

HONDURAS



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HONDURAS, CENTRAL AMERICA'S POTENTIAL

Honduras is attracting international attention thanks to its economic growth, which reached 3.5% in 2015, one of the highest in Latin America. Real GDP could grow by 3.6 % in 2016 and average 3.7 % over the next 2 years (representing a 2 % increase in per capita GDP).

The mix of low oil prices, high remittances and a continued fiscal consolidation may further reduce the current account deficit to 6 % of GDP in 2016 and 2017.

The rating agency Standard & Poor's (S&P) improved Honduras' risk qualification from "stable" to "positive", reflecting the increasingly healthy state of the economy. S&P gave Honduras long term and short term sovereign ratings of 'B+' and 'B', respectively. Furthermore, the transferability and convertibility risk (T&C) was confirmed at 'BB-'.

In May 2016, Moody's Investors Service had also announced it was upgrading Honduras country risk from B3+ to B2+. Thanks to this, the debt pressure should lessen (at present, sovereign debt accounts for 30% of the overall budget) and private companies should be able to obtain access to resources at better conditions.

Mr. **Wilfredo Cerrato**, head of the Secretariat of Finance and coordinator of the economic cabinet, explained that this achievement translates into trust. "When there is trust, the local investor opens his purse strings, because the situation has improved, the country is going in the right direction and the future looks brighter". Mr. Cerrato highlighted the fact that a growing economy generates more employment opportunities and this creates a virtuous circle benefitting commerce and consumption. The improved administration of public revenue and stricter controls over expenditures can help to contain sovereign debt. The country's



Official name: The Republic of Honduras

President: Juan Orlando Hernández

Area: 112 492 km²

Population: 8 264 000 habitants

Density: 73,5 habitants/km²

Capital: Tegucigalpa (2 007 006 inhabitants)

GDP: USD 20,3 billion (IMF 2015)

Currency: Lempira

Official language: Spanish

Hondurans living in the USA: over 12 % (almost 1 million)

efficient tax collection policy helps Honduras obtain better roads, hospitals, schools and producer support programs.

A project initiated by the private sector and fully embraced by the government, called Plan 20/20, will further energize the economy. The plan intends to create 600 000 new jobs and generate USD 9

300 million in exports over the coming 5 years, through investments in tourism, the textile industry, manufacturing, the wire harness industry and business support services; later on it will also include the agricultural and housing sectors. The project's coordinator, Mr. Jesús Canahuati, told that "It is a strategic development plan for the country, which the business sector presented to President Juan

Orlando Hernández, who adopted it entirely. This alliance between the private and the public sectors is for the country's sustainable development, based on our observations of what is happening in the world right now".

Are you curious to find out more about Honduras? Our report highlights areas of interest for investors, and presents potential partners.

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A STABLE ECONOMY

For a complete picture of the Honduran financial sector's situation, we met with various stakeholders. **Mr. Arnaldo Castillo, the Minister for Economic Development,** pointed out that *"The economic growth rate of 3.6% we recorded in 2015 was one of the highest in Latin America. Boosting foreign investments is one of our goals. We have a little bit of everything, from tax incentives to free trade zones, where you can find the most mature structure of industrial parks in all of Central America. Last year we received Foreign Direct Investments of USD 1,239 million. FDI may well rise as we improve the country's image. We are more creative with the way we present ourselves abroad and the number of businesses joining us keeps rising. Meanwhile, interestingly, Honduran investments have been three times larger than foreign ones, which proves that local businesspeople have faith in their country and in its future."*



Carlos Noé Ramírez
President
BANADESA

5.7 % of GDP over the same two years, which will finance a good proportion of the current account deficit.

Based on the Central Bank's monetary program for 2016-2017, a nominal currency depreciation of 6 % is expected this year, with inflation

encouraging small and medium entrepreneurs, the crucial factor is a vibrant and open financial sector. And Honduras has it: In 2015, the banks and insurance business grew by 8.5%. We met with executives from the major Honduran banks, cooperatives and insurance companies to find out more. Combining tradition and innovation, open to new ideas and fiercely loyal to their customers over many years, Honduras boasts an impressive collection of dynamic financial institutions.

Banco Nacional De Desarrollo Agrícola (BANADESA), which used to be focused solely on agriculture, has decided to diversify its financial service portfolio and is now active in the MSME and housing sectors, with more to come. It hopes to close the year with USD 4 or 5 million in income. The bank is also raising capital to grow from its present USD 25 million to 85 million (1,700 million Lempiras) in order to access more credits and involve new partners.

"Our new strategic plan for the next 3 years also involves modernizing the bank, streamlining administrative processes, as well as improving our customer services and financial management", explained President Carlos Noe Ramírez. "Rather than international investors, we are thinking of opening up to Honduran welfare institutions and entering into exports as well as obtaining investments from international organizations". Welfare institutions have expressed interest, as they need bank-related products for their clients.

"We hope that by the end of this year we'll have secured our capital and found new partners, after the government makes space for other investors to step in. This involves a change in the legal framework so we can become a shareholder company. First and foremost we need to grow the portfolio, as the bank's productivity depends on volume. Within the next 5 years we aim to be a major player in Honduras' exports". Mr. Noe Ramirez and his executive colleagues have been with the bank for an average of twenty years each, and are proud of their experience.

Being a development-orientated bank, it needs

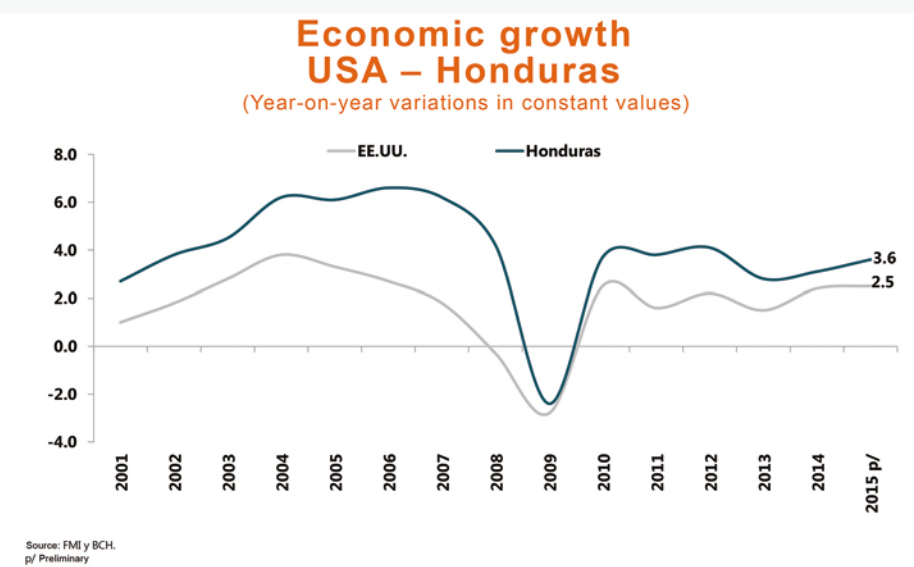


Juan Carlos Álvarez
President
BANHPROVI

to adapt to agricultural production cycles. The interest rate is a reasonable market rate, without speculation, in order to make credits accessible. The bank is proud of its direct access to small producers and keeps improving its procedures and technology to streamline the credit process. But it also supports the big agro-industrial players who process the smallholders' products and transform them to be exported.

The Honduran government's now regionally famous **Recreovías charity scheme** (whereby volunteers create "recreational pathways" to provide entertainment centered around peace and health for vulnerable populations) has been a big hit with the bank's employees, who are focusing on the most vulnerable citizens by volunteering for the *Proyecto de Recreovías Especiales* BANADESA. They chose to help orphanages, retirement homes and people with special needs, proving that bankers can have a big heart.

In the second-tier bank category, Banco Hondureño De La Producción y la Vivienda (BANHPROVI) was created in 2005, to provide financial means at market rates for private financial institutions and savings cooperatives. The portfolio grew



Mr. Jesus Canahuati of Plan 20/20 agreed: *"For the time being, investments in our country are 80% national and 20% foreign, which goes to show that Hondurans believe in this country, in its institutions and in what we are doing".*

Mr. Wilfredo Cerrato, the Minister of Finance, told us that foreign investments for this year will range between USD 1,261 million and 1,300 million. He added that most investments came from the US and Mexico. Transnational companies already operating in Honduras grow by 15 to 20% per year, which is obviously encouraging.

Honduras' gross external financing requirements will reach an average of 94% of current account revenue and usable reserves over the next two years, slightly lower than the 95 % needed in 2015. Foreign direct investments are expected to represent around

remaining within the target of 4.5 %, higher than the 2.36 % of 2015.

From the microeconomic point of view, one goal is to create opportunities for micro-enterprises and SME, to encourage entrepreneurs, because the global economy, including that of the USA, has the SME sector as its base – this is where opportunities emerge.

Another crucial economic factor is remittances, or *"remesas familiares"*. In 2015, Honduras received USD 3,730 million from emigrated family members, an 8.7% increase from the previous year; in 2016 the growth rate is expected to be closer to 5% (USD 170 million). Studies by the Honduran Central Bank have shown that most emigrated Hondurans live in the US, followed by Spain and by other Central American countries.

Be it for remittances, foreign investments or

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Nick Rischbieth
President
BCIE

substantially in 2015, with a record of 6.300 million Lempiras in deposits, representing 85 000 direct jobs and over 400 000 indirect ones. BANHPROVI's total portfolio is around 24 000 million Lempiras, over USD 1 000 million, managed by its 130 employees. Around 65% of the portfolio relate to housing and the remaining credits go to the productive sector and to MSMEs.

“We are open to new partners as we want to keep growing,” said President Juan Carlos Álvarez Arias. “Over the next five years, one of the main objectives is to transform BANHPROVI into a first-tier bank, and so the plan is to branch out into the tertiary sector, for which so far we do not have the personnel nor the infrastructure. What we are doing is a very important contribution to the financial mandate outlined by the Honduran President”.

Honduras’ capital Tegucigalpa is also home to an international financial institution, Banco Centroamericano de Integración Económica (BCIE), which is currently undergoing a modernization process. Until 1992 this was a bank for 5 countries (the “founders”, Guatemala, El

from just the development of the five founding countries to a larger focus on all of Central America: *“Providing financial solutions that contribute to the creation of employment and improvement of the wellbeing and quality of life of its citizens”.*

The institution is highly relevant to the region: so far, it has spent USD 24.8 000 million in Central America. This represents 50% of total regional spending by comparable multilateral institutions, including the World Bank and Inter-American Development Bank.

The BCIE traditionally focuses on investments in infrastructure, production, energy and micro-finance. Its interest rates have to be lower than those offered by a commercial bank in order to be of help to the countries in which it operates.

Before 2002, the BCIE did not have a credit risk rating, but over the 12 years since it decided to obtain one, it has been steadily improving. It now stands at A+ and, depending on the rating agency, is between 6 and 8 steps higher than the average of the relevant countries. In order to be successful, the bank needs this competitive advantage to be able to attract funds from worldwide financial markets.

The ultimate objective is to keep improving in order to obtain an AA-rating, which very few countries have managed to reach.

President Nick Rischbieth told us that two decisions were taken in order to reach this goal: *“First, to change the Agreement and open up the bank so it can have a very diverse portfolio. Second, to bring in new partners from outside the region, who are interested in contributing to Central America’s development. This is our strategy for the 2015 -2019 time frame”.*

As our conversation came to an end, he emphasized that *“Honduras is a country full of opportunities. We are standing ready to support international investors with our expertise”.*

“The bank’s main task, apart from contributing to Central America’s development through investments, is to listen to what countries want, and to fulfill their requirements”

Salvador, Honduras, Nicaragua and Costa Rica), then the Articles of Agreement changed to allow the entry of partners from outside the region. In 1992 México and Taiwan entered, followed by Argentina, Colombia and, in 2005, Spain. Then in 2007 the Dominican Republic, Panama and Belize joined as well.

The subsequent changes in the Agreement also widened the bank’s mission statement,

Not quite so old but also a household name, especially in the Northern part of the country, is **Banco del País, which opened in 1992**, after 27 years during which financial institutions were not authorized in Honduras. **It was the first bank with a very broad shareholder base, there was no corporation amongst the founding shareholders, and nobody was allowed to own more than 5% of the bank. It was also among the first to**



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Maria del Rosario Selmán
President
BANPAIS



Karen Rubio
General Director
SEGUROS DAVIVIENDA



Marcial Flores
General Manager
COOPERTIVA SAGRADA FAMILIA

choose the Northern part of the country for its headquarters, benefitting the entire Valle de Sula region. Furthermore, Banco del País was the first to implement automatic banks and the first to extend the opening hours to 7 pm in malls.

In 2008 Banco del País was bought by the Banco Industrial de Guatemala group, the largest in Central America, and their combined capital base enabled much bigger operations. The group also supported Banco del País with technology, helping it to be the first to bring online banking to cell-phones. Today it is a universal bank attending to big corporations as well as individuals, and was the first bank to access the micro-finance market, with tremendous success.

In terms of assets, it ranks fifth in the country's financial system, and fourth in terms of portfolio. Its assets exceed 40 000 million Lempiras, just under USD 2 000 million. Banco del País is also the Honduran representative for Western Union, a major player in *remesas*. This represents an important source of yearly income: more than 2,5 million USD.

Labelled **"Honduran bank of the year 2013"** by *Banker Magazine* for the eighth time, it was also rated AA (hnd) and F1+ (hnd) by Fitch Ratings in 2016, with a stable outlook. In 2014, Capital Finance International named them "Best Corporate Governance – Winner Honduras". Intercontinental Finance Magazine labelled them "leader brand".

The bank stands out for its active role in society through its trust, Fundación Napoleón J. Larach, which focuses on education and health issues.

Mrs. **María del Rosario Selmán**, the Executive President, told us what else differentiates Banco del País from its competitors: *"Definitely our customer service"*, she said. *"We always invest in our personnel and make sure they feel proud to be part of the Banco del País family"*, and it pays off: Staff fluctuation is very low. The other asset is the shared technology platform operating in Guatemala, El Salvador, Honduras and Panama, useful for the corporations in the Northern triangle which often operate in three countries.

The very first bank ever founded in Honduras was **Banco de Honduras, bought by Citibank** in 1965, making them the **only global bank with a presence in the country**. Some of its major projects are in the energy, communications, service and infrastructure sectors. They offer their clients a truly global platform through the CitiDirect system.

We also spoke with **Karen Rubio, General Director of Davivienda Seguros**, the fifth insurance company in Honduras in terms of income from insurance premiums, out of 11 operating in the country. **Since 2002 it has been the insurance company with the best risk ranking in Honduras, with a current rating of AA+ and a stable outlook.** The same year marked the beginning of a mergers-and-acquisition process which allowed the company to grow stronger. As Mrs. Rubio told us: *"I consider it a privilege to be at the helm of a company with a hundred years of history in our country, and which now belongs to one of the strongest groups from Colombia, Grupo Bolívar, since 2012"*.

Whilst most reinsurance companies leading the global market are European, with a regional base in the US or Mexico, Davivienda counts some US reinsurers amongst its partners, all of them with the best risk rating, and in many cases their business partnership dates back decades.

Mrs. Rubio considers the opportunity to grow the insurance income by branching out into banking through Banco Davivienda as one of the company's greatest achievements, without ever disregarding the traditional sales channels. Davivienda is also proud of its social programs like *"Cultivarte"* or *"Mis Finanzas en Casa"* (teaching householders how to manage their finances) which reach out to children and families.

For the next five years, the company's main goals are to return to its leadership position in personal insurance lines, to develop the consumer segment and to keep growing the banking channel. **The vision, according to Mrs. Rubio, is to "reinvent our business in order to adapt it to the demands of a global market"**.

financial products at the lowest possible rates.

Two years ago, an external evaluation by Pacific Credit Rating, which rates social responsibility throughout the Americas, appraised Sagrada Familia's social impact. It received the optimal rating for its mission. Its presence in rural areas sets it apart from other financial institutions.

Future objectives include going beyond consumer loans to offer mortgages and credit cards, as well as increasingly financing micro-credits. The *"Lazos Familiares"* account is an exclusive Sagrada Familia product for Hondurans in the US. A percentage of any regular *remesas* they send to their families is automatically saved for later, when they return home.

General Manager, **Marcial Flores**, told us that *"10 years ago, nobody thought cooperatives would enter into electronic payment services or debit cards. Our members are middle and lower class people. This is also the social background of our migrant compatriots, so we are very involved in remittances, for which we have an alliance with Western Union. Last year we processed almost USD 40 million in remesas"*.

This overview showcases the diversity of the Honduran financial sector and its high ethical standard, which makes it a pillar of the country's society. As Mrs. **Del Rosario Selmán of Banco del País** cheerfully commented, *"Come to Honduras, we'll support your success in our country"*.

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Guillermo Bueso
Executive President
BANCO ATLANTIDA

One of the most venerable Honduran commercial banks, **Banco Atlántida was founded in 1913, which makes it 103 years old, and in this time it has known only 5 different presidents, an achievement in itself.** The present President, who is the sixth, is Don Gilberto Goldstein. He keeps pushing his employees to invest more in Honduras. Banco Atlántida is widely recognized as a successful institution with **advanced products for businesses, including SMEs, as well as the general public.** In 2015 the bank had over 850,000 depositors. Whilst some banks center on consumption, or on specific clienteles, Atlántida has a corporate focus; 73% of its portfolio comes from businesses and the bank's participation in major projects is higher than that of any other bank in the country, it has the highest amount of corporate lending, which it sees as its core activity.

That being said, **it is the only retail bank to cover the whole country, with over 800 service points including 184 agencies. It also pioneered the online-banking activity in Honduras (www.bancatlan.hn).**

The bank considers as its highest achievement the fact that it is a household name in Honduras, synonymous with trust. Every time there has been a financial crisis, deposits with the bank jumped higher, proving that this is where people put their money when the going gets tough.

As **Executive Chairman Guillermo Bueso** put it: *"We rank first nationally in terms*

"The government supervises the financial system quite well, the outlook is positive, we hope to keep supporting the country's economic growth"

of deposits, and to give you an interesting example, last year the overall deposits in this country grew by 8.3%, whereas we grew by 15%, which makes us proud, because it shows that our depositors trust us as much as ever."

The bank's culture has always focused on customer service at every level. This universal bank offers everything from consumer loans all the way up to financing the large Honduran corporations, including the transnational ones, since Banco Atlántida was able to participate in international deals and points out its expertise in this area: *"We keep supporting the country's great projects, never forgetting the times when the Honduran economy was quite modest and the bank was in its early years. At that time the big fortunes came from the transnational corporations on the North shore, and in the process of creating sources of affluence the bank played a decisive role."*

Mr. Bueso's family is closely connected with the Honduran banking industry, as his own father was a former Chairman of the Honduran Central Bank before he went on to lead Atlántida too. Therefore, Mr. Bueso is very aware of the role his bank has played throughout Honduran history:

"Throughout the bank's history, we have always been the last resort lender to the government. The most recent case was due to specific requirements from the IMF, around USD 2.600 million had to be renegotiated, and we brought most of the resources from our own means. This is the kind of thing we are really proud of. We are committed to this country and we show it".

Atlántida was also daring enough to be the first to invest in biogas and to support the first maquiladoras set up in Honduras. *"It has been a long and very distinguished path, we like to be involved in avant-garde projects"* added Mr. Bueso.

In 2009, when Honduras experienced a political crisis, this was followed by a financial crisis, which turned into a *"technical coup"*— in many ways it was as if Honduras was closing its doors. During this time, the financial system only grew by 1%, but Atlántida grew by 6%, as one of the few institutions to experience real growth. The depositors' trust has never been betrayed. Mr. Bueso reminisced: *"Many of our clients experienced problems at that time, we had to find special solutions for them to stay afloat, this is the kind of thing we do and we do it whole-heartedly".*

We then asked Mr. Bueso how important the remesas (money sent by Hondurans working abroad, which has represented over 20% of Honduran GDP in the past) are for his bank. **He explained that Atlántida manages a quarter of Honduran remesas, which he attributes to the fact that it offers the largest program of correspondent non-bank operators:** *"We reach the small village where there is no bank, and there we put a special terminal for all sorts of transactions like paying utility bills or depositing and*

withdrawing savings. This has been really successful and is used for remesas as well. This represents an effort for us, we consider it as part of our service to the Honduran public in our desire to be a socially responsible institution".

Atlántida has major international clients as well, first and foremost the banana exporters and other food companies, but also in the energy and logistics sectors. The clientele is very interesting, some for historic reasons and others because of partnerships between the bank and those companies due to their local

operations. Clearly the US have been the country which has invested most in Honduras, followed by the Colombians , and now Mexican and Central American corporations are increasing their involvement. *"Our relationship with the North American market is one that we really value, we need to keep it going and to cultivate it",* said Mr. Bueso. *"We want to support international investors in the implementation of their projects, Banco Atlántida is here for them, ready to start working".*

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Enrique Medina Yllescas
General Director
INTERNATIONAL SECURITY SYSTEMS

The Honduran start-up **International Security Systems, ISS**, offers physical and electronic preventive security services, both for individuals and for their assets. It operates at national level in Honduras. It has been operating for eight years and distinguishes itself through its comprehensive approach to security issues. It covers VIP protection, crisis management, and facility

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protection. It works with the security training institution INCASI in all its areas of expertise. In 2015 the company grew by 20%. For 2016, the outlook is even higher with 30% growth. They have received a prize for their global outlook and the development of staff members. The Winners 2016 competition

in Brazil awarded them with a prize for the quality of their services and focus. **“At present we manage 54 client companies, of which 60% are multinationals and the other 40% are national, but with an international focus”, underlined General Manager Enrique Yllescas.**



AGRO-INDUSTRY AND COMMERCE

A NATURAL ABUNDANCE

Agriculture represents 13% of the Honduran GDP, 32% of jobs and 49% of exports. In 2015 the agro-industry’s turnover exceeded USD 1,600 million.

According to Honduran Central Bank data, Honduras exported USD 2,714 million worth of goods over the first 8 months of 2016, of which USD 1,460 million were agro-industrial goods (53.8 % of the total): Coffee, palm oil, prawns, cigars, sugar, processed vegetables and fruits. The agricultural production itself accounted for USD 511 million (18.8 %), consisting mainly of bananas, pulses, vegetables, melons and watermelons.

A study by the Central American Economic Integration Secretariat (Sieca) ranked Honduras third place for the commerce of fruits in Central America and Panama.

The government’s vision is to implement a sustainable model which supports small farmers and reduces deforestation. According to **Mr. Arnaldo Castillo, Minister for Economic Development: “Agribusiness holds great opportunities for us. We are a country with a farming identity. In this sector, we are global players: First worldwide for prawns, 4th for bananas, 6th for coffee. We have treaties with 42 countries including all of Europe, Canada, and the US. This gives us a competitive**



Farid Kattum
General Manager
CARGILL

advantage, because everywhere people need to eat, and we have fertile soil. We have the best agricultural college in Latin America, people come from Ecuador, the Dominican Republic and Panama to train here.” Mr. Castillo is not only the Minister of Economic Affairs but also a “sectoral Minister” according to the new structure of the Honduran government, organized around 5 super-ministries. He heads one of them with 14 dependent ministries or agencies, which is why he is in charge of tourism, employment, agriculture, the environment, and forest conservation. He also identified the areas in which Honduras wants to improve: “We



Ricardo Cabeza
General Manager
INDUSTRIAS SULA

must industrialize our agriculture to add value to our products. For example, we are the number one exporter of jalapeño peppers to the US, but we don’t can them ourselves, and they come back to us in cans. We are major coffee exporters to Taiwan, where they process it and add their brand. We could do that here. This is the type of opportunity we are looking at.” **The prioritized areas with the highest potential are: Cocoa, coffee, palm oil, dairy and bovine meat.**

Cargill, the US food industry giant, recognized Honduras’ potential long ago. It has invested over USD 190 million since the 1960ies, with an annual average

of USD 24 million. For 2020, the planned investments reach USD 76 million. **Cargill Honduras, founded in 1969, counts 2,300 partners.** Including contractors, it provides around 10,000 indirect jobs. Cargill buys over 30% of all Honduran grain. The yearly turnover exceeds USD 220 million. For the next three years, Cargill Honduras has a portfolio worth around USD 40 million to feed the national market and hopefully to expand towards the US. The *Pollo Norteño* chicken brand and Delicia sausages are very successful household names in Honduras.

“One of our greatest achievements is the people we work with: we are more than just a company that sells products on the Honduran market, we see ourselves as a company of people who provide products of high quality”, explained Mr. Farid Kattum, General Manager of Cargill Honduras. “It is also part of our vision to develop the communities to which we belong through our social outreach projects”. This has been recognized by the Fundahrse foundation. Cargill Honduras also won first place for Central America and the Caribbean as a “Great Place to Work”. Regarding people, close to 100% of partners take part in the company’s social outreach programs on a voluntary basis, which is a source of great pride. With USDA certification under way and a focus on innovation, Cargill Honduras is set to expand even more in the coming years.

Meanwhile, home-grown Honduran companies are just as dynamic as foreign corporations. One example is family-owned



Cargill, market leaders in Honduras



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... it's gotta be good!

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Forge, create, innovate, persevere
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Juan David Chávez
President
CAFÉ MARCALA (COMSA)

Industrias Sula, which was created in 1968 in San Pedro Sula, and in 1972 patented and commercialized the production of plantain slices with pork rinds (*“chicharrón”*). Over the last forty years it has steadily grown its exports towards the US, Central America and the Caribbean, winning several export prizes, mainly for frozen plantain, manioc, taro and fruits.

The company now produces and sells 19 types of snacks, 7 frozen products, 12 varieties of sauces, 3 types of refreshments and 18 imported products from major brands.

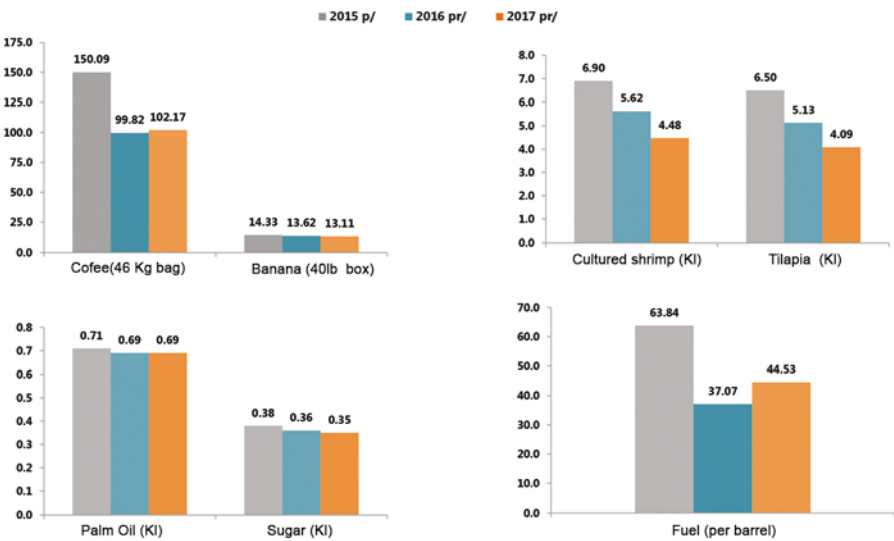
With headquarters in San Pedro Sula and branches throughout the country, it serves over 40,000 clients, from supermarkets, hotels, hospitals, and factories to small retailers, including gas stations. It generates around 700 direct and 3,000 indirect jobs, and supports a whole range of local producers. **The company enjoys a spectacular**



Emin Abufele
President
INDUSTRIAS MOLINERAS S.A.

Regarding nutrition, the health benefits of organic coffee, rich in minerals, are the pride of Café Orgánico Marcala (COMSA), a coffee producer society in the Honduran Marcala region with economic, social and environmental objectives. It was created in 2001, with only 7,000 Lempiras of capital, by the FUNDER Foundation with 60 coffee producers, of which 12 were women. The aim was to enable producers to export directly, and it has been a great success. COMSA President Juan David Chávez proudly pointed out that *“Our expertise on coffee is higher than in any other country. We go to give talks as far as Europe to share what we know. We improved the quality of the coffee and we added value to the product. Coffee growers like my father and grand-father knew that naturally dried coffee has a richer, exceptional taste”*.

Prices of main export and import products
(USD)



Source : BCH

growth of around 25% annually. Well positioned in the US and Central America, Industrias Sula sees Europe as a potential growth sector. General Manager Ricardo Cabeza wants to stay true to the pioneering spirit and high morals of his parents, the company founders. He considers his father to be the best salesperson in Honduras and admires his ethical standards. Mr. Cabeza senior had focused on the sales aspect, whilst his son sees himself more as an administrator who has contributed some crucial strategic thinking. He highlights the fact that Industria Sula's jams are 100% natural, without pectin, and the salsas have no artificial coloring, unlike what is usually found in such products. The aim is to keep offering *“Products of high nutritional value and with a nostalgic identity. In Honduras we need to value health, especially for people with limited resources”*.

COMSA organic coffee is certified by Fairtrade, Mercado Justo, Bio Latina and SPP (small-scale producers). The Marcala region designation of origin is an essential guarantee of quality and distinctive flavor. Before the designation of origin was protected, anyone could sell so-called “Marcala coffee”, and this damaged the company, whereas now, no-one can say so without showing the designation of origin seal.

At present, COMSA produces 80% for the export market, especially Germany, the US, Canada and Sweden. These countries are followed by the Netherlands, Mexico, France and Spain. The US are a new market for a specialized product. Americans love natural coffees, which have a very different taste from the coffees roasted in parchment, so there is an opportunity there for Marcala. This market will grow rapidly thanks to the quality and price of the product. In 2015 total revenue was Lempiras 450 million;

COMSA grows by 5% to 10% annually. It is open to new strategic partners as distributors. Another home-grown and very dynamic stakeholder in the agro-industrial sector is Industrias Molineras S.A (IMSA). It was created in 1972 as a wheat flour mill. By delivering directly to 16,000 food retailers on a weekly basis, it was able to eliminate intermediaries and offer high quality products at fair prices to retail consumers. What began with wheat soon expanded into corn flour, then coffee, rice and tortillas, bean flour, and now margarine, all following requests from the retailers. Honduras imports 50% of its corn and 65%

of its rice through CAFTA DR. This is an issue for IMSA Chairman Emin Abufele: *“We believe in food security and sovereignty, which is why we directly support national producers in the rice and corn sectors. For example, over 6 years we went from producing 350 000 quintals to 600 000 quintals of rice in Honduras. As for corn, we work directly with two cooperatives, allowing us to produce over 350 000 quintals of Honduran corn yearly. This means economic wellbeing and direct employment for over 850 people in rice and corn farming. All these people are now better off, and that is our main objective”*. IMSA received the “Socially responsible company” certificate in 2011 for its contribution to sustainable development and the quality of life

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MARCALA
[COMSA]

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Industrias Molineras S.A.

We operate with high standards to offer quality and service in all our products, working with passion to make a difference in Honduran families. IMSA is a leading marketer and manufacturer of consumer food and beverages, our brands include:

- San Pedro Bread Flour • El Cisne Cake Flour • Doña Blanca • All-Purpose Flour • Selecto White Rice • Selecta Corn Flour
- Mascate Extra Strong Coffee • Selecta All-Vegetable Shortening

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Michel Hawit
President
BAPROSA



Estuardo Taracena
General Manager
DISAGRO



Carlos Menjivar
President
PALCASA

large or small, we'll support any investments and innovations they are willing to try".

Where innovation in Honduran farming is concerned, **Palmas Centroamericanas SA (Palcasa)** immediately comes to mind. Palcasa was born because small and medium-sized palm oil producers needed their own oil-extraction factory. Bear in mind that **the palm oil industry contributes almost USD 300 million annually in foreign currency to the Honduran economy.**

Palcasa Group is formed by three companies (Palcasa, Eecopalsa and Repalsa). Founded in 1999, this group has a large social base of 1,300.00 small partners producing palm oil. It is located in the north of Honduras in C.A. El Progreso, Yoro. Extraction and sale of palm oil is one of Palcasa Group's most important economic activities with an annual sales

of both its employees and local communities. They were the first company in this sector to receive this distinction from Fundahrse.

The company's vision is to reach true sovereignty and food security over the next 5 years, at least for rice, corn and beans. The aim is to double production over that same time period.

IMSA export markets are Nicaragua and Spain, where IMSA products are considered "nostalgic", especially in Madrid, where corn tortillas are sold based on IMSA "Selecta" flour.

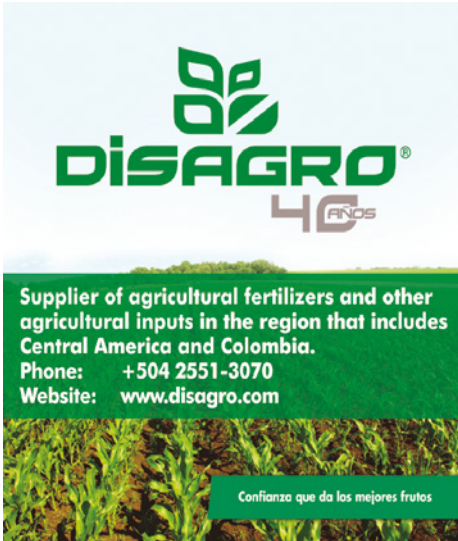
That being said, the US market is on its radar, especially New Orleans, where potential is seen for the same "nostalgic" reasons. After some first market studies, a formal approach is now planned for early 2017.

The US market is already part and parcel of the supply chain for the rice miller Beneficio de Arroz Progreso – BAPROSA, which has been striving for excellence for over 32 years, producing a rice of superior quality. Its brands are now household names in Honduras. **BAPROSA Chairman Michel Hawit Mahchi** explained that *"Thanks to over three decades of efforts and innovation, we are now one of the companies which buys the largest amount of rice from the United States. After Mexico, Honduras is the main buyer of paddy rice from the US."*

This would not have been possible without massive investments in the mill to produce improved and certified seeds. BAPROSA also has a Center which approves rice seed varieties, as part of a commitment to support the government's policy. The national objective is to increase production without neglecting quality.

BAPROSA set up a plant for the Semilla Oro seed, for which it imported improved seeds from Argentina as well as machinery from Brazil, and involved the International Center for Tropical Agriculture (CIAT) in Colombia. It brought the German BASF Clearfield seed and is associated with the American RiceTec.

"BAPROSA's great strength lies in its human relations", underlined Mr. Hawit Mahchi, "which is why we are proud to be cooperating with over a thousand growers, whom we provide with



full technical support". In the main factory a group of 140 permanent employees are committed to realizing the company's vision and objectives, and this has allowed it to reach a position of leadership in the rice industry.

As mentioned above, the US are an important link in BAPROSA's production and distribution chain. Over the years, partnerships were established with ADM, BUNGE, CARGILL, Rice Co. as well as Riceland, from whom it buys its raw material, and today it is proud to be selling its products to US retail giants such as Walmart and Pricemart - with the leader brand "Arroz Progreso" - as well as all the Honduran supermarket chains. It holds 25% of the national market, and keeps expanding in recent years.

The modern agro-industry is more than agriculture - it involves many different trades. A good example of this is **Disagro, an international corporation from Guatemala which has been operating in Honduras since 1992. It is a leader on the fertilizer market and other agricultural inputs in Central America and Colombia. It is also a major player in the plastic packaging industry, machine representation, logistics and weighing systems.** As General Manager, Estuardo Taracena puts it: *"We are partners and advisors for every kind of farmer,*

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Committed to community development and environmental protection

Our sustainable development strategy is both the route to success for the business and the core of our contribution to society. Because when the business does well, so do the local communities, economies and environment around us. When they prosper, so do we. It's a simple idea but one that is fundamental to our business success, focusing in placing our sustainability strategy at the core of our business.

Community

We strive to accelerate growth and social development through our value chain.

The **4E, road to progress** program, implemented in 2013, has transformed more than

1,482 small retailers' businesses in Honduras.

By 2020, the program will benefit

15,600 small retailers.

Water

We foster key partnerships and water replenishment programs to ensure that our business, local communities and ecosystems share uninterrupted access to clean and safe water.

With the Water Replenishment program implemented with The Coca-Cola Company during 2015, we achieved

150.7 acres of agroforestry systems

370.6 acres of forest protected

42 acres reforested

The target is to be "water neutral" by **2020**

Land use

We strive for a responsible use of land where food supply is insured and the biodiversity is protected.

Our sugar mill **AZUNOSA** was the first to obtain the **Bonsucro Certification** in Central America and the Caribbean, for its sustainable practices in the production of sugar.

Recycling

We engage in actions where nothing is wasted and emissions are reduced drastically.

We are part of the post-consumer recycling **Green Island Program** in Roatan, Bay Islands, in which we support small recycling entrepreneurs in the island. Since 2007, we have exported to the mainland a total of

2.08 million pounds of PET for recycling purposes.

Responsible drinking

Our beers are produced, marketed, sold and consumed responsibly, with a high consideration for individuals and the community's well-being.

With our road safety program **"Por un Buen Camino"** (On the Right Track), created in 2011, we have generated awareness on responsible driving to

27,656 community members.



Mario Cerna
President
POLYGROUP

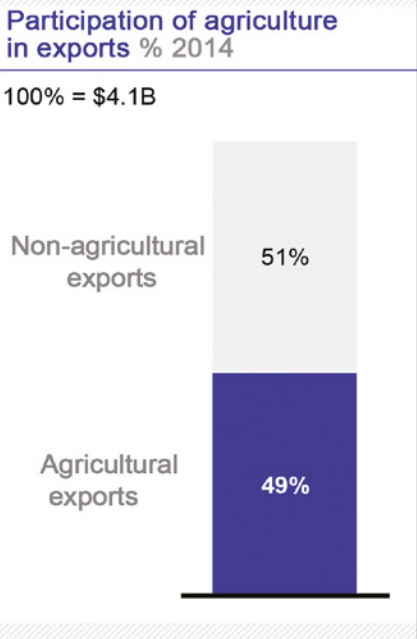
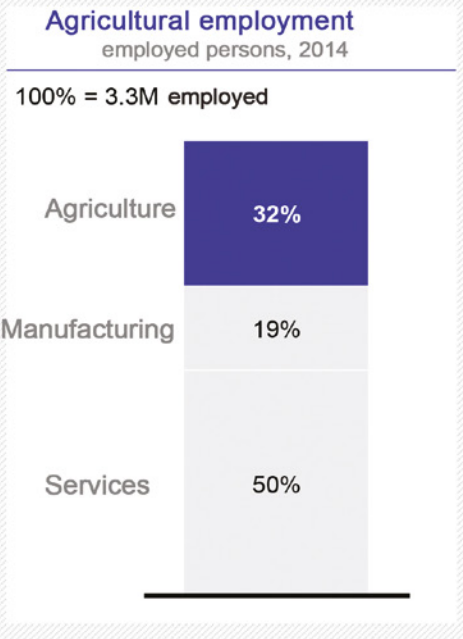
volumes of 40,000 Tm. Palcasa counts 1186 partners, whose livelihoods it has transformed. The Palcasa group contributes significantly to economic development by generating more than 500 direct jobs and more than 5,000 indirect ones. The company is a pioneer in Honduras in terms of generating clean energy from its waste material. Waste production turned from a liability into a massive asset. In order to give added value to Crude Palm Oil (CPO) and greater participation in the national and international markets, Palcasa group's REPALSA company is dedicated to refinement and fractionation of Crude Palm Oil (CPO) to sell refined palm oil. As a secondary economic activity, Palcasa group's EECOPALSA company uses the solid and liquid waste for renewable energy generation. The installed capacity is: 6,200 kW / h. As **President Carlos Menjivar** explained, **"We are the first company worldwide to produce clean energy from wastewater and we certified it under**

"In our country there are highly capable people, and when they receive adequate motivation and training, they can contribute majorly to the success of any company that comes here".

the United Nations clean development scheme. Unfortunately, we did not patent our method, we lacked a bit of legal vision at that time. We have received four prizes in Europe, including gold medals. **We are actually selling carbon offset certificates".** Emission reduction lies at 32,000 tons CO2 / year. Palm oil producers have come all the way from Asia (where 90% of worldwide production comes from) to study Palcasa's methods. **It was also the first to receive a "gold standard" certification from the United Nations** in the Palm Oil category. Currently in the process of RSPO (Roundtable on Sustainable Palm Oil) certification, Palcasa is interested in cooperating with new investors.

The environmental impact of its activities is also important to POLYGROUP, a conglomerate of companies serving both Honduran producers and the maquila industry with specific packaging solutions. **Chairman and founder Mario Cerna** proudly recalled the group's history: *"Dinamica Plastica began operating in 1995, when a group of Honduran entrepreneurs acquired Termoplast from the Polymer group and moved it to its new establishment near Villanueva. This experience later proved crucial for our expansion into neighboring countries such as Panama, Nicaragua, El Salvador and Guatemala".*

After leaving Polymer, Mr. Cerna cofounded the first company of the future group: Orión Industrial. Following several ups and downs, Mr. Cerna reinvented the portfolio and found new clients. He formed strategic alliances with forward-thinking suppliers and bankers. Over the last decade, they created a new impulse and accelerated their growth. They developed innovative



Source: International Labour Organization - economic model of trends - World development indicators - World Bank

packaging solutions (including flexible ones) with higher added value. The top quality standards they were offering for their export products also benefitted the local customers.

Meanwhile, they also take great care of their team. In the chairman's words: *"We currently have 504 employees in the various factories, including 35 engineers whom we trained to our own high standards. We focus on developing our human resources both at managerial and at technical level."*

One of the groups companies is **Fibras del Caribe**, the largest bottle manufacturer

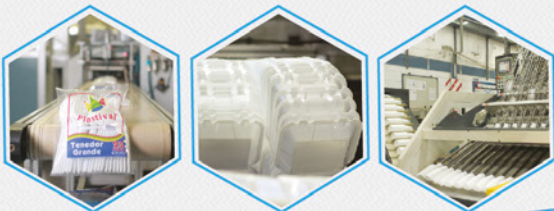
DID YOU KNOW ?

- Agriculture supports one third of the Honduran population.
- Honduras is the biggest coffee exporter.
- Honduras is considered as the third largest producer and exporter of African palm in Latin America, and the eighth worldwide.
- Honduras is the largest Latin American exporter of fresh tilapia fish to the US.
- Honduras managed to increase its exports of shrimp by the equivalent of 20.1 % compared to 2015.
- The US and Ireland were the main destinations of Honduran banana exports in 2015.
- The aim of the Honduras 2020 Plan in the agro-industrial sector is to increase rural income and develop commercial agriculture.
- The Honduras 2020 Plan's vision is to BE a BENCHMARK in the REGION for HIGH VALUE AGRICULTURAL PRODUCTS, to contribute to GDP through high value chains and transform into a sustainable role model which supports small farmers and reduces deforestation in Honduras.



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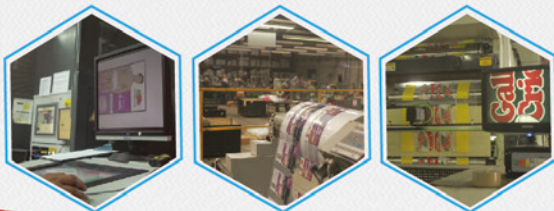


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Virgilio Galo
General Manager
FRUVETSA

Interestingly, Honduras, with its strong agricultural sector, is also a big produce importer. Frutas, Vegetales Y Transportes S.A., FRUVETSA commercializes a wide choice of apples as well as grapes, peaches, citrus fruits, and more. The company started importing fruit from the US simply because founder and General manager Virgilio Galo saw that there was demand for apples and grapes around Christmas time: "I started FRUVETSA in 1986 with one first container, hardly any capital, and from there

we built a great company". At first there were only three employees. In 1998, he bought the present headquarters in San Pedro Sula and began importing products under the name of FRUVETSA. "Our company has been very successful so far, and we hope that it will stay that way. We now have an average of 145 direct employees and around 300 to 400 indirect families, to whom we have been of great support", said Mr. Galo.

FRUVETSA now manages branches which are strategically located throughout the country. The imported volume is high and comes from the US, Europe, Asia, Mexico, Guatemala, and South America. FRUVETSA imports an average of USD 12 million worth of products per year.

The vision is to keep growing and to maintain the national market leadership position. The current market share is 60%. In 2017 the company hopes to expand into exports of Honduran products. The North American market is presently its biggest supplier (70% of its fruit in November and December, for Christmas) and therefore a strategic partner for future endeavors. As Mr. Galo said, reminiscing: "It has been an excellent experience so far. It's incredible to think that in November 2016 it'll be thirty years since we imported our first container full of apples from the US." With his American-educated daughter now part of the management team, Mr. Galo sees a bright future for FRUVETSA, and he warmly encourages foreign investors to come and discover all that Honduras has to offer.



30 YEARS

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FRUVETSA
Frutas y Vegetales, S.A.















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San Pedro Sula, Honduras

TRADE-RETAIL A UNIQUE WORKFORCE

Honduras currently benefits from 9 free-trade agreements with other Central and South American countries, as well as with the US (CAFTA-DR), the European Union, Canada, South Korea and Taiwan. According to Mr. Arnaldodo Castillo, the Minister for Economic Development, "The United States are Honduras' first trading partner and the main destination for the exports from the maquiladoras. They are also one of the countries which have invested most capital here. The North is a huge and very close market. We must keep growing our relations with the US and with Canada, as both have an important Latino community, which still holds a lot more potential for us".

Mr. Luis Larach, Chairman of the Honduran Council for Private Enterprise (COHEP) added that "Honduras has a skilled workforce and free-trade zones with an attractive tax system. For many products we are now the first or second exporter towards the US. Europe is also a very promising market. We have not even exploited 50% of our potential yet. And it's not just the textile industry, we also provide parts for the automotive industry; we are the

Skee Foreman
President
RKH

number one provider globally for Toyota, Ford or BMW for certain products, and we have opportunities to grow this sector further".

The textile industry is a strong sector in Honduras, benefiting from a qualified workforce and optimal working conditions. One of its leading companies is Roman Knit Honduras (RKH), which grew from a family business with 45 years of experience in this sector. RKH was founded 10 years ago by investors who wanted to offer the highest and most varied quality in a demanding market that is forever changing. The factory holds state-of-the-art

machinery. At present the weekly capacity is 600.000 pounds, and it keeps growing. RKH President, Skee Foreman, explained that "One of our achievements is the improvement in productivity. The quality we offer is very high, our deliveries are always on time and we ensure optimal client service. We've put together a great team, currently we have 250 people working here. Last year we sold USD 15 million worth of products". RKH used to offer only tubular fabric, now it has invested in new machinery and is ready to offer variety of open-width fabrics as well.

Part of the clientele is local, the rest of the production is exported to Nicaragua, where RKH has major clients, both for its polyester and its cotton fabrics, amongst the Badger and the Korean group ShinSung TongSang. Some exports also go to Costa Rica, El Salvador, Dominican Republic and USA; altogether 50% of the total production is exported.

Felipe Danzilo
Founding Partner
C.F. DANZILLO & ASOCIADOS

Exports from the maquilas

Value in Millions of USD

Year	Value in Millions of USD
2011	3,290
2012	3,492
2013	3,882
2014	3,979
2015	4,087
2016	4,300

Foreing direct investment

Value in Millions of USD

Year	Value in Millions of USD
2015	195
2016	350

SOURCE:AHM

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Honduras has also been attracting global players, and for these companies coming to the country it is always helpful to cooperate with a highly experienced local law firm. We recommend CF Danzilo & Asociados, a law firm founded in 1995. The firm was the first to develop the legal processes of possession, tenure and development of land in the Bay Islands when it became legal for foreigners

to own property there. It also pioneered the condominium property regimen in Honduras. Today, 85% of its clients are foreigners, some of them major US law firms, such as Morrison and Foerster or Grey Robinson. "Our strength is that almost all our partners are bilingual and bicultural. We understand the international investor's mentality", said co-founder Mr. Carlos Felipe Danzilo.

BUFFETE DE ABOGADOS



WWW.HONDURASLAW.HN

HEALTH A COMPREHENSIVE OFFER

Honduras is currently implementing a new legal framework in the health sector to improve the quality and accessibility of public health services. The growing private healthcare sector aims to contribute to this trend.

Honduras offers state-of-the-art medical treatments. Combined with very competitive costs, this means the country is an increasingly popular destination for "medical tourism", especially for cosmetic surgery, gynecology and elective surgery. Most international patients are Hondurans living in the US, but patients also hail from other Latin American countries and even Europe. Some US hospitals have already created alliances with Honduran partners, as interventions in Honduras sometimes cost only 25% of what they would cost in North America, even counting flights and hotels.

General Manager Gabriel Delgado explained what this means for his centrally located

Gabriel Delgado
General Manager
HONDURAS MEDICAL CENTER

Honduras Medical Center, which belongs to the private Hospitales de Honduras (founded 13 years ago), along with the La Lima Medical Center (LLMC) on the North Coast:

"We've become the country's best hospital, treating around 9 000 patients per year. Some of our specialties are hemodynamics,

catheterization and coronary angiography. We have the best laboratory in Honduras and expert interventional radiologists. We are currently investing in a state-of-the-art Hybrid OR to treat high risk-patients".

He adds that they are about to gain international accreditation in order to attract foreign patients. "We belong to the prestigious Asociación de Hospitales Privados de

Centroamérica y el Caribe, this is linked to major international insurance companies and are strategic partners for several hospitals in Florida. We cooperate with important US hospitals such as the Houston Methodist to guarantee the best training for our doctors and nurses. We'll provide our international patients with excellent care and also organize their transportation and stay in Honduras. They can rest assured that they'll be in excellent hands here".



BRINGING ADVANCED MEDICAL TECHNOLOGY WITHIN YOUR REACH

Thanks to our characteristic innovative vision, we are now able to treat your cardiovascular emergencies in our new HYBRID OPERATING ROOM, unique in the Central America region with world class features ready to handle the more complex cardiovascular conditions.



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- Exceptional quality images with ultra-low doses of radiation.
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Information at: (504) 2280 1228 / 2280 1258 / PBX: 2280 1500



INTEGRATING A COUNTRY

As part of its ambitious and far-reaching 20/20 Plan and driven by demand, the Honduran government aims to **foster a more productive educational system, focusing on technical professional training and languages**. Honduras knows it must invest in its human resources.

We spoke with **Mr. Marlon Escoto, the Minister of Education**, who insisted that any education system needs the following elements: coverage, quality, relevance and inclusion. *"Social inclusion is a basic necessity and means that youngsters from the poorest communities may become university professionals, with immediate impact on their family"*, said Mr. Escoto. It also means that women receive better access to technical training, and that indigenous populations become more involved.

The minister firmly believes that education is a tool to connect and to exchange, more so than diplomacy or even trade relations. Academic exchanges with the US (especially Florida) are well established, with accreditation schemes, exchanges and online programs.

For a closer look, we visited the public teacher training facility, **Universidad Pedagógica Nacional Francisco Morazán (UPNFM)**, attended by around 28 000 students, and spoke with the Dean, **Mr. David Marin López**. This university maintains a



DAVID MARIN LÓPEZ
Dean
UNIVERSIDAD FRANCISCO MORAZÁN

direct connection with the US embassy in Honduras (UPNFM's new language center was co-financed by the US government) as well as agreements with universities in the US, Germany, Spain and several other countries.

Together with Salvadoran and Nicaraguan universities, UPNFM developed a project to improve the teaching of English in Central America. It is also working on a risk-related project with Kansas University. As far as exchanges are concerned, Calvin College, in Michigan, has been bringing its students to UPNFM for the last 15 years, and visiting Fulbright professors come to teach at UPNFM's postgraduate school. *"To maintain and improve the quality of our education is our priority"*, affirmed Mr. Marin López.



ENERGY AND GAS

COMMITMENT

The Honduran energy sector is undergoing a remarkable transformation towards cutting-edge clean energy sources.

In 2015 it was the Latin American country with the highest investments in energy generation from renewable sources in relation to its GDP, to such an extent that the production of clean energy is almost equal to fossil energy or thermal energy produced with hydrocarbons. This was highlighted in the international political network REN21's "Renewables 2015 global status report". The government's goal is to create an energy matrix containing 80% renewables and 20% fossil/thermal energy. This is a massive shift, considering that no later than 2007 the country's available energy generation capacity from "green sources" amounted to a mere 6%.

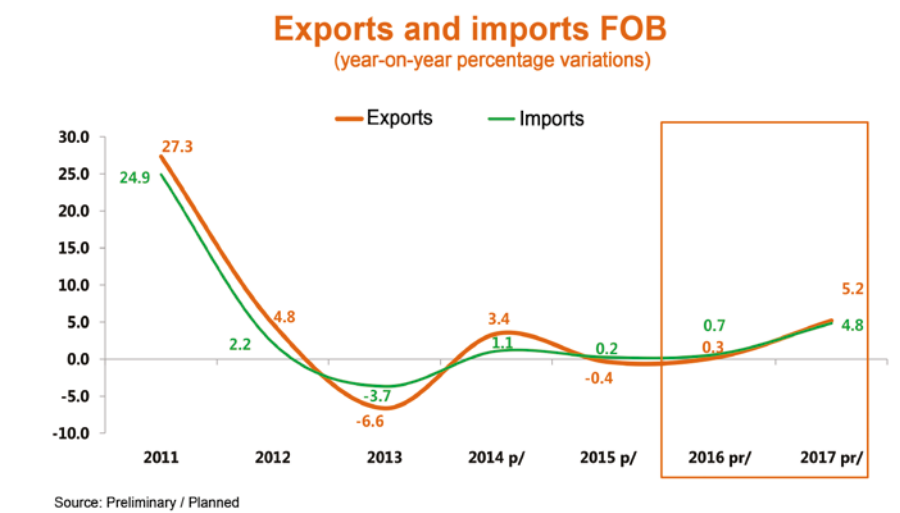
Data from the public energy provider *Empresa Nacional de Energía Eléctrica (ENEE)* shows that in 2013, thermal generation amounted to 51.6

% and represented 48.4 % of total demand. The Ministry for Energy, Natural Resources, the Environment and Mining (dubbed *"Mi Ambiente"*), is currently supporting large-scale solar and wind energy projects, but water sources are also being examined (hydroelectric-dam projects). Regarding biomass, a power plant generating 43 megawatts based on biogas from King Grass, African palm and sugar cane was recently inaugurated. This innovating project could represent a reduction in CO₂-emissions equivalent to the yearly exhausts from 144 000 cars, as Plan 20/20 coordinator Mr. Canahuati told us, and it is hoped that it will attract industries generating up to 50 000 jobs.

The private sector has picked up the green economy trend, from bottling companies to Unitec University (now offering specific Energy Engineering studies), the hospitality sector, the textile industry and many others.

The energy sector is therefore clearly an area of interest for potential investors. We spoke with two of the major stake-holders of the Honduran economy about their outlook for the future.

Energy provider **Luz y Fuerza de San Lorenzo S.A. (LUFUSSA)** is a private, family-run



company created in 1994 as a reaction to the energy crisis which was then causing electricity rationing of up to 14 hours per day.

It is a 100% Honduran corporation, and at the time of its creation it represented the largest private investment in the electrical industry in Honduras.

The company has kept growing and diversifying its investments in the energy sector, so that today it is the **first electricity generator in the country with an installed capacity of approximately 390 megawatts**. **Luis and Christopher Kafie**, respectively founding Director and development Director, credited their team for this success: *"Our major*



HONDURANS' FAVORITE DAIRY BRAND

Study by Kantar Brand Food Print

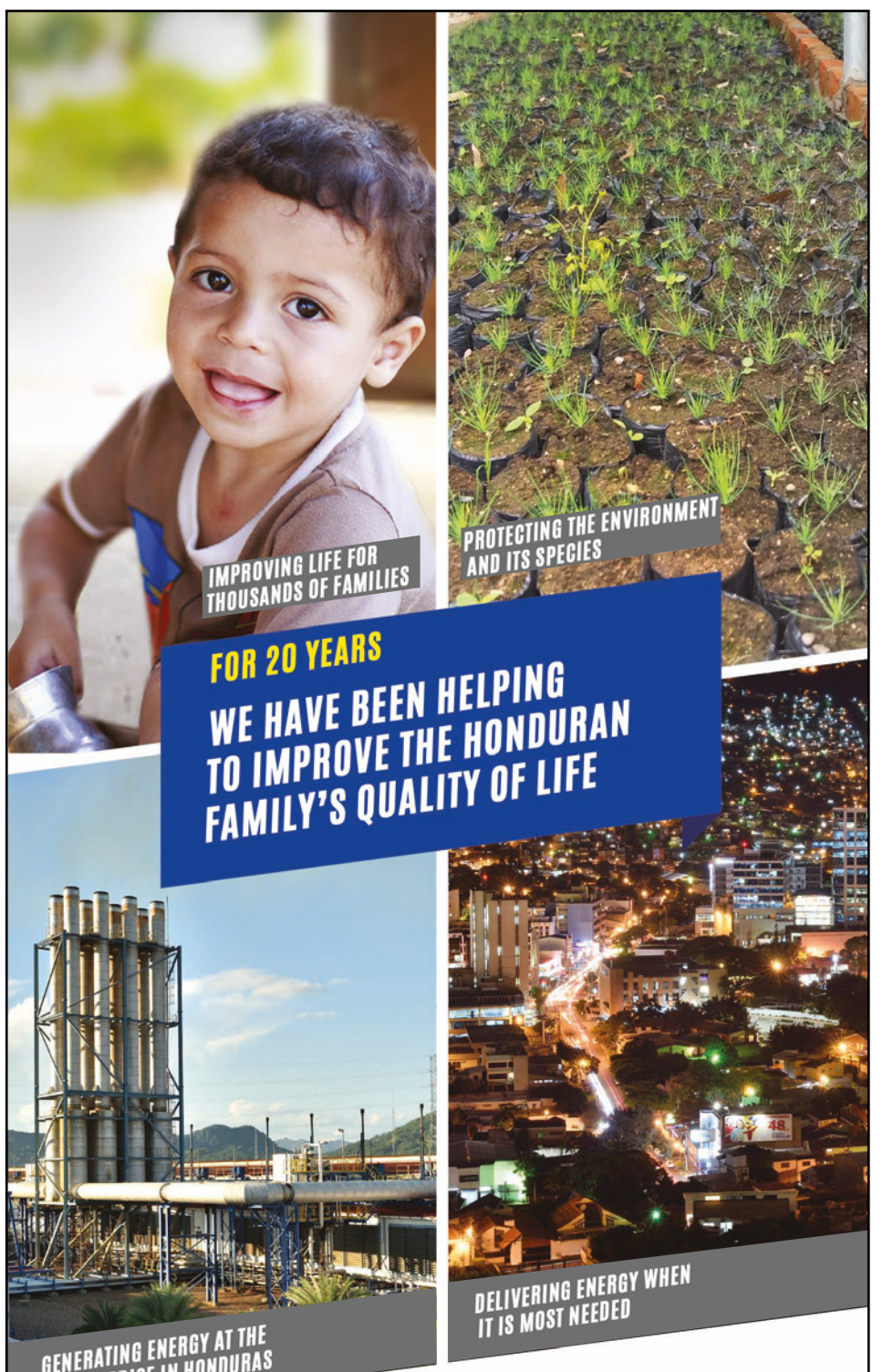
With its Sula brand, Lacthosa exports many of its products to other markets, including Guatemala, El Salvador, the Dominican Republic and the US.



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GRUPO LUZ Y FUERZA



Luis Kafie
Founding Director
LUFUSSA/LACHTOSA

achievement over these twenty years has been to create a team of Honduran professionals who together form the backbone of this company. Without the human factor, none of our other achievements would have been possible".

They offer electricity at the lowest price in Central America in the category of technology they use, and built a modern fuel terminal as well as a 16-kilometer-pipeline to supply power plants.

“We wish to keep operating in an efficient and responsible way under the new regulatory framework governing operations in the Honduran energy sector”

They diversified their investment portfolio in the energy sector, developing projects based on four different technologies: Thermo-electric, hydro-electric, photovoltaic and wind. They generate around 5,800 direct jobs and around 25,000 indirect ones at the regional level.

As the Kafies reminded us, *“No business must ever forget the human factor. Our story began with the installation of a first power plant in 1994, in an area which was considered as little developed. From the time we started working there, we were always aware of the needs of the local communities, and soon set up our first social outreach projects. We brought jobs to these areas, but also technology transfer and environmental conservation, and we support health and education projects”.*

In 2014 this earned Lufussa its second seal of approval as a “Socially Responsible Company” awarded by the Honduran trust FUNDAHRSE. Its taxes also represent a large and very helpful part of the municipal budget in the cities of Choluteca and San Lorenzo.

Furthermore, Lufussa strengthened the transmission network in Honduras and Central America by building 118 kms of power transmission lines which were then included in the public ENEE-network.

At the moment, they are increasing the corporation’s installed capacity by expanding into neighboring countries. The management’s outlook for the future is confident: *“We want to remain the reference as the leading energy generating corporation in the entire region through our Grupo Luz y Fuerza (GLF). But we have a very diverse portfolio and are currently also expanding in the food sector by investing in*



Miguel Avendaño
General Manager
PUMA ENERGY

the agro-industry and supporting our country’s livestock farmers”.

Potential international investors are welcome to get in touch!

At the retail end of the energy sector is **Puma Energy, a global energy company** offering high-quality fuel, operating in 47 countries, with 98 terminals and 2,376 gas stations world-wide. **Puma Energy is the leader in selling petroleum products in Honduras**

with 194 gas stations (out of the 495 in the country), 2 terminals (Tela on the Atlantic coast and San Lorenzo on the Pacific side) as well as two offices, in Tegucigalpa and San Pedro Sula. The terminals are strategically located to supply the gas station network and their total storage capacity is 135.000 m³.

Puma Energy’s market share amounts to 40%, which it manages to maintain despite serious competition by focusing its growth on certain sectors of industry and venturing into new areas.

The transnational corporation employs 7,700 people globally. Within Honduras, it provides 145 direct jobs, and over 3,000 indirect ones through operators, shipping agents, contractors and service providers.

Puma Energy Honduras provides energy for the country’s industry, which is the motor of the Honduran development.

Miguel Ángel Avendaño, general manager of PUMA ENERGY HONDURAS, explained that *“We are very different from traditional import companies; we are dynamic, fast and very focused on our clients. We believe in Honduras and show it by investing here, which is why we always keep abreast of any major present and future projects in the country”.*

Puma Energy saw in Honduras an opportunity to grow whilst contributing to the country’s economic development, and so they decided not just to acquire 2 operations, but to invest over USD 55 million in top-class infrastructure to attend to Honduras’ energy needs.

Its business model gives it the flexibility to develop innovative solutions which support its clients’ goals. Mr. Avendaño gave us an example: **“We created an alliance with**



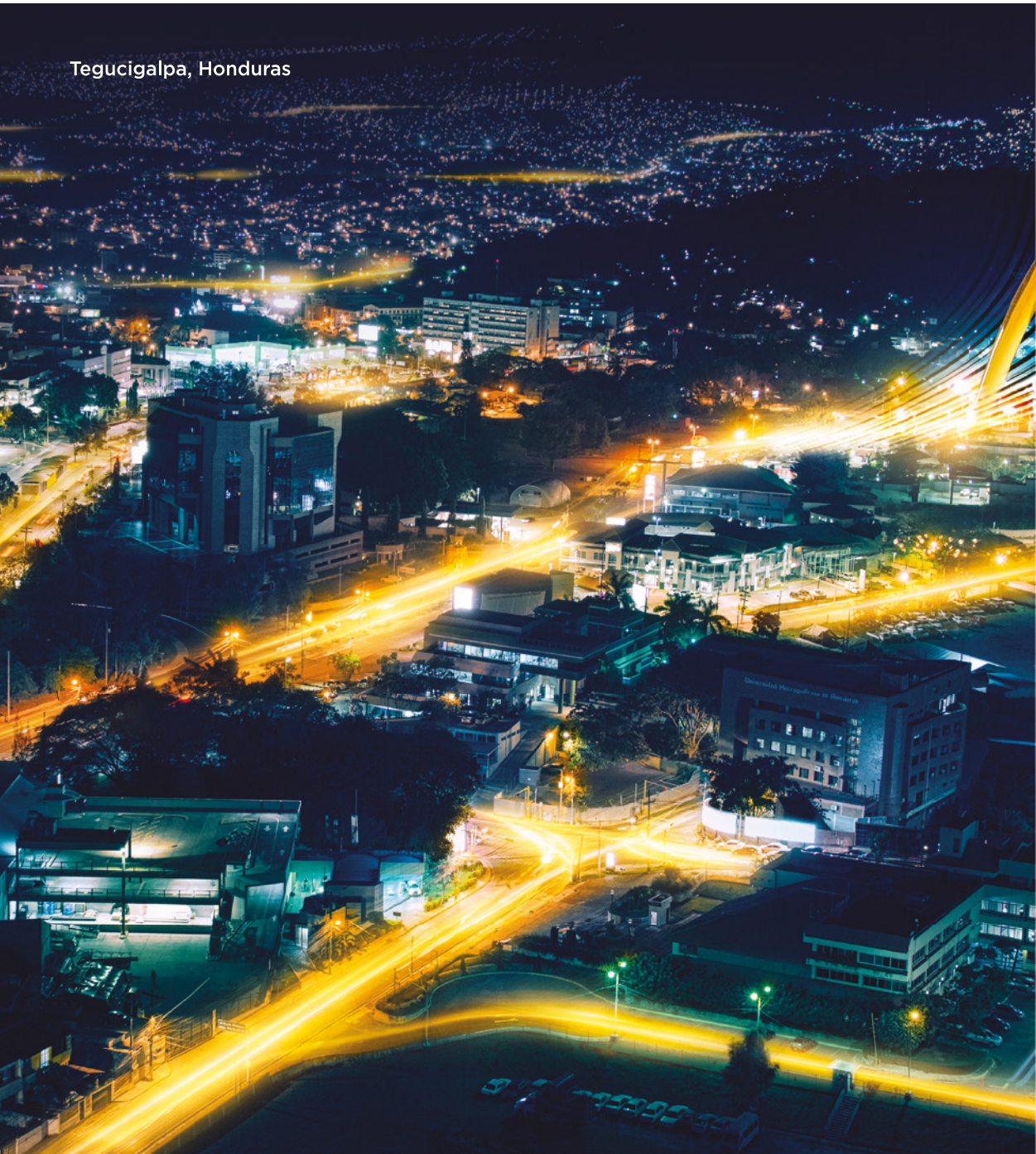
“We are a non-traditional company, a global company with agility and a local focus, always ready to support and accompany any of our clients’ needs and opportunities”

Banco Atlántida, offering our B2B and whole-sale clients a credit option and a special “Banco Atlántida-Puma”-credit card, which in turn allows our retail customers to receive discounts on their fuel purchases”.

The company also takes its environmental responsibility seriously. It showcases the only terminal in Honduras (San Lorenzo) and the first one in Central America to receive an ISO 14001 certification, and is implementing

the same practices in its other warehouses as well as sharing them with others.

As a global energy provider, it plays its part in a connected global economy where petroleum products are shipped from the markets that offer them to the ones that still have a high demand of them, such as Honduras. **This is why Puma Energy sees itself as this country’s strategic partner and supports its development goals.** It considers Honduras as a country with great opportunities to create new business ventures, which will generate further employment and investment.



Tegucigalpa, Honduras



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THE NEW STANDARD

A BOOMING SECTOR

Honduras is gearing up for an impressive expansion of job creations in 2016 and 2017, thanks to around USD 6,506 million in investments earmarked for this year by private Honduran and foreign capital investors as well as the public sector. The latter represents the smallest part, but the one that is growing the fastest. Road-building and housing projects are leading the way in this important investment wave which is expected to last at least another three years.

Mr. Roberto Ordoñez, the Minister for Infrastructure and public services (INSEP), was very confident: “I’d say that the construction and infrastructure sectors are clearly supporting the growth of all the other sectors included in the 20/20 Plan”.

The Honduran Central Bank equally considers that construction will be the most dynamic industry and the one generating the largest amount of new jobs.

The sector grew by 2.1% in 2015 and the expected growth for 2016 could reach 5.5%, which would mean that it would overtake the communication sector, which has also been very healthy with 4.7% in 2015 and an expected 4.8% in 2016.

Mr. Ordoñez pointed out that major infrastructure work will be centered around “three corridors” (logistics, tourism and farming) which should be completed by the end of 2018. *“The aim is to transform Honduras into the logistics center for the Americas, making the most of our seaports’ potential. We’ll be able to travel very easily from the center of the country to the Castilla harbor region”.*

A total of USD 480 million have been dedicated to road-building projects, which also concern the so-called “Western corridor” (*corredor de Occidente*) reaching out to Guatemala and El Salvador. The government is currently working with the *Cámara de Construcción*, the Chamber of the construction industry, to develop various administrative simplification laws allowing the State to expropriate landowners at market prices in order to realize road works or other infrastructure projects. Previously the prices paid were below the market value and this obviously caused problems at the local level, but the new system is fairer to landowners and will allow projects to be carried out much quicker.

Most of this construction work will take place in 2017 and show results in 2018 or 2019, because construction simply takes time, but the 20/20 Plan should generate 600 000 jobs in the private sector for investments of around USD 13 000 million, which is the government’s ambitious goal.

Mr. Ordoñez also highlighted the project regarding the International Airport in Palmerola, which should again generate a great amount of employment and growth in Honduras.

Regarding airports in general, a network of small regional airfields is under construction. They will be small but strategically placed in the areas with the highest potential for



JOSÉ ALEJANDRO ÁLVAREZ
President
CONSTRUCTORA KOSMOX

tourism. The Río Amarillo airport has been built for the area of the Copán ruins, and then there is the Celaque airport for the pretty city of Gracias, a beautiful colonial settlement which at one time in the 16th century was the capital of all Spanish-conquered Central America.

The Tela airport has been refurbished, as it serves the attractive beaches of the Atlántida region. Also refurbished was the Utila airport, which brings travelers to the Western Caribbean Bay islands. The plan for this network of regional

“Part of the generational change process in the construction company coincided with the ISO certification, implying a standardization of processes that many construction companies do not have yet”

airfields also includes the project of refurbishing the Trujillo Puerto Castilla airport, as well as the one in Choluteca. This will all contribute to putting Honduras more firmly on the map for tourists, bringing attractive destinations closer with short domestic flight times, and this will be a competitive advantage in the region.

The construction sector offers abundant investment opportunities for public-private partnerships. The law promoting public-private partnerships came into effect in 2010 and was based on successful experiences by Mexico, Chile and Colombia. As an example, this law has already facilitated the construction work undertaken at the Puerto Cortés seaport, which is implemented by a company from the Philippines with a USD 600 million investment.

As mentioned before, **the housing sector is also an important impetus for growth** to the point that a new public institution was created for it, the *Comisión Nacional de Vivienda* (National Housing Commission). Furthermore, all the initiatives featured in the 20/20 Plan, such as automotive manufacturing, light industry and tourism, are unique investment

opportunities, which of course go hand in hand with the infrastructural improvements providing the basis for the country’s development.

As the **coordinator of the 20/20 Plan, Mr. Canahuati**, told us, *“In the housing sector, we plan to build ten thousand residential properties per year, houses where people can live with dignity, with proper fencing, paved roads, schools, nurseries. This is to create assets for the Honduran workers, to make sure they feel that all this development is of direct benefit to them. And we are doing it in such a way that these houses never cost people more than 30% of their income”.*

Building affordable, ecological and safe residential areas is one of the main current investment projects of **Constructora Kosmox**. The Tegucigalpa-based company employs around 300 people and turnover was Lempiras 100 million in 2015, the target for this year rising to 115 million. One of their projects, called *Las Uvas*, is located South of Tegucigalpa airport. It is **an eco-friendly gated community of 100 housing units, with 35 already sold. Clients are being shown a model and can then personalize and adapt the project in cooperation with the planning team.** Constructora Kosmox believe that one of their key selling points is the flexibility that they offer clients President José Alejandro Álvarez said *“We show the client the model*



Joaquín Emilio Hércules
General Manager
CONSTRUCTORA CELAQUE

Meanwhile, **Constructora Celaque**, founded in 2001, is dedicated to large-scale civil engineering, with its own machines and a team of around 20 long-term employees, growing up to 200 people on a short-term basis, depending on the project.

It has acquired a large experience in opening and maintaining roads, as well as mining and grinding, large-scale engineering projects, pavements with hydraulic cement, designing and erecting buildings, including houses and touristic projects.

In recent years the focus had been on mining, but in 2015 Celaque built the teacher training university, the *Universidad Pedagógica*, in the town of Gracias. This was a major challenge, as the building had to fit in well with the historic town center. **The beautiful result of this special project is the pride and joy of Celaque’s General Manager and co-founder Joaquín Emilio Hércules. He co-founded Celaque with his wife, who is also a civil engineer.** They have spared no efforts in building a company they can be proud of, as an example and legacy to their children.

Regarding the company’s strategy, Mr. Hércules explained that **“Recently we have backed off from the public tenders to focus more on private clients. This change of strategy naturally means that our turnover sank a little bit. Also, the big projects in this country are currently public-private partnerships which until recently tended to involve foreign companies. This is changing and some Hondurans are entering into this line of business. We have so far been able to participate as sub-contractors of international companies”.** With a new focus away from Tegucigalpa and San Pedro, towards building markets in towns like Danli, La Paz and Gracias, business is set to pick up.

Mr. Hércules is also keen to cooperate with international partners on private sector projects. Celaque is ready to take on more large-scale projects to build on its recent success in Gracias. It currently works with a Brazilian and a Mexican company, both involved in the *Canal seco*, the “dry channel”. **The main objective is to compete more and more at various levels and in several areas of construction, obtaining access to large projects in order to showcase their expertise and the high quality of Celaque’s work.** He is convinced that Honduras cannot fail to charm any foreign visitors, as it offers a unique culture and breathtaking landscapes.

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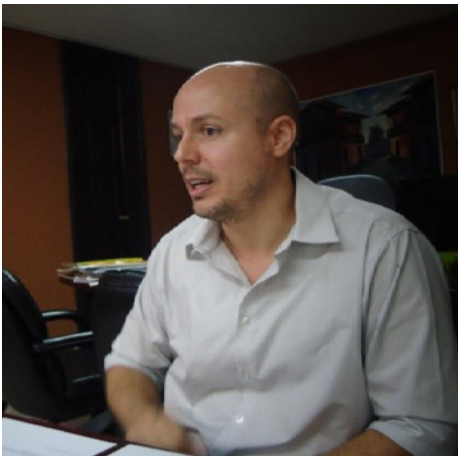
Construcciones Eyl is a small-scale, almost “boutique”, construction company which has experience in working with foreign designers and suppliers. It dedicates itself to private investment projects (commercial and residential). This family-owned business was founded 50 years ago, by the grandfather of the current general manager, who bought land and built housing units on it, which he then sold on. The founder’s son expanded into a more upper-middle class clientele – mostly individuals rather than groups. Clients trust this family, as is proven by the fact that Construcciones Eyl doesn’t take part in tenders and only works on request, recommended by word of mouth. Employees, too, are often working there in the third generation. **Carlos Roberto Eyl, the grandson and present General Manager**, explained that *“We have completed around 500 projects of various sizes and always stay in touch with clients for further modifications. I have worked with people from various countries, including designers from Miami, chosen by the clients”*.

One of his objectives is to keep his personnel highly trained and updated, as they work with high-end and state-of-the-art products. Mr. Eyl

is involved with CADERH, an NGO founded by entrepreneurs which holds ISO certification and certifies actual people, not entire companies. Having such certificates makes workers highly employable, including outside Honduras, and Eyl is the only construction company to have certified all its builders.

In Mr. Eyl’s words: *“We are ready to serve any foreign clients, our personnel is familiar with every type of technology. We know suppliers and designers in Florida and would be delighted to work for clients from that area”*.

The Grupo C Corporation is a family-owned and 100% Honduran industrial group. It offers logistics solutions for chemical products, such as: Commercialization, distribution, exports and imports of wholesale sodium chloride (Tecno Supplier), chemical products for the textile, food, soap, mining and healthcare industries (CentroQuim de Honduras), an agro-industrial laboratory to analyze water, soil and food products, as well as a new division focusing on agricultural fertilizers (Inversiones Agroindustriales de Centroamérica). Over the years, the group also branched out into a travel agency and some civil engineering projects including the industrial and environmental



Carlos Roberto Eyl
General Manager
CONSTRUCTORA EYL



Rony Carrillo
President
GRUPO C



sectors. The newest project involves table salt (Inversiones y Logísticas RC).

Because they operate in a free-trade zone and both Tecno Supplier and CentroQuim supply the textile industry, 90% of sales are actually exports.

As CEO Rony Carrillo explained: *“The company was born in my house in 1998, with a desire to start something new. In 2000 my brother Richard joined me, so now he takes care of logistics and I’m in charge of administration*

and finances. We offer specialized logistics solutions so that our clients can expand both in Honduras and globally. We obtained to manage the logistics of unloading 4 ships within 30 days in two different countries”.

The main goal for 2017 is obtaining the ISO 9001:2015 certification for Tecno Supplier, in order to challenge competitors at the international level. Being involved in the government’s 20/20 plan, the Carrillo brothers are confident that a bright future lies ahead for them, for Honduras, and for international investors.

TOURISM

ANYTHING YOU'RE LOOKING FOR

A CNN panel of experts rated Honduras amongst the 16 top destinations to visit in 2016. With access to both the Caribbean and the Pacific, the second largest coral reef worldwide and the largest water resources in the region, Honduras has huge potential. Its climate is tropical in the lowlands and temperate in the mountains. History has left it with a rich Mayan and Spanish heritage.

In 2014 tourism to Honduras had already reached record levels in terms of numbers of entries into the country (2 068 550 visitors, that’s 11.4 % more than in 2013) and foreign currency inflows (USD 709.5 million, with a growth rate of 14.7% compared with 2013). **Tourism represents 230 000 direct jobs and in 2016 it will be the third source of foreign currency** after remesas and maquilas, and before coffee exports. 45 % of visitors entered the country on cruise ships (mainly from Texas and Florida), 42% as tourists and 13 % as day visitors.

According to data from the National Sustainable Tourism Strategy that is to be completed by 2021, until 2004 most tourists came from Central America (56%) and the US (30%), Europeans represented 7% and the rest of the world 5%. The objective is to reach around 35% of US tourists (with a special focus on Texans who enjoy Honduras as a diving destination), 45% Central Americans, and 15% Europeans. An interesting phenomenon has been noticed regarding Canadian visitors, who used to come only for their traditional winter break but are now visiting year round. Marketing campaigns are being targeted with more regard for regional habits: tourism fairs to raise awareness in Europe, social media for North America.

Mr. Emilio Silvestri, Director of the Honduran Institute for Tourism, was in a buoyant mood: “You should consider that a visit to Honduras is one of the world’s best kept secrets, because this country holds unequaled natural beauty. We have 800 km of Caribbean beaches,



Keila Thompson
General Manager
HOTEL LAS VERANDAS

and the second largest coral reef in the world after Australia. On Tripadvisor and other information resources, we are rated as having the third most beautiful island worldwide and our beaches are considered amongst the world’s top ten most attractive ones. What’s more, our Honduran population is friendly, welcoming, so we have a lot to offer. With a well-developed

done something very important by declaring tourism to be a national priority by law. This will allow medium-term planning over 5 to 10 years, encouraging orderly growth and a focus on designated target areas.

Potential international investors will be interested in the tourism aspect of the 20/20 plan, which so far is focusing on the *Caribe Esmeralda* area with some hotel and tourist infrastructure construction under way there. **A special fund is being created which will facilitate property acquisition and construction processes. Investors will therefore benefit from a system of transparent rules that rates amongst the best in the region.**

To increase the number of visitors to Honduras, **one focal point will be bird watching:** Honduras counts 750 identified bird species, protected zones and 30 natural parks ideal for bird observation. The other internationally promoted topic will be the **Ruta Turística del Café, or Touristic Coffee Route, since Honduras prides itself in producing one of the world’s most aromatic coffees.** Around the activities of

cultural tourism in the area of the UNESCO World Heritage Mayan site in Copán as well as the mysterious Ciudad Blanca, few countries in this world offer such attractions”.

Mr. Silvestri readily admits that for many years there wasn’t really a strategic plan in the tourism sector, there was no long-term strategy, and priorities tended to change every four years. But the present government has

coffee growers, a fascinating route was created including visits to plantations and riveting testimonies from the farmers who dedicate their life to the cultivation of coffee beans.

Mr. Silvestri pointed out that infrastructure was a focal point in 2015, which included three airfields to access major tourist attractions such Copán and Gracias in the West as well as the harbor city of Tela,

“Which is ready to welcome the cruise ships to Roatán and many other visitors”.

Furthermore, the city of San Pedro Sula gave itself one of Central America’s major Convention centers in 2016.

This year, the **new Copantl Convention Center, representing an investment of Lempiras 350 million, was added to the Expo center and the Honduran-Arab Club to complete the offer geared towards attracting international business ventures.** The recently opened Copantl Convention center now offers two and a half parking levels, for a total of 600 cars. It is able to accommodate 7,000 visitors, the big lounge offering space for around 2,500 people in a round-table set-up. There are also VIP-lounges on the upper level, as well as translation booths. The offer is completed by a bar and two restaurants, one of them a *churrasquería* on the roof-top, and there is also a fitness center with a large pool.

Even though it has not yet been officially inaugurated, the first event is already under way: The AMLAR, a Latin American Medical Rehabilitation event. The new COPANTL center has been promoted for the last two years, and many events are already booked in.

We spoke with **Mr. Luis Larach, The Chairman of the COPANTL Convention center, who is also Chair of the Honduran Council for Private Enterprise (COHEP).** He explained that *“Until recently we could not accommodate more than 1,800 people for conventions, so we chose to invest in this Convention center which is now the biggest and most modern in Central America. It offers state-of-the-art technology, including the most efficient forms of energy-saving; we’ll even self-generate 60% of the energy we consume. Our next step is a new hotel, because we really expect to receive a great amount of visitors”*. San Pedro Sula now offers in excess of 3200 hotel rooms altogether, and in conjunction with an excellent and very safe airport, this enhances its profile as a tourism and business destination.

San Pedro Sula is Honduras’ industrial capital, an ambitious, modern city. Its new Urban Development Master

“Tourism represents 230 000 direct jobs, it is a crucial sector and the fourth source of foreign currency, geared to become the third this year, after remesas and maquilas”



Armando Calidonio

Mayor of San Pedro Sula
MUNICIPALIDAD SAN PEDRO SULA

Plan represents a vision for the next 25 years: To transform Honduras' dynamic hub into an "intelligent city".

San Pedro Sula was once well-organized. It was founded in 1536 and really took off in the 1900s, with the arrival of the railways. At that time, **it was arranged as a perfect grid. But as it kept expanding, it grew in a disorganized fashion, which, as the current mayor, Mr. Armando Calidonio Alvarado, explained, is the reason for this new Master Plan.**

San Pedro Sula's geographic location is privileged: it lies in a pleasant valley, close to the mountains. Also, in 1917 a forward-thinking mayor bought 5,000 hectares of land in El Merendón, which today is still the green lung of this hard-working city.

Mayor Calidonio pointed out that San Pedro Sula has amongst Latin America's best urban indicators, with the best education in Honduras, thanks to around 145 education centers and 8 universities (2 are public and 6 private). *"We have technological development concerning 7,000 people in the call-center industry. In 4 years' time we expect this number to rise to 50 or even 80,000 because we have a bilingual population without trace of an accent which offers good services for the US, we also have specialized doctors that offer simultaneous translation services with*



Hotel Las Verandas, Roatan

stake-holders and talk with everyone, from employers to taxi drivers and school teachers", explained Mr. Calidonio, adding that the surrounding 20 municipalities that feed into San Pedro Sula will also be heard. *"We have over one million inhabitants, we need them*

reflecting the open and friendly character of its inhabitants and its pleasant climate.

The municipality also modernized the land registry and the building permit system.

As a consequence of all this planning, 2016 is basically a big construction year, with several infrastructure projects being inaugurated: three tunnels, in strategic areas of the city; over 2000 video-surveillance cameras to improve security as a preventive measure; level crossings; some interchanges; a second road-ringing. *"The city keeps improving",* commented the mayor, *"this year we need to work on cycling paths and yet more prevention".*

In 2014, the first year of the present team's mandate, the municipal administration invested Lempiras 268 million, the second year 648 million and in 2016, 1,000 million. *"We have over 2,000 million Lempiras of municipal funds invested, none of it through loans, and then there are the private investments as well. This will translate into physical buildings, but we also have other investments focusing on training and on technology, to prepare for the future. We have the best data center in Honduras",* added the mayor.

He enthused that San Pedro Sula is "At the center of everything": the Americas, Central America and Honduras. It is close to the ocean and to Puerto Cortés, the most important seaport in Central America, to the Mayan ruins of Copán, and to Roatán, the world's second largest coral reef; the city is surrounded by mountains, rivers and the sea, it can generate hydro-electricity, has an airport (called Ramón Villeda Morales) which stays open all year round, and year-round beach weather.

"We are working for our children and their children, because the Master Plan is for 25 years, the fruits will be harvested by future generations. This is going to be a different, better place", said the mayor, who has every reason to be proud.



Luis Larach

President
CENTRO CONVENCIONES COPANTL

Nestled on the incomparable coast of Roatán island, in the Caribbean, travelers will easily find **Las Verandas, Hotel & Villas. Only 15 minutes away from the international airport, it showcases the essence of this marvelous island** with its deep blue skies, its white sand beaches with crystal-clear water, and its unforgettably romantic sunset views. **Fishing, scuba diving, or zip-lining above the lush rainforest – Las Verandas offers this and more,** as well as bespoke accommodation for the most discerning clients. It also boasts the only **golf course** on the island, the Black Pearl, with eighteen world-class holes.

Also on Roatán, namely in French Harbour and Flowers Bay, **Giovanni Silvestri** is keeping his parents' tradition alive, both in the beachfront restaurant business and in the preparation of the famous spiny Caribbean king crab. **Gio's, Mr. Silvestri's restaurants, won a prize as one of the "Top 30 touristic marvels of Honduras" for pioneering a dish based on the "king of crabs".** The taste and tenderness of the crab are unparalleled and bring an unforgettable flavor to Honduran cuisine.

"You can see all the goodness, the expectation and the potential which is developing through the joint work of the private sector and the government, this is the most important element, we are convinced that this alliance will bring good results for our country"

technical and scientific expertise, this is taking the call center idea to an entirely different level", and generating a lot of employment.

The Master Plan rests on a threefold strategic basis: The Honduran National Plan, the Urban Plan 2014 – 2018, and the 20/20 Plan. This translates into **3 priority areas: urban renewal, the environment and economic development.**

"We'll take 4 or 5 months to meet all the

to share our vision and we want to know what they want, we are a service-oriented city". Importantly, the mayor has decided to acquire international expertise: *"We launched an international open tender for our Master Plan, and the winner was a Honduran-Mexican-Canadian consortium. We wanted a healthy vision, worthy of a large city".*

The Master Plan aims to turn San Pedro into a more competitive, modern, technological and safer city, full of opportunities,



COPANTL
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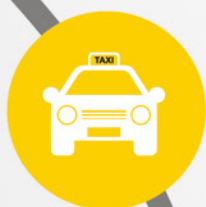
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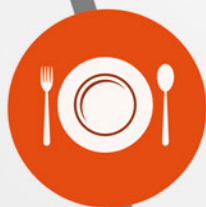


Central American Business Epicenter!

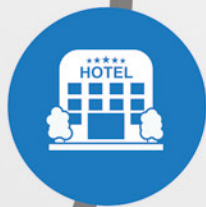
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More than **2500** reliable and properly enrolled **taxi cabs**



Around **150** restaurants with the most varied menu in Honduras



More than **125** hotels with **3,400** beds of different prices and categories



We count with functional and complete **convention centers** and **exposition venues**

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