

# U.S. Country Commercial Guides



Country  
Year 2020

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## Doing Business in Honduras

### Market Overview

Located in the geographic heart of Central America, Honduras has a democratic government and a free market economy. Exports to Honduras continue to perform well as it is the 44th largest export market for the United States in 2019 (0.3 percent of total U.S. exports). Total bilateral trade in both goods and services was \$10.3 billion in 2019, with a trade surplus of approximately \$616 million in favor of the United States. Honduras' population of 9.3 million is highly receptive to U.S. goods and services.

Despite a complex domestic environment resulting from an economic downturn surrounding COVID-19 and delayed political reforms, the country is taking important steps towards improving its business investment climate, including: adopting fiscal discipline and consolidation for macroeconomic stability; infrastructure development through public private partnerships; combating corruption and security concerns; simplifying bureaucratic procedures; implementing structural regulatory reforms, and focusing on improving overall competitiveness and productivity.

The United States is Honduras' largest trade and economic partner, accounting for 46 percent of total merchandise imports and 65 percent of general assembly imports. U.S. exports to Honduras were \$5.4 billion in 2019, down by \$154 million from 2018. The Central America – Dominican Republic Free Trade Agreement (CAFTA-DR), which entered into force in 2006, boosted U.S. export opportunities and diversified the composition of bilateral trade. Currently, U.S. exports to Honduras are up by 67 percent since 2005, the year before implementation of this Free Trade Agreement. CAFTA-DR implemented important measures related to investment, customs administration and trade facilitation, technical barriers to trade, government procurement, intellectual property rights, transparency, labor and environmental protection. As a result of this FTA, more than 95 percent of U.S. consumer and industrial goods exports to the Central America region — meeting relevant rules of origin — are no longer subject to tariffs.

Honduras had a nominal GDP per capita of \$2,241 in 2019. It is a low/middle income country, with over 48 percent of its population living in poverty. Honduras has enjoyed moderate economic growth since 2010 after a sharp decline in 2009 that occurred due to the global economic downturn and Honduras' domestic political crisis, with an average growth rate of 3.7 percent during the last three years. Due to the economic contraction resulting from COVID-19, it is estimated that GDP growth could drop to -3.30 percent by year-end 2020. Boosting the country's productivity levels is seen as crucial for maintaining economic growth. Honduras' economic activity is highly influenced by economic performance in the United States, particularly tied to exports and family remittances. Honduras registered a moderate inflation rate of 4.37 percent in 2019 and is targeted at 3.16 percent for 2020. Honduras' currency, the Lempira, has floated in a band system since 2011.

In 2019, the U.S. direct investment position in Honduras was \$1.3 billion. More than 200 American companies currently operate in Honduras.

Top five reasons why U.S. companies should consider exporting to Honduras:

- 1) Free Trade Agreement (FTA) market;
- 2) Close proximity to the United States;
- 3) Among the most receptive markets for U.S. goods and services worldwide;
- 4) Modernized port infrastructure and logistical platform for the region;
- 5) Large market share and opportunities for U.S. firms.

## **Market Challenges**

Covid-19 – Honduras suffered a similar economic impact as much of the world due to the COVID-19 pandemic. Estimates on Honduras GDP expect to see a negative growth for 2020, but optimistically forecast a return to positive growth in 2021. The economic downturn has impacted the government of Honduras as well as the private sector, with tax revenue down and government budgets suffering. Most government procurement opportunities were delayed in 2020 due to the pandemic, however, a resumption in 2021 is expected. Due to the severe impact on economic activity, particularly through a collapse of cross-border tourism, an interruption of supply chains, and an overall decrease in consumer demand, many businesses started operating on a limited capacity or ceased operations. Despite the uncertainty in the pace of recovery for certain industry sectors, new opportunities for U.S. exporters are arising in areas such as information technologies and healthcare.

Fiscal Imbalance – Post-COVID-19 in 2021, the balance of external public debt is estimated at 50.90 percent of the country's Gross Domestic Product, 7.80 percent more than in 2017. The country's focus on fiscal transparency and macroeconomic stability is perceived as instrumental to improving conditions for sustainable economic growth, strengthening its external commercial position, and bolstering investors' confidence.

Lengthy Due Process – While open to foreign investment with limited restrictions and performance requirements, companies have experienced long waiting periods for regulatory and legislative approvals. Although starting a business is fairly easy and efforts are underway to further streamline administrative procedures through the government's "Transformation Unit," obtaining some licenses can still take a few months. Ranked at 133 out of 190 economies, Honduras received an ease of doing business score of 56.3 in the World Bank's Doing Business 2020 report, an increase of 0.3 percentage points from its regulatory performance during the previous year.

Social Investment – Honduras' business climate is hampered by low education levels and a weak healthcare system.

Large Informal Economy – Firms in different sectors may often be pushed into competition with informal firms for market share.

Corruption – U.S. firms and citizens have found corruption to be a continued constraint to successful commercial activities in Honduras. Honduras scored 26 (a drop of 14 percentage points compared to 2018) in Transparency International's (TI) 2019 Corruptions Perceptions Index, which ranks perceived levels of public sector corruption by experts and businesspeople (using a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean).

Security – While citizen security is one of the government's highest priorities, it faces difficult challenges and personal security remains a major concern in Honduras. Although the homicide rate has dropped by half since 2011, it remains high by international standards. Theft, pickpocketing, and armed robberies can occur in urban areas.

Civil Unrest – Honduras has witnessed several periods of civil unrest since the reelection of President Juan Orlando Hernandez in December 2017. Immediately following the president's reelection, country-wide protests erupted in some cases resulting in the looting and vandalizing of stores as well as roadblocks intended to choke off transit routes. In June 2019, similar protests began as a result of the Honduran government's intended reforms to the health and education sectors. While Honduran protests are largely passive in nature, on multiple occasions these events have turned violent and resulted in significant damage to property.

## **Market Opportunities**

Location – Located in the center of Central America, Honduras enjoys close proximity to the U.S. market. It is only a 2-3 hour flight from U.S. gateway cities and 48 to 72 hours away by sea. Honduras also serves as a distribution platform for the rest of Central America due to some of the lowest logistical costs in the region. Puerto Cortés, the largest deep-water port in the region, is the first port in Latin America to qualify under both the Mega Ports and Container Security Initiatives (CSI).

Commercial Environment – Consumer tastes in Honduras lean towards U.S. products and standards. English is widely spoken in business circles. Dominance of U.S. media through cable and network television strengthens the country’s preference for U.S. consumer products and culture.

Primary Export Sectors – Leading U.S. export categories to Honduras in 2019 included: textiles and fabrics, petroleum products; food manufactures, chemical products, agricultural products, computers and electronics, oil & gas, electrical equipment and machinery; plastics and related articles; paper and paperboard. CAFTA-DR’s Rules of Origin promote the use of U.S. fiber, yarn, and fabric.

Best Prospect Sectors - Honduras is a relatively small country with large market share for U.S. products and services. Among the most active sectors for U.S. companies include: information and communications technologies; healthcare and medical devices; safety and security equipment; electrical power systems/renewable energy equipment; environmental technologies; food processing and packaging equipment; education and training services; and agricultural products.

## **Market Entry Strategy**

### **Two Regions**

For marketing purposes, Honduras can be divided into two regions: the Northern Coast, including the country’s commercial and industrial center, San Pedro Sula; and the Central region, where the political capital and largest city, Tegucigalpa, is located. Both are major distribution centers for imported goods. A single distributor or representative is usually sufficient to cover all of Honduras.

### **Starting a Business**

According to the 2020 World Bank Doing Business Index, the time required for establishing an enterprise in Honduras is 42 days, slightly above the average of 30 days in Latin America and the Caribbean. Having a local presence by appointing a local agent, representative, or legal advisor is strongly recommended to help with import procedures, sales promotion, after-sales service, and becoming more identified with the Honduran market in general. Independent intermediaries are especially important for smaller companies, as their knowledge of the market and of the relevant business customs and practices adds strong value for the U.S. manufacturer/exporter. U.S. companies are advised to evaluate local prospects in terms of the services and benefits provided, considering factors such as location, financial strength, quality of the sales force, warehousing facilities, reputation in the market, product compatibility and overall experience.

### **Price and Credit**

Price is among the most important selling factors in Honduras. In many cases, Honduran businesses buy directly from the source if they feel that the cost savings are sufficiently advantageous. The local banking system is traditionally conservative and generally extends only limited amounts of credit, though looser monetary policies and increased competition from regional and international banks have led to overall consumer credit expansion. U.S. exporters that properly use and offer attractive trade terms for Honduran importers have the best chance of gaining market share and enhancing buyer-seller relationships.

### **Testing the Market**

When entering the Honduran market, U.S. firms should always seek legal advisers with specific expertise in local trade law and also take advantage of the help offered through different organizations supporting trade, such as chambers of commerce and industry associations. U.S. firms should also consider testing the market by participating in local events, trade missions, and other exploratory visits.

### **Due Diligence**

Prior to engaging in a commercial relationship, U.S. companies should conduct corporate and regulatory due diligence, as well as visit potential partners or agents in Honduras to get a sense of the overall business environment.

## Leading Sectors for US Exports & Investments

### Healthcare Technologies

#### Overview:

The healthcare industry’s medical devices and supplies sector, estimated at \$94.5 million in 2019, has consistently provided good prospects for U.S. exporters in Honduras. The market is price sensitive and highly dependent on imports, and U.S. medical products enjoy a high receptivity among local healthcare providers due to brand recognition and a perception of high quality. Imports of pharmaceutical products totaled an estimated \$789 million in 2019, up 3.5 percent from imports registered during the previous year.

Among the top country suppliers are also the European Union (particularly Germany) and Japan. In the pharmaceutical sector, top suppliers include the U.S., Mexico, and Guatemala. Although Honduras remains a key market for U.S. exporters in Central America, there is significant margin for improvement in its healthcare system and regulatory frameworks are still being consolidated. In preparedness and response to the COVID-19 pandemic, the Government of Honduras is implementing various emergency measures and mobilizing resources to address a highly constrained healthcare system. Due to this unprecedented health challenge, the general import market is anticipated to experience a significant increase in the next two years.

The Ministry of Health (MOH) governs the sector, coordinates all health-related activities, sets health priorities, and charts the course of development efforts in the public and private subsectors. Product registration is handled through the newly established Sanitary Regulation Agency (ARSA). As part of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), most medical equipment, devices and pharmaceuticals enter Honduras duty-free, provided a U.S. certificate of origin is presented to Honduran customs.

Medical Devices	2017	2018	2019	2020 estimated
Total Local Production	n/a	n/a	n/a	
Total Exports	n/a	n/a	n/a	
Total Imports	98.0	104.8	94.5	133.0
Imports from the US	49.8	42.9	39.6	56.0
Total Market Size	98.0	104.8	94.5	133.0
Exchange Rates (USD1.00/HNL)	L23.52	L24.36	L24.54	L24.7

(total market size = (total local production + imports) - exports)

Units: \$ millions

Source: OTEA; SIECA

#### Leading Sub-Sectors

Leading sub-sectors in the healthcare industry representing best prospects for U.S. exporters include:

- [Medical Technologies \(Devices\)](#)
- [Pharmaceuticals](#)

- [Clinical Chemistry and Diagnostics](#)
- [Eldercare; Rehab](#)
- [Health IT](#)

## **Opportunities**

The healthcare burden posed by COVID-19 has generated significant demand for Personal Protective Equipment (PPE) and related supplies, as well as for pharmaceuticals to combat respiratory and infectious diseases. In addition, a growing demand for Externally Caused Injury (ECI) care is currently exceeding the installed capacity of the public health services network, resulting in high investment costs at health facilities and hospitals that treat emergencies. The prevalence of transmissible and infectious diseases also has an impact on public health spending, which is approximately 4 percent of its GDP.

Among the best prospects for medical equipment and supplies are the following products: Emergency Medical Protective Equipment and PPE; patient monitoring systems; laboratory supplies; orthopedic and fracture appliances; surgical and anesthetic instruments; surgical instruments and appliances; oxygen and fracture appliances; syringes; electro-diagnostic apparatus; basal metabolism and blood pressure apparatus; parts and accessories for electrocardiographs.

International technical and financial cooperation plays a pivotal role in the Honduran economy and in the success of efforts to combat the COVID-19 health crisis, as well as within the framework of the Poverty Reduction Strategy and the Sustainable Development Goals (SDGs). External financing, including external grants and loans, accounts for approximately 17 percent of the total budget. Some of the largest health non-reimbursable project funds have come from multilateral organizations such as the Central American Bank for Economic Integration (CABEI), World Food Program, EU, United Nations Development Program (UNDP), and U.S., Japanese, and Swedish cooperation agencies. Reimbursable project funding has been sourced by the IADB, Spanish International Cooperation Agency (AECI), and the World Bank.

Honduras' epidemiologic profile is characterized by an increase in transmissible diseases, as well as prevalence of infectious diseases. Conditions related to the respiratory and digestive systems coexist with chronic degenerative conditions such as cancer and cardiovascular disease. In recent years, externally caused injuries (ECIs) have risen and are one of the country's most pressing public health problems and a leading cause of years of life lost due to premature deaths, followed by chronic diseases and complications during childbirth and neonatal deaths. Hondurans increasingly suffer from diabetes, circulatory system diseases, vascular disease, malignant neoplasm (uterine, breast, skin, stomach, ovarian cancer), influenza and pneumonia, hypertension, chronic renal insufficiency, intestinal infectious diseases, and metabolic/nutritional diseases, among others. Vector-borne diseases (such as dengue) are still prevalent. Opportunities exist for technologies that avert or reduce incidences of these types of diseases, which also have a significant impact on healthcare expenditures. A persistent obstacle is the country's healthcare model which has an emphasis on recuperative care, and only a very limited preventive health component.

The weakness of the health information system in capturing epidemiological surveillance, health services, and vital statistics data is also a serious challenge in Honduras. Improvements are also needed in capacity building for public health regulation and enforcement, as well as in human resources development and training in the Public Health system.

## **Resources**

**Trade Events:** At present, there are no medical trade shows being planned in Honduras. However, several importers/distributors regularly attend U.S.-based events such as FIME ([www.fimeshow.com](http://www.fimeshow.com)) in Miami, Medtrade ([www.medtrade.com](http://www.medtrade.com)) in Atlanta, and the Clinical Lab Expo (<https://www.aacc.org/meetings-and-events/2019-annual-meeting>).

**Procurement:** Government tenders in Honduras' procurement system are listed through the National Procurement Information System: [www.honducompras.gob.hn](http://www.honducompras.gob.hn).



The United Nations Office for Project Services (UNOPS) supports the implementation of various procurement processes in Honduras' healthcare sector, specifically for medicines and surgical devices. Additional information is available at <https://www.unops.org> and <http://hn.one.un.org/>.

**Additional resources:**

Ministry of Health: <http://www.salud.gob.hn>

Emergency Preparedness Commission: <http://www.copeco.gob.hn>

National Risk Management System (SINAGER): <https://covid19honduras.org>

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**Information & Communication Technology (ICT)**

**Overview**

The principal guidelines for the ICT public policy across the region are very similar. Promotion of the national industry, general access to technology services and education, permanent learning and introduction of ICTs in the educational curricula, recreation of the national identity, development and support of e-government, e-health and e-commerce and the promotion of research and development at a university level.

Almost all the countries in the Central American region have created a special official Secretary to lead the policy in this field, however the real investment and attention paid to the new technologies has not reached the same level in all these countries producing important asymmetries within the region.

Honduras is certainly not lagging behind on the issue, at least not in terms of its national policy. there are several government agencies developing different areas of the ICT industry including, promotion, access, research and development.

In the last decade and specially in the last eight years, there has been an increasing interest by the Honduran government to promote and adopt new ICTs both by the administration and also municipal levels.

The Honduran Institute of Science and Technology is tasked with incentivizing interest in education and research, promoting the culture of scientific research and technological development in the country. It also supports applied research to find optimal solutions to the complex problems facing society. The focus for the institute centers around materials development, environmental technologies, applied electronics, biotechnology and ICT research and development.

The Honduran Government created an organization dedicated to electronic governance, the Digital Government Unit, under the General Coordination Secretariat developed the National Digital Agenda. The agenda is comprised of a national master plan with a focus on administrative simplification and streamlining of processes and establishing fundamental guidelines for the government use of ICTs.

The Honduran National Telecommunications Commission is the entity tasked with regulating the communications and ICT industry and is a key player in the development of the government policy.

	2017	2018	2019	2020 estimated
Total Local Production	0	0	0	0
Total Exports	6	6	4	5
Total Imports	399	459	473	444
Imports from the US	143	89	25	240
Total Market Size	393	453	469	239
Exchange Rates	23.46	23.90	24.00	24.80

Source: *Central American Economic Integration Secretariat – SIECA*

**Leading Sub-Sectors**

Cloud Services, Analytics, Forecasting, Logistics and Development Software. Computers and Peripherals as well as advanced telecommunications and digital security products and services are at the top of the list of needs for both the private and public sectors in Honduras.

**Opportunities**

An increasingly digital economy, driven by non-physical outputs (e.g., service delivery, software, and computing), will be the challenge for the Honduran government and private sector looking ahead. While the percentage of bilingual skilled labor is among the highest in the region, the lack of transparency and ease of doing business deters from any significant investment in the ICT Sector. The energy grid is also vastly unreliable and expensive compared to other countries in the region. Despite the challenges there are many clear opportunities and a willingness to overcome the obstacles on all sides of the Honduran playing field.

Smart Cities is at the forefront of the government long term ICT goals. The city of San Pedro Sula and the Port of Cortes are leading the charge with ambitious programs aimed at the modernization of urban infrastructure, digital connectivity and community engagement.

The San Pedro Sula Smart City Strategy integrates multiple technology components to create the Municipal Master Development Plan. The plan seeks to integrate these technologies in order to fulfill the objectives set by 2042.

**Municipal Master Development Plan includes:**

Municipal Land Use Plan, Regulatory Instruments of the Zoning and Urbanization Ordinance, Municipal Plan for Sustainable Development, Sustainable Mobility, Economic Development Plan, Municipal Planning System, Municipal Government Action Plan.

Integration of Smart City Objectives:

- City Monitoring Systems
- Data Management & Storage
- Smart City Control Center (C3i)
- Digital Literacy (ZEUS-IT)
- Municipal Entrepreneurship Center
- Enhanced Broadband Network
- Smart Mobility
- Digital Asset Management
- Integration Technology

The Puerto Cortes Smart City Strategy is tied to the national development plan for sustainable development 2010-2030. The municipal strategy is based on transparency and community engagement, sustainable development and gender equality. The municipal objectives will be achieved by focusing on social programs, environmental policies and the economic development of the region.

**Municipal Master Development Plan includes:**

Urban Planning, Basic Infrastructure Upgrades, Social Cohesion Development, Environment Conservation, Local Economic Development, Healthcare and Education.

Integration of Smart City Objectives

- Model School Construction and Educational Technologies
- Agricultural Optimization Technology
- Entrepreneur Development Programs and Digital Directory
- Digital Municipal Services (Digital Application Development)
- Basic Logistics Infrastructure (Pelican Pass Toll System)
- Social Housing Development
- Municipal Television Channel
- City Monitoring Systems
- Water Management & Quality Monitoring
- Meteorological / Aquaculture Monitoring Stations
- Sustainable Solar Energy Generation Program

**Resources**

- [Honduran Digital Agenda](#)
- [The Honduran Institute of Science and Technology](#)
- [The Honduran National Telecommunications Commission](#)
- [San Pedro Sula Municipal Master Development Plan](#)
- [Puerto Cortes Municipal Master Development Plan](#)
- [Global Security Expo](#) September 21-23, 2020, Atlanta, GA.
- [Consumer Electronics Show](#): January 6-11, 2021, Las Vegas, NV.

**Packaging Equipment & Machinery**

Overview

Despite the conservative growth in other industry sectors, Honduras has developed a substantial increase in the packaging manufacturing market with a dynamic mix of local and international companies fabricating their products in different regions of Honduras. Local packaging manufacturing has become an effective way to cut down on shipping costs that have a negative impact on the median price range of certain products. Additionally there have been numerous carton manufacturers establishing operations in Honduras due to the elevated shipping cost of this particular material.

In Honduras the majority of the plastics market competitors are manufacturing polyethylene and polypropylene containers but the primary export has always been carton. Plastic laminates are sold mostly by foreign suppliers since Honduras lacks the scale economy to ensure sustainability, due to the elevated costs of the machinery required. The customs temporary import regimen is slowly allowing the market to further develop capacity by making it accessible to introduce high end and specialized equipment into the country.

Carton and plastics producers are the largest importers of packaging materials and equipment in Honduras. The textile industry, food processing and agricultural exporters are the main consumers. Specialized packaging for the cosmetics, pharmaceutical, and chemical manufacturing industries in Honduras is mostly imported from Mexico, China, Colombia the United States and Guatemala.

According to a report from the Honduran Ministry of Economic Development (SDE), Honduras sells under half of its cardboard packaging products to Central America, making the country one of the largest manufacturers of cardboard containers in the region. Currently 61% of the packaging market is represented by the carton industry and its imports represent 51% of the total market. The packaging industry is the fifth largest revenue generator for Honduras after coffee, banana, palm oil and shrimp exports. In Honduras the environmental movement is maintaining its upward growth trend. In the same way that customers are showing greater concern over the processes followed in the food service industry, local brands trying to adapt to modern packaging and the material's life cycle. There has been a strong push in the region to ban single use plastic and the local companies have begun to import biodegradable options. Given the rise of online commerce to the detriment of traditional channels, the contact point between customers and brands is packaging, which must meet the demands of consumers, who are increasingly responsible for the environment.

It is expected that during this year the demand for carton packaging in the region could fall up to 17%, if the isolation measures as a result of COVID-19 are extended.

It is also expected that the manufacture of flexible plastic bags and films will be among the activities that will suffer a considerable impact in the coming months. Another sub-sector affected, but to a lesser degree, is the manufacture of rigid plastic laminates.

	2017	2018	2019	2020 estimated
Total Local Production	242	263	253	253
Total Exports	184	200	238	207
Total Imports	225	197	236	219
Imports from the US	93	76	88	86
Total Market Size	283	260	251	265
Exchange Rates	23.46	23.90	24.00	24.80

### Leading Sub-Sectors

Sealing machines, Container labeling machines, Lid, seal & close machinery, Packaging and wrapping machinery, Parts and service, Palettizing equipment and materials, Numbering, labeling and printing solutions, Silicones, Phenolic resins, Polyurethanes, Coatings, Petroleum resins and Natural polymers.

### Opportunities

Modern and eco friendly packaging solution are slowly but steadily meeting the demands of consumers, who are increasingly environmentally conscious. This trend is supported by legislation aimed at banning single use packaging in an order to reduce local environmental impact. Honduran companies need to modernize and shift to production of new more ecological materials which presents a great opportunity for U.S. manufacturers of these types of machinery.

### Web Resources

- [Foreign Agricultural Service](#)
- [Packaging Machinery Manufacturers Institute](#)

## Safety & Security

### Overview

The Central American region has for some years contended with a range of ongoing security issues, including organised crime and narcotics trafficking, but the convergence of these factors is now raising particular issues for the northern triangle. Three key countries – Guatemala, Honduras and El Salvador – are each facing complex political and strategic challenges that will influence regional stability. At the same time, there has been a significant increase in drug trafficking and other transnational criminal activities, including human trafficking and arms smuggling.

Honduras has been moving toward a multidimensional security approach and away from the classical understanding of the security dilemma where the focus is the protection of the state. Illegal narcotics, the proliferation of guns, and other transnational threats, combined with institutions of public security—police, military, and judicial systems—are hard pressed to meet the challenge. While there is a growing support for common action, interoperability between national and international agencies and regional defense forces is still inadequate.

Attention should be given to military vulnerabilities in Honduras. Outdated and limited logistic resources present a challenge and an opportunity for world providers of defense products. The United States has an established reputation in the region for producing solutions with the highest available quality in the market.

A significant investment has been made to professionalize and modernize the national police. There are several substantial opportunities for U.S. manufacturers of law enforcement solutions. While direct sales are possible it is recommended and desirable to have an established presence in country.

	2017	2018	2019	2020 estimated
Total Local Production	0	0	0	0
Total Exports	0.9	1	1	0.8
Total Imports	271	206	202	275
Imports from the US	143	110	100	90
Total Market Size	128	205	201	89
Exchange Rates	23.46	23.90	24.00	24.80

Source: *Central American Economic Integration Secretariat – SIECA*

### Leading Sub-Sectors

The leading industry subsectors in Honduras include general military & law enforcement solutions, equipment and services that aid in surveillance and prevention of potential hazards in a business, public or private space. Major areas of consumer demand emerge for fire safety (detection & prevention), video surveillance, access control (authorized access), security (foreign intrusion detection, perimeter protection, and encrypted communications), and biometric recognition (passenger scanning and cargo assessment).

### Opportunities

Personnel and equipment transport vehicles, including aircraft and naval vessels, parts and services as well as ammunitions, body armor, advanced optics and military firearms are in clear demand by the Honduran defense forces. Additionally, encrypted telecommunications, cyber security, electronic surveillance and border control technologies are just a few of the pressing needs the Honduran military is trying to address. The Honduran law enforcement and judicial systems have similar need, whoever aside from the congressional budgets they have access to a supplementary funding stream provided by the Honduran Security Tax Commission.

Private sector opportunities for commercial security products are becoming more of a common necessity. Digital surveillance and metal detection solutions along with biometric access controls, centralized command and control centers are in high demand.

Biosecurity has taken priority for the Honduran government amidst the Global COVID-19 pandemic and the protection of first responders will continue to be a high priority sub-sector.

**Resources**

- [Honduran Security Tax Commission](#)
- [Honduran National Defense Secretariat](#)
- [Honduran Security Secretariat](#)
- [Global Security Expo: September 21-23, 2020, Atlanta,GA.](#)
- [Shot Show 2021: January 19-22, 2021, Las Vegas, NV.](#)

**Education and Training**

**Overview**

The United States is a leading destination for international students from Central America. Honduras leads the number of Central Americans enrolled in U.S. higher education institutions, which reached a total of 6,924 during the 2018/19 academic year, representing a 2.1% increase over the previous year. Among the top receiving States are: Texas, Florida, Georgia, Louisiana, Massachusetts, California, New York, and Virginia.

Number of international students per country and academic level:

Place of Origin	Academic Year 2018/19	Undergraduate	Graduate	Non-degree	OPT
Costa Rica	1,157	563	392	39	163
El Salvador	1,566	1,175	194	72	125
Guatemala	1,192	765	244	34	149
Honduras	2,191	1,480	389	74	248
Nicaragua	443	235	99	29	46
Belize	375	225	85	7	58
<b>TOTAL</b>	<b>6,924</b>	<b>4,443</b>	<b>1,403</b>	<b>255</b>	<b>789</b>

Source: 2019 Open Doors Report

Key reasons why Honduras students choose U.S. Higher Education Institutions:

- [Geographic proximity](#)
- [High quality education system](#)
- [Wide variety of institutions and higher education programs](#)
- [Good and diverse living environments; possibility of living with relatives while studying](#)
- [Availability of intensive and short English Programs to learn or improve English skills](#)

In addition, studying abroad represents an opportunity to be more competitive and increases the possibility for better employment in national or multinational corporations. Among other country destinations hosting students from Central America are Spain, Argentina, Germany, France, Canada, Chile, and Brazil.

**Leading Sub-Sectors**

Among the leading sub-sectors are:

higher education programs; educational software; e-learning technologies; and Professional Training Services.

Central American students are primarily attracted to the following degree programs in the United States:

- [Universities and Community Colleges with tuition fees lower than \\$20,000](#)
- [English Language Programs \(from 1 month up to 1 year\) for students, teachers, and adults](#)
- [Summer camps](#)
- [Undergraduate, Graduate and Master Programs](#)
- [Online programs](#)

Among the top fields of study and majors are Business, Science, Technology, Engineering, and Math (STEM), and Social Sciences.

### **Opportunities**

As a result of school closures and a sudden shift away from the classrooms due to the COVID-19 health crisis, online learning technologies are taking an enhanced role. A distinctive rise of digital platforms and the adoption of e-learning are driving investments in video conferencing tools, online learning software, digital equipment, education apps, digital equipment, and one-stop shop solutions for students and teachers. Despite challenges posed by the COVID-19 pandemic, there is also a niche market that continues to perceive the U.S. higher education offer as a preferred academic solution due to the quality of programs, faculty, and facilities.

On July 2017, Honduras launched the government sponsored Presidential Program for International Scholarships “Honduras 20/20,” aimed at supporting graduate studies abroad for students with academic excellence. The program gives priority to areas under the economic development program “Honduras 2020,” which seeks to generate 600,000 new jobs and sharply boost exports by expanding and adding value to key investment sectors including textiles, manufacturing, tourism, and business services. In addition, Costa Rica has available five \$40,000 grants for community colleges in the U.S. on students’ interest to start a STEM career.

To enter the Central America market, it is highly recommended for U.S. universities, community colleges and/or technical institutions to:

- [Seek partnerships or agreements with public or private universities to facilitate exchange programs for students and professors, recognition of credits and/or dual certification.](#)
- [Travel to the market to meet face to face with school counselors, parents, and higher education institution officers.](#)
- [Participate in local recruitment campaigns, fairs, trade missions, and outreach events in high schools, public venues, and universities.](#)
- [Provide in depth information about programs and the application processes](#)
- [Describe opportunities of scholarships and financial aid](#)
- [Provide information on the process to obtain a U.S. student visa](#)
- [It is preferred that all marketing material and program information is available in Spanish.](#)

The “100,000 Strong in the Americas” Initiative represents an opportunity to increase the number of exchange students between Central America and the United States. All U.S. Embassies and Education USA offices in the region are committed to work with the business community to promote professional development and increase the number of students studying in the U.S. Through grants competitions, the 100K Strong in the Americas Innovation Fund provides funds for innovative partnerships between U.S. and Latin American and Caribbean institutions of higher education.

### **Resources**

Central America (Fall) Virtual Education Fairs (VEF) 2020: For additional country-specific information and a list of scheduled events and activities, please reach out to the U.S. Commercial Service contact below:

## **U.S. Commercial Service – Honduras**

Rossana Lobo, Senior Commercial Specialist

Email: [Rossana.Lobo@trade.gov](mailto:Rossana.Lobo@trade.gov)

## **EducationUSA – Honduras**

Melissa Zelaya, Advisor (Tegucigalpa): [educationusaihci@yahoo.com](mailto:educationusaihci@yahoo.com)

Sharon Salinas, Advisor (San Pedro Sula): [educationusa@centrocultural-sps.com](mailto:educationusa@centrocultural-sps.com)

## **Automotive Aftermarket**

### **Overview**

Despite a severe disruption in the mobility industry due to a significant drop in vehicle miles traveled (VMT) amid the COVID-19 pandemic, the outlook for automotive aftermarket products is moderately positive. As the economic repercussions affect new car purchases, an aging car population continues to fuel demand for automotive aftermarket parts and accessories in Honduras. An estimated 70 percent of the total vehicle population, registered at over 2 million units in 2019, is at least five years old and in need of repair. The number of motorized vehicles is predicted to double in five years' time and the distances traveled should also increase due to an accelerated urban expansion. Growing consumer awareness over the importance of scheduled servicing and preventive maintenance is also influencing the market.

Out of the total vehicle population circulating in Honduras in 2019, 35 percent are motorcycles, followed by pick-up trucks and jeeps (22%); light duty passenger vehicles (24%); SUVs (7%); trucks (4%); buses (4%); heavy-duty vehicles (3%); Other categories (1%). The introduction of U.S. manufactured vehicles has also increased significantly over recent years, providing greater opportunities for American exporters. Honduras has no local production of automotive parts and accessories. The United States is one of the major suppliers in this sector, along with Japan, Taiwan, Korea, China, Brazil, Mexico, Germany, and the United Kingdom.

There are more than 300 retailers of automotive parts and accessories in Honduras who buy directly from overseas or through local distributors. Major mechanical auto repair industry segments include service stations, specialty repair shops, auto parts stores, vehicle dealers and independent garages. Japanese cars and light trucks dominate the market but parts are often purchased through the United States. With the elimination of import tariffs based on engine size, American-made pickups, SUVs, heavy trucks and buses have stronger shares of the local market. There are several major U.S. automotive dealers present in the Honduran market.

### **Leading Sub-Sectors**

Overall, most auto care products and service equipment are expected to offer good sales opportunities in the Honduran market, including:

- [All types of engine spare parts](#)
- [Chemicals, motor oils and additives](#)
- [Tools and equipment](#)
- [Tires and wheels](#)
- [Safety equipment](#)
- [Car care and cleaning](#)
- [Undercar and under hood products](#)
- [Electrical and brake system components](#)
- [Transmission and suspension parts](#)
- [Bumpers, spoilers, and tail lights](#)



- [Mobile electronics, alarms, and sound systems](#)
- [Repair shop, paint, tools, and equipment](#)
- [A/C Repair; refrigerants](#)
- [Emission control services](#)
- [Alignments, diagnostics, spark plugs](#)

## Opportunities

U.S. exports of automotive parts, service equipment, and accessories benefit from tariff reductions under the CAFTA-DR trade agreement. Used automobiles and passenger motor vehicles no more than 10 and 13 years old, respectively, may be imported. Major trends in the automotive aftermarket sector in Honduras include increasing car ownership due to rapid urbanization, low fuel prices, an emerging delivery market, and a rising average vehicle life as COVID-19 related economic pressures force consumers to delay new vehicle purchases. Light personal vehicles are also likely to be the preferred domestic travel option instead of commercial or public transportation, as consumers recover from social distancing measures.

With so many challenges resulting from the COVID-19 pandemic, automotive aftermarket businesses are re-visiting their business models and tracking worldwide emerging trends, such as e-commerce sales and a Do-it-Yourself market.

## Resources

[Honduran Association of Automotive Dealers and Distributors of Automotive Parts & Accessories](#)

The Commercial Service Office in Tegucigalpa will be supporting and actively promoting the [AAIW](#) (SEMA/AAPEX 2020) virtual event. AAIW is the most important retail and specialty automotive aftermarket trade event in the United States, and a very popular venue among Honduran importers.

## U.S. Commercial Service – Honduras

Rossana Lobo, Senior Commercial Specialist

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## Agricultural Sector

### Coarse Grain

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### Overview

U.S. corn exports to Honduras increased by 15 percent in 2019 to \$123 million. Growth potential remains positive with an average growth of more than seven percent in the past four years, given Honduras' constraints and droughts to produce sufficient grain supplies to support animal, fish/seafood feed, including for the expansion of shrimp and tilapia production. Honduras' proximity to major grain export terminals such as New Orleans, Houston and Galveston will continue to allow U.S. corn and other commodities to compete for increased market shares.

White corn is the grain produced on the largest scale in Honduras. It is mainly utilized for human consumption. In the last two years sorghum production has decreased to a minimum. The Government of Honduras is providing incentives to increase production of white corn to assure food security for human consumption.

Corn	2017	2018	2019	2020(Estimated)
Total Local Production	101,694,915	111,570,247	60,728,745	96,774,193
Total Exports	N/A	N/A	N/A	N/A
Total Imports	93,228,060	125,594,612	142,897,650	120,573,441
Imports from the U.S.	85,500,000	106,900,000	123,100,000	105,166,667
Total Market Size	194,922,975	237,164,859	203,626,395	217,347,634

(Statistics are unofficial estimates. Data in USD. Sources: Honduran Central Bank, TDM, GATS, BICO)

### Leading Sub-Sectors

The main product imported in the coarse grain category is yellow corn. All yellow corn consumed in Honduras is imported from the United States. Corn is used for animal feed production, particularly in the feed mixes used in the poultry, shrimp, tilapia, livestock and swine industries.

### Opportunities

Increased growth is expected in the feed mixes used in the poultry, livestock, shrimp, tilapia and swine sectors. The Honduran government is also providing incentives to increase beef production.

Under CAFTA-DR, Honduras did not reduce the out-of-quota duty for white corn, but liberalization will occur through a quota which will grow up to 2 percent per year. Honduras will have a base quota of 29,900 MT for white corn in 2020. For yellow corn, the tariff has been eliminated.

### Web Resources

[U.S. Department of Agriculture Foreign Agricultural Service in Honduras](#)

[Exporter Guide Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standard Certification Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standards Narrative Tegucigalpa Honduras 2019](#)

### Rice

This is a best prospect industry sector for this country. Includes a market overview and trade data.

### Overview

U.S. rice exports to Honduras in 2019 were \$47 million. Sixty-five percent of the rice consumed by Honduras is imported from the United States. The quality and reliability of U.S. rice is well-known.

Rice is produced on a limited scale in Honduras. Production has increased slightly because the Honduran government is now providing credit and direct support to the local agro-industry.

Rice	2017	2018	2019	2020 (Estimated)
Total Local Production	22,963,522	19,232,355	18,146,736	20,114,204
Total Exports	2,809,146	2,282,190	1,979,970	2,357,102

Total Imports	50,552,711	68,872,891	57,013,057	58,812,886
Imports from the U.S.	44,900,000	60,800,000	47,100,000	50,933,333
Total Market Size	73,516,233	88,105,246	75,159,793	78,927,090

(Statistics are unofficial estimates. Data in USD. Sources: Honduran Central Bank, TDM, GATS, BICO)

### Leading Sub-Sectors

Local rice millers prefer to import paddy rice for price reasons and to keep their processing plants running. However, milled rice is also imported into Honduras.

### Opportunities

Historically, the majority of rice imports have been from the United States. Honduran import demand is expected to remain strong as it is a basic food.

Under CAFTA-DR, rice tariffs will be eliminated in two years (2023). Tariff cuts will be back-loaded, with out-of-quota imports subject to a safeguard. In 2020 there will be a tariff rate quota of 117,000 MT for rough rice. Imports under the quota will be subject to a performance requirement, which will be eliminated in about two years. In 2020 a tariff rate quota of 14,875 MT will be for milled rice.

### Web Resources

[U.S. Department of Agriculture Foreign Agricultural Service in Honduras](#)

[Exporter Guide Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standard Certification Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standards Narrative Tegucigalpa Honduras 2019](#)

### Wheat

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### Overview

Honduras's land and climate are unsuitable for commercial wheat farming. The country depends on imports to fulfill their demand for wheat.

U.S. wheat exports to Honduras totaled \$68 million in 2019. Wheat exports have had volatile growth in the past five years, and an estimated average of six percent increase since 2016. The expectation is for the wheat market to stabilize and for the import growth to be constant in the years to come.

Wheat	2017	2018	2019	2020 (Estimated)
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A
Total Imports	53,298,426	85,310,804	73,456,972	70,688,734
Imports from the U.S.	51,100,000	78,200,000	68,700,000	66,000,000

Total Market Size	53,298,426	85,310,804	73,456,972	70,688,734
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(Statistics are unofficial estimates. Data in USD. Sources: Honduran Central Bank, TDM, GATS, BICO)

### Leading Sub-Sectors

The Honduran wheat industry uses an average of 230,000 MT per year with the vast majority of its raw material coming from the United States. Data estimates based on current sales indicate the market's stability.

### Opportunities

Honduras looks to the United States as its main source of wheat products, both through commercial channels and donations. There are no import duties applicable to U.S. wheat exports.

### Web Resources

[U.S. Department of Agriculture Foreign Agricultural Service in Honduras](#)

[Exporter Guide Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standard Certification Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standards Narrative Tegucigalpa Honduras 2019](#)

### Soybean Meal

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### Overview

Traditionally, Honduras has filled virtually all of its soybean meal demand with U.S. product. Domestic production is negligible.

U.S. soybean meal exports to Honduras were \$99 million in 2019. The average percent growth of soybean meal over the years has been a steady five percent increase in the past five years. The increase is due to the demand from the aquaculture and avian production in the country.

Soybean Meal	2017	2018	2019	2020 (Estimated)
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A
Total Imports	86,300,000	107,200,000	99,300,000	97,600,000
Imports from the U.S.	86,300,000	107,200,000	99,300,000	97,600,000
Total Market Size	86,300,000	107,200,000	99,300,000	97,600,000

(Statistics are unofficial estimates. Data in USD. Sources: Honduran Central Bank, TDM, GATS, BICO)

### Leading Sub-Sectors

The growing poultry, shrimp, and tilapia sectors in Honduras have been responsible for the increasing demand for soybean meal as it is used in feed mixtures for those products.

### Opportunities

Continued expansion in the feed industry, particularly for poultry and tilapia production, should continue to fuel the demand for U.S. soybean meal in the years to come. An increasing number of food franchise outlets are also requiring more chicken. Because of chicken meat is more accessible to purchase power of population.

### Web Resources

[U.S. Department of Agriculture Foreign Agricultural Service in Honduras](#)

[Exporter Guide Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standard Certification Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standards Narrative Tegucigalpa Honduras 2019](#)

### Red Meats

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### Overview

Honduras has one meat processing facilities that have been certified by the USDA’s Food Safety Inspection Service (FSIS) to export their products to the United States. Some red meat products and sub-products imports from the United States have become a necessity in order to be able to satisfy the country’s demands.

U.S. red meat exports totaled \$7 million in 2019, which shows a 12 percent increase from the previous year. The average percent growth in the last five years reflects an uneven growth of one percent per year. Pork exports to Honduras look promising and stable.

Red Meats	2017	2018	2019	2020 (Estimated)
Total Local Production	311,724,960	297,064,854	298,076,567	302,288,793
Total Exports	9,081,120	15,176,778	15,045,272	13,101,057
Total Imports	11,268,204	11,088,081	13,107,648	11,821,311
Imports from the U.S.	6,200,000	6,700,000	7,000,000	6,633,333
Total Market Size	322,993,164	308,152,935	311,184,215	314,110,104

(Statistics are unofficial estimates. Data in USD. Sources: Honduran Central Bank, TDM, GATS, BICO)

### Leading Sub-Sectors

CAFTA-DR brought immediate tariff elimination of prime and choice pork and beef cuts. Current Honduran consumer demand is centered on beef cuts, prime pork, beef variety meats, liver, tongue, sausage, trimmings, and pig’s feet. Additionally, the significant decrease in cattle stocking rates in Central America and purchasing power is contributing to a change in consumer demand from beef to more grain dependent proteins, such as pork and poultry.

### Opportunities

The number of U.S. restaurants and franchises operating in Honduras has grown rapidly. The government looks at tourism as one of the priority sectors likely to create jobs and economic growth. Hotels and restaurants need a consistent supply of quality meat products such as U.S. beef and pork. Honduran traditional cuisine uses entrails and internal organs in its dishes. The local red meat industry does not produce enough products to satisfy its demand.

### Web Resources

[U.S. Department of Agriculture Foreign Agricultural Service in Honduras](#)

[Exporter Guide Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standard Certification Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standards Narrative Tegucigalpa Honduras 2019](#)

### **Processed Fruits and Vegetables**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### **Overview**

Imports of processed fruits and vegetables from the United States have kept steady during the last four years. The imported products from the United States are recognized for their quality and a stable market for processed fruits and vegetables is predicted.

Process Fruits and Vegetables	2017	2018	2019	2020 (Estimated)
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	68,178,091	61,213,325	45,844,880	58,412,099
Total Imports	60,855,020	57,291,870	58,510,417	58,885,769
Imports from the U.S.	14,500,000	12,200,000	12,700,000	13,133,333
Total Market Size	60,855,020	57,291,870	58,510,417	58,885,769

(Statistics are unofficial estimate. Data in USD. Sources: Honduran Central Bank, TDM, GATS, BICO)

#### **Leading Sub-Sectors**

Products that are popular with Honduran consumers and that are not subject to tariffs include canned sweet corn, tomato paste, canned pears, canned peaches and mixed canned fruit. Data estimates based on current sales indicate a stable market.

#### **Opportunities**

Many U.S. franchises and restaurants in Honduras currently import frozen pre-made french fries from Canada and the United States.

#### **Web Resources**

[U.S. Department of Agriculture Foreign Agricultural Service in Honduras](#)

[Exporter Guide Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standard Certification Tegucigalpa Honduras 2019](#)

[Food and Agricultural Import Regulations and Standards Narrative Tegucigalpa Honduras 2019](#)

## Customs, Regulations & Standards

### Trade Barriers

CAFTA-DR provides market access for U.S. consumer, industrial and agricultural products, improving U.S. competitiveness against third country suppliers and helping expand U.S. exports overall. The agreement requires important reforms of the domestic legal and business environment, which are still ongoing, as well as transparency and efficiency in administering customs procedures, including CAFTA rules of origin.

Honduras did not negotiate any tariff rate quotas when it became a member of the WTO. It does, however, have limitations on imports of rice and corn in order to protect local production. (Please see Import Tariffs section).

In addition to agricultural products, Honduras maintains some non-tariff barriers for services. Currently, special government authorization must be obtained to invest in the tourism and banking service sectors. Under CAFTA-DR, Honduras allows substantial market access in services across its entire services regime, subject to a few exceptions in the licensed professions. Honduran professional associations heavily regulate the licensing of foreigners to practice law, medicine, engineering, accounting, and other professions requiring certification and industry-specific licensing. For more information on service and investment barriers, please read the annual National Trade Estimate Report on Foreign Trade Barriers, found under the [Reports and Publications](#) section of the Press Office.

For more information and help with trade barriers, please contact:

International Trade Administration

[Enforcement and Compliance](#)

(202) 482-0063

[ECCcommunications@trade.gov](mailto:ECCcommunications@trade.gov)

### Import Tariffs

Honduras is a member of the Central American Economic Integration System (SIECA) comprised of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama. Honduras' tariffs on most goods from outside SIECA are currently within the zero to 15 percent range. Nearly all textile and apparel goods that meet the agreement's rules of origin receive duty-free and quota-free treatment, providing opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing.

The Harmonized System (HS) classification number determines if a specific product can enter the CAFTA-DR region duty-free. This number is used to check the country and product-specific tariff elimination schedule. Honduran customs are very strict when evaluating certificates of origins. Even minor errors can result in fines and non-CAFTA import duties. Please contact the U.S. Embassy in Tegucigalpa if you feel the rules are being implemented unjustly.

For more information on the practical aspects of exporting under CAFTA-DR please consult the links below:

- [U.S. Free Trade Agreements](#)
- [U.S. President's Trade Policy](#)

Under CAFTA-DR, Honduras will eliminate tariffs on yellow corn and pork by 2020. Import tariffs for rice and chicken leg quarters will also be eliminated in 2023, and for dairy products in 2025. Accordingly, CAFTA-DR should lead to the elimination of market access barriers, over time, for all agricultural products other than white corn.

There are restrictions on imports of white corn in order to protect local production. A price band mechanism is applied for white corn imports out of CAFTA-DR. Corn producers and meal industries that use this grain for human consumption sign a grain agreement annually. The agreement indicates that for each 100 pounds of white corn purchased from national production, industry could import 100 pounds. The agreement is endorsed by the

Secretariat of Agriculture and the Secretariat of Economic Development. Importers who want to import white corn from the United States, and who are not part of the agreement pay 45 percent duty.

Rice producers and millers have an agreement that establishes that an internal regulation will be applied every year. It is signed between millers, rice producers, the Secretariat of Agriculture and Secretariat of Economic Development. The agreement states the conditions that the rice will be paid by the millers such as quality, humidity, payment requirements, and sale price. The regulation also includes the no-supply quota which will bring the tariff to zero to cover the demand of rice if needed. For imports of rough rice inside the CAFTA-DR quota, the duty is currently at 22.6 percent. The CAFTA quota for importers in 2021 will be calculated according to the amount of the domestic rice they purchase.

A general 15 percent Value Added Tax (VAT) is applied to most products. Goods exempted from this tax include staple foods, fuels, medicines, agro-chemicals, books, magazines and educational materials, agricultural machinery and tools, handicrafts, and capital goods such as trucks, tractors, cranes, and computers, among others. Goods and services imported by the maquiladora industry and other firms protected under Special Export Development Regimes are also exempted from the tax. A separate 18 percent sales tax is applied to beer, brandy, compound liquors, and other alcoholic beverages, as well as tobacco products. This tax is levied on the distributor sale price, minus the amount of the production and consumption tax on both imports and national products. This calculation procedure is also applied to the 15 percent tax on carbonated beverages. A 15 percent selective consumption tax is also applied to some products considered non-essential.

Additional information on import tax legislation, customs regulations, and general administrative procedures is available at the official [Single Window for Importers and Exporters and at the Customs Directorate: www.dara.gob.hn](#)

## **Import Requirements & Documentation**

As Honduras is in the process of restructuring and modernizing its customs procedures, it is vital that U.S. exporters pay close attention to documentary risks, making sure that all required documents are carefully completed in order to avoid delays or heavy fines when clearing goods through customs.

Imports of raw and processed agricultural products need an import permit application issued by the National Service of Food Safety, Plant and Animal Health (SENASA) of the Secretariat of Agriculture and Livestock (SAG). In addition to issuing import permits, SENASA regulates the inspection of all agricultural products entering Honduras.

In order to obtain import permits, all importers of food products, additives, pesticides and inputs used in food processing must submit the following documents to SENASA:

- [Phyto- or Zoo-Sanitary Certificate](#)
- [Certificate of Origin](#)
- [Photocopy of Pro-Form Commercial Invoice](#)

The documents listed above and the import request must be clear, with consistent information about the importer and exporter, amounts, product description, origin and point of shipping. SENASA requires that the certificates be filled out completely with the name, date and signature of the official issuing the certificate.

Agricultural imports of food products – raw or processed - of animal origin should show the expiration date, lot number and production date in Spanish on the shipping carton(s). The dates must be provided in the Day/Month/Year format (DD/MM/YYYY). If a first-time exporter does not comply with this requirement, the product is retained and SENASA allows a label to be applied. However, if the exporter has not repeatedly had the required labels, the product is not allowed entry.

SENASA requests the issuance of Phyto- or Zoo-sanitary Certificates by a U.S. federal government authority in the plant where the food products have been processed. SENASA does not accept documents from commercial trading



companies. Under CAFTA-DR, Honduras recognized the United States inspection services as equivalent to the one in Honduras. This equivalence eliminates the requirement of a pre-certification of the U.S. exporter's facilities.

Imports of U.S. fresh/frozen and cooked poultry products must come with an USDA's FSIS Certificate (Form 9060-5). SENASA has requested that USDA add an Additional Declaration (AD) to the FSIS certificates for poultry imports. The AD should indicate that "All fresh/frozen poultry meat, including mechanically deboned meat (MDM) comes from an area free of high or low pathogenic Avian Influenza. SENASA indicates that it is the importers' as well as the exporters' responsibility to stay abreast of outbreaks so they can assure SENASA of the health status of the area of origination. SENASA typically issues an import permit within 24 to 72 working hours when all required documents are provided.

Importers of dairy products with the Harmonized Code (HC) from 04.01 to 04.06 and 1901.10.1 and 1901.90.20 should have an import license issued by the Ministry of Economic Development (SDE). The HCs are for milk, cream, butter, yogurt, cheeses, baby formula and powdered milk. Importers will need to register only once. The license will have a 60-day validity and can be extended at the request of the importer. In order to issue the import license, SDE needs to have copy of the Import Permit that SENASA issues to the importer. SDE will assign a number to be used for the import procedure. The Tax Administration Service requests the number of the Import License when the importer registers the dairy import into its system.

Among the general documentation required by Customs are: the original of the import permit application, commercial invoice, bill of lading, packing list, certificate of origin, Phyto or Zoo-sanitary certificates and photocopy of import license for dairy products. The Phyto or Zoo-sanitary certificate must be provided by a U.S. federal or state authority.

For detailed information on import permit requirements, please refer to, Honduras GAIN Reports: [Food and Agricultural Import Regulations and Standards](#) (FAIRS Country Report HO17606, FAIRS Export Certificate Report HO17607 and Exporter Guide Report HO1708).

### **How to Declare Origination on Goods**

CAFTA-DR designates the importer with the responsibility of claiming preferential treatment under the agreement. The importer should work with the U.S. exporter to ensure that the U.S. good meets the relevant rules of origin under CAFTA-DR prior to making a claim. The assistance and cooperation of U.S. suppliers in producing accurate and well-documented claims for preferential treatment is vital.

### **Demonstrating Eligibility for Preferential Tariff Treatment**

Honduras requires a special Certificate of Origin for imports from the United States to be submitted. The main purpose of the document is to certify that the product is originated in the United States, which in turn allows it to receive the preferential tariff treatment agreed upon in CAFTA-DR. In the case of agricultural products, the producer, exporter or importer could provide the certificate with all the required information. The CAFTA-DR certificate is required by the Honduran Customs Authority (DARA).

In general, a product's eligibility for preferential tariff treatment may be demonstrated in a variety of ways provided it is in written form. One can provide a statement on company letterhead, a statement on a commercial invoice, or a certification. While no official form is required in order to demonstrate eligibility for preferential tariff treatment under CAFTA-DR, an import certification should include the following information:

- **The name of the certifying person, including, as necessary, contact or other identifying information;**
- **Tariff classification under the Harmonized System and the description of the good;**
- **Information demonstrating that the good is originating;**
- **Date of the certification; and**
- **In the case of blanket period certification, the time period over which the certification is applicable.**

In some situations, multiple shipments of identical goods are being sent to the same [CAFTA-DR importer](#). In these cases, it is not necessary to create a new written certification for each individual shipment. The importer may maintain one “blanket” certificate which must comply with all the same requirements as for one shipment to be presented to the customs authority. The “blanket period” may not exceed one year from the date signed in the Certificate of Origin.

### **Product Registration**

Sanitary product registration in Honduras is overseen by the Sanitary Regulatory Agency (ARSA), established in 2017. ARSA is in charge of issuing the sanitary registration number (SRN) and inspection of processed food products, medicines, natural products, cosmetics, medical devices and hygiene products approved to be sold at the retail and wholesale level. Food inputs waiting to be processed or re-packed do not need an SRN. ARSA’s regulations for product registration can be found at: <http://www.arsa.gob.hn/legislacion.html>

Sanitary product registration procedures can be done by the importer’s legal representative, and it is not necessary to have an attorney. The SRN is valid for five years. For food items, ARSA has eliminated the requirement to submit product samples for laboratory analysis before issuing an SRN, as it now conducts food safety verifications on-site. The importer’s local representative should regularly check ARSA’s website to verify the status of the SRN authorization at: <http://www.arsa.gob.hn>

Central America Customs Union (CACU) member countries have harmonized Sanitary Registration and Sanitary Inscription procedures for processed food products (Central American Technical Regulation-RTCA). Through this procedure, products registered in one CACU country do not need to be registered again in another. Products manufactured in the U.S. are not eligible for this registration exemption. However, the product’s Country of Origin is considered CACU if processed in a CACU member country, even if the raw material originates from a non-CACU country. Additional information and forms are available at the [Central America Secretariat of Economic Integration’s \(SIECA\) website](#): <https://www.sieca.int>

### **Labeling/Marking Requirements**

Labeling requirements for merchandise are established under Article 9 of the Consumer Protection Law, Decree 41-89 of 1990. Enforcement of marking and labeling regulations is conducted by the General Directorate of Production and Consumption of the Secretariat of Economic Development (SDE). Special regulations apply to medicines and agricultural products under the Health Code, the Phyto-Zoo Sanitary Law and the Central America Technical Regulations (RTCA).

Products are required to provide the following label information in Spanish:

- [Name of the product \(the official name as noted on the U.S. Certificate of Free Sale\)](#)
- [List of ingredients and additives and total percentage for each](#)
- [Name and address of the product’s manufacturer and/or distributor](#)
- [Country of Origin](#)
- [Lot number](#)
- [Name, address, and telephone number of Honduran distributor/representative](#)
- [Sanitary registration number \(SRN\)](#)
- [Dates of manufacture and expiration](#)
- [Applicable health warnings](#)

Labels should not indicate that the product has therapeutic, healing, or any other attributes not normally associated with the product.

The declared net content must be expressed in International System (SI) units; additional net content declaration in other units is optional. Small variations in net content are permitted, but must not be excessive. Honduras does not require a specific container size for any products.

Pharmaceutical products need to have active ingredients listed, and include a sell-by date. Cigarettes and alcoholic beverages must contain a warning label that complies with the Honduran Institute for the Prevention of Alcoholism, Drug Addiction, and Pharmaceutical Dependence (IHADFA) labeling requirements.

For detailed information on labeling requirements, exporters may go to [Attaché Reports, Food and Agricultural Import Regulations and Standards](#), or visit: <http://www.arsa.gob.hn/legislacion.html>

### **U.S. Export Controls**

The U.S. Government requires firms to obtain an export permit for some products, especially those considered security sensitive. Commerce Control List categories include nuclear materials; electronics; chemicals, microorganisms and toxins; navigation and avionics; sensors and lasers; and materials processing, among others. For more information, U.S. exporters should contact the [Bureau of Industry and Security](#) at the U.S. Department of Commerce, (202) 2482-2000; 1-800-USATRADE or visit <http://www.export.gov>

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: [Consolidated Screening List](#).

### **Temporary Entry**

The Temporary Import Law (RIT), enacted in 1984, allows exporters to introduce raw materials, parts, and capital equipment into Honduran territory exempt from surcharges and customs duties as long as the material or part is to be incorporated into a product which is exported outside of the country. This law also provides a 10-year tax holiday on profits from these non-traditional exports, under certain conditions.

Interested parties may obtain authorization for this program through the Ministry of Economic Development (SDE). Amendments made to the RIT law in 1997 allow manufacturers to export their products to other Central American countries. These amendments also permit local importers to resell machinery and equipment no longer needed, by paying an import duty based on its Cost, Freight, and Insurance (CIF) value. Companies that do not operate in free trade zones or export processing zones fall under the jurisdiction of the Temporary Import Law.

Temporary entry requirements for goods such as commercial samples, sales display and other items for use at exhibits and trade shows are established under Article 73 of the Honduran Customs Law, Decree 212-87. Customs legislation allows duty free admission of such products, as well as for items to be used for scientific and entertainment purposes, for up to three months. This temporary entry authorization can also be extended an additional three months, if necessary. Products to be used in the execution of construction projects, tourism and recreational activities, and other special private and public works may qualify as temporary imports for a period of up to six months under Article 74 of the Honduran Customs Law. Temporary entry is granted upon making a deposit equivalent to the import duty applicable to the specific product. The guarantee is refunded at the time the product is re-exported. Additional information on the Temporary Imports Regime is available at: <http://www.prohonduras.hn>

### **Prohibited & Restricted Imports**

Under the Financial Balance and Social Protection Act, imports of motor vehicles over ten years old, except classic collectible cars, and passenger buses over thirteen years old are prohibited. Imports of refurbished and right-hand drive vehicles are also prohibited. Import restrictions are also imposed on firearms and ammunition, toxic waste and chemicals, pornographic material, and narcotics. Import restrictions are based on phyto-sanitary, public health, and national security factors.

### **Customs Regulations**

Honduras ratified the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) on July 2016, becoming the fifth Central America nation to accept the new accord. Concluded at the WTO's 2013 Bali Ministerial Conference, the TFA contains provisions for expediting the movement, release and clearance of goods, including

goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.

As part of a customs modernization reform process, the Honduran Government has transitioned to a new Customs Administration Agency in 2020: <http://www.aduanas.gob.hn>

## **Standards for Trade**

### **Overview**

The Honduras' standards system is mostly flexible and characterized by a market-driven approach, with a prevalence of voluntary standards. Standards-related duties and activities are the responsibility of the National Standards Body (Organismo Hondureño de Normalización, OHN) under the National Quality System, a decentralized agency of the Ministry of Science Technology and Innovation-SENACIT (created under Decree 29-2011). The main objectives of the standards governmental body are to:

- a. **Formulate and coordinate the execution of normalization and quality control programs adequate to country needs;**
- b. **Integrate technical committees for individual normalization projects and;**
- c. **Promote the use of standards in technical regulations.**

In general, standards issues and related technical obstacles do not pose a major hurdle for U.S. exporters looking to do business in Honduras. At present, work is being done in connection to defining the limits of the procedures described in Executive Decree 29-2011, particularly regarding voluntary compliance terms for a practical development of the national standardization program. Honduras currently has one-hundred and seventeen (117) national standards, issued by the National Standards Body (OHN). Through CAFTA-DR and implementation of other trade agreements, signatories are expected to intensify their joint work in the field of standards, technical regulations, and conformity assessment procedures with a view to facilitating regional trade.

### **Standards**

Among the standards developing organizations most commonly accepted in Honduras for a wide range of materials, products, systems, and services are ASTM, IEC, and ISO. At present, there are approximately 120 national technical norms covering the agricultural sector (coffee, fruits).

Other sectors which have been identified as some of the main productive areas for the potential development of standards in Honduras are as follows:

- a. **Agro-industrial production**
- b. **Tourism**
- c. **Small Hotels**
- d. **Wood - Furniture**
- e. **Industrial Production**
- f. **Energy Efficiency**

Honduras is also a subscriber member of the International Standards Organization (ISO). The implementation of ISO certification for local companies is conducted by legally credited international standards institutions. There are over 450 local companies currently certified under ISO 9001 and ISO 14001, and several others are also in the process of obtaining certification.

### ***Testing, inspection and certification***

Among the most relevant national testing and conformity assessment bodies in Honduras are:

[Ministry of Economic Development: Consumer Protection and Legal Metrology](#)

[Ministry of Agriculture: National Plant and National Health Service](#)

[National Laboratory of Residues \(LANAR/SAG\); Quality Control Lab for Veterinary Products/SAG](#)

[Ministry of Health: General Directorate of Sanitary and Environmental Regulation](#)

Ministry of Energy, Natural Resources, Environment, and Mines

CESCO (Pollution Control Research Center)

[DECA \(Environmental Control and Evaluation Directorate\) Mining Executive Directorate \( INGHEOMIN Laboratory\)](#)

Customs and Tax Administration/National Customs Laboratory

Official Laboratory of Honduran Chemical and Pharmaceutical Professional

Association (Laboratorio del Colegio Químico Farmacéutico de Honduras)

Other private laboratories such as Jordanlab, MQ, Microbiology Lab (Empacadora de Productos Acuáticos, San Lorenzo), Agrobiotek, Central de Ingenios, S.A., Ecolova, Food Analysis and Microbiology Labs EAP Zamorano, and the Honduran Foundation for Agricultural Research (FHIA), among others.

### *Publication of technical regulations*

Final technical regulations are published in the country's national gazette:

<http://www.lagazeta.hn>

### *Contact Information*

[The National Accreditation Body of Honduras](#) is the “Organismo Hondureño de Acreditación - (OHA), a body under the National Quality System dependent on the Ministry of Science, Technology, and Innovation (SENACIT).

### National Quality System

(Sistema Nacional de la Calidad – SNC)

And Technical Secretariat of National Quality Council - CNCA

Apartado Postal No. 4458

Tegucigalpa, Honduras

Tel: (504) 2213-9052; 2228-2171; 2213-9050

E-mail: [info@hondurascalidad.org](mailto:info@hondurascalidad.org)

### National Standards Body

(Organismo Hondureño de Normalización/OHN) National Quality System

Apartado Postal No. 4458

Tegucigalpa, Honduras

Tel: (504) 2213-9052; Ext. 121E-mail: [ohn@hondurascalidad.org](mailto:ohn@hondurascalidad.org)

### National Accreditation Body

Organismo Hondureño de Acreditación (OHA)

National Quality System

Tel: (504) 2213-9052

E-mail: oha@hondurascalidad.org

### **Post Standards Contact**

U.S. Embassy - U.S. Commercial Service

Rossana Lobo, Senior Commercial Specialist

Avenida La Paz

Tegucigalpa, Honduras

Tel: (504) 2236-9320

E-mail: [Rossana.Lobo@trade.gov](mailto:Rossana.Lobo@trade.gov) <http://www.export.gov/honduras>

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment any information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected countr(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

### **Trade Agreements**

CAFTA-DR supplanted the earlier Caribbean Basin Initiative and later [Caribbean Basin Economic Recovery Act](#) trade benefits. CAFTA-DR liberalized bilateral trade between the United States and the region and also furthered integration efforts among the countries of Central America, removing barriers to trade and investment in the region by U.S. companies. CAFTA-DR requires countries to undertake needed reforms to alleviate systemic problems in such areas as customs administration; protection of intellectual property rights; services, investment, and financial services market access and protection; government procurement; sanitary and phyto-sanitary (SPS) barriers; and other non-tariff barriers.

The final act of the Multilateral Commercial Negotiations of the Uruguay Round, which established the World Trade Organization (WTO), was signed by Honduras on April 15, 1995. Honduras is a member of the Central American Economic Integration System (SIECA) along with Guatemala, El Salvador, Nicaragua, Costa Rica, and Panama. As part of Central America, FTAs have also been signed with the Dominican Republic, Chile, South Korea, and Mexico. Honduras has bilateral FTAs with Canada, Colombia, Panama, Peru, and Taiwan.

The [Association Agreement between the European Union](#) (EU) and Central America was signed on June 29, 2012. The Association Agreement relies on three pillars, political dialogue, cooperation, and trade. The trade pillar of the Association Agreement entered into force on August 1, 2013, with Honduras, Nicaragua and Panama, on October 1, 2013, with Costa Rica and El Salvador, and on December 1, 2013, with Guatemala. Honduras and Guatemala halted

negotiations with the European Free Trade Association (EFTA), comprising of Switzerland, Iceland, Liechtenstein, and Norway in June 2013.

The Central American countries agreed to establish an [Economic Integration System and a Central America Customs Union](#) (CACU) in December 1960. The commitment was reaffirmed in 1993. Between the years 2000 and 2002, the Central American countries incorporated into the legal framework agreement. The subscription of the agreement for the creation of CACU was held in 2006. The goal is to allow unrestricted movement of products and a Central American uniform tariff with duty-free privileges among the region's countries. The products have to originate in the Central America region.

The CACU has granted free trade access throughout the region for 99.9 percent of the Central American products (with the exception of sugar and un-roasted coffee for the region). The harmonized common tariff up to now is 97 percent of Central American products. Central America established a common external tariff schedule in 1998. Six countries signed a revised protocol for economic integration and macroeconomic coordination in October 1993. The integration protocol allows Central American countries to advance at varying rates toward more open trade.

On February 2015, Honduras and Guatemala signed a bilateral agreement creating a Customs Union in an effort to eliminate trade barriers, cut costs and speed up the transportation of goods throughout the region. Through this single customs territory, one-stop border posts have been created to guarantee an expeditious movement of goods and cross border control for those goods that are not subject to free movement. El Salvador has also negotiated its entry into the Customs Union in 2018. In June 2019, Nicaragua has now signaled its interest in joining the customs union.

### **Licensing Requirements for Professional Services**

Under CAFTA-DR, Honduras allows substantial market access in services across its entire services regime, subject to a few exceptions in the licensed professions. Honduran professional associations heavily regulate the licensing of foreigners to practice law, medicine, engineering, accounting, and other professions requiring certification and industry-specific licensing.

Authorization for professional practice is also granted based on principles of reciprocity. Honduras agrees that if a jurisdiction in the United States recognizes degrees awarded by Honduran education institutions, that Honduras will recognize the equivalent professional degrees awarded by U.S. education institutions. In the same manner, if a jurisdiction in the United States allows Honduran national to apply for and receive a license or certificate for the provision of a professional service, then Honduras will allow U.S. nationals to apply for and receive an equivalent license or certificate. In addition, the relevant professional associations in Honduras will recognize a license granted by a jurisdiction in the United States and allow the holder to register with the association and practice the profession in Honduras.

### **Web Resources**

- [Honduran Ministry of Economic Development](#)
- [National Quality System](#)
- [Secretariat for Central American Economic Integration](#)
- [Honduran Private Enterprise Council](#)
- [Chamber of Commerce of Tegucigalpa](#)
- [Chamber of Commerce of Cortés](#)
- [Honduran Customs Office](#)
- [U.S. Department of Commerce](#)
- [USDOC Bureau of Industry & Security](#)
- [Foreign Agricultural Service](#)
- [National Institute of Standards & Technology](#)



## **Selling U.S. Products & Services**

### **Distribution & Sales Channels**

Distribution channels in Honduras are similar to those in the United States, although Honduras has fewer levels of distribution and a limited number of specialties, chain, and department stores.

Tegucigalpa and San Pedro Sula are the major distribution centers for imported products. Puerto Cortés, the largest deep-water port in Central America, is the most active logistics center in Honduras. Honduras has a 13,603 kilometers (km) official road network connecting the ports and airports with the secondary cities and rural areas of the country.

The local market has been traditionally highly receptive to U.S. products and services. To increase the success of a solid market penetration, U.S. exporters should consider establishing a relationship with a local partner, agent or even open a regional sales office. U.S. firms will find that in most cases, securing a single distributor or representative is sufficient to cover the entire Honduran territory.

Representatives and distributors tend to carry broad lines of goods on a non-exclusive basis. The number of full-service local distributors that stock large inventories of parts and equipment are limited. Many local buyers make direct contacts with U.S. suppliers at the factory or warehouse level. Store owners often buy goods in small lots from export brokers or they buy from wholesalers in the United States, particularly in Miami, New Orleans, Los Angeles and Houston.

### **Using an Agent to Sell U.S. Products and Services**

The principal-agent relationship in Honduras is governed by the civil and commercial code, Decree Law No. 549, Official Register (La Gaceta) No. 22366, of December 7, 1977. This law, entitled "Law on Agents, Distributors and Representatives of Domestic and Foreign Companies," includes a provision for penalties for wrongful termination that discourages exclusive distribution agreements. For new-to-market or new-to-export companies, authorized distributorship arrangements or renewable periods of representation are recommended over exclusivity contracts, unless the relationship has proven to be stable and profitable for both parties.

For contractual relations entered into after the date of entry into force of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), April 1, 2006, the following special regime obligations apply:

- Honduras may not require that a representative, agent, or distributor be a national of Honduras or an enterprise controlled by Honduran nationals;
- Honduras may not require a goods or service supplier of another Party to supply such goods or services in Honduras by means of a representative, agent, or distributor, except as otherwise provided by law for reasons of health, safety, or consumer protection;
- Honduras shall provide that: the fact that a contract of representation, distribution, or agency has reached its termination date shall be considered just cause for goods or service supplier of another Party to terminate the contract or allow the contract to expire without renewal; and any damages or indemnity for terminating a contract of representation, distribution, or agency, or allowing it to expire without renewal, without just cause shall be based on the general law of contracts.
- Honduras shall provide that: if the amount and form of any indemnification payment is not established in a contract of representation, distribution, or agency and a party wishes to terminate the contract, the parties may agree to resolve any dispute regarding such payment in the Center for Conciliation and Arbitration of Honduras, or if the parties agree otherwise, to another arbitration center; and in such proceeding general principles of contract law will be applied; in any decision awarding an indemnity calculated under Article 14 of Decree Law No. 549, the amount shall be calculated as of the date of entry into force of the CAFTA-DR Agreement, expressed in terms of Honduran Lempiras as of that date, and converted into U.S. dollars at the exchange rate in effect on the date of the decision. Decree Law No. 549 applies to a contract only if the representative, distributor, or agent has registered with the Ministry of Economic Development (SDE).

Although a U.S. firm may export directly to Honduran companies, appointing a local agent, representative, or legal advisor is strongly recommended to help with import procedures and regulations, sales promotion and after-sales



service. Independent intermediaries are especially important for smaller companies, as their knowledge of the market and of the relevant business customs and practices adds to the strength of the U.S. manufacturer/exporter. U.S. companies are advised to evaluate local prospects in terms of the services and benefits provided, considering factors such as location, financial strength, quality of the sales force, warehousing facilities, reputation in the market, outlay for advertising, product compatibility and overall experience. As a primary step in any international business venture, verifying the identity of a potential partner is of vital importance. Prior to engaging in a commercial relationship, U.S. companies should visit potential partners or agents in Honduras.

Renewable periods for representation and non-exclusive relationships are strongly recommended when drawing up the agent/distributor agreement. After successfully locating prospective intermediaries, U.S. exporters should contact a Honduran lawyer for assistance with key issues such as contract arrangements, taxation, residence permits, and advice on protection of intellectual property. The Embassy Commercial, Economic, and Consular Sections can provide a list of attorneys (see web resources section). A written agreement often avoids later disputes and misunderstandings between the U.S. firm and the local partner. Two of the country's largest chambers of commerce, the Chamber of Commerce and Industry of Tegucigalpa (CCIT) and the Chamber of Commerce and Industry of Cortés (CCIC), have established International Arbitration Centers for alternative dispute resolution.

Exporters of pharmaceuticals, agricultural chemicals, food items, animal feeds, and medicines are required to register their products before they can be sold in the Honduran marketplace. Pharmaceuticals, food items and medicine-related products must be registered with the Sanitary Regulation Agency (ARSA). Agricultural chemicals and animal feeds must be registered with the Ministry of Natural Resources & the Environment (SERNA).

In compliance with the CAFTA-DR agreement, U.S. firms are no longer required to participate in public tenders through a local authorized agent or representative. In terms of participation in international public bids in general, foreign firms engaged in the execution of construction, design, consulting, and rehabilitation projects are required, under the State Contracting Law, to register provisionally at the Company Registration and Classification Committee of Civil Engineers (CIRCE). Once a contract for a specific project has been awarded, foreign firms are required to register on a permanent basis with the Honduran Organization of Civil Engineers (CICH). In general, since the time frame between the public bid announcement and the presentation of bids is often short, having a local partner enhances the U.S. firm's ability to prepare a competitive offer.

Selection of the appropriate agent or distributor in Honduras requires time and effort. The U.S. Department of Commerce offers several services to U.S. firms interested in finding a partner or distributor for their product or service. The U.S. Commercial Service (USCS) offers free and intensive one-on-one counseling plus low-cost, highly effective programs to help U.S. businesses establish or expand their foreign markets. The Commercial Section of U.S. Embassy Tegucigalpa can help locate interested, qualified representatives in potential markets in Honduras through its International Partner Search (IPS) service. A U.S. firm may also check the background and reputation of a prospective partner through the International Company Profile Report (ICP). Through its Gold Key Service, the Commercial Section can schedule appointments, arrange translators and make reservations for U.S. businesses searching for partners or customers in Honduras. The IPS and ICP, as well as other valuable services, are also available for a nominal fee through the U.S. Export Assistance Centers (USEACs) of the U.S. Department of Commerce. For additional information on export-related assistance and market information offered by the federal government, U.S. companies may call 1-800-USA-TRADE.

### **Establishing an Office**

Efforts are underway in Honduras to further streamline registration requirements to establish an office. On July 8, 2018, the Government of Honduras announced the creation of a high-level "Technical Cabinet" aimed at formulating, implementing, and monitoring a Strategy on Simplification of Administrative Procedures at state offices.

Another important step in this regard has been enactment of a law on simplification of administrative procedures in setting up a company (Article 308 of the Commercial Code, Decree No. 255-2002), as well as the establishment for

a “Single Window for Investors” (Investment Protection & Promotion Law 2011). Although challenges still remain, significant improvements have been made in eliminating a series of long and costly administrative obstacles. According to the latest World Bank’s Doing Business Report, the time required to launch a business in Honduras was reduced from 62 days in 2005 to an average of 42 days in 2019. Out of 190 economies, Honduras ranked an overall 133rd on the 2020 “Ease of Doing Business.”

Foreign businesses setting up operations in Honduras are subject to the Commercial Code, which recognizes several types of mercantile organizations: individual ownership, general partnership, simple limited partnership, Limited Liability Company (LLC), corporation and Joint Stock Company. The most common and economically significant legal entities are corporations (Sociedad Anónima, or SA) and Limited Liability Companies (Sociedad de Responsabilidad Limitada, or SRL). Starting capital for a limited liability company should be no less than 5,000 Lempiras (L)/ US\$210 and always include at least two partners. Required starting capital for a stock company or corporation is 25,000L/ US\$1,000 and should always include at least five partners.

An Environmental Impact Assessment, obtained through the Honduran Ministry of Natural Resources & the Environment, is an important requirement for any project, industrial facility, or other public or private activity that could generate potential harm to the environment, natural resources, or national cultural and historical sites. Additional information for doing business in Honduras, as it pertains to the specific requirements for different sectors of investment, is available through the Honduran Ministry for Economic Development at <http://www.prohonduras.hn>.

The following information summarizes the eleven (11) steps involved in setting up a business in Honduras. Thanks to an innovative partnership with the Government of Honduras, some of these procedures can be handled by the Chambers of Commerce of Tegucigalpa and Cortés, slightly reducing the time and effort required to establish a business.

1. **Procure a certificate of deposit at a local bank; pay the registry fee. Time to complete: One day; cost to complete: Lps. 100.00 (US\$4.00)**
2. **Establish the company before a Notary Public, who will draw up the articles of incorporation. Time to complete: Two days; cost to complete: notary fees of five percent for starting capital up to Lps. 25,000 and three percent for companies with over Lps. 25,000 (US\$ 1,000) of share capital**

Comment: A company may be set up by public subscription or simultaneous foundation. The procedures described here are for simultaneous foundation (fundación simultánea). The constitution instrument should be written on stamped paper (papel sellado). The notary uses its paper for the protocol (the original signed document in the notary’s custody) and for the first copy (testimonio) of the instrument of organization.

3. **File the articles of incorporation with the Mercantile Registry at the Chamber of Commerce. Time to Complete: Two days. Cost to complete: US\$8.00 for the first L1,000 of capital.**
4. **Apply for a tax identification code (Registro Tributario Nacional, RTN) at the Revenues Administration Service (Servicio de Administración de Rentas-SAR). Time to complete: One day; Cost to complete: no charge.**

Comment: All natural or juridical persons must obtain a RTN. In order to obtain the RTN, the Notary who authorizes the incorporation deed must send a note to the administrative authority informing them of the incorporation.

5. **Acquire legal accounting and “minutes” books. Time to complete: One day; Cost to complete: US\$45 (about US\$0.5 per page).**
6. **Register with local and national Chambers of Commerce. Time to complete: One day; Cost to complete: US\$77.00.**
7. **Apply for an operational permit (Permiso de Operación) from municipal authorities. This step can now be conducted directly by the company, without the services of an attorney. Time to complete: One day; Approximate cost: L1,250.00 (US\$50).**

Comment: To obtain the operational permit, it is necessary to fulfill some or all of the following requirements, depending on the type of industrial or commercial activity:

- a) Copies of the personal identification card and municipality tax solvency of the General Manager;
- b) Copy of the RTN;
- c) Copy of the company's articles of incorporation (Escritura de constitución)
- d) Copy of the cadastral code (Clave cadastral) corresponding to the place in which the corporation will operate its business;
- e) Zoning record;
- f) Environmental impact assessment;
- g) Tenancy agreement and income tax solvency record of the owner of the place in which the corporation will operate;
- h) Cadastral inspection in the place in which the corporation will operate its business;
- i) Payment of the following taxes (which vary based on the company's income): nomenclature taxes; zoning tax; inspection tax; code tax; environmental tax; annual fire department and garbage department taxes.

8. Register for sales tax and acquire authorization of the company books. Time to complete: Two days. Cost to complete: no charge.

Comment: According to the Tax Code (Código Tributario), corporations are required to file an incorporation instrument and operation permits with the Minister of Finance, in order to pay sales taxes imposed on the sale of goods or services.

9. \*Register with the Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS). Time to complete: Three days (simultaneous with previous procedure); Cost to complete: No charge.

Comment: IHSS is the national social security hospital and patient care institution for company workers and their dependents. Corporations are required to contribute five percent of each employee's salary for illness and maternity (Enfermedad y Maternidad, EM), plus two percent for disability, old age and death (Invalidez, vejez y muerte, IVM).

10. \*Register with the Professional Training Institute (Instituto Nacional de Formación Profesional, INFOP). Time to complete: One day (simultaneous with previous procedure). Cost to complete: No charge.

Comment: Employers are required to contribute one percent of the company's total payroll to INFOP.

11. \*Register with the Social Housing Fund (Régimen de Aportación, (RAP) al Fondo Social de la Vivienda (FOSOSVI). Time to complete: 1 day (simultaneous with previous procedure). Cost to complete: No charge.

Comment: If a corporation has more than 10 employees, it is required to contribute 1.5 percent of each employee's salary.

Note: Steps marked with an asterisk (\*) may be completed simultaneously.

Additional Sources of Information:

[World Bank/Doing Business](#)

[United Nations Conference on Trade and Development](#)

[Establishing a Business Portal](#)

[Online Business Registrations](#)

[FIDE-Investment & Exports](#)

[Secretaría de Desarrollo Económico \(SDE\)](#)

[American Chamber of Commerce](#)

[Chamber of Commerce and Industry of Tegucigalpa](#)

[Chamber of Commerce and Industry of Cortés](#)

## **Franchising**

Franchising continues to be an attractive business concept in the Honduras market, with over 80 foreign firms operating under franchising agreements. The majority are in the fast-food and casual dining sectors, with leading brands such as Denny's, Chili's, T.G.I. Friday's, Johnny Rockets, Carl's Jr., Pizza Hut, Burger King, McDonald's, Wendy's, Subway, Church's Chicken, UNO Chicago Grill, Cinnabon, Auntie Anne's Pretzels, Popeye's, Domino's Pizza, Quiznos, Dunkin Donuts/Baskin-Robbins, Little Caesar's and Kentucky Fried Chicken (KFC) serving local consumers. Other industries operating franchise systems in Honduras include automotive aftermarket services, retail, clothing, movies and entertainment, children's services, cleaning and pest control, health and fitness, electronics, cosmetics and toiletries, business services, convenience stores, dry-cleaning, specialized tutoring, car rental, hotels/motels and hospitality. Demand in this sector has generally been spurred by local need for fast service, convenient hours and locations, changing consumer preferences, quality products, and most importantly, good customer service.

Franchising in Honduras presents opportunities for growth and expansion of U.S. business. Regional stability and increased investor confidence have contributed directly to the broad availability of U.S. franchises in various economic areas. For franchisers in Honduras, positive market entry factors include availability of suppliers and personnel, absence of trade barriers, and high receptivity to U.S. goods and services (especially if no equivalent local product or service exists). In addition, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and the Honduran Investment Protection and Promotion Law of 2011 provide for national treatment for most foreign direct investment, guaranteeing foreigners the right to freely establish, acquire, and dispose of interests in business enterprises within constitutional bounds.

Finding the right partner will determine the ultimate success or failure of a franchise venture in Honduras, so potential franchisees must be carefully selected. The most promising candidates are those with proven financial resources who have already established a successful business in the country.

## **Direct Marketing**

Direct marketing is becoming not only more and more common in Honduras, in spite of the fact that telecom and mail delivery infrastructures are not well developed for this type of marketing. Obtaining reliable addresses is problematic, as the use of "reference" addresses (and not street names and numbers) is the common practice. Mail advertising of products and services is generally conducted through credit card companies,

## **Direct Marketing thru mobile telephony**

Mobile telephony carriers including the government owned HONDUTEL and the private companies TIGO, and CLARO have escalated their promotional programs and advertising in their bid to increase their market share. With number portability having entered into effect on April 30<sup>th</sup>, 2014, the competition to offer even better services and content has increased. Telemarketing services are offered to companies that now send ads for their products and services via SMS or text messaging.

### **Direct Internet marketing – Advertising 2.0**

Direct Marketing through the Internet is growing in the region, yet Honduras ranks 129<sup>th</sup> in internet usage in the world. In 2020 only 37.6% of the population has access to the internet. These numbers do not include the percentage of the population that goes online through mobile phones and or have access to the web via their places of employment, which brings the total of Honduran internet users close to 40%.

### **The most popular forms of internet direct marketing in Honduras are:**

**CPM - Cost per thousand impressions** - It is used for measuring the worth and cost of a specific e-marketing campaign. This technique is applied with web banners, text links, e-mail spam, and opt-in e-mail advertising.

**PPC- Pay Per Click** - is an Internet advertising model used on websites, in which advertisers pay their host only when their ad is clicked. With search engines, advertisers typically bid on keyword phrases relevant to their target market. Content sites commonly charge a fixed price per click rather than use a bidding system. Many small and medium-sized enterprises (SMEs) have employed resources like Facebook and Twitter to reach out to their potential clients.

**CPA- Cost Per Action** (sometimes known as Pay Per Action or PPA) is an online advertising pricing model, where the advertiser pays for each specified action (a purchase, a form submission, and so on) linked to the advertisement.

### **Social Media**

Advertising through social media by large companies like TIGO and CLARO dominate as the most popular Honduran companies on Facebook and Twitter. It is estimated that over 3,400,000 Hondurans actively use Social Media Sites.

### **Direct Mailing**

Banks are utilizing direct marketing strategies as they generate new and alliance based financial products for their customer base, however, this is limiting the target market only being their respective clients. Local company listings and mailing information can be obtained through local chambers of commerce and industry associations. The Call Center is an emerging source for Direct Marketing in Honduras but still has a long way to go until it becomes a contending tool both for international call center assistance and as a regional marketing device.

### **Traditional Media**

Overall growth in Cable TV and Internet subscriber markets are creating increased opportunities for direct TV sales and e-mail-based promotional campaigns. Among the companies that currently utilize non-conventional distribution channels are TV Offer, Ofertel (direct response TV) and Avon (catalog and door-to-door sales).

### **Joint Ventures/Licensing**

The Law for the Promotion and Protection of Investments (Investment Law; Decree 51-2011) allows foreign investment and joint ventures between national and foreign investors through the execution of contracts whereby the contracting parties may contribute land, capital, services, technology, technical assistance or other assets for the production or marketing of goods and services. Licensing agreements, in which foreign firms are authorized to

produce a patented product in exchange for royalty payments, are also guaranteed under the country's regulatory framework for investment. Laws applicable to joint venture and sharing contracts are also contained in Chapter XIII, Title II, and Book IV of the Commercial Code. Joint ventures are commonly established in Honduras to compete for government contracts or in heavily regulated sectors.

Joint venture initiatives offer a wide variety of opportunities for investment and strategic alliances. The Investment Law stipulates that, with few exceptions (some involving special requirements under Public Private Partnership mechanisms), there are no restrictions on the percentage of capital that can be owned by a foreigner. Although no special policy exists to regulate joint ventures, in certain sectors majority control must be in the hands of Honduran nationals. These exceptions include companies that wish to take advantage of the Agrarian Reform Law; wish to obtain commercial fishing rights; are local transportation companies; or seek to operate radio or TV stations.

Under the Honduras 2020 economic development program, the country has prioritized investment promotion in the following industries: tourism, textiles & apparel, light manufacturing, outsourcing services, housing, and agri-business. Power generation, mining, and services are also active sectors.

The Honduran government's investment promotion arm is coordinated through the [Ministry of Economic Development](#). The [Honduran Foundation for Investment and Development of Exports \(FIDE\)](#) also supports the development of new export and investment sectors, works with local businesses to strengthen their capacity to attract foreign joint venture partners, and locates appropriate manufacturing facilities for investors.

Licensing of foreigners to practice law, medicine, engineering, and other professions is tightly regulated by national professional organizations. Most bodies have developed procedures for the temporary licensing for foreign professional service.

Except for foreign currency earned by companies operating in free-trade zones and industrial parks, Honduran law dictates that all export foreign exchange earnings be repatriated. The liberalization of Honduras' foreign exchange regime in 2011 made it easier for companies operating in the country to remit dividends and royalties, return capital overseas, and make payments on foreign debt. Foreign exchange authorizations by the Central Bank were eliminated and foreign debt authorizations take less than 48 hours to obtain. Remittances of dividends and royalties must still be approved by the Central Bank.

Taxation is an important issue to consider when investing in Honduras. Except for firms operating in the industrial parks, located in the free tourism zones or under the Temporary Import Regime, income tax is payable on income derived from operations within Honduras. The annual period for computing tax on taxable income begins on January 1 and ends on December 31 each calendar year.

### **Express Delivery**

The reliability of express delivery firms within Honduras is adequate. Express shipping and door-to-door service takes approximately 2-3 business days. It is important to consult with an international freight forwarder to determine the best method of shipping specific products and handle the required documentation. The cost of the shipment, delivery schedule, and accessibility to the shipped product by the Honduran buyer are all factors to consider. U.S. companies also need to familiarize with customs regulations prior to exporting. Certificates of Origin and all other relevant documentation must be precise because slight discrepancies or omissions may prevent merchandise from being exported or result in significant delays and fines at customs points in Honduras. U.S. exporters must correctly pack, label, document, and insure all merchandise.

## **eCommerce**

### **Overview**

E-commerce in Honduras continues to grow and is recognized as a smart way to buy or sell a product online, even though there are many challenges for small businesses to integrate reliable platforms into a strategic consumer centric business plan. In Honduras e-commerce is mostly focused on imports of non-essential goods. 26% of the market is buying consumer electronics, 17% home and houseware products, and 8% are buying vehicles online. There are several private initiatives in the Honduran ICT sector to develop local solutions for SMEs to be able to offer their products to the local and international markets.

### **Current Market Trends**

E-commerce in Honduras is not yet widely used, but the potential is high. The lack of knowledge and tools to create, drive and maintain a solid e-commerce structure are among the main challenges for local retailers and service providers. In 2019, internet connectivity was estimated at 3.7 million users, representing approximately 37.6% percent of the total population.

### **Domestic eCommerce (B2C)**

Banking institutions are a good example of well-established B2C structures offering online transaction services at the Personal, Corporate and SME level.

Honduras has experienced significant growth in domestic E-commerce brought forth by initiatives in its 2 main city centers to promote technological entrepreneurship.

Mobile application development has experienced tremendous demand in urban areas of Honduras. A prime example of this is the surging of online delivery services.

### **Cross-Border eCommerce**

SMEs and end users are at the forefront of Cross-Border eCommerce in Honduras. Most Honduran companies that are too small to purchase goods and services from overseas manufacturers and tend to deal with international distributors with eCommerce platforms that enable them to buy small quantities from the seller's eCommerce structures. Most of the Cross-Border eCommerce into Honduras comes from China and Mexico with the United States as the third largest supplier of goods in services via the internet.

### **B2B eCommerce**

Some regional low-cost retailers have established a successful B2B e-Commerce structure in which companies both large and small can register to become suppliers and manage transactions with the retailer.

### **eCommerce Services**

eCommerce Services in Honduras is still in its infancy. There are local and international companies offering business analytics and data storage services that are mostly focused on large national and multinational companies operating in Honduras.

### **eCommerce Intellectual Property Rights**

On January 21<sup>st</sup>, 2015, the Honduran Congress passed the Honduran Law on Electronic Commerce. With more than 20 articles the bill was drafted in accordance to the model legislature put forth by the United Nations Commission for International Trade Rights. Honduras is one of the first subscribers of the convention for utilization of electronic communications and international contracts which entered into effect in 2013 under national law decree 149. In August 2014, a law titled Efficient and Transparent Purchasing through Electronic Media came into effect under congressional decree number 36-2013. A full copy in Spanish of the eCommerce Law can be found [here](#).

### **Popular eCommerce Sites**

Honduran eCommerce sites are few and underserved. The vast majority of the population engaging in ecommerce transaction utilize Amazon or eBay.

### **Online Payment**

Online payment is conducted almost exclusively via credit cards or PayPal.

### **Mobile eCommerce**

Honduran banking institutions and mobile telephony service providers are good examples of well-established B2C structures with mobile applications that enable users to conduct commercial transactions.

### **Digital Marketing**

Digital marketing is limited and is mostly conducted by and through banking institutions, credit card companies and mobile telephony service providers. Social media is also a preferred tool of SMEs to promote their products and services.

### **Major Buying Holidays**

Christmas and the New Year holidays are the mayor buying holidays in Honduras followed by Easter week when retailers stock up on outdoor and recreational related consumer goods. Under Honduran law an extra salary is paid to the Honduran labor force during the month of June. Retailers will often offer discounts and promotions during this month as an incentive to consumers to use this bonus on anything from general consumer goods to electronics. In recent years Honduran retailers have adopted the concept of Black Friday and several retailers advertise significant promotions during the month of November of every year.

### **Social Media**

With a population of over 9,568,688 inhabitants, the percentage of users active in social media represents 33.6% of the population with 3,400,000 active users of Facebook, Twitter and other social media applications.

### **Selling Factors & Techniques**

When selling in Honduras, U.S. exporters must take into account that for marketing purposes, the country is divided into two regions; the North Coast, which includes San Pedro Sula, the country's commercial and industrial capital; and the Central region, where Tegucigalpa, the political capital and largest city, is located. Large importers and distributors in Honduras usually have offices in both cities to take advantage of market opportunities.

Price is among the most important selling factors in Honduras. Consumer product categories such as electronics, appliances, automobiles, and food are highly competitive. In these cases, sales promotion and customer service efforts by U.S. companies are extremely beneficial. Sales and promotional materials should be in Spanish. U.S. products are often preferred based on quality, technology, reliability, and availability. Adapting products and sales materials to Spanish and the local culture is an important factor in remaining competitive.

Importers and distributors, as well as Honduran government agencies, often have problems in securing the funds to purchase imports due to high local interest rates which are generally offered only for short-term loans. For most industries, U.S. exporters that offer attractive trade and financing terms on sales to Honduran traders have the best chances of gaining market share and competing in the local market. This is also true for large-scale projects. It is important to emphasize, however, that international firms must exercise due caution when granting credit to Honduran trading partners. Firms should take care to investigate the credit-worthiness and reputation of potential partners. For background and credit check information on prospective Honduran partners, the [U.S. Commercial](#)



Service office in Tegucigalpa offers the International Company Profile (ICP) service. For more information about the ICP and other services, U.S. exporters may call 1-800- USA-TRADE.

As in most Latin American countries, a good personal relationship with prospective customers is essential for penetrating the Honduran marketplace. While it may take longer to develop a business relationship than is customary in the U.S., the investment in time can pay off in long-lasting and mutually profitable relationships.

### **Trade Promotion & Advertising**

Most advertising in Honduras is conducted through newspaper, TV, and radio. There is also a sharp increase in online marketing, digital platforms, and social media options. Billboards are also a strong medium for reaching customers and publicity campaigns, especially in the main urban areas. U.S.-style unipole (advertising sign) structures are common in the local market, especially for those companies interested in increasing brand awareness or launching a new product. A number of advertising agencies are available to guide companies through the process of developing promotional activities and choosing the most appropriate media strategy. A list of broadcast media (television and radio) contacts can be provided upon request.

In addition to television and radio advertising, Honduran newspapers are one of the leading advertising instruments in the local market for products and services. Many media groups also circulate information online and advertise via “online banners” on social media sites. There is not a wide variety of specialized industry publications. Major local newspapers and business journals include:

#### Honduran Newspapers

##### [Diario El Heraldo](#)

Spanish/Daily

Executive Director: Carlos Mauricio Flores

P.O. Box 1938

Tegucigalpa, M.D.C., Honduras

Tel: (504) 2236-6000, ext. 6607/6612

Advertising: (504) 2236-7933; 2552-8000

Email: [publicidad@elheraldo.hn](mailto:publicidad@elheraldo.hn)

<http://elheraldo.hn>

##### [Diario La Tribuna](#)

Spanish/Daily

Manager: Manuel Acosta Medina

P.O. Box 1501

Comayaguela, M.D.C., Honduras

Tel: (504) 2234-3006; 2234-2673; Fax: 2234-3050

Email: [ventas1@latribuna.hn](mailto:ventas1@latribuna.hn)

<http://www.latribuna.hn>

[Diario La Prensa](#)

Spanish/Daily

Director: Maria Antonia de Fuentes

P.O. Box 143

San Pedro Sula, Honduras

Tel: (504) 2553-3101; 2553-0778; Fax: 2553-0778

Emails: [ventas.sps@laprensa.hn](mailto:ventas.sps@laprensa.hn); [ventas.tgu@laprensa.hn](mailto:ventas.tgu@laprensa.hn)

<http://www.laprensa.hn>

Honduran Business Journals

[Hablemos Claro Financiera](#)

Spanish/Monthly

Address: Edificio Torre Libertad, Blvd. Suyapa, Col. Florencia Sur

Tegucigalpa, Honduras

Tel: (504) 2239-4350 / 2239-8058; Fax: (504) 2239-7008

Email: [anuncios@hablemosclaro.com](mailto:anuncios@hablemosclaro.com)

<http://www.hablemosclaro.com>

Regional Business Journals

[Estrategia & Negocios](#)

Spanish/Monthly

Grupo OPSA, Honduras

Tel: 2269-2211; 2236-7679, ext. 6608

Email: [yolany.reyes@go.com.hn](mailto:yolany.reyes@go.com.hn)

<http://www.estrategiaynegocios.net>

[Mercados y Tendencias](#)

Spanish/Monthly

Grupo CERCA, Honduras

Tel: (504) 2280-2170; 3177-9906

Emails: [info@revistamyt.com](mailto:info@revistamyt.com); [carolina.rodriguez@grupocerca.com](mailto:carolina.rodriguez@grupocerca.com)

Honduran Online Newspapers

[Hondudiario](#)

Tel: (504) 2221-0385; (504) 2221-1039

E-mail: [hondudiario@hondudiariohn.com](mailto:hondudiario@hondudiariohn.com)

[Proceso Digital](#)

Email: [proceso@proceso.hn](mailto:proceso@proceso.hn)

## **Pricing**

U.S. exporters should keep in mind the relatively small size of the Honduran market and the high elasticity of demand for consumer products when devising marketing strategies. Price is one of the most important factors in Honduran buying behavior. In many cases, Honduran businesspeople buy directly from abroad if they feel that the cost of imports available in the local market is too high. U.S. exporters should carefully analyze both consumer and wholesale costs when making pricing decisions.

Price escalation represents another important consideration in terms of export retail pricing. Products imported into Honduras are usually priced based on the cost, insurance and freight value, import duties, in-country transportation costs, and distributor margins.

The Honduran government controls the prices for coffee, medicine, cement, and steel products and regulates the prices of gasoline, diesel, and liquid propane gas. In addition, the government pressures producers and retailers to keep prices of staple food products such as milk and sugar as low as possible.

The local sales tax is 15 percent for most goods. As of June 2015, products exempted from the 15 percent tax include staple foods, purified water, medicines and pharmaceuticals, agrochemicals, educational materials, electrical power generation machinery and equipment, agricultural machinery and tools, handicrafts, capital goods such as trucks, tractors, cranes, computers, and equipment used for the maquiladora industry. A 15 percent sales tax is also assessed on new cars, alcohol, cigarettes, and tobacco products. Taxes on fuels, particularly gasoline, are among the highest in the Central American region.

Services exempt from the sales tax include utilities (electrical power and potable water), educational services, professional fees (legal, accounting, engineering, etc.), clinical and medical services, land transportation services, banking, insurance and financial services. Tourism services are subject to a four percent tax with air transportation subject to a 10 percent tax.

## **Sales Service/Customer Support**

The availability of adequate service and support frequently makes the difference in purchasing decisions, especially by the government. In general, it is important to secure sales through an established, reputable distributor that offers an adequate service infrastructure. U.S. companies should consider providing training, technical assistance, and sales support to their local counterparts, particularly for products that require periodic maintenance and service.

## **Due Diligence**

U.S. companies should conduct legal, financial, regulatory and corporate due diligence before completing a commercial transaction or formalizing any agreement. Verifying the identity of a potential partner is a basic but important step. Performing due diligence in Honduras, as in most of Central America, can be time-consuming and difficult. Before entering any trading relationships, it is important to visit the potential partner to see its operation and overall business environment.

There are very few sources of independently verifiable information about companies and individuals. There are no publicly listed Honduran companies and Honduran firms rarely publish information about their officers, sales or financial information. Most companies are sole proprietorships and partnerships, and business generally is conducted based on personal reputation and contacts.

Companies should request bank and trade references from potential agents and customers. The [U.S. Department of Commerce in Honduras](#) can assist your company in collecting information on Honduran companies through the International Company Profile (ICP) service, which can be ordered through any U.S. Office of the U.S. Commercial Service ([U.S. Export Assistance Centers](#)).

Companies should also consult with their own U.S. banks for information on Honduran banks, most of which have correspondent banking relationships with financial institutions in the South and the East Coast.

### **Local Professional Services**

Selecting a competent and reliable local attorney with experience in local trade law is an important first step to doing business in Honduras. The advice and counsel of a local attorney is essential to opening a business and to understanding Honduran judicial and administrative systems, as well as the local commercial environment. The [Commercial and Consular Sections](#) maintain a list of attorneys that have experience assisting U.S. firms. There you can find information on legal firms and other local Business Service Providers in Honduras.

The Embassy assumes no responsibility for the professional ability, reputation, or the quality of services provided by the lawyers on the list.

### **Principle Business Associations**

The American Chamber of Commerce (AmCham), established in 1982, accepts U.S. company membership and is one of the leading organizations promoting trade and investment between Honduras and the United States. Other principal business associations with a strong role in promoting private sector interests that contribute to economic growth and prosperity include the Honduran Private Enterprise Council (COHEP), umbrella organization for industry associations, and large chambers of commerce with a strong voice such as the Chamber of Commerce of Tegucigalpa (CCIT) and the Chamber of Commerce of Cortés (CCIC), among others.

### **Limitations on Selling US Products and Services**

According to Article 7 of the Investment Promotion and Protection Law, natural or legal persons that establish their investments in Honduras are guaranteed that they will not be limited in access to markets regarding:

- a. [The number of services and establishments](#)
- b. [Limitations on the total value of assets or transactions](#)
- c. [Limitations on the total number of operations or the total amount of production](#)
- d. [Limitations on the participation of foreign capital in terms of a maximum percentage regarding stock holding or the total value of individual or additional foreign investment.](#)
- e. [Measures that restrict or prescribe the specific types of establishment by which a foreign investor may conduct an economic activity.](#)

Exclusions to this law include the following sectors:

- a. [Remains of toxic, dangerous or radioactive waste.](#)
- b. [Activities that may affect public health.](#)
- c. [Small scale industry and commerce in compliance with article 337 of the Honduran Constitution.](#)
- d. [The manufacture, import, distribution and sale of weapons, ammunition and related articles in compliance with article 292 of the Honduran Constitution.](#)

### **Web Resources**

[U.S. Commercial Service](#)

[U.S. Embassy Consular Section](#)  
[American Chamber of Commerce](#)  
[Public Private Partnership Commission](#)  
[UNCTAD](#)  
[World Bank](#)  
[Ministry of Economic Development](#)  
[Ministry of Natural Resources](#)  
[Customs & Tax Administration](#)  
[Chamber of Commerce of Tegucigalpa](#)  
[Chamber of Commerce of Cortes](#)  
[Government Procurement](#)  
[General Directorate of IPR](#)  
[World Intellectual Property Org \(WIPO\)](#)  
[World Trade Organization](#)  
[Central Bank of Honduras](#)  
[Commercial Liaison Office to the World Bank](#)  
[Commercial Liaison Office to the Inter-American Development Bank](#)

## **Trade Financing**

### **Methods of Payment**

There are various alternatives involving credit, insurance, and trade finance tools to help U.S. companies against non-payment risks when trying to expand their export sales. Factors to consider for the analysis of payment should include the type of business, nature of the relationship with the buyer, economic, and political conditions of the country of export. Among the payment methods commonly used for international trade transactions are open accounts, commercial letters of credit, cash against documents, factoring, documentary collections and cash in advance. Factoring, cash in advance and irrevocable payment undertakings, such as letters of credit confirmed by U.S. banks, are the most frequently used methods of payment for U.S. exporters selling to Honduran firms (particularly in transactions of significant value). Open Accounts are often used with recurring sales to established buyers with good track records of timely payments. When appropriate, a third party, such as the Export-Import Bank of the United States, should insure open account transactions. It is highly discouraged to send shipments without agreeing to payment terms in advance and receiving proper bank documents.

### **Banking Systems**

The Honduran banking system, currently comprised of seven financial groups and 15 private banks authorized by the National Banking and Insurance Commission (CNBS), includes financial intermediaries, one securities exchange, brokerages, credit operators, and foreign exchange houses. In recent years, it has experienced significant growth, consolidation, and regional expansion.

Total assets in the Honduran financial system in 2019 were \$24,606 billion. Banks account for 95 percent of total assets in the financial system. The minimal capital requirement to operate a bank is 600 million L/ \$24.5 million per

CNBS Circular 034/2016. Average interest rates for local currency in the banking system were 13.3 percent for 2019. Average interest rates in U.S. dollars were 6.7 percent in 2019. The Honduran banking system maintains 50.2 percent of its deposits in U.S. banks and financial institutions.

Bank operations are governed by a Central Bank reform law revised in 2004. The law also provides for stronger capitalization of the Central Bank by the central government. The Banking Commission reform law and the Deposit Insurance Fund (FOSEDE in Spanish) reform law transfer the responsibility for the restitution of troubled banks from FOSEDE to the Banking Commission. The Financial System law (Decree No. 129-2004) delineates the responsibilities of the Banking Commission and the Central Bank to supervise and regulate the country's financial sector. The overriding objective of the law is to bring the Honduran financial sector regulation into compliance with the internationally recognized Basel core principles for effective banking supervision. The law also strengthens the previously ineffective national credit bureau and imposes new restrictions on bank ownership and management. In 2016 through Decree No. 160-2016, Congress updated the Financial Law adjusting its legal framework to international best practices. Also in 2016 the regulations for the Money Laundering Law were approved.

There are few legal barriers to entry in the banking sector, but the small size of the market has meant that most foreign investment has been in regional, rather than Honduran-only, banks. Several banks have majority foreign ownership including Banco Citibank de Honduras, S.A., Davivienda Bank S.A., BAC/Honduras, LAFISE, Azteca, Promerica, ProCredit, and BanPais. In April 2015 FICOHSA Bank acquired 100 percent of Citibank's credit card portfolio, and with this transaction FICOHSA became the biggest holder of the credit card market in Honduras.

### **Foreign Exchange Controls**

Honduras uses a crawling peg exchange rate that allows the Lempira to fluctuate by seven percent against the U.S. dollar in either direction (Resolution No. 284-7/2011). The peg is subject to the further restriction that any daily price be no greater than 100.075 percent of the average for the prior seven daily auctions. This secondary restriction limits devaluation to a maximum of approximately 4.8 percent annually (assuming the maximum devaluation daily). The Central Bank uses an auction system to regulate the allocation of foreign exchange. Commercial banks are required to sell 50 percent of repatriated foreign exchange earnings to the Central Bank each night.

### **US Banks & Local Correspondent Banks**

#### [Banco Atlantida, S.A.](#)

Guillermo Bueso Anduray, Executive President  
P.O. Box 3164  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2231-1878, 2232-4047; Fax: (504) 2231-1974  
E-mail: [info@bancatlan.hn](mailto:info@bancatlan.hn)

#### [Banco Davivienda Honduras, S.A.](#)

Gustavo Raudales, Executive President  
P.O. Box 344 and 3185  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2240-0909; 800-2222-2020; Fax: (504) 2240-4873

#### [Banco Financiera Comercial Hondureña, S.A. \(FICOHSA\)](#)

Javier Atala, Executive President  
Abel Garcia, General Manager

P.O. Box 3858  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2239-6410; Fax: (504) 2239-8785

[Banco de Occidente](#), S.A.

Jorge Bueso Arias, President  
Manuel Venancio Bueso Gerente General  
P.O. Box 3284  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2290-4100; Fax: (504) 2237-0486

[Banco de Honduras](#), S.A.

Lic. Reyna Irene Mejia, Chief Country Officer (CCO Honduras)  
P.O. Box 3434  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2290-0100; Fax: (504) 2290-0123;

[Banco del País](#), S.A.

Maria del Rosario Selman, Executive President  
P.O. Box 1075  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2240-1212; 2566-2020; Fax: (504) 2239-5707; 2566-2142

[Banco Financiera Centroamericana](#), S.A. (FICENSA)

Gloria de López, President  
  
Roque Rivera Ribas, Executive President  
P.O. Box 1432  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2221-3870; Fax: (504) 2221-3849

[Banco Hondureño del Café](#) (BANHCAFE)

Ing. Cesar Arturo Zavala, General Manager  
P.O. Box 583  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2239-8370; Fax: (504) 2239-7782

[Banco de los Trabajadores](#), S.A.

Rene Rodriguez, General Manager  
P.O. Box 3246  
  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2238-0017, 2238-0140; Fax: (504) 2238-0077; 2222-1634

[Banco LAFISE Honduras](#)

Roberto Zamora, Executive President  
Lizzeth Villatoro, General Manager

P.O. Box 3325  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2237-4000/20Fax: (504) 2237-1835

[BAC/Honduras](#)

Jacobo Atala, Executive President

René Simón, Vice-President  
P.O. Box 536  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2239-4301; Fax: (504) 2238-7200

[Banco Promérica](#)

Arturo Arana, President

Lic. Carlos Canizales, Gerente Manager  
Colonia Palmira, Ave. Rep. De Chile # 804  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2238-4285, 2280-8080; Fax: (504) 2216-4644

[Banrural](#)

Sr. Bernardo Jesús López Figueroa, Presidente  
Lic. Natanael Euceda, General Manager  
Col. Florencia, Blvd Suyapa 3730, Edif. Banrural  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2290-1010; Fax: (504) 2239-5828

[Banco Azteca](#)

Daniel Osorto, Gerente Manager  
Oficina Principal, Col. Miramontes, Calle La Salud  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2264-1460; Fax: (504) 2264-1460, ext. 51181

[Banco Popular](#)

German Contreras, President  
Diego Moncayo, General Manager  
Edif. Fundación Covelo, Col. Castaño Sur



Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2221-5150; 2221-5177; Fax: (504) 2221-5202

### **Regional and Multilateral Development Banks:**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the World Bank and the Inter-American Development Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the [World Bank](#) and to the [Inter-American Development Bank](#)

#### [World Bank - Honduras](#)

Boris Weber, Resident Country Representative

Edificio corporativo 777, 9no piso, Col. Lomas del Guijarro Sur Blv. San Juan Bosco

Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2264-0200; Fax: 2239-4555

#### [Inter-American Development Bank \(IADB\)](#)

Eduardo Almeida, Country Representative

Col. Lomas del Guijarro Sur, 1era Calle

Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2290-3500; Fax: (504) 2239-5752

### **Other Banks/Regional:**

#### [Central American Bank for Economic Integration](#)

Dante Mossi, Executive President

Edificio Sede, Boulevard Suyapa

Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2240-2243; Fax: (504) 2240-2185

### **Project Financing**

Long term financing for infrastructure, industrial initiatives, and other major projects is available from both U.S. and international entities. Multilateral organizations such as the Inter-American Development Bank and the World Bank are active players in development and project financing in Honduras, along with affiliated institutions such as the Inter-American Investment Corporation (IIC) and the International Finance Corporation (IFC), respectively. The Central American Bank of Economic Integration (CABEI) is also a leading source of multilateral financing.

The U.S. International Development Finance Corporation (DFC) is America's development bank and is open in the Honduras market. DFC invests across sectors including energy, healthcare, critical infrastructure, and technology.

The Export-Import Bank (Ex-Im Bank), the official export credit agency of the United States, supports several trade transactions under a range of programs. It guarantees the repayment of loans, or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders but assumes credit and country risks they cannot accept. Ex-Im Bank is not a development bank, and therefore looks for reasonable reassurance of repayment in all transactions.

Long-term financing is generally available only through special lines of credit that select commercial banks have with the Central American Bank for Economic Integration. The programs that are available concentrate on export projects, including export processing zones and industrial parks.

The U.S. Department of Agriculture (USDA) provides credit guarantees for a wide range of agricultural products exported from the United States, as well as export bonuses for selected products under the Export Enhancement Program and the Dairy Export Incentive Program. The USDA financing programs are aimed at encouraging U.S. agricultural exports.

The U.S. Small Business Administration (SBA) provides financial and business development assistance to encourage and help small business develop export markets. SBA offers both loans and loan guarantees.

The U.S. Trade Development Agency (TDA) provides grants for feasibility studies overseas on projects with high U.S. products and services export potential.

## **Financing Web Resources**

[Trade Finance Guide](#): A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team.

DFC: <https://www.dfc.gov>

[Export-Import Bank of the United States](#)

[Country Limitation Schedule](#)

[Trade and Development Agency](#)

[SBA's Office of International Trade](#)

[USDA Commodity Credit Corporation](#)

[U.S. Agency for International Development](#)

[Commercial Liaison Office to the World Bank](#)

[Commercial Liaison Office to the Inter-American Development Bank](#)

[Central American Bank for Economic Integration](#)

[Honduran Association of Banking Institutions](#)

## **Protecting Intellectual Property**

### **Protecting Your Intellectual Property in Honduras**

Several general principles are important for effective management of intellectual property (IP) rights in Honduras. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in Honduras than in the United States. Third, rights must be registered and enforced in Honduras, under local laws. For example, your U.S. trademark and patent registrations will not protect you in Honduras. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

Patents are generally granted on a first-to-file basis. Similarly, trademarks are generally granted on a first-to-file (or first-to-use) basis, so U.S. companies should consider how to obtain patent and trademark protection before introducing their products or services to the Honduran market.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Honduras. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Honduras law. The U.S. Commercial Service can provide a list of local lawyers upon request. Please contact our representatives in Tegucigalpa at <http://www.export.gov/honduras>.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Honduras require constant attention. Work with legal counsel familiar with Honduras laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both in Honduras and in the U.S. These include:

- [The U.S. Chamber and local American Chambers of Commerce \(https://www.uschamber.com\)](https://www.uschamber.com)
- [National Association of Manufacturers \(NAM\) \(http://www.nam.org\)](http://www.nam.org)
- [International Intellectual Property Alliance \(IIPA\) \(http://www.iipawebsite.com\)](http://www.iipawebsite.com)
- [International Trademark Association \(INTA\) \(http://inta.org/Pages/Home.aspx\)](http://inta.org/Pages/Home.aspx)
- [The Coalition Against Counterfeiting and Piracy \(http://www.theglobalipcenter.com\)](http://www.theglobalipcenter.com)
- [International Anti-Counterfeiting Coalition \(IACC\) \(http://www.iacc.org\)](http://www.iacc.org)
- [Pharmaceutical Research and Manufacturers of America \(PhRMA\) \(http://phrma.org\)](http://phrma.org)
- [Biotechnology Industry Organization \(BIO\) \(https://www.bio.org\)](https://www.bio.org)

## **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- [For information about patent, trademark, or copyright issues including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT.](#)
- [For more information about registering trademarks and patents \(both in the U.S. as well as in foreign countries\), contact the U.S. Patent and Trademark Office \(USPTO\) at: 1-800-786-9199, or visit <http://www.uspto.gov>.](#)
- [For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-5959, or visit <http://www.copyright.gov>.](#)
- [For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at <https://www.stopfakes.gov/Country-IPR-Resources>](#)
- [For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: <https://www.stopfakes.gov/Country-IPR-Toolkits>. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.](#)
- [The U.S. Commerce Department has positioned IP attachés in key markets around the world. Contact information for the IP attaché who covers Mexico, Central America and the Caribbean is as follows:](#)
- [Cynthia Henderson, E-mail: \[cynthia.henderson@trade.gov\]\(mailto:cynthia.henderson@trade.gov\)](#)

### **IPR Climate in Honduras**

The protection of intellectual property rights (IPR) is under the jurisdiction of the Honduran Property Institute (IP). [The General Directorate of Intellectual Property](#) (DIGEPIH) division handles the registration of patents, trademarks, and copyrights, as well as any complaints regarding their infringement.

Honduras does not appear on the United States Trade Representative (USTR) Special 301 Watch List for countries that deny adequate and effective protection of intellectual property rights or deny fair and equitable market access to U.S. persons who rely on IP protection. Honduras has IPR legislation that is largely in compliance with the Trade Related Aspects of Intellectual Property Rights (TRIPS) and fully compliant with CAFTA-DR. In 2015, the government of Honduras agreed to a work plan to act to address widespread cable and satellite signal piracy, dedicate more staff to IPR prosecutions and investigations, increase clarity in procedures relating to geographical indications, and improve the protection of test or other data generated to obtain marketing approval for certain regulated products. In 2016, Honduras also reactivated the Inter-Institutional Commission for Combating Piracy in Honduras, a council comprised of all anti-piracy stakeholders aimed at facilitating interagency communication and establishing processes of monitoring to identify trends and control piracy.

To be protected under Honduran law, patents and trademarks must be registered with the IP. The life of patents ranges from 10 to 20 years, depending on the importance of the invention. Trademarks are valid up to 10 years from the registration date. "Notorious" or well-known trademarks are protected under the Pan American Convention (1917), to which Honduras is a party. Illegal registration of a well-known trademark, however, must be contested in court (see Section VII. G). This regulation favors first registration over first use, and numerous cases have arisen of “squatting” on established trademarks, which the legitimate holder must then either purchase or contest in court. Data protection is provided for five years. Honduras also offers process patent protection.

Honduras’s IPR protection regime, conforms with -- and in many areas exceeds -- WTO norms. CAFTA-DR obligations also provide stronger deterrence to piracy and counterfeiting by criminalizing end-user piracy and requiring Honduras to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. CAFTA-DR text also mandates both statutory and actual damages for copyright and trademark infringement, which would ensure that monetary damages could be awarded even when it is difficult to assign a monetary value to the violation. Finally, under CAFTA-DR, prosecutors are able to confiscate pirated goods and file IP cases ex-officio, or on their own initiative, without first requiring the affected company to file a criminal complaint. However, in practice a company complaint is still needed to begin legal proceedings.

In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

IP Attaché Contact

Cynthia Henderson

U.S. Embassy Mexico City

(52) (55) 5080-2189

[Cynthia.Henderson@uspto.gov](mailto:Cynthia.Henderson@uspto.gov)

## **Selling to the Public Sector**

Honduras is subject to all government procurement provisions contained in the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). CAFTA-DR eliminated a local requirement that required foreign firms to act through a local agent partner company that was at least 51 percent Honduran-owned. CAFTA-DR requires fair and transparent procurement procedures, including advanced notice of purchases and timely and effective bid review procedures. Under CAFTA-DR, U.S. suppliers are permitted to bid on procurements covered by the agreement for most Honduran government entities, including most key ministries, on the same basis as Honduran suppliers. The anti-corruption provisions in the agreement require each government to ensure that bribery in matters affecting trade and investment, including government procurement, is treated as a criminal offense or is subject to comparable penalties, under local law.

At present, Honduras is not a signatory to the WTO Multilateral Agreement on Government Procurement (GPA).

Foreign companies may appoint a local representative, through a power of attorney, to help them navigate the government procurement. Bids are evaluated based on cost, delivery time, reputation of the firm, technical support, performance in previous contracts and specific aspects related to each particular bid.

Under the Government Contracting Law, all public works contracts over one million Lempiras/ \$42,000 must be offered through public competitive bidding. Public works contracts between 500,000L and one million Lempiras/US\$20,800 and US\$42,000 can be offered through private bids. Contracts less than 500,000L/US\$20,800 are exempt from the bidding process. Government purchases and project acquisitions are generally exempted from import duties.

Winning contracts with the Honduran government can be challenging, even for large companies. Some foreign firms have complained of mismanagement, bureaucratic delays, inadequate notification procedures, excessive direct contracting on the part of the government, and lack of transparency in the bidding process. However, efforts to strengthen the country's procurement systems are underway. One way in which the Honduran government has tried to improve transparency and fairness in government procurement is by contracting with the United Nations Development Program (UNDP) to manage procurement for a number of specific projects and state-owned entities.

In 2015, Honduras also joined the Construction Sector Transparency Initiative (CoST), a global program supported by the World Bank that helps countries pursue infrastructure accountability. According to a CoST report published in 2017, Honduras has achieved a project disclosure compliance rate of 85.3 percent regarding its public-private partnerships, up from just 27 percent in 2014. In addition, the country is publicly sharing data on public infrastructure projects online.

In order to facilitate dissemination of public bidding opportunities, the Honduran government established an online contracting and procurement information system in 2005 known as "[Honducompras](#)", which is administered by the State Procurement Agency (ONCAE). As part of ONCAE's State Contracting and Procurement Efficiency Program,

Honduras implemented a national “Standard Bidding Document” in 2007 that is deemed acceptable to multilateral financing entities such as the Inter-American Development Bank (IADB) and the World Bank. It improved several aspects of the government procurement process. Local government tender announcements and other pre-qualified trade opportunities may also be accessed through the Trade Leads Program at the [database of the U.S. Department of Commerce](#), as well as through the [U.S. Department of State’s Business Information Database System \(BIDS\)](#).

The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the World Bank and the Inter-American Development Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Commercial Liaison Offices to the World Bank](#) and to the [Inter-American Development Bank](#) .

The U.S. Embassy in Tegucigalpa strongly encourages all U.S. firms interested in government procurement or public-private partnership (PPP) opportunities to reach out to the Embassy’s Commercial and Economic sections prior to pursuing any procurement process with the Government of Honduras.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the “*Project Financing*” Section in “*Trade and Project Financing*” for more information.

## **Business Travel**

### **Business Customs**

Understanding cross-cultural differences has important implications for the negotiation process of international commercial transactions. To a greater degree than in the United States, personal relationships are important in creating and maintaining business ties and avoiding possible disputes. As a result, Honduran businesspeople build life-long relationships and establish close links with clients or customers, creating a reciprocal feeling of obligation and desire to assist.

Since Hondurans are hospitable and gracious hosts, the closing of a business deal is similar to a social activity. As a result, many Americans find that going straight to the point when negotiating with Hondurans is not well received. When meeting with Honduran counterparts, it is often best to move into business matters gradually and engage in preliminary discussions for building rapport. Business lunches are common and usually long. After the courtesy formalities have been taken care of, meetings generally turn to a more concrete discussion of business. Hence, business negotiations tend to be slower and more drawn out in Honduras, placing more emphasis on relationships than conducting a business transaction.

As far as punctuality and business etiquette, Hondurans tend to be more relaxed than Americans. Waiting for meetings is not unusual, but this approach to scheduling should not necessarily be taken as discourtesy or disinterest. To the extent possible, U.S. exporters should avoid stereotyping potential partners or jumping to conclusions if someone reacts in an unexpected way.

Hondurans are generally very friendly. Giving and receiving gifts is a common cultural aspect, but aren’t expected during first visits or business meetings. Business cards are exchanged without much ceremony and should preferably be printed in both English and Spanish. When traveling to Tegucigalpa, the capital city, U.S. company representatives won’t go wrong by dressing in business suits. The dress code for the industrial city of San Pedro Sula, however, is much less conservatively due to the warm weather and business attires often involve lighter fabrics and smart business casual.

## **Travel Advisory**

After COVID-19 emergency response measures, the Honduran government announced the resumption of domestic and international flights on August 2020. Travelers should communicate directly with individual air carriers to confirm flight options, and also visit the local government's COVID-19 website for updated information on entry and exit requirements and movement restrictions, among others: <https://covid19honduras.org>. As of August 2020, it is mandatory to use face masks, sanitary gel, and social distancing in public.

One important issue to keep in mind when visiting Honduras is security. Street crime including theft, pickpocketing, and armed robberies is a concern. As a precaution, one should avoid wearing excessive jewelry and visibly carrying cellular phones, valuables or large sums of money when walking in downtown areas. In the event that one's passport is stolen or lost, or that one experiences a threatening situation, it should be reported immediately to the local police and the U.S. Embassy's Consular Section.

Americans living or traveling in Honduras are encouraged to register with the U.S. Embassy through the State Department's travel registration website so that they can obtain updated information on travel and security within Honduras. Additional information is also available through the Consular Information page for Honduras here.

## **Visa Requirements**

A U.S. passport valid for at least six months from the date of entry is required to enter Honduras. A visa is not required for American citizens, but tourists must provide evidence of return or onward travel. Immigration officials at the first port of entry determine the length of stay, up to a maximum period of 90 days.

For additional information regarding travel to Honduras, please contact the Honduran Embassy in Washington D.C. located at 3007 Tilden Street N.W., Washington D.C. 20008, tel. (202) 966-7702. In addition, Honduran Consulates are located in the following cities: Atlanta, Chicago, Houston, Los Angeles, Miami, New York, New Orleans, San Francisco, San Juan, and Tampa. For additional inquiries, please visit the Honduran Embassy's website: <https://hn.usembassy.gov>

## **Currency**

The currency in Honduras is the Lempira (HNL). As of June 2020, 1.00 USD equals 24.71 HNL.

ATMs are widely used in Honduras. Nevertheless, travelers should carry cash and some travelers' checks as back-up plan should they encounter system difficulties.

## **Telecommunications/Electronics**

Telephone service is adequate. Direct-dial, long-distance calling within Honduras and to the U.S. and several other countries is available. Costs are based on the destination, and rates are available through operator assistance. Three mobile telephone providers currently operate in Honduras. Wi-Fi and high-speed connectivity is prevalent in most hotels. Standard voltage in Honduras is 110V electricity.

Radio reception is satisfactory. U.S.-style music is featured on several stations, but news is exclusively in Spanish. A good short-wave radio is necessary to receive American stations and international broadcasts, including the Voice of America (VOA). The Embassy's Public Affairs Section has schedules and program information.

42 local and national TV stations can be seen in Honduras, all with Spanish-language programming. Cable and pay TV service is also available with a wide range of stations, including major U.S. networks and entertainment-oriented stations.

Three daily Spanish-language newspapers are published in Tegucigalpa and San Pedro Sula. Major sources of English-language news are the Latin American air express editions of the Miami Herald, the New York Times, the

Wall Street Journal, the Washington Post, and USA Today, which arrive the day of, or day after, publication. Overseas editions of Time and Newsweek are available at several newsstands or by subscription.

### Transportation

Airlines In Tegucigalpa			
	American Airlines	www.aa.com	(504) 800-2791-9363
	United Airlines	www.united.com	(504) 2220-0999
	Copa	www.copaair.com	(504) 2233-2672
	Delta	www.delta.com	(504) 800-2791-9326 / (504) 2234-9432
	Avianca	www.avianca.com	(504) 2281-8229
Domestic Airlines in Tegucigalpa			
	Aerolíneas Sosa	www.als.aerocrs.net	(504)2407-0246 ext.300
	CM Airlines	www.cmairlines.com	(504) 2270-7230 / (504) 2290-1800
	Avianca (Regional)	www.avianca.com	(504) 2281-8229
	Lanhsa	www.lanhsahn.com	(504)2234-0804 / (504) 2234-0806
	Easy Sky	www.easysky.hn	(504) 2221-5565 / (504) 2221-5505
Airlines in San Pedro Sula			
	Aeromexico	www.aeromexico.com	(504) 800-2791-9025
	American Airlines	www.aa.com	(504) 800-2791-9363
	United Airlines	www.united.com	(504)2557-4141/ (504) 2557-4142
	Copa	www.copaair.com	(504)2516-2672
	Delta	www.delta.com	(504) 800-2791-9326/(504) 2250- 1616
	Spirit Airlines	www.spiritair.com	
	Avianca	www.avianca.com	(504) 2570-8222
	Air Europa	www.aireuropa.com	1 (844) 415 39 55
Domestic Airlines in San Pedro Sula			
	Aero Caribe de Honduras	www.aerocaribehn.com	(504) 2442-1086 / (504) 2442-1088



	Aerolíneas Sosa	www.als.aerocrs.net	(504)2407-0234 ext.105-106-107
	Lanhsa	www.lanhsahn.com	(504) 2442-1283 / (504) 2442-1293
	CM Airlines	www.cmairlines.com	(504) 9450-6477 / (504) 9450-6529
	Cayman Airways	www.caimanairways.com	
	Avianca	www.avianca.com	(504) 2570-8222
Airlines in La Ceiba			
	Aero Caribe de Honduras	www.aerocaribehn.com	(504) 2442-1086 / (504) 2442-1088
	Aerolíneas Sosa	www.als.aerocrs.net	(504)2407-0234 ext.105-106-107
	Lanhsa	www.lanhsahn.com	(504) 2442-1283 / (504) 2442-1293
	CM Airlines	www.cmairlines.com	(504) 9450-6477 / (504) 9450-6529
	Cayman Airways	www.caimanairways.com	
	Avianca	www.avianca.com	(504) 2570-8222
Airlines in Roatan, Bay Islands			
	American Airlines	www.aa.com	(504) 800-2791-9363
	United Airlines	www.united.com	(504) 2220-0999 / (504)2557-4141
	Delta Airlines	www.delta.com	(504) 800-2791-9326
	Avianca	www.avianca.com	(504) 2570-8222
Domestic Airlines in Roatan			
	Aerolineas Sosa	www.als.aerocrs.net	(504) 2407-0248 ext. 401
	CM Airlines	www.cmairlines.com	(504) 2445-0106 / (504) 9522-5304
	Lanhsa	www.lanhsahn.com	(504) 2445-0397 / (504) 9482-0178
	Avianca	www.avianca.com	(504)2570-8222

## Departures

Be sure not to bring prohibited items in your carry-on. Keep in mind The National and International Regulation prohibits the transportation of liquids and gels in hand baggage, for national and international flights, unless it complies with the following:

- Liquid or gel must be store in containers up to 100ml.

- Liquids and gels must be transported in a resealable bag.
- Only one bag per passenger.

Airport Security will verify that prohibited items are not transported on commercial aircrafts such as weapons, explosives and objects that could be used as such.

Also, please keep in mind to do your immigration pre-check on the Honduran Immigration National Institution web page: <http://prechequeo.inm.gob.hn>

The departure fees are included in the airfare price and are currently:

1. Passengers on domestic flights 52.10L/ USD2.19
2. International passengers with Honduran passport USD47.59 / 1,132.64L
3. International passengers with all other passports USD47.59 / 1,132.64L

### **Arrivals**

Please make sure to not leave behind personal items on the aircraft.

1. International Passengers: Must carry personal identification and submit the immigration and customs forms when they are required. Please make sure you grab your luggage by comparing the luggage tag.
2. National Passengers: Please grab your luggage and exit by the public area.

### **Declarations /Statements**

When traveling, if you carry over \$10,000.00 in cash or its equivalent in other currencies it shall be declared to the competent authority.

### **Under-age travelers**

Requirements for a minor to leave the country:

1. [Submit valid passport attesting that minor is within the authorized period of stay and/or the respective extension of tourism.](#)
2. [Submit to the immigration office.](#)

### **Hondurans minors and foreigners living in Honduras must present:**

1. Valid passport
2. Identity card for countries that do not require passports.
3. Authorization from third parties duly authenticated by Notary Public.

### **Vaccines**

Make sure you are up-to-date on routine vaccines before every trip. These vaccines include measles-mumps-rubella (MMR) vaccine, diphtheria-tetanus-pertussis vaccine, varicella (chickenpox) vaccine, polio vaccine, and your yearly flu shot. If you want to travel onwards from Honduras to the following countries in the Americas, you should be vaccinated against yellow fever: Panama, Trinidad and Tobago, Argentina, Bolivia, Brazil, Colombia, Ecuador, French Guyana, Guyana, Peru, Surinam, Venezuela, Paraguay. Other Countries: Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Ethiopia, Ivory Coast, Democratic Republic of Congo, Gabon, Gambia, Ghana, Liberia, Mali, Mauritania, Guinea, Guinea Bissau, Kenya, Nigeria, Sierra Leone, Senegal, Somalia, Sudan, Tanzania, Uganda, Nigeria, Ruanda, Sao Tome Principe, Togo. There is no risk of yellow fever in Honduras.

The government of Honduras requires proof of yellow fever vaccination only if you are arriving from a country with risk of yellow fever. This does not include the United States.

### **Visas**

Please check with the diplomatic or consular office nearest to you.

Passenger ground transportation, including comfortable bus service, is also available to various cities in the country, as well as to some Central American destinations. Although the cabs are often run-down, taxi service is available in the downtown areas of Tegucigalpa and San Pedro Sula and can be hired on an hourly basis.

Travelers are encouraged to use the official transport services that have a business relationship with the airports and/or hotels, and same with taxis and rent a car services.

One of the best options for foreign visitors is calling a Radio Taxi (504-2239-8795), a reliable cab service available in the cities of Tegucigalpa and San Pedro Sula. Major hotels and airports in Tegucigalpa and San Pedro Sula offer shuttle service for two to three times the normal rates. Taxis are not metered, so negotiation of the fare before entering is strongly advised. In addition, several car rental companies are also available.

### **Language**

Spanish is the official language of Honduras. A substantial number of Honduran professionals and business executives speak English and many high government officials and private sector leaders were educated in the United States. English is often spoken in the Bay Islands.

### **Health**

The COVID-19 risk in Honduras is currently high. As the situation changes worldwide, the Centers for Disease Control and Prevention (CDC) are monitoring risks in each country, including Honduras. Travelers should check CDC's Travel Recommendations by Destination.

Drinking water must be boiled and filtered. Purified water can be purchased in major cities and smaller towns throughout Honduras. Fruits and vegetables must be cleaned carefully and meats cooked well.

CDC recommends Hepatitis A and Typhoid vaccine as you may be exposed these diseases through contaminated food or water in Honduras regardless of where you are eating or staying. The main health hazards include Zika virus, dengue fever, malaria, AIDS, malaria, dysentery, parasites, hepatitis A and B, typhoid, and rabies. A malaria suppressant should be taken as well as the use of insect repellent is recommended if traveling to coastal regions or rural areas for extended stays. As Dengue is an ongoing risk, it is recommended that travelers protect themselves from mosquito bites. Essential medical care service is available in Tegucigalpa, San Pedro Sula, La Ceiba, and Choluteca. In the countryside, medical care in many cases is very limited and often inaccessible.

Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not accepted for hospital admission, physician service, or medical testing in Honduras. The Medicare/Medicaid program doesn't provide for payment of medical services outside of the United States. Check with your own insurance company to confirm whether your policy applies overseas, including provision for medical evacuation.

### **Local Time, Business Hours and Holidays**

**Local Time:** Honduras does not switch to Daylight Savings Time. Therefore, for six months out of the year, Honduras is 2 hours behind Eastern Standard Time. For the rest of the year, Honduras is only 1 hour behind Eastern Standard Time.

**Business Hours:** Beyond changing COVID-19 curfew measures, normal business hours for commercial and industrial offices are between 08:00 and 18:00, Monday through Friday. Manufacturing plants and construction sites start at 07:00 and close between 16:00 and 17:00. Banks are open to the public at 09:00 and close at 18:00. Auto banking closes at 8 p.m. Some banks have automatic teller, that are open all night.

### **Temporary Entry of Materials or Personal Belongings**

The Temporary Import Law (RIT), enacted in 1984, allows exporters to introduce raw materials, parts, and capital equipment into Honduran territory exempt from surcharges and customs duties as long as the material or part is to be

incorporated into a product that is exported outside of the country. This law also provides a 10-year tax holiday on profits from these non-traditional exports, under certain conditions. Interested parties may obtain authorization for this program through the Honduran Ministry of Economic Development. Amendments made to the RIT law in 1997 allow manufacturers to export their products into other Central American countries. These amendments also enable local importers to resell the machinery and equipment no longer needed, by paying an import duty based on its C.I.F. value.

Companies that do not operate in free trade zones or export processing zones fall under the jurisdiction of the Temporary Import Law. At present, over 500 companies are incorporated into the RIT program.

Temporary entry requirements for goods such as commercial samples, sales displays and other items for use at exhibits and trade shows are established under Article 73 of the Honduran Customs Law, Decree 212-87. Customs legislation allows duty free admission of such products, as well as for items to be used for scientific and entertainment purposes for up to 3 months. This temporary entry authorization can also be extended for the same period of time, if necessary. Temporary import requirements also apply under Article 74 of the Honduran Customs Law for a period of up to 6 months, such as in the case of products to be used in the execution of construction projects, tourism and recreational activities, and other special private and public works. Temporary entry is granted upon making a deposit equivalent to the import duty applicable to the specific product. The guarantee is refunded at the time of re-exporting the product.

Any special questions regarding Temporary Entry of Materials and Personal Belongings you may call or email the following:

Honduran Export Assistance Center

Public hours: 7:30 a.m. to 3:30 p.m.

Tegucigalpa desk office:

Edificio de San José, Boulevard Kuwait

Telefax: (504) 2235-3699; 2235-3707; 2235-4075

Central Bank of Honduras

Tegucigalpa: (504) 2237-2270-79; 2216-1000

San Pedro Sula: (504) 2552-2741 to 43

La Ceiba: (504) 2442-0602/0622/0642

Choluteca: 2782-0421/3793/3250

San Pedro Sula

Edificio Banco Central, 5 y 6 Ave. 3 Clle.

Tel: (504) 2553 – 6570; 2553- 6566; Fax (504) 2553- 6569

Honduran Agricultural Sanitary Service

Tegucigalpa: (504) 2239-7089; 2232-6213, Ext. 225

E-mail: [permisosenlinea@senasa-sag.gob.hn](mailto:permisosenlinea@senasa-sag.gob.hn)

## Travel Related Web Resources

- [US Embassy in Tegucigalpa, Honduras](#)
- [State Department Visa Website](#)
- [Ministry of Economic Development](#)

## Investment Climate Statement

### Executive Summary

The United States is Honduras' most important economic partner. While the Honduran government has prioritized reforms to attract investment and promote economic growth, meaningful improvement has been slow. In the 2020 World Bank Ease of Doing Business ranking, Honduras fell twelve positions and is now ranked 131 out of 190 countries, with 42 days required to start a business. Macroeconomic reforms and continued commitment to fiscal stability have led to a stable macroeconomic environment, a new program with the International Monetary Fund (IMF), and improved ratings from major international agencies. Foreign investments operating in Honduras continue to face challenges, including inconsistent and expensive energy, corruption, weak institutions, high crime, low education levels, and poor infrastructure. Continued low-level protests and uncertainty present a challenge to the investment climate.

The impact of the COVID-19 pandemic on the economy was both immediate and severe. The March 2020 shutdown of the formal and informal economies placed a tremendous strain on workers who rely on daily wages. Approximately 175,000 Hondurans were temporarily suspended from their jobs, 250,000 became unemployed, and almost 300,000 saw their income decrease by at least 40 percent. On June 10, the Central Bank reported a 7.1 percent drop in 2020 remittance flows compared with the previous year. The government announced cuts to its budget by 16 percent to account for falling revenues coupled with a dramatic increase in COVID-related spending. The pandemic was still in its initial upward trajectory when this report was compiled and the full impact is still unknown.

The Government of Honduras (GOH) continues implementing measures to improve investment and facilitate trade. In July 2016, Honduras ratified the WTO Trade Facilitation Agreement, which contains provisions for expediting the movement, release, and clearance of goods, and sets out measures for effective cooperation for customs compliance and trade facilitation issues. In June 2017, Honduras and Guatemala initiated a Customs Union to foster and increase efficient cross-border trade. El Salvador subsequently joined the Customs Union in July 2018. In July 2017, the Government of Honduras shifted management of product registration from the Ministry of Health to a new, more efficient Sanitary Regulatory Agency, decreasing the backlog of 13,000 sanitary registrations. In February 2019, the GOH established the National Trade Committee, chaired by the Minister of Economic Development. In June 2020, Honduras digitized import permits for agricultural products, reducing costs and dispatch times dramatically, while also designating a Minister for Digital Governance to begin developing an e-government ecosystem.

Many of the approximately 200 U.S. companies that operate in Honduras take advantage of protections available in the Central American and Dominican Republic Free Trade Agreement (CAFTA-DR). Through its participation in CAFTA-DR, Honduras has enhanced U.S. export opportunities and diversified the composition of bilateral trade. Substantial intra-industry trade now occurs in textiles and electrical machinery, alongside continued trade in traditional Honduran exports such as coffee and bananas. In addition to liberalizing trade in goods and services, CAFTA-DR includes important disciplines relating to investment, customs administration and trade facilitation, technical barriers to trade, government procurement, telecommunications, electronic commerce, intellectual property rights, transparency, and labor and environmental protection.



Table 1: Key Metrics and Rankings

Measure	Year	Index/Rank	Website Address
<b>TI Corruption Perceptions Index</b>	2019	146 of 198	<a href="http://www.transparency.org/research/cpi/overview">http://www.transparency.org/research/cpi/overview</a>
<b>World Bank's Doing Business Report</b>	2019 May	133 of 190	<a href="http://www.doingbusiness.org/en/rankings">http://www.doingbusiness.org/en/rankings</a>
<b>Global Innovation Index</b>	2019	104 of 126	<a href="https://www.globalinnovationindex.org/analysis-indicator">https://www.globalinnovationindex.org/analysis-indicator</a>
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2018	\$504.0	<a href="https://www.bea.gov/data/intl-trade-investment/direct-investment-country-and-industry">https://www.bea.gov/data/intl-trade-investment/direct-investment-country-and-industry</a>
<b>World Bank GNI per capita</b>	2018	\$4,045	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## 1. Openness To, and Restrictions Upon, Foreign Investment

### **Policies Toward Foreign Direct Investment**

The GOH is generally open to foreign investment, and low labor costs, proximity to the U.S. market, and the large Caribbean port of Puerto Cortes make Honduras attractive to investors. At the same time, inconsistent and expensive energy, corruption, weak institutions, high levels of crime, low educational levels, and poor infrastructure hamper Honduras' investment climate.

The legal framework for investment includes the Honduran constitution; the investment chapter of CAFTA-DR, a self-executing international agreement that takes precedence over most domestic law; and the 2011 Law for the Promotion and Protection of Investments. The Honduran constitution requires all foreign investment to complement, but not substitute for, national investment. Honduras' legal obligations guarantee national treatment and most favored nation treatment for U.S. investments in most sectors of the Honduran economy and include enhanced benefits in the areas of insurance and arbitration for domestic and foreign investors. CAFTA-DR has equal status with the constitution in most sectors of the Honduran economy.

Critics complain that lack of clarity and overlapping responsibilities among the multiple entities charged with attracting increased foreign direct investment hinder results. In May 2019, the Government of Honduras merged the National Investment Council, ProHonduras, with an ambitious job creation mandate. It remains uncertain whether these changes will produce significant reforms in trade and investment.

## **Limits on Foreign Control and Right to Private Ownership and Establishment**

Honduras' Investment Law does not limit foreign ownership of businesses, except for those specifically reserved for Honduran investors, including small firms with capital less than \$6,300 and the domestic air transportation industry. For all investments, at least 90 percent of companies' labor forces must be Honduran and companies must pay at least 85 percent of their payrolls to Hondurans. Majority ownership by Honduran citizens is required for companies benefiting from the Agrarian Reform Law, including in sectors of commercial fishing, forestry, local transportation, radio, and television. There is no screening or approval process specific to foreign direct investments in Honduras. Foreign investors are subject to the same requirements for environmental and other regulatory approvals as domestic investors.

Investors can establish, acquire, and dispose of enterprises at market prices under freely negotiated conditions without government intervention. Private enterprises fairly compete with public enterprises on market access, credit, and other business operations. Foreign investors have the right to own property, subject to certain restrictions established by the Honduran constitution and several laws relating to property rights. Investors may acquire, profit, use, and dispose of property ownership with the exception of land within 40 kilometers of international borders and shorelines. Honduran law does permit, however, foreign individuals to purchase properties close to shorelines in designated "tourism zones."

## **Other Investment Policy Reviews**

In 2016, the World Trade Organization conducted a Trade Policy review of Honduras:  
[https://www.wto.org/english/tratop\\_e/tpr\\_e/tp436\\_e.htm](https://www.wto.org/english/tratop_e/tpr_e/tp436_e.htm).

## **Business Facilitation**

The Honduran government simplified administrative procedures for establishing a company in recent years. According to the 2020 World Bank Doing Business Report, the average time required for starting a business in Honduras is 42 days and requires 11 steps. Honduras' business registration information portal (<https://honduras.eregulations.org/>) provides information on registering a business, including fees, agencies, and required documents.

## **Outward Investment**

Honduras does not promote or incentivize outward investment.

### **2. Bilateral Investment Agreements and Taxation Treaties**

A Bilateral Investment Treaty (BIT) between the United States and Honduras entered into force in 2001. The U.S.-Honduras Treaty of Friendship, Commerce and Consular Rights (1928) provides for Most Favored Nation treatment for investors of either country. The United States and Honduras also signed an agreement for the guarantee of private investments in 1955 and an agreement on investment guarantees in 1966. CAFTA-DR supersedes most provisions of these agreements. Honduras and the United States signed a Tax Information Exchange Agreement in 1990. In 2014, Honduras and the United States signed the Foreign Account Tax Compliance Act.

Provisions for investment are included in free trade agreements between Honduras and the United States, Canada, Chile, Costa Rica, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru, the Dominican Republic, Colombia, Taiwan, South Korea, and the European Union. These agreements supersede many of the provisions of Honduras' separate Bilateral Investment Treaties with these countries. Honduras also has separate Bilateral Investment Treaties with the Republic of Korea and with Switzerland.



### 3. Legal Regime

#### **Transparency of the Regulatory System**

Though CAFTA-DR requires host governments publish proposed regulations that could affect businesses or investments, the Honduran government does not routinely post proposed changes to regulations. The lack of a formal notification process prevents nongovernmental groups, foreign companies, and other entities from commenting on proposed changes or new regulations. The government of Honduras publishes approved regulations in the official government Gazette. Honduras lacks an indexed legal code so lawyers and judges must maintain the publication of laws on their own. Procedural red tape to obtain government approval for investment activities is common.

Some U.S. investors experience long waiting periods for environmental permits and other regulatory and legislative approvals. Sectors in which U.S. companies frequently encounter problems include infrastructure, telecoms, mining, and energy. Generally, regulatory requirements are complex and lengthy, and may be influenced by political factors. Regulatory approvals require congressional intervention if the time exceeds a presidential term of four years. Current regulations are available at the Honduran government's eRegulations website (<http://honduras.eregulations.org/>). While the majority of regulations are at the national level, municipal level regulations also exist. No significant regulatory changes of relevance to foreign investors were announced since the last report. Public comments received by regulators are not published. Honduras has made strides, in part with technical assistance from the U.S. Department of Treasury, to make public finances and debt obligations more transparent.

#### **International Regulatory Considerations**

As a member of the WTO, Honduras notifies all draft technical regulations to the WTO Committee on Technical Barriers to Trade (TBT).

#### **Legal System and Judicial Independence**

Honduras has a civil law system. The Honduran Commercial Code, enacted in 1950, regulates business operations and falls under the jurisdiction of the Honduran civil court system. The Civil Procedures Code, which entered into force in 2010, introduced the use of open, oral arguments for adversarial procedures. The Civil Procedures Code provides improved protection of commercial transactions, property rights, and land tenure. It also offered a more efficient process for the enforcement of rulings issued by foreign courts. Despite these codes, U.S. claimants have noted the lack of transparency and the slow administration of justice in the courts. U.S. firms report favoritism, external pressure, and bribes within the judicial system. They also mention the poor quality of legal representation from Honduran attorneys.

Resolving an investment or commercial dispute in the local Honduran courts is often a lengthy process. Foreign investors report dispute resolution typically involves multiple appeals and decisions at different levels of the Honduran judicial system. Each decision can take months or years, and it is usually not possible for the parties to predict the time required to obtain a decision. Final decisions from Honduran courts or from arbitration panels often require subsequent enforcement from lower courts to take effect, requiring additional time. Foreign investors sometimes prefer to resolve disputes with suppliers, customers, or partners out of court when possible.

#### **Laws and Regulations on Foreign Direct Investment**

Honduras' Investment Law requires all local and foreign direct investment be registered with the Investment Office in the Secretariat of Industry and Commerce. Upon registration, the Investment Office issues certificates to guarantee international arbitration rights under CAFTA-DR. An investor who believes the government has not honored a substantive obligation under CAFTA-DR may pursue CAFTA-DR's dispute settlement mechanism, as detailed in the Investment Chapter. The claim's proceedings and documents are generally open to the public.

The Government of Honduras requires authorization for both foreign and domestic investments in the following areas:

- Basic health services
- Telecommunications
- Generation, transmission, and distribution of electricity
- Air transport
- Fishing, hunting, and aquaculture
- Exploitation of forestry resources
- Agricultural and agro-industrial activities exceeding land tenancy limits established by the Agricultural Modernization Law of 1992 and the Land Reform Law of 1974
- Insurance and financial services
- Private education services
- Investigation, exploration, and exploitation of mines, quarries, petroleum and related substances.

In 2015, the Honduran government implemented the online National Investment Register as a starting point for creating a one-stop foreign and domestic investment facility ([www.prohonduras.hn](http://www.prohonduras.hn)). Formalizing a business, however, still requires visiting a municipal chamber of commerce window for registration and permits.

### **Competition and Anti-Trust Laws**

The Commission for the Defense and Promotion of Competition (CDPC) is the Honduran government agency that reviews proposed transactions for competition-related concerns. Honduras' Competition Law established the CDPC in 2005 as part of the effort to implement CAFTA-DR. The Honduran Congress appoints the members of the CDPC, which functions as an independent regulatory commission.

### **Expropriation and Compensation**

The Honduran government has the authority to expropriate property for purposes of land reform or public use. The National Agrarian Reform Law provides that idle land fit for farming can be expropriated and awarded to indigent and landless persons via the Honduran National Agrarian Institute. In 2013, the Honduran government passed legislation regarding recovery and reassignment of concessions on underutilized assets. Both local and foreign firms have expressed concerns that the law does not specify what the government considers "underutilized." The government has not published implementing regulations for the law nor indicated plans to use the law against any private sector firm.

Government expropriation of land owned by U.S. companies is rare. Seizure actions by squatters on both Honduran and non-U.S. foreign landowners are most common in agricultural areas. Some occupations have turned violent. Owners of disputed land have found pursuing legal avenues costly, time consuming, and legally inconclusive. CAFTA-DR's Investment Chapter Section 10.7 states no party may expropriate or nationalize a covered investment either directly or indirectly, with limited public purpose exceptions that require prompt and adequate compensation.

Under the Agrarian Reform Law, the Honduran government must compensate expropriated land partly in cash and partly in 15-, 20-, or 25-year government bonds. The portion to be paid in cash cannot exceed \$1,000 if the expropriated land has at least one building and it cannot exceed \$500 if the land is in use but has no buildings. If the land is not in use, the government will compensate entirely in 25-year government bonds.

### **Dispute Settlement**

#### **ICSID Convention and New York Convention**

Honduras is a member state to the International Centre for the Settlement of Investment Disputes (ICSID) Convention. Honduras has also ratified the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention)

## **Investor-State Dispute Settlement**

CAFTA-DR provides dispute settlement procedures between the United States and Honduras. CAFTA-DR's Investment Chapter dispute settlement mechanism allows an investor who believes the government has not honored a substantive obligation under CAFTA-DR to request a binding international arbitration. Proceedings and documents submitted to substantiate the claim are generally open to the public. The agreement provides basic protections, such as nondiscriminatory treatment, limits on performance requirements, the free transfer of funds related to an investment, protection from expropriation other than in conformity with customary international law, a minimum standard of treatment, and the ability to hire key managerial personnel regardless of nationality.

## **International Commercial Arbitration and Foreign Courts**

Honduras' Conciliation and Arbitration Law, established in 2000, outlines procedures for arbitration and defines the procedures under which they take place. The Investment Law permits investors to request arbitration directly, a swifter and more cost-effective means of resolving disputes between commercial entities. Arbitrators and mediators may have specialized expertise in technical areas involved in specific disputes. Local courts recognize and enforce foreign arbitral awards issues against the government. Judgements from foreign courts are recognized and enforceable under local courts.

The following links provide more localized information:

- Tegucigalpa Chamber of Industry and Commerce – Center for Conciliation and Arbitration:  
<https://www.ccit.hn/cca/>
- San Pedro Sula Chamber of Industry and Commerce – Center for Conciliation and Arbitration:  
<http://www.ccichonduras.org/es/?p=1571>

Numerous U.S. investors who have been involved with the local judicial system mention it can be inefficient, lacks transparency, and is subject to domestic influence and/or corruption.

## **Bankruptcy Regulations**

Companies that default in payment of their obligations in Honduras can declare bankruptcy. A Honduran court must ratify a bankruptcy in order for it to take effect. These cases are regulated by the Commerce Code.

The judicial ruling that declares the bankruptcy of the company establishes the value of the assets, the recognition and classification of the credits, the procedure for the sale of assets and the schedule for the payment of the obligations, in the case that it is not possible for the company to continue its operations. The ruling must be published in The Gazette. The liquidation of companies is always a judicial matter, except in the case of banking institutions which are liquidated by the National Banking and Insurance Commission.

Any creditor or a company itself may initiate the liquidation procedure, which is generally a civil matter. The Judge appoints a liquidator to execute the procedure. A mechanism that a company has to prevent bankruptcy is to request a suspension of payments from the judge. If approved by the judge and the creditors, the company is able to reach an agreement with its creditors that allows the same administrative board to maintain control of the company.

A company may be prosecuted for fraudulently declaring bankruptcy in the case that the administrative board or shareholders withdraw their assets before the declaration, alter accounting books making it impossible to determine the real situation of the company, or favor certain creditors granting them benefits that they would not be entitled to otherwise.

## **4. Industrial Policies**

### **Investment Incentives**

The 2017 Tourism Incentives Law offers tax exemptions for national and international investment in tourism development projects. The law provides income tax exemptions for the first 10 years of a project and permits the

duty-free import of goods needed for a project, including publicity materials. To receive benefits, a business must be located in a designated tourism zone. Restaurants, casinos, nightclubs and movie theaters, and certain other businesses are not eligible for incentives under this law. Foreigners or foreign companies seeking to purchase property exceeding 3,000 square meters for tourism or other development projects in designated tourism zones must present an application to the Honduran Tourism Institute at the Ministry of Tourism. The buyer must prove a contract to purchase the property exists and present feasibility studies and plans about the proposed tourism project.

In October 2018 President Hernandez introduced legislation creating a number of new tax incentives to promote job growth for small and medium enterprises. The new laws entered into effect in November 2018 following publication in the official Gazette. The legislation provides access to credit and tax relief to encourage existing businesses to go through the formal registration process as well as encourage the creation of new companies. The legislation includes provisions granting tax exemptions on national and municipal taxes and reduced permitting and licensing fees for new businesses.

### **Foreign Trade Zones/Free Ports/Trade Facilitation**

The Honduran government does not provide direct export subsidies, but does offer tax exemptions to firms operating in a free trade zone. The Temporary Import Law allows exporters to introduce raw materials, parts, and capital equipment (except vehicles) into Honduras exempt from surcharges and customs duties if a manufacturer incorporates the input into a product for export (up to five percent can be sold locally). The government allows the establishment of export processing zones anywhere in the country. Companies operating in export processing zones are exempt from paying import duties and other charges on goods and capital equipment. In addition, the production and sale of goods within export processing zones are exempt from state and municipal income taxes for the first 10 years of operation. The government permits companies operating in an export processing zone unrestricted repatriation of profits and capital. Companies are required, however, to purchase the Lempiras needed for their local operations from Honduran commercial banks or from foreign exchange trading houses registered with the Central Bank.

Most industrial parks and export processing zones are located in the northern Department of Cortes, with close access to Puerto Cortes, Honduras' major Caribbean port, and San Pedro Sula, Honduras' largest commercial city. The government treats industrial parks and export processing zones as offshore operations, requiring companies to pay customs duties on products manufactured in the parks and sold in Honduras. In addition, the government treats Honduran inputs as exports, which companies must pay for in U.S. dollars. Most companies operating in these parks are involved in apparel assembly, though the government and park operators have begun to diversify into other types of light industry, including automotive parts and electronics assembly. Additional information on Honduran free trade zones and export processing zones is available from the Honduran Manufacturers Association (<http://www.ahm-honduras.com/>).

In 2013, the Government of Honduras signed a law to allow establishment of Economic Development and Employment Zones (ZEDEs) to boost job growth and attract foreign investment. Following a backlash from local and international NGOs concerned about labor rights, land issues, and environmental protection, the push for ZEDEs remained dormant until August 2017, when President Hernández revived the concept as a key job creation tool in conjunction with his reelection campaign. In 2019, two companies received Government of Honduras (GOH) approval to move forward with ZEDE planning and development.

### **Performance and Data Localization Requirements**

The Honduran government encourages foreign investors to hire locally and to make use of domestic content, especially in manufacturing and agriculture. The government looks favorably on investment projects that contribute to employment growth, either directly or indirectly. U.S. investors in Honduras have not reported instances in which the government has imposed performance or localization requirements on investments. However, the Honduran government and courts can require foreign and domestic investors that operate in Honduras to turn over data for use

in criminal investigations or civil proceedings. Honduran law enforcement, prosecutors, and civil courts have the authority to make such requests.

## 5. Protection of Property Rights

### **Real Property**

Honduran law recognizes secured interests in movable and real property. The Chamber of Commerce and Industry of Tegucigalpa (CCIT) and the Chamber of Commerce and Industry of San Pedro Sula (CCIC) both manage their own merchant records. The national property registry is managed by the Property Institute. Honduras' secured transactions law gives a concession to the CCIT and CCIC to administer their own merchant registries.

Land title procedures have been an issue leading to investment disputes involving U.S. nationals who are landowners. Title insurance is not widely available in Honduras and approximately 80 percent of the privately held land in the country is either untitled or improperly titled. Resolution of disputes in court often takes years. There are claims of widespread corruption in land sales, deed filing, and dispute resolution, including claims against attorneys, real estate companies, judges, and local officials. Although Honduras has made some progress, the property registration system is perceived as unreliable and represents a constraint on investment, particularly in the Bay Islands. In addition, a lack of implementing regulations leads to long delays in the awarding of titles in some regions

### **Intellectual Property Rights**

The legislative framework for protection of intellectual property rights (IPR), which includes the Honduran copyright law and its industrial property law, is generally adequate but often poorly implemented. Honduras implements its obligations under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO). Honduran law protects data exclusivity for a period of five years and protects process patents, but does not recognize second-use patents. The Property Institute (IP) and Public Ministry handle protection and enforcement of intellectual property rights.

CAFTA-DR Chapter 15 on Intellectual Property Rights further provides for the protection and enforcement of a range of intellectual property rights, which are consistent with U.S. and international standards as well as with emerging international standards of IPR protection and enforcement. There are also provisions on deterrence of piracy and counterfeiting. Additionally, CAFTA-DR provides authorities the ability to confiscate pirated goods and investigate intellectual property cases on their own initiative.

The Honduran legal framework provides deterrence against piracy and counterfeiting by requiring the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. The law also provides for statutory damages for copyright and trademark infringement, to ensure monetary damages are awarded even when losses associated with an infringement are difficult to assign.

Honduras is not listed in USTR's Special 301 report or the Notorious Markets List.

### **Resources for Rights Holders**

A list of local attorneys is available at <https://hn.usembassy.gov/u-s-citizen-services/local-resources-of-u-s-citizens/attorneys/>. The Honduran-American Chamber of Commerce works with U.S. and Honduran companies that encounter commercial challenges, including intellectual property rights issues (<http://www.amchamhonduras.org/>). For additional information about national laws and points of contact at local IP offices, please see World Intellectual Property Organization's country profiles: <http://www.wipo.int/directory/en/>.

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

## 6. Financial Sector

### **Capital Markets and Portfolio Investment**

There are no government restrictions on foreign investors' access to local credit markets, though the local banking system generally extends only limited amounts of credit. Investors should not consider local banks a significant capital resource for new foreign ventures unless they use specific business development credit lines made available by bilateral or multilateral financial institutions such as the Central American Bank for Economic Integration.

A limited number of credit instruments are available in the local market. The only security exchange operating in the country is the Central American Securities Exchange (BCV) in Tegucigalpa, but investors should exercise caution before buying securities listed on it. Supervised by the National Banking and Insurance Commission (CNBS), the BCV theoretically offers instruments to trade bankers' acceptances, repurchase agreements, short-term promissory notes, Honduran government private debt conversion bonds, and land reform repayment bonds. In practice, however, the BCV is almost entirely composed of short- and medium-term government securities and no formal secondary market for these bonds exists.

A few banks have placed fixed rate and floating rate notes extended to three years in maturity, but outside of the banks' issuances, the private sector does not sell debt or corporate stock on the exchange. Any private business is eligible to trade its financial instruments on the BCV, and firms that participate are subject to a rigorous screening process, including public disclosure and ratings by a recognized rating agency. Historically, traded firms generally have had economic ties to the different business and financial groups represented as shareholders of the exchange. As a result, risk management practices are lax and public confidence in the institution is limited.

### **Money and Banking System**

The Honduran financial system is comprised of commercial banks, state-owned banks, savings and loans institutions, and financial companies. There are currently 15 commercial banks operating in Honduras. There is no offshore banking or homegrown blockchain technologies in Honduras.

### **Foreign Exchange and Remittances**

#### **Foreign Exchange Policies**

Article 10.8 of CAFTA-DR ensures the free transfer of funds related to a covered investment. Local financial institutions freely exchange U.S. dollars and other foreign currencies. Foreigners may open bank accounts with a valid passport. For deposits exceeding the maximum deposits specified for different account types (corporate or small-medium enterprises), banks require documentation verifying the fund's origin.

The Investment Law guarantees foreign investors access to foreign currency needed to transfer funds associated with their investments in Honduras, including:

- Imports of goods and services necessary to operate
- Payment of royalty fees, rents, annuities, and technical assistance
- Remittance of dividends and capital repatriation

The [Central Bank of Honduras](#) instituted a crawling peg in 2011 that allows the lempira to fluctuate against the U.S. dollar by seven percent per year. The Central Bank mandates any daily price of the crawling peg be no greater than 100.075 percent of the average for the prior seven daily auctions. These restrictions limit devaluation to a maximum of 4.8 percent annually. As of mid-July, the exchange rate is 24.93 lempira to the U.S. dollar.

The Central Bank uses an auction system to allocate of foreign exchange based on the following regulations:



- The Central Bank sets base prices every five auctions according to the differential between the domestic inflation rate and the inflation rate of Honduras' main commercial partners.
- The Central Bank's Board of Directors determines the procedure to set the base.
- The Board of Directors establishes the exchange commission and the exchange agencies in their foreign exchange transactions.
- Individuals and corporate bodies can participate in the auction system for dollar purchases, either by themselves or through an exchange agency. The offers can be no less than \$10,000, no more than \$300,000 for individuals, and no more than \$1.2 million for corporations.

To date, the U.S. Embassy in Honduras has not received complaints from individuals with regard to converting or transferring funds associated with investments.

### **Remittance Policies**

The Investment Law guarantees investors the right to remit their investment returns and, if they liquidate their investments, to remit the principal capital invested. Foreign investors that choose to remit their investment proceeds from Honduras do so through foreign exchange transactions at Honduran banks or foreign banks operating in Honduras. These exchange transactions are subject to the same foreign exchange process and regulation as other transactions.

### **Sovereign Wealth Funds**

Honduras does not have a sovereign wealth fund.

## **7. State-Owned Enterprises**

Most state-owned enterprises are in telecommunications, electricity, water utilities, and commercial ports. The main state-owned Honduran telephone company, Hondutel, has private contracts with eight foreign and domestic carriers. The Government of Honduras has yet to establish a legal framework for foreign companies to obtain licenses and concessions to provide long distance and international calling. As a result, investors remain unsure if they can become fully independent telecommunication service providers.

The state-owned National Electric Energy Company (ENEE) is the single greatest contributor to the country's fiscal deficit. According to the IMF, in 2019, ENEE's total losses reached 1.2 percent of GDP, while its \$3.2 billion debt level was almost ten percent of GDP. Energy reform legislation, passed in 2014, called for the separation of ENEE into three independent units for distribution, transmission, and generation. But according to a World Bank study, lack of political will and vested interests stalled efforts to unbundle ENEE. The electrical sector faces serious structural problems including high electricity system losses, a transmission system in need of upgrades, vulnerability of generation costs to volatile international oil prices, an electricity tariff that does not reflect actual costs, and the high costs of long-term power purchase agreements (PPAs).

ENEE controls most hydroelectric generation, which accounts for about one-third of total capacity. Approximately 50 percent of all power generation comes from diesel and bunker fuel oil plants and the remaining 20 percent comes from wind, solar, and biomass. Following a push for renewable energy in 2014, the government approved more than 80 contracts between ENEE and private producers for almost 2000 megawatts of new clean energy, although many of these projects are unlikely to materialize. In 2018, the government cancelled an incentive program offering a \$0.03 per kilowatt-hour for renewable power due to high costs. Many businesses have installed on-site power generation systems to supplement or substitute for power from ENEE due to high costs and uncertainty about the semi-privatization process.

Honduran law grants municipalities the right to manage water distribution and to grant concessions to private enterprises. Major cities with public-private concessions include San Pedro Sula, Puerto Cortes, and Choloma. The state water authority National Autonomous Aqueduct and Sewer Service (SANAA) manages Tegucigalpa's water distribution. The Honduran National Port Company (ENP) is the state-owned organization that oversees

management of the country's government-operated maritime ports, including Puerto Cortes, La Ceiba, Puerto Castilla, and San Lorenzo. Private companies Central American Port Operators and Maritime Ports of Honduras have 30-year concessions to operate container and bulk shipping facilities at Honduras' principal port Puerto Cortes.

### **Privatization Program**

The Honduran government is not actively seeking to privatize state-owned enterprises though it is seeking to increase private sector participation in the electric system. As part of the International Monetary Fund (IMF) December 2014 Stand-By Arrangement (SBA), concluded in December 2017, the Honduran government initiated reform of the state-owned energy company ENEE and created an independent Electric Energy Regulatory Commission. Under a new IMF SBA signed in July 2019, the Honduran government is preparing a plan to separate ENEE. While the structure of the new entity is unclear, under the previous SBA, Honduras was supposed to reform ENEE by creating a holding company with four components: a distribution company with an operations subcontractor supported by a trust agreement; a concession for the transmission network; a not-for-profit organization with public-private ownership to control the overall electrical system; and a privatized generation company that owns all ENEE generating facilities. These reforms were not realized, with the exception of a 2016 sub-contract by a Colombian-Honduran consortium to manage energy distribution.

### **8. Responsible Business Conduct**

Awareness of the importance of Responsible Business Conduct (RBC) is growing among both producers and consumers in Honduras. An increasing number of local and foreign companies operating in Honduras include conduct-related responsibility practices in their business strategies. The Honduran Corporate Social Responsibility Foundation (FUNDAHRSE) has become a strong proponent in its efforts to promote transparency in the business climate and provides the Honduran private sector, particularly small- and medium-sized businesses, with the skills to engage in responsible business practices. FUNDAHRSE's around 110 members can apply for the foundation's "Corporate Social Responsibility Enterprise" seal for exemplary responsible business conduct involving work in areas related to health, education, environment, codes of ethics, employment relations, and responsible marketing.

RBC related to the environment and outreach to local communities is especially important to the success of investment projects in Honduras. Several major foreign investment projects in Honduras have stalled due to concerns about environmental impact, land rights issues, lack of transparency, and problematic consultative processes with local communities, particularly indigenous communities. Although the International Labor Organization Convention 169 on Indigenous and Tribal Peoples was ratified by the GOH in 1995 and Honduras voted in favor of UN's Indigenous People's rights in 2007, there is still much to do in the area. There is still a need for foreign investors to build trust with local communities, while employing international best practices and standards to reduce the risk of conflict and promote sustainable and equitable development.

Examples of international best practices include the following:

- Voluntary Principles on Security and Human Rights Initiative
- The UN Guiding Principles on Business and Human Rights
- The Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises.

### **9. Corruption**

Despite international pressure, President Hernandez allowed the four-year mandate of the OAS Mission Against Corruption and Impunity in Honduras (MACCIH) to expire without an extension in January 2020. MACCIH began work in 2015 following widespread anti-corruption protests in the wake of a scandal involving Honduras' social security fund. During its tenure, MACCIH worked with the Public Ministry to bring cases against current and former public officials and to advance justice reform, including by presenting draft legislation for a Law of Effective



Collaboration (similar to a plea-bargaining law) to the Honduran authorities which remains under consideration in Congress. MACCIH and the Public Ministry created a special anti-corruption unit (UFECIC) to pursue large-scale corruption cases which was replaced with a similar unit within the Public Ministry called UFERCO. UFERCO operates with fewer resources and personnel given the loss of the MACCIH structure to channel international support.

U.S. businesses and citizens report corruption in the public sector and the judiciary is a significant constraint to investment in Honduras. Historically, corruption has been pervasive in government procurement, issuance of government permits, customs, real estate transactions (particularly land title transfers), performance requirements, and the regulatory system. Civil society groups are critical of recent legislation granting qualified immunity to government officials and a law that gives the highly politicized government audit agency a first look at corruption cases. In 2018, Congress passed a revision of the 1984 penal code that lowered penalties for some corruption offenses and critics argue contributes to a culture of impunity. The new code went into effect in June 2020. Since 2012, the Honduran government has signed agreements with Transparency International, the Construction Sector Transparency Initiative, and the Extractive Industry Transparency Initiative. Honduras is also receiving support from the Millennium Challenge Corporation in the development of an e-procurement platform and public procurement auditing.

### **Honduras's Rankings on Key Corruption Indicators**

<u>Measure</u>	<u>Year</u>	<u>Index/Ranking</u>
TI Corruption Index	2019	26.0/100, 146of 198
World Bank Doing Business	Oct 2019	133/190
MCC Government Effectiveness	FY 2019	-0.19 (30 percent)
MCC Rule of Law	FY 2019	-0.66 (15 percent)
MCC Control of Corruption	FY 2019	-0.10 (37 percent)

The United States Foreign Corrupt Practices Act (FCPA) deems it unlawful for a U.S. person, and certain foreign issuers of securities to make corrupt payments to foreign public officials for the purpose of obtaining or retaining business for directing business to any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more information, see the FCPA Lay-Person's Guide: <http://www.justice.gov/criminal/fraud/>.

Honduras is a member of the UN Anticorruption Convention, which entered into force on December 14, 2005. The UN Convention is the first global comprehensive international anti corruption agreement and requires countries to establish criminal penalties for a wide range of acts of corruption. The UN Convention covers a broad range of issues from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The UN Convention contains transnational business bribery provisions that are functionally similar to those in the Organization for Economic Cooperation and Development Anti-Bribery Convention.

Honduras is a member of the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention establishes a set of preventive measures against corruption; provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment; and contains a series of provisions to strengthen the cooperation between its states parties in areas such as mutual legal assistance and technical cooperation.

## **Resources to Report Corruption**

Companies that face corruption-related challenges in Honduras may contact the following organizations to request assistance.

### Public Ministry

Eva Nazar

Coordinator for External Cooperation

[cooperacionexterna.mp@gmail.com](mailto:cooperacionexterna.mp@gmail.com)

The Public Ministry is the Honduran government agency responsible for criminal prosecutions, including corruption cases.

### Association for a More Just Society (ASJ)

Yahayra Yohana Velasquez Duce

Director of Transparency

Residencial El Trapiche, 2da etapa Bloque B, Casa #25

+504-2235-2291

[info@asjhonduras.com](mailto:info@asjhonduras.com)

ASJ is a nongovernmental Honduran organization that works to reduce corruption and increase transparency. It is an affiliate of Transparency International.

### National Anti-Corruption Council (CNA)

Alejandra Ferrera

Executive Board Assistant

Colonia San Carlos, calle Republica de Mexico

504-2221-1181

[aferrera@cna.hn](mailto:aferrera@cna.hn)

CNA is a Honduran civil society organization comprised of Honduran business groups, labor groups, religious organizations, and human rights groups.

### U.S. Embassy Tegucigalpa, Honduras

Attention: Economic Section

Avenida La Paz

Tegucigalpa M.D.C., Honduras

Telephone Numbers: (504) 2236-9320, 2238-5114

Fax Number: (504) 2236-9037

Companies can also report corruption through the Department of Commerce Trade Compliance Center Report a Trade Barrier website: [http://tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

## 10. Political and Security Environment

Despite recent progress on improving security in Honduras, crime and violence rates remain high and add cost and constraint to investments. Continued low-level protests and uncertainty pose a challenge to ongoing stability. Tensions could increase significantly in advance of the 2021 presidential election.

U.S. citizens should be aware that large public gatherings might become unruly or violent quickly. For more information, consult the Department of State's latest travel warning:

<https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Honduras.html>.

## 11. Labor Policies and Practices

Honduras has a large supply of low-skilled labor and faces a limited supply of skilled workers in all technological fields, including medical and high technology industries. The 2019 unemployment rate in Honduras was 5.7 percent and nearly half of Hondurans are underemployed. Honduran law lays out a multitier system for calculating minimum wage, based on the employment sector and size of the company. The Secretariat of Labor and Social Security (STSS), private sector, and labor confederations renegotiate specific starting levels on a multi-annual basis.

The Honduran Labor Law prescribes a maximum eight-hour workday, 44-hour workweek, and at least one 24-hour rest period per week. The Labor Code provides for paid national holidays and annual leave. Most employment sectors also receive two months bonuses as part of the base salary, known as the 13th and 14th month salary, issued in mid-December and mid-June, respectively. New hires receive a prorated amount based on time-in-service during their first year of employment. The Labor Code requires companies to pay one month's salary to employees terminated without cause. Companies do not owe severance to employees who resign or are terminated for cause. Employees terminated for cause can contest the basis for the termination in court to claim severance. There are no government-provided unemployment benefits in Honduras, although unemployed individuals may have access to their accumulated pension funds.

Many employers hire employees on a temporary basis under the Temporary Employment Law. In some cases, employers will renew employees under short-term contracts, sometimes over a period of years. Labor groups allege that some employers use temporary contracts to avoid responsibility for severance, provide employee benefits, and prevent union formation. The STSS is responsible for registering collective bargaining agreements. The Labor Code prohibits the employment of persons under the age of 14, but grants special permission for minors between ages 16 and 18 to work evenings as long as it does not affect schooling. The majority of the violations of the labor-related provisions of the children's code occur in the agricultural sector and informal economy.

While Honduran labor law closely mirrors International Labor Organization standards, the U.S. Department of Labor has raised serious concerns regarding the effective enforcement of Honduran labor laws. Labor organizations allege the STSS fails to enforce labor laws, including the right to form unions, reinstating employees unjustly fired for union activities, child labor, minimum wages, hours of work, and occupational safety and health. A U.S. Department of Labor report provided recommendations to address labor concerns in Honduras and called for a monitoring and action plan (MAP) to improve labor law enforcement in Honduras. In October 2018, the U.S. Department of Labor released a MAP assessment update noting significant progress toward addressing areas of concern and extending the MAP's mandate.

The U.S. Department of State Country Report on Human Rights Practices describes a number of labor and human rights compliance issues that affect the Honduran labor market (<https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/honduras/>). These include employers’ anti-union discrimination, refusal to engage in collective bargaining, threats against union leaders, employer control of unions, and blacklisting of employees who support unions.

## 12. U.S. International Development Finance Corporation (DFC) and Other Investment Insurance Programs

The U.S. Development Finance Corporation provides loan guarantees and direct loans for investments in priority areas: energy, healthcare, critical infrastructure, technology, small and medium enterprises and women-owned businesses. DFC maintains direct links to USAID and development impact aims, with investments prioritizing low and low-middle income countries and a USAID employee seconded to the DFC as Chief Development Officer. With a global investment cap at \$60 billion (increased from OPIC’s previous cap of \$29 billion) the DFC is expected to invest aggressively in Honduras, facilitated by numerous agencies at post. Loans range from \$1 million to \$250 million with loan guarantees mobilizing potentially more. The DFC also offers political risk insurance, technical assistance for financial institutions, and in the coming year the possibility of local currency lending and limited equity authority. The Export-Import Bank of the U.S. also provides project financing in Honduras. Honduras is a party to the World Bank's Multilateral Investment Guarantee Agency.

## 13. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*		USG or International Statistical Source		Source
<b>Economic Data</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	
<b>Host Country Gross Domestic Product (GDP)</b>	n/a	n/a	2019	\$25.095 billion	World Bank Honduras <a href="https://data.worldbank.org/country/honduras">https://data.worldbank.org/country/honduras</a>
<b>Foreign Direct Investment</b>	<b>Host Country Statistical source*</b>		<b>USG or International Statistical Source</b>		<b>Source</b>

<b>U.S. FDI in Partner Country</b>	n/a	n/a	2018	\$504 million	BEA Data <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
<b>Host Country's FDI in the United States</b>	n/a	n/a	2018	\$-77 million	BEA Data <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
<b>Total Inbound Stock of FDI as % host GDP</b>	n/a	n/a	2016	65.79%	

Table 3: Sources and Destination of FDI

<b>Direct Investment from/in Counterpart Economy Data</b>					
<b>From Top Five Sources/To Top Five Destinations (US Dollars, Millions)</b>					
<b>Inward Direct Investment</b>			<b>Outward Direct Investment</b>		
Total Inward	Amount	100%	Total Outward	Amount	100%
USA	4,050	37.93%	Panama	1,178	49.70%
Panama	2,858	26.78%	El Salvador	531	22.41%
Guatemala	1,515	14.19%	Guatemala	288	12.15%
Mexico	1,292	12.11%	Costa Rica	210	8.86%
Colombia	960	8.99%	Colombia	163	6.88%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

<b>Portfolio Investment Assets</b>
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**Top Five Partners (Millions, US Dollars)**

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<b>Total</b>			<b>Equity Securities</b>			<b>Total Debt Securities</b>		
All Countries	476	100%	All Countries	8	100%	All Countries	468	100%
International Organizations	177	37%	United States	6	71%	International Organizations	177	38%
United States	77	16%	Panama	2	28%	United States	71	15%
Costa Rica	23	5%	Belgium	0	1%	Costa Rica	23	5%
Canada	5	1%	N/A	N/A	N/A	Canada	5	1%
France	3	1%	N/A	N/A	N/A	France	3	1%

14. Contact for More Information

Deputy Economic Counselor Matt Yarrington

U.S. Embassy

Avenida La Paz

Tegucigalpa, M.D.C.

Tel: (504) 2236-9320, Ext. 4531

E-mail: YarringtonMD@state.gov

**Political and Economic Environment**

For background information on the political and economic environment of Honduras, please read the “U.S. Department of State Background Notes” at: <https://www.state.gov/r/pa/ei/bgn/1922.htm>.