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HONDURAS

Finance

P. 1

Industry Sector

P. 2

Introduction

Located in the center of the Central American, the Republic of Honduras is the second largest country in the area. It is the most mountainous country in Central America, with two thirds of the territory above 300 meters of altitude. It borders to the north with the Caribbean Sea, the west by Guatemala and El Salvador, to the east with Nicaragua and to the south with the Pacific Ocean.

The forest area represents 48% of the territory. There are 91 protected areas with a total of 5.1 million hectares of which 61% are land and 39.1% are marine areas. It has the largest water resources in the Central American region, with 21 hydrographic basins including the Gulf of Fonseca and the Bay Islands.

Honduras has two main economic development centers, these are the Departments of Francisco Morazán and Cortés, where most of the country's industry and services are concentrated. The free zone of Puerto Cortés, in the north of the country, and around San Pedro Sula, concentrates more than

60% of the Honduran GDP and 80% of the maquila activity. The other industrial focus, although of less activity, is the capital Tegucigalpa. Additionally, the areas of the coastal plains have a marked agricultural character (banana, African palm), and the central regions concentrate the coffee production with its strategic location, a growing industrial base, ongoing efforts to diversify its exports, and a young and growing population. The population of Honduras is approximately 10,117,000.

Honduras possesses multiple strengths and the potential for faster growth and higher shared prosperity.

The country's economy rebounded to a 11.9 percent growth in 2021 and is expected to grow a 3.1 percent in 2022 and 3.6 percent in 2023. A new government took office in early 2022 and will have the opportunity to chart a course consistent with the recovery and reconstruction needs of the country and to address the critical constraints to growth.

Furthermore, the volume of the Foreign Direct Investment (FDI) in Honduras is still moderate and the annual figures are very variable, depending much on specific investment operations. The main

investing countries are, USA, Panama, Mexico and Guatemala. Is also a good place for fund managers and venture capital, it has the largest bilingual population in Central America, especially for technologic companies like BPO and tourism and hotel industry. The World Bank's current portfolio in Honduras consists of 11 projects, totaling US\$814 million in commitments. With this scenario it is perfect for the construction industry.

Honduras Tourism is "the untapped tourism market", with architectural constructions that stand out in the Bicentennial of Independence, with the paradise of the Mayan world, such as the beautiful city of Copán Ruinas, has places that will allow to travel in time, was declared a World Heritage Site by UNESCO.

Honduras has coasts on the Pacific Ocean and the Atlantic. A privileged position that allows you to enjoy different scenarios and ecosystems. Spaces for the ideal practice of water sports and relaxation, good for sailing and specially for scuba, the coral reef is part of the Mesoamerican Reef System. According to data from the World Wide Fund for Nature (WWF), this is the largest transboundary reef in the world and contains the second longest barrier reef.

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Dr. Mossi holds a Ph.D. in Economics with a specialization in Public Finance from Vanderbilt University; a Master's Degree in Economics with specialization in Econometrics from Duke University and a degree in Electrical Engineering from the National Autonomous University of Honduras.

In addition, Dr. Mossi has extensive experience spanning nearly 25 years, with more than 15 years at the World Bank, in the government sector, and as a consultant and professor at the Catholic University of Honduras.

He has been president of CABEI since December 2018.

I studied in a private school with Salesian priests, then I went to the public university which cost US\$ 10 per semester and had a very good level of education. I wanted to do a master's degree, but at that time the cost was US\$15,000 per semester, my father's salary in 5 years, so I looked for a scholarship and fortunately I got the Fulbright scholarship in the U.S. I felt privileged to have had access to that scholarship that changed my life.

In relation to the bank, one of my objectives was to create the CABEI Foundation, which is entirely dedicated to education and health. With the foundation we established two scholarships: the Bicentenario Scholarship, which provides primary education in public schools so they can later continue to secondary school. The other is for empowerment and is inspired by my grandparents, which is for education in remote areas. They did a lot to send their children to the capital to study and I am recreating a little of my experience.

The other scholarship program that we have promoted and has been approved by the Board of Directors was scholarships to study in Zamorano University. It consists of a full scholarship for students from Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Colombia or Cuba interested in food production.

I am very happy to be where I am and to be able to have the privilege and honor of presiding a bank like CABEI.

Could you tell us about the dry corridor project, which is a geographic area that suffers from droughts and floods, causing people to migrate from the area.

CABEI hired different companies to design programs to address the needs of this group of people who want to migrate. Several experts proposed a very credible program, taking into account a couple factors:

1) these areas are suffering the consequences of climate change

2) governments should let the private sector work effectively.

Based on these premises, the Bank made a financing proposal to the Green Climate Fund for which it has granted US\$ 190 million to develop and implement a large program.

The plan is to offer small farmers loans with attractive financing with a 3-year grace period so that they can start up their businesses in that time. We will finance small dams, solar energy pumping systems, the purchase of motorcycles and electric

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or hybrid vehicles to generate their own energy. In other words, changing the production model.

The Honduran economy showed a rebound in the first months of 2021, as a result of the dynamics reflected in its economic activities. In the banking sector, total assets showed an annual increase of 13.8% at the end of June 2021.

What is your opinion regarding this growing sector and what do you think should be done to develop it further in the coming years?

First, I would like to point out that during the pandemic, the Central American economy was closed to the outside world, but it was not closed internally, which allowed the market, which is the second most important in the region, to be maintained, therefore allowing the economic reactivation to be much easier because the agricultural economy never stopped, and that was good news.

On the other hand, migrants, most of them living in the U.S., were subject to the bonuses given to employees due to the pandemic and they, in turn, sent money to Central America, which explains why remittances raised considerably.

In relation to the pandemic, something that greatly affected this region was the lack of access to COVID-19 vaccines. Given this panorama, CABEI decided to collaborate and issued bonds for vaccines. These bonds were sold in New Zealand, Japan and other countries to finance the purchase of vaccines, and so Costa Rica, Nicaragua and Honduras, once had access to the bonds could reach to large pharmaceutical companies such as Pfizer which helped to start the vaccination process. The fact that CABEI was supporting them made a big difference.

Among other things, we have also provided financing for entrepreneurs to access a second loan, because they had debts due to the situation created by the pandemic. CABEI developed a program adding a guarantee fund and it was a success, in view of this the UN Women decided to give US\$ 1 million to the program because they saw its importance. If a woman entrepreneur wants to take out a second loan, she can refinance part of her debt and buy an electric vehicle or activate an online delivery service to sell her products.

In the frame of our US\$650 million program, we are reaching at the moment US\$350 million, there is still available funds because not everyone is convinced to take a second loan. We offer a free technical assistance program to teach how to make a business plan.

What do you consider to have been the greatest achievements to date?

The Central American Bank's greatest accomplishment is that we are providing financing to member countries and countries such as Spain, Korea, Taiwan, Mexico, Colombia and the European Union have joined us. CABEI's greatest pride is that we are from Central America and we are here working for the region.

The bank's capital was US\$ 1 million, now it is US\$ 7 billion with US\$ 13 billion in assets. We have grown significantly and we are creating a capital fund of US\$ 1 billion with funds from Korea and our own contribution because we are going to

invest capital directly in companies. We are taking extraordinary measures to reactivate the economy.

I am proud that the region has an in-house bank because it is extremely convenient to meet the needs of the countries in a very short period of time

What is the relevance of the US market for the country?

The US is definitely the most important partner of Honduras. The US is very generous with Honduras and Central America, we signed the free trade agreement so the US has 3 ports in Latin America, one in Puerto Cortés in Honduras, one in Colombia and another in Brazil. The U.S. has a customs office that reviews all the cargo, this means that the cargo becomes domestic, it is dispatched from Puerto

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Dante Mossi.
Executive President of the Central American Bank for Economic Integration

Cortez and goes directly to any port in the U.S. It can be New York, New Orleans, Miami, Houston or Los Angeles via the Panama Canal. Free trade is successful in Central America and Honduras.

The challenge for the US is how to help Central America in areas such as democracy and development so that there is less corruption and crime.

What are your final comments about Honduras and its potential, and what would you like to share with the influential readers of the Los Angeles Times?

I have worked in many parts of the world and here I have found the best weather all year round, the people are very friendly. Here you can eat and live peacefully, I invite you to Roatan, a charming and spectacular place, our Caribbean is unique. In terms of quality of life, you cannot ask for more. In Honduras you can do a lot, this country has a variety of things to offer, it is a wonderful country.

"We are launching a new, 360 Skill Academy, a full-cycle project"

Mohammed Yusuf Amdani Bai is a successful businessman, entrepreneur, and investor. Born in Karachi, Pakistan, and a citizen of Honduras, he comes from a family with a longstanding tradition in the textile and yarn spinning industry. Amdani earned a bachelor's degree in Business Administration from the University of Karachi and an MBA, with a major in Marketing and Finance, from California State University at Fullerton.

Where it all began...

His family's long history with the spinning and textile industry dates to the 1940s in Pakistan when the Amdanis started manufacturing apparel and producing raw materials for textiles. When Mr. Amdani moved to California for his MBA, the family's manufacturing facilities were already exporting to the U.S., but political unrest in Pakistan created an unfavorable scenario. As a result, the family sought to expand the company's presence by investing in manufacturing facilities closer to the U.S.

This search led Mr. Amdani to Central America, where a newly enacted free trade zone law in Honduras, along with the country's proximity to the U.S., encouraged him in 1991 to establish one of Honduras' first apparel manufacturing companies under Grupo Karim's, focused on U.S. exports. From this moment, business began to expand across several industries.

The move into real estate

"In 1998, Grupo Karim's, now known as GK, entered the world of real estate for the first time, developing the Green Valley Advanced Manufacturing Hub, the largest sustainable industrial development in the region. With Green Valley, we raised the bar on forward-thinking policies and free zone industrial park excellence, investing in state-of-the-art manufacturing facilities to secure environmental balance and self-sufficient energy efficiency," Mr. Amdani notes.

Green Valley is an ISO 14001:2015 certified park that provides the right resources, services, logistics, and costs to host worldwide companies in the textile, automotive, food processing, and life science sectors. Located in Naco, Santa Barbara, Green Valley is self-sufficient in power generation, steam generation, raw water, and water treatment. It also houses the largest industrial solar plant in Central America.

In a rippling, domino effect, GK sprang boarded off Green Valley to develop the first smart city in the region: Altia Smart City, a technology-driven, purpose-built hub, focusing on innovative, hi-tech development for ITO's, BPO's and other global outsourcing industries. Its 360, sustainable, resilient ecosystem offers turnkey designed, ready-to-use, state of the art facilities, so that companies can focus entirely on their core business. In addition to Altia Smart City's free zone business parks, four other components offer amenities designed to improve quality of life: the Altia Lifestyle Center, UNITEC University, Courtyard by Marriott Hotel, and Reczen, a recreational center. The unique services, expert team, and powerhouse of qualified bilingual talent are three key factors that have contributed to the success of the Altia Smart City business model in both San Pedro Sula and Tegucigalpa.

So, where is the company today?

GK is one of the most respected and innovative business groups in Central America. GK and its tenant partners directly employ 19,432 people. The company's initiatives, backed by foreign investment, have boosted regional employment, and have incentivized an estimated 59,601 prospective migrants to stay in Honduras.

"Our vertically integrated textile productions cover all areas of the supply chain, from yarn, knitting, dyeing, finishing, cutting, sewing, printing, embellishment, embroidery, and packaging, to integrated logistics that deliver quality products to customers and markets around the globe. We are experts in providing innovative and sustainable products and services from fiber to apparel that have been certified by world-renowned sustainability-compliance authorities. Through a commitment to quality, and use of the latest technology in yarn, textile, and apparel, we have become a powerhouse in the manufacturing of technical wear, premium garments, and accessories for men, women, and children," Mr. Amdani explains.

In the wake of a two-year lull due to COVID-19 and attending the call from U.S. President Joe Biden and Vice President Kamala Harris to support the Central America Initiative partnership for the Northern Triangle, GK returns with full force, announcing an investment of over US\$236 million in its textile and real estate divisions, located across Central America, representing a major step forward for the company. New facilities and project expansions are expected to be fully operational by 2022-2023, creating over 7,000 new jobs, generating value for customers, building on economic growth, and improving the lives of those who live in local communities. Furthermore, under the leadership of President Xiomara Castro, GK has complete confidence in her administration and sees great opportunity and bright future ahead for Honduras.

What does the future hold for the growing textile sector in the years to come?

"Right now, there is a contraction in the entire supply chain that has increased costs. However, this has created a unique opportunity for Central America. Last year the textile industry grew notably compared to 2019, because customers and retailers in the U.S. market have changed their purchasing strategies. They have reevaluated their supply chains, taking advantage of the proximity to Central America, choosing to purchase more from this region and less from Asia. We will build on these conditions over the next few years," explains Mr. Amdani.

What does Honduras need to continue building its information technology (IT) sector?

Honduras was one of the last countries in the region to develop its technology industry. GK has pioneered these developments from the start, being the first company to build a smart city and to host BPO's and other tiers of tech companies in Honduras. The company's world-class technological expertise has been key to creating opportunities that go beyond call centers and technical service companies, improving communities, and generating a positive impact on the world.

"We are launching a new, 360 Skill Academy, a full-cycle project, with a state-of-the-art, technological skill training education system, with talent management programs, services, and facilities. It will be a flexible, immersive, and creative experience that will use STEM, arts, and entrepreneurship programs to develop qualified regional talent that specifically caters to tech companies," Mr. Amdani explains.

The 360 Skill Academy will adopt a holistic approach to education and aim to develop the foundation of a new educational system sustained by six pillars: academics, career services, counseling and wellness, leadership, entrepreneurship and innovation, and community knowledge.

"Through this academy we will become a lifelong partner on the journey of learning, providing support to students and graduates throughout their working lives. Jobs are forever changing and for people to succeed they will continually need to acquire and perfect both technical and people skills: complex problem-solving, teamwork, communication, and change management, to name a few. Our educational system will place emphasis on several technological skills, including cloud computing, big data, data science, web development, cybersecurity, machine learning, blockchain, and more," Mr. Amdani affirms.

The 360 Skill Academy is a project that will create strategic alliances with international and prestigious tech institutions, to promote internships and encourage academic mobility (students and professors) and synergies with high-level specialists from around the globe. Mr. Amdani also believes that it will establish cooperation agreements with leading technology companies to develop relevant learning content and promote rapid employability with the highest paying jobs in the industry.

For GK, learning isn't a phase, but rather a journey. Its purpose lies in creating a navigable path for the community and shattering the boundaries of current educational systems, making sure that education is always a right and not a privilege.

What can you share with us about GK's commitment to the environment?

"GK is committed to the development of sustainable processes, products, and systems, that protect our environment and safeguard the interests of local communities long term. We are dedicated to developing businesses that create a better future for all. We have a good sustainability strategy. We are the largest textile company using recycled fibers in Central America. We have installed the largest solar park in the region and the environmentally friendly design of our buildings ensures optimum energy efficiency. Aside from our environmental certifications, which are required, we give back to the environment by planting trees and through other social initiatives," Mr. Amdani explains.

GK is a company that's on track to reduce its CO2 emissions by 60% by 2026. It managed to reduce its hydrocarbons by becoming reliant on solar power for 30% of its electricity consumption in 2021. Its focus on cogeneration and other processes has also been key. The company's agenda on water treatment (including a full wastewater recycling system), waste management, and reforestation initiatives, is ambitious and inspiring.

Forever the pioneer, GK launched its first environmental preservation project 18 years ago when designing the Green Valley Advanced Manufacturing Hub. When it comes to protecting nature, GK genuinely wants to be environmentally friendly and believes that the responsibility doesn't solely lie in government hands, but in the hands of all of us. With two new expansions, Green Valley will have a balanced energy portfolio of over 14MW of solar energy and 56MW of energy through its cogeneration capacity. Additionally, this hub has been LEED v4.1 certified for building operations and maintenance, focusing on the efficiency of valuable resources including water, energy, and other materials. It is TRUE (Zero Waste) Certified, helping with the reduction of air, water, and soil pollution, promoting a circular economy and reducing the carbon footprint. It inspires a culture of reuse and recycling among collaborators and community, while reducing operating costs.

What are the benefits to being a GK employee?

"We believe that employees are the most valuable asset. At GK, our team is our priority. We hold the Great Place to Work certification, a recognition of our focus and contribution to human resources, making us one of the most outstanding employers in the region. We promote an environment in which people not only work comfortably but are given a clear career path. We encourage our employees to grow within the company and reach their full potential," explains Mr. Amdani.

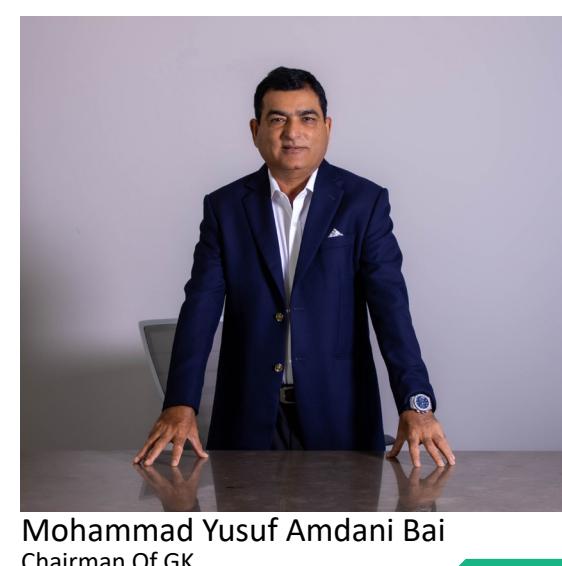
What is GK's main contribution to Honduras and the people who live there? How does GK commit to Corporate Social Responsibility (CSR)?

"The GK Foundation focuses on four core areas: education, health, environment, and nutrition. When it comes to education, we run several projects, including the Bilingual Public Schools Project. It was conceived by focusing on the need to learn English so Hondurans can have access to better jobs. In Honduras, English-language instruction isn't widely available to children in the public education system. Therefore, our project aims to turn public basic education centers into top-notch Bilingual Schools. We support the construction and remodeling of classrooms, recruitment of bilingual teachers, purchase of books from U.S. publishers, and other learning and teaching materials," Mr. Amdani explains.

It's a project that began to yield results six years ago, converting said schools into 100% bilingual institutions, supporting children from low-income families. The main objective is to ensure these children graduate from primary, secondary, and high school with a Bilingual Certificate approved by the Ministry of Education, opening the door to better professional opportunities through university study and scholarships.

"With regards to health, we have a clinic that functions permanently as the External Consultation (triage) of the Official Hospital Mario Catarino Rivas in San Pedro Sula. It began operations in August 2013 and receives around 8,000 to 12,000 patients a year. The foundation holds alliances with international hospitals and foreign doctors, with teams of surgical specialists in cardiology, orthopedics, and general surgery," Mr. Amdani assures.

GK also works to support health projects in other countries. In Pakistan, GK is an important Trustee of the Child Life Foundation that supports Pediatric Emergency Hospitals in Pakistan. The company



Mohammad Yusuf Amdani Bai
Chairman Of GK

is one of the founders and trustee members of the Memon Medical Institute, a non-profit, 100% donor-funded project that provides tertiary care hospital services for underprivileged people at no cost. In the U.S., GK is a member of NAFC The National Association of Free and Charitable Clinics, while in Mexico, the group permanently helps the "Una Caricia Humana" organization; a shelter that assists low-income cancer patients.

"When it comes to the environment, we carry out several projects. We commit to our Zero Waste Policy, based on the objective of guiding our organization to change its lifestyle and culture, thus influencing others to reduce land, water, and air emissions and waste discharges," Mr. Amdani confirms.

What makes the U.S. relevant to GK?

All GK businesses are 100% related to the U.S. market. Its textile business targets U.S. customers and most of the manufacturing companies located in its industrial park are of U.S. origin. The company doesn't make any type of product or service for the local or domestic market. Everything is designed for export and 95% of those exports are sent to the U.S.

"We export to the U.S., and, in turn, we benefit from U.S. trade preferences under the Caribbean Basin Initiative. Advances in technology and the entry into force of the U.S.-Central America Free Trade Agreement (CAFTA-DR) encouraged us to begin developing infrastructure to support multinational companies. Having said that, we have plans to expand our smart city model to Guatemala and El Salvador, already at an advanced stage. We are primed to generate new opportunities and welcome new clients from our specialist sectors outside of the U.S.," promises Mr. Amdani.

What are the company's projections for the next three to five years?

As of 2021, GK and its tenant partners directly employ 19,432 people, with the expectation of growing to more than 50,000 in the next three to five years. The company has been an important source of employment for Honduran immigrants who, after being deported from the U.S., often face multiple problems reintegrating into their communities and the Honduran job market. In terms of group revenues, between the textile and real estate businesses, GK ended 2021 with sales of over US\$560 million.

But, where will the company go from here?

GK's integrated textile supply chain operations will continue to innovate and expand on its vertically integrated manufacturing operations across the region.

With regards to yarn, Honduras Spinning Mills, located in Cofradia, Honduras, will be adding 6,000 new spindles to its spinning capacity, set to be operative by the second quarter of 2022, generating 60 new jobs with an investment of US\$8 million. Northern Spinning will add 52,800 spindles to its yarn operations, with an investment of US\$55 million that will result in the generation of 700 new jobs, operational by the last quarter of 2022. Nicaragua Spinning Mills, located within the Lake City Industrial Park, will invest US\$22 million in the renovation and expansion of all spinning equipment, add 26,800 new spindles to its operations, and create 250 new jobs, set to be fully operational by the third quarter of 2022.

The company also plans to further expand on its vertically integrated supply chain efforts, creating 1,000 new jobs with an investment of US\$46 million, operational by the end of the third quarter of 2022. It's the company's capacity for expansion that will enhance and broaden its product portfolio, making it possible to cater to a diverse range of customer requirements in international markets.

In real estate, GK's expansion will include a variety of projects, including its smart cities and advanced manufacturing hub in Honduras. The launch of a fourth tower in Altia Smart City San Pedro Sula (4Q2022) and a second tower in Altia Smart City Tegucigalpa (1Q2023) forms part of the immediate plans, in response to the growing demands from its ITO and BPO clients. Both energy-efficient buildings will benefit from an eco-friendly design, architecture, and green building practices, with built-to-suit turnkey office spaces designed to meet each client's needs. Additionally, an Executive Hotel and the Museum (the ideal home for your vehicle) will be constructed in Altia Smart City San Pedro Sula.

What are your final comments about Honduras and its potential? What would you like to share with the influential readers of the Los Angeles Times?

"Honduras is a beautiful place and provides three major advantages: it's an investor-friendly country, it guarantees high quality human resources, and it's ideally located within proximity to the U.S. From here to Los Angeles, it takes eight to nine days for the merchandise to reach its destination, but to Miami it takes only two. Goods shipped to other parts of the U.S. may take on average three or four days and we benefit from owning Central America's largest port, located only one to two hours away from our facilities," Mr. Amdani clarifies.

It's clear, from our talks with Mr. Amdani, that there's a great demand for services, but not enough people to meet this need. The key it seems lies in Honduras. The country's large bilingual labor force is highly skilled and globally competitive, recording the lowest personnel turnover in the region, at less than 1% per year.

GK's smart city business model is considered one of the best in the world for hosting IT companies. It offers the best infrastructure, trained employees, and the right time zone. Honduras is opportunity waiting to be put into action.



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