

## HONDURAS




<b>OFFICIAL NAME:</b>	Republic of Honduras						
<b>AREA:</b>	112,492 km <sup>2</sup>						
<b>POPULATION:</b>	8,249,574 (2010 estimate)						
<b>OFFICIAL LANGUAGE(S):</b>	Spanish						
<b>FORM OF GOVERNMENT:</b>	Constitutional Democratic Republic, Unicameral						
<b>CAPITAL:</b>	Tegucigalpa						
<b>LARGEST OTHER CITIES:</b>	San Pedro Sula, La Ceiba, El Progreso, Choloma, Choluteca						
<b>GDP GROWTH (%)</b>	<table border="0"> <tr> <td>2010</td> <td>2011</td> <td>2012</td> </tr> <tr> <td>2,8</td> <td>3,5</td> <td>4,2</td> </tr> </table>	2010	2011	2012	2,8	3,5	4,2
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# HONDURAS IS OPEN FOR BUSINESS

Over the last twenty years, Honduras has made considerable efforts to modernize and open up its economy. Investments in infrastructure have resulted in a system of roads and highways that rank among the best in Central America, as well as first class maritime and airport facilities, all of which provide easy access to domestic and foreign markets.

The port facilities of Puerto Cortés, on the Atlantic coast, is especially worthy of recognition. It counts among one of the few certified Megaports worldwide, only three of which can be found in Latin America. Its strategic geographic position allows shipments to reach the U.S. in only 72 hours, and the port also sends shipments to Europe and Asia as well.

Honduras' energy infrastructure consists of 39 private power generation companies, 24 of which produce

electricity from renewable energy sources that account for about 41% of the total electricity produced in the country. Thirteen of these companies produce hydroelectric energy and 11 from biomass power plants. The rest of the electricity generated in the country is from thermal power stations that generate electricity from diesel and bunker fuel. The installed capacity of the National Electricity System is 1,610.3 MW; 36.6% (589 MW) are attributed to state-owned hydroelectric plants and 63.4% (1,021.3 MW) to thermal, hydroelectric and biomass plants, which are privately-owned.

The telecommunications sector highlights the country's progress in its competitive position. During the last 5 years, telecommunications have improved significantly both in terms of coverage and quality, thanks to the participation of the private sector which has invested about \$1,177 mil-

lion, as a result of the legal framework that was implemented in 1995.

Honduras had consistently averaged an annual FDI growth rate of 25.0%, from 2003-2007. However, the economic recession of late 2008 put an end to that growth and slowed down the Honduran economy considerably. In 2009, due to the economic recession, FDI flows fell at an international level. In addition to this, Honduras was affected by internal political conflict that prevented the country from attracting new investment and had a negative effect on the progress that had been recorded in terms of improved business climate at a national level. By late 2009, FDI towards Honduras had net flows totaling US\$523.3 million, figure reflecting a fall by US\$483.1 million (-48.0%).

However ground has been regained, 2010 was a year of positive economic

growth and it appears that this trend will continue in the foreseeable future. An analysis of FDI per economic activity shows that companies in the telecommunications business retained the greatest part of the total FDI flows, with 60.8% of the total, followed by the manufacturing industry with 15.4%, assembly plants with 11.5% and the services industry with 11.0%. In terms of FDI flows by geographic region, North America continued to be the main place of origin, with a total of US\$490.5 million, followed by Europe with US\$85.8 million, the Caribbean with US\$58.2 million and Central America with US\$33.4 million.

The advantages of Honduras open economy includes free trade agreements with Canada, Mexico, Chile and Colombia. Also, as part of the Central American Free Trade Agreement (CAFTA) with the United States, and a Partnership Agreement with the European Union that is currently in the process of ratification.

The National Investment Promotion program of Honduras, which was launched in 2010, proposes an agenda of

fundamental change in the country's economic and social structure, aimed to promote a more competitive economy to generate greater Foreign Direct Investment (FDI), create jobs, and increase incomes. The direction of this process has been established in the Country Vision (2010 – 2038) and The Nation Plan (2010-2022) that resulted of a broad consultation process. This program consists of an innovative legal framework, designed to promote Direct Foreign Investments in the country, by providing investment guarantees, tax incentives, free trade zoning laws, and public/private alliances that would revitalize investor confidence in Honduras.

During the 5th and 6th of May Honduras held the trade fair, Honduras is Open for Business, an event that triggered the Honduran National Investment Promotion Program 2010-2014, and represented the initiation of a thorough process aimed at launching Honduras as the most attractive investment destination in Latin America.

Honduras is Open for Business was also the platform where new institu-

tional facilities such as the One Stop Window and the Investor Protection Unit was presented, as well as the progress made on the National Public Safety Strategy and the range of services that are offered under the Business Intelligence framework.

The most important companies in the world that hold investments in Latin America attended this event that served as a meeting place for the region's investment community. One hundred investment projects in Energy, Infrastructure, Tourism, Manufacturing and Business Services, Agribusiness, and Carbon Bonds and Forestry, were presented as investment opportunities to those companies, many of which should begin developing in the following months.

Europe and Germany in particular, are of great importance to Honduras' investment promotion strategy, and hopefully historical levels of FDI will be surpassed in the coming years. In this sense, significant efforts are being implemented to make Honduras an attractive investment destination for German firms.





# INTERVIEW

with H. E. Efrain Anibal Díaz Arrivillaga,  
Ambassador of the Republic of Honduras

## AMBASSADOR, HOW WOULD YOU DESCRIBE THE PRESENT STATE OF THE HONDURAN ECONOMY?

The Honduras economy is beginning to recover after the international economic recession, and the Honduran political crisis of 2009. During that year, we had a negative growth rate (-1.5%), but luckily, in 2010, managed to revert that situation, and it appears that this trend will continue throughout 2011 to an expected growth of 3.5%.

Also, Honduras has successfully concluded an important Stand-By Agreement with the International Monetary Fund (IMF), and the government has taken important measures to stabilize the economy, by controlling the fiscal deficit and inflation and thus, creating the macro-economic conditions for a sustainable future economic growth. The Honduran Government is promoting a more diverse and stronger export

sector; it is launching Honduras as an appealing tourist destination and as the most attractive investment destination in Latin America. It is also working to lay the foundations for sustainable and continuous economic growth, which will lead to greater employment opportunities, reduce poverty and inequality, as well as improve the social conditions of the population.

Finally, significant efforts are being made to change our energy mix to be focused on renewable energy sources. Presently Honduras is a net oil importing country, which accounts for 62% of our energy. Climate change, biodiversity (22% of our territory is considered reserve and protected areas), and food security are also important priorities of our country's development agenda.

## YOU HAVE ALSO BEEN INVOLVED IN POLITICS. CAN YOU PROVIDE US WITH A BRIEF DESCRIPTION OF

## HOW THE DEMOCRATIC AND SOCIAL DEVELOPMENT OF HONDURAS CAME ABOUT?

Honduras started its transition to democracy in 1981, and we have had free and fair democratic elections for the next 30 years. This is the first time in our nation's history that successive governments have been consistently elected. Since that time, our democratic system has been relatively stable, institutional development, citizen participation, and the pursuit of political and economic rights have all been high. However, the political crisis of 2009 resulted in a precarious and highly conflictive period that put that process at risk.

Fortunately, elections were held as scheduled, and it was possible to elect, in November of that year, the current government of President Porfirio Lobo Sosa. The President, is highly committed to building a democratic center, and has started the process of stabilizing democratic institutions, has promoted internal dialogue and prompted a process of reconciliation that will hopefully provide the basis of a more humane, participative, open, tolerant and pluralistic society.

We firmly believe that, the respect for the rule of law and the independence of the three Branches of Government (Executive, Legislative and Judicial), the respect of Human Rights, improved people's participation and strong local governments, will lay the foundations for the strengthening of the institutional development of the country and safeguard the democracy we have initiated in 1981. It is important to emphasize that we are in a process of working toward greater democratization of Honduran society despite our still unresolved problems such as poverty, inequality, insecurity, and corruption.

## WHY IS THE RELATIONSHIP BETWEEN HONDURAS AND GERMANY SO IMPORTANT?

There has been a long, historical relationship between Honduras and Germany, which dates back more than one

hundred years. German immigrants have greatly contributed to the development of our nation through advances made in the fields of culture, trade, agriculture and industry. However, officially our Diplomatic Relations were reestablished July 20th, 1960.

Germany is our most important trade partner in Europe and our third most important partner worldwide, accounting for about 7% of our total exports in a given year.

Also, Germany is a very important bilateral contributor to our development efforts, supplying some EUR 430 million since the cooperation program began in 1961. It also contributes about 20% of the multilateral aid given by the European Union to Honduras. On top of that, there is also the support provided by institutions, such as KfW, DEG, and GIZ, through financing, technical assistance and training, which define Germany as one of our biggest partners in our actions to reduce poverty, increase education, and boost our nation's efforts toward progress and development.

**WHAT MEASURES HAS THE GOVERNMENT OF MR. PORFIRIO LOBO SOSA, ADOPTED TO ENSURE THE CONSOLIDATION OF DEMOCRACY AND PROMOTION OF DEVELOPMENT?**

Internally, President Lobo Sosa is committed to promote a more stable society through a reconciliation process that led him to establish a government of unity made up of the different political and social forces of our country. He has also beckoned a social and democratic dialogue so that an agenda that is inclusive of all sectors of society can be established.

The government has expressed its profound compromise for the respect of Human Rights, and for this endeavor, a new Ministry of Human Rights and Justice has been created, to ensure that these rights are managed by a capable and independent institution. Simultaneously, the Government fostered the creation of the Truth and Reconcilia-

tion Commission of Honduras, which is an independent committee set up for the purpose of investigating what happened before, during and after the political crisis of 2009. On July 8th, this commission presented its findings, and we firmly believe that these conclusions will help strengthen the path toward reconciliation as well as serve as a lesson so that the situations that caused this crisis are not repeated.

The Government has stressed the need for a more just and inclusive society, championing programs and measures that offer help to the poorest segment of the population. With this, the current administration hopes to achieve the United Nation's Millennium Development Goals, as well as the objectives of the National Poverty Reduction Strategy, that will enable many Hondurans to overcome their current conditions of poverty and extreme poverty.

**IN WHAT OTHER FIELD DO YOU THINK GERMANY CAN CONTRIBUTE TO HONDURAS' FURTHER DEVELOPMENT?**

Among all the contributions Germany has made to our country, a field that can greatly advance our development efforts is the systematic implementation of scientific, academic, and cultural exchange between our nations. For more than ten years, the Universidad Pedagógica Nacional Francisco Morazán (UPNFM) (ed. National University of Pedagogy) and the University of Flensburg have had a Cooperation Agreement that includes scholarships, visiting professors and technical support.

In this respect, we find ourselves in the process of broadening this kind cooperation to other universities, with a special focus on the National Autonomous University of Honduras, and other private institutions that may benefit greatly from this type of accords. Also, we are promoting a closer and broader relationship with the DAAD, which has had a partnership with our country for many years, and has provided 26 Post-Graduate students with the opportunity to further their stu-

dies, here, in Germany, during the last ten years.

For our Embassy, this is one of our main priorities, to encourage this kind of agreements, so that Hondurans may take advantage of what Germany has to offer in the field of knowledge, research and scientific investigation. We would like to see these kinds of initiatives increase in the short term.

At the same time, Honduras is the only country in Central America that does not have a German School. A group of Germans living in the city of San Pedro Sula have made specific efforts to establish one in that city, which has led the Embassy to present their proposal to DEG, which has shown an initial interest in financing this project. We believe that projects such as these will strengthen the cultural ties that exist between our nations.

**WHAT GOALS DO YOU HOPE ARE ACCOMPLISHED DURING YOUR TENURE IN GERMANY?**

We would like to see the consolidation of our relationship with Germany, especially now that we are on the threshold of putting into action the Association Agreement between Central America and the European Union. We would like to expand the number of products we export, and wish to increase direct German investment in Honduras, as well as the transfer of technology from this country to ours, specifically in the fields of renewable energy, infrastructure, agriculture and climate change.

Honduras is a wonderful tourist destination, and serious efforts are being made to establish a charter flight from Germany to the island of Roatán, located in the Honduran Caribbean, and therefore increasing the amount of German tourists in Honduras.

We want to increase the number of Honduran students that get the opportunity to study here in Germany, as well as a free exchange of visiting professors, between our nations.