade agreements include trade in goods and services, with the exception of the agreement with the Bolivarian Republic of Venezuela, which is a partial scope agreement under the Latin American Integration Association (LAIA), which covers only trade in a limited number of goods. In general, the agreements negotiated by Honduras include, besides market access, areas such as investment, government procurement, intellectual property, e-commerce, and labour or environmental issues.

²⁹ WTO document WT/MIN(22)/ST/130 of 13 June 2022.

³⁰ WTO document WT/MIN(22)/ST/130 of 13 June 2022.

2.20. During the review period, trade agreements with Peru (2017), the Republic of Korea (2019) and the United Kingdom (2021) entered into force for Honduras. The agreement with Peru is a bilateral agreement that will see Honduras eliminate 98.8% of tariff lines (Table 2.1); the tariff lines that will remain subject to duties fall under Sections I-IV and XV of the Harmonized System (HS). For the Republic of Korea, Honduras will phase out tariffs on 95.6% of tariff lines and 308 lines across various HS Sections will remain dutiable (Table 2.1).³¹ Honduras has not negotiated tariff rate quotas with Peru or the Republic of Korea. Liberalization of trade in services with both partners adopts a negative list approach.³²

Table 2.1 Tariff reduction, 2016-22

	Republic of Korea	Peru
Signature	21/02/2019	29/05/2015
Entry into force	01/10/2019	01/01/2017
End of the tariff reduction period for Honduras	2038	2036
Tariff reduction programme:	(% of tariff lines)	
Immediate	63.3	77.0
Less than 10 years	10.5	7.3
10 years	17.3	13.5
More than 10 years	4.5	1.0
Tariff maintained	4.4	1.2

Source: Information provided by the authorities.

2.21. The Association Agreement between Central America and the United Kingdom of Great Britain and Northern Ireland (AACRU) was signed in 2019 and entered into force in 2021. The agreement guarantees continuity of market access conditions and other disciplines negotiated under the Association Agreement between the European Union and Central America (AACUE). As a result, the tariff reduction schedule, tariff preferences and (regional and national³³) quotas agreed under the AACUE are maintained under the AACRU. However, to implement the AACRU, some technical modifications were made, such as adjusting tariff quota volumes. The rules of origin for the United Kingdom remain the same as those negotiated with the EU. The AACRU also retains the positive list approach to the liberalization of trade in services.³⁴

2.22. The authorities have indicated that in 2020, under the Free Trade Agreement between Central America and Mexico, the Parties agreed the list of entities subject to the provisions on government procurement.

2.23. With regard to the CACM, in 2022, the new Central American Regulations on the Origin of Goods entered into force, repealing the previous regulations that had been in force since 2006.³⁵ The new Regulations underwent technical amendments following the adoption of the Central American Single Declaration (DUCA) and take into account importers' involvement in the origin verification process.³⁶ In 2019, the process to renegotiate the Treaty on Investment and Trade in Services began.

2.24. Much of Honduras' trade is conducted under preferential agreements. In 2021, 95% of Honduran exports went to markets offering preferential access and 76% of imports originated in these markets. The most important trade agreements for Honduras are the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), CACM and the AACUE.

2.3.2.1 Process of deep integration with Guatemala

2.25. Since the last review, Honduras has continued the gradual and progressive process of deep integration with Guatemala with a view to creating a customs union.³⁷ However, not all goods move

³¹ WTO document WT/REG452/1/Rev.1 of 17 October 2022. The lines that will remain dutiable at the end of the tariff reduction programme fall under Sections I-IV, VI, VII, IX, X, XII, XIII, XV, XVI and XX (information provided by the authorities).

³² Information provided by the authorities.

³³ Central America grants regional tariff quotas for cured ham and bellies (streaky), whey, and prepared or preserved meat of swine. Honduras grants national quotas for milk in powder and cheese.

³⁴ Information provided by the authorities.

³⁵ COMIECO Resolution No. 449-2021.

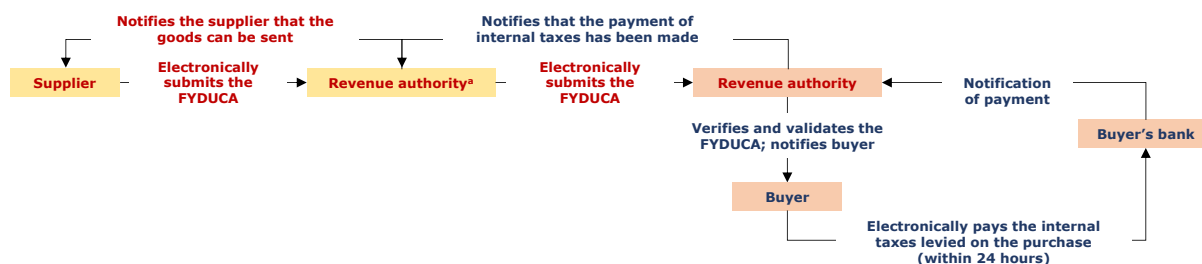
³⁶ Information provided by the authorities.

³⁷ El Salvador is in the process of joining this process.

freely between Honduras and Guatemala. Honduras excluded 690 tariff lines (at the HS 10-digit level) because of their "sensitive" nature, because they receive different preferential treatment in the two markets, or because they are regulated or controlled products due to sanitary or phytosanitary reasons or technical regulations.³⁸

2.26. Since 2017, goods moving without restrictions between Honduras and Guatemala must be accompanied by the Central American Invoice and Single Declaration (FYDUCA) (Chart 2.2). Goods that cannot move freely require the DUCA. All goods moving between these two markets have to go through the integrated border posts (PFIs).³⁹ There are currently three such posts between Honduras and Guatemala, where Honduran and Guatemalan customs, tax and sanitary/phytosanitary officials operate. Each PFI has a trade facilitation centre, which handles goods that move freely, and an integrated control centre, where excluded goods are processed. Honduras also has five peripheral customs offices that are used as entry and exit points.⁴⁰

Chart 2.2 Central American Invoice and Single Declaration (FYDUCA)



a The Honduran supplier submits the FYDUCA via the virtual office of the Revenue Administration Service (SAR).

b Internal taxes in Honduras are the sales tax (ISV), production and consumption tax (IPC) and selective consumption tax (ISC).

Note: There are two types of FYDUCA: (1) the normal FYDUCA, when the buyer has to pay the ISV; and (2) the *ex officio* FYDUCA, when the buyer is exempt from paying the ISV.

Source: FYDUCA Manual. Information viewed at: <https://www.ua.sieca.int/PIC>.

2.3.3 Other agreements and arrangements

2.27. Australia, Japan, New Zealand, Norway, the Russian Federation and Switzerland offer preferential treatment to Honduras under the Generalized System of Preferences (GSP).⁴¹

2.4 Investment regime

2.28. The investment regime in Honduras is mainly governed by the Constitution and the Law on Investment Promotion and Protection (Decree No. 51-2011) and its implementing regulations⁴², and by the nine agreements on the reciprocal promotion and protection of investments⁴³ and, with regard to arbitration procedures, by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, the New York Convention and the Inter-American Convention on International Commercial Arbitration. Honduras is party to the Convention Establishing the Multilateral Investment Guarantee Agency.

³⁸ Products excluded from free movement include agricultural products (e.g. dairy products, eggs, black and red beans, white and yellow maize, unroasted coffee or cane sugar); and products such as cement, petroleum products, medicines, fertilizers and vehicles (information provided by the authorities).

³⁹ Customs Operations Guide. Information viewed at: <https://www.sieca.int/index.php/download/descargue-la-guia-de-operaciones-aduaneras/>.

⁴⁰ AAH. Information viewed at: <https://www.aduanas.gob.hn/union-aduanera/>.

⁴¹ Information provided by the authorities.

⁴² Law on Investment Promotion and Protection (Decree No. 51-2011), as amended by Decree No. 284-2013. Regulations implementing the Law on Investment Promotion and Protection (Executive Decision No. 22-DGTC-2014).

⁴³ Chile; France; Germany; Netherlands; Republic of Korea; Spain; Switzerland; United States; and United Kingdom.

2.29. The National Investment Council (CNI) is tasked with attracting foreign investment into Honduras. Investment promotion focuses on both traditional target sectors (agribusiness, textiles, tourism and business support services, such as call centres and business process outsourcing) and new sectors (energy, logistics, forestry, mining and construction).⁴⁴ The CNI also supports foreign investors before, during and after making their investment.

2.30. To attract investment, Honduras provides tax benefits to certain sectors (such as tourism and clean electricity generation), as well as under special export promotion schemes. The ZEDE regime, established in 2013 with the aim of "creating an attractive economic and legal environment" to encourage domestic and foreign investment, was withdrawn in 2020.⁴⁵ However, pursuant to the Law on Employment and Economic Development Zones, the incentives granted thereunder will remain in place for 10 years.⁴⁶ As a result, the authorities have indicated that the companies covered by this regime are still operating and receiving the corresponding benefits. At present (March 2023), Honduras has three ZEDEs (Ciudad Morazán, Orquídea and Próspera), where construction and real estate companies, an agricultural company, and financial and tourism service providers operate. As part of this Review, the authorities have indicated that there were no data available on ZEDEs.

2.31. The Constitution allows the State, on the grounds of public order or social interest, to retain the exclusive right to operate certain basic industries and provide certain basic services (Article 332). As a result, in 2022, some activities were still reserved to the State (Box 2.2), such as the marketing of electricity, a subsector in which private capital investment was allowed until 2022. Furthermore, the State still has a natural monopoly on transmission and distribution in the electricity sector. In reserved activities, the State may be the operator, or grant concessions⁴⁷ or operating contracts.⁴⁸ Mineral resources are owned by the State, and exploration and extraction of such resources require a concession.⁴⁹

Box 2.2 Activities reserved to the State, 2016-2022

- Activities that affect public health^a (Article 3 of the Law on the Promotion and Protection of Investment (Decree No. 51-2011))
- Marketing of electricity (Article 15 of the General Law on the Electricity Industry (Decree No. 404-2013), as amended by Decree No. 46-2022)
- Issuance of currency (Article 342 of the Constitution)
- Manufacture, import, distribution and sale of arms and ammunition (Article 292 of the Constitution)
- National Lottery and other lotteries (Article 5 of the Organic Law on the National Foundation for Children (Decree No. 438-77))
- Prospecting for, exploration and exploitation; processing and refining; transportation; storage; and marketing of hydrocarbons (Article 1 of the Law on Hydrocarbons (Decree No. 194-84))
- The postal service (Articles 3 and 4 of the Organic Law on the Honduran Postal Company (Decree No. 120-93))
- Auxiliary air navigation services (Article 95 of the Law on Civil Aviation (Decree No. 55-2004))
- Treatment of solid and organic waste (Articles 29 and 67 of the General Law on the Environment (Decree No. 104-93))
- Treatment of toxic, hazardous or radioactive waste (Article 3 of Decree No. 51-2011)

a Activities included in the Health Code (Decree No. 65-91).

Source: WTO Secretariat and information provided by the authorities.

2.32. As in 2016, access to small-scale industry and trade is prohibited for foreign nationals.⁵⁰ However, in accordance with the information provided by the authorities for this Review, foreign participation in these activities is authorized based on the principle of reciprocity.

⁴⁴ CNI. Information viewed at: <https://www.cni.hn/sectores-de-inversion/>.

⁴⁵ Articles 2 and 5 of the Law on Employment and Economic Development Zones (Decree No. 120-2013); and Decree No. 33-2022.

⁴⁶ Article 45 of Decree No. 120-2013.

⁴⁷ The authorities have indicated that the national lottery and the air navigation service are subject to concessions.

⁴⁸ Operating contracts are used in the hydrocarbon sector.

⁴⁹ Law on Mining (Decree No. 238-2012), as amended by Decrees No. 109-2019 and No. 135-2020.

⁵⁰ Article 337 of the Constitution.

2.33. Foreign nationals can obtain the same financing terms as nationals at Honduran banks and can participate without any limits (i.e. up to 100%) in the share capital of Honduran companies in those sectors where there are no restrictions.⁵¹ However, for certain activities, caps on FDI are still imposed (Table 2.2). Both the caps and the activities concerned have remained unchanged since 2016. There is no consolidated list of activities subject to caps on FDI.

Table 2.2 Activities subject to caps on FDI, 2016-2022

Cap	Activities	Legislation
70%	Construction or consulting services	Article 67 of the Organic Law of the Association of Civil Engineers of Honduras (Decree No. 47-1987); Articles 100 and 101 of the Regulations of the Organic Law of the Association of Civil Engineers of Honduras
60%	Construction and consulting services	
49%	Commercial fishing	Article 20 of the Law on Fishing (Decree No. 154-59)
	Domestic air transport	Article 106 of the Law on Civil Aviation (Decree No. 55-2004), as amended by Decree No. 65-2017
	International air transport	Air service agreements
	Domestic maritime transport and cabotage	Articles 5 and 6 of the Maritime Transport Regulations (Agreement No. 000764-97)
	National land transport	Article 18 of the Law on Land Transport (Decree No. 319-76)
	Commercial agent services	Article 4 of the Law on Representatives, Distributors and Agents of National and Foreign Enterprises (Decree No. 549-1977), as amended by Decree No. 804-79
	Distribution services (incl. petrol stations)	

Source: WTO Secretariat and information provided by the authorities.

2.34. Honduras grants national treatment to foreign investment. Foreign investors do not require prior authorization to invest and, as in the case of domestic investment, there is no obligation to register foreign investment in the Investor Register, which is kept by the CNI for statistical purposes.⁵² However, registration – which costs HNL 200⁵³ – offers foreign investors certain benefits, such as simplified immigration procedures.⁵⁴

2.35. Foreign nationals can buy real estate throughout Honduras, except around border areas (i.e. within 40 km of the borders and coastlines).⁵⁵ In such areas, foreign nationals can nevertheless purchase urban real estate for housing and certain types of projects, such as for tourism purposes.⁵⁶ In the event of a dispute, foreign nationals can avail themselves of two regimes to safeguard their property rights.⁵⁷ The State may expropriate real estate out of necessity or in the public interest.⁵⁸

2.36. Honduras continues to implement the legal stability regime for foreign investment of more than USD 2 million in any economic activity and area of the country. Legal stability contracts are requested from the CNI, signed by the Executive, and approved by the National Congress.⁵⁹ These contracts guarantee fiscal stability (at the state and local levels) for 15 years, or 25 years for the forestry sector. In addition, the benefits are extended to investments covered by a public-private partnership for the term of the concession. The authorities have indicated that legal stability contracts are not frequently used.

2.37. Investment projects designated as being of "priority interest"⁶⁰ (or national interest) are granted tax relief related to the annual amortization of start-up costs (20% can be deducted

⁵¹ Article 4 of Decree No. 51-2011.

⁵² Registration can be done online: <https://www.cni.hn/registro-de-inversionistas/>.

⁵³ SDE and CNI (2021), "Consejo Nacional de Inversiones (CNI) (Promoción y Protección de Inversiones Privadas)", *Guía del Inversionista – Honduras 2020-21*. Viewed at: <https://sde.gob.hn/wp-content/uploads/2021/08/3.-Consejo-Nacional-de-Inversiones.pdf>.

⁵⁴ Permanent residence permits for investors are granted to foreign nationals who invest at least USD 50,000 (Law on Migration and Aliens (Decree No. 208-2003)).

⁵⁵ Article 107 of the Constitution.

⁵⁶ Articles 4 and 5 of the Law on the Purchase of Urban Property in the Areas Delimited by Article 107 of Constitution of the Republic (Decree No. 90-90).

⁵⁷ Dispute Prevention Regime and the Guarantee Regime for the Completion of Projects on Disputed Real Estate (Decree No. 51-2011).

⁵⁸ Article 106 of the Constitution.

⁵⁹ Decree No. 51-2011, as amended by Decree No. 284-2013; Executive Decree No. 22-DGTC-2014; and Decree No. 54-2019.

⁶⁰ For a project to be designated as of "priority interest", an application must be submitted to the CNI and approved by the National Congress and the President.

annually) and the option of requesting that the cost of tangible fixed assets be written off more quickly (accelerated depreciation).⁶¹ According to the authorities, public-private partnership projects can be designated as being of "priority interest".

2.38. Foreign nationals can set up branches and different types of commercial companies in Honduras.⁶² The most common type used by foreign nationals are limited liability companies (*sociedad de responsabilidad limitada*) and joint-stock companies (*sociedad anónima*).⁶³ Setting up a company involves registering with the Business Register, the Chamber of Commerce and Industry (CCI) and the National Tax Register (RTN)⁶⁴, and may require national and local permits, licences and other authorizations.⁶⁵ As part of the Digital Republic of Honduras (Digital Government), Honduras has been digitalizing procedures with the aim of standardizing and streamlining them.⁶⁶

2.39. Foreign nationals may also "incorporate" companies in Honduras that are incorporated in other jurisdictions, which become subject to Honduran law.⁶⁷ To "incorporate" a foreign company, a company's certificate of registration in the country of origin and the document appointing a representative (permanent resident) in Honduras are required; both documents must be apostilled or authenticated. The company is registered as a foreign company in the Commercial Registry, with the CCI and the RTN.⁶⁸

2.40. Foreign cooperatives, in whose place of origin reciprocity is offered, can operate in Honduras.⁶⁹

2.41. Honduras continues to require that a minimum percentage of national workers be employed in all companies established in the country, namely 90% of the workforce and 85% of the payroll. The Ministry of Labour and Social Security may allow a higher proportion of foreign nationals to be employed, for a period of five years, after which, to the extent possible, they must be replaced by Honduran employees.⁷⁰

2.42. Honduras does not apply restrictions on capital repatriation or the payment of profits, dividends, interest and royalties abroad.⁷¹ Foreign investors must pay income tax (ISR) on dividends and any profits derived from investments in Honduras.⁷² Honduras is not party to any double taxation avoidance agreements.

⁶¹ Articles 32-35 of Decree No. 51-2011.

⁶² The types of commercial companies that can be set up are a general partnership (*sociedad colectiva*); a limited partnership (*sociedad en comandita simple*); a partnership limited by shares (*sociedad en comandita por acciones*); a limited liability company (*sociedad de responsabilidad limitada*); and a joint-stock company (*sociedad anónima*).

⁶³ The other types of commercial companies are a general partnership, a limited partnership and a joint-stock company. eRegulations Honduras Programme. Information viewed at: <https://honduras.eregulations.org/menu/1?l=es>.

⁶⁴ For limited liability companies or joint-stock companies, all three registrations can be submitted at the same time using the special single form (FUE). This is submitted electronically via "Mi Empresa en Línea".

⁶⁵ SDE and CNI (2021), "Inicio de Operación de una Empresa" and "Aspectos e Incentivos Legales", *Guía del Inversionista – Honduras 2020-2021*. Viewed at: <https://sde.gob.hn/wp-content/uploads/2021/08/1.-Inicio-de-Operacion-de-una-Empresa.pdf> and <https://sde.gob.hn/wp-content/uploads/2021/08/7.-Aspectos-e-incentivos-legales.pdf>.

⁶⁶ Information provided by the authorities.

⁶⁷ Article 55 of Decree No. 51-2011.

⁶⁸ Information provided by the authorities.

⁶⁹ Article 19 of the Law on Honduran Cooperatives (Decree No. 65-1987), as amended by Decree No. 146-2019.

⁷⁰ Article 137 of the Constitution and Article 11 of the Labour Code.

⁷¹ Article 4 of Decree No. 51-2011.

⁷² SAR. Information viewed at: https://www.sar.gob.hn/helpie_faq/cual-es-la-tasa-que-se-aplica-por-concepto-de-impuesto-sobre-la-renta-a-las-personas-naturales-y-juridicas-no-domiciliadas-y-o-no-residentes-que-obtienen-ingresos-de-fuente-hondurena/.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures, valuation, and requirements

3.1.1.1 Customs procedures and requirements

3.1. Honduras' customs regime is governed primarily by the Customs Law (Decree No. 212-87) and the Central American Uniform Customs Code (CAUCA IV) and its implementing Regulations (RECAUCA IV).¹ Where it is not contrary to the Central American regulations or in areas not covered by CAUCA and RECAUCA, the Customs Law still applies. There have been no major changes to Honduras' customs legislation since the country's last review in 2016.² However, both CAUCA and its implementing Regulations have been amended since 2018.³

3.2. Goods can enter Honduras under various definitive, temporary or suspensive, and duty-exemption customs regimes.⁴ There were no changes to the import regimes between 2016 and 2022.

3.3. The Customs Administration of Honduras (AAH) was established in 2019 and began operating as the new customs authority in 2020, replacing the Customs Revenue Directorate (DARA).⁵ The AAH is tasked with controlling and facilitating the entry and exit of goods, implementing the customs regimes, determining the levies applicable to goods, monitoring exemptions and collecting customs duties.⁶

3.4. In addition to the AAH, the Ministry of Economic Development (SDE), the Ministry of Finance (SEFIN), the National Agricultural Health and Safety Service (SENASA) of the Ministry of Agriculture and Livestock (SAG), the Health Regulation Agency (ARSA) and the Ministry of Natural Resources and the Environment (SERNA) are involved in foreign trade operations (Table 3.1). ARSA was created in 2017 as a decentralized agency of the Ministry of Health (SESAL) to regulate and provide registration, permits, licences, certifications and other sanitary authorizations.⁷

Table 3.1 Main institutions involved in import procedures, 2022

	Procedures
SDE	Issues import licences for dairy produce and onions.
	Issues import certificates for goods subject to a shortage quota.
	Issues import certificates for goods subject to purchase and sale agreements.
	Issues import certificates for preferential tariff quotas.
SEFIN	Administers duty-free arrangements.
	Administers tax exemptions.
SENASA	Issues phytosanitary import permits for plants and plant products and by-products.
	Issues phytosanitary import permits for agricultural inputs (e.g. pesticides, fertilizers and related substances).
	Issues animal health import permits for animals and animal products and by-products.
	Issues animal health import permits for veterinary products.
ARSA	Issues sanitary import authorizations for raw materials used in the production of food and beverages, and food additives.

¹ CAUCA and RECAUCA entered into force in Honduras in 2008. Honduras' customs legislation can be viewed at: <https://www.aduanas.gob.hn/biblioteca-virtual/legislacion-aduanera/>; and the Central American regulations at: <https://www.sieca.int/index.php/integracion-economica/integracion-economica/libre-comercio/administracion-aduanera/>.

² In 2020, Article 166 *bis* of RECAUCA, which provides for the mutual recognition of authorized economic operators in Central America, was amended to stipulate that customs authorities are responsible for subscribing to the relevant agreements (Resolution No. 431-2020 (COMIECO-EX)).

³ Information provided by the authorities.

⁴ Definitive regimes: definitive import (Article 92 of CAUCA). Temporary or suspensive regimes: customs transit (Article 94); temporary import and re-export in the same state (Article 97); temporary admission for inward processing (Article 98); and customs or in-bond warehousing (Article 99). Duty-exemption regimes: free zones (Article 101) and re-import (Article 105).

⁵ Executive Decree No. PCM-059-2019.

⁶ Customs Law (Decree No. 212-87) and Tax Code (Decree No. 170-2016).

⁷ Decree No. PCM-032-2017.

	Procedures
	Issues special import authorizations for products of sanitary interest ^a that do not require sanitary registration (e.g. products not available for sale).
	Issues import permits for controlled substances. ^b
SERNA	Issues import authorizations for natural and synthetic refrigerants (ozone-depleting substances (ODS)) and equipment containing them.

- a Products of sanitary interest are: (a) foods and beverages; (b) pharmaceutical products (e.g. medicines, vaccines, controlled substances, cosmetic and hygiene products, and pesticides for domestic and professional use); and (c) medical devices.
- b Controlled substances are narcotic and psychotropic medicines, and precursors and chemical substances used in their manufacture (Communiqué No. 009-ARSA-2017).

Source: WTO Secretariat, on the basis of WTO document G/TFA/N/HND/3/Rev.1 of 12 August 2020; AAH. Viewed at: <https://www.aduanas.gob.hn/facilitacion-del-comercio/>; SDE. Viewed at: <https://sde.gob.hn/facilitacion-del-comercio/>; SDE and the National Investment Council (CNI) (2021), "Importaciones/Exportaciones", *Guía del Inversionista - Honduras 2020-21*. Viewed at: <https://sde.gob.hn/wp-content/uploads/2021/08/5.-Importaciones-y-Exportaciones.pdf>; and information provided by the authorities.

3.5. Prior to importing, certain importers must register in order to request an import licence or meet other import or tax requirements (Table 3.2).

Table 3.2 Registration of importers, 2022

Institution	Registration of importers
SDE	Dairy produce
	Onions
SEFIN	Alcoholic beverages
	Cigarettes
SENASA	Seeds and plant materials
	Agricultural inputs (e.g. pesticides, fertilizers and related substances)
	Organic agricultural products
ARSA	Food and beverages; pharmaceutical products (e.g. medicines, vaccines, controlled substances, cosmetic and hygiene products, and pesticides for domestic and professional use); and medical devices
SERNA	Natural and synthetic refrigerants (ODS)
	Equipment containing ODS

Source: WTO Secretariat.

3.6. For customs clearance, the importer must appoint a customs broker, who must be a national of a State party to the Central American Common Market (CACM).⁸ However, use of a customs broker is optional if the goods fall under the temporary admission for inward processing regime or the Free Zones (ZOLI) regime.⁹

3.7. As a trade facilitation measure, in 2021, the AAH introduced an Authorized Economic Operator (AEO) programme, which is currently only available to importers and exporters (domestic and foreign¹⁰) that meet certain criteria.¹¹ However, so far, no importers have been granted authorization under the programme. The AAH will gradually extend the AEO programme to other operators in the trade logistics chain (e.g. customs brokers).¹² RECAUCA provides for the mutual recognition of AEOs across Central America.¹³ The AAH became a party to the Regional AEO Mutual Recognition Agreement in 2021.¹⁴

⁸ Article 76 of RECAUCA.

⁹ Article 88 of RECAUCA. In addition, Article 87 of RECAUCA stipulates that use of a customs agent is not required for certain imports (e.g. courier deliveries).

¹⁰ Foreign natural persons must reside in Honduras. Foreign legal entities must be established or legally represented in Honduras.

¹¹ Decision ADUANAS-DE-050-2020. The AAH has published a guide explaining the requirements, obligations and advantages of the AEO programme and the authorization process. The guide can be viewed at: <https://www.aduanas.gob.hn/wp-content/uploads/2021/01/PROCEDIMIENTO-OEA-PARA-EL-USUARIO-EXTERNO.pdf>.

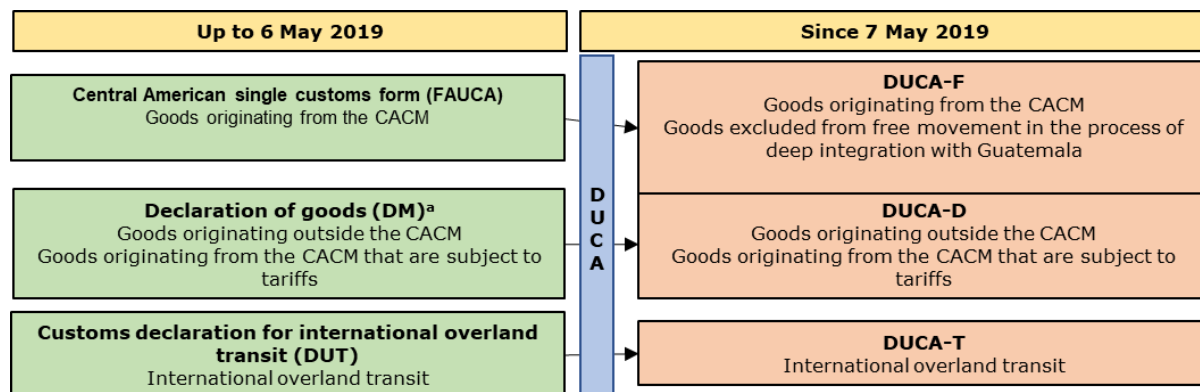
¹² *Preguntas Frecuentes de la AAH*. Viewed at: <https://www.aduanas.gob.hn/operador-economico-autorizado-oeahonduras/>.

¹³ Article 166 *bis* of RECAUCA, as amended by Resolution No. 431-2020 (COMIECO-EX).

¹⁴ The customs authorities of 11 Central and South American States are signatories to the Agreement.

3.8. Since 2019, the Central American Single Declaration (DUCA) has been used for imports to Honduras. The DUCA consolidates into a single document the three customs declarations previously used (Chart 3.1). There are three types of DUCA: (a) DUCA-F for tariff-free imports originating from the CACM and goods that are still excluded from free movement in the process of deep integration between Honduras and Guatemala (Section 2.3);¹⁵ (b) DUCA-D for imports originating outside the CACM and products originating from the CACM that are subject to tariffs;¹⁶ and (c) DUCA-T for international overland transit.

Chart 3.1 Central American Single Declaration (DUCA)



a The DM was also referred to as a single customs declaration (DUA).

Source: Resolution No. 409-2018 (COMIECO-LXXXV), as amended by Resolution No. 410-2019 (COMIECO-EX).

3.9. The DUCA-F and DUCA-D require supporting documents.¹⁷ Although requirements vary depending on the customs regime and the features of the imported product, the following documents usually have to be provided: (a) the commercial invoice;¹⁸ (b) the transport document (bill of lading, air waybill or waybill for land transport, depending on the means of transport); (c) the customs value declaration (DVA);¹⁹ (d) the certificate of origin; (e) the licence, permit, certificate or other document if the import is subject to non-tariff measures; (f) proof of the security deposit; and (g) the certificate of exemption if the importer enjoys duty-free arrangements or tax exemptions.

3.10. As a trade facilitation measure, the SDE created the Honduras Integrated Foreign Trade Management Portal (PGICE) in 2021 to provide importers with information on the type of DUCA required, as well as on the supporting documents and other requirements (e.g. prior registration) for each product type and source market.²⁰

3.11. Honduras does not have a single window for imports. All types of DUCA are completed and submitted through the automated customs revenue system of Honduras (SARAH), along with scanned versions of supporting documents. The AAH updated the SARAH in 2018. According to the

¹⁵ There are 690 lines (at the HS 10-digit level) within Honduras' tariff universe that are excluded from free movement. These products include agricultural products (e.g. dairy produce, eggs, black and red beans, white and yellow maize, unroasted coffee and cane sugar) and products such as cement, petroleum products, medicines, fertilizers and vehicles (Section 2.3).

¹⁶ The only products originating from Central America that are not duty-free are sugar, unroasted coffee and, for Honduras, petroleum products, ethyl alcohol and distilled alcoholic beverages from El Salvador, and roasted coffee from Costa Rica (Annex A of the General Treaty on Central American Economic Integration. Viewed at: <https://www.sieca.int/?product=anexo-a-del-tratado-general-de-integracion-economica>).

¹⁷ Article 321 of RECAUCA, as amended by Resolution No. 306-2013 (COMIECO-EX).

¹⁸ The commercial invoice must be in Spanish or translated into Spanish (Circular DARA-SVA-023-2019).

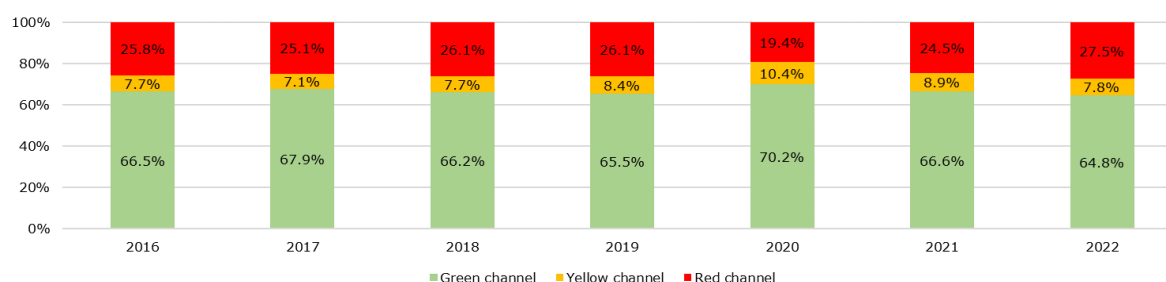
¹⁹ Article 212 of RECAUCA exempts importers from providing the DVA for DUCA-F imports. The DVA is also not required for certain DUCA-D imports, such as those subject to a temporary or suspensive regime or a duty-exemption regime.

²⁰ PGICE. Viewed at: <https://pgice.sde.gob.hn/>. The portal provides the same information service to exporters.

authorities, the new version (SARAH WEB 2.0) is more secure, faster and simpler to use. The AAH charges a service fee of USD 5 for each import DUCA issued.²¹

3.12. All goods are subject to a risk analysis, based on which the AAH authorizes immediate clearance (green channel), inspects the documents (yellow channel) or carries out a physical inspection of the goods in addition to the document inspection (red channel). According to the authorities, some goods, such as used vehicles, are always assigned to the red channel. During the review period, an average of 66.8% of goods were assigned to the green channel (Chart 3.2). The document inspection takes 10 to 15 minutes, while the time needed for the physical inspection depends on the cargo and product type.²² The country's main port, Puerto Cortés, has scanners to facilitate inspections.

Chart 3.2 Processing channels, 2016-2022



Source: Information provided by the authorities.

3.13. The authorities have said, in the context of this review, that no studies have been carried out to determine national customs clearance times. However, in 2021, the AAH launched a pilot project entitled "*Aduana sin Papeles*" (Paperless Customs) at Puerto Cortés to make all stages of the customs process paper-free.²³ According to the authorities, this measure has helped to optimize procedures and reduced clearance times from seven days and eight hours to three days and 10 hours. The authorities also underscored the environmental benefits of reducing paper use.

3.1.1.2 Customs valuation

3.14. Customs valuation is governed by the Agreement on Implementation of Article VII of the GATT 1994, CAUCA and RECAUCA IV. Honduras mainly uses transaction value to determine the value of imported goods.²⁴ According to the authorities, this method was used for 80% of imports in 2021. In all other cases, and primarily for used vehicles, the fall-back method was used when the declared value was rejected.

3.15. Honduras still makes use of price guides to determine customs value if there is any "reasonable" doubt regarding the declared value. The authorities indicated that these guides are used mainly to determine the value of used goods, particularly vehicles.

3.16. In 2021, to mitigate the impact of the increase in maritime transport costs on importers and end-consumers, Honduras authorized a one-off reduction of 75% in the freight cost used to calculate the customs value. This measure was applicable to all definitive imports from October 2021 to June 2022.²⁵ According to the AAH, the foregone tax amounted to HNL 1,033.8 million.²⁶

²¹ Article 50 of the Law on Revenue Enhancement, Social Equity and Rationalization of Public Expenditure (Decree No. 17-2010).

²² Information provided by the authorities.

²³ Aduanas News, "*Honduras pone en marcha Aduanas sin papeles en Puerto Cortés*", 7 September 2021.

²⁴ Circular DARA-SVA-023-2019.

²⁵ Decrees No. 96-2021 and No. 26-2022.

²⁶ AAH. Viewed at: <https://www.aduanas.gob.hn/un-sacrificio-fiscal-de-1033-8-millones-de-lempiras-registra-aduanas-honduras-por-reduccion-al-calculo-al-coste-del-flete-maritimo/>.

3.1.2 Rules of origin

3.17. Honduras does not apply any non-preferential rules of origin.²⁷

3.18. Honduras applies the preferential rules of origin set out in the trade agreements it has signed. Since its last trade policy review in 2016, Honduras has begun applying the rules of origin under the free trade agreements signed with the Republic of Korea, Peru and the United Kingdom, all of which entered into force during the review period.²⁸

3.19. The trade agreements that Honduras has entered into use general criteria to confer origin. Under these criteria, a good is originating if it is: (a) wholly obtained or produced in the territory of one of the Parties; or (b) produced entirely in the territory of one Party exclusively from originating materials. However, if the good combines both originating and non-originating materials, specific rules of origin apply that require a change in tariff classification for the non-originating materials (change of tariff heading) and/or a minimum regional value content (RVC) for the end-product. For the three agreements that entered into force during the review period, the RVC is between 20% and 50% for the agreement with the Republic of Korea, between 30% and 50% for the agreement with Peru and 25% for the agreement with the United Kingdom. Generally speaking, all new trade agreements also include other origin criteria, such as those pertaining to *de minimis*, cumulation, sets of goods and composite goods, and direct consignment. Cumulation can be bilateral, regional or extended. Under the agreement with Peru, for instance, cumulation is bilateral, while under the agreements with the Republic of Korea and the United Kingdom, it is both bilateral and regional.

3.1.3 Tariffs

3.1.3.1 Structure and levels

3.20. The new Central American Tariff System (SAC 2022), which entered into force in 2022, incorporates the seventh amendment to the Harmonized System.²⁹ In SAC 2022, there were 351 sets of amendments to the nomenclature, with new Section and Chapter notes added, tariff codes created and removed, and changes to product descriptions.³⁰

3.21. In 2022, Honduras' tariff contained 7,531 lines at the HS 2022 10-digit level (6,974 lines at the HS 2012 10-digit level). Honduras only applies *ad valorem* tariffs, except for products subject to the price band (six tariff lines for yellow maize, white maize, grain sorghum, maize flour and other processed grains).

3.22. Honduras' tariff structure has not changed substantially. The average MFN applied rate was 5.9% in 2022, the same as in 2015 (Table 3.3). The protection given to agricultural products (WTO definition) remains higher than that given to non-agricultural products, with tariffs ranging from 0% to 164%. In 2022, the protection given to agricultural products was virtually the same as in 2015 (10.8% compared to 10.7% in 2015), while that given to non-agricultural products remained unchanged compared with 2015 (5.1%). The highest average tariff by WTO category was applied primarily to agricultural products, specifically dairy produce, animals and animal products, and beverages, alcohol and tobacco, with rates of 22.6% (22% in 2015), 18.3% (18.4% in 2015) and 12.3% (12.4% in 2015), respectively. Among non-agricultural products, clothing was the most protected, with a tariff of 14.8%, the same as in 2015 (Table A3.1).

²⁷ WTO document G/RO/N/3 of 27 July 1995.

²⁸ The Association Agreement between Central America and the United Kingdom of Great Britain and Northern Ireland (AACRU) maintains the rules of origin negotiated within the framework of the Association Agreement between Central America and the European Union (AACUE).

²⁹ Resolution No. 450-2021 (COMIECO-EX).

³⁰ SIECA press release. Viewed at: <https://www.sieca.int/index.php/news/la-secretaria-de-integracion-economica-centroamericana-sieca-informa/>.

Table 3.3 MFN tariff structure, 2015 and 2022

	2015 (HS 2012)	2022 (HS 2022)
Total number of lines	6,974	7,531
<i>Ad valorem</i> rates (> 0%)	3,611	3,904
Duty-free	3,357	3,621
Non- <i>ad valorem</i> rates	6 ^a	6 ^a
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.1 ^a	0.1 ^a
Non- <i>ad valorem</i> tariffs with no <i>ad valorem</i> equivalents (% of all tariff lines)	0.1 ^a	0.1 ^a
Tariff quotas (% of all tariff lines)	0.0	0.0
Duty-free tariff lines (% of all tariff lines)	48.1	48.1
Average for lines with a tariff greater than zero (%)	11.4	11.4
Arithmetic average (%)	5.9	5.9
Agricultural products (WTO definition) (%)	10.7	10.8
Non-agricultural products (including petroleum, WTO definition) (%)	5.1	5.1
National tariff peaks (% of all tariff lines) ^b	0.8	0.8
International tariff peaks (% of all tariff lines) ^c	0.8	0.8
Overall standard deviation of applied rates	7.8	7.8
Bound tariff lines (% of all tariff lines)	100.0	100.0

a Corresponds to lines subject to the price band.

b National tariff peaks are defined as rates exceeding three times the overall simple average applied rate.

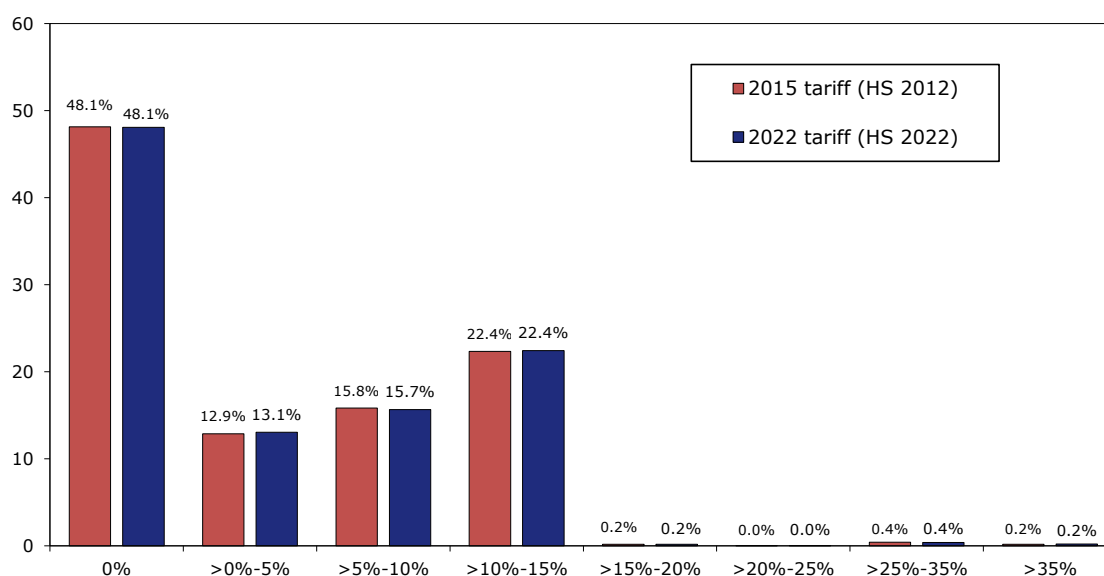
c International tariff peaks are defined as rates exceeding 15%.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.23. There are 13 applied tariff rates ranging from 0% to 164%. The most common rate is 0%, which applies to 48.1% of tariff lines (the same percentage as in 2015) (Chart 3.3). Rates of 5%, 10% and 15% apply to 51.2% of goods. Rates above 15% apply to 0.8% of tariff lines. The maximum rate of 164% still applies to imports of poultry meat under HS subheadings 0207.13.93.00, 0207.13.94.00, 0207.14.93.00, 0207.14.94.00 and 1602.32.10.00, while the second highest rate of 55% still applies to cigarettes (HS subheading 2402.20.00.00).

Chart 3.3 Frequency distribution of tariffs, 2015 and 2022

(% of all tariff lines^a)



a There were a total of 6,974 lines for the 2015 tariff and 7,531 lines for the 2022 tariff.

Source: WTO Secretariat calculations based on data provided by the authorities.

3.24. Honduras bound all its tariff lines during the Uruguay Round, with around 85% bound at 35%, 1% bound at higher rates and the remaining lines bound at levels below 35%.

3.25. For the purpose of this review, the Secretariat identified nine tariff lines with an applied rate exceeding the bound rate (Table 3.4).³¹ Some of these products were already mentioned in the 2015 review as having an applied tariff above the bound rate.

Table 3.4 Products with applied tariffs higher than the bound rates, 2022

HS code	Description MFN tariff	Description bound tariff	2015 MFN tariff (%)	2022 MFN tariff (%)	Bound tariff (%)
0405.10.00.00	Butter	Butter	20	20	8
0406.20.20.00	Mozzarella cheese	Other mozzarella type	n.a.	35	20
0406.20.90.00	Other cheese	Other cheese	35	35	20
0406.30.00.00	Processed cheese, not grated or powdered	Processed cheese, not grated or powdered	35	35	20
0406.90.20.00	Cheddar type, in blocks or slabs	Cheddar type, in blocks or slabs	35	35	20
3808.91.10.00	Put up as pastilles or in strips which operate by burning; flypapers	Insecticides	n.a.	10	7
7210.61.10.00	Plated or coated with aluminium-zinc alloys, of a thickness of 0.16 mm or more but not exceeding 2 mm	Plated or coated with aluminium-zinc alloys of a thickness of 0.16 mm or more but not exceeding 2 mm	15	15	8
7210.69.10.00	Other plated or coated with aluminium, of a thickness of 0.16 mm or more but not exceeding 2 mm	Other plated or coated with aluminium, of a thickness of 0.16 mm or more but not exceeding 2 mm	15	15	8
8486.20.91.00	Resistance furnaces for heating bars of metal or granular materials, for a temperature not exceeding 900°C, other than laboratory furnaces	Machines and apparatus for the manufacture of semiconductor devices or of electronic integrated circuits	n.a.	10	0

n.a. Not applicable.

Source: WTO Secretariat calculations based on data provided by the authorities.

3.26. Pursuant to Article XXVIII:5 of the GATT 1994, Honduras reserved the right to modify its bound tariffs for the three-year period commencing 1 January 2018 and subsequently for the three-year period commencing 1 January 2021.³²

3.1.3.2 Price band system

3.27. The price band system is still in force in Honduras.³³ In practice, however, it is not used. The products to which the system can be applied include yellow maize, grain sorghum, maize flour and pre-gelatinized meal (Table 3.5). The tariff applied to these products is 5% or 15%.

³¹ In undertaking this analysis, the Secretariat only took into account the tariff lines contained in Schedule LXXXVIII in HS 1996 that are strictly comparable to those in HS 2007 and HS 2012.

³² WTO documents G/MA/349 of 4 December 2017 and G/MA/386 of 18 November 2020.

³³ Regulations on the Marketing of Agricultural Products (Decision No. 0195-03). Under this system, tariffs are modified in line with international prices, with a view to limiting the impact of price fluctuations on the domestic market. Each year, before each product's first harvest, the Honduran Agricultural Marketing Institute (IHMA) sets the band's floor and ceiling prices on the basis of monthly international prices over the previous 60 months. If a product's international price falls below the band's floor price, an *ad valorem* surcharge equivalent to the percentage difference between the two prices is added to the tariff. Under no circumstances can the sum of the tariff and the surcharge exceed the bound tariff rate. If a product's international price rises above the band's ceiling price, a discount equivalent to the percentage difference between the two prices is applied to the tariff; the maximum authorized discount is 5%.

Table 3.5 Tariff lines subject to the price band system, 2015 and 2022

HS code	Description	MFN tariff (%)		Bound tariff (%)
		2015	2022	
1005.90.20.00	Yellow maize (corn)	15	15	45
1007.90.00.00	Other grain sorghum	15	15	45
1102.20.00.00	Maize (corn) flour	15	15	35
1103.13.10.00	Pregelatinized meal (for example: meal used as an additive in the brewing industry)	15	15	35
1103.13.90.00	Other meal	15	15	35
1104.23.00.00	Other worked grains of maize (corn)	5	5	35

Source: WTO Secretariat calculations based on data provided by the authorities.

3.1.3.3 Preferential tariffs

3.28. As a CACM member, Honduras grants, with a few exceptions, preferential treatment (0% tariff) to imports originating from the CACM.³⁴ Honduras also extends preferential treatment to imports from countries with which it has signed preferential agreements (Table 3.6). Duty-free entry under the CAFTA-DR and the agreements with Chile and Mexico account for over 95% of the tariff universe. The average preferential tariffs in the agreements negotiated by Honduras are all well below the average MFN rate. Preferential tariffs range from 0% to 2.6%; for non-agricultural products, they are even lower, at between 0% and 1.8% (Table 3.6).

Table 3.6 Summary analysis of preferential tariffs, 2022

	Total		WTO categories			
			Agricultural products		Non-agricultural products (including petroleum)	
	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)
MFN	5.9	48.1	10.8	26.2	5.1	51.7
CAFTA-DR	0.0	99.5	0.3	96.4	0.0	100.0
Canada	1.0	76.4	4.3	58.7	0.5	79.3
Chile	0.6	96.6	2.9	88.8	0.2	97.9
Colombia	1.6	84.6	5.5	63.9	0.9	88.0
Korea, Rep. of	2.6	63.7	7.2	36.5	1.8	68.2
Mexico	0.6	97.1	3.4	84.8	0.1	99.1
Panama	1.7	85.4	3.2	80.8	1.5	86.1
Peru	1.1	84.5	4.3	64.3	0.5	87.8
Dominican Rep.	1.0	93.5	2.3	90.4	0.8	94.1
United Kingdom	0.9	91.8	5.4	69.5	0.1	95.4
Chinese Taipei	2.3	79.2	5.0	73.2	1.8	80.2
European Union	0.9	91.8	5.4	69.5	0.1	95.4

Source: WTO Secretariat calculations based on data provided by the authorities.

3.1.3.4 Tariff quotas

3.29. Honduras did not negotiate tariff quotas within the framework of the WTO,³⁵ but it does apply preferential tariff quotas under certain regional agreements.³⁶ The preferential tariff

³⁴ The only products originating from Central America that are not duty-free are sugar, unroasted coffee and, for Honduras, petroleum products, ethyl alcohol and distilled alcoholic beverages from El Salvador, and roasted coffee from Costa Rica (Annex A of the General Treaty on Central American Economic Integration). Viewed at: <https://www.sieca.int/?product=anexo-a-del-tratado-general-de-integracion-economica>.

³⁵ WTO document TN/AG/S/5 of 21 March 2002.

³⁶ Preferential tariff quotas have been negotiated under the CAFTA-DR and the agreements with Canada, Colombia, the European Union, Panama and the United Kingdom.

quotas mainly cover agricultural products, and the most commonly used are those negotiated under the CAFTA-DR.³⁷

3.30. Honduras uses shortage quotas when domestic supply falls short of agro-industrial demand. Upon the request of the Government, producers, agro-industries, marketers or consumers, the SDE and the SAG will determine the shortage volume based on supply and estimated demand. Supply is determined by factoring in national production, domestic inventories and, where applicable, volumes imported under tariff quotas. The SDE authorizes shortage quotas and publishes (by way of a decision) the volumes concerned and the period of validity, taking into account the SAG's recommendations.³⁸ Shortage quotas are allocated based on the percentage of national production purchased in the prior year (performance requirement). These quotas can be extended if the shortage persists. An import licence or certificate is required to import goods subject to a shortage quota (Section 3.1.5).³⁹

3.31. During the review period (2016-22), shortage quotas were used for skimmed milk powder (HS 0402.10.00.00), whole milk powder (HS 0402.21.22.00) and frozen orange juice (HS 2009.11.00.00). The shortage quota tariff is always 0%.⁴⁰

3.32. In addition, Honduras continues to use purchase agreements for products such as rough rice (HS 1006.10.90.00), yellow maize (HS 1005.90.20.00), white maize (HS 1005.90.30.00) and sorghum (HS 1007.90.00.00). These agreements are negotiated between producers and agro-industries, with the support of the State.⁴¹ For rough rice and white maize, the shortage quota sets in once the national production volume stipulated in the agreement has been purchased.

3.1.3.5 Tariff concessions

3.33. Tariff concessions are applied to goods entering Honduras under suspensive or duty-exemption customs regimes. Imports to be used for export support programmes are also duty-free (Section 3.2.4).

3.34. During the public health emergency in 2020-22, Honduras introduced tariff concessions on imports of products needed to manufacture sanitizer products and medical supplies (e.g. raw materials, machinery and equipment, and packaging and containers).⁴²

3.35. Honduras continues to grant tariff concessions to the tourism sector, companies that generate clean electricity, and customer service centres and business outsourcing centres.⁴³ Entities such as the Honduran Coffee Institute (IHCAFE), non-profit associations, the Red Cross and agricultural cooperatives are also granted tariff concessions.⁴⁴

3.1.4 Other charges affecting imports

3.36. As in 2016, both imported and domestic goods are subject to the sales tax (ISV)⁴⁵, the production and consumption tax (IPC)⁴⁶ and the selective consumption tax (ISC).⁴⁷ Since Honduras'

³⁷ Information provided by the authorities

³⁸ SDE. Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/>.

³⁹ SDE. Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/> and AAH Circular DARA-SAT-089-2019. Viewed at: <https://www.aduanas.gob.hn/seccion-de-administracion-de-tratados/>.

⁴⁰ WTO document TN/AG/S/5 of 21 March 2002.

⁴¹ The authorities have indicated that there is no framework law governing the establishment of these agreements, which are instead established by ministerial decision.

⁴² Article 39 of the Law on Relief for the Productive Sector and Workers in the face of the effects of the COVID-19 Pandemic (Decree No. 33-2020), as amended by Decree No. 43-2020, and Decisions No. 232-2020 and No. 241-2020; and Decision No. 173-2022.

⁴³ Law on the Promotion of Tourism (Decree No. 68-2017); Law on the Promotion of Electricity Generation from Renewable Resources (Decree No. 70-2007); Law on the Promotion of Call Centres and Outsourcing of Business Services (Decree No. 90-2012).

⁴⁴ Article 1 of the Law on Fiscal Consolidation, Control of Exemptions and Anti-Evasion Measures (Decree No. 278-2013); and Decree No. 65-87.

⁴⁵ Law on the Sales Tax (Decree-Law No. 24-94).

⁴⁶ Law on Revenue Enhancement, Social Equity and Rationalization of Public Expenditure (Decree No. 17-2010).

⁴⁷ Law on Selective Consumption Taxes (Decree No. 58-1982).

last review, there have been no major changes in the application and scope of these taxes. Some goods continue to be subject to several taxes (Table 3.7).

Table 3.7 Products subject to several domestic taxes, 2016-2022

Product	ISV	IPC	ISC
Alcoholic beverages	X	X	X
Beer	X	X	
Cigarettes	X	X	
Used vehicles	X		X

Source: WTO Secretariat.

3.37. The general ISV rate is still 15%. A rate of 18% is applied to eight HS tariff lines (at the 10-digit level), including products such as beer, spirits ("*aguardiente*"), blended spirits and other alcoholic beverages, as well as cigarettes and airline tickets. In 2022, 389 HS tariff lines (at the 10-digit level), including products making up the basic basket, were exempt from the ISV.⁴⁸ During the review period, agricultural inputs (e.g. seeds and fertilizers) were also exempt⁴⁹, as were some services.

3.38. In response to the public health emergency in 2020-22, inputs needed for the manufacture of disinfectants, medicines and medical supplies were, as an exceptional measure, exempted from the ISV.⁵⁰ The exemption applied to raw materials, ethyl alcohol, machinery and equipment, and packaging and containers.⁵¹ Since 2021, various electricity supply services (e.g. distribution services) have also been exempted.⁵²

3.39. The production and consumption tax (IPC) is a special tax applied to 29 tariff lines (at the HS 10-digit level), including cigarettes, carbonated, alcoholic and other prepared or fermented beverages, and ethyl alcohol. Each year, the Ministry of Finance (SEFIN) publishes, by way of a decision, the list of goods subject to this tax and adjusts the rate applicable to each based on the year-on-year change in the Consumer Price Index; the annual adjustment cannot exceed 6% (it was 5.32% in 2022).⁵³ During the 2020-22 period, ethyl alcohol was exempt from this tax, since it was considered an essential product in the context of the public health emergency.⁵⁴

3.40. The selective consumption tax (ISC) is applied to various products, including foodstuffs (coffee, tea, preserves and fruit), alcoholic beverages (whisky, rum and gin, but not beer), cosmetics and perfumes, textiles, toys, and new and used vehicles.⁵⁵ In 2022, 244 tariff lines (at the HS 10-digit level) were subject to the ISC. As in 2016, the tax rate is 10% for all products, with the exception of vehicles, for which the rate ranges from 10% to 60% depending on the vehicle's c.i.f. value and age. Hybrid and electric vehicles and those using alternative fuels continue to be exempted.⁵⁶

3.41. In addition to the above taxes, Honduras applies two levies on specific products: the eco-tax, which applies only to imports, and the contribution to support social programmes and road maintenance (ACPV), which applies to both imports and domestic sales.

3.42. The eco-tax is levied on imports of used vehicles. In 2022, the eco-tax was HNL 10,000 for vehicles from 2005 or earlier. For other vehicles, it ranged from HNL 5,000 to HNL 10,000 depending

⁴⁸ The basic basket is made up of 271 food products and school supplies, and two transport services. See Annex I of Decree-Law No. 24-94, as amended by Executive Decision No. 017-2017.

⁴⁹ Article 15 of the Law on the Sales tax (Decree-Law No. 24-94), as amended by Decrees No. 119-2016 and No. 160-2018.

⁵⁰ Decision No. 173-2022.

⁵¹ Decree No. 29-2020 and Decision No. 227-2020. Article 39 of the Law on Relief for the Productive Sector and Workers in the face of the effects of the COVID-19 Pandemic (Decree No. 33-2020), as amended by Decree No. 43-2020, and Decisions No. 232-2020 and No. 241-2020.

⁵² Article 11 of Decree No. 100-2020.

⁵³ Decision No. 172-2022.

⁵⁴ Decree No. 29-2020 and SEFIN Decision No. 227-2020; and Decision No. 173-2020.

⁵⁵ Information provided by the authorities.

⁵⁶ Regulations implementing the Law on Revenue Enhancement, Social Equity and Rationalization of Public Expenditure and the Special Single Tax on Cigarettes (Decision No. 1121-2010).

on the vehicle's c.i.f. value. The revenue collected is used to finance the Fund for the Management of Protected Areas and Wildlife (FAPVS), the AAH, the Property Institute and municipalities.⁵⁷

3.43. The ACPV is levied on imports and sales of some fossil fuels. The revenue is used to finance social and road maintenance projects.⁵⁸ The ACPV is set at a specific rate. In response to the increase in international prices, the rate for gasoline, diesel and Bunker C fuel oil was lowered in February 2022 (Table 3.8). This measure is still in force and, for the time being, there are no plans to lift it. Since 2012, fossil fuels (diesel and Bunker C fuel oil) used by electricity generation companies that operate stand-alone systems have been exempted from the ACPV.⁵⁹ In 2021, this exemption was extended to include all power generation companies.⁶⁰ This exemption was still in force in 2022 and, according to the authorities, there are no plans to lift it.

Table 3.8 ACPV, 2016-2022

(USD/litre)

	HS code	2016-22 rate	Rate since 2022
Premium-grade gasoline	2710.12.30.00	1.4089	0.9949
Regular-grade gasoline	2710.12.30.00	1.2416	0.8276
Diesel	2710.19.21.00	0.8606	0.4466
Fuel oil (Bunker C)	2710.19.22.00	0.4267	0.4267
Kerosene	2710.19.12.00	0.1500	0.1500
Liquefied petroleum gas (LPG)	2711.19.00.00	0.1500	0.1500
AvJet	2710.19.11.00	0.0300	0.0300

Source: Information provided by the authorities.

3.1.5 Import prohibitions, restrictions, and licensing

3.44. Honduras continues to apply import prohibitions on certain goods to protect human health, public security and the environment.

3.45. Since 2016, there have been no substantial changes to the imports banned, which include toxic substances and hazardous waste; certain games and software; incandescent lamps; asbestos; methyl bromide; CFC-containing products; mercury-added products (since 2020); and vehicles that are more than 10 or 13 years old (depending on the type).⁶¹ However, since 2021, a vehicle amnesty has been in place, meaning that the ban on imports was lifted for used vehicles of a certain age.⁶²

3.46. Since 2015, imports of onions have only been permitted between June and December or when national production falls short.⁶³ In addition, an import licence is required to import onions.

3.47. Honduras continues to apply an import licensing regime, irrespective of the origin of the goods.⁶⁴ During the review period, some changes were made in terms of the products covered by the regime and the issuing agencies. Since 2015, a licence has been required to import onions.⁶⁵ Since 2017, ARSA has been responsible for issuing import permits for controlled substances, a task

⁵⁷ Law on Revenue Enhancement, Social Equity and Rationalization of Public Expenditure (Decree No. 17-2010); Decree No. 9-2021; Decree No. 153-2021, as amended by Decree No. 15-2022.

⁵⁸ Law to Promote Production, Competitiveness and Support for Human Development (Decree No. 131-98), as amended by Decrees No. 41-2004 and No. 278-2013.

⁵⁹ Decree No. 181-2012.

⁶⁰ Decree No. 100-2021 and SEFIN Decision No. 260-2021.

⁶¹ Information provided by the authorities; AAH. Viewed at: <https://www.aduanas.gob.hn/departamento-tecnico-aduanero-2/>; Administrative Provision No. ADUANAS-DNOA-078-2021; Article 13 of the General Regulations on the Use of Ozone-Depleting Substances (Decision No. 907-2002); and Article 21 of the Law on Revenue Enhancement, Social Equity and Rationalization of Public Expenditure (Decree No. 17-2010).

⁶² Information provided by the authorities and Decrees No. 153-2021 and No. 15-2022.

⁶³ SDE Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/>.

⁶⁴ WTO documents G/LIC/N/3/HND/10 of 12 August 2016, G/LIC/N/3/HND/11 of 20 October 2020, G/LIC/N/3/HND/12 of 27 April 2021 and G/LIC/N/3/HND/13 of 7 April 2022.

⁶⁵ Ministerial Decision No. 009-15, as amended by Decision No. 042-2016. See also the SDE. Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/>.

previously entrusted to the Ministry of Health. In addition, although imports of methyl bromide have been banned since 2012, this product is still included in the list of products requiring a licence.⁶⁶

3.48. Honduras' import licensing regime is used primarily to manage quotas and for statistical purposes.⁶⁷ Import licences may be either automatic or non-automatic, with non-automatic being the more common type in Honduras (Table 3.9)

3.49. Import licences are referred to as authorizations, special authorizations, certificates, licences or permits, depending on the issuing agency (Table 3.9). In many cases, registration is required before applying for an import licence. Licences have to be paid for, are non-transferrable and are required for each import; they are valid for a set time period and in many cases can be renewed only once. An appeal may be made against an agency's decision to refuse to issue a licence. According to the authorities, the SDE digitized its licence application and issuing process during the review period.

Table 3.9 Products subject to import licensing and other restrictions, 2016-2022

Product	Issuing agency	Licence name	Type	Prior registration	Issue time	Period of validity
Animals and animal products and by-products	SENASA	Animal health import permit	Non-automatic	No	72 hours	30 days (renewable)
Industrial explosives; commercial and military weapons; munitions for commercial and military use	Ministry of Defence	Import licence	Automatic	No	..	1-3 years
Finished pyrotechnic products (potassium chlorate, nitrocellulose, amorphous phosphorous)	Ministry of Defence	Import licence	Non-automatic	No	..	1-3 years
Natural and synthetic refrigerants (ODS) and ODS-containing equipment	SERNA	Import authorization	Non-automatic	Yes	10 working days	30 days (renewable)
Agricultural inputs	SENASA	Phytosanitary import permit	Non-automatic	Yes	24-72 hours	30 days (renewable)
Dairy produce	SDE	Import licence	Automatic	Yes	5 working days	60 days (renewable)
Veterinary products	SENASA	Animal health import permit	Non-automatic	No	72 hours	30 days (renewable)
Controlled substances	ARSA	Import permit	Non-automatic	Yes	5, 10, 15 or 20 days	150 calendar days
Plants and plant products and by-products	SENASA	Phytosanitary import permit	Non-automatic	Yes, for seeds and plant materials	24-72 hours	30 days (renewable)
Onions	SDE	Import licence	Automatic	Yes	10 working days	30 days, renewable for 15 days
Raw materials used in the production of food and beverages, and food additives	ARSA	Sanitary import authorization	..	No	2, 5, 20 or 30 working days	6 months
Products of sanitary interest that do not require sanitary registration (e.g. products not available for sale)	ARSA	Special import authorization	..	No	1, 5, 10 or 15 working days	12 months

⁶⁶ Circular DARA-DTA-183-2019. Viewed at: <https://www.aduanas.gob.hn/departamento-tecnico-aduanero-2/>.

⁶⁷ WTO documents G/LIC/N/3/HND/1 of 12 November 2007 and G/LIC/N/3/HND/1/Add.1 of 26 March 2010.

Product	Issuing agency	Licence name	Type	Prior registration	Issue time	Period of validity
Products subject to shortage quotas	SDE	Import licence or certificate	Non-automatic	No	10 working days	As needed
Products subject to purchase agreements	SDE	Import certificate	Non-automatic	No	10 working days	As needed

.. Not available.

Source: WTO Secretariat, on the basis of WTO documents G/LIC/N/3/HND/1 of 12 November 2007, G/LIC/N/3/HND/1/Add.1 of 26 March 2010, G/LIC/N/3/HND/1/Add.1/Corr.1 of 16 September 2010, and G/LIC/N/3/HND/8 of 10 December 2013; SDE. Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/>; and information provided by the authorities.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.50. Trade remedies in Honduras are regulated by the relevant WTO Agreements⁶⁸, the Central American Regulations on Unfair Business Practices and the Central American Regulations on Safeguard Measures (RCMS).⁶⁹ There have been no major changes to the legal framework since the last review in 2016.

3.51. The SDE's Directorate-General of Economic Integration and Trade Policy (DGIEPC) continues to be the investigating authority in the area of trade defence.

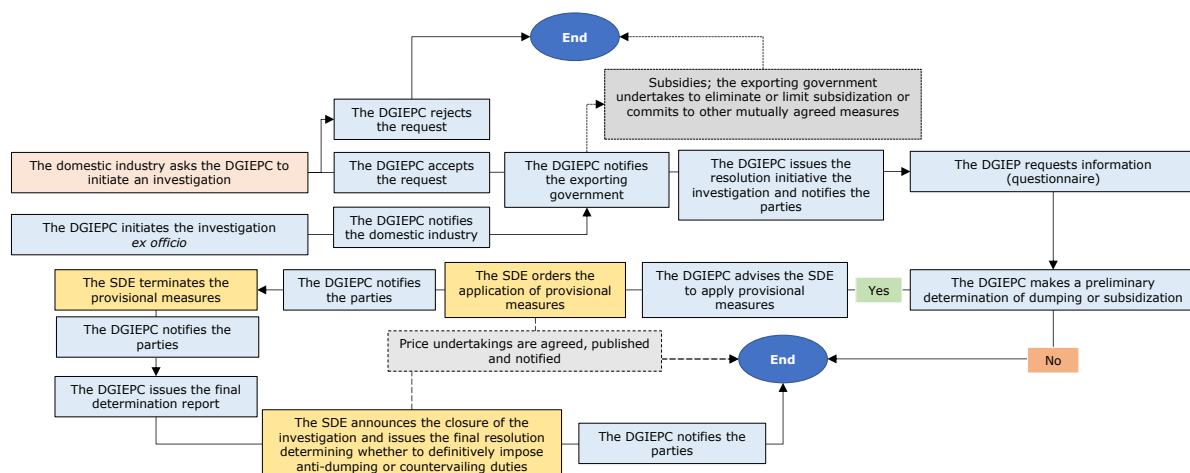
3.52. In order to impose trade remedies, it needs to be determined that there is a causal link between the unfair practice (dumping or subsidization) or the sudden and recent increase in imports and the serious injury suffered by a domestic industry or the threat of serious injury.

3.53. The procedure for investigating the existence of dumping and subsidization and establishing measures has not changed since 2016 (Chart 3.4). Investigations must be concluded within a 12-month period⁷⁰, which, in exceptional cases, may be extended by six months. Provisional duties are imposed for a maximum of four months. However, under certain circumstances, they may be maintained for six months in dumping cases. Definitive duties remain in place for as long as is necessary to counteract the effects of the dumping or subsidization, but for no longer than five years. Prior to the expiry of these duties or the end of the five-year period, the DGIEPC may, either *ex officio* or at the request of the domestic industry, conduct a sunset review to determine whether the expiry of the duty would be likely to lead to continuation of the injury and unfair practice. Duties can continue to be applied while the review, which may not last more than 12 months, is being conducted.

⁶⁸ Agreement on Safeguards, Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-Dumping Agreement) and Agreement on Subsidies and Countervailing Measures.

⁶⁹ Resolution No. 193-2007 (COMIECO-XLIV) and Resolution No. 19-96 of the Council of Ministers Responsible for Economic Integration and Regional Development (COMRIEDRE-IV).

⁷⁰ The investigation may be concluded early if: the DGIEPC determines that the margin of dumping or amount of the subsidy is *de minimis* or that the volume of imports or the injury is negligible; price undertakings are agreed; or, in the case of subsidies, a mutually agreed solution is reached when the exporting government is notified.

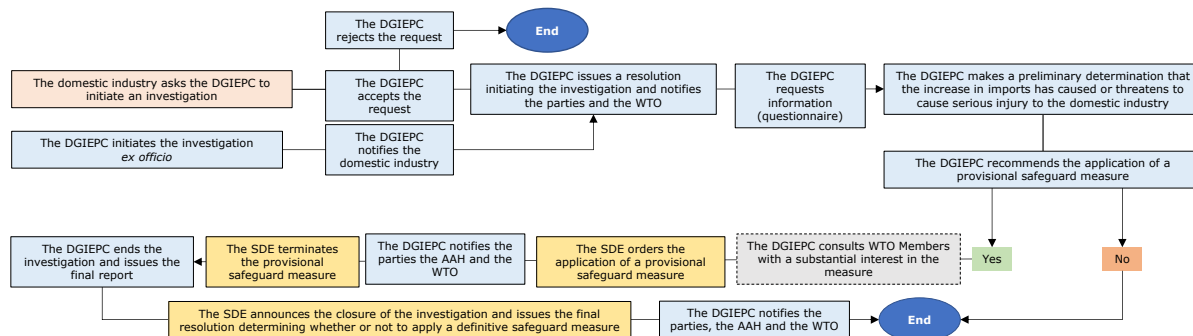
Chart 3.4 Procedure in respect of dumping and subsidization

Source: WTO Secretariat.

3.54. The circumvention of anti-dumping and countervailing measures is not regulated in Honduras.

3.55. Between 2016 and 2022, Honduras neither initiated any procedure to investigate unfair trade practices (no requests were submitted) nor adopted anti-dumping or countervailing measures.⁷¹

3.56. The safeguards investigation procedure has also remained unchanged since 2016 (Chart 3.5). Under the Central American Regulations on Safeguard Measures, the investigation period is generally three years.⁷² Provisional measures are applied for a maximum of 200 days⁷³, while definitive measures are applied for a four-year period, which may be extended. As a developing country, Honduras may extend a measure for a longer period of time if the DGIEPC determines that there is a need for it to be maintained.

Chart 3.5 Procedure in respect of safeguards

Source: WTO Secretariat.

3.57. Between 2016 and 2022, Honduras neither initiated any safeguard proceedings (no requests were submitted) nor adopted measures in that area.

⁷¹ WTO documents G/ADP/N/* /Add.1 and information provided by the authorities.

⁷² The DGIEPC may select a longer or shorter period for the investigation. In any event, the period should be indicated in the resolution initiating the investigation.

⁷³ Provisional measures consist of tariff increases, guaranteed by means of a bond. The amounts received are returned if the investigation fails to determine that the increased imports have caused or threaten to cause serious injury to a domestic industry.

3.58. Within the WTO, Honduras did not reserve the right to use special safeguards for agricultural products. A number of Honduras's preferential trade agreements provide for the use of the special agricultural safeguard.

3.59. With regard to safeguards, the Convention on the Central American Tariff and Customs Regime establishes a clause under which special safeguard measures may be imposed if an MCCA State party faces: serious balance-of-payments difficulties; sudden and generalized shortages of raw materials and basic finished goods; market disruption; unfair trade practices; or any other situation that may develop into a national emergency.⁷⁴ In 2021, Honduras adopted measures to regulate the procedure for establishing, modifying or eliminating a safeguard measure. An *ad hoc* commission is responsible for the procedure, including the investigation.⁷⁵ The measure, which involves varying the tariff as necessary, is implemented for an initial 30-day period, which may be extended until the *ad hoc* commission makes a decision on whether to suspend, modify or renew the measure. This decision is notified to the Secretariat for Central American Economic Integration (SIECA). Honduras has had a safeguard measure in place under the Convention since 2015 to tackle disruption in the domestic market for iron and steel products. As part of this measure, Honduras unilaterally and "temporarily" increased the tariffs for eight tariff lines to 35% (Table 3.10).⁷⁶ According to the authorities, tariff increases cannot exceed the WTO bound rate.

Table 3.10 Tariff lines subject to the Central American safeguard clause, 2016-2023

HS code	Description	MFN	Bound rate
7213.10.00.00	- Containing indentations, ribs, grooves or other deformations produced during the rolling process	15%	35%
7214.20.00.00	- Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	15%	35%
7215.10.00.00	- Of free-cutting steel, not further worked than cold-formed or cold-finished	0%	35%
7215.50.00.00	- Other, not further worked than cold-formed or cold-finished	0%	35%
7215.90.00.00	- Other	0%	35%
7228.30.10.00	- - Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	0%	35%
7228.30.90.00	- - Other	0%	35%
7228.70.00.00	- Angles, shapes and sections	0%	35%

Source: Decision No. 030-2015 and information provided by the authorities.

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.60. There were no major changes to the customs regimes for exports between 2016 and 2022.⁷⁷ Exporters may carry out customs procedures themselves, which means that engaging a customs broker is optional.⁷⁸ To facilitate trade, the AAH introduced the AEO programme in 2021. According to the authorities, in 2022, the AAH had authorized four exporters to function as AEOs for a (renewable) period of three years.⁷⁹

3.61. Exporters of certain products are required to register (Table 3.11). Registration is necessary in order to apply for an export licence or fulfil other requirements and/or pay the export tax.

⁷⁴ Article 26 of the Convention on the Central American Tariff and Customs Regime.

⁷⁵ Decision No. 005-2021.

⁷⁶ Decision No. 030-2015.

⁷⁷ Definitive regimes: definitive export (Article 93 of CAUCA). Temporary or suspended-duty regimes: temporary export with re-import in the same state (Article 102) and temporary export for outward processing (Article 103). Duty-free regimes: free zones (Article 101) and re-export (Article 106).

⁷⁸ Article 88 of RECAUCA.

⁷⁹ These AEOs are exporters of coffee, food products, hardware products and tobacco (information provided by the authorities).

Table 3.11 Registration of exporters

Institution	Registration of exporters
SENASA	Agricultural inputs (e.g. pesticides, fertilizers and related substances)
	Organic agricultural products
ARSA	Controlled substances
SERNA	Natural and synthetic refrigerant gases (ozone-depleting substances (ODS))
	Equipment containing ODS
Honduran Coffee Institute (IHCAFE)	Coffee ^a
Honduran Geology and Mining Institute (INHGEOMIN)	Metallic and non-metallic minerals ^a
	Gems or precious stones ^a

a Traders must also register.

Source: WTO Secretariat and information provided by the authorities.

3.62. Prior to exporting, exporters are required to submit an export declaration to the Central Bank of Honduras (BCH), specifying the quantity, value and destination of the exports, in addition to the indicative date of the operation and the foreign currency payment that will be made. The BCH must approve the declaration in order for exportation to go ahead. Although the declaration is required for all destinations (provided that the value of the exports exceeds USD 3,000⁸⁰), not all exporters are required to submit it to the BCH, as those operating under the ZOLI regime are exempt from this obligation. Exporters must deposit and sell all foreign currency on the foreign exchange market within the period of time specified in the export declaration.⁸¹

3.63. The Central American Single Declarations DUCA-F and DUCA-D are used for both imports and exports. DUCA-F is submitted electronically through the Export Processing Centre, while DUCA-D is submitted through the SARA.⁸² The AAH charges a service fee of USD 5 for each DUCA processed.⁸³

3.64. DUCA-D and DUCA-F must be accompanied by supporting documents, which may vary depending on the customs regime and the nature of the exports. Supporting documents include: (a) the commercial invoice; (b) the transport document; (c) the certificate of origin⁸⁴; (d) the export declaration issued by the BCH; and (e) the licence, permit, certificate or any other document that is required in accordance with the nature of the product (e.g. animal or plant health certificate, free sale certificate (food products), food and beverage export certificate (CEAB) and export inspection certificate for minerals and their by-products) or the export destination (e.g. eligibility certificate for sugar exports to the United States market).⁸⁵ The main institutions that issue supporting documents are the SDE, SENASA, ARSA and SERNA (table 3.12).

⁸⁰ Information provided by the authorities.

⁸¹ BCH. Viewed at: <https://www.bch.hn/operativos/INTL/Paginas/Declaracion-de-Exportacion.aspx>.

⁸² Information provided by the authorities.

⁸³ Article 50 of the Law on Revenue Enhancement, Social Equity and Rationalization of Public Expenditure (Decree No. 17-2010).

⁸⁴ Certificates of origin are issued free of charge by the SDE. Under the GSP, the certificate is issued by the National Association of Industrialists and costs USD 3 (SDE and CNI (2021), "Importaciones/Exportaciones", *Guía del Inversionista - Honduras 2020-2021*).

⁸⁵ SDE. Viewed at: <https://sde.gob.hn/wp-content/uploads/2017/07/Descripci%C3%B3n-Certificado-de-Elegibilidad.pdf>.

Table 3.12 Main institutions involved in export procedures, 2022

	Procedures
SDE	Issues certificates of origin ^a
	Issues export licences for red beans
	Issues export certificates for preferential tariff quotas
SENASA	Issues animal and plant health export certificates
ARSA	Issues the free sale certificate for exporting food and beverages
	Issues the CEAB for unfortified sugar, flour and salt intended for export ^b
	Issues export permits for controlled substances
SERNA	Issues export authorizations for natural and synthetic refrigerant gases (ODS) and equipment containing them

a Issues the certificates of origin required under trade agreements. Under the GSP, the certificate is issued by the National Association of Industrialists.

b The CEAB was established by Communiqué No. C-002-ARSA-2022.

Source: WTO Secretariat, on the basis of WTO document G/TFA/N/HND/3/Rev.1 of 12 August 2020; AAH. Viewed at: <https://www.aduanas.gob.hn/facilitacion-del-comercio/>; SDE. Viewed at: <https://sde.gob.hn/facilitacion-del-comercio/>; SDE and CNI (2021), "Importaciones/Exportaciones", *Guía del Inversionista - Honduras 2020-21*. Viewed at: <https://sde.gob.hn/wp-content/uploads/2021/08/5.-Importaciones-y-Exportaciones.pdf>; and information provided by the authorities.

3.2.2 Taxes, charges, and levies

3.65. The sale of green coffee and certain minerals and precious stones on the domestic market and the exportation of these products are subject to the payment of a tax (Table 3.13). The taxes are paid upon registering with the IHCAFE and the INHGEOMIN. The amounts received by the IHCAFE are used to finance research and development services, training for primary and agro-industrial producers and the implementation of coffee policy, including support programmes for small producers.⁸⁶ The tax paid to the mining sector, known as the special mining tax (IEM), finances the INHGEOMIN, mining municipalities and the Treasury General of the Republic.⁸⁷ In 2019, the rate of the IEM was reduced for metallic minerals and increased for non-metallic minerals and precious stones. However, since 2020, a rate of 1.5%, rather than 3%, has been applied to certain non-metallic minerals in order to promote exports.⁸⁸

Table 3.13 Export tax

(Changes are highlighted in grey)

HS code	Description	Tax 2016-22
0901.11.30.00	Green coffee	USD 4 or USD 9 per quintal, depending on whether the international price is ≤ USD 90 or > USD 90 per 46 kg bag
2505.10.00.00; 2505.90.00.00; 2517.10.00.00	Non-metallic industrial minerals	Until 2019: 2.5% of the f.o.b. value From 2019: 3% of the f.o.b. value
7102.10.00.00; 7102.21.00.00; 7102.29.00.00; 7102.31.00.00; 7102.39.00.00; 7103.10.00.00; 7103.91.00.00; 7103.99.00.00	Gems or precious stones	

⁸⁶ WTO document WT/TPR/M/336/Add.1 of 5 July 2016.

⁸⁷ Until 2019, the Public-Private Partnership Promotion Agency was also a beneficiary of proceeds from the tax.

⁸⁸ Decree No. 238-2012, as amended by Decree No. 135-2020.

HS code	Description	Tax 2016-22
2821.10.00.00; 2825.80.00.00; 7106.10.00.00; 7106.92.10.00; 7106.92.90.00; 7108.11.00.00; 7108.12.00.00; 7108.13.00.00; 7112.91.00.00	Metallic minerals, oxides and sulphides	Until 2019: 6% of the f.o.b. value From 2019: 5% of the f.o.b. value

Source: Law on Financial Revitalization of the Coffee Production Sector (Decree No. 152-2003), General Law on Mining (Decree No. 238-2012) and information provided by the authorities.

3.2.3 Export prohibitions, restrictions, and licensing

3.66. Honduras maintains some export prohibitions and restrictions. To protect the environment, Honduras continues to prohibit the export of wood of latifoliate species from natural forests.⁸⁹

3.67. The ban on the export of red beans (HS 0713.32.00.00 and 0713.33.40.00), which had been in place to ensure domestic market supply, was lifted in 2020. However, exports of beans require an export licence issued by the SDE and may only take place if there is sufficient supply for the domestic market and the exporter has a contract with foreign buyers.⁹⁰ In addition to beans, other products are also regulated by export licences and other types of permit (Table 3.14). Depending on the institution, export licences, permits, authorizations and certificates are issued. Most export licences are non-automatic. In certain cases, registration of the exporter is a prerequisite.

Table 3.14 Exports subject to export licensing or other requirements, 2016-2022

Product	Institution	Licence name	Type	Prior registration
Firearms, ammunition and explosive materials	Ministry of Defence	Export licence	Automatic	No
Plants and plant products and by-products	SENASA	Plant health export certificate	Automatic	No
Animals and animal products and by-products	SENASA	Animal health export certificate	Automatic	No
Unfortified sugar, flour and salt, not marketed in Honduras	ARSA	Food and beverage export certificate (CEAB)	Non-automatic	No
Red beans	SDE	Export licence	Non-automatic	No
Natural and synthetic refrigerant gases (ODS) and equipment containing them	SERNA	Export authorization	Non-automatic	Yes
Controlled substances	ARSA	Export permit	Non-automatic	Yes

Source: WTO Secretariat.

3.68. Food exports must be accompanied by the free sale certificate issued by ARSA, which ensures compliance with the requirements for the sale of food on the Honduran market.

⁸⁹ Article 102 of the Law on Forestry, Protected Areas and Wildlife (Decree No. 98-2007).

⁹⁰ SDE. Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/>.

3.2.4 Export support and promotion

3.2.4.1 Export support

3.69. Honduras notified the WTO that, between 2016 and 2020, it did not subsidize exports of agricultural products.⁹¹ During the years 2016-19 and in 2022, Honduras provided subsidies to reduce the costs of marketing agricultural exports.⁹²

3.70. Within the WTO, Honduras continues to have the right to maintain export subsidy programmes, as its gross national product per capita has not exceeded USD 1,000 (in constant 1990 dollars) for three consecutive years.⁹³ In 2023, Honduras notified two export subsidy regimes: the Temporary Import Regime (RIT) and the ZOLI regime.⁹⁴ The Industrial Export Processing Zones (ZIP) regime⁹⁵ previously notified by Honduras has not been abolished, but has fallen into disuse. Companies once affiliated with the ZIP regime have opted to use the ZOLI regime, which offers broader benefits.

3.71. The RIT and the ZOLI regime continue to be administered by the SDE and the AAH. All Honduran or foreign natural and legal persons established in Honduras may avail themselves of either of these regimes, which underwent a number of changes during the 2016-22 period.

3.72. The RIT allows certain goods to be imported with suspension of tariffs and other import charges, provided that they are re-exported once they have been processed. In the case of machinery, it can be used in Honduras and then re-exported in the same state.⁹⁶ The goods eligible continue to be: (a) raw materials, semi-finished goods, containers and packaging, as well as other inputs used in production; (b) machinery, equipment, moulds, tools, spare parts and other parts needed for production; and (c) samples, instructions, patterns and models.⁹⁷

3.73. A maximum time frame ("production cycle") for the use and re-export of imported goods was established in 2017 (Table 3.15). In the context of the previous review, the authorities had indicated that the goods had to be used and re-exported within 12 months. In 2017, the time frame was set according to the company type, ranging from one to five years. Companies may request a single extension from the AAH in the event of unforeseen circumstances or force majeure. The company may not appeal if the AAH rejects the request.⁹⁸ No extensions have been requested since 2017.⁹⁹ Companies availing themselves of the RIT may do so for a period of 12 years.¹⁰⁰

⁹¹ WTO document G/AG/N/HND/47 of 10 January 2018 and WTO documents G/AG/N/HND/53, G/AG/N/HND/54, G/AG/N/HND/55 and G/AG/N/HND/56 of 5 January 2021.

⁹² WTO document G/AG/N/HND/49 of 3 September 2018; WTO documents G/AG/N/HND/50, G/AG/N/HND/51 and G/AG/N/HND/52 of 18 March 2020; and WTO document G/AG/N/HND/57 of 18 January 2023.

⁹³ WTO document G/SCM/110/Add.19 of 31 March 2022.

⁹⁴ WTO document G/SCM/N/401/HND of 10 January 2023. The free zone regime in Honduras is known as the ZOLI regime.

⁹⁵ WTO document G/SCM/N/220/HND of 1 September 2011.

⁹⁶ Decree No. 37-84, as amended by Legislative Decree No. 190-86, Legislative Decree No. 8-85, Decree No. 135-94, Decree No. 113-2011, Decree No. 261-2011, Decree No. 124-2013 and Decree No. 278-2013.

⁹⁷ Article 1 of Decree No. 37-84, as amended by Article 30 of Decree No. 113-2011 and Article 1 of Decree No. 261-2011.

⁹⁸ Regulations on the Customs Procedure for the Re-export of Goods under the RIT (Decision No. 704-2017).

⁹⁹ Information provided by the authorities.

¹⁰⁰ Article 23 of the Law on Public Financial Management, Control of Exemptions and Anti-evasion Measures (Decree No. 278-2013).

Table 3.15 Production cycle for goods imported under the RIT

Time frame	Company type
1 year	Manufacturing
2 years	Agro-industry
3 years	Aquaculture
4 years	Beef and pork production and packing
5 years	Mining and quarrying
1 year and 6 months	Other sectors

Source: Regulations on the Customs Procedure for the Re-export of Goods under the RIT (Decision No. 704-2017).

3.74. Substantial changes have been made to the ZOLI regime since 2016. In 2020, various provisions of the 1976 Law on Free Zones were amended and new regulations were issued, repealing those that had been in force since 2010.¹⁰¹ According to the SDE, the legislation needed to be comprehensively reviewed and updated in order to provide greater certainty for users of the regime and investors.¹⁰²

3.75. As a result, the revised Law: (a) simplified, centralized and streamlined the procedure for setting up companies in free zones¹⁰³; (b) increased the period of validity for tax exemptions from 12 to 15 years and provided for a 10-year extension; (c) established facilities for the entry of goods and mechanisms to facilitate customs control¹⁰⁴; and (d) introduced penalties for failure to comply with export requirements and authorized the SDE to terminate or suspend benefits.¹⁰⁵

3.76. There were no changes to the other benefits and features of the ZOLI regime. Free zones are considered to be extraterritorial fiscal and customs zones, meaning that tariffs and other charges on imports are not paid. All company types (commercial and industrial companies and service providers) can set up in free zones. While there are no minimum investment requirements, the operator, when applying for permission to set up in a free zone, must submit a three-year investment plan to the SDE for consideration.¹⁰⁶

3.77. Companies availing themselves of the RIT and the ZOLI regimes may also sell their output on the domestic market, provided that they clear the goods for domestic consumption and have been authorized by the SDE. However, companies in free zones must export at least 50% of their output, except where it is not produced domestically, in which case all their output may be sold on the domestic market. Moreover, between 2020 and 2022, companies in free zones that were manufacturing medical equipment required to tackle the health emergency were able to sell all their output tax free on the domestic market.¹⁰⁷

3.78. In 2022, 273 companies were covered by the RIT and 586 companies had operations in 39 free zones. The ZOLI regime makes a substantial contribution to Honduras' foreign trade, accounting for 18.7% of imports and 19.2% of exports in 2022 (Table 3.16). Most of the companies covered by the ZOLI regime are *maquila* companies, particularly in sectors such as textiles and clothing, machinery and electrical products.¹⁰⁸

¹⁰¹ Law on Free Zones (Decree No. 356-1976), as amended by Decree No. 8-2020. The Regulations to the Law on Free Zones (Decision No. 41-2020) repealed the Regulations contained in Decision No. 43-2009.

¹⁰² SDE press note. Viewed at: <https://sde.gob.hn/wp-content/uploads/2017/07/LEY-DE-ZONAS-LIBRES.pdf>.

¹⁰³ Since 2020, the procedure has been carried out electronically and solely via the SDE, which has centralized the process and coordinates with SEFIN and the AAH. Prior to this, all three of these institutions needed to be contacted. The maximum period for setting up a business was reduced from nine months to one month.

¹⁰⁴ For example, companies in the free zones may set up reception, custody, inspection and clearance areas on their premises for use by the AAH.

¹⁰⁵ Article 16 of Decree No. 356-1976, as amended by Decree No. 8-2020; Article 4-B of Decree No. 356-1976, as supplemented by Decree No. 8-2020; Decision No. 41-2020.

¹⁰⁶ CNI. Viewed at: <https://www.cni.hn/regimenes-especiales/>.

¹⁰⁷ Decree No. 29-2020 and information provided by the authorities.

¹⁰⁸ Free Trade Zones Association of the Americas (2020), *Book Estadístico de las Zonas Francas de Honduras 2020*. Viewed at: https://www.media.asociacionzonasfrancas.org/media/estadisticas-pais/Honduras/2020/Book_Est.-Honduras.pdf.

Table 3.16 Statistics on special export support regimes, 2016 and 2022

	RIT		ZOLI	
	2016	2022	2016	2022
Imports (USD million)	320.4	641.6	4,963.9	7,219.1
% of total imports	2.6	2.9	40.3	32.4
Exports (USD million)	1,541.7	1,855.7	1,703.3	1,912.1
% of total exports	15.9	18.7	17.6	19.2

Source: Information provided by the authorities.

3.79. In the context of this review, the authorities indicated that, in 2022, one company continued to operate under the Agricultural Export Zones (ZADE) regime, which was abolished in 2003.¹⁰⁹ The benefits of this regime, which consist of exemptions from tariffs, other charges on imports, income tax and municipal taxes, will be maintained until 2025. The company covered by this regime exports all its output, but could also sell it on the domestic market, subject to the payment of tariffs and other charges and authorization by the SDE.¹¹⁰ In 2020, the tax cost of coverage by the ZADE regime was HNL 90.2 million.¹¹¹

3.80. The authorities confirmed that, as in 2016, the drawback regime has fallen into disuse (it is regulated by the 1987 Customs Law). Operators prefer to use the RIT as it offers greater benefits.

3.2.4.2 Export promotion

3.81. Honduras does not have an export promotion agency in the true sense of the term. The SDE and other ministries, particularly the Ministry of Foreign Affairs and the SAG, are responsible for promoting exports. They provide trade intelligence services, organize "exploratory" visits to Honduras for foreign entrepreneurs and participate in trade fairs. The SDE is also responsible for administering Honduras' trade agreements and, consequently, for advising exporters on how to make better use of market access opportunities.

3.82. In addition, the National Service for Entrepreneurship and Small Businesses (SENPRENDE) has focused specifically on enhancing the export capacity of MSMEs and helping them with the outsourcing process, which also includes access to financing.¹¹²

3.83. the Honduras Integrated Foreign Trade Management Portal (PGICE), which is administered by the SDE, has been operational since 2021 and contributes to facilitating customs procedures by providing information on the export requirements for each product and destination market, thereby helping to boost the presence of Honduran products abroad.¹¹³

3.2.5 Export finance, insurance, and guarantees

3.84. As in 2016, Honduras has no official programmes for financing or insuring exports or offering guarantees to exporters.¹¹⁴

3.3 Measures affecting production and trade

3.3.1 Incentives

3.85. In 2020, the Law on Relief for the Productive Sector and Workers (Decree No. 33-2020) authorized small and medium-sized taxpayers¹¹⁵ to delay the submission of their tax declarations

¹⁰⁹ Law establishing Agricultural Export Zones (Decree No. 233-2001), repealed by the Tax Equity Law (Decree No. 51-2003).

¹¹⁰ The company grows African palm, bananas and vegetables and produces palm oil and derivatives.

¹¹¹ Information provided by the authorities.

¹¹² Information provided by the authorities.

¹¹³ PGICE. Viewed at: <https://pgice.sde.gob.hn/>.

¹¹⁴ Information provided by the authorities.

¹¹⁵ In 2022, there were more than 3 million small taxpayers in Honduras, including 140,000 small enterprises and 95,000 individual traders. In addition, there were 2,049 medium-sized taxpayers and 721 large taxpayers. SAR. <https://www.sar.gob.hn/2022/05/sar-reclasifica-a-grandes-y-medianos-contribuyentes-para-un-mayor-control/>.

for 2019 and postpone payment of the associated taxes. It also offered them a discount of 8.5% on the amount of income tax payable in 2019.

3.3.1.1 Micro, small and medium-sized enterprises (MSMEs)

3.86. According to the authorities, MSMEs account for 30-35% of GDP and employ 70% of the labour force. Companies are classified as micro, small or medium-sized enterprises according to the number of employees. Microenterprises have up to 10 employees, small enterprises have between 11 and 50 employees and medium-sized enterprises have between 51 and 150 employees. The majority of Honduran MSMEs are family run.¹¹⁶

3.87. According to research carried out by the National Autonomous University of Honduras (UNAH) in 2020, the pandemic had a significant impact on the sales of MSMEs, which fell by more than 80%. Recovery was slow, especially for companies run by women, as they had fewer opportunities to secure financing.¹¹⁷ Another study from 2021 shows that the structural conditions in Honduras prior to the pandemic, such as poor connectivity, financial exclusion and poor access to electricity, also impeded the rapid recovery of the MSME sector.¹¹⁸ Although the Government did introduce stimulus measures to counteract the damage done to the sector, the UNAH, in 2020, found substantial variations in the use of the support measures implemented, depending on the size of the company, as microenterprises lack the capacity to undertake the necessary procedures to request support. The most frequently used measures were the extensions granted under the Law on Relief for the Productive Sector and Workers.¹¹⁹

3.88. Tax benefits are granted to micro and small enterprises to promote development, strengthening and formalization. During the review period, these incentives were granted under two laws: the Law to Support Micro and Small Enterprises (Decree No. 145-2018), which was repealed in 2021, and the 2022 Law for the Economic Recovery and Revitalization of Micro and Small Enterprises (Decree No. 48-2022). Micro and small enterprises that availed themselves of the benefits of the 2018 Law may not take advantage of the 2022 Law.¹²⁰

3.89. The tax incentives granted consist of an exemption from income tax, net assets tax, the temporary solidarity contribution and municipal taxes.¹²¹ The 2022 Law also provides for tax benefits linked to the depreciation and amortization of assets. The incentives granted to all micro and small enterprises (MSEs) under the 2018 Law had a maximum duration of five years. However, to encourage the establishment and incorporation of a greater number of MSEs, the 2022 Law grants incentives to recently established or incorporated companies for a five-year period, while those that were already operating in 2022 are granted incentives for only two years. Incentives are granted only to those enterprises that fulfil the performance requirements in the area of job creation and that have a maximum gross income of HNL 8 million.¹²² The tax revenue foregone in 2021 stood at HNL 55.9 million; more recent data is unavailable.¹²³

¹¹⁶ Durón Bustamante N. (2021), *Sondeo situacional de efectos del COVID19 en el sector MIPYME en los municipios fronterizos de Ocotepeque, El Triunfo y Los Trojes Honduras*, prepared for the BE1-PAESCA project and the Executive Secretariat of the Central American Agricultural Council. Viewed at: <https://www.cac.int/sites/default/files/documentosdedescarga/Sondeo%20situacional%20Honduras.pdf>.

¹¹⁷ UNAH. Viewed at: [https://iies.unah.edu.hn/iies/analisis-de-resiliencia-empresarial-covid-19/#:~:text=La%20investigaci%C3%B3n%20E2%80%9CAn%C3%A1lisis%20de%20resiliencia,\(COHEP\)%2C%20el%20Proyecto%20Transformando](https://iies.unah.edu.hn/iies/analisis-de-resiliencia-empresarial-covid-19/#:~:text=La%20investigaci%C3%B3n%20E2%80%9CAn%C3%A1lisis%20de%20resiliencia,(COHEP)%2C%20el%20Proyecto%20Transformando).

¹¹⁸ Durón Bustamante N. (2021), *Sondeo situacional de efectos del COVID19 en el sector MIPYME en los municipios fronterizos de Ocotepeque, El Triunfo y Los Trojes Honduras*, prepared for the BE1-PAESCA project and the Executive Secretariat of the Central American Agricultural Council. Viewed at: <https://www.cac.int/sites/default/files/documentosdedescarga/Sondeo%20situacional%20Honduras.pdf>.

¹¹⁹ UNAH. Viewed at: [https://iies.unah.edu.hn/iies/analisis-de-resiliencia-empresarial-covid-19/#:~:text=La%20investigaci%C3%B3n%20E2%80%9CAn%C3%A1lisis%20de%20resiliencia,\(COHEP\)%2C%20el%20Proyecto%20Transformando](https://iies.unah.edu.hn/iies/analisis-de-resiliencia-empresarial-covid-19/#:~:text=La%20investigaci%C3%B3n%20E2%80%9CAn%C3%A1lisis%20de%20resiliencia,(COHEP)%2C%20el%20Proyecto%20Transformando).

¹²⁰ Article 9 of Decree No. 48-2022.

¹²¹ Non-fiscal incentives, such as exemption from registration fees and others, are also granted.

¹²² In 2018, the job creation requirement was 30% and the maximum gross income requirement was HNL 3 million. Since 2022, the job creation requirement has been 20% and the maximum gross income requirement has been HNL 8 million.

¹²³ Information provided by the authorities.

3.3.1.2 Finance and guarantees

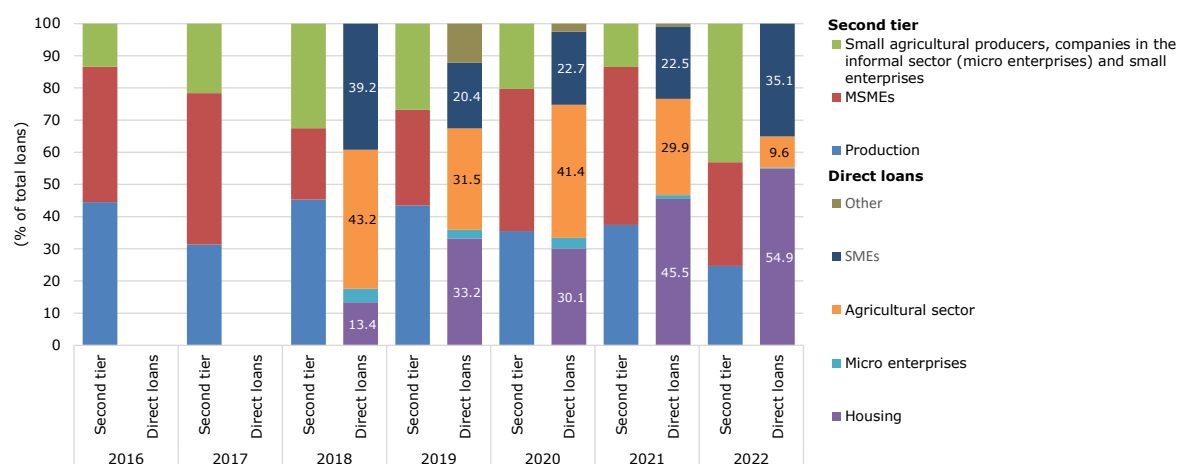
3.90. The Honduran Production and Housing Bank (BANHPROVI) continues to be the state bank responsible for financing production sectors¹²⁴, social housing and MSMEs.¹²⁵ The National Agricultural Development Bank (BANADESA) is a development bank and also provides financing to the agricultural sector and MSMEs (section 4.1).

3.91. BANHPROVI grants loans directly or through financial intermediaries (including rural savings and loan funds).¹²⁶ BANHPROVI is financed by the BCH and the amount that it receives is specified in the Law on Financial Support for Production Sectors in Honduras (Decree No. 175-2008), which is reviewed periodically on the basis of the financing needs of the production sectors. In 2021 (the most recent budgetary review), BANHPROVI was granted HNL 14,000 million, 40% of which is for financing housing projects, 20% for financing production units affected by crises (including natural phenomena) and 40% for financing microcredits and other production sectors.¹²⁷

3.92. The bank offers direct loans, in national or foreign currency, for the acquisition of fixed assets and/or working capital. These loans are capped according to the type of beneficiary.¹²⁸ The duration of the loans ranges from 36 to 120 months, with a grace period of between 6 and 24 months. The bank uses market interest rates or preferential rates. In 2022, the annual interest rate was 7% for the agricultural sector and 10% for SMEs. For microcredits, it ranged between 15% and 22%.¹²⁹

3.93. The review period saw a change in the bank's loan portfolio. There was a drastic reduction in direct loans to the agricultural sector, from 43.2% of the loan portfolio in 2018 to 9.6% in 2022. However, there was an increase in housing loans (Chart 3.6). The agricultural sector was financed by second-tier banks (Chart 3.6) and BANADESA.

Chart 3.6 Loans granted by BANHPROVI, according to loan type, operator and sector, 2016-2022



Note: No data were provided on direct loans in 2016 and 2017.

Source: Information provided by the authorities.

¹²⁴ The definition of production sectors has not changed since 2016. Such sectors process raw materials, natural resources and other inputs in order to produce goods and services.

¹²⁵ Law on Financial Support for Production Sectors in Honduras (Decree No. 175-2008).

¹²⁶ BANHPROVI. Viewed at: <https://banhprovi.gob.hn/requisitos-para-la-calificacion-y-elegibilidad-de-cajas-rurales-de-ahorro-y-credito-crac/>.

¹²⁷ Article 1 of Decree No. 175-2008, as amended by Decree No. 67-2009; and information provided by the authorities.

¹²⁸ The maximum amounts are HNL 720,000 for microcredits, HNL 2.9 million for the agricultural sector and HNL 30 million for SMEs.

¹²⁹ BANHPROVI. Viewed at: <https://banhprovi.gob.hn/banca-de-primer-piso/>.

3.94. In addition, since 2015, SENPRENDE has been implementing the solidarity loan programme, which finances MSMEs that are unable to obtain loans from financial institutions. The solidarity loan programme also grants loans to rural associative enterprises (EAC) and agricultural producers.¹³⁰

3.95. As a result of the health and climate crises, BANHPROVI established four guarantee funds in 2020 and 2021 to support the recovery of MSMEs, large companies¹³¹ and companies operating in priority sectors, i.e. those that create jobs and/or generate foreign currency (Table 3.17).¹³² However, given that these funds were created to address an emergency situation, they only offer short-term guarantees that do not always meet companies' needs, which is why they are little used (Table 3.17). The authorities indicated that they were reviewing the funds' conditions of use with a view to extending the term of the guarantees.¹³³

Table 3.17 BANHPROVI guarantee funds, 2020-2022

	Recovery guarantee fund		Agrocredit 8.7	Tourism guarantee fund (FOGATUR)
	For MSMEs	For large companies		
	Adversely affected by the COVID-19 pandemic			
Year of creation	2020	2020	2020	2021
Beneficiaries	MSMEs	Large companies	All company types	MSMEs
Maximum term of the guarantee	48 months	48 months	180 months	Duration of the loan plus six months
% coverage of the guarantee	65%, 75%, 85% or 90%, depending on the loan amount (working capital and fixed assets)	40%, 50% or 60%, depending on the loan amount (working capital)	65%, 75%, 85% or 90%, depending on the loan amount (working capital and fixed assets)	Working capital: 80%; fixed assets: 70%
Amount guaranteed up to 2022 (% use of the fund)	HNL 3,248 million (42.9%)	HNL 481.5 million (3.8%)	HNL 1,470 million (70%)	HNL 14,914 million (3%)

Source: BANHPROVI, "Productos y Servicios". Viewed at: <https://banhprovi.gob.hn/>; and information provided by the authorities.

3.96. In addition to the BANHPROVI guarantee funds, there are other guarantee funds administered by a private company, Confianza Sociedad Administradora de Fondos de Garantía Recíproca (CONFIANZA SA-FGR). BANHPROVI forms part of its board of directors. This company, which began operating in 2015, administers six funds, including the micro, small and medium-sized enterprises guarantee fund (FOGMIPYME), the agricultural mutual guarantee fund (FAGRE), the small-scale fishing guarantee fund (FOGAPE) and the coffee sector guarantee fund (FONCAFE). The funds' resources are made up of various contributions, including from CONFIANZA SA-FGR's partners and public entities. Unlike BANHPROVI, CONFIANZA SA-FGR only serves its partners; the guarantees cover up to 50% of the loan granted.¹³⁴

3.3.1.3 Sectoral incentives

3.97. Honduras continues to offer tax incentives for certain sectors or activities. As in 2016, the areas targeted are agriculture¹³⁵, tourism, electricity generation using renewable sources¹³⁶ and the

¹³⁰ Solidarity loan. Viewed at: <https://www.creditosolidario.hn/index.php>.

¹³¹ These are companies whose debt level is equivalent to at least 6% of capital. They are classified as "large commercial debtors" (information provided by the authorities).

¹³² BANHPROVI administers three other funds guaranteeing, respectively: water security (FIDEAGUA), entrepreneurial initiatives of indigenous peoples (FOGAPIAH) and the provision of public land transport (FOGATT).

¹³³ BCH (2020), *Informe de Estabilidad Financiera*, June. Viewed at: <https://www.bch.hn/EN/Estadisticos/EF/LIBESTABILIDADESP/IF%20Junio%202020.pdf>.

¹³⁴ Law on the System of Mutual Guarantee Funds for the Promotion of MSMEs, Social Housing and Technical/Vocational Education (Decree No. 205-2011), as amended by Decree No. 92-2018; and CONFIANZA SA-FGR. Viewed at: <https://www.confianza.hn/>.

¹³⁵ Special Law on Agricultural Investment and Rural Job Creation (Decree No. 322-98).

¹³⁶ Law on the Promotion of Electricity Generation from Renewable Resources (Decree No. 70-2007).

provision of customer services and outsourcing services.¹³⁷ The Law on the Promotion of Tourism, repealing the 1998 Law on Tourism Incentives, was enacted in 2017. However, the benefits granted under the Law on Tourism Incentives remain in effect, so there continue to be beneficiaries in 2023. Nonetheless, most tourism service providers now operate under the new Law. Furthermore, according to the authorities, one company continued to benefit during the review period from the incentives granted under the Tourism-related Free Zones (ZOLT) regime, which was abolished in 1998.¹³⁸ The operator continues to benefit from an exemption from tariffs and other charges on imports. The regime offered a 20-year exemption from income tax and a 10-year exemption from municipal taxes.

3.98. The incentives generally consist of exemptions from various taxes, including tariffs and income tax. They allow for the importation, for an indefinite period, of the goods, inputs, tools, equipment and other materials needed to operate, without payment of tariffs and sales tax. The exemption from income tax has a maximum duration, for instance between 10 and 15 years. The incentives are generally granted without taking into account the capital invested in different sectors; a minimum capital requirement exists only for call centres and the outsourcing of business services. In addition, in the tourism sector, some incentives depend on the location of the project.

3.3.2 Standards and other technical requirements

3.99. The National Quality System (SNC) is regulated by the 2011 Law on the National Quality System (Decree No. 29-2011), which has not been amended during the review period. The regulations to implement this Law are still in preparation.¹³⁹

3.100. The composition of the SNC has not changed since 2011. The National Quality Council (CNCA) is the governing body responsible for developing national quality policy. The Honduran Standardization Organization (OHN), the Honduran Metrology Centre (CEHM) and the Honduran Accreditation Agency (OHA) are also part of the SNC. In the context of this review, the authorities indicated that the OHA has not yet been recognized internationally. In 2017, the SNC and its component bodies were brought under the purview of the SDE¹⁴⁰. They had previously been under the Ministry of Strategic Planning.

3.101. Honduras has accepted the Code of Good Practice in the Agreement on Technical Barriers to Trade.¹⁴¹ Public institutions prepare preliminary draft Honduran Technical Regulations (RTHs) in their area of competence, in collaboration with the private sector. The preliminary draft RTHs are submitted to the Inter-institutional Technical Regulation Council (CIRT)¹⁴², which coordinates the procedure for preparing RTHs (Chart 3.7).¹⁴³ To prepare an RTH, Honduran "technical standards" (OHN standards) or regional or international standards must be used as a reference. If the RTH is based on an OHN standard, the latter does not cease to have effect.

¹³⁷ Law on the Promotion of Call Centres and Outsourcing of Business Services (Decree No. 90-2012).

¹³⁸ Law on Tourism Incentives (Decree No. 314-98), repealing the ZOLT regime.

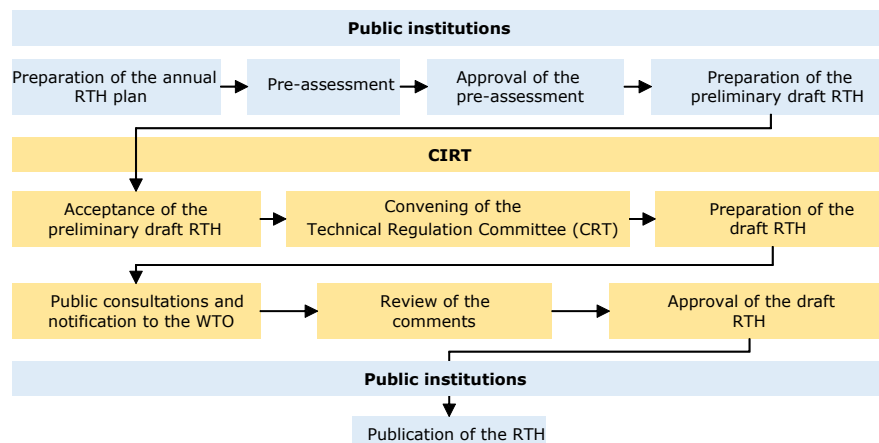
¹³⁹ Information provided by the authorities.

¹⁴⁰ Executive Decree PCM-042-2017.

¹⁴¹ WTO document G/TBT/CS/N/165 of 27 March 2006.

¹⁴² The CIRT is chaired by the Directorate-General of Consumer Protection and made up of representatives of the public sector, including the institution that has submitted the draft, and the private sector.

¹⁴³ Decision No. 77-2018.

Chart 3.7 Preparation of Honduran Technical Regulations

Source: Information provided by the authorities.

3.102. the procedure for adopting an RTH consists of various steps, including national consultations followed by international consultations once the draft has been notified to the WTO. The SDE is the national authority responsible for WTO TBT notifications and, together with the Ministry of Health (SESAL)¹⁴⁴, acts as the enquiry point. All steps in the procedure for preparing technical regulations must be completed, except in the case of emergency technical regulations, for which international public consultations are not required, but which must be notified to the WTO as soon as they are implemented.

3.103. Within the CIRT, RTHs are adopted by consensus, or, in the absence of consensus, by simple majority.¹⁴⁵ They are disseminated through decisions of the competent institution.¹⁴⁶ RTHs are revised *ex officio* every two years, or earlier if an adjustment is required as a result of any technological or scientific advance. No revisions were carried out during the review period. In 2022, there were three RTHs in force, which were based on Honduran, regional and international standards.¹⁴⁷

3.104. Since 2016, Honduras has notified 13 new technical regulations to the WTO, in addition to addenda to 31 technical regulations that had already been notified.¹⁴⁸ No emergency technical regulations have been notified. The new technical regulations mostly concern electrical products and dairy products. The technical regulations notified by Honduras were not the subject of any specific trade concerns between 2016 and 2022.¹⁴⁹

3.105. Honduras has no legislative instrument that specifically regulates labelling. Locally produced and imported products must comply with the requirements set out in the Consumer Protection Law (Decree No. 24-2008) and the Central American Technical Regulations (RTCAs). The Law lays down general labelling requirements for pre-packaged products for consumption and health (Article 23). There are RTCAs for the labelling of pre-packaged foods, cosmetics, cleaning products, medicines for human use, pesticides for domestic or professional use, footwear and textiles. While certain RTCAs do not specifically regulate labelling, they may contain related provisions. Labels must be in Spanish. For imported products, the labelling requirement must be met before the goods enter Honduras.

3.106. Products manufactured in Honduras and imported products must meet the requirements established in the technical regulations in force. Conformity assessment bodies (CABs) are responsible for verifying compliance with these requirements. These may be Honduran or foreign

¹⁴⁴ ARSA, as a SESAL body, is responsible for responding to requests for information (information provided by the authorities).

¹⁴⁵ Article 14 of Decision No. 77-2018.

¹⁴⁶ In the case of ministries, these will be ministerial decisions.

¹⁴⁷ Information provided by the authorities.

¹⁴⁸ No revisions have been notified.

¹⁴⁹ WTO ePing platform. Viewed at: <https://eping.wto.org/es>.

bodies that have been accredited by the Honduran Accreditation Agency (OHA), which is the national accreditation body, or by foreign accreditation bodies. The OHA accepts and recognizes foreign accreditations. In 2022, there were 31 CABs in Honduras (Table 3.18).

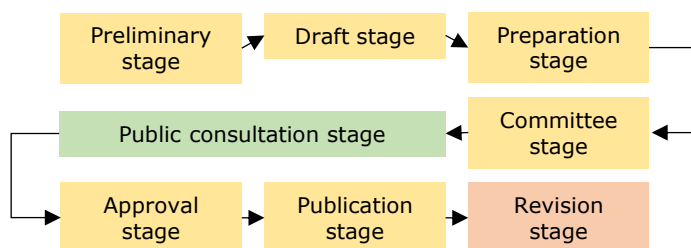
Table 3.18 Conformity assessment bodies (CABs), 2022

CABs	Type
CABs accredited by the OHA	Nine testing laboratories, two clinical laboratories and one inspection body
CABs accredited by other accreditation bodies	Twelve testing laboratories, two calibration laboratories and one body for the certification of persons
CABs whose foreign accreditation is accepted and recognized by the OHA	Four product certification bodies

Source: Information provided by the authorities.

3.107. As the national standardization body, the OHN is responsible for developing Honduran "technical standards" (OHN standards), the use of which is voluntary.¹⁵⁰ However, if an OHN standard is used to prepare an RTH, the use of the standard becomes mandatory through the RTH. Transparency and consensus are key in the preparation process, which involves various stages and lasts about nine months (Chart 3.8).¹⁵¹ If relevant regional or international standards exist, they must be taken into account when preparing the draft. OHN standards are reviewed every five years, or earlier if needed, to decide whether they are to be maintained, revised/updated or revoked. There are currently 174 OHN standards in force, 166 of which are based on international standards.¹⁵² The OHN has an electronic catalogue of standards, the consultation of which entails a cost.

Chart 3.8 Procedure for preparing OHN standards



Source: WTO Secretariat.

3.108. The Honduran Metrology Centre administers the metrology system and is therefore the custodian of national measurement standards. Two private laboratories provide measuring instrument calibration services 3.2.4.1 Export support.

3.3.3 Sanitary and phytosanitary requirements

3.109. In Honduras, sanitary and phytosanitary (SPS) measures are regulated by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures, the Central American Regulations on Sanitary and Phytosanitary Measures and Procedures, the Law on Plant and Animal Health (Decree No. 157-94) and the Health Code (Decree No. 65-91). Use is also made of various regulations adopted by the National Agriculture and Food Health and Safety Service (SENASA)¹⁵³ of the Ministry of Agriculture and Livestock (SAG) and by the Health Regulation Agency (ARSA). New regulations have been issued since 2016 (Table 3.19).¹⁵⁴ In addition, Honduras uses a number of Central American Technical Regulations related to the implementation of plant and animal health measures and food safety.

¹⁵⁰ The OHN is made up of representatives from the public, private, academic and consumer sectors.

¹⁵¹ Article 24 of the Law on the National Quality System (Decree No. 29-2011).

¹⁵² Information provided by the authorities.

¹⁵³ The National Agriculture and Food Health and Safety Service was established in 2016 by virtue of Executive Decree No. PCM-015-2016 to replace the National Agricultural Health Service (SENASA). The acronym SENASA continues to be used to refer to the new agency.

¹⁵⁴ All of the regulations issued by SENASA can be viewed at: <https://senasa.gob.hn/reglamentos/>.

Table 3.19 SPS regulations adopted, 2016-2022

Issuing institution	Regulations	Decision No.
SENASA	General Regulations on the National System for Agricultural, Aquaculture and Fishery Traceability and Registration (SINART)	C.D.SENASA-006-2018
	Regulations on the registration of establishments importing, processing and/or exporting products and by-products of animal and/or plant origin	C.D.SENASA-05-2018
	Regulations on the prevention, control and eradication of avian diseases	C.D.SENASA-004-2018
	Regulations for the introduction, conservation, production, certification, distribution and marketing of grafted avocado (<i>persea americana</i>) plants	161-2017
	Regulations on the registration and renewal of collection centres	C.D.SENASA-002-2020
ARSA	Regulations on the sanitary control of food and beverages	06-2005

Source: WTO Secretariat.

3.110. SENASA remains responsible for ensuring the protection of human, animal and plant health, and the conservation and safety of products and by-products of animal and plant origin in order to prevent the spread of pests and diseases. ARSA was established in 2017 and is responsible for ensuring that processed and semi-processed foods are fit for consumption.¹⁵⁵

3.111. The Agricultural Protection Service (SEPA) of the International Regional Organization for Plant and Animal Health (OIRSA) continues to provide agricultural quarantine services at Honduras' borders.¹⁵⁶

3.112. In order to achieve the aim of SPS policy, Honduras is encouraging the adoption of good agricultural practices and good manufacturing practices, as well as the strengthening of epidemiological surveillance to prevent, control and eradicate diseases. In the poultry industry, for example, SENASA provides training in the field and in laboratories under the National Poultry Farming Programme in order to strengthen surveillance and maintain avian disease-free status.¹⁵⁷ In 2018, Honduras adopted regulations requiring procedures that make it possible to establish traceability at any stage of the production process in the agricultural, aquaculture and fishery sectors in order to ensure the maximum level of sanitary control. In addition, in 2022, to improve sanitary regulations, food safety and quality, SENASA and ARSA signed an agreement to create a National Food Control System (SNCA), which would centralize the management and prevention of food-related risks.

3.113. In Honduras, SPS measures are determined on the basis of the Codex Alimentarius standards, the health codes of the World Organisation for Animal Health (WOAH) and the principles of the International Plant Protection Convention. Most SPS measures are in line with international standards.¹⁵⁸

3.114. The WTO must be notified of all (new or amended) SPS measures before they enter into force, except for measures taken in case of emergency, which must be notified as soon as they are implemented. The SDE is the notification authority and, together with SENASA and SESAL,¹⁵⁹ serves as the enquiry point responsible for dealing with requests for additional information on existing or new measures.¹⁶⁰ Since 2016, Honduras has notified 12 new SPS measures and amended 13 other previously notified measures.¹⁶¹ No emergency measures have been notified. In 2020, Mexico raised

¹⁵⁵ ARSA was created by Executive Decree No. PCM-032-2017.

¹⁵⁶ Since 2000, by agreement, SAG has delegated the provision of quarantine services to the OIRSA (OIRSA article of 16 October 2020. Viewed at: <https://www.oirsa.org/noticia-detalle.aspx?id=7999>).

¹⁵⁷ Decisions No. C.D.SENASA-003-2018 and No. C.D.SENASA-004-2022.

¹⁵⁸ Information provided by the authorities.

¹⁵⁹ ARSA, as a SESAL entity, is responsible for answering enquiries (information provided by the authorities).

¹⁶⁰ WTO ePing SPS&TBT Platform. Viewed at: <https://eping.wto.org/>.

¹⁶¹ No revisions have been notified.

a specific trade concern on SPS measures in Honduras, in relation to delays in risk analysis for the import of pasteurized dairy products.¹⁶²

3.115. The plant and animal health import and export requirements can be consulted via the Honduras Integrated Foreign Trade Management Portal (PGICE).¹⁶³ A (animal and plant health) import permit issued by SENASA is required to import animals and plants, animal or plant products and by-products, and inputs for agricultural use into Honduras (Section 3.1.5). The application must be submitted online on the SENASA website; the importer must register with SENASA as a prerequisite.¹⁶⁴ The permit, which is issued within 24-72 hours, is valid for 30 days and renewable. There is a cost for issuing the permit.¹⁶⁵

3.116. A sanitary import authorization issued by ARSA is required to import raw materials for the production of foods and beverages, as well as food additives.¹⁶⁶ The application may be submitted in person or online.¹⁶⁷ The cost of authorization depends on the time frame for issuance, which ranges from 2 to 30 days. The sanitary import authorization is valid for six months and a new application must be submitted when it expires.¹⁶⁸ In order to obtain the sanitary import authorization, applicants must already be in receipt of sanitary registration issued by ARSA. When raw materials or additives are of animal or plant origin, an import permit from SENASA is required in addition to the sanitary registration and sanitary authorization.¹⁶⁹

3.117. SENASA also issues animal and plant health export certificates, which take three days to issue and entail a cost.¹⁷⁰

3.118. As a member of the CACM, Honduras continues to implement the Central American Sanitary and Phytosanitary Directive on Trade Facilitation in Respect of Shipments and Goods, which defines the risk levels used to establish entry requirements.¹⁷¹

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.119. The competition regime in Honduras is governed by the Constitution, the Law on the Defence and Promotion of Competition (LDPC, Decree No. 357-2005) and its Regulations (Decision No. 001-2007), and the resolutions issued by the Commission for the Defence and Promotion of Competition (CDPC).¹⁷² Since the previous Review, the legal framework has not undergone any substantial revisions. A number of changes were made to the Law to update the amounts of fines.¹⁷³

3.120. Monopolies, monopsonies, oligopolies, hoarding and similar practices are prohibited in Honduras. However, the exploitation of an intellectual property right is not considered a monopoly.¹⁷⁴

3.121. The LDPC applies to all sectors of the economy, including regulated sectors,¹⁷⁵ as well as to all economic operators, whether public or private, Honduran or foreign, operating within and outside

¹⁶² WTO document G/SPS/R/100 of 21 December 2020.

¹⁶³ PGICE. Viewed at: <https://pgice.sde.gob.hn/>.

¹⁶⁴ The websites are: <https://senasa.gob.hn/> and <https://www.ua.sieca.int/NotificacionesMSF/USUARIO/Login>.

¹⁶⁵ Regulations on Service Fees (Decision No. C.D.SENASA-005-2019).

¹⁶⁶ PGICE. Viewed at: <https://pgice.sde.gob.hn/>.

¹⁶⁷ ARSA. Viewed at: <https://www.arsa.gob.hn/>.

¹⁶⁸ Decision No. 034-2020.

¹⁶⁹ PGICE. Viewed at: <https://pgice.sde.gob.hn/>.

¹⁷⁰ PGICE. Viewed at: <https://pgice.sde.gob.hn/>.

¹⁷¹ Annex to Resolution No. 338-2014 (COMIECO-EX).

¹⁷² Unfair trade practices are regulated by the Commercial Code. However, the LDPC penalizes such practices if they are undertaken by an operator with a significant market share (Article 7 of the LDPC).

¹⁷³ The most recent adjustment is contained in Resolution No. 005-CDPC-2021-AÑO-XV. Viewed at: https://www.cdpc.hn/?q=www.resoluciones_norm.

¹⁷⁴ Article 339 of the Constitution.

¹⁷⁵ Telecommunications, electricity, financial services and transport.

Honduras, provided that foreign operations affect competition in the internal market.¹⁷⁶ The Law does not stipulate any exceptions to the competition regime.

3.122. As in 2016, the CDPC is the authority responsible for enforcing the competition regime in all sectors of the economy. In the regulated sectors, however, sectoral laws may grant regulatory bodies the authority to apply the competition regime. The National Telecommunications Commission (CONATEL), for example, is in charge of competition in the telecommunications sector, although it collaborates with the CDPC to reach agreement on measures. However, CONATEL issues the final decision.¹⁷⁷

3.123. The CDPC may launch investigations into alleged anti-competitive practices *ex officio* or at the request of a party. To examine mergers in the regulated sectors, the CDPC may request the collaboration and opinion of the regulatory bodies.¹⁷⁸ Economic operators can appeal CDPC decisions through administrative channels. If the appeal is unsuccessful, it can be brought before the administrative courts.¹⁷⁹

3.124. As a promotional and preventive measure, the CDPC conducts studies to analyse the degree of competition in the various sectors and issues recommendations to remove distortions or barriers to competition. For this purpose, the Commission may cooperate with the regulatory bodies in the regulated sectors.¹⁸⁰

3.125. In Honduras, practices that distort competition by reason of their nature or their effect are prohibited. The penalties imposed on operators engaging in such practices may be equal to three times the economic benefits obtained through the illegal practice, or, if the benefit cannot be determined, up to 10% of the sales made the previous year.¹⁸¹

3.126. The practices prohibited because of their nature involve horizontal agreements (cartels). These practices are not legally valid and consist of concerted practices between direct competitors to fix prices or discounts, restrict supply, divide up the market or coordinate bids in tendering processes.¹⁸² The existence of a cartel may be disclosed under the CDPC's administrative leniency programme. Through this programme, the operator, whether a company or an individual acting on behalf of a company, reveals its participation in a cartel in exchange for a reduction in the size of the fine. There is no limit to the number of operators eligible for the programme. However, the percentage by which the fine is reduced depends on the order in which they enter the programme. The fine of the first entrant is fully waived. The reduction for the second is between 50% and 30%; for the third, between 30% and 20%; and for the fourth and subsequent parties, 20%.¹⁸³ However, joining the leniency programme does not exempt parties from any civil or criminal liability, which, according to the authorities, discourages participation in the programme.¹⁸⁴

3.127. Practices prohibited by virtue of their effect (vertical agreements) are those agreed between indirect competitors in order, *inter alia*, to exclude other agents or make it difficult for them to gain market access, to impose exclusivity or tied or conditional sales contracts, or to engage in acts of unfair competition. The effect of the practice is therefore analysed on a case-by-case basis. However, for these practices to be penalized, they must be carried out by an operator taking undue advantage

¹⁷⁶ In Honduras, professional associations must also be governed by the LDPC.

¹⁷⁷ Information provided by the authorities; General Regulations of the Framework Law on the Telecommunications Sector; and CDPC (2018), *Estudio Sectorial sobre el Mercado de Telecomunicaciones en Honduras*. Viewed at: https://www.cdpc.hn/sites/default/files/Privado/estudios_mercado/Estudio%20Sectorial%20de%20Telecomunicaciones%20en%20Honduras%20%28Telefon%C3%ADa%20M%C3%B3vil%2C%20Fija%20e%20Internet%29.pdf.

¹⁷⁸ Article 26 of Decision No. 001-2007.

¹⁷⁹ Article 45 of the LDPC.

¹⁸⁰ Article 17 of Decision No. 001-2007.

¹⁸¹ Article 37 of the LDPC.

¹⁸² Article 6 of the LDPC.

¹⁸³ Articles 51-A to 51-E of Decree No. 357-2005, supplemented by Decree No. 4-2015, and the CDPC Regulations on the administrative leniency programme or procedure for the case of restrictive practices and consultations or those prohibited by reason of their nature.

¹⁸⁴ Article 6 of the LDPC and Article 51-A of the LDPC, supplemented by Decree No. 4-2015.

of a significant market share.¹⁸⁵ A number of criteria are analysed to determine whether there is a significant share, such as whether there are barriers preventing access to production inputs or entry to the market, or whether an operator has a quota (sales or customers) that exceeds a certain threshold. However, the LDPC does not stipulate the threshold. In the context of this Review, the authorities have indicated that, in practice, the percentage share of the relevant market (25%) continues to be used to examine economic mergers.

3.128. Moreover, the Law provides that vertical practices are not penalized when, despite affecting competition, they generate economic efficiencies and consumer well-being.¹⁸⁶

3.129. In Honduras, the CDPC must be notified in advance of economic concentrations (merger, acquisition, consolidation, integration or combination of businesses, including those carried out abroad that have an impact on Honduras).¹⁸⁷ The Law does not provide for exceptions to the obligation to notify, and prescribes penalties in the event of late notification. Economic concentrations exceeding a certain threshold of total assets, sales or relevant market share must also be verified *ex ante* (Table 3.20).¹⁸⁸ For these purposes, the CDPC will therefore conduct an economic analysis of the operation,¹⁸⁹ for which it has 45 days, after which the operation may be favourably approved, prohibited or approved with conditions to correct possible anti-competitive effects. However, the Law provides that certain economic concentrations, even if they exceed the thresholds, must be favourably approved without the need for economic analysis; these are operations that relate mainly to the creation of temporary strategic alliances or corporate restructuring.¹⁹⁰

Table 3.20 Criteria and thresholds for examining economic mergers, 2016-2023

Criteria	Thresholds
Total assets in Honduras	> 4,000 minimum wage units
Sales volume in Honduras	> 5,000 minimum wage units
Share of the relevant market	> 25%

Note: Minimum wage units may be consulted at: <http://www.trabajo.gob.hn/tabla-de-salario-de-empleado-por-hora/>.

Source: Resolution No. 04-CDPC-2014-AÑO-IX.

3.130. Between 2016 and 2022, the CDPC launched 10 investigations, 8 of which were initiated after a complaint was received (Table 3.21). The investigations were carried out in the pharmaceutical, transport and financial services sectors and in commerce. Two practices were penalized for abuse of significant market share. During the review period, the Commission approved nine economic mergers in sectors such as energy and mining, financial and transport services, and industry.¹⁹¹

Table 3.21 Competition data, 2016-2022

	2016	2017	2018	2019	2020	2021	2022	Total
Anti-competitive practices								
Investigations initiated	3	1	1	3	0	1	1	10
Following a complaint	3	2	2	0	1	0	0	8
<i>Ex officio</i>	0	2	0	0	0	0	0	2
Practices penalized	0	2	0	0	0	0	0	2
By reason of their nature	0	1	0	0	0	0	0	1
By reason of their effect	0	1	0	0	0	0	0	1
Mergers								
Notified	6	6	10	3	4	11	9	49
Approved	0	1	1	0	3	3	1	9
Approved conditionally	0	0	0	0	0	0	0	0

¹⁸⁵ Other terminology may be used in regulated sectors. For example, the General Regulations of the Framework Law on the Telecommunications Sector refers to an "operator with significant market power (SMP)".

¹⁸⁶ Article 9 of the LDPC.

¹⁸⁷ Article 14 of Decision No. 001-2007.

¹⁸⁸ Articles 13 and 16 of the LDPC.

¹⁸⁹ The CDPC assesses the degree of concentration before and after the operation, the possible introduction of market-entry barriers, and potential risks of unilateral abusive conduct (Article 16 of the LDPC).

¹⁹⁰ Article 13 of Decision No. 001-2007.

¹⁹¹ Information provided by the authorities.

	2016	2017	2018	2019	2020	2021	2022	Total
Prohibited	2	1	0	0	0	1	1	5
Penalty for late notification	6	3	3	3	1	1	1	18

Source: Information provided by the authorities.

3.3.4.2 Price controls

3.131. The Consumer Protection Law (Decree No. 24-2008) prohibits any practice whose purpose is to increase consumer sales prices or tariffs.¹⁹²

3.132. The SDE, through the Directorate-General of Consumer Protection (DGPC), may set the consumer sales price or tariff or the marketing margin for certain goods, services or inputs if emergency, monopoly or oligopolistic situations arise that may result in speculation, hoarding or scarcity of supply, and lead to rising prices or tariffs.¹⁹³ The Consumer Protection Law stipulates that the following may be controlled: the prices of staples or goods essential for consumption or health and the inputs needed for their manufacture; the tariffs for essential mass-use services; and the price of the inputs needed for economic activities.¹⁹⁴ As a basis for setting prices or tariffs, the DGPC uses the weighted average prices or tariffs for a period of between 60 and 90 days. The regulated prices or tariffs remain in force for at least one month, followed by possible renewal for an additional month and until the circumstances giving rise to the regulation end.¹⁹⁵

3.133. The DGPC may also regulate (stabilize) the prices of basic basket products¹⁹⁶ that are produced or consumed seasonally.¹⁹⁷

3.134. Since 2010, the DGPC has used a temporary mechanism to determine maximum sales prices on markets for the products included on the list of food security products. The products on the list are included in the basic basket,¹⁹⁸ and other products considered essential may also be added according to need, for instance in cases of health or climate emergencies. When the (market) selling price of any of the products on the list exceeds the rate of inflation for the preceding month by more than 10%, the SDE sets a temporary maximum price based on a calculation of weighted prices for a period of between 60 and 90 days. The price is regulated for one month only, which may be extended by another month if the existence of speculative practices is established; the regulation may be maintained beyond two months until the circumstances giving rise to it come to an end.¹⁹⁹ Suppliers may request the review or elimination of the regulation when, for example, the costs of the raw materials used to make the food security products increase.

3.135. In 2020-21, owing to the emergency caused by the pandemic and adverse climate events, the DGPC fixed maximum prices for certain goods and inputs, including all products in the basic food basket and ethyl alcohol (Table 3.22). In 2022, price controls established as a result of the emergency situation were removed.

¹⁹² Article 68 of Decree No. 24-2008.

¹⁹³ In the case of monopolies or oligopolies, the DGPC requires the approval of the CDPC to regulate prices or tariffs (Article 71 of Decree No. 24-2008).

¹⁹⁴ Article 72 of Decree No. 24-2008.

¹⁹⁵ Article 74 of Decree No. 24-2008 and Article 83 of the Regulations of the Consumer Protection Law (Decision No. 084-2021). The SDE publishes regulated prices in ministerial decisions.

¹⁹⁶ The basic basket continues to include 240 food products, 31 non-food products (including school supplies) and 2 transport services. See Annex I to Decree Law No. 24-94, as amended by Executive Decision No. 017-2017.

¹⁹⁷ Article 8 of Decree No. 24-2008.

¹⁹⁸ The basic food basket consists of 30 foods and non-alcoholic beverages considered essential for consumption by Hondurans.

¹⁹⁹ Article 74 of Decree No. 24-2008 and information provided by the authorities.

Table 3.22 Price controls, 2016-2022

Description	Ministerial Decision No.
Balanced animal feed	212-2020, 227-2020
Basic food basket	023-2020, 027-2020, 034-2020, 039-2020, 046-2020, 053-2020, 101-2020, 104-2020, 151-2020, 222-2020, 231-2020, 234-2020, 55-2021, 136-2022
Mats	223-2020
Biosecurity products (face masks, antibacterial gel, ethyl alcohol and latex gloves)	018-2020, 030-2020, 040-2020, 106-2020, 109-2020

Source: Information provided by the authorities.

3.136. Consumer prices for refined fuels (gasoline, kerosene, diesel, fuel oil and LPG) continue to be regulated. From 2017, the Ministry of Energy (SEN) replaced the SDE as the entity authorized to determine prices.²⁰⁰ The regulation continues to be based on the import parity price system.²⁰¹

3.137. The electricity tariffs of end users (regulated users) are regulated (Section 4.2.1). The tariffs for other essential mass-use services may also be regulated.²⁰²

3.138. In Honduras, the price of certain products continues to be monitored. The DGPC monitors several sales prices, including the prices of the basic food basket, refined fuels, construction materials, medicines, concentrated animal feed and agricultural inputs.²⁰³ In addition, for fiscal control purposes, SEFIN also monitors the price of various products, such as cigarettes and other tobacco products.²⁰⁴

3.3.5 State trading, state-owned enterprises, and privatization

3.139. In 2022, Honduras advised that it did not have state-trading enterprises, pursuant to Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII.²⁰⁵

3.140. As in 2016, the State owns two banks and eight non-financial public enterprises (NFPEs) engaged in various activities (Table 3.23). Moreover, in 2020, the Honduran Airport Infrastructure and Services Company (EHISA) was established, "excluding all private capital participation". EHISA was created as a public limited company.²⁰⁶

Table 3.23 State-owned enterprises, 2016-2022

State-owned enterprises	Activity
Banks	
Honduran Production and Housing Bank (BANHPROVI)	Development bank
National Agricultural Development Bank (BANADESA)	Agricultural bank
Non-financial public enterprises	
Honduran Postal Service (HONDUCOR)	Postal service
Honduran Telecommunications Company (HONDUTEL)	Telecommunications services
National Electricity Company (ENEE)	Electricity generation, transmission, distribution and marketing
National Ports Company (ENP)	Port operator and port services provider
Honduran National Railway (FNH)	Rail transport service
Honduran Agricultural Marketing Institute (IMHA)	Distributor of staple grains
National Drinking Water and Sewage Service (SANAA)	Assists municipalities with drinking water and sanitation
National Basic Products Supply Company (BANASUPRO)	Markets products in the basic basket
Other	
Honduran Airport Infrastructure and Services Company (EHISA)	Airport operator

Source: WTO Secretariat.

²⁰⁰ The Petroleum Administration Commission (CAP) remains the entity authorized to regulate prices. In 2017, the CAP was moved from the SDE to the SEN.

²⁰¹ Ministerial Decision No. SEN-001-2020.

²⁰² Article 72 of Decree No. 24-2008.

²⁰³ Information provided by the authorities.

²⁰⁴ Decision No. 172-2022.

²⁰⁵ WTO document G/STR/N/19/HND of 30 June 2022.

²⁰⁶ Executive Decree No. PCM-084-2020.

3.141. The authorities have indicated that the GDP share of NFPEs was 1.7% in 2016 and, according to estimates, 0.8% in 2021, while their share of employment varied between 0.2% and 0.3% during the review period. According to SEFIN, over the last three years analysed, the operating balance of NFPEs recorded a deficit equivalent to 0.5% of GDP in 2018, 0.02% in 2019 and 0.2% in 2020. The deficit is largely explained by the deterioration in the financial position of the National Electricity Company (ENEE) and the Honduran Telecommunications Company (HONDUTEL).²⁰⁷

3.142. In 2022, some activities continued to be reserved to the State (Section 2.4), although private capital may participate through concessions²⁰⁸ or operating contracts. However, State enterprises may be the sole or major operators or providers. For example, since 2022, ENEE has been the exclusive marketer of electricity in Honduras and also has a monopoly on transmission and distribution. In the area of transport services, the State was the only provider of rail passenger transport services in the north of the country (the service has been suspended since the pandemic), and the National Ports Company (ENP) continues to operate and manage all international traffic ports, with the exception of two (Puerto Cortés and Roatán (cruise ports) that are under concession.

3.3.6 Government procurement

3.143. Procurement procedures for goods, services and public works in Honduras are governed by two laws: the Law on Government Procurement (LCE, Decree No. 74-2001) and the Law on Efficient and Transparent Procurement using Electronic Means (LCETME, Decree No. 36-2013), and their accompanying Regulations.²⁰⁹ In addition, general rules contained in guides and manuals apply.²¹⁰ Honduras also applies the provisions on government procurement negotiated in its preferential trade agreements. Honduras is not a party to the WTO Agreement on Government Procurement and does not participate as an observer in the Committee.

3.144. During the period under review (2016-22), no changes were made to the LCE or the LCETME. However, under the General Provisions on the State Budget (DGP), procurement thresholds are updated every year. Other procedural provisions, such as procurement methods, are also included in the DGP.²¹¹ In 2018, the Regulations implementing the LCE were amended to create the position of certified public buyer.²¹²

3.145. As part of this review, the authorities have indicated that the LCE will be revised with the aim of promoting sustainable procurement and the participation of MSMEs and women. Currently, to promote the participation of MSMEs in government procurement, the Law on the Promotion and Development of the Competitiveness of Micro, Small and Medium-Sized Enterprises (Decree No. 135-2008) stipulates that the general State budget must provide for 30% MSME participation in state purchases (goods, services and works). However, it is not known whether this provision is implemented.

3.146. The LCE and the LCETME regulate procurement of all public, national and municipal institutions, including state-owned enterprises. However, there are some exceptions, such as concession contracts, which are governed by the Law on the Promotion and Development of Public Works and National Infrastructure (Decree No. 283-98).²¹³

3.147. The Office for the Regulation of Government Procurement and Purchasing (ONCAE) is responsible for issuing general rules on implementation of the LCE and LCETME, as well as for promoting the automation of procedures to ensure good procurement practices (efficiency, publicity,

²⁰⁷ SEFIN (various years), *Memoria Institucional*.

²⁰⁸ The national lottery and air-navigation service are under concession (Section 2.4).

²⁰⁹ Regulations to the Law on Government Procurement (Executive Decision No. 055-2002) and Regulations to the Law on Efficient and Transparent Procurement using Electronic Means (Executive Decision 00641-2014).

²¹⁰ Article 30 of Decree No. 74-2001 and the Office for the Regulation of Government Procurement and Purchasing (ONCAE). Information viewed at: <https://web.oncae.gob.hn/biblioteca-virtual/manuales-y-guias>.

²¹¹ Title XI of the General Budget of Revenues and Expenditures of the Republic and its General Provisions. Fiscal Year 2022 (Decree No. 157-2022).

²¹² Executive Decision No. 055-2002, as amended by Executive Decision No. 028-2018.

²¹³ Articles 1 and 8 of Decree No. 74-2001; and Article 34 of the Law on the Promotion and Development of Public Works and National Infrastructure (Decree No. 283-98).

transparency, equality and free competition).²¹⁴ The ONCAE is also responsible for signing framework agreements and administering the Electronic Catalogue, as well as for determining the goods and services to be procured through the joint procurement method.²¹⁵

3.148. ONCAE also manages the Register of Suppliers and Contractors and the HonduCompras electronic platform. This platform is used solely to disseminate tender notices and procurement documents, and to monitor the status of procedures. Tenders cannot be submitted via HonduCompras. Public procurement procedures are therefore still processed in person.

3.149. Each public entity is responsible for its own procurement.²¹⁶ To improve transparency in procedures, since 2018, each procuring entity must have public buyers certified by the ONCAE (*compradores públicos certificados - CPC*); the CPC must be a public employee.²¹⁷ CPCs are responsible for authorizing the Annual Procurement and Contracting Plan (PACC), the procurement documents, and the award and modification of contracts, thereby certifying that the regulations are enforced.²¹⁸ In practice, however, some entities still do not have CPCs.²¹⁹

3.150. The objective of public procurement policy is to make procurement efficient in terms of cost, quality and time.²²⁰ Procuring entities must plan their purchases, by producing a PACC that takes budget forecasts into account. In principle, the entity must adjust the PACC once its budget is known.²²¹ The PACC requires the approval of the National Congress. Once approved, the PACC is published on HonduCompras. According to the authorities, however, this was done by only 43% of procuring entities in 2022.

3.151. Foreign participation in government procurement procedures is governed by the principle of reciprocity.²²² However, when foreigners participate, Honduras continues to apply price preferences in favour of Honduran suppliers. For public works contracts, the price offered by the foreign supplier is increased by 7.5%. For goods and services, the tariff or other charges are added to the price; or, if exempt, 15% is added to the price. Honduras applies these preferences to goods with a domestic content of at least 40% of the final price of the goods.²²³ Selected foreign suppliers may also be required to employ Honduran nationals. The objective of this requirement is to encourage technology transfer.²²⁴

3.152. Both Honduran and foreign suppliers must register with the Register of Suppliers and Contractors.²²⁵ Collusion is a prohibited anti-competitive practice, which may lead to de-registration.²²⁶

3.153. The only change in procurement methods was the introduction of the special procedure in 2022.²²⁷ Accordingly, during the period under review, Honduras used the following methods: (i) tendering, competitive bidding and direct, governed by the LCE; (ii) framework agreements,

²¹⁴ ONCAE's public procurement manual. Viewed at:

http://h1.honducopras.gob.hn/Procesos/MANUAL_CONTRATACION_ONCAE_GPR_Julio2015.pdf.

²¹⁵ Articles 6 and 26 of Decree No. 36-2013.

²¹⁶ Article 32 of Decree No. 74-2001. However, in the health sector, the Honduran Social Security Institute has an agreement with the United Nations Office for Project Services to purchase medicines, medical equipment, haemodialysis services and ambulances (UNOPS. Viewed at: <https://www.unops.org/es/news-and-stories/news/unops-and-honduras-strengthen-partnership-to-advance-healthcare>).

²¹⁷ Three years of experience in public procurement is required to become a CPC.

²¹⁸ Articles 44-A, 44-B and 44-C of Executive Decision No. 055-2002, as supplemented by Executive Decision No. 028-2018; and information provided by the authorities.

²¹⁹ ONCAE (2021), *Memoria Institucional – Gestión 2021*. Viewed at: <https://web.oncae.gob.hn/oncae/quienes-somos/memorias-institucionales>.

²²⁰ Article 5 of Decree No. 74-2001.

²²¹ Article 9 of Decree No. 74-2001; and ONCAE. Viewed at: <https://web.oncae.gob.hn/biblioteca-virtual/manuales-y-guias#bfaccordion-18-slider-4>.

²²² Article 7 of Decree No. 74-2001.

²²³ Article 53 of Decree No. 74-2001 and Article 128 of Executive Decision No. 055-2002.

²²⁴ Articles 150-151 of Decree No. 74-2001.

²²⁵ Article 58 of Executive Decision No. 055-2002.

²²⁶ Article 49 of Decree No. 74-2001, Article 70 of Executive Decision No. 055-2002 and the Law on the Defence and Promotion of Competition (Decree No. 357-2005).

²²⁷ Title XV of Decree No. 107-2021, as amended by Decree No. 30-2022 and Decree No. 31-2022.

joint procurement and reverse auctions, governed by the LCETME; and (iii) small-scale procurement and the special procurement procedure, governed by the DGPs.

3.154. In tendering and competitive bidding processes, the number of participants is not limited, unless the nature, characteristics and complexity of the contract require prequalification of three to six bidders, which are directly invited to submit bids. Prequalification is often used for public works contracts and related consultancy services. International tendering and open competitions are used, for example, when the technology does not exist in Honduras, in which case the notice must be published abroad. Private tendering is a direct invitation and requires at least three suppliers. In contrast, in a private or limited competition, the number of participants is not limited (only the contracting threshold is determinative). Small-scale procurement is used with bids from at least three suppliers.

3.155. The use of tendering, competitions and small-scale procurement is based on the type and amount of the contract (Table 3.24). However, private or limited tendering may be used, even if the threshold is exceeded, when there are only three suppliers, public or open tendering has been unsuccessful or cannot be used owing to lack of time, in cases of urgency²²⁸ or for security reasons.²²⁹

Table 3.24 Procurement methods by type and threshold in 2023

(HNL)

Type of contract	Thresholds		Method
Public works	$\geq 3,000,000.01$		Public tendering
	$\geq 1,000,000.01$	$\leq 3,000,000.00$	Private tendering
	$\geq 300,000.01$	$\leq 1,000,000.00$	Small-scale procurement (3 bids)
	$\geq 50,000.01$	$\leq 300,000.00$	2 bids
	≥ 0.01	$\leq 50,000$	1 bid
Consultancy services	$\geq 1,000,000.01$		Open competition
	$\geq 300,000.01$	$\leq 1,000,000.00$	Limited competition
	≥ 0.01	$\leq 300,000$	Small-scale procurement (3 bids)
Goods and services	$\geq 1,000,000.01$		Public tendering
	$\geq 300,000.01$	$\leq 1,000,000.00$	Private tendering
	$\geq 50,000.01$	$\leq 300,000$	Small-scale procurement (3 bids)
	$\geq 10,000.01$	$\leq 50,000.00$	Small-scale procurement (2 bids)
	≥ 0.01	$\leq 10,000.00$	Small-scale procurement (1 bid)

Source: DGP for fiscal year 2023 (Chapter XI of Decree No. 157-2022).

3.156. Direct contracting is used, *inter alia*, when tendering or competitions cannot be used, for example in economic, social or health emergencies. This procurement method is authorized by Executive Decrees declaring a state of emergency.²³⁰ To help the economy recover following the pandemic, direct contracting was also authorized by law.²³¹ Direct contracting can also be used to procure goods or services subject to exclusive sales because they are protected by a patent or mark.

3.157. The special procurement procedure, introduced in 2022, is used when a competitive procedure needs to be carried out quickly and there is no time to organize public tendering or an open competition. This method is not governed by thresholds. All suppliers are publicly invited to participate. When the special procedure is unsuccessful, direct procurement by bids is used. In November 2022, five special procedures were used.²³² However, this procurement method is not listed in the DGP for fiscal year 2023.

3.158. In a competitive procedure, contracts are generally awarded to the lowest-price bid. However, other criteria are also used, in which case a scoring method is used to evaluate the various criteria. The winning bid is the one with the highest score, but not necessarily the lowest price.²³³

²²⁸ These are unforeseen circumstances, which, without being characterized as emergencies, require prompt attention so as not to hinder the provision of public services (Executive Decision No. 055-2002).

²²⁹ Article 60 of Decree No. 74-2001.

²³⁰ Information provided by the authorities.

²³¹ Law on Relief for the Productive Sector and Workers to the face of the effects of the COVID-19 Pandemic (Decree No. 33-2020).

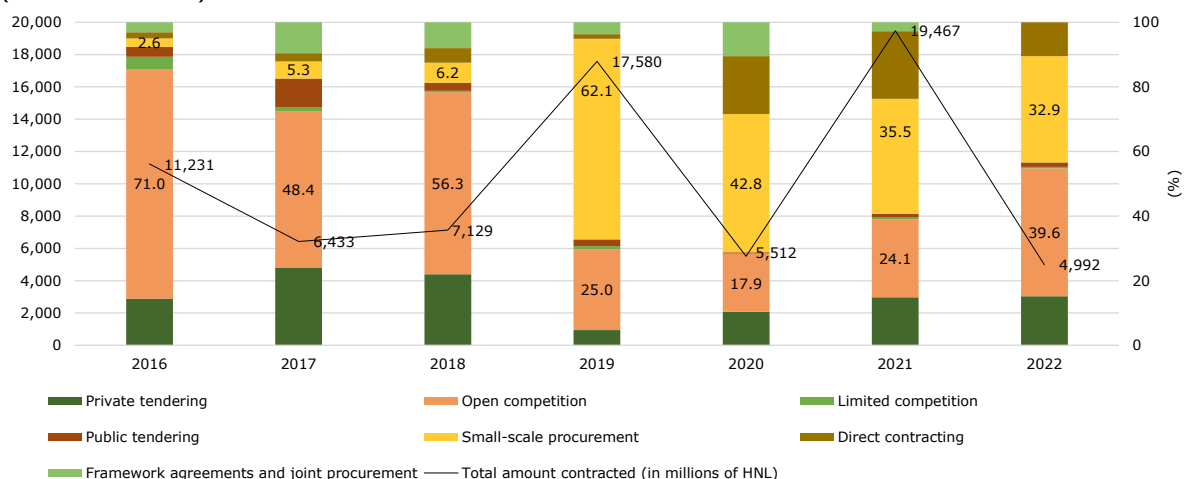
²³² ONCAE. Viewed at: <https://web.oncae.gob.hn/ciudadania/procedimiento-especial-de-compras>.

²³³ Articles 51-52 of Decree No. 74-2001.

3.159. According to the authorities, in 2021, government procurement accounted for 8.6% of GDP and 6.7% of public expenditure.²³⁴ In 2022, the value of government procurement was HNL 4,991.5 million. During the period under review, public tendering and small-scale procurement were the two most frequently used methods (Chart 3.9).

Chart 3.9 Government procurement by method, 2016-2022

(in millions of HNL)



Source: Information provided by the authorities.

3.3.7 Intellectual property rights

3.160. Industrial property rights and copyright and related rights are protected by the Constitution (Article 108), the Law on Industrial Property (Decree No. 12-99-E), the Law on Copyright and Related Rights (Decree No. 4-99-E) and the Law implementing the Free Trade Agreement between the United States, Central America and the Dominican Republic (Decree No. 16-2006). Honduras is also party to 11 WIPO treaties, including the Marrakesh Treaty, which entered into force in Honduras in 2017. The Directorate-General of Intellectual Property of Honduras (DIGEPIH), of the Property Institute (IP), continues to apply the intellectual property regime. Since 2018, the Health Regulation Agency (ARSA), as the competent entity in the area of health care, has been responsible for protecting the confidentiality of pharmaceutical test data.

3.161. In the area of plant varieties, the National Agriculture and Food Health and Safety Service (SENASA) is the institution responsible for issuing breeder certificates and administering the register of plant varieties. However, in 2018, the Law on the Protection of New Varieties of Plants (Decree No. 21-2012) was repealed. A new law has not been enacted since then, but there is a draft law. Breeder certificates granted before the repeal are still registered with SENASA.²³⁵ Honduras is not a member of the UPOV Convention.

3.162. To strengthen the intellectual property regime, Honduras continues to implement the National Intellectual Property Strategy, adopted in 2013.²³⁶ As part of this review, the authorities highlighted the achievements of the five pillars of the Strategy (Table 3.25).

²³⁴ The authorities note that, for the calculation, they took into account the data recorded on the HonduCompras platform, the GDP data at constant 2000 prices, at market prices, as reported by the BCH and the Outturn Report of the General Revenue and Expenditure Budget of the Republic and the Decentralized Institutions, Fiscal Year 2021.

²³⁵ Information provided by the authorities.

²³⁶ Executive Decree No. 013-2013.

Table 3.25 Implementation of the National Intellectual Property Strategy, 2016-2022

Pillars	Measures implemented since 2016
Education and culture	At the Honduras Academy of Intellectual Property (ACAPIH), the DIGEPIH organized training workshops for the general public and specifically for universities, MSMEs, indigenous peoples, judges, prosecutors, police and customs agents. Technology and Innovation Support Centres (CATI) have been set up to provide technical assistance in the area of industrial property, in particular with regard to patent searches.
Science and innovation for health	In 2018, the test data protection regulations was adopted.
Biodiversity and the environment	In 2021, the national regulations on access to genetic resources and derivatives and the fair and equitable sharing of benefits from their utilization was adopted.
Productivity and competitiveness	In collaboration with the Chambers of Commerce and the National Entrepreneurship Service, the DIGEPIH provides technical and legal assistance to entrepreneurs, in particular MSMEs, at business development centres (CDE). The workshops mainly focus on disseminating the benefits of the registration of marks and geographical indications (GIs)
Intellectual property enforcement	Inter-institutional coordination and cooperation was strengthened through the Inter-institutional Commission to Combat Piracy and Counterfeiting (CICOMPYF), which was created in 1997.

Source: WTO Secretariat and information provided by the authorities.

3.163. To foster a culture of innovation, the first innovation and business incubation centre for MSMEs was opened in 2022, and Technical Innovation Roundtables continue to be organized, bringing together the Government, various private sector associations, academia and international institutions, with a view to supporting the development and use of innovation to promote the competitiveness of Honduran products and services, and thus to secure greater market access.²³⁷

3.164. Despite efforts to create a culture of innovation, few patent applications have been filed since 2016 by Honduran residents (only one invention patent was granted) (Chart 3.10). Residents make more use of marks, a possible indication that commercial activities are significant. In 2022, a total of 355 patents (inventions, utility models and industrial designs) were granted to residents and 3,996 to non-residents; 39,036 marks were registered by residents and 135,812 by non-residents.²³⁸

²³⁷ ANDI. Viewed at: <https://www.andi.hn/mesa-tecnica-de-innovacion-de-honduras/>.

²³⁸ Information provided by the authorities.

Chart 3.10 Industrial property data, 2016-2022

Source: Information provided by the authorities.

3.165. The Law on Industrial Property protects inventions, utility models, industrial designs, industrial secrets and distinctive signs. Distinctive signs include marks, trade names, advertising slogans and signs, emblems and logos, geographical indications and appellations of origin. The Law does not contain provisions on the protection of layout designs of integrated circuits, which may be protected either by industrial law (if they are incorporated into industrial designs) or by copyright (if the drawings are considered artistic works). Similarly, computer programs are protected by copyright.²³⁹

3.166. Honduran legislation protects test data for pharmaceutical and agricultural chemical products.²⁴⁰ To prevent unfair commercial use, protection continues in effect even if the data are disclosed to obtain sanitary registration and marketing authorization. Protection lasts five years from placement on the market for pharmaceuticals and ten years for agricultural chemicals. To strengthen the protection of test data for pharmaceutical products, ARSA issued the test data protection regulations (Decision No. 024-2018) in 2018.²⁴¹ Since 2018, when applying for sanitary registration and authorization to market a new drug, the holder must also apply for an ARSA protection certificate; the term of protection has not changed.

3.167. Since 2016, the term of protection of the various intellectual property rights has not changed (Table 3.26). The term of patent protection can be extended by claiming delays in the process. The extension is requested if the patent was granted more than five years after the patent application was filed or more than three years after the review was carried out. In Honduras, patents (including pharmaceutical patents) are granted within two and a half years.²⁴²

Table 3.26 Protection of intellectual property rights

	Type of protection	Requirements for securing protection	Term of protection
Inventions	Patents	Be novel, involve an inventive step and be capable of industrial application	20 years from the date of filing of the application
Utility models	Patents	Be novel and be capable of industrial application	15 years from the date of filing
Industrial designs	Patents	Be original and be capable of industrial application	5 years from the date of filing, with extensions of up to two 5-year terms
Industrial secrets	Automatic protection	Undisclosed information held by a natural or legal person, which may be used in any productive, industrial or commercial activity, and which is capable of being shared with a third party	As long as it is undisclosed Test data are protected for 5 years (pharmaceuticals) or 10 years (agricultural chemicals)
Marks	Registration	Visible signs that allow the products or services of one enterprise to be distinguished from the products or services of another enterprise	10 years from the date of registration. Protection may be renewed indefinitely for periods of the same length
Advertising expressions or signs	Registration	Legends, advertisements, slogans, combinations of words, engraved designs and other similar means, provided they are original or characteristic, which are used to attract the attention of consumers to a particular product, service or enterprise	10 years from the date of registration. Protection may be renewed indefinitely for periods of the same length
Geographical indications	Registration	The quality, reputation and other characteristics are fundamentally attributable to the geographical origin	For as long as the requirements conferring protection continue to exist
Appellations of origin	Registration	The quality, reputation and other characteristics are exclusively or essentially attributable to the geographical origin	For as long as the requirements conferring protection continue to exist
Copyright and related rights	Automatic protection	Creation or publication of the work	Economic rights: life of the author plus 75 years; anonymous works: 75 years from publication; collective and pseudonymous works: 75 years from their publication or creation; photographic works: 50 years from their creation

Source: Decrees No. 12-99-E, No. 4-99-E and 16-2006.

²³⁹ Information provided by the authorities.

²⁴⁰ Article 19 of the Law on the Implementation of the Free Trade Agreement between the United States, Central America and the Dominican Republic (Decree No. 16-2006).

²⁴¹ According to the authorities, the DIGEPIH was involved in developing the Regulation.

²⁴² IP. Viewed at: <https://www.ip.gob.hn/patentes>; and information provided by the authorities.

3.168. Protection confers on the holder the exclusive right of exploitation, enabling him/her to grant licences for exploitation and to prevent any person, without his/her agreement, from exploiting the right for industrial or commercial purposes. The exploitation of an intellectual property right is not considered a monopoly in Honduras.²⁴³

3.169. Under the Law on Industrial Property, the DIGEPIH may grant non-exclusive compulsory licences for patents on grounds of emergency, national security, nutrition or public health (also as "public interest" grounds).²⁴⁴ However, no licence of this type has ever been granted in Honduras.

3.170. Honduras applies the regime of international exhaustion of rights for patents and marks.²⁴⁵ However, for patents, parallel imports are permitted only for the purposes of scientific research, teaching and experiments. The authorities have also indicated that for pharmaceutical and agrochemical patents, parallel imports are permitted only on grounds of emergency, national security, nutrition or public health. In the case of marks, parallel imports are allowed, but the products and their packaging must not have been modified or altered to ensure consumer protection.

3.171. The procedure for granting patents and industrial property registrations has not changed since 2016. The procedure comprises: filing of the application; examination of form and publication of the application; filing of objections; examination of substance; and granting and publication of the patent or registration. The Law on Industrial Property allows third parties to initiate nullity proceedings.

3.172. To facilitate the processing of applications, Honduras participates in two international databases, TMClass for marks (since 2021) and DSView for international designs (since 2018).²⁴⁶ During the period under review, the DIGEPIH also started using software developed by WIPO to speed up procedures and reduce time frames, as well as to make information on the progress of applications available to the public online.²⁴⁷ However, it is still not possible to process applications online in 2022. The DIGEPIH does not have agreements with foreign institutes to expedite the substantive examination of applications filed by non-residents, but participates in the Support System for Patent Applications Management for Central American Countries and the Dominican Republic (CADOPAT). CADOPAT is a system implemented by the Mexican Institute of Intellectual Property (IMPI), which allows the DIGEPIH to leverage the results of substantive examinations carried out by IMPI.

3.173. According to the authorities, all types of marks are protected in Honduras. Traditional and non-traditional marks²⁴⁸, collective marks, certification marks, well-known and famous marks are therefore protected. The Nice Classification is used to register marks, although Honduras is not a party to the Nice Agreement. Applications to register a mark must be filed for each class of product or service under which the mark is to be registered; single applications are not allowed. The time-limit for registering a mark is up to six months.

3.174. Honduran coffee is the only product whose origin is protected. Foreign GIs/AOs can be registered in Honduras.²⁴⁹ The procedure governing the registration of both Honduran and foreign GIs/AOs is the same as for the registration of marks.

3.175. The registration of copyright and related rights with the DIGEPIH is optional, but it is recommended to prove the existence of the work and protect the author, the performer or producer in the event of unlawful use of the work and/or potential conflicts with third parties. Honduras recognizes the international exhaustion of copyright.

²⁴³ Article 339 of the Constitution.

²⁴⁴ Articles 66-68 and 70 of Decree No. 12-99-E.

²⁴⁵ Articles 18 and 98 of Decree No. 12-99-E.

²⁴⁶ Information provided by the authorities.

²⁴⁷ The authorities have indicated that the software was the Industrial Property Automation System (IPAS), WIPO File and WIPO Publish.

²⁴⁸ In Honduras, two types of non-traditional marks have been registered: three-dimensional marks and sound marks (IP PowerPoint presentation). Information viewed at: https://ipkey.eu/sites/default/files/ipkey-docs/2020/IPKeyLA_jul2020_Franklin%20L%C3%B3pez-Marcas%20no%20tradicionales_Experiencia%20hondure%C3%B1a-presentacion.pdf.

²⁴⁹ Article 126 of the Law on Industrial Property (Decree No. 12-99-E).

3.176. The holder of an intellectual property right may file an administrative appeal with the DIGEPIH when their right is used unlawfully; conciliation is available as an alternative method. The holder can initiate proceedings in the civil and criminal courts. Honduras has no specialized intellectual property courts.

3.177. With regard to IPR protection at the border, the Customs Administration of Honduras (AAH) may act *ex officio*, following a complaint from the holder or at the request of the Public Prosecutor's Office (Special Prosecutor's Office for Intellectual Property (FEPROSI)), to seize goods suspected of infringing rights. In all cases, the AAH must notify the importer and the right holder of the suspension of customs clearance. The AAH has ten days to issue the notification. If the right holder does not initiate the relevant legal proceedings, the AAH will release the goods, unless there is "well-founded presumption of the offence", in which case the AAH will inform the Special Prosecutor's Office. Infringing goods are destroyed; in some cases, they may be donated.²⁵⁰ The AAH does not have a database to detect counterfeit marks.

3.178. In the national market, FEPROSI and the DIGEPIH are responsible for inspecting premises and seizing goods *ex officio* or at a party's request, in collaboration with the National Police (Special Crimes Unit of the Police Investigation Directorate (DPI)).

3.179. The Commission to Combat Piracy and Counterfeiting (CICOMPYF), continues to be the body that coordinates and monitors institutional enforcement.²⁵¹ The CICOMPYF organizes training workshops for prosecutors and customs agents and campaigns to raise public awareness of the consequences of consuming pirated and counterfeit products.²⁵² Through the CICOMPYF, FEPROSI and the DIGEPIH also collaborate with the National Telecommunications Commission (CONATEL) to combat piracy of broadcasting signals.

3.180. In the digital sphere, protection measures such as the notice and withdrawal mechanism are not used. However, the authorities have indicated that the DIGEPIH collaborates with HONDUTEL, the public operator, to exclude users who upload illegal content to the network. FEPROSI also has prosecutors that investigate all types of cybercrime. In Honduras, Internet service providers are not responsible for hosting users who share content that infringes intellectual property rights.²⁵³

3.181. The use of pirated or counterfeit products in Honduras is not penalized.²⁵⁴

²⁵⁰ TRIPS, Article 316 of the Central American Uniform Customs Code Regulations (RECAUCA) and information provided by the authorities.

²⁵¹ The CICOMPYF comprises the DIGEPIH, FEPROSI, AAH, CONATEL and the Ministry of Health; the Supreme Court of Justice has observer status with the CICOMPYF.

²⁵² Information provided by the authorities; and IP. Viewed at: <https://www.ip.gob.hn/cicompyf>.

²⁵³ Information provided by the authorities.

²⁵⁴ Information provided by the authorities.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry, and fisheries

4.1. The agricultural sector (crop farming, livestock, hunting, forestry and fisheries) remains a relatively important activity for the Honduran economy, with its share of GDP increasing from 12.0% in 2016 to 12.6% in 2022 (Table 4.1). The sector experienced erratic growth during the period under review. The contractions were due to both internal and external causes¹, in particular adverse weather events, such as Tropical Storm 12 and the category 5 hurricanes in 2020, which destroyed large areas of banana, African palm, and sugar cane crops, among others. According to the authorities, there is also a lack of dynamism in the agricultural sector – which is dominated by small producers – as well as a shortage of technical expertise, quality inputs, market information, financial resources and investment in rural areas. Other elements that adversely affected agricultural activity were migration and the ageing of the rural population. The agricultural sector continues to be a major generator of employment, mostly unskilled. Between 2016 and 2022, the sector provided work for about 27.3% of the country's economically active population, compared with 21.5% in 2022, reflecting the impact of migration on the labour force in this sector.

4.2. The Honduran agricultural sector is still characterized by its relative concentration. Coffee and bananas accounted for 42.2% of agricultural output in 2016 and 44.2% in 2022. However, other major products, such as tubers, fruit and vegetables, as well as African palm, increased their share of production, while livestock declined somewhat. Coffee is the main agricultural product in Honduras. High-quality Honduran coffee and organic coffee maintained their competitiveness during the period under review, surpassing bananas as the main agricultural export products. However, aside from traditional agricultural products, Honduras is also promoting the cultivation of non-traditional products, such as high-value vegetables and other fruit (cocoa, melon and watermelon), for which there are opportunities to be exploited in the international market.

4.3. The agricultural sector continues to be a major source of foreign exchange. Between 2016 and 2022, the share of agricultural products (as defined by the WTO) in total exports averaged over 30%, reaching more than 35% in some years. Honduras remains a net exporter of agricultural products. In 2022, imports of agricultural products accounted for 15.6% of total imports. The main agricultural products imported into Honduras were cereals and prepared foodstuffs, while the main export products were coffee (as in previous years); fruit, vegetables and garden produce, including bananas; and fats (palm oil). According to the authorities, imports of staple grains have been growing steadily for several years, as investment in agriculture has declined, even as demand for both human consumption and the food industry needs to be met. The main export markets were the United States (36.7% in 2022) and the European Union (29.9% in 2022).² In this regard, to promote exports of agricultural products, Honduras continued to adopt a strategy aimed at opening up new or niche markets by improving the administration and implementation of trade agreements. In addition, through the National Agriculture and Food Health and Safety Service (SENASA), Honduras is making an effort to improve food production and processing infrastructure to meet minimum safety and quality requirements, and efforts have been made to expand the limited certification systems to improve access to export markets.

Table 4.1 Main agricultural sector indicators, 2016–2022

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
Crop farming, livestock, hunting, forestry and fisheries							
Share of GDP (% at current prices)	12.0	12.7	11.6	10.8	12.1	11.0	12.6
Real growth rate (% at 2000 prices)	4.8	10.3	2.6	-1.0	-6.3	0.4	-0.7
Share of agricultural production (%)							
Coffee	27.1	32.8	29.5	26.5	25.9	31.2	31.5
Tubers, vegetables, pulses and fruits	13.6	12.5	13.4	17.1	16.5	15.6	13.3
Bananas	15.1	14.2	15.0	14.5	14.7	10.4	12.7
African palm	7.0	7.7	5.8	4.4	6.3	10.1	9.8
Memorandum items:							
Beef cattle	12.6	11.2	11.8	12.4	11.3	10.2	9.6
Forestry	4.0	3.8	4.0	4.2	3.9	4.7	4.2
Fisheries ^b	1.9	2.1	2.1	2.3	2.6	2.0	1.6
Employment (% of total employment)	28.5	33.0	31.6	30.5	23.4	22.2	21.5

¹ Information provided by the authorities.

² Calculations by the WTO Secretariat based on data provided by the authorities.

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
Agricultural products (WTO definition)							
Exports							
Values (USD million)	2,515	3,073	2,810	2,661	2,738	3,190	3,974
Share of total exports (%)	31.7	35.6	32.6	30.4	35.8	31.3	32.7
Growth rate (%)	2.2	22.2	-8.6	-5.3	2.9	16.5	24.6
Top five products, by HS chapter (% of agricultural total)							
09. Coffee, tea, mate and spices	36.5	43.2	40.1	36.1	32.3	39.5	35.6
08. Edible fruit and nuts; peel of citrus fruit or melons	23.8	20.6	23.1	24.0	24.4	14.3	20.0
15. Animal or vegetable fats and oils; prepared edible fats	13.9	14.7	12.5	13.0	14.7	18.2	17.6
24. Tobacco and manufactured tobacco substitutes	6.1	4.9	6.0	5.5	6.1	6.0	5.4
20. Preparations of vegetables, fruit, nuts or other parts of plants	2.4	2.2	2.8	2.9	3.1	3.5	3.6
Imports							
Values (USD million)	1,662	1,653	1,897	1,919	1,958	2,558	3,039
Share of total imports (%)	14.5	13.3	13.9	14.4	17.4	15.4	15.6
Growth rate (%)	3.2	-0.6	14.8	1.1	2.0	30.7	18.8
Top five products, by HS chapter (% of agricultural total)							
10. Cereals	15.3	12.2	14.8	14.4	15.4	14.7	17.2
21. Miscellaneous edible preparations	14.7	15.2	14.2	16.3	17.4	16.6	15.6
23. Residues and waste from the food industries; prepared animal fodder	12.4	13.0	13.4	12.0	13.2	12.4	12.9
22. Beverages, spirits and vinegar	7.0	8.1	8.2	9.4	7.8	9.4	8.6
19. Preparations of cereals, flour, starch or milk	11.7	11.3	10.4	9.8	9.1	7.9	8.3

a Preliminary figures.

b Fish and shrimp farming activities as well as the catching of fish, shrimp, lobster and other aquatic products on the high seas.

Source: Central Bank of Honduras, and data provided by the authorities.

4.4. The institutions involved in the agricultural sector have not changed substantially since the last review, nor have their roles. The Ministry of Agriculture and Livestock (SAG) is the main governing body of the sector and has several units (Table 4.2), some of which are called "programmes". Other public institutions that operate in the agricultural sector are the National Agrarian Institute (INA), the Honduran Agricultural Market Institute (IHMA), the National Agricultural Development Bank (BANADESA), the National Basic Products Supply Company (BANASUPRO) and the Honduran National Institute for Forest Conservation and Development, Protected Areas and Wildlife (ICF). The Honduran Coffee Institute (IHCAFE), a private, non-profit public interest organization, continues to play an important role in the sector, as it is responsible for implementing the policy of the National Coffee Council (CONACAFE) to promote the development of the coffee industry.

Table 4.2 Institutions attached to the SAG, 2022

Institution	Function
National Agriculture and Food Health and Safety Service (SENASA)	Provides quality assurance services in agricultural health and food safety and national and international certification.
Directorate of Science and Agricultural Technology (DICTA)	Provides goods and services and technology transfer to increase agricultural production and productivity.
Directorate-General of Fisheries (DIGEPESCA)	Responsible for control and supervision of fisheries; grants permits for the marketing and export of fishery products and their use.
Directorate-General of Irrigation and Drainage (DGRD)	Promotes and supports the development and transformation of the agricultural sector through optimal use of water and the incorporation of irrigation systems and water management for production.
National Rural Infrastructure and Irrigation Service (SENINFRA)	Regulates, coordinates and evaluates rural infrastructure and irrigation works and programmes implemented by the public and private sectors.
Project Administration Unit (UAP)	Sees to the implementation of programmes and projects financed with national and/or external funds.
Management Planning and Evaluation Unit (UPEG)	Designs, coordinates, plans, evaluates and advises on investment policies, programmes and projects.

Source: Information provided by the authorities.

4.5. The State Policy for the Agrifood Sector and Rural Areas 2004–21, which has expired, established objectives that included (i) increasing competitiveness and the capacity to break into international markets; (ii) supplying the domestic market, thus ensuring food security; (iii) using resources in a sustainable manner; and (iv) contributing to poverty reduction. Honduras is currently developing a new sectoral policy and intervention strategies. The new policy will seek to be inclusive, diversify production, and increase productivity, as well as use innovative and sustainable

technologies to reduce vulnerability to climate change. Furthermore, in order to enhance growth and diversification, the new policy will promote access to land and financial resources.

4.6. To achieve these objectives and overcome the challenges, Honduras has continued to implement a number of strategic programmes, some of which were already in place in 2016, such as the National Agrifood Development Programme (PRONAGRO); the National Fisheries and Aquaculture Programme (PRONAPAC) and the National Rural and Urban Sustainable Development Programme (PRONADERS) (Box 4.1). It also offers services through SENASA, SENINFRA and DICTA with the aim of improving food health and safety and promoting technological innovation, diversification, value addition and agrifood chain integration. Honduras provides access to agricultural credit and rural finance through BANADESA and the Honduran Production and Housing Bank (BANHPROVI) through private banks.

Box 4.1 SAG programmes, 2022

National Agrifood Development Programme (PRONAGRO)

Improve marketing.

Achieve greater market access for agricultural products by establishing public-private partnerships.

Increase value addition and diversify agricultural and agro-industrial production.

National Fisheries and Aquaculture Programme (PRONAPAC)

Promote the development of the fisheries sector and the cultivation and protection of hydrobiological species.

Manage and promote the sustainability of fisheries and aquaculture resources.

National Rural and Urban Sustainable Development Programme (PRONADERS)

Improve quality of life in rural communities.

Manage natural resources in a sustainable manner.

Decrease environmental vulnerability.

Source: Online information. Viewed at: <https://www.pronagro.sag.gob.hn/sobre-pronagro/>; <https://pronaders.gob.hn/>; and <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC121723/>.

4.7. The Agricultural Policy for the SICA Region 2019–30, which replaced the Central American Agricultural Policy (PACA), is an integral part of Honduran agricultural policy. To achieve a sustainable improvement in the competitiveness of the agricultural sector, the new policy includes elements to foster public-private investment, labour force specialization, diversification and value addition in agrifood chains, technological development and innovation, and the removal of barriers to intra-regional trade, as well as business strategies, particularly for small and medium-sized producers.³

4.1.1 Measures affecting imports

4.8. The MFN tariff applied by Honduras did not change substantially during the period under review. In 2022, the protection given to agricultural products (WTO definition) was 10.8% (10.7% in 2015) and remained higher than that for non-agricultural products (5.1%) and the average tariff (5.9%). Tariffs continued to range from 0% to 164%. In addition, the highest tariffs by WTO category were applied on agricultural products, specifically dairy produce, animals and animal products, and beverages, alcoholic beverages and tobacco, with rates of 22.6% (22% in 2015), 18.3% (18.4% in 2015) and 12.3% (12.4% in 2015), respectively (Table A3.1). The maximum tariff of 164% is applied on imports of poultry meat of HS headings 0207.13, 0207.14 and 1602.32. The second highest rate (55%) is that applied to cigarettes (HS subheading 2402.20.00.00).

4.9. Honduras uses *ad valorem* tariffs for all agricultural products, except for products subject to the price band system.⁴ This system, which applies to products such as yellow maize, grain sorghum, maize flour and other processed grains (6 tariff lines at the HS 8-digit level), is still in force, although it is not used.⁵ The system allows the tariff to be modified in line with changes in international prices, in order to mitigate the impact of fluctuations in the domestic market (Section 3.1.3.2).

³ Online information. Viewed at: <https://www.cac.int/sites/default/files/Politica%20Agropecuaria%20CAC.pdf>.

⁴ Regulations on the Marketing of Agricultural Products (Decision No. 0195-03).

⁵ Information provided by the authorities.

4.10. Some products of agricultural origin and agricultural inputs, both imported and domestic, including foodstuffs in the basic shopping basket⁶, are exempt from sales tax (ISV), which is generally 15%.⁷

4.11. Honduras applies preferential tariff quotas only under certain regional agreements, not in the WTO framework. The most commonly used are those negotiated under CAFTA-DR. Honduras also continues to use shortage quotas if the supply on the domestic market is insufficient to meet agro-industrial demand.⁸ Quotas are allocated according to the percentage of domestic output purchased during the previous year (performance requirement).⁹ During the period under review (2016–22), shortage quotas were used for skimmed milk powder (HS 0402.10.00.00), whole milk powder (HS 0402.21.22.00) and frozen orange juice (HS 2009.11.00.00.00).

4.12. Honduras continues to use purchase agreements to guarantee a secure price for the producer and a fair price for the consumer. The SAG establishes purchase agreements between agribusiness and producers of rough rice (HS 1006.10.90.00), yellow maize (HS 1005.90.20.00), white maize (HS 1005.90.30.00) and sorghum (HS 1007.90.00.00.00), setting purchase volumes and guaranteed minimum prices. According to those agreements, in the case of rough rice and white maize, the shortage quotas are activated once the volume of national production stipulated in the agreement has been acquired. The quantity that can be imported under this quota at a 0% tariff varies in accordance with domestic supply estimates. In the case of white maize, a processor that buys one quintal on the domestic market can import one quintal tariff-free, while in the case of yellow maize a processor that buys one quintal can import four quintals tariff-free.¹⁰ Products imported tariff-free have to be processed and cannot be sold either on the domestic market as whole grain for human consumption or to an industry that is not a party to the agreement.

4.13. In the WTO framework, Honduras did not reserve the right to resort to special safeguards for agricultural products. However, since 2015 the import of onions is allowed only during a specific period of the year or when domestic production is insufficient.¹¹

4.14. Honduras maintains a system of automatic and non-automatic import licences, inter alia, to administer quotas (preferential or shortage), keep statistics, or ensure animal health and plant protection. In general, for phytosanitary reasons, the importation of products and by-products of plant and animal origin requires a non-automatic import licence. In addition, importing onions currently requires a non-automatic licence and prior registration of the importer.

4.15. In general, Honduras does not tax exports. Only exports of green coffee, as well as its sale on the domestic market, are subject to a contribution, which is used to finance IHCAFE. This contribution is based on the international price per quintal of coffee and varies between USD 4 and USD 9.

4.16. Honduras has notified the WTO that it did not subsidize any agricultural exports between 2016 and 2020.¹² Between 2016 and 2019, and in 2022, Honduras granted subsidies to reduce the marketing costs of agricultural exports.¹³

⁶ The basic shopping basket includes 271 food products and school supplies, and 2 transport services (Decree Law No. 24-94 as amended by Executive Decision No. 017-2017).

⁷ Article 15 of the Sales Tax Law (Decree Law No. 24-94) as amended by Decrees Nos. 119-2016 and 160-2018.

⁸ SDE (Ministry of Economic Development). Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/>.

⁹ The tariff within the shortage quota is always 0% (WTO document TN/AG/S/5 of 21 March 2002).

¹⁰ Decision No. A-788-14 of 1 September 2014.

¹¹ SDE. Viewed at: <https://sde.gob.hn/integracion-economica-y-politica-comercial/>.

¹² WTO document G/AG/N/HND/47 of 10 January 2018; and WTO documents G/AG/N/HND/53, G/AG/N/HND/54, G/AG/N/HND/55 and G/AG/N/HND/56 of 5 January 2021.

¹³ WTO documents G/AG/N/HND/49 of 3 September 2018; WTO documents G/AG/N/HND/50, G/AG/N/HND/51, G/AG/N/HND/52 of 18 March 2020; and WTO document G/AG/N/HND/57 of 18 January 2023 for 2022.

4.17. The Agricultural Export Zones (ZADE) regime was suspended.¹⁴ However, its suspension did not have retroactive effect. There is currently only one beneficiary company.¹⁵ Eligible enterprises were exempt from all import duties, internal taxes on the goods they imported and/or exported, and income tax (ISR).

4.1.2 Domestic support

4.18. In 2018, Honduras notified a series of agricultural support measures that had been in force in 2016¹⁶, as well as the amendment of some existing measures and the introduction of other new ones.¹⁷ It appears that several of the programmes that were in place during the previous review and in 2018, when the last notification was made, are no longer so. In 2016 (May), Honduras had several domestic support programmes related to training, outreach and advisory services and infrastructure, as well as a development assistance programme (Table 4.3). The programmes did not provide specific support for any particular product; in general, they were intended to benefit producers with limited resources by providing the necessary inputs for production and access to capital to invest in infrastructure and technical assistance, with the aim of contributing to the economic recovery and food security of small farmers.

Table 4.3 Domestic support programmes, 2016

Category	Name and description of measure	
Training services		
Honduras Rural Competitiveness Project (COMRURAL)	Facilitate processes for establishing productive partnerships. Promote training, information dissemination and technical assistance. Promote investment by small and medium-sized producers in productive partnerships.	Ongoing
Improving the competitiveness of the rural economy in Yoro (PROMECOM)	Strengthen producer organizations.	Concluded in 2017
EMPRENDESUR Programme	Create income- and employment-generation opportunities for small producers. Promote food security for small producers.	Concluded in 2019
Extension and advisory services		
Programme for competitiveness and sustainable development in the south-western border region (PROLENCA)	Improve the incomes, employment opportunities, agri-food security and living conditions of the rural poor.	Concludes in 2023
Infrastructure services		
Jamastrán Valley agricultural irrigation development project	Modernize to increase the efficiency of agriculture in the Jamastrán Valley.	Ongoing
Measures Exempt from the Reduction Commitment - Special and Differential Treatment - "Development Programmes"		
Investment subsidies generally available to agriculture		
Productive solidarity voucher project ^a	Technology transfer to small-scale staple grain producers.	Ongoing
Agricultural irrigation development project (PDABR)	Promote agricultural development through the sustainable use of water and irrigation systems.	Ongoing

a In 2022 this programme was renamed the productive technology voucher (*bono tecnológico productivo*) project.

Source: WTO documents G/AG/N/HND/46 and G/AG/N/HND/48 of 9 January and 3 September 2018, respectively, and information provided by the authorities.

4.19. In addition to the programmes notified, since 2016 Honduras has also implemented a programme to promote competitiveness and development in the Northern Zone,¹⁸ as well as other programmes such as the coffee voucher (*bono cafetalero*) for fertilizer for small and medium-sized producers; the voucher for drilling wells and building water reservoirs to reduce drought impact; the livestock voucher (*bono ganadero*); and the Economic and Social Inclusion Project for Small Rural

¹⁴ Decree No. 233-2002 of 1 February 2002.

¹⁵ Online information from SEFIN. Viewed at: http://www.sefin.gob.hn/wp-content/uploads/2015/01/Registro_ZADE.pdf.

¹⁶ WTO document G/AG/N/HND/48 of 9 January 2018.

¹⁷ WTO document G/AG/N/HND/46 of 18 January 2018.

¹⁸ Project for Competitiveness and Sustainable Rural Development in the Northern Zone (*Horizontes del Norte*).

Producers in the Northeast Region of Honduras (PROINORTE).¹⁹ The main objective of the latter is to increase incomes and improve nutrition among small producers and their families, by boosting their productivity and marketing capacities and strengthening their resilience in the context of climate change. The livestock voucher is a programme aimed at improving herds that the SAG has been implementing in 12 departments since 2022. The programme has four components: nutrition and feeding, value-added dairy products, animal health and reproductive biotechnology. As part of the voucher, grass seed and a veterinary kit containing vitamins, dewormers and electric fences will be provided; a national and sectoral vaccination plan is also included.

4.20. Agrarian reform agro-industrial enterprises currently continue to enjoy exemptions from payment of import duties, including customs duties and other charges on the importation of agricultural machinery and inputs.²⁰ Some companies are also exempt from paying income tax and property and municipal taxes for 10 years. The Special Law on Agricultural Investment and Rural Job Creation exempts certain new investment projects from the net assets tax.²¹

4.21. BANADESA continues to offer financing to the agricultural sector at preferential interest rates ranging from 2.5% to 12%. The average annual lending rate in 2022 (Q3) was 14.7%. BANHPROVI also grants loans at preferential rates (7% in 2022) to the agricultural sector and has a specific guarantee fund for the sector: the Agricultural Credit 8.7 Guarantee Fund. The agricultural sector is the main beneficiary of BANHPROVI loans.

4.22. The National Basic Products Supply Company (BANASUPRO) is responsible for marketing basic consumer products, particularly to the low-income population, at reasonable and competitive prices, through distribution and sales centres. Through these distribution and sales centres it regulates the prices of basic shopping basket products.²² In order to keep products reasonably priced and competitive, BANASUPRO may import the articles it needs completely tax-free, subject to obtaining the appropriate permit.²³

4.2 Mining and energy

4.2.1 Electricity

4.23. The electricity sector is governed by the General Law on the Electricity Industry (LGIE) of 2013.²⁴ The institutions governing the sector are the Ministry of Energy (SEN), which is the governing body, and the Electricity Regulatory Commission (CREE), the market regulator. In 2022, the System Operator (ODS), a private, non-profit entity established in 2013 to manage the national electricity market, was transformed into the National Dispatch Centre (CND), a public entity, and integrated with the National Electricity Company (ENEE), the state operator.²⁵

4.24. Both the State – through the ENEE – and private operators are involved in the sector. One of the biggest changes during the period under review has been that from 2022 onwards private operators are not allowed to participate in marketing. Therefore, the ENEE is currently the only entity entitled to market electricity in Honduras.²⁶ In addition, the ENEE still has a natural monopoly on transmission and distribution; however, the company has licensed the provision of services since 2016. ENEE is also the only Honduran operator that can participate in the regional electricity market (MER), therefore only the ENEE imports and exports electricity.²⁷ Private entities participate in the

¹⁹ Information provided by the authorities and viewed at: <https://docplayer.es/105306798-Proyecto-de-inclusion-economica-y-social-de-pequenos-productores-rurales-en-la-region-noreste-de-honduras-proinorte.html>.

²⁰ Decree No. 101-87 reforming Article 42 of the Law on Agroindustrial Cooperative Enterprises.

²¹ Decree No. 322-98, Official Journal of 20 January 1990, and Decree No. 20-99.

²² Decree-Law No. 1.049 of 15 July 1980.

²³ WTO document WT/TPR/S/336/Rev.1 of 1 August 2016.

²⁴ General Law on the Electricity Industry (Decree No. 404-2013), as amended by Decrees Nos. 61-2020 and 2-2022. Various regulations and provisions on the implementation of the LGIE have been passed or amended since the last review of Honduras in 2016 (viewed at: <https://www.cree.gob.hn/leyes-reglamentos-y-normas-tecnicas/>).

²⁵ Article 9 of Decree No. 404-2013, as amended by Decree No. 2-2022; and ODS. Viewed at: <https://www.ods.org.hn/index.php/quienes-somos/filosofia-ods/historia-del-sector>.

²⁶ Articles 1 and 15 of Decree No. 404-2013, as amended by Decree No. 46-2022.

²⁷ Regional Electrical Interconnection Commission (2021), *2020 MER Report*. Viewed at: <https://crie.org.gt/wp-content/uploads/2021/06/Informe-Anual-MER-2020.pdf>.

generation market, which they dominate, as 75.9% of electricity is produced by privately-owned plants.²⁸

4.25. The Special Energy Law enacted in 2022, for which regulations have not yet been adopted, stipulates that electricity is a "national-security public good and a human right of an economic and social nature".²⁹ The objective of Honduras is to ensure an affordable electricity supply and, subsequently, to "recover" and regain control of the sector. Under the new law, the ENEE is authorized to renegotiate all electricity purchase agreements concluded with private generation companies. The Special Energy Law provides that in the event of failure to renegotiate agreement conditions, including tariffs, the ENEE can terminate agreements or acquire the plant at "fair value".³⁰ The Special Energy Law does not define what "acquisition (...) at fair value" consists of, which could lead to even greater uncertainty among private generators and undermine investment in the generation sector. In addition, the ENEE is highly indebted to generators. In 2022, that debt was equivalent to 10% of GDP; therefore, it is not fulfilling the purchase agreements. The debt appears to be a consequence of high transmission and distribution losses, which amounted to 33% of output in 2021.³¹ Furthermore, the Special Energy Law stipulates that private investment in the sector cannot exceed the total amount of public investment,³² as Honduras aims to increase state participation in the sector, especially in generation.³³

4.26. Domestic and foreign operators wishing to participate in the electricity market are subject to the same requirements to operate. All operators must enrol in the Public Register of Electricity Sector Companies administered by the CREE. Plants using renewable sources must also obtain a concession for the use of the natural resource and an environmental authorization or licence from the Ministry of Natural Resources and the Environment (SERNA). The CREE issues operating licences for transmission and distribution.³⁴

4.27. For sectors where the State does not have a monopoly, the rules governing market competition are provided by the Law to Protect and Promote Competition. Furthermore, the General Law on the Electricity Industry prohibits vertical integration. This provision applies to both the ENEE and private operators. However, while the ENEE's activities are separate, the authorities mentioned that a degree of integration still exists in order to ensure efficient cost management.

4.28. Rates are regulated for all consumers, except for qualified consumers³⁵, who buy electricity at a rate agreed with generators, distributors and traders.³⁶ In setting regulated rates, the ENEE uses a methodology established by the CREE in 2016, which was modified in 2020 to give greater weight to generation costs.³⁷ Rates are set according to voltage level, and periodically adjusted to reflect the change in generation, transmission and distribution costs.³⁸ However, since 2021, to mitigate rate hikes due to the high increase in the cost of generation, all rates were frozen and the ENEE was compensated; transfers to date have amounted to HNL 1,086.8 million.³⁹ In addition, in order to keep rates stable, since 2021 companies using fossil fuels (diesel and Bunker C) to generate electricity have been exempt from paying the ACPV tax.⁴⁰

²⁸ Article 4 of Decree No. 404-2013 and information provided by the authorities.

²⁹ Special Law to Guarantee the Electricity Service as a National-Security Public Good and a Human Right of an Economic and Social Nature (Decree No. 46-2022). This law is known as the "Special Energy Law".

³⁰ Articles 4–6 of Decree No. 2-2022.

³¹ SEN (2022), *Balance Energético 2021*. Viewed at: <https://sen.hn/wp-content/uploads/2022/09/Balance-Energetico-2021.pdf>.

³² Article 3 of Decree No. 46-2022.

³³ Information provided by the authorities.

³⁴ Decree No. 404-2013.

³⁵ Qualified consumers are the large-scale consumers. To qualify, from 2022 onwards, more than 5 MW of power had to be purchased (Decree No. 46-2022).

³⁶ Article 1 of Decree No. 404-2013.

³⁷ Regulations for the Calculation of Provisional Rates (Resolution No. CREE-016), as amended by Decision No. 065-2020; and Rate Regulations (Resolution No. CREE-148).

³⁸ Article 22 of Decree No. 404-2013; Article 5 of Resolution No. CREE-016; CREE. Viewed at: <https://www.cree.gob.hn/historico-de-informes/>; and SEN (2020), *Informe Estadístico Anual del Subsector Eléctrico 2019*. Viewed at: https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=ODQ1NzYwODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==.

³⁹ Information provided by the authorities; and Decision No. CREE-38-2022.

⁴⁰ Decree No. 100-2021 and SEFIN Decision No. 260-2021.

4.29. Between 2018 and 2021, a discount (or "voucher") was granted to household consumers (with a monthly consumption of up to 300 kWh) and small commercial consumers (with a monthly consumption of up to 3,000 kWh), namely MSMEs.⁴¹ The Ministry of Finance (SEFIN) funded this assistance by transferring HNL 1,873.1 million through the SEN to the ENEE. In 2022, only household consumption of up to 150 kWh was subsidized through a cross-subsidy mechanism that had been banned in 2013 but was reintroduced.⁴² The State financed 60% of the subsidy, with commercial and industrial consumers, except small commercial consumers, financing the rest. In 2022, the amount of the cross-subsidy was HNL 1,211.6 million.⁴³ According to the authorities, this subsidy benefits 80% of consumers.

4.30. Electricity consumption in Honduras, which was 11,275.6 GWh in 2022, rose steadily during the period under review, except in 2020.⁴⁴ Honduras is a net importer of electricity, although imports typically cover a small percentage of demand (2% in 2021). Electricity is imported from Guatemala under the MER.⁴⁵ 85% of Honduran territory has access to electricity supply through the national interconnected system (SIN) in which the ENEE and private generators participate. In the rest of the country, electricity is produced and distributed via isolated systems operated by private companies, or via autonomous systems. 13% of households lack electricity supply.⁴⁶

4.31. Honduras' electricity matrix is relatively diversified, as multiple generation technologies are used (Chart 4.1). Thermal generation (fuel oil and diesel) is still the main technology used. However, tax incentives for plants using renewable sources have contributed to the development of renewable technologies.⁴⁷ In 2022, 62.6% of electricity was generated using all these technologies, compared to 48.6% in 2016. In terms of renewable sources, Honduras mainly uses hydropower, which can give rise to difficulties in the event of drought, as was the case in 2019, when thermal production had to be stepped up to meet demand. To reduce dependence on this type of energy, the use of photovoltaic and wind technologies, as well as biomass and geothermal energy, has been intensified.

⁴¹ Information provided by the authorities.

⁴² Article 18 of Decree No. 404-2013, as amended by Decree No. 2-2022.

⁴³ Information provided by the authorities.

⁴⁴ ODS (2020), *Planificación Operativa de Largo Plazo 2021-2023*. Information viewed at: https://www.ods.org.hn/pdf/2021/Plan_Generacion/Informe%20Planificaci%C3%B3n%20Operativa%20de%20Largo%20Plazo%202021%20-%202023.pdf; and information provided by the authorities.

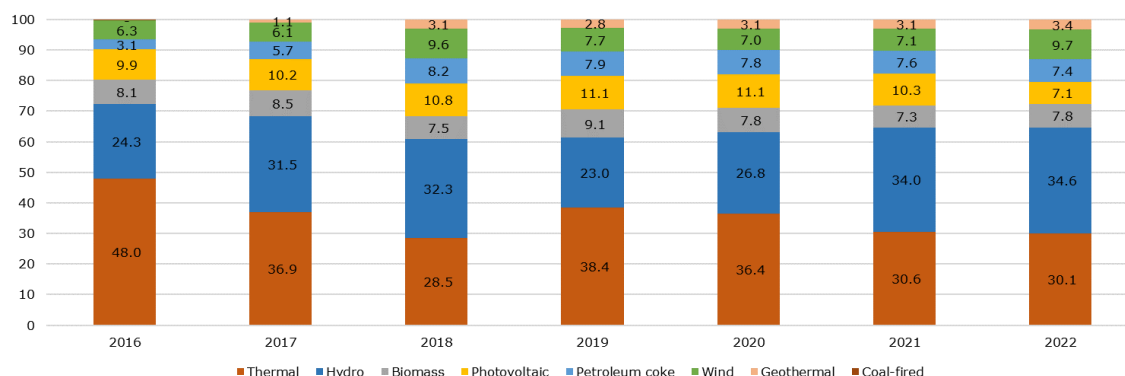
⁴⁵ SEN (2022), *Balance Energético 2021*. Viewed at: <https://sen.hn/wp-content/uploads/2022/09/Balance-Energetico-2021.pdf>; and SEN (2019), *Balance Energético 2018*. Viewed at: https://sen.hn/wp-content/uploads/2020/05/BEN2018_v3.pdf.

⁴⁶ SEN (2021), *Informe de Cobertura y Acceso a la Electricidad en Honduras*. Viewed at: <https://sen.hn/wp-content/uploads/2022/01/INFORME-DE-COBERTURA-Y-ACCESO-A-LA-ELECTRICIDAD-EN-HONDURAS-V-211221.pdf>.

⁴⁷ The incentives consist of exemption from tariffs and other charges on imports, as well as from income tax (Law on the Promotion of Electricity Generation from Renewable Resources (Decree No. 70-2007), as amended by Decrees Nos. 138-2013 and 19-2020).

Chart 4.1 Electricity generation by type of technology, 2016–2022

(%)



Note: In 2016, coal-fired technology produced 0.3% of electricity; there was no geothermal production.

Source: Information provided by the authorities.

4.3 Manufacturing

4.32. The manufacturing sector's share of the Honduran economy remains significant. Between 2016 and 2022, it accounted for 16.6% of GDP on average (Table 4.4). The sector remains a major employer, with 600,000 workers in 2022, or 15.3% of the economically active population (EAP). Women make up 49.4% of the labour force. The goods-for-processing or *maquila* industry, operating under free trade zone rules, known as the Free Zone (ZOLI) and/or *maquila* regime, continues to be an important component of the sector. On average, between 2016 and 2022, the *maquila* sector generated 37.4% of manufacturing GDP, and in 2022 it employed 35.3% of the sector's workers.⁴⁸

4.33. In 2022, the value of manufacturing output was USD 20,840 million, 38.2% of which was generated by the *maquila* industry (Table 4.4). In Honduras, the main manufacturing industries are food; beverages and tobacco, mainly to supply the domestic market; and textiles, leather and footwear (Table 4.4). The vast majority of textile and footwear goods are manufactured by *maquila* companies and are Honduras' most important export product (Section 1.3.1).⁴⁹ In addition, *maquila* companies manufacture automobile electrical systems and parts.⁵⁰

4.34. Tariff protection granted to the manufacturing sector (WTO definition of non-agricultural products) did not change between 2015 and 2022. The average applied MFN tariff was 5.1%. In 2022, the manufacturing products that still had the highest average tariff protection, which also did not change substantially, were fish and fish products (11.7%; 11.6% in 2015), clothing (14.8%, unchanged) and textiles (8.1%, unchanged) (Table A3.1).

4.35. In 2022, applied tariffs in the sector ranged from 0% to 15%, while bound tariffs ranged from 0% to 55%. The products with the consolidated rate of 55% are leather, rubber, footwear and travel articles (Table A3.1). In the context of this review, the Secretariat identified some manufactured products (four tariff lines) for which applied tariffs exceed bound tariffs (Section 3.1.3.1).

Table 4.4 Main manufacturing sector indicators, 2016–2022

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
Share of GDP (% at current prices)	17.1	17.1	16.9	16.4	16.0	16.4	16.0
Real growth rate (% at 2000 prices)	3.0	3.9	3.9	2.0	-14.0	19.4	6.0
Share in manufacturing gross value added (GVA) (%)							
Food, beverages and tobacco	49.3	51.2	50.5	49.9	53.3	49.5	48.9
Manufacture of textile products, leather and footwear	23.5	21.4	22.0	22.9	18.3	21.0	22.0

⁴⁸ BCH (2021), *Industria de Bienes para Transformación y Actividades Conexas*. Viewed at: <https://www.bch.hn/estadisticas-y-publicaciones-economicas/sector-real/informes-y-publicaciones/industria-de-bienes-para-transformacion-y-actividades-conexas>; and information provided by the authorities.

⁴⁹ BCH (2021), *Industria de Bienes para Transformación y Actividades Conexas*.

⁵⁰ BCH (2021), *Industria de Bienes para Transformación y Actividades Conexas*.

	2016	2017	2018	2019	2020 ^a	2021 ^a	2022 ^a
Other	27.2	27.4	27.5	27.2	28.4	29.5	29.1
Employment (% of total employment)	14.8	13.6	13.4	13.5	16.2	15.2	15.3
Total manufacturing output (in USD million) ^b	13,900	14,926	15,580	15,785	13,886	18,111	20,840
Goods-for-processing industry (% of manufacturing output) ^b	39.3	36.9	37.5	39.3	33.4	37.4	38.2
Trade (manufacturing sector according to WTO definition)							
Exports							
Values (USD million)	5,410	5,550	5,800	6,094	4,913	6,991	8,159
Share of total exports (%)	68.3	64.4	67.4	69.6	64.2	68.7	67.2
Growth rate (%)	-5.0	2.6	4.5	5.1	-19.4	42.3	16.7
Top five products, by HS chapter (% of manufacturing total)							
61. Articles of apparel and clothing accessories, knitted or crocheted	41.0	41.4	47.8	47.7	38.8	42.8	45.5
85. Electrical machinery and equipment; sound and image recorders and reproducers	11.4	10.8	10.6	10.5	11.9	12.7	13.9
62. Articles of apparel and clothing accessories, not knitted or crocheted	13.6	12.6	9.1	10.4	9.9	9.4	9.1
03. Fish and crustaceans, molluscs and other aquatic invertebrates	6.1	6.2	5.9	5.9	7.8	5.9	5.3
39. Plastics and articles thereof	1.6	1.9	2.0	1.9	2.1	2.3	2.5
Imports							
Values (USD million)	8,713	9,440	10,225	9,874	8,324	12,292	13,871
Share of total imports (%)	75.9	76.1	74.9	74.3	74.2	74.2	71.0
Growth rate (%)	-5.6	8.3	8.3	-3.4	-15.7	47.7	12.8
Top five products, by HS chapter (% of manufacturing total)							
84. Nuclear reactors, boilers, machinery and mechanical appliances	9.4	9.7	10.1	9.8	9.0	9.8	10.0
55. Man-made staple fibres	10.9	10.0	8.7	9.4	8.6	8.1	9.1
85. Electrical machinery and equipment; sound and image recorders and reproducers	11.7	11.5	11.7	11.4	11.6	11.4	9.0
39. Plastics and articles thereof	6.0	5.8	5.9	5.9	6.7	7.0	6.9
52. Cotton	3.7	4.7	4.6	5.3	3.1	4.3	6.3
Trade in goods for processing (maquila)							
Exports							
Values (USD million)	4,019	4,079	4,277	4,522	3,392	4,976	6,031
Growth rate (%)	-5.1	1.5	4.9	5.7	-25.0	46.7	21.2
Top five products, by HS chapter (% of manufacturing-for-processing total)							
61. Articles of apparel and clothing accessories, knitted or crocheted	55.1	56.3	64.7	64.1	55.9	60.0	61.3
85. Electrical machinery and equipment; sound and image recorders and reproducers	14.7	14.4	14.2	13.8	16.9	17.6	18.6
62. Articles of apparel and clothing accessories, not knitted or crocheted	18.3	17.1	12.2	13.8	14.2	13.1	12.2
60. Knitted or crocheted fabrics	2.7	3.0	2.6	3.1	3.3	2.8	2.4
54. Man-made filaments	1.0	1.2	0.9	1.1	1.5	1.5	1.5
Imports							
Values (USD million)	2,565	2,719	2,913	2,933	2,245	3,305	4,240
Growth rate (%)	-4.4	6.0	7.2	0.7	-23.5	47.2	28.3
Top five products, by HS chapter (% of manufacturing-for-processing total)							
55. Man-made staple fibres	36.2	34.2	30.0	31.0	31.3	29.8	29.3
52. Cotton	12.0	16.0	15.6	17.3	11.1	15.4	20.1
61. Articles of apparel and clothing accessories, knitted or crocheted	7.4	9.3	11.1	13.2	12.8	14.2	16.2
85. Electrical machinery and equipment; sound and image recorders and reproducers	12.6	11.6	13.6	11.9	16.3	14.8	12.2
60. Knitted or crocheted fabrics	7.4	7.2	7.0	8.1	6.8	6.0	5.0

a Preliminary figures.

b Figures as of November 2022.

Source: Central Bank of Honduras, and data provided by the authorities.

4.4 Services

4.4.1 Financial services

4.36. The National Banking and Insurance Commission (CNBS), established by Article 245.31 of the Constitution of the Republic, is responsible for supervising banks and insurance companies, stock exchanges and other financial institutions in Honduras.⁵¹ The CNBS is a decentralized entity attached

⁵¹ Pursuant to Decree No. 155-95 (the Law on the National Banking and Insurance Commission), the CNBS supervises, monitors and controls, through supervisory authorities (see below), public and private

to the Office of the President of the Republic, with operational and budgetary independence and broad administrative powers. It oversees financial, insurance, social security, securities and other activities related to the handling, use and investment of resources deposited by the public, as well as other financial institutions, and ensures that supervised institutions have systems for the prevention of money laundering and the financing of terrorism.⁵² The Central Bank of Honduras (BCH) monitors and controls the banking operations it carries out.

4.37. The CNBS consists of three supervisory authorities, each of which is responsible for a specific financial area: banks and other financial institutions, insurance, and pensions and securities.⁵³ The CNBS is authorized to determine the prudential rules, particularly the solvency ratio, and may order the compulsory liquidation of a bank whose solvency ratio is less than 60% of the level required.

4.38. At the end of 2022, the national financial system (SFN) under CNBS supervision comprised 83 entities: 15 commercial banks, of which 9 were foreign-owned; 9 finance companies; 3 state-owned banks, including the BCH; 1 representative office of a foreign bank; 13 insurers; 7 brokerages; 5 public pension funds; 5 private financial development organizations (OPDFs); 4 private pension funds; 4 general bonded warehouses; 4 risk rating companies; 3 remittance companies; 2 credit card processors; 2 foreign exchange bureaus; 2 private risk centres; 1 stock market; 1 mutual guarantee fund manager; 1 payment services institution; and 1 institution classified as other financial institution.⁵⁴ SFN financial assets totalled HNL 749,890,707.6 million at the close of 2022 (approximately USD 30,733 million, or 108% of estimated GDP for 2022), of which 76.3% was in local currency and 23.7% in foreign currency.⁵⁵

4.39. The Law on the Financial System (Decree No. 129-2004) of 21 September 2004 continues to govern and regulate the Honduran financial system. This law was amended three times during the period under review. The most significant and extensive amendment of the Law on the Financial System was introduced by Legislative Decree No. 160-2016, which amended some 30 articles and made changes to the titles and chapters of this law. The main amendment was the addition of new articles, which are outlined in Table 4.5.

Table 4.5 Main amendments to the Law on the Financial System introduced by Decree No. 160-2016

Banking Resolution	
Name	Article
(1) Principles	115-A
(2) Grounds	115-B
(3) Authority in Charge of the Resolution Process	115-C
(4) Suspension of Payments and Terms of an Entity Under Liquidation	115-D
(5) Information Sharing and Cooperation	115-E

banking institutions, insurers, reinsurers, finance companies, savings and loan associations, general bonded warehouses, stock exchanges, brokerages, foreign exchange bureaus, pension and retirement funds, and any other entities that perform similar functions. These entities are referred to as supervised institutions.

⁵² Article 1 of Decree No. 155-95 (the Law on the National Banking and Insurance Commission, which organizes CNBS activities) stipulates that the CNBS must enforce the laws regulating financial activities, provided that such activities are developed pursuant to Honduran laws and in the public interest and that their development is in keeping with the economic function of each one. It also provides that the rights of users of services offered by supervised institutions, preferably those of savers, depositors, insured and investors, must be respected, that supervised institutions must have sufficient equity to safeguard their solvency, that the supervision must promote financial system stability, as a complement to the work of the BCH, that the shareholders, directors and officials of supervised institutions must meet the moral integrity and good repute requirements for proper performance, that regulatory frameworks must promote free competition, equity of participation, the efficiency of supervised institutions and the protection of creditors' rights, and that the adoption of good practices in the administration of risks inherent in the activities carried out by supervised institutions must be promoted.

⁵³ Information from the CNBS. Viewed at: <https://www.cnbs.gob.hn/acerca-de-la-cnbs/>.

⁵⁴ Refers to the Private Contributions Regime (RAP), an institution that manages second-tier bank and pension funds. The list of institutions can be viewed at: <https://www.cnbs.gob.hn/sitios-relacionados-enlaces-de-interes/>.

⁵⁵ Information from the CNBS. Viewed at: <https://publicaciones.cnbs.gob.hn/boletines/layouts/15/xlviewer.aspx?id=/boletines/Estados%20Financieros%20NIIF%20a%20partir%20de%20enero%202017/Estados%20Financieros.xlsx&Source=https%3A%2F%2Fpublicaciones.per.cent2Ecnbs.per.cent2Egob.per.cent2Ehn%2Fboletines%2FPaginas%2FEstados-Financieros-NIIF-%2528a-partir-de-e.>

(6) Preservation of Critical Services by Companies Belonging to the Group of the Entity Under Liquidation	115-F
Official Administration of the Resolution	
Name	Article
(1) Objectives	115-G
(2) Appointment of the Administrator	115-H
(3) Administrator's Powers and Duties	115-I
(4) Inventory of Assets and Liabilities and Action Plan	115-J
(5) Termination of the Resolution	115-K
Resolution Measures	
Name	Article
(1) Types of Measures	115-L
(2) Recapitalization	115-M
(3) Mergers and Acquisitions	115-N
(4) Transfers of Institutions' Assets and Liabilities	115-Ñ
(5) Bridge Bank	115-O
(6) Asset Manager	115-P
(7) Resolution of Foreign-Owned Institutions	115-Q
(8) Financing of Resolution Measures	115-R
(9) Equitable Treatment of Creditors of an Institution Under Resolution	115-S
(10) Amparo Actions	115-T
(11) Liability Regime	115-U
Resolution Unit	
Name	Article
(1) Creation	115-V
(2) Structure	115-W
(3) Functions	115-X
Preventive Recovery and Resolution Plans	
Name	Article
(1) Recovery and Resolution	115-Y

Source: Information provided by the authorities.

4.40. In addition, Article 180-A of Decree No. 160-2016 creates the Financial Stability Council, an inter-institutional body established by the BCH, the CNBS, the Deposit Insurance Fund and the Ministry of Finance. The Council's main objective is to preserve and maintain the stability and normal functioning of the financial system.

4.41. The second amendment was less extensive and was implemented through Decree No. 054-2019 (the Law on the Reorganization of Bodies Driving Economic Development, Job Creation, Administrative Facilitation and Promotion of the Country between the Government of the Republic and the Private Sector). Under this law, amendments were made to permit financial institutions to operate in the so-called Financial Centres promoted by Employment and Economic Development Zones (ZEDEs). This law also allowed these Financial Centres to establish their own legal frameworks, with regulations as or more demanding than those issued by the CNBS (amendment to Article 17-A of the Law on the Financial System). In addition, exposure limits on credit or investment operations in projects of national interest (reform of Article 48 of the Law on the Financial System) were eliminated and changes were introduced to the calculation criteria for credit with parties directly related to ZEDE-promoted Financial Centres (amendment to Article 63-a).

4.42. The third amendment was introduced by Decree No. 32-2022. Through this decree, the amendments relating to the ZEDEs contained in Decree No. 054-2019 were repealed. Article 1 of Decree No. 32-2022 repeals the Law that originally shaped the ZEDEs, whereas Article 2 stipulates that any regulatory framework on the promotion and support of ZEDEs in the country lacks legal validity. The authorities specified that Decree No. 32-2022 should be ratified in a second legislative session.

4.43. The CNBS is responsible for authorizing the establishment of financial institutions. The formal application must include: the name, nationality and domicile of each participant; a draft public deed of incorporation and articles of association; the financial and administrative structure; the proposed technical plans and operations of the envisaged institution; an economic and financial study demonstrating the viability of the new institution; the certificate of deposit or custody showing that at least 10% of the minimum capital of the envisaged institution has been deposited with the Central Bank or invested in government securities; and the source of funds to be used in the disbursement of the minimum capital required. The capital deposited with the Central Bank must remain in the country permanently. For foreign-owned banks, certification is required from the supervisory body

of the place of origin of the applicant institution, as well as the place in which the parent company or ultimate controller is located, and information must be provided on the good governance and management of the applicant institution, unrestricted compliance with the prudential rules of the aforementioned place of origin and the absence of mutual restrictions on consolidated supervision.

4.4.1.1 Banking services

4.44. The 2004 Law on the Financial System and amendments thereto govern banking activity in Honduras. The banking system's regulatory bodies are the CNBS, through the Supervisory Authority for Banks, Finance Companies, and Savings and Loan Associations, and the BCH.

4.45. In 2022, the following entities were operating in Honduras: 15 commercial banks, of which 9 were foreign-owned; 2 state-owned banks aside from the BCH, namely the National Agricultural Development Bank (BANADESA) and the Honduran Production and Housing Bank (BAHPROVI); and 1 representative office of a foreign bank. In 2022, commercial banks managed around 96.2% of total SFN assets, with 55.8% concentrated in domestic banks and 44.2% in foreign-owned banks. Since 2010, the banking market has been characterized by a high level of concentration. In 2014, the six biggest commercial banks handled 79.3% of assets, 79.1% of the loan portfolio and 81.2% of deposits.⁵⁶ Commercial banks continue to dominate the financial system and, at the end of 2022, held a 96.3% share of total assets. The six domestic banks held 55.8% of assets, whereas foreign-owned banks held a 44.2% share of total assets. The system's five biggest banks in terms of asset size held a 75.7% share of the banking system's total assets. The total assets of commercial banks amounted to HNL 778,702 million in December 2022 (Table 4.6). The loan portfolio was still the most significant asset, with a 64.2% share of total assets in the case of commercial banks and 85.7% in the case of state-owned banks, followed by investments (16.4%) and liquid assets (15.4%). Funds deposited by the public amounted to HNL 530,345 million in 2022, representing 82% of total liabilities.

Table 4.6 Assets of major banks and non-banking institutions

	% of total assets		% of total loans	
	2016	2022	2016	2022
Commercial banks	91.7	96.3	86.0	90.3
Banco de Honduras, S.A.	0.88	0.86	0.34	0.13
Banco Atlántida, S.A.	15.60	18.37	16.08	20.28
Banco de Occidente, S.A.	13.21	14.97	8.65	10.64
Banco de los Trabajadores, S.A.	1.47	1.21	1.72	1.25
Banco Financiera Centroamericana, S.A.	2.28	1.92	2.26	1.92
Banco Hondureño del Café, S.A.	1.03	0.69	0.79	0.35
Banco del País, S.A.	9.02	9.94	10.11	10.38
Banco Financiera Comercial Hondureña, S.A.	18.98	18.60	18.33	17.40
Banco Lafise (Honduras), Sociedad Anónima	3.40	2.78	3.01	2.68
Banco Davivienda Honduras, Sociedad Anónima	5.99	5.80	6.11	6.46
Banco Promerica, S.A.	2.93	2.23	2.67	2.09
Banco de Desarrollo Rural Honduras, S.A.	2.83	2.52	3.61	2.69
Banco Azteca de Honduras, S.A.	0.96	0.70	0.48	0.42
Banco Popular, S.A.	0.31	0.54	0.37	0.72
Banco de América Central Honduras, S.A.	12.81	15.16	11.49	12.88
State-owned banks	6.2	1.7	11.7	7.4
Central Bank of Honduras	..	..	..	..
National Agricultural Development Bank	..	..	..	..
Honduran Production and Housing Bank	6.2	1.7	11.7	7.40
Finance companies	2.1	2.0	2.3	2.3
Financiera Codimersa, S.A.	0.05	0.07	0.07	0.09
Leasing Atlántida, S.A.	0.30	0.38	0.04	0.12
Financiera Credi Q, S.A.	0.57	0.51	0.76	0.69
Financiera Solidaria, S.A.	0.22	0.17	0.27	0.23
Corporación Financiera Internacional, S.A.	0.12	0.16	0.16	0.23
Compañía Financiera, S.A.	0.31	0.40	0.41	0.54
Financiera Insular, S.A.	0.03	0.03	0.02	0.01

⁵⁶ CNBS (2015), *Memorias 2014*. Viewed at: http://www.cnbs.gob.hn/files/memoria/Memoria_2014.pdf; and Central American Monetary Council (2015), *Informe del Sistema Bancario de Centroamérica, República Dominicana y Panamá 2014*. Viewed at: <http://www.secmca.org/INFORMES/11%20EFR/EF2014.pdf>.

	% of total assets		% of total loans	
	2016	2022	2016	2022
Financiera Finca Honduras, S.A.	0.12	0.07	0.15	0.10
Organización de Desarrollo Empresarial Femenino Financiera, S.A.	0.34	0.20	0.45	0.30

.. Not available.

Source: Information provided by the authorities.

4.46. Pursuant to Article 46 of the Law on the Financial System, banking entities are authorized to: receive demand, savings and fixed-term deposits in local or foreign currency; grant loans in local or foreign currency; issue capitalization and savings and loan securities for family housing; purchase securities in local or foreign currency, except those issued by the same bank; issue general, commercial and mortgage bonds as well as mortgage certificates at fixed or variable interest rates, in local or foreign currency; accept and discount time bills of exchange from operations related to the production of or trade in goods or services; conduct factoring operations; accept and manage trusts; maintain assets and liabilities in foreign currency; and conduct foreign exchange trading, among other operations.

4.47. Savings and loan associations (Article 58 of the Law on the Financial System) are authorized to receive savings and fixed-term deposits in local or foreign currency and grant loans for the study, design, construction, purchase, expansion, repair, improvement and conversion of housing or for the removal of liens stemming from the acquisition of housing, as well as loans for urban improvement, the development of land to be used for home construction, the purchase of land and the financing of other housing-related needs. They may also: lend to their depositors for non-housing purposes up to 50% of the loan portfolio; carry out foreign exchange trading operations, subject to prior authorization by the Central Bank; purchase mortgage loans; invest in securities issued or guaranteed by other institutions in the country's financial system up to 20% of the capital and capital reserves; issue mortgage bonds or certificates and savings and loan securities for family housing and capitalization; and manage trusts related to the development of housing programmes, among others. Finance companies (Article 60 of the Law on the Financial System) may: grant all types of loans and make investments in local and foreign currency; receive deposits in savings and term accounts in local and foreign currency for periods longer than 30 days; and issue securities and stock market bonds in accordance with this law.

4.48. Finance companies are supervised by the CNBS and are regulated by the Law Regulating Private Development Institutions Engaging in Financial Activities (Decree No. 229-2000 and its implementing regulations). Pursuant to these regulations, these institutions may grant loans in local or foreign currency, backed by a mortgage, collateral or assets.

4.49. Under the Law on Financial System Institutions (Article 78), financial groups are defined as those consisting of one or more financial system institutions. They may also be composed of one or more of the following: foreign exchange bureaus, general bonded warehouses, insurance or reinsurance companies, credit card issuers and/or managers, lessors, brokerages, centralized custody depositories, securities clearing and settlement systems, pension fund managers, remittance companies, mutual fund management companies, companies dedicated to discounting documents, and other institutions with similar financial activities and purposes. Financial groups are regulated by the CNBS.

4.50. The legislation authorizes the commercial presence of foreign banks through legally established branches and representative offices, subject to the reciprocity principle. Branches must have two legal representatives permanently domiciled in Honduras. The CNBS resolution authorizing the operation of a financial institution must be recorded in the Business Register. Applications for authorization require security equivalent to 10% of the fixed capital it is planned to invest to be deposited in the BCH or invested in government securities. In the case of commercial banks, the CNBS authorization is subject to the favourable opinion of the BCH based on an economic needs test. In 2022, the CNBS issued draft amendments to the Regulations on Minimum Requirements for the Establishment of Supervised Institutions, which aim to establish the minimum procedures and requirements to be followed and met for an authorization, opinion or decision on applications to form

and establish any of the institutions supervised by the CNBS.⁵⁷ In January 2023, the CNBS issued new Regulations on Minimum Requirements for the Establishment of Supervised Institutions.⁵⁸

4.51. Commercial banks, both Honduran and foreign, must be set up as a closed-end public limited company. Their establishment is subject to a minimum fixed capital payment prior to the start of operations. Foreign institutions must invest their fixed capital in Honduras. The CNBS must update this amount every two years, but the period may be reduced if the macroeconomic situation so requires, subject to the prior opinion of the BCH.⁵⁹ In 2018, subject to the favourable opinion of the BCH, the CNBS increased the minimum amount required for commercial banks from HNL 500 million, established in 2016⁶⁰, to HNL 600 million and gave already established banks a period of up to two years in which to comply with the new threshold.⁶¹ The CNBS has not updated the minimum capital amount since then.

4.52. Commercial banks, both Honduran and foreign, may open (and/or close) branches, agencies and other types of institutions for offering financial services, provided that they inform the CNBS. The Commission may limit or prohibit the opening of branches or agencies for lack of capital or reserves. The law regulates mergers and acquisitions between commercial banks. Under Article 11 of the Law on the Defence and Promotion of Competition, any document, contract, agreement or convention concluded between independent economic operators, aimed at merging, acquiring, consolidating, integrating or combining a business, must be previously approved by the Commission for the Defence and Promotion of Competition (CDPC). The investigation may be initiated *ex officio* or at the request of a party. The CDPC has 45 working days to approve, reject or place conditions on an application based on the results of the technical, legal and economic analysis of the effects the operation may have on competition. If the application is approved, the CDPC submits it to the BCH. If the BCH expresses a favourable opinion, the application is forwarded to the CNBS, which authorizes the merger. The share transfer requires the authorization of the CNBS if it presupposes a change of control in the institution or if a single shareholder acquires an amount equal to or greater than 10% of the registered capital.

4.53. Pursuant to the Law on the Financial System, banks are required to notify the CNBS if they make investments amounting to 5% or more of their registered capital. Moreover, some investments must be kept within certain limits. Banks may not grant loans for the purpose of enabling the borrower to pay, in whole or in part, the price of the shares of the lending institution itself or to grant loans secured by the shares of the bank itself. In addition, they may not provide guarantees or incur obligations for unspecified amounts or invest in shares exceeding 25% of the issuer's registered capital or 20% of their own capital and reserves. Loans granted to persons domiciled abroad must be approved by the BCH, except for credits granted to Honduran citizens for the acquisition of land or the construction, purchase or improvement of housing in Honduras.⁶² A bank may also not grant loans for more than 30% of its capital to related parties⁶³, nor may it invest more than 40% of its capital and capital reserves in furnishings, equipment and real estate outside the national territory without prior authorization.

4.54. The COVID-19 pandemic affected banking in Honduras. According to the authorities, the impact of the pandemic on the banking system was especially felt in operational aspects and technological adaptation. The pandemic led to reduced credit growth and redirected growth in banking activity mainly to high-liquidity assets such as investments in securities and cash and cash equivalents. Liquidity in the banking system increased due to a higher accumulation of deposits, which grew at a rate of 15.1% in 2020, with savings and demand deposits showing the greatest

⁵⁷ CNBS, *Proyecto de Reformas al Reglamento de Requisitos Mínimos para el Establecimiento de Instituciones Supervisadas*. Viewed at: <https://www.cnbs.gob.hn/proyectos-de-normativa/>.

⁵⁸ CNBS Circular No. 002/2023 of 10 January 2023. Viewed at: <https://circulares.cnbs.gob.hn/Archivo/Viewer/2529/C002-2023.pdf>.

⁵⁹ Articles 5 and 36 of Decree No. 129-2004, CNBS Circular No.080/2013 of 3 May 2013.

⁶⁰ Pursuant to Resolution GE No. 734/14-09-2016 issued on 14 September 2016, the CNBS set the minimum capital amount at HNL 500 million for banks, HNL 100 million for savings and loan associations, and HNL 70 million for finance companies, as well as for any other financial system institutions.

⁶¹ CNBS Circular No. 027/2018. Resolution GES No. 1035/03-12/2018 of 4 December 2018. Viewed at: <https://circulares.cnbs.gob.hn/Archivo/Viewer/105/027-2018%20f.pdf>. The minimum requirements were also increased for savings and loan associations (from HNL 100 million to HNL 120 million) and for finance companies and other financial intermediation institutions (from HNL 70 million to HNL 85 million).

⁶² Articles 47 and 48 of Decree No. 129-2004.

⁶³ Article 63 of Decree No. 129-2004.

momentum. Another major impact of the COVID-19 pandemic on the banking system, according to the authorities, was noted in profitability levels owing to slower credit growth, an increase in deposits and higher spending on the establishment of credit reserves. At the end of 2020, profitability was down 35.3% compared to 2019.

4.55. The authorities responded to the situation created by the pandemic with a series of measures aimed mainly at protecting users. Resolution GES No. 175/21-03-2020 contains temporary financial measures that: (a) enable institutions supervised by the CNBS that carry out credit operations to give grace periods (until 30 June 2020) to debtors whose cash flows decreased as a result of the measures taken to combat the virus. The services sector, tourism- and transport-related activities, including hotels, motels and the like, the construction of hotels and similar buildings, restaurants, cafés and the like, land, air and maritime transport, the agricultural sector, *maquila* and MSMEs are considered to be affected; (b) offer the possibility of applying these relief mechanisms to consumer and housing credit obligations of natural persons who can prove that they did not receive sufficient resources, either through wages or other sources of income from their economic activity, in order to enable them to fulfil their obligations; (c) prohibit supervised institutions from charging debtors fees, late interest, administrative costs or other charges associated with relief operations; and (d) allow for the maintenance, until October 2020, of the risk category of credit operations of affected debtors availing themselves of temporary relief mechanisms. In July 2020, the relief mechanisms were extended until 31 December 2020 by Resolution GES No. 278/25-06-2020, which also established a deadline of 31 December 2020 for formalizing refinancing or readjustment of the credit obligations of debtors covered by relief mechanisms.

4.56. In December 2022, loans and interest granted by commercial banks amounted to HNL 461,107 million, while total loans amounted to HNL 483,334 million.⁶⁴ Financial spreads continued to be relatively high. In the third quarter of 2022, the weighted average lending rate (in local currency) was 14.7%, while the weighted average deposit rate was 4.2%, a spread of 10.5% (Section 1).

4.57. Profitability indicators deteriorated considerably during the pandemic, but have since recovered. In December 2022, the return on assets (ROA) of commercial banks was 1.31%, compared to 0.71% in December 2020, but less than the 1.9% observed during the previous review (2014). The pandemic led to an accumulation of deposits and put a brake on credit, a situation that has been gradually corrected. The return on equity (ROE) was 15.07%, compared to 7.7% in December 2020, but was below the 16.8% recorded in 2014. With respect to the accumulation of deposits, the commercial banking system had a liquidity ratio of 39.3% (cash and cash equivalents and liquid investments as well as deposits from the public) in 2022, compared to 20% during the previous review, but below the 47.2% noted in December 2020, which far exceeds the existing prudential requirements.

4.58. Commercial banks complied with the capital adequacy ratio (CAR) during the entire period under review. The banking system's CAR was not very volatile during that period. The monthly average of that indicator was 13.75% between 2015 and the end of 2021. Despite the situation brought about by the pandemic, the banking system maintained a CAR of 14.19% in December 2020, higher than that required by the regulator and above the ratio recorded at the close of 2019 (13.69%); the CAR was 14.09% and 13.53% in December 2021 and December 2022, respectively. At that date, all banks had indicators above the required minimum (10%).

4.59. The number of non-performing loans increased during the pandemic, but the measures implemented by the authorities kept the increase from becoming substantial, and the situation improved significantly during the review period. This increase was accompanied by a ratio of credit

⁶⁴ Information from the CNBS. Viewed at:

https://publicaciones.cnbs.gob.hn/boletines/_layouts/15/xlviewer.aspx?id=/boletines/Estados%20Financieros%20NIIF%20a%20partir%20de%20enero%202017/Estados%20Financieros.xlsx&Source=https%3A%2F%2Fpublicaciones.per.cent2Ecnbs.per.cent2Egob.per.cent2Ehn%2Fboletines%2FPaginas%2FEstados.per.cent2DFinancieros.per.cent2DNIIF.per.cent2D%2528a.per.cent2Dpartir.per.cent2Dde.per.cent2Denero.per.cent2D2017%2529.per.cent2Easpx.

reserves to the non-performing loan portfolio (coverage ratio) of 125.67%. The non-performing loan ratio, which was 3.82% in December 2020, fell to 3.26% in December 2022.⁶⁵

4.60. Where prudential rules are concerned, the CNBS makes use of the Basel principles. Since 2020, the CNBS has applied the comprehensive risk based supervisory (RBS) framework.⁶⁶ The framework is designed to assist the CNBS in fulfilling its objectives, as set forth in the Constitution of the Republic and the Law on the National Banking and Insurance Commission. The framework describes the principles, concepts and core process that the CNBS uses to guide the monitoring and identification of real and potential risks that may affect supervised institutions. The methodology for determining the risk profile (composite risk) of supervised institutions focuses on the analysis of significant activities, for which several factors are identified and assessed, namely the inherent risks to which they are exposed according to their business models, the quality of the comprehensive risk management carried out, and the quality and adequacy of the financial resources used to address the net risk assumed by the supervised institution. The methodology takes into account relevant international best practices and principles established by supervisory bodies, such as the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the Organisation for Economic Co-operation and Development (OECD) and the International Organisation of Pension Supervisors (IOPS). To this end, supervised institutions must maintain organizational structures and control practices appropriate to their particular circumstances.⁶⁷

4.61. Since its last review in 2016, the CNBS has made progress in implementing the Basel principles and has taken steps to implement the three Basel II and III pillars. According to the authorities, the CNBS has gradually moved forward in adopting Basel's international supervisory standards. The main results are shown in Box 4.2, in addition to the pending reforms.

Box 4.2 Main developments in the implementation of the Basel principles, 2016-2022

Since the last Honduran review in 2016, the CNBS has made the following progress in implementing the Basel principles:

Pillar I (capital, risk coverage and leverage restrictions)

Capital:

Resolution GES No. 920/19-10-2018 approved reforms to the capital adequacy standards and incorporated the capital conservation coverage and leverage ratio, as follows:

- **Capital conservation coverage:** a 2.5% ratio (the same as Basel) was established in addition to the required capital adequacy ratio. It was stipulated that this ratio should be gradually completed, reaching 2.5% by the end of 2023.
- **Leverage ratio:** A required 4% leverage ratio was established for all supervised financial institutions.

The authorities have indicated that the pending reforms include establishing a countercyclical buffer between 0% and 2.5%, consisting of ordinary capital, to be implemented where credit growth is considered to cause systemic risk; and revising the methods used to estimate capital requirement percentages for risk-weighted assets to calculate credit, market, operational and credit valuation adjustment risks, as well as additional capital charges to institutions of systemic importance.

Liquidity:

A new liquidity regulation was approved through Resolution GES No. 593/06-07-2018, later amended by Resolution GES No. 540/24-06-2019. The concept of liquidity coverage ratio (LCR) was adopted. It was established that the LCR may not be less than 100% and that it must be calculated and fulfilled in local and foreign currency, and on a combined basis. This percentage is to be reached gradually. Committees on Assets and Liabilities (CAPA), Risk Management Committees and a Liquidity Risk Management (LRM) System were also created.

The net stable funding ratio (NSFR), a long-term structural indicator designed to alleviate liquidity mismatches, has yet to be implemented.

⁶⁵ Through Resolution GES No. 654/22-12-2020, the CNBS decided to temporarily change how the default coverage indicator was calculated as of December 2020 by incorporating the concept of a credit portfolio at risk.

⁶⁶ Circular CNBS No. 48/2020. Information from the CNBS. Viewed at: <https://www.cnbs.gob.hn/marco-integral-de-supervision-basada-en-riesgos-misbr/>.

⁶⁷ Information from the CNBS. Viewed at: <https://www.cnbs.gob.hn/marco-integral-de-supervision-basada-en-riesgos-misbr/>.

Pillar II (risk management and supervision):

Resolution GES No. 662/29-12-2020 approves the comprehensive risk based supervisory (RBS) framework, which provides for dynamic and prospective risk monitoring, with an emphasis on understanding and anticipating the risks faced by supervised institutions and sectors.

Pillar III (market discipline):

The Rules for Strengthening Transparency, Financial Culture and Financial User Support were established, as was a supplementary rule thereto. The CNBS also developed a series of tools and programmes aimed at improving information asymmetries between financial users and supervised entities and prepared an updated credit background report. It implemented the *Conoce y Compara* programme to compare the tariffs and costs of the main financial products offered by the financial system and published the costs and fees associated with credit operations.

Source: Information provided by the authorities.

4.62. Deposits in commercial banks are insured by the Deposit Insurance Fund (FOSEDE) up to the equivalent of USD 9,632.92 in lempiras. FOSEDE is a decentralized entity of the Office of the President of the Republic, attached to the BCH, that enjoys technical, administrative and budgetary independence. FOSEDE is a savings protection system. Its main function is to ensure the restitution of cash deposits made by the public in private banks, savings and loan associations, and duly authorized finance companies subject to compulsory liquidation. It began operating in June 2001, and its activities are defined and regulated mainly by the Law on Deposit Insurance in Financial System Institutions, contained in Decree-Law No. 53-2001, published in Official Journal No. 29.490 on 30 May 2001. The 2001 law was amended by Decrees Nos. 128-2002, 283-2002, 160-2003, 106-2004, 129-2004 and 89-2006.⁶⁸

4.63. In addition, Honduras has nine finance companies, which had HNL 17,343.3 million in assets as of 31 December 2022. Finance companies may perform the following operations: (1) grant all types of loans and make investments in local and foreign currency; (2) receive deposits in savings and term accounts in local and foreign currency for periods longer than 30 days; and (3) issue serial or non-serial securities. The credit granted by these nine organizations as of that date amounted to HNL 11,736.3 million.⁶⁹

4.64. The Law on the Financial System also regulates the activities of authorized financial groups, which are supervised by the CNBS. Under the Law on the Financial System, authorized financial groups are defined as those consisting of one or more financial system institutions. They may also consist of two or more legal persons engaged in activities of a financial nature, provided that: (i) at least one of them is an authorized financial system institution; and (ii) there is common control in matters of ownership, management, administration or use of corporate image or, if there are no such relationships, then under an agreement, they decide to maintain common control or act as a decision-making unit. Financial groups may also be composed of one or more of the following: foreign exchange bureaus, general bonded warehouses, insurance or reinsurance companies, credit card issuers and/or managers, lessors, brokerages, centralized custody depositories, securities clearing and settlement systems, pension fund managers, remittance companies, investment fund management companies, mutual fund management companies, companies dedicated to discounting documents, and other institutions with similar financial activities and purposes. At the end of 2022, seven authorized financial groups operated in Honduras, involving a total of 27 companies.⁷⁰ Each group was headed by a bank. As of December 2022, the seven financial groups had HNL 680,690.32 million in assets (USD 27,672.8 million) and HNL 599,550.49 million in liabilities (USD 24,374.2 million).

4.65. The CNBS supervises financial groups on an individual and consolidated basis. Corporations belonging to a financial group domiciled in the country or abroad are supervised with the aim of

⁶⁸ Information from FOSEDE. Viewed at: <https://fosedehn/cobertura-del-seguro/>.

⁶⁹ Information from the CNBS. Viewed at: https://publicaciones.cnbs.gob.hn/boletines/layouts/15/xlviewer.aspx?id=/boletines/Indicadores%20Financieros%20NIIF/Indicadores%20Financieros.xlsx&Source=https%3A%2F%2Fpublicaciones_per_cent2Ecnbs_per_cent2Egob_per_cent2Ehn%2Fboletines%2FPaginas%2FIndicadores_per_cent2DFinancieros_per_cent2DNIIF_per_cent2Easpx.

⁷⁰ Information from the CNBS. Viewed at: https://publicaciones.cnbs.gob.hn/boletines/layouts/15/xlviewer.aspx?id=/boletines/Grupos%20Financieros/1.%20Grupos%20Financieros%20-%20marzo%202022.xlsx&Source=https%3A%2F%2Fpublicaciones_per_cent2Ecnbs_per_cent2Egob_per_cent2Ehn%2Fboletines%2FPaginas%2FGrupos_per_cent2DFinancieros_per_cent2Easpx.

ensuring that the risks of all companies in the group are assessed and managed on an individual and consolidated basis. Investments between institutions belonging to the same financial group are deducted from the paid-up capital of the investment company in order to determine compliance with the capital requirements of each company in the financial group. The consolidated capital of the financial group must be at least equal to the sum of the capital requirements of the companies belonging to it. For the purpose of capital adequacy, investments between institutions belonging to the same financial group must not be considered.

4.66. The period under review was characterized by the development of financial technologies that created an electronic payment method with growing user demand, such as electronic wallets, which are instruments offered by fintech companies that are, in some cases, associated with financial institutions (Atlántida, Ficohsa, BAC Credomatic, Banpaís, Promérica, Azteca and Finsol). These institutions encourage the population to use digital money. To promote these transactions, the BCH amended the Regulations on Payment and Transfer Services Using Electronic Money and issued the Regulations for Services Offered by Entities Providing Electronic Payment Services.⁷¹ As of 30 June 2022, 13.1 million electronic wallet transactions had been performed, totalling HNL 10,659.7 million.⁷²

4.4.1.2 Insurance

4.67. The insurance market is open to both domestic and foreign private capital, and consists only of private companies established in Honduras. Insurance companies may offer personal insurance (life, health, disability), insurance against damage to property, or insurance of both types.⁷³ At the end of 2022, 12 insurance companies were in operation, two of them foreign-owned, five were mixed capital, and the remainder domestically owned.⁷⁴ There is one company that operates independently in two separate branches of insurance, and therefore publications on the insurance sector refer to 13 insurers. There are no local reinsurance companies.

4.68. Foreign investment in the insurance sector is considerable, as illustrated by the fact that two insurance companies are foreign-owned, five have mixed capital and the remainder are locally owned; in a similar vein, five of the companies belong to financial groups with significant domestic presence.

4.69. The insurance market remains highly concentrated. At December 2022, six insurers were managing 80.3% of assets and 81.4% of premiums. Net premiums in the Honduran insurance system amounted to HNL 13,999.9 million at December 2022, reflecting year-on-year growth of 8.64% compared to the end of 2021. The authorities indicated that the situation had recovered following the sharp deterioration during the fourth quarter of 2020, when performance was affected in the first instance by climatic challenges and subsequently by the steady rise in the payment of medical claims arising from the COVID-19 pandemic.

4.70. In 2021, 490,463 policies were issued – a year-on-year increase of 9.2%. The largest tranche of insurance policies falls within the damage insurance segment: at the end of 2021, they numbered 325,567 and accounted for 66.4% of all existing policies, an increase of 12.6% on 2020. Earnings from net premiums in this segment generated HNL 5,421.6 million for the insurance sector, a year-on-year increase of 9.2%. Damage insurance comprises two headings: (i) general insurance (fire/other similar risks and motor vehicles, worth HNL 4,187.6 million) and (ii) other general insurance, worth HNL 1,234.0 million. In all, 108,762 policies were issued for the various types of life insurance, accounting for 22.2% of all policies issued. The value of net premiums rose to HNL 4,529.0 million, representing year-on-year growth of 14.0%. Where accident and health insurance is concerned, 44,898 policies were issued, or 9.2% of all existing policies.

⁷¹ Published in Official Journal No. 36.012 of 26 August 2022.

⁷² Viewed at: <https://www.bch.hn/estadisticos/EF/LIBINFORME/IEF%20Junio%202022.pdf>.

⁷³ Article 8 of Decree No. 22-2001.

⁷⁴ CNBS (2022), *Reporte del Perfil del Sistema Asegurador de Honduras Desarrollo y Competitividad del Sector Seguros*, April 2022. Viewed at: <https://analitica.cnbs.gob.hn/Home/Viewer/Publicaciones%20Estad%C3%ADsticas%20y%20Financieras%20Estudios%20e%20Informes%20Perfil%20del%20Sistema%20Asegurador/Perfil%20del%20Sistema%20Asegurador%20de%20Honduras%20-%20A%C3%B1o%202022.pdf>.

4.71. At the end of the year, earnings from net premiums for accidents and health stood at HNL 2,740.9 million, representing 21% of the insurance system's total net premium earnings, a year-on-year rise of 9.8% driven mainly by the health and hospital segment, which accounted for 89% (HNL 2,440.4 million) of premiums, which in turn posted a 12.7% rise.⁷⁵ Insurance activity continued to increase in the first three quarters of 2022, as demonstrated by the growth in premiums (12.3% year-on-year to August) (Table 4.7 and Chart 4.2). However, although premiums increased in amount during the review period, the insurance penetration rate (or percentage of premiums in relation to GDP) remained relatively low at less than 2.6%. According to the authorities, the low penetration rate illustrates the economic and financial decline that households have experienced in recent years, and their low savings capacity.⁷⁶ When measured as the ratio of gross life insurance premiums to total premiums, the penetration rate of the Honduran insurance system was 33.7% at the end of 2021 – higher than in 2020 (31.7%) and 2019 (32.3%).

Table 4.7 Main insurance indicators, 2017-2022

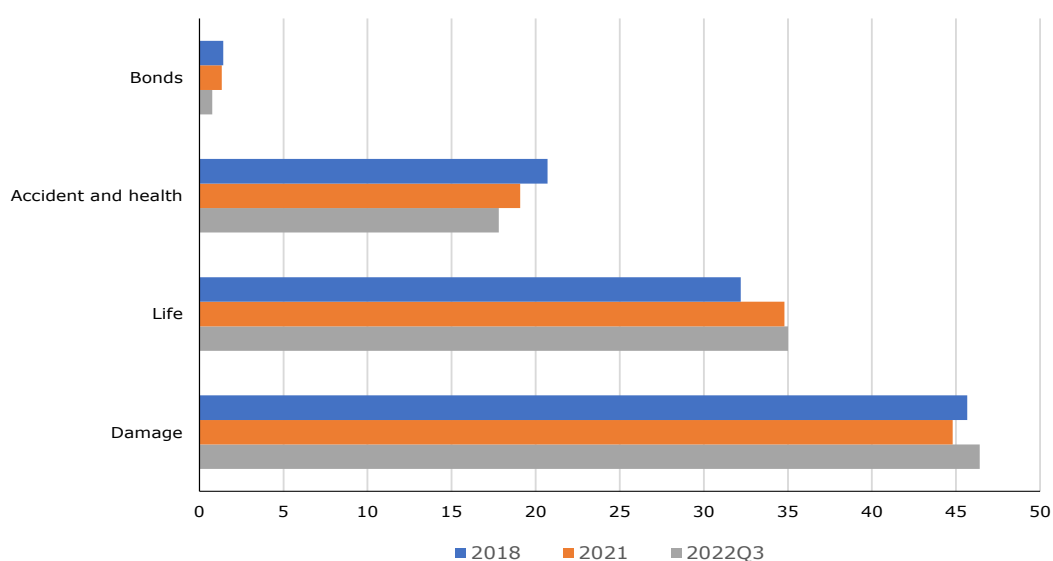
(%)

	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Aug-22
Average premium growth	17.8	13.8	1.9	-3.4	6.5	12.3
Gross premiums/GDP	2.5	2.6	2.5	2.6	2.4	2.6
Capital adequacy	3.5	4.6	4.6	4.9	3.8	3.3
Administrative efficiency	10.5	10.0	10.3	10.5	10.2	10.0
ROA	7.0	7.5	7.9	4.8	2.8	4.7
Loss ratio	45.5	44.1	40.2	115.4	55.7	39.5
Health and Hospitalization	63.5	64.2	70.9	65.4	74.5	66.8
Life insurance	33.0	29.7	30.1	40.5	62.6	32.9

Source: Information provided by the authorities.

Chart 4.2 Premiums ceded-in and ceded-out, by branch, 2018, 2021, 2022Q3

(% of total)



Source: CNBS.

⁷⁵ CNBS (2022), *Reporte del Perfil del Sistema Asegurador de Honduras Desarrollo y Competitividad del Sector Seguros*, April 2022. Viewed at: <https://analitica.cnbs.gob.hn/Home/Viewer/Publicaciones%20Estad%C3%ADsticas%20y%20Financieras%20Estudios%20e%20Informes%20del%20Sistema%20Asegurador/Perfil%20del%20Sistema%20Asegurador%20de%20Honduras%20-%20A%C3%B1o%202022.pdf>.

⁷⁶ CNBS (2022), *Reporte del Perfil del Sistema Asegurador de Honduras Desarrollo y Competitividad del Sector Seguros*, April 2022. Viewed at: <https://analitica.cnbs.gob.hn/Home/Viewer/Publicaciones%20Estad%C3%ADsticas%20y%20Financieras%20Estudios%20e%20Informes%20del%20Sistema%20Asegurador/Perfil%20del%20Sistema%20Asegurador%20de%20Honduras%20-%20A%C3%B1o%202022.pdf>.

4.72. As already stated, the COVID-19 pandemic affected activity in the insurance subsector and reduced its profitability. The return on insurance assets (ROA) fell from 7.9% in December 2019 to 4.8% in December 2020 and to 2.8% in December 2021, before partially recovering to 4.7% in August 2022. This was due to the loss ratio rising from 40.2% in 2019 to 115.4% in December 2020 as a result of the pandemic, before falling to 55.7% and then to 39.5% in December 2021 and August 2022 respectively. The financial adequacy ratio stood at 3.3 in August 2022 – lower than at the end of 2021, when it was 3.8, and 2020 (4.9). The fall in the ratio is due to the drop in net profit in 2020 as a result of the increase in claims payments and greater exposure to risk.

4.73. The authorities took measures to address the COVID-19 pandemic. On 26 March 2020, by Resolution SSE No. 177/26-03-2020, the Insurance Supervisory Authority approved temporary relief mechanisms that included allowing insurers to grant a grace period ending on 30 June 2020 for the payment of premiums, prohibiting them from charging extra fees and allowing them to include disbursements linked to the pandemic in their risk analyses. These measures enabled the insurance sector to mitigate the economic impact on the country of the coronavirus health crisis.⁷⁷ Resolution SSE No. 276/25-06-2020 of the Insurance Supervisory Authority amended Resolution SSE No. 177/26-03-2020. In the new Resolution, the Supervisory Authority recognized that the temporary relief mechanisms for the insurance sector had increased the balance of premiums receivable by 5.9% while at the same time, despite those measures, lockdowns to prevent the spread of COVID-19 had resulted in a 23% deterioration in premiums receivable. It therefore decided to freeze late payment fees for payments by instalment until 30 September 2020 and extended the time allowed for insurance institutions to 31 October 2020.⁷⁸

4.74. Viewed from the economics perspective, the growth in life insurance is linked to individuals' or families' capacity to generate savings.

4.75. There have been no substantial changes to the legal and institutional framework of the insurance subsector since the last review in 2016, and the legislation is as it was when introduced in 2001. Insurance and reinsurance services continue to be governed by the Law on Insurance and Reinsurance Institutions and the resolutions of the CNBS. The law remains in force, unchanged since its creation under Decree No. 22-2001.⁷⁹ Through the Insurance and Pensions Supervisory Authority, the Commission supervises and monitors the activities of the insurance and reinsurance companies, together with those of intermediaries.

4.76. The BCH is responsible for authorizing new insurance companies on the basis of an economic needs test, subject to a favourable opinion from the CNBS. Any insurance institution established in the country must be set up as a closed-end public limited company with its capital divided into registered shares.⁸⁰ The founding partners of such institutions may be natural or legal persons. Insurance companies require a minimum amount of fixed capital determined by the BCH, subject to a favourable opinion from the CNBS. In 2022, the BCH increased the minimum amount of capital once more, to between HNL 90 million and HNL 240 million, and provided for a period of up to one year for existing companies to meet the new requirements (Table 4.8). The minimum capital must be deposited at the commencement of operations.

Table 4.8 Minimum fixed capital for the establishment of insurance companies, 2015 and 2022

(HNL million)

	2015	2022
Companies offering general and personal insurance services	60 million	90 million
Companies offering all types of insurance	120 million	180 million
Reinsurers	165 million	240 million

Source: BCH Resolution No. 226-5/2022. Session No. 3968 of 12 May 2022.

⁷⁷ Resolution SSE No. 177/26-03-2020 may be viewed at: <https://circulares.cnbs.gob.hn/Archivo/Viewer/2452/1>.

⁷⁸ Resolution SSE No. 276/25-06-2020 may be viewed at: <https://circulares.cnbs.gob.hn/Archivo/Viewer/2457/1>.

⁷⁹ Law on Insurance and Reinsurance Institutions (Decree No. 22-2001) of 30 April 2001. Viewed at: <https://www.cnbs.gob.hn/leyes-y-normativas/>.

⁸⁰ Article 9 of Decree No. 22-2001.

4.77. Under the Law on Insurance and Reinsurance Institutions (Chapter I, Article 3), companies are classified according to the type of insurance they offer, namely: (a) first-group insurance institutions, which are those that issue personal insurance contracts; (b) second-group insurance institutions, which issue damage insurance contracts, including bond contracts; and (c) third-group insurance institutions, which issue insurance contracts for the first and second groups. There are currently 11 institutions in the third group and one in the first; no institutions are registered in the second group.⁸¹

4.78. Honduras allows the commercial presence of foreign insurance companies in the form of legally established branches. Branches may be established if the parent company is subject to prudential standards similar to or stricter than those employed in Honduras and has sufficient capital to meet the obligations contracted in Honduras.⁸² In addition to the requirements applicable to local companies, current legislation requires foreign companies to certify that at least 10% of the minimum capital of the prospective company has been deposited in the BCH or invested in government securities; the amount is refunded once the application has been approved (Article 22(4) of the Law on Insurance and Reinsurance Institutions). The fixed capital must be invested in Honduras.

4.79. Insurance institutions may only engage in activities that have a direct bearing on the operations of insurance or bonds, the investment of their capital and their technical and mathematical reserves, or the sale of goods from the recovery of claims and those transferred to them in payment of debts from the activities themselves. They may also provide services exclusively for the persons insured by them in relation to the risks assumed. Insurers may not provide reinsurance services. However, they may offer certain financial services, subject to requirements governing the amounts and terms involved, such as loans for natural or legal persons resident in Honduras. An insurer's lending limit is fixed at 20% of its capital and capital reserves. An insurer may also lend unlimited amounts backed by fiduciary guarantee that are repayable within not more than 25 years.⁸³

4.80. CNBS authorization and registration in the Public Register of Insurance Agents and Brokers is required in order to be able to practise as an independent or dependent insurance agent, or as an insurance broker. An agent or broker: must be Honduran or legally resident in the country for more than three consecutive years; must submit certification issued by one or more insurance institutions stating that he or she has the technical knowledge necessary to act as an agent; must hold an up-to-date certificate of registration in the Register of Insurance Agents and Brokers; and must not be disqualified.⁸⁴

4.81. In 2023, there are three insurance institutions that issue individual and collective agricultural insurance; however, these policies represent only 0.02% (95 in 2021) of all policies issued. There is no state subsidy for this type of policy.

4.82. Insurance companies may sign reinsurance contracts inside or outside Honduras but only with reinsurers registered with the CNBS. Foreign reinsurers must have at least a BBB- rating (or equivalent) to be able to provide services in Honduras.

4.83. The CNBS regulates the types of policy that can be sold, but the insurance companies set the premium rates. Insurers are required to maintain a minimum level of capital. Since 2013, that requirement has been adjusted under the Law on Insurance and Reinsurance Institutions on three occasions, all of them during the review period, specifically in 2017 (Resolution No. 297-8/2017, Session No. 3688 of 17 August 2017); in 2020 (Resolution No. 54-2/2020, Session No. 3817 of 5 February 2020); and in 2022

⁸¹ CNBS (2022), *Reporte del Perfil del Sistema Asegurador de Honduras Desarrollo y Competitividad del Sector Seguros*, April 2022. Viewed at: <https://analitica.cnbs.gob.hn/Home/Viewer/Publicaciones%20Estad%C3%ADsticas%20y%20Financieras%20Estudios%20e%20Informes%20Perfil%20del%20Sistema%20Asegurador/Perfil%20del%20Sistema%20Asegurador%20de%20Honduras%20-%20A%C3%B1o%202022.pdf>.

⁸² Decree No. 22-2001 and Regulations on the Establishment of Branches of Foreign Insurance Institutions issued by the BCH (Resolution No. 448-12/2003 of 18 December 2003). Viewed at: <https://www.cnbs.gob.hn/leyes-y-normativas/>.

⁸³ Article 69 of Decree No. 22-2001.

⁸⁴ Articles 94 and 96 of Decree No. 22-2001 and Regulations on Insurance and Surety Bond Intermediation (CNBS Circular No. 084/2009).

(Resolution No. 226-5/2022, Session No. 3968 of 12 May 2022). As a result of the amendment introduced in 2022, the minimum capital requirements are: (a) first-group insurance institutions: HNL 90 million, (b) second-group insurance institutions: HNL 90 million, (c) third-group insurance institutions: HNL 180 million and (d) re-insurance or re-guarantee institutions: HNL 240 million.

4.84. Applications for mergers and takeovers are submitted to the Commission for the Defence and Promotion of Competition (CDPC), which forwards them to the CNBS. If the CNBS gives a favourable opinion, the application is sent to the BCH for approval. Mergers between insurers operating in different branches of insurance, or between insurers and reinsurers, are not permitted if the intention is to operate in both markets. Mergers which concentrate more than 25% of total premiums are prohibited. If a natural person acquires shares equivalent to more than 10% of a company's subscribed and paid-up capital, the BCH and the CNBS must be notified.⁸⁵

4.4.2 Telecommunications

4.85. There have been no substantial changes to the legal framework governing the telecommunications sector since the previous review in 2016. The sector is governed by the Framework Law on the Telecommunications Sector of 1995 (LMST, Decree No. 185-95), its General Regulations and the Law on Number Portability (Decree No. 97-2013). In addition to the General Regulations, other sets of regulations have been issued to specifically regulate areas such as the tariff regime or network sharing.⁸⁶ During the period 2016-23, some of these regulations were amended (e.g. to facilitate the portability procedure) and new regulations were adopted (e.g. in relation to user rights and obligations).

4.86. The National Telecommunications Commission (CONATEL) is the market regulator. It is also responsible for the competition regime governed by the Law on the Defence and Promotion of Competition of 2005. CONATEL seeks the opinion of the CDPC, but takes the final decision itself.⁸⁷

4.87. Honduras does not impose restrictions on private investment (whether domestic or foreign) in the telecommunications sector. However, investment by foreign state-owned enterprises is not permitted.⁸⁸

4.88. The primary objective of Honduran telecommunications policy is to narrow the digital divide.⁸⁹ In this regard, Honduras has taken steps to reduce interconnection costs and the cost of using the radio-frequency spectrum. In addition, the spectrum was redeployed to make it possible to launch the new generation of wireless connections.⁹⁰ The universal service fund⁹¹ has been used to roll out broadband services in public squares and buildings in order to promote the use of information and communication technologies (ICTs).⁹² Honduras is also in the process of implementing a project by the name of "Digital Government".⁹³ In order to incentivize use of the broadband service and promote connectivity for vulnerable households, a subsidy was introduced in 2021 that will remain in place for five years, covering 100% of the cost of connection during the first year.⁹⁴

4.89. Between 2016 and 2022, mobile internet density in Honduras mushroomed from 23.9% to 73.7% (Table 4.9). The increase began in earnest in 2019, due to improved access to the service, and was consolidated as a result of the pandemic. The density of fixed Internet use also rose, from 2.2% to 4.6%. According to the authorities, this increase occurred because of the diversity of provision at the local level. Despite the rises, the digital divide remains significant in Honduras: in 2022, 18% of the population still had no Internet access, and 28% of those with access did not

⁸⁵ Article 56 of Decree No. 22-2001.

⁸⁶ The regulations can be viewed at:
<http://www.sitae.conatel.gob.hn/sice/armonizacion/consultasResoluciones.aspx>.

⁸⁷ Article 212 B of the General Regulations of the LMST.

⁸⁸ Article 26 of Decree No. 185-95.

⁸⁹ National Broadband Plan (PNBA).

⁹⁰ Information provided by the authorities.

⁹¹ The name of the universal service fund is the Fund for Investment in Telecommunications and Information and Communication Technologies (FITT).

⁹² OAS document CCP.I-TIC/doc.4974/20 rev.3 cor.1 of 30 October 2020. All operators contribute 1% of their monthly gross receipts to the FITT (FITT Regulations (CONATEL Resolution No. 007/14)).

⁹³ CNI. Viewed at:
<https://www.cni.hn/la-aceleracion-de-la-transformacion-digital-en-el-gobierno-de-honduras/>.

⁹⁴ Executive Decree No. PCM-034-2021.

make use of it.⁹⁵ Fixed telephony is falling into disuse as a result of the use of mobile telephony and Internet telephony (VoIP).

Table 4.9 Telecommunications sector indicators, 2016-2022

	2016	2017	2018	2019	2020	2021	2022
Fixed telephony							
Users	442,929	491,107	483,437	492,081	531,070	465,521	436,828
Density (%)	5.1	5.5	5.4	5.3	5.7	4.9	4.6
Fixed Internet							
Users	188,923	205,787	224,579	390,519	421,498	397,123	442,991
Density (%)	2.2	2.3	3.8	4.1	4.0	4.0	4.6
Mobile telephony							
Users (million)	7.8	8.2	8.0	7.4	7.0	7.6	7.7
Density (%)	89.8	92.9	90.3	82.2	74.8	80.0	81.1
Mobile Internet							
Users (million)	1.9	2.3	3.1	5.0	4.8	6.8	7.0
Density (%)	23.9	25.6	34.2	55.1	51.3	72.5	73.7
Other	(in HNL millions)						
Earnings	20,322	21,383	23,502	23,342	22,448	23,695	25,217
Investment	3,561	4,285	3,881	4,392	3,341	4,481	4,225

Source: Information provided by the authorities.

4.90. During the pandemic, mobile service operators supplied free data, voice and SMS bundles and continued to provide a service for customers who were unable to pay.⁹⁶

4.91. In order to provide these various services, operators must hold a concession (25 years, renewable) awarded by CONATEL through public tenders in which only prequalified suppliers can participate. A concession generally covers the provision of various types of services.⁹⁷ CONATEL also grants licences for the use of the radio-frequency spectrum (25 years, renewable).⁹⁸ According to the General Regulations of the LMST, the licences are granted directly or, if there is a frequency shortage, are awarded on the basis of public bidding. However, the authorities have indicated that frequency bands are always awarded on the basis of public bidding in order to ensure competition.

4.92. The market currently includes public and private operators. The State provides services through the Honduran Telecommunications Company (HONDUTEL). Market composition has not changed substantially since the previous review in 2016 (Chart 4.3). The mobile market remains highly concentrated and is dominated by two private operators, although HONDUTEL also participates. HONDUTEL has a negligible share in the mobile voice market (less than 1%) as its provision is limited in both geographical and commercial terms, and it does not have the infrastructure to provide a mobile data service.⁹⁹ However in terms of provision of fixed services, HONDUTEL is the largest operator, although its market share has declined since 2016. According to the CDPC, the public operator has been left behind because it lacks both investment and a commercial strategy for adapting to technological changes.¹⁰⁰

⁹⁵ CONATEL (2022), *Informe Trimestral de los Indicadores del Sector de Telecomunicaciones en Honduras*, August. Viewed at: <https://www.conatel.gob.hn/doc/Informes/2022/Informe%20trimestral%20sector%20de%20Telecomunicaciones,%20T2022.pdf>.

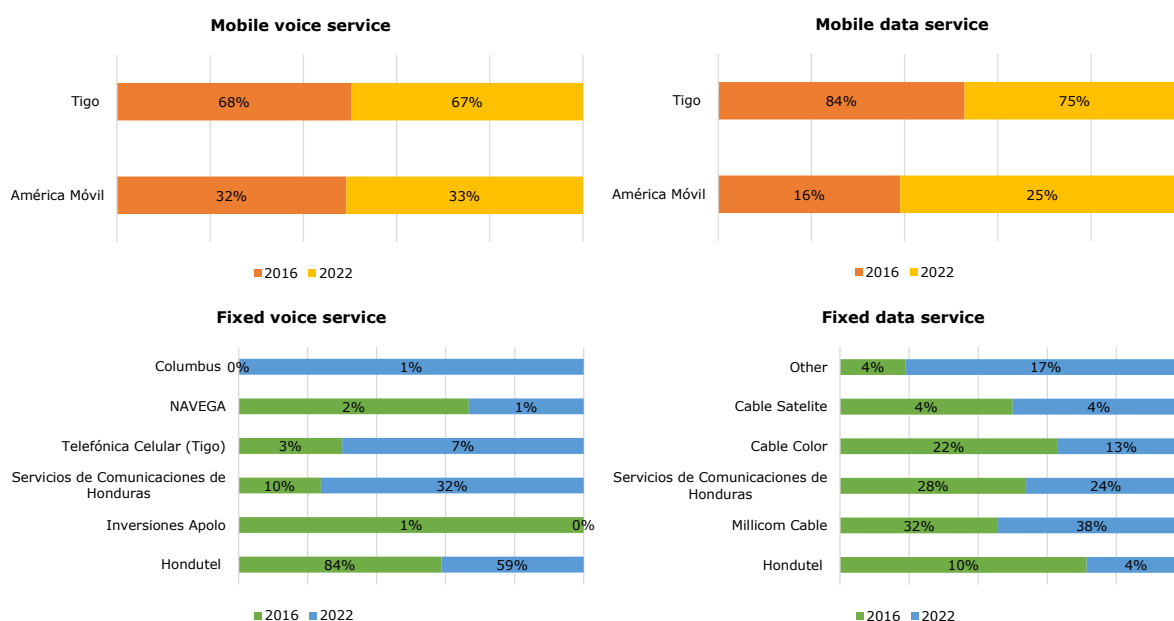
⁹⁶ Information provided by the authorities.

⁹⁷ Articles 114, 119 and 121 of the General Regulations of the LMST.

⁹⁸ Royalties are paid for use of the spectrum. The authorities indicated that during the pandemic payment plans were set up so that operators could redeem the cost of the royalty.

⁹⁹ Information provided by the authorities and CDPC (2018), *Estudio Sectorial sobre el Mercado de Telecomunicaciones en Honduras*. Viewed at: https://www.cdpc.hn/sites/default/files/Privado/estudios_mercado/Estudio%20Sectorial%20de%20Telecomunicaciones%20en%20Honduras%20%28Telefon%C3%ADa%20M%C3%B3vil%2C%20Fija%20e%20Internet%29.pdf.

¹⁰⁰ CDPC (2018), *Estudio Sectorial sobre el Mercado de Telecomunicaciones en Honduras*.

Chart 4.3 Share in the telecommunications market, 2016 and 2022

Note: HONDUTEL's share in mobile data services is not shown as it is less than 1%.

Source: Information provided by the authorities.

4.93. HONDUTEL continues to have significant market power (SMP) as an operator in the fixed telephony market and is therefore still subject to asymmetric regulatory measures laid down by CONATEL to maintain competition in the market. Accordingly, CONATEL's tariffs are regulated by ceilings. In the context of this review, the authorities indicated that the ceilings had not been revised since 2010.¹⁰¹ HONDUTEL must also ensure access to essential inputs.¹⁰²

4.94. Mobile telephone tariffs are also still regulated by ceilings, using methodology that has not been revised since 2012.¹⁰³ There is portability in the mobile telephony market in Honduras, and the procedure for switching operators was simplified in 2017. Since 2016, an average 32,400 users have changed their operator each year.¹⁰⁴

4.95. The Interconnection Regulations were not amended between 2016 and 2022. In December 2022, new Regulations on Access to and Shared Use of Networks were adopted, repealing the regulations that had been in force since 2014.¹⁰⁵ The new regulations allow operators to share active elements of their networks, a factor that in turn will be instrumental in developing the as yet non-operational national roaming service, and opening the door to virtual mobile operators.¹⁰⁶

4.4.3 Transport

4.96. In 2018, Honduras adopted the National Freight Logistics Plan (PNLOG) 2018-30 to improve its transport and freight movement system and thus increase its export competitiveness and deepen its integration into international markets. The Plan proposes the creation of logistics hubs to make production centres an integral part of ports and airports. For example, in the northern region, the logistics hub will connect the production centre of San Pedro Sula and the Puerto Cortés free zone with the road, port and airport network.

¹⁰¹ CONATEL Resolution NR003/10.

¹⁰² Information provided by the authorities.

¹⁰³ CONATEL Resolution NR012/12.

¹⁰⁴ CONATEL. Viewed at: <https://www.conatel.gob.hn/portabilidad-numerica-en-el-2022/>.

¹⁰⁵ CONATEL Resolution NR006/22.

¹⁰⁶ Information provided by the authorities.

4.4.3.1 Air transport

4.97. Air transport is governed by the Civil Aviation Law (Decree No. 55-2004), its implementing Regulations, the Civil Aviation Regulations (RAC), and air services agreements. In 2017, the Civil Aviation Law¹⁰⁷ was amended and new regulations were adopted in 2019 that repealed those that had been in force since 2005.¹⁰⁸ Legislative changes were primarily aimed at strengthening the regulator's powers and improving air safety.¹⁰⁹

4.98. The Honduran Civil Aviation Board (AHAC) regulates air transport and provides air navigation services in the lower airspace (i.e. up to 20,000 feet). Above this altitude, the services are provided by the Central American Air Navigation Agency (ACNA).¹¹⁰

4.99. In Honduras, international air transport services are provided on a reciprocal basis.¹¹¹ The authorities indicated that air services agreements (ASA) are signed following requests from Honduras' trading partners. Since 2016, Honduras has signed agreements with Canada, Belize, the United Arab Emirates and Chinese Taipei; it also has agreements with Ecuador, the United States and Panama.¹¹² Honduras has an open skies policy for air transport.¹¹³ Therefore, the country grants traffic rights up to the fifth air freedom for passenger and freight traffic, tariffs are set freely, neither the frequency nor the capacity of the service is limited and multiple airlines can operate the routes.

4.100. To improve service provision, promote recovery in the sector and boost post-pandemic tourism, Honduras has offered low-cost airlines discounts on airport fees since 2021 in order to encourage them to enter the market. The discounts are offered for three consecutive years, at a decreasing discount rate that varies by airport.¹¹⁴ A preferential airport tax is charged to passengers.¹¹⁵

4.101. There were 16 foreign airlines providing services (whether scheduled or non-scheduled) in 2022. Since 2016, four foreign airlines, including low-cost airlines, have begun operating from Canada, El Salvador and Spain. In addition, six other Honduran airlines operated routes outside and/or within the national territory.¹¹⁶ Seven foreign airlines handled international air cargo.¹¹⁷ Direct flights come mainly from the United States and the region, and passengers departing from other locations have to take a connecting service.

4.102. AHAC grants operating certificates to domestic and foreign airlines to enable them to provide scheduled international services. In 2017, the requirements changed to enable foreign operators to apply for an operating certificate. Accordingly, like domestic operators, foreign operators must be entered in the Public Register of Commerce. The (renewable) term of the operating certificate also changed. Certificates were initially valid for 10 years, but since 2017 validity has been between 1 and 10 years, based on the economic benefit provided by the service¹¹⁸: the greater the economic benefit, the longer the validity of the certificate.¹¹⁹ In addition to an operating certificate, low-cost airlines must obtain an operating permit. Charter flights require AHAC authorization.¹²⁰

¹⁰⁷ Civil Aviation Law (Decree No. 55-2004), as amended by Decree No. 65-2017.

¹⁰⁸ Regulations implementing the Civil Aviation Law (Executive Decision No. SDN-025-2019).

¹⁰⁹ Information provided by the authorities.

¹¹⁰ ACNA is part of the Central American Air Navigation Services Corporation (COCESNA).

¹¹¹ Article 4 of the Civil Aviation Law (Decree No. 55-2004).

¹¹² Information provided by the authorities.

¹¹³ Article 4 of Decree No. 55-2004.

¹¹⁴ Law promoting the Operation of Low-Cost Air Transport Routes (Decree No. 48-2021) and Regulations implementing the Law promoting the Operation of Low-Cost Air Transport Routes (SETUR Decision No. 022-2021).

¹¹⁵ Information provided by the authorities.

¹¹⁶ Since 2016, three national airlines and a further three international airlines have ceased operations.

¹¹⁷ Information provided by the authorities.

¹¹⁸ The economic benefit is measured on the basis of the investment plan, job creation, foreign exchange generation, improvements in connectivity and reduction in service costs.

¹¹⁹ Article 113 of Decree No. 55-2004, as amended by Decree No. 65-2017.

¹²⁰ Article 112 of Decree No. 55-2004; Decree No. 48-2021; Article 66 of Decree No. 55-2004; and Regulations for issuing permits for charter flights to foreign operators (Decree No. 0273-2013).

4.103. Honduras continues to reserve air services in the national territory to airlines controlled and managed by Hondurans (51% of capital and votes).¹²¹ The airlines must hire Honduran nationals, but if they can demonstrate a lack of staff, they may recruit foreigners for renewable three-month periods while locals are in training.¹²²

4.104. Since 2017, imports of aviation fuels and lubricants have been subject to a tariff of 1% and the CPI (1%); prior to that date they were exempt.¹²³

4.105. Honduras has four international airports: La Ceiba, Roatán, Palmerola and San Pedro Sula. Historically, San Pedro Sula in the north has attracted the most traffic because of its proximity to the country's economic and tourism centres. In December 2021, Palmerola International Airport, the new airport servicing Tegucigalpa, commenced operations. It replaced Toncontín Airport, which continues to provide local operations. However, while Palmerola offers operational improvements, its location 70 km from the capital and the fact that certain flights arrive during the night pose challenges for passengers travelling to the capital. Additionally, there is no hotel infrastructure around the new airport, which may force passengers to make a stopover *en route*. For cargo traffic, however, Palmerola airport provides better access to production centres.

4.106. In 2020, the State created the Honduran Airport Infrastructure and Services Company (EHISA), a company in which "private capital holdings are proscribed", to manage and operate the airports of La Ceiba, Roatán and San Pedro Sula.¹²⁴ Palmerola Airport is run under a concession. Authorization from AHAC is required to provide ground handling services at Honduran airports with no limit on the number of suppliers. Airlines may provide the service themselves. Changes in fees for airport services at Palmerola Airport must be approved by the Supervisory Authority for Public-Private Partnerships (SAPP). Fee adjustments at airports operated by EHISA are approved by the Ministry of Infrastructure and Transport.

4.4.3.2 Maritime transport

4.107. In 2021, 77.8% of Honduras' foreign trade (by volume) was carried by sea.¹²⁵ The main maritime routes connect Honduran ports to those of the United States, Guatemala and Colombia.¹²⁶

4.108. Maritime transport is governed by the Organic Law on the National Merchant Marine (LOMM) of 1994.¹²⁷ A number of regulations and provisions have been issued to implement the Law.¹²⁸ In 2016, the LOMM was amended in order, *inter alia*, to streamline the ship registration procedure and provide the Directorate-General of the Merchant Marine (DGMM), the maritime authority, with new powers in relation to maritime safety and inspection, and pollution prevention.¹²⁹

4.109. Foreign shipping lines may be involved in Honduras' foreign trade, subject to reciprocal treatment. The authorities have indicated that during the review period, Honduras did not make any foreign trade freight reservations in favour of domestic vessels and shipping lines. Honduras allows the grouping of Honduran shipping lines at maritime conferences.¹³⁰

4.110. Non-Hondurans are not required to be established or to reside in Honduras in order to register a ship as a Honduran merchant vessel.¹³¹ Registration takes place either at the DGMM or, since 2016, at Honduran representations in other countries.¹³² Vessels are registered by type: small (not exceeding 20 gross tonnes) or large. Large and small vessels may provide international and

¹²¹ Article 106 of Decree No. 55-2004.

¹²² Article 71 of Decree No. 55-2004 and information provided by the authorities.

¹²³ Article 44 of Decree No. 55-2004, as amended by Decree No. 65-2017.

¹²⁴ Executive Decree No. PCM-084-2020.

¹²⁵ Central American Maritime Transport Commission (COCATRAM) statistics. Viewed at: <http://www.cocatram.org.ni/redmarport.html>.

¹²⁶ UNCTAD. Viewed at: <https://unctadstat.unctad.org/countryprofile/maritimeprofile/en-gb/340/index.html>.

¹²⁷ Organic Law on the National Merchant Marine (Decree No. 167-94), as amended by Decrees Nos. 200-97, 86-2004, 131-98 and 120-2016.

¹²⁸ Viewed at: <https://marinamercante.gob.hn/aspectos-legales/leyes/>.

¹²⁹ Decree No. 120-2016.

¹³⁰ Maritime Transport Regulations (Decision No. 000764-97).

¹³¹ DGMM. Viewed at: <https://marinamercante.gob.hn/quienes-somos/ventajas-y-beneficios/>.

¹³² Article 49 of Decree No. 167-94, as amended by Decree No. 120-2016.

cabotage services. Foreign trade vessels of less than 200 gross tonnes may not be registered. Additionally, as a general rule, ships that are more than 20 years old may not be registered.¹³³ Honduras continues to allow foreign bareboat chartered vessels registered in Honduras to maintain their registration abroad for up to two years, subject to reciprocity.¹³⁴

4.111. Registration of ships is subject to a registration fee at a rate that varies by tonnage. The registration fee is reduced for owners, shipowners or shipping lines that register a fleet engaged in cabotage.¹³⁵ All Honduran merchant vessels pay an annual tonnage tax and foreign trade vessels also pay an inspection fee. The tax and fee rates are based on tonnage. Foreign trade vessels employing Honduran nationals receive a tonnage tax rebate.¹³⁶

4.112. The Honduran merchant navy primarily comprises oil tankers and general cargo ships.¹³⁷

4.113. Cabotage is reserved to Honduran vessels operated by shipping lines that are controlled and managed by Hondurans (51% of capital and votes).¹³⁸ However, the DGMM may authorize the use of foreign vessels registered in Honduras where no Honduran vessels are available.

4.114. Ports in Honduras are owned by the State. The National Ports Company (ENP), a state-owned enterprise, is the port authority, and is also responsible for formulating policy on the development of the country's ports system.¹³⁹ There are four ports in Honduras that engage in foreign trade: Puerto Cortés, Puerto Castilla, San Lorenzo (the only port on the Pacific coast) and Tela, as well as a port engaged solely in cabotage (La Ceiba) and a cruise port (Roatán). There are plans to construct a new foreign trade port in the Gulf of Fonseca (Pacific).

4.115. The ENP manages Puerto Castilla, San Lorenzo and Tela and operates the terminals. In Puerto Cortés, both the administration of the port and the operation of terminals (both container and bulk) are under concession. Puerto Cortés continues to be Honduras' main port and one of the most important ports in the Central American region.¹⁴⁰ It primarily serves the northern area of the country, the heartland of the *maquila* industry (Free Zone of Puerto Cortés and the San Pedro Sula area).

4.116. Port services are provided by the ENP in the ports it operates; however, in Puerto Cortés they are provided by the concession-holder or third parties, who may be non-Honduran.¹⁴¹ Harbour pilots may be non-Honduran. All port services providers must be registered with the DGMM.¹⁴² The ENP sets the port service fees in the terminals it operates using a methodology established in 1999.¹⁴³ In Puerto Cortés, the fees are revised annually, as stipulated in the concession contract.¹⁴⁴

4.117. Cargo movement in Honduran ports increased steadily during the review period, apart from in 2020. The most common cargo is containerized (Table 4.10). Puerto Cortés is the main port for both container and bulk traffic. In 2018, the container terminal at Puerto Cortés was expanded to

¹³³ Article 53 of Decree No. 167-94, and DGMM. Viewed at: <https://marinamercante.gob.hn/registro-de-buques/>.

¹³⁴ Articles 56-57 of Decree No. 167-94.

¹³⁵ Article 76 of Decree No. 167-94, and DGMM. Viewed at: <https://marinamercante.gob.hn/quienes-somos/ventajas-y-beneficios/>.

¹³⁶ Articles 68 and 78-A of Decree No. 167-94, and DGMM. Viewed at: <https://marinamercante.gob.hn/quienes-somos/ventajas-y-beneficios/>.

¹³⁷ UNCTAD. Viewed at: <https://unctadstat.unctad.org/countryprofile/maritimeprofile/en-gb/340/index.html>.

¹³⁸ Articles 5 and 6 of the Maritime Transport Regulations (Decision No. 000764-97).

¹³⁹ Organic Law on the National Ports Company (Decree No. 40-65), as amended by Decree No. 30-2020.

¹⁴⁰ In 2021, Puerto Cortés handled 81.8% of national cargo and 6.8% of regional cargo (COCATRAM statistics, viewed at: <http://www.cocatram.org.ni/redmarport.html>).

¹⁴¹ Article 9 of Decree No. 40-65, as amended by Decree No. 30-2020.

¹⁴² Article 17 of the Maritime Transport Regulations.

¹⁴³ The fee regulations can be viewed at: https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=ODM3MDk4OTM0NzYzNDg3MTI0NjE5ODcyMzQand.

¹⁴⁴ Information provided by the authorities and OPC. Viewed at: <https://www.opc.hn/Home/Tarifas>.

accommodate simultaneous berthing and the arrival of large container ships.¹⁴⁵ Puerto Castilla is another important container port in Honduras, as it is used to export fruits (bananas) and liquid bulk (palm oil). Since 2020, a Single Window for Maritime Traffic (VUTM) has been available for use at Puerto Cortés to expedite the arrival, stay and clearance of vessels.

Table 4.10 Port cargo, 2016-2022

	2016	2017	2018	2019	2020	2021	2022
Total ('000 tonnes)	13,839.4	14,093.6	14,127.1	14,325.7	13,464.4	15,196.3	17,420.6
Annual change (%)	0.7	1.8	2.3	1.4	-6.4	12.9	14.6
	(% of total)						
Containerized cargo	37.2	37.3	39.8	37.6	35.1	35.9	36.2
Solid bulk	22.7	23.1	28.7	28.7	32.8	28.9	34.5
Liquid bulk	26.6	24.6	24.8	26.7	24.5	24.1	21.5
General cargo	2.3	3.5	3.7	4.4	5.5	8.4	5.5
Ro-Ro	0.0	0.0	0.1	0.1	0.1	0.2	0.3
Other	11.2	11.5	2.0	2.5	2.0	2.5	2.0

Note: The fall in percentage share since 2018 in the row headed "Other" is due to a change in methodology.

Source: Information provided by the authorities.

4.4.4 Tourism

4.118. Tourism is a priority sector for promoting the country's economic development because of its as yet undeveloped synergies with the rest of the economy; however, its potential has not been fully tapped so its share of GDP is still modest. During the period 2016-21, the contribution of tourism (hotels and restaurants) to the Honduran economy ranged between 2% (in 2020) and 3.2% (in 2019); in 2022 it was 3%. Until 2020, tourism was a key source of foreign exchange, accounting for around half of the foreign exchange generated by all Honduran service exports in the period 2016-19 (Table 4.11).¹⁴⁶ However, as a result of the pandemic, the sector's performance waned and employment fell by 11.5%. The activities that were hit the hardest were catering, accommodation and road transport. Women, who represent two thirds of the labour force employed in the sector, were the most affected.¹⁴⁷

Table 4.11 International tourism indicators, 2016-2022

	2016	2017	2018	2019	2020	2021	2022 ^a
Visitors (millions)	2.2	2.1	2.3	2.3	0.7	0.8	1.9
Tourists	0.8	0.9	0.8	0.7	0.2	0.5	0.8
Short-stay visitors	1.4	1.3	1.5	1.6	0.5	0.4	1.1
Of which cruise ship passengers	1.1	1.1	1.3	1.4	0.4	0.3	0.1
Inbound tourism expenditure (USD million) ^b	577.7	602.5	591.6	549.1	154.9	302.6	539.7
As a percentage of service exports	50.1	47.0	47.2	46.0	22.0	35.5	..

.. Not available.

a Preliminary data.

b Foreign exchange earnings from travel, excluding international transport.

Source: Information provided by the authorities.

4.119. To help tourism to recover, Honduras has taken a more active approach to overseas promotional events¹⁴⁸ and has introduced incentives to attract low-cost airlines to the country. The authorities indicated that the commercial banking industry allowed tourism operators to adjust payments and granted grace periods (six months). In addition, since 2020, the Honduran Production and Housing Bank (BANHPROVI) has administered a guarantee fund to improve tourism businesses' access to finance (Section 3.3.1). However, according to the National Chamber of Tourism

¹⁴⁵ Central American Integration System (SICA). Viewed at: https://www.sica.int/noticias/honduras-puerto-cortes-amplia-su-capacidad-operativa-con-muelle-6_1_114655.html.

¹⁴⁶ Honduran Tourism Institute (IHT). Viewed at: <https://www.iht.hn/sites/default/files/2023-01/visitantes-2019-2022.pdf>.

¹⁴⁷ IHT statistics. Viewed at: <https://www.iht.hn/index.php/es/empleos-por-actividades-del-turismo>.

¹⁴⁸ *Breves Informativas*, IHT. Viewed at: <https://www.iht.hn/es/breves-informativas>.

(CANATURH), factors such as the country's image abroad and its exposure to adverse climatic events could hamper the sector's revival.¹⁴⁹

4.120. Tourism in Honduras is essentially focused on cruises and sun and beach holidays centred around the Bahía Islands. Cruise ships were allowed back into Honduras from July 2021 following a 15-month gap due to the pandemic.¹⁵⁰ Although the country has greater potential as a destination, other tourism-related products and destinations are not yet available. Palmerola International Airport, which became operational in 2021, could play a role in diversifying the kind of tourism that Honduras can offer, given its proximity to historical and archaeological destinations in the central area of the country.¹⁵¹

4.121. The Ministry of Tourism formulates policy for the sector, which is implemented by the Honduran Tourism Institute (IHT).¹⁵² During the review period the National Sustainable Tourism Strategy 2006-21 (ENTS) was implemented. The strategy defined the objectives for the long-term development of the sector and called for chambers of tourism and other tourism bodies to be established at municipal level, thus improving the institutional fabric of the sector and decentralizing the management of tourism.¹⁵³ In the context of this review, the authorities highlighted a number of challenges, related primarily to a lack of resources, which made it difficult to implement the ENTS, and consequently resulted in a failure to achieve all its goals. However, Honduras aims to develop a responsible, inclusive and sustainable model for tourism. Accordingly, the new objectives of the sectoral policy seek to promote the inclusion of people and territories and to develop the value chain in the sector.

4.122. During the review period Honduras continued to incentivize tourism through tax exemptions under various laws and/or regimes.¹⁵⁴ The main change was to enact the Law on the Promotion of Tourism (LFT) in 2017, which repealed the Law on Tourism Incentives (LIT), in force since 1998. The LFT retained incentives involving exemptions from tariffs and other import charges and introduced a 15-year period of relief from income tax (ISR) (Table 4.12). The procedure that assesses eligibility for LFT incentives is conducted by the IHT. The applicant must satisfy various requirements. New projects are not subject to any investment requirements; however, for existing projects, any new investment must be equal to or greater than 35% of the initial investment.¹⁵⁵ The authorities noted that most tourism service providers who had availed themselves of the benefits of the LIT chose to apply for those offered under the LFT.

¹⁴⁹ CANATURH. Viewed at: <https://canaturh.org/plan-de-reactivacion-economica/>.

¹⁵⁰ National Institute of Statistics (INE). Viewed at: <https://www.ine.gob.hn/V3/2022/07/31/estadisticas-turisticas-de-honduras-2017-2021/>; and Hosteltur news item. Viewed at: https://www.hosteltur.com/lat/145351_honduras-recibio-su-primer-crucero-tras-15-meses-de-pandemia.html.

¹⁵¹ CNI. Viewed at: <https://www.cni.hn/palmerola-como-puente-de-atraccion-de-la-inversion-en-honduras/>.

¹⁵² Law on the Honduran Tourism Institute (Decree No. 103-93) and its implementing Regulations (Executive Decision No. 030-05).

¹⁵³ The objectives were: related to the tourism economy (e.g. rise in visitor numbers and income); social and cultural (e.g. job creation, preservation of cultural heritage and integration of local communities and ethnicities); promotional (e.g. consolidating and accessing tourism markets and promoting supply); environmental (e.g. conserving natural resources); and legal and institutional (e.g. decentralizing tourism management and improving coordination with the private sector) (information provided by the authorities).

¹⁵⁴ There is also a Law on the Promotion of Sustainable Rural Tourism (Decree No. 126-2011), for which no implementing regulations have ever been issued. Accordingly it has never been implemented.

¹⁵⁵ Article 5 of Decree No. 68-2017.

Table 4.12 Tourism incentives, 2016-2022

	Exemptions					
	Taxes on imports			Taxes on income		
	Customs tariff	Sales tax	Other	ISR	AST	IAN
Law on the Promotion of Tourism (Decree No. 68-2017)	X	X	X	X	X	X
Law on Tourism Incentives (Decree No. 314-98)	X	X	X	X ^a		
Law on the Tourism-related Free Zone in the Bahía Islands Department (Decree No. 181-2006)	X ^b	X	X ^b	X ^b	X	X

a The Law on Fiscal Consolidation, Control of Exemptions and Anti-Evasion Measures (Decree No. 278-2013) abolished the ISR relief. However, it did not have retroactive effect. Some companies continued to benefit during the review period.

b Decree No. 278-2013 abolished duty-free privileges and the ISR relief. However, it did not have retroactive effect. Some companies continued to benefit during the review period.

Note: ISR = income tax, IAN = net assets tax, AST = temporary solidarity contribution.

Source: WTO Secretariat, and information provided by the authorities.

4.123. Incentives under the Law on the Tourism-related Free Zone in the Bahía Islands Department of 2006 are still being offered in 2022. However, the tariff and ISR exemptions are still granted only to operators who took advantage of the law's benefits prior to 2013. Under this law, benefits were granted for a 12-year period. In 2022, that period was extended for a further 15 years.¹⁵⁶

4.124. In addition, according to the authorities, there is just one operator who continues to benefit from the incentives granted under the Tourism-related Free Zones (ZOLT) regime, which was abolished in 1998. The authorities have indicated that these benefits will expire in 2028.¹⁵⁷

4.125. Non-Hondurans may provide all types of tourism services in Honduras, including tourist guide services.¹⁵⁸ All providers must register, by service category, in the National Tourism Register administered by CANATURH. Once registration is complete, CANATURH gives the provider a "tourism certificate of registration". Registration is renewed every year.¹⁵⁹

¹⁵⁶ Decree No. 92-2021.

¹⁵⁷ Information provided by the authorities.

¹⁵⁸ Honduran National Regulations on Tourist Guides.

¹⁵⁹ Article 39 of Decree No. 103-93; Article 95 of Executive Decision No. 030-05; and CANATURH.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by HS section, 2016-2022

(USD million and %)

Description	2016	2017	2018	2019	2020	2021	2022
	(USD million)						
Exports	7,926	8,624	8,611	8,755	7,651	10,182	12,135
	(% of exports)						
1 - Live animals; animal products	4.9	4.5	4.5	4.7	5.7	4.6	4.0
03. Fish and crustaceans, molluscs and other aquatic invertebrates	4.2	4.0	4.0	4.1	5.0	4.1	3.6
04. Dairy produce; birds' eggs; products of animal origin	0.4	0.4	0.3	0.4	0.4	0.3	0.3
02. Meat and edible meat offal	0.1	0.1	0.2	0.2	0.3	0.2	0.2
2 - Vegetable products	20.9	24.4	22.4	20.1	22.5	18.7	19.8
09. Coffee, tea, mate and spices	11.6	15.4	13.1	11.0	11.5	12.4	11.7
08. Edible fruit and nuts; peel of citrus fruit or melons	7.6	7.3	7.5	7.3	8.7	4.5	6.5
07. Edible vegetables and certain roots and tubers	1.1	1.1	1.2	1.3	1.5	1.3	1.0
3 - Animal or vegetable fats and oils	4.4	5.2	4.1	4.0	5.2	5.7	5.8
4 - Prepared foodstuffs; beverages and tobacco	5.6	5.4	5.6	5.7	7.3	6.3	6.7
24. Tobacco and manufactured tobacco substitutes	1.9	1.7	2.0	1.7	2.2	1.9	1.8
20. Preparations of vegetables, fruit, nuts and plants	0.8	0.8	0.9	0.9	1.1	1.1	1.2
23. Residues from the food industries; animal fodder	0.5	0.5	0.5	1.0	1.2	1.2	1.1
5 - Mineral products	0.7	0.8	1.2	1.1	1.1	1.2	1.1
26. Ores, slag and ash	0.5	0.6	1.0	0.8	0.8	0.9	0.7
6 - Products of the chemical industries	2.9	2.7	2.8	3.2	3.7	3.1	3.0
34. Soap, organic surface-active agents, lubricating preparations	1.5	1.3	1.1	1.3	1.5	1.1	0.9
38. Miscellaneous chemical products	0.6	0.5	0.5	0.5	0.5	0.5	0.4
33. Essential oils; perfumery or cosmetic preparations	0.1	0.1	0.4	0.4	0.7	0.5	0.4
7 - Plastics and articles thereof	1.2	1.3	1.4	1.4	1.4	1.7	1.7
39. Plastics and articles thereof	1.1	1.2	1.3	1.3	1.3	1.6	1.7
8 - Raw hides and skins, leather, furskins and articles thereof	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9 - Wood and articles of wood; wood charcoal	0.8	0.7	0.8	0.6	0.5	0.6	0.5
10 - Pulp of wood or of other fibrous cellulosic material; paper or paperboard	1.3	1.5	1.5	1.3	1.1	1.1	1.0
48. Paper and paperboard; articles of paper pulp	1.0	1.2	1.2	1.0	0.8	0.8	0.8
11 - Textiles and textile articles	42.5	39.6	41.9	44.2	36.6	40.1	40.5
61. Articles of apparel and clothing accessories, knitted or crocheted	28.0	26.6	32.2	33.2	24.9	29.4	30.6
62. Articles of apparel and clothing accessories, not knitted or crocheted	9.3	8.1	6.1	7.2	6.4	6.4	6.1
60. Knitted or crocheted fabrics	1.4	1.4	1.3	1.6	1.5	1.5	1.3
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks; feathers and articles made therewith	0.1	0.1	0.1	0.1	0.1	0.1	0.1
13 - Articles of stone, cement, asbestos; ceramic products; glass	0.3	0.2	0.2	0.1	0.1	0.1	0.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	2.1	1.9	1.3	1.4	2.0	2.0	1.2
15 - Base metals	2.3	2.6	2.9	2.8	3.1	4.2	3.5
72. Iron and steel	1.0	1.2	1.5	1.4	1.6	2.0	1.6
73. Articles of iron or steel	0.6	0.6	0.6	0.6	0.6	1.1	0.8
16 - Machinery and mechanical appliances; electrical equipment	8.2	7.3	7.6	7.9	8.0	9.1	9.7
85. Electrical equipment; sound and image recorders and reproducers	7.8	6.9	7.2	7.3	7.6	8.7	9.3

Description	2016	2017	2018	2019	2020	2021	2022
17 - Vehicles, aircraft, vessels and associated transport equipment	0.9	0.8	0.9	0.6	0.7	0.6	0.6
18 - Optical, photographic, measuring, checking or precision instruments and apparatus	0.0	0.1	0.1	0.1	0.1	0.1	0.0
19 - Arms and ammunition; parts thereof	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	0.7	0.7	0.8	0.7	0.7	0.7	0.6
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data provided by the authorities.

Table A1.2 Merchandise imports by HS section, 2016-2022

(USD million and %)

Description	2016	2017	2018	2019	2020	2021	2022
	(USD million)						
Imports	11,480	12,407	13,649	13,296	11,223	16,565	19,544
	(% of imports)						
1 - Live animals; animal products	1.4	1.4	1.6	1.5	1.8	1.8	1.6
02. Meat and edible meat offal	0.8	0.7	0.7	0.8	1.0	1.0	0.8
04. Dairy produce; birds' eggs; natural honey; products of animal origin	0.4	0.4	0.6	0.5	0.6	0.6	0.7
2 - Vegetable products	3.8	3.0	3.4	3.6	4.5	3.8	4.1
10. Cereals	2.2	1.6	2.1	2.1	2.7	2.3	2.7
11. Products of the milling industry; malt; starches; inulin; wheat gluten	0.5	0.4	0.4	0.4	0.5	0.4	0.4
08. Edible fruit and nuts; peel of citrus fruit or melons	0.4	0.4	0.4	0.4	0.6	0.5	0.4
3 - Animal or vegetable fats and oils	0.6	0.6	0.6	0.6	0.7	0.7	0.7
4 - Prepared foodstuffs; beverages and tobacco	8.8	8.5	8.4	8.9	10.6	9.1	9.0
21. Miscellaneous edible preparations	2.1	2.0	2.0	2.4	3.0	2.6	2.4
23. Residues from the food industries; animal fodder	1.9	1.8	2.0	1.8	2.4	2.0	2.1
22. Beverages, spirits and vinegar	1.0	1.1	1.1	1.4	1.4	1.4	1.3
5 - Mineral products	10.6	12.1	12.9	12.8	9.9	12.3	15.5
27. Mineral fuels; bituminous substances; mineral waxes	10.4	11.7	12.7	12.5	9.6	11.8	15.2
6 - Products of the chemical industries	12.6	11.7	11.9	12.0	14.1	11.7	11.4
30. Pharmaceutical products	4.1	3.4	3.7	3.8	4.7	4.1	3.3
31. Fertilisers	1.1	1.2	1.2	1.0	1.4	1.3	1.6
38. Miscellaneous chemical products	1.8	1.7	1.6	1.8	2.5	1.7	1.5
32. Tanning or dyeing extracts; pigments; paints	1.6	1.5	1.5	1.6	1.4	1.4	1.5
7 - Plastics and articles thereof	5.6	5.4	5.3	5.2	5.9	6.2	5.7
39. Plastics and articles thereof	4.6	4.5	4.4	4.3	5.0	5.2	4.9
8 - Raw hides and skins, leather, furskins and articles thereof	0.2	0.2	0.2	0.2	0.1	0.1	0.2
9 - Wood and articles of wood; wood charcoal	0.3	0.4	0.4	0.3	0.4	0.5	0.4
10 - Pulp of wood or of other fibrous cellulosic material; paper or paperboard	3.5	3.4	3.4	3.1	3.0	2.8	3.0
48. Paper and paperboard; articles of paper pulp	3.0	3.1	3.2	3.0	2.8	2.6	2.8
49. Printed books, newspapers, pictures	0.5	0.3	0.2	0.1	0.2	0.2	0.2
11 - Textiles and textile articles	20.6	20.5	19.5	20.9	18.6	18.1	19.9
55. Man-made staple fibres	8.2	7.6	6.5	7.0	6.3	6.0	6.4
52. Cotton	2.9	3.7	3.5	4.0	2.5	3.4	4.8
61. Articles of apparel and clothing accessories, knitted or crocheted	2.2	2.5	2.9	3.4	2.9	3.3	3.9
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks; feathers and articles made therewith	0.9	0.8	0.7	0.7	0.5	0.6	0.6
13 - Articles of stone, cement, asbestos; ceramic products; glass	1.1	1.1	1.1	1.0	1.0	1.1	1.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.2	0.2	0.1	0.1	0.0	0.1	0.1
15 - Base metals	5.6	6.2	6.1	5.8	6.0	7.8	6.9
72. Iron and steel	2.3	3.0	3.3	2.8	3.1	4.3	3.4
73. Articles of iron or steel	1.8	1.7	1.4	1.5	1.4	1.7	1.6
76. Aluminium and articles thereof	0.6	0.6	0.6	0.6	0.6	0.7	0.7

Description	2016	2017	2018	2019	2020	2021	2022
16 - Machinery and mechanical appliances; electrical equipment	16.0	16.1	16.3	15.8	15.3	15.8	13.5
84. Nuclear reactors, boilers, machinery and mechanical appliances	7.1	7.3	7.5	7.3	6.7	7.3	7.1
85. Electrical equipment; sound and image recorders and reproducers	8.9	8.7	8.8	8.5	8.6	8.5	6.4
17 - Vehicles, aircraft, vessels and associated transport equipment	5.3	5.3	5.1	4.8	4.2	4.8	4.1
87. Vehicles other than railway or tramway rolling stock	5.2	5.2	5.0	4.8	4.1	4.7	4.0
18 - Optical, photographic, measuring, checking or precision instruments and apparatus	0.8	0.9	0.8	0.8	1.1	0.7	0.6
19 - Arms and ammunition; parts thereof	0.1	0.2	0.1	0.0	0.0	0.1	0.1
20 - Miscellaneous manufactured articles	2.1	2.1	2.0	2.0	2.3	2.0	1.6
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data provided by the authorities.

Table A1.3 Merchandise exports by trading partner, 2016-2022

(USD million and %)

Description	2016	2017	2018	2019	2020	2021	2022
	(USD million)						
Exports	7,926	8,624	8,611	8,755	7,651	10,182	12,135
	(% of exports)						
America	84.4	78.7	81.4	83.4	81.3	81.9	83.3
United States	57.0	52.0	52.6	54.0	52.4	51.2	50.6
Other - America	27.4	26.7	28.8	29.4	28.9	30.7	32.7
Nicaragua	7.0	6.9	7.1	6.9	6.5	7.1	8.7
El Salvador	8.7	8.8	9.4	10.1	9.1	9.1	8.5
Guatemala	3.6	3.2	3.6	4.2	5.3	5.7	5.5
Mexico	2.2	1.7	1.7	2.5	1.8	2.4	2.6
Canada	0.5	1.5	1.9	1.1	1.0	1.1	2.0
Dominican Republic	1.1	1.0	1.2	1.1	1.4	1.5	1.4
Costa Rica	1.3	1.3	1.2	1.3	1.5	1.4	1.2
Haiti	0.6	0.3	0.4	0.6	0.7	0.6	0.9
Colombia	0.3	0.2	0.5	0.2	0.3	0.5	0.6
Panama	0.5	0.5	0.5	0.5	0.4	0.4	0.4
Europe	13.2	18.4	15.5	13.2	15.0	15.1	13.2
EU-27	11.9	16.8	13.8	11.5	13.0	12.9	11.4
Germany	4.2	4.8	4.3	3.5	3.7	3.4	3.1
Italy	0.8	1.0	0.8	0.8	1.5	1.3	2.4
Belgium	1.5	4.3	3.5	1.9	1.8	2.2	1.7
Netherlands	3.3	3.8	2.4	2.4	3.1	3.7	1.7
Spain	0.5	1.1	1.3	1.2	0.9	0.5	0.7
EFTA	0.1	0.1	0.2	0.1	0.2	0.5	0.3
Switzerland	0.0	0.0	0.1	0.1	0.2	0.5	0.3
Other - Europe	1.3	1.6	1.5	1.6	1.8	1.7	1.5
United Kingdom	1.3	1.4	1.4	1.5	1.7	1.6	1.4
Türkiye	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Commonwealth of Independent States (CIS) ^a	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Russian Federation	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Africa	0.1	0.1	0.1	0.2	0.1	0.1	0.0
Middle East	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asia	2.0	2.5	2.9	2.9	3.3	2.7	3.2
China	0.2	0.3	0.4	0.2	0.4	0.2	0.1
Japan	0.2	0.2	0.3	0.3	0.4	0.4	0.8
Other - Asia	1.6	2.0	2.2	2.4	2.5	2.1	2.3
Chinese Taipei	0.3	0.7	0.7	1.0	1.3	0.7	1.0
Korea, Republic of	0.6	0.2	0.3	0.3	0.3	0.6	0.7
Australia	0.1	0.3	0.5	0.4	0.4	0.2	0.3
Memorandum							
EU-28	13.1	18.2	15.3	13.0	14.7	14.5	12.8

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations based on data from the authorities.

Table A1.4 Merchandise imports by trading partner, 2016-2022

(USD million and %)

Description	2016	2017	2018	2019	2020	2021	2022
	(USD million)						
Imports	11,480	12,407	13,649	13,296	11,223	16,565	19,544
	(% of imports)						
America	74.8	77.3	74.3	74.7	73.5	70.8	72.8
United States	42.4	43.4	42.1	43.7	37.1	36.4	36.9
Other - America	32.4	33.9	32.3	30.9	36.4	34.4	35.9
Guatemala	7.5	8.4	8.0	8.3	10.4	9.8	9.4
El Salvador	7.2	7.7	7.3	6.6	8.5	7.7	7.7
Mexico	6.3	5.8	6.1	5.5	5.9	5.8	5.3
Costa Rica	3.0	3.4	3.4	3.4	3.7	3.4	3.2
Nicaragua	1.3	1.7	1.8	1.2	2.2	2.5	3.1
Brazil	1.3	1.2	1.2	1.1	1.3	1.3	1.7
Colombia	1.1	1.2	1.0	1.0	1.1	1.1	1.4
Bahamas	0.0	0.0	0.0	0.0	0.0	0.0	1.3
Argentina	0.3	0.6	0.6	0.6	0.5	0.6	0.6
Canada	0.4	0.3	0.5	0.5	0.5	0.4	0.4
Europe	6.0	5.7	6.0	5.8	6.4	6.2	5.6
EU-27	5.5	5.1	5.3	5.2	5.1	5.3	4.9
Germany	1.7	1.6	1.9	1.7	1.6	1.8	1.4
Spain	0.9	1.0	0.8	0.8	0.8	0.8	0.7
Italy	0.7	0.6	0.8	0.7	0.7	0.9	0.7
France	0.4	0.3	0.4	0.6	0.4	0.4	0.4
Netherlands	0.4	0.3	0.3	0.3	0.3	0.3	0.3
EFTA	0.2	0.2	0.3	0.2	0.3	0.2	0.2
Switzerland	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Other - Europe	0.3	0.4	0.4	0.4	1.0	0.7	0.5
United Kingdom	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Türkiye	0.1	0.2	0.2	0.2	0.7	0.5	0.2
Commonwealth of Independent States (CIS) ^a	0.5	0.5	0.8	0.8	0.8	1.3	1.1
Russian Federation	0.5	0.5	0.8	0.8	0.8	1.2	1.0
Africa	0.1	0.1	0.1	0.1	0.1	0.3	0.3
Nigeria	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Tunisia	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Morocco	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Middle East	0.3	0.3	0.3	0.2	0.2	0.3	0.3
Bahrain, Kingdom of	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Israel	0.3	0.3	0.2	0.1	0.1	0.1	0.1
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Asia	18.2	16.1	18.5	18.4	19.0	21.1	19.9
China	10.1	9.8	11.9	11.8	12.4	13.4	11.5
Japan	1.3	1.1	1.2	1.1	1.1	1.3	1.1
Other - Asia	6.8	5.2	5.3	5.5	5.5	6.4	7.3
India	1.7	1.4	1.5	1.7	1.6	2.1	2.4
Indonesia	0.2	0.2	0.3	0.3	0.4	0.6	1.2
Korea, Republic of	1.2	1.1	0.8	0.8	0.9	0.9	0.8
Thailand	1.1	0.6	0.6	0.6	0.6	0.7	0.7
Viet Nam	0.4	0.3	0.4	0.6	0.7	0.8	0.7
Memorandum							
EU-28	5.7	5.3	5.5	5.4	5.3	5.5	5.1

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations based on data from the authorities.

Table A2.1 Notifications to the WTO, 2016 to 2022 (March)

	Type of measure notified	Frequency	WTO document	Date
Agreement on Agriculture				
Articles 10 and 18.2 – ES:1	Export subsidies - Budgetary outlay and quantity reduction commitments	On an annual basis	G/AG/N/HND/56	05/01/2021
Articles 10 and 18.2 – ES:2	Export subsidies - Total exports	On an annual basis	G/AG/N/HND/57	18/01/2023
Article 18.2 – DS:1	Domestic support – Total Aggregate Measurement of Support	On an annual basis	G/AG/N/HND/48	03/09/2018
Article 18.3 - DS.2	Domestic support – New or modified exempt domestic support measures	Ad hoc	G/AG/N/HND/46	09/01/2018
General Agreement on Trade in Services				
Articles III:4 and IV:2	References of enquiry point	Ad hoc	S/ENQ/78/Rev.23	10/02/2023
Article V:7(a)	Conclusion of, or accession to, an economic integration agreement	Once only	S/C/N/1054	16/04/2021
			S/C/N/1026	08/01/2021
			S/C/N/918	17/10/2018
Enabling Clause – Regional trade agreements				
Paragraph 4(a)	Conclusion of, or accession to, a regional or global arrangement entered into amongst contracting parties for the mutual reduction or elimination of tariffs and for the mutual reduction or elimination of non-tariff measures, on products imported from one another	Once only	WT/COMTD/RTA15/N/1/Add.133	20/03/2020
			WT/COMTD/RTA15/N/1/Add.128	19/03/2020
			WT/COMTD/RTA15/N/1/Add.126	19/03/2020
			WT/COMTD/RTA15/N/1/Add.112	19/03/2020
GATT 1994				
Article XXVIII:5	Modification of schedules (reservation of the right to modify schedules during a three-year period)	Ad hoc	G/MA/386	18/11/2020
			G/MA/349	04/12/2017
Article XVII:4(a)	State trading activities	Every two years	G/STR/N/19/HND	30/06/2022
Article XXIV:7(a)	Economic integration agreements and any enlargement or significant modification thereof	Ad hoc	WT/REG452/N/1	16/04/2021
			WT/REG422/N/1	08/01/2021
			WT/REG393/N/1	17/10/2018
Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-Dumping Agreement)				
Article 16.4 – Semi-annual reports	Anti-dumping actions (taken within the preceding six months)	On a semi-annual basis	G/ADP/N/370/Add.1	13/10/2022
			G/ADP/N/364/Add.1	11/04/2022
			G/ADP/N/357/Add.1	14/10/2021
			G/ADP/N/350/Add.1	15/04/2021
			G/ADP/N/342/Add.1	13/10/2020
			G/ADP/N/335/Add.1	04/05/2020
			G/ADP/N/300/Add.1	23/10/2017
			G/ADP/N/286/Add.1	20/10/2016
			G/ADP/N/280/Add.1	22/04/2016
Agreement on Import Licensing Procedures				
Article 7.3	Replies to the annual questionnaire on import licensing procedures	On an annual basis	G/LIC/N/3/HND/13	07/04/2022
Agreement on the Application of Sanitary and Phytosanitary Measures				
Article 7, Annex B	Sanitary/phytosanitary regulations	Ad hoc	G/SPS/N/HND/65-G/SPS/N/HND/53	06/03/2023-12/09/2016

	Type of measure notified	Frequency	WTO document	Date
Agreement on Rules of Origin				
Annex II, paragraph 4	Existing preferential rules of origin; judicial decisions and administrative rulings of general application relating to preferential rules of origin (comprehensive notification of all rules applied)	Ad hoc	G/RO/N/222	29/04/2021
			G/RO/N/225	29/04/2021
			G/RO/N/208	11/01/2021
			G/RO/N/181	15/04/2019
			G/RO/N/161	21/07/2017
Agreement on Trade Facilitation				
Article 22.3	Members seeking assistance and support for capacity building: contact points of TACB-coordinating agency	Once only	G/TFA/N/HND/2/Rev.2	15/09/2022
Article 1.4	Notification of the official place(s) for items listed in Article 1.1.1, URLs for websites in Article 1.2.1, contact information for enquiry points in 1.3.1	Once only	G/TFA/N/HND/3/Rev.1	12/08/2020
Article 10.4.3	Notification of details of the operation of the single window	Once only		
Article 10.6.2	Notification of measures on the use of customs brokers	Once only		
Article 12.2.2	Notification of contact point for the exchange of information, where there are doubts about the accuracy of the information provided in an import/export declaration	Once only		
Articles 15 and 16	Designation of provisions in Section I of the TFA to be implemented according to the categories set out in Article 13	Once only	G/TFA/N/HND/1	06/03/2018
Agreement on Technical Barriers to Trade				
Article 2.9	Technical regulations	Ad hoc	G/TBT/N/HND/100-G/TBT/N/HND/87	03/03/2023-06/04/2016
Articles 2.9 and 5.6	Technical regulations and conformity assessment procedures	Ad hoc	G/TBT/N/HND/91	21/02/2018
Agreement on Subsidies and Countervailing Measures				
Article 25.1; GATT 1994, Article XVI:1	Any subsidy as defined in Article 1.1 of the SCM Agreement that is specific within the meaning of Article 2 of the SCM Agreement, as well as any other subsidy that causes increased exports or decreased imports within the meaning of Article XVI:1 of the GATT 1994	Every two years	G/SCM/N/401/HND	10/.01/2023
Article 25.11 – Semi-annual reports	Countervailing duty actions (taken within the preceding six months)	On a semi-annual basis	G/SCM/N/392/Add.1	13/10/2022

Source: WTO Secretariat.

Table A3.1 Summary analysis of the MFN tariff, 2022

Product description	MFN				Bound tariff range ^a (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Total	7,531	5.9	0 - 164	1.3	0 - 164.4
HS 01-24	1,328	11.6	0 - 164	1.0	5 - 164.4
HS 25-97	6,203	4.7	0 - 15	1.2	0 - 55
By WTO category					
Agricultural products	1,069	10.8	0 - 164	1.2	5 - 164.4
- Animals and animal products	158	18.3	0 - 164	1.5	12 - 164.4
- Dairy products	35	22.6	0 - 35	0.5	8 - 35
- Fruit, vegetables and garden produce	307	11.2	0 - 30	0.6	10 - 45
- Coffee and tea	29	13.3	0 - 15	0.3	10 - 35
- Cereals and cereal preparations	134	10.1	0 - 50	1.1	5 - 55
- Oilseeds, fats and oils and their products	104	6.2	0 - 15	0.9	10 - 50
- Sugar and confectionery	21	11.4	0 - 40	1.0	30 - 40
- Beverages, alcohol and tobacco	80	12.3	0 - 55	0.6	15 - 60
- Cotton	5	0.0	0	n.a.	10 - 15
- Other agricultural products n.e.s.	196	4.1	0 - 15	1.3	10 - 35
Non-agricultural products (including petroleum)	6,462	5.1	0 - 15	1.2	0 - 55
- Non-agricultural products (excluding petroleum)	6,434	5.1	0 - 15	1.2	0 - 55
- - Fish and fish products	349	11.7	0 - 15	0.4	20 - 35
- - Mineral products and metals	1,127	3.6	0 - 15	1.5	0 - 35
- - Chemicals and photographic products	1,398	2.2	0 - 15	2.0	0 - 35
- - Wood, wood pulp, paper and furniture	520	6.6	0 - 15	0.9	5 - 50
- - Textiles	715	8.1	0 - 15	0.6	12 - 35
- - Clothing	228	14.8	0 - 15	0.1	30 - 35
- - Leather, rubber, footwear and travel articles	212	7.6	0 - 15	0.7	5 - 55
- - Non-electrical machinery	653	1.4	0 - 15	2.8	0 - 35
- - Electrical machinery	369	2.8	0 - 15	1.9	0 - 35
- - Transport equipment	309	5.6	0 - 15	0.9	10 - 35
- - Non-agricultural products n.e.s.	554	7.2	0 - 15	0.9	0 - 35
- Petroleum	28	3.8	0 - 15	1.2	5 - 35
By HS section					
01 Live animals; animal products	511	13.6	0 - 164	1.1	8 - 164.4
02 Vegetable products	442	9.1	0 - 50	0.9	8 - 50
03 Fats and oils	63	8.7	0 - 15	0.7	10 - 50
04 Prepared foodstuffs, etc.	312	12.4	0 - 164	0.9	5 - 164.4
05 Mineral products	186	2.6	0 - 15	1.5	5 - 35
06 Products of the chemical or allied industries	1,235	1.8	0 - 15	2.3	0 - 35
07 Plastics and rubber	351	4.3	0 - 15	1.1	5 - 35
08 Raw hides and skins, and leather	108	8.3	0 - 15	0.7	35 - 35
09 Wood and articles of wood	192	8.2	0 - 15	0.7	25 - 35
10 Pulp of wood, paper, etc.	295	5.1	0 - 15	1.1	5 - 35
11 Textiles and textile articles	923	9.6	0 - 15	0.5	10 - 35
12 Footwear and headgear	64	12.8	0 - 15	0.3	35 - 55
13 Articles of stone	194	6.2	0 - 15	1.1	0 - 35
14 Precious stones, etc.	56	7.1	0 - 15	0.8	20 - 35
15 Base metals and articles of base metal	719	3.0	0 - 15	1.6	5 - 35
16 Machinery and mechanical appliances	1,070	2.1	0 - 15	2.3	0 - 35
17 Vehicles, aircraft, vessels and associated transport equipment	322	5.5	0 - 15	0.9	10 - 35
18 Precision instruments	236	3.9	0 - 15	1.5	0 - 35
19 Arms and ammunition	21	15.0	15 - 15	0.0	35 - 35
20 Miscellaneous manufactured articles	206	10.9	0 - 15	0.5	15 - 50
21 Works of art, etc.	25	7.4	5 - 10	0.3	35 - 35

a As the bound rates correspond to the HS 2017 classification and the applied rates to HS 2022, there may be a difference in the number of lines included in the analysis.

Source: WTO Secretariat estimates based on data provided by the authorities.