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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

HONDURAS

PROJECT PAPER

ECONOMIC SUPPORT FUND FY 1988

AID/LAC/P-450

Project Number: 522-0357
522-K-605

UNCLASSIFIED

AID 1120-1

PAAD

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

1. PAAD NO: 522-0357 522-K-605
2. COUNTRY: Honduras
3. CATEGORY: Cash Transfer
4. DATE: July 22, 1988
5. TO: AA/LAC, Dwight Ink
6. OYB CHANGE NO.: N/A
7. FROM: LAC/DR, Terrence Brown
8. OYB INCREASE: None
9. TO BE TAKEN FROM: Economic Support Fund (ESF)
10. APPROVAL REQUESTED FOR COMMITMENT OF: $75,000,000
11. APPROPRIATION - 72-118/91037 ; LES888-35522-KG31 ; 870-65-522-00-50-81
12. TYPE FUNDING: ☐ LOAN ☒ GRANT
13. LOCAL CURRENCY ARRANGEMENT: ☐ INFORMAL ☒ FORMAL ☐ NONE
14. ESTIMATED DELIVERY PERIOD: FY 1988
15. TRANSACTION ELIGIBILITY DATE
16. COMMODITIES FINANCED

16. PERMITTED SOURCE		17. ESTIMATED SOURCE	
U.S. only:		U.S.:	$75,000,000
Limited F.W.:		Industrialized Countries:	
Free World:		Local:	
Cash:	$75,000,000	Other:	

18. SUMMARY DESCRIPTION

The purposes of this program are to (1) provide immediate balance of payments support to Honduras, permitting the allocation of urgently needed foreign exchange to the private sector, (2) support the Government of Honduras' (GOH) Stabilization and Economic Recovery Program, thereby improving both the immediate performance of the Honduran economy, as well as preparing it for strong economic growth and development over the medium-term, and (3) encourage support by the World Bank and the IMF of the GOH Economic Program.

Program funds will be disbursed into a separate, uncommingled ESF account or accounts in the U.S. from which payments for eligible transactions will be made. Eligible transactions include the importation of raw materials, intermediate goods, spare parts, and capital goods from the U.S.; crude petroleum, petroleum products and petroleum derivatives from Mexico and Venezuela (all for the private sector); and debt service and arrears to eligible USG entities and to International Financial Institutions (IFIs). Immediately following disbursement of ESF funds, the GOH will deposit an equivalent amount of local currency in a special account in the Central Bank of Honduras to finance economic development activities, consistent with the Foreign Assistance Act.

This PAAD complies with current Agency guidance on method of financing, and has provided for adequate audits coverage in accordance with the Payment Verification Policy Implementation Guidance.

LAC/DP:WWheeler		8/1
LAC/GC:GDavidson		8/3
LAC/CEN:CCostello		
PFM/FM/PAFD:ESOwens		8/12
PPC/EA:JLapittus		8/4
ARA/ECP:VValle		
LAC/CONT:GByllesby		8/10
DAA/LAC:FSchieck		Date 8/17

20. ACTION: ☒ APPROVED ☐ DISAPPROVED

AUTHORIZED SIGNATURE: Dwight Ink — DATE: Aug 17, 88

Assistant Administrator — TITLE

CLASSIFICATION:

PROGRAM ASSISTANCE APPROVAL DOCUMENT
FY 1988

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PROGRAM ASSISTANCE APPROVAL DOCUMENT
ECONOMIC STABILIZATION FACILITY

I. SUMMARY AND RECOMMENDATION

A. Recommendation

USAID/Honduras recommends authorization of an economic support fund grant of $75,000,000.

B. Grantee

The grantee will be the Government of Honduras (GOH) acting through the Ministry of Finance and Public Credit (MFPC).

C. Program Summary

1. Background

The resource transfers provided by ESF programs have enabled Honduras to achieve higher levels of growth, investment, production and employment than would otherwise be possible. This in itself is desirable. However, to ensure that ESF support has a more positive and lasting effect on the economy, this support has been closely linked to a GOH Economic Program which will enable the nation to continue attaining these higher levels of economic activity, even after ESF flows taper off.

The 1987 ESF Program represented a continuation of support for the GOH Economic Program initiated by the Azcona administration shortly after taking office in 1986. As stated in the 1988 ESF Concepts Paper, the primary objective of the Mission is to support a GOH program that is credible on its own merits and that, at the same time, will pave the way for substantially expanded assistance from the IMF and World Bank. With technical and financial support from USAID, the GOH Economic Programs of 1986 and 1987 consisted of two components and associated objectives: (1) a monetary program designed to stabilize the economy and (2) a structural adjustment program aimed at improving the underpinnings of the economy, thereby preparing it for broad-based and sustained economic growth and development over the medium term.

The results of the ESF supported GOH Economic Programs for 1986 and 1987 are encouraging. On the monetary side, the GOH has consistently reduced the deficit of the consolidated nonfinancial public sector as a percentage of GDP. It fell from 7.6 percent in 1985 to 6.6 percent in 1986 and 6.2 percent in 1987. Despite this success, the GOH overshot the targets it had established for credit expansion in 1987. This was a result of reduced resource flows from abroad as well as increased public sector expenditures. On the structural side, the GOH acted on a large number of measures (29 in 1986 and 27 in 1987) designed to raise GDP, increase investment and create productive employment. The Mission is pleased to note that, with few

exceptions, the GOH successfully complied with most of the targeted actions called for by the structural adjustment programs of 1986 and 1987. These adjustments can be grouped under four major headings:

(1) rationalizing public sector operations,
(2) enhancing export competitiveness,
(3) promoting private sector investment, and
(4) restoring internal and external confidence in the economy.

The USAID Mission believes that the ESF cash transfer program contributed to the modest recovery experienced by the Honduran economy in 1987 after several years of recession. In 1987 GDP grew by 4.2 percent while inflation only registered a 2.5 percent increment.

2. Outline of the Proposed FY 1988 ESF Program

The FY 1988 ESF Program continues to build on the progress achieved by the 1986 and 1987 programs. Like its predecessors, the FY 1988 program is based on the GOH Economic Program which is divided in two parts, a monetary component and a structural adjustment component.

The monetary component has two major objectives: (1) Restrain credit to a level compatible with the nation's real production and import capabilities, thereby reducing pressures on the overall level of prices (inflation) and on the balance of payments and (2) Further liberalize the exchange rate regime to stimulate exports and reduce the demand for imports.

A key part of the monetary program calls for freezing Central Bank domestic credit to the consolidated nonfinancial public sector (CNFPS) in 1988 such that the level of this credit as of December 31, 1988 is no higher than the level of December 31, 1987. This is an ambitious goal which, if successfully carried out, will require a cut in the overall deficit of the CNFPS to 5.6 percent of GDP, down from 6.2 percent in 1987. At the same time it will permit an expansion of banking system credit to the private sector of more than 7 percent, a percentage deemed adequate by the Mission to permit modest private sector growth.

Implicit in the cited 1988 deficit reduction target of 5.6 percent of GDP is a cut in the CNFPS deficit by 60 million Lempiras relative to the GOH projected deficit in early June 1988. As a condition precedent to the first disbursement, the Mission will require the GOH to submit evidence that it has, in fact, made the 60 million Lempira deficit reduction. At least 40 million Lempiras must be in the form of expenditure cuts while the remainder may be in the form of revenue increases. In the last week of June 1988, the GOH sent a bill to Congress calling for important tax measures which would raise revenues by about 20 to 25 million Lempiras through the elimination of tax exonerations. This tax package is important not only because of its revenue impact, but also because it would substantially lower effective protection. The latter is accomplished through taxing local production as well as imports.

Looking ahead to 1989, the GOH has agreed to a targeted reduction in the deficit of the CNFPS of no more than 5.0 percent of GNP, relative to the targeted 5.6 percent deficit target for 1987. The Mission is setting conditions precedent to the second and third disbursements which reflect these targets during the process of preparing the 1989 budget.

On the exchange rate side, the GOH monetary program for 1988 calls for an expansion of the value of trade realized outside the official exchange rate by approximately 6 percentage points, raising it from 27 to 33 percent. The Mission does not believe this is enough and will insist on an agreement to a further expansion in 1988 prior to the first disbursement. As condition precedent to the second and third disbursements, the Mission will require compliance with the timetable agreed upon as a condition for the first disbursement.

The structural component of the GOH Economic Program consists of 24 measures divided into three major categories: (1) rationalize public sector operations, (2) increase the competitiveness of exports and promote private investment and (3) enhance confidence in the Honduran Economy. Unlike the monetary program which is designed to have an immediate impact on key macro-economic variables, the effects of the structural measures are longer term in nature. They are designed to improve economic performance by strengthening the underpinnings of the economy.

These measures are extremely important because they improve the efficiency of the economy, that is they permit it to produce more output with available inputs. Moreover, unlike the monetary (or stabilization) measures, the structural measures call for few painful short term adjustments. Thus, from a political viewpoint, they are much easier for the GOH to implement. Despite the relatively minor immediate impact of each structural measure on the overall macro-economic setting, the total effect of all the measures over time is considered fundamental to the future of the Honduran economy.

D. Issues Associated with the FY 1988 Program

1. Adequacy of the Program

In the 1988 ESF concepts paper, the Mission proposed a continuation of the strategy governing the development and content of the FY 1987 ESF program. The Mission's primary objective, approved by AID/W, is to support a GOH program of stabilization and structural reform that is credible on its own merits and that will pave the way for substantially expanded assistance from the IMF and World Bank. At the very least, the Mission's objective for the FY 1988 negotiations is a GOH economic program that continues to narrow the gaps between the GOH and the IMF and World Bank on the content of a credible program and its implementation calendar.

The Mission believes it has negotiated a 1988 Economic Program with the GOH which meets the two criteria specified above: (1) We believe it is credible on its own merits and (2) The IMF and World Bank have already reached agreements with the GOH. These points are discussed below in the context of the 1988 ESF Economic Program.

a) Public Sector Deficit Reduction Program

The GOH has agreed to an ambitious program for reducing the budget deficit of the consolidated nonfinancial public sector (CNFPS). From an overall level exceeding 11 percent of GDP in 1983 and 1984, the budget deficit was reduced to 7.6 percent in 1985, 6.6 percent in 1986 and 6.2 percent in 1987. The 1988 and 1989 targets call for further reductions to, respectively, 5.6 and 5.0 percent.

The 1988 target is especially ambitious and will require a concerted effort on many parts of the GOH to ensure compliance. It calls for freezing Central Bank domestic credit to the CNFPS, an expenditure cut of at least 40 million Lempiras from levels planned in early June 1988 and an additional deficit reduction of another 20 to 25 million Lempiras. Even if all these measures are successfully enacted, meeting the 5.6 percent deficit reduction target along with the cited freeze on Central Bank credit will require either large new bond sales, additional financing from a yet to be identified source or (in the absence of the former two possibilities) an even greater deficit reduction than that encompassed by the 5.6 percent target.

Compliance with the 1988 deficit reduction program is a key part of the conditionality of the IMF, World Bank and USAID. The IMF has a "shadow program" which fixes limits on Central Bank credit expansion as well as calling for increases in international reserves. If the June 30 and September 30 targets are met, the shadow program could be converted into a more formal Stand-by arrangement with Board approval as early as October 1988. The World Bank and GOH have also agreed upon credit expansion targets similar to those in the Fund's shadow program. If the GOH complies with the June 30 targets, implements the 1988 deficit reduction program (described above) and amplifies the coverage of the CETRA system (described below), the Bank could seek Board approval of the program in mid August 1988. Approval, which could be attained in early September, is expected to trigger a $100 million macro-economic adjustment operation (MAO) with a first disbursement of $25 million in September 1988. A second disbursement of $25 million would follow in October with the remaining $50 million in December 1988 or January 1989.

b) Exchange Rate Adjustment

As part of its 1988 monetary program, the GOH has agreed to an expansion of the CETRA/"autofinanciamiento" system by 6 percentage points from 27 percent to about 33 percent of the value of foreign trade. This is through an expansion of the CETRA system, allowing exporters to sell a portion of their foreign exchange receipts to importers at mutually acceptable prices. The CETRA system, initiated in December 1987, is the first official recognition

of foreign currency sales outside the two to one exchange rate. Although this was, indeed, a major move (the official rate has prevailed since 1918!), the GOH is reticent to advance more quickly in this area.

While the World Bank and USAID have congratulated the GOH on the initiation of the CETRA system, both feel that the urgency of quickly becoming more competitive in international trade justifies more progress on the exchange rate issue than that embodied in the monetary program. USAID, in particular, is seeking an expansion of the CETRA system such that it would cover a larger portion of the foreign exchange from non-traditional exports.

The Mission, however, understands that this is an extremely delicate and politically charged issue. Prudence is crucial in seeking further advances. We have been repeatedly warned by high level GOH authorities as well as business leaders to proceed carefully. Even the IMF has echoed the same concern. The major issues are:

- the political risks of taking measures against an exchange rate considered almost sacrosanct. Further progress on the exchange rate question necessitates a political response to powerful elements of society which stand to lose by the measure. These elements include importers, protected industries with preferential access to the official exchange rate and consumers who will be faced with an initial round of inflation as the higher prices of imported goods are reflected at the retail level.

- a gradual liberalization of exchange rates introduces distortions into the economy as well as uncertainty. For instance, during the transition period to a liberalized exchange rate regime, some exporters having access to a favorable exchange rate will maintain the ability to purchase inputs brought in at the official rate. The uncertainty caused by speculation concerning who will be moved to a higher exchange rate at what time prompts increased imports by those who still enjoy access to the old rate At the same time, gradualism encourages exporters to wait until they have full access to higher rates. These actions weaken the nation's balance of payments position. Both the Central Bank and the IMF are correctly concerned about these problems.

While a one-shot devaluation/liberalization might be preferable to the gradual approach now being pursued, this is simply not an attainable goal for 1988. Both the IMF and World Bank as well as USAID are cognizant of this fact. The World Bank and USAID are determined, however, to move as fast as possible. Nevertheless, USAID is striving to consider political sensitivities as well as heeding the IMF's advice to move carefully in this area.

At the same time, the USAID Mission is maintaining its indirect campaign in favor of a liberalized exchange rate regime. This is being advanced through an ample policy dialogue with key elements of society as well as through conferences and seminars. Of special importance is structural reform measure 15, calling for periodic submissions and discussions of evaluations of the price competitiveness of Honduran exports to the Economic Cabinet.

These reviews serve to point out the disadvantage placed on exports by maintaining an overvalued exchange rate.

In all discussions of exchange rate policy, the Mission continues to emphasize the need for enhancing the objectivity and transparency of the exchange rate regime. The Mission has consistently called for a goal of granting equality of treatment across products and to all exporters and importers.

c. Structural Reform Program

The importance of the structural reform component of the GOH economic program cannot be overemphasized. Structural reforms are the ultimate objective of our policy dialogue. They reduce the severity of macro stabilization policies while improving the allocative efficiency of the economy and inducing new entrepreneurial activity. This focus is maintained throughout the structural adjustment component of the 1988 program in its three major divisions: (1) rationalize public sector operations, (2) increase the competitiveness of imports and promote private investment and (3) enhance confidence in the Honduran economy.

2. Scope and Complexity of the Structural Adjustment Program

Like its two predecessors, the FY 1988 ESF agreement is broad in scope and complex. Its scope and complexity necessarily raise several issues which will be discussed below:

- need the program be so broad in scope and detailed?
- what are the priority items in the program?
- would a stronger sectorial focus be more appropriate?

a. Breadth of the Program

The number of structural adjustment measures reflects the ample scope of the areas in which the GOH (with USAID support) is seeking to improve its economic performance. In order to best promote structural changes which improve the underpinnings of the economy, the Mission believes that progress is needed in many areas. For this reason, the 1988 ESF Program -- like the 1987 GOH Economic Program -- is broad in coverage and detailed.

By complementing appropriate macro policies, structural adjustments improve economic progress, especially over the medium term. A large number of structural measures serves to accomplish several important goals:

(i) The burden of achieving stabilization goals through reliance on fiscal, monetary and exchange rate policies is reduced.

(ii) Structural measures enhance the possibility of reconciling stabilization goals with recuperation goals instead of having to choose stabilization goals at the expense of recuperation.

(iii) Each of the structural measures, if properly implemented, will contribute to improved efficiency. This means more real production from fewer inputs.

(iv) Given the likelihood of some shortfalls in the implementation of all the structural reforms, it is best to set up an ambitious program from the start. This is perhaps the best way to get wide movement across a broad range of problems.

b. Program Priorities

The Mission believes it is not appropriate to explicitly negotiate a list of priorities with the GOH. We want maximum movement on the whole package of stabilization and structural measures. However, the emphasis placed by the Mission on compliance with the deficit reduction targets (along with credit ceilings) and the expansion of the CETRA system have undoubtedly conveyed to the GOH the special concerns of the Mission in these areas.

c. Sectoral Focus

The Mission has on several occasions -- for instance, in the FY 1990 Action Plan -- stated its goal of shifting ESF resources to a sectoral focus. As GOH macro-economic policies improve and as the IMF and World Bank assume a greater role in supporting GOH macro-economic improvements, USAID fully expects to gradually shift its ESF program toward a sectoral approach.

It is, however, still too early for such a shift in 1988. While macro-economic performance is improving, more key measures are required. In particular, the CNFPS fiscal deficit is still too high and the foreign exchange regime urgently needs to be liberalized. Substantial movement on these two key issues is key to improved sector performance. A reduction in the public sector deficit would enable more credit and real resources to be channeled toward the more efficient private sector. A liberalized exchange rate regime would enhance exports, restrict imports for inefficient activities and serve to make access to foreign exchange more transparent for all export and import activities.

On the other hand, the Mission is cognizant of the urgency in rapidly improving the policy environment affecting the nation's productive sectors. It is for this reason that the structural measures have placed considerable emphasis on export competitiveness and increasing private investment. This emphasis continues in the FY 1988 program and we foresee an even greater effort to decrease effective protection in the future.

The Mission is also cognizant of the importance of improving agricultural policies. Up to now our efforts in this area have been focused on projects rather than on an overall sector view. This is now

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changing. Both the actions required by structural measure 21 (an assessment of the risks facing the agricultural investor and a survey of land use) are designed to clearly identify the nature of the problems associated with inadequate agricultural policies. These two actions will form the basis for an expanded role for agricultural reforms in the FY 1989 ESF program. It should be mentioned, however, that a recent Mission review of agricultural policies concluded that an improved sectoral performance is inextricably linked to an improved macroeconomic policy setting. In particular, reference has been made to the restraining effects on agricultural exports of the foreign exchange regime and levels of effective protection. The FY 1988 ESF Program addresses both of these issues.

3. Debt Service Payments to the IMF, World Bank and the USG

The Mission is requesting approval for using ESF funds for servicing the debts of International Financial Institutions (IFIs) and the U.S. Government.

The former may be needed to cancel at least some of the arrears to the IMF and World Bank which, in turn, would enable these institutions to support the GOH economic program. By paying debts to IFIs, ESF funds would essentially be used to leverage an even greater inflow of resources than would be possible with our funds alone. Even though the Mission clearly prefers to use ESF funds directly for private sector support -- and both the Central Bank of Honduras and the private sector share the Mission's preference -- this preference must be weighed against the importance of attaining an increased IMF and World Bank participation in the GOH reform program. Whether or not ESF funds are needed to service IFI debts --and if so used, in what amounts-- depends in large part on the availability of bridge financing (discussed below). Under any circumstance, the Mission believes it is of utmost importance that it be given approval to use ESF resources to pay IFI debts.

Regarding USG debts, the Mission also requests approval to channel ESF funds toward their payment. Debt service payments to the USG would cover direct and guaranteed loans under AID, PL 480, the housing Guarantee and the TCIP (AID-EXIM) Programs. As in the case of IFI debt, the Mission believes that the utilization of ESF resources for the payment of USG debt, especially to the Export-Import Bank, would serve as leverage to attract an even greater resource flow toward Honduras than otherwise would be possible.

4. Bridge Loan

If the GOH is to obtain World Bank and IMF support of its economic program, it will almost certainly have to pay its arrears to these entities before their boards consider committing new resources to Honduras. Although the use of ESF resources may be used to repay some of these obligations, ESF funds alone may not be sufficient. By August 1988, the GOH is expected to have accumulated arrears of $ 68 million to

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the IMF and World Bank ($43 million to the Bank and $25 million to the IMF).

The World Bank has reached an agreement with the GOH on actions necessary for a $100 million "macro-economic adjustment operation" (MAO) scheduled for presentation to its Board in September 1988. The Mission has heard that the IMF and World Bank will approach the U.S. Treasury to broach the question of a bridge loan to eliminate arrears through August, thereby permitting the presentation of the MAO proposal to the Bank's Board of Directors. The USAID Mission has suggested that the possibilities of bridge financing be carefully explored with commercial banks.

If the June 30 and September 30 targets of the IMF's shadow program are met and if arrears are eliminated to the Fund, a stand-by arrangement could be approved as early as October of 1988. This would imply GOH access to IMF resources at the end of this year or, more likely, at the beginning of 1989.

5. A $50 Million First Disbursement

This PAAD proposes three equal $25 million disbursements for a total of $75 million. The GOH has requested that the Mission raise the first disbursement to $50 million. The request is based on the following flow of funds, prepared by the World Bank with the Central Bank of Honduras (with corrections by the Mission), showing the difficulty of eliminating arrears to the IMF and World Bank without a $50 million ESF disbursement in August:

HONDURAS: FOREIGN EXCHANGE BUDGET, AUGUST TO DECEMBER 1988
(in millions of dollars)

	August	September	October	November	December
Sources of Funds	119.8	59.8	58.2	51.3	60.6
Current account surplus 1/	11.0	12.9	13.3	12.8	22.6
A.I.D. ESF	50.0	0.0	0.0	0.0	0.0
Non public capital inflows	23.5	19.0	18.7	25.2	33.4
Public capital inflows	35.4	27.9	26.2	13.4	4.6
MAO	0.0	25.0	0.0	0.0	0.0
Japan cofinancing	0.0	0.0	25.0	0.0	0.0
Bridge loan	30.0	0.0	0.0	0.0	0.0
Other	5.4	2.9	1.2	13.4	4.6
Uses of funds	119.8	59.8	58.2	51.3	60.6
Gross reserve accumulation	-0.8	0.6	11.8	17.1	39.7
Total debt service	120.6	59.2	46.4	34.2	20.9
Non-public sector	41.1	13.3	14.4	13.7	11.6
Public sector	79.5	45.9	32.0	20.5	9.3
World Bank	42.8	3.8	17.0	5.2	1.8
IMF	25.0	0.0	7.5	7.8	0.0
OECF	4.2	4.6	0.0	0.0	0.0
Bridge loan	0.0	30.0	0.0	0.0	0.0
Other	7.5	7.5	7.5	7.5	7.5

1/ Excludes interest payments.

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It should be noted that the flow of funds scenario presented on the previous page (which the Mission received in Washington just prior to the review of this PAAD) demonstrates the difficulty that the GOH will encounter in repaying all arrears to both the World Bank and the IMF in August. In order to meet these payments, the scenario (as modified by the Mission) reduced projected debt service payments by the non public sector by $15 million, assuming that these could be deferred for three months when the GOH will have a more favorable reserve position. If the September arrearages payment to the IMF could be reduced by $15 million (from $25 million to $10 million), the debt service payments by the private sector could be reinstated to their original $56.1 million level in the flow of funds scenario.

Under any circumstances, the scenario clearly suggests that the GOH is very likely to need a $50 million ESF disbursement if it is to achieve prompt World Bank and Fund support of its program. The USAID Mission supports the GOH request for the $50 million disbursement in August. The Mission recognizes that if prompt Bank and Fund support of the GOH economic program is not obtained in August, arrears to these entities may accumulate far too rapidly to allow their support in the future.

However, given the urgency of liberalizing the Honduran exchange rate regime, the Mission believes that this is an opportune time to seek an additional expansion of the CETRA system. Therefore, the Mission proposes that the front-loading of ESF disbursements be tied to an agreement to further expand the CETRA system (over the announced plan in the GOH monetary program). This would not only support an urgently needed economic measure, but would also be likely to bring the GOH closer to terms which will undoubtedly be sought by the IMF and World Bank.

II. RECENT ECONOMIC DEVELOPMENTS

A. Overview

Overall macro-economic performance in 1987 was buoyant. Strong growth was obtained while containing inflationary pressures. Reflecting this, real fixed capital formation registered moderate growth after two consecutive years of decline. Moreover, 1987 was the first year in nearly a decade in which an increase in real per capita GDP was registered.

Despite apparently favorable macro-economic performance, there were problems. A large portion of the import requirements for sustaining growth in 1987 was financed by the accumulation of external payments arrearages of about $120 million dollars. This occurred as a result of non-compliance with the credit ceilings established in the GOH monetary program. Domestic credit was permitted to expand to levels well in excess of targets programmed to be consistent with containing pressure on prices and the balance of payments. The excessive credit creation caused demand for imports to grow beyond levels which could be financed through export earnings and normal capital inflows. In essence, Honduras paid the price of buying current growth through mortgaging future export earnings. To accommodate import demand, Honduras suspended and delayed debt service payments to external creditors including those most important for providing future external support such as the IMF, World Bank, IDB and AID. Moreover, a large volume of private sector deposits in the banking system is awaiting the delivery of foreign exchange to rebuild imported inventories that were depleted in 1987 and in the first half of 1988. This represents a further mortgaging of future export earnings for current growth.

B. Growth

Based on preliminary estimates, real GDP rose 4.2 percent in 1987. This followed three years of relatively moderate growth averaging three percent annually and represented the highest real growth rate achieved in Honduras since the late 1970s. With this higher GDP growth, real per capita GDP in 1987 jumped by over one full percentage point -- the first year in almost a decade that growth in real per capita GDP was positive. Moderate growth in employment was also registered. From a sector of origin perspective, positive real growth was achieved in all sectors except utilities, where zero growth occurred in 1987 after a nine percent jump in 1986, and in mining, where a prolonged cessation of operations related to the sale of Honduras' major mining company caused a 14 percent drop in real production. All other sectors registered nearly two percent real growth or higher. The main impetus for 1987 growth originated in agriculture where favorable weather conditions, higher coffee yields and expanded banana production contribuited to real GDP growth 7.4 percent. As shown by Table D.1. in the Statistical Appendix, this surge in GDP originating in the agricultural sector accounted for over 40 percent of the 4.2 percent gain in real GDP for 1987.

In terms of final demand aggregates, real GDP expansion in 1987 resulted primarily from a leap in consumption. Public sector consumption, which increased just over five percent annually in 1985-86, jumped nearly seven percent in real terms in 1987. This helped push the growth rate of total real consumption to over five percent in 1987, compared to less than two percent annually over the 1985-1986 period.

Real private sector consumption grew 4.8 percent in 1987, a significant increase from the two percent average growth rate over the 1984-86 period. Also contributing to the 4.2 percent real GDP growth rate in 1987 was the 2.3 percent real growth registered in exports. Real capital formation dropped nearly four percent in 1987 due in large part to a ten percent drop in public sector capital formation. Private sector capital formation grew by only 1.7 percent in 1987, substantially below the nearly nine percent average annual real growth rate recorded for 1985-86. Moreover, real private sector capital formation in 1987 represented only 64 percent of the level achieved in 1980, the last peak year for real private sector capital formation in Honduras.

C. Stabilization

The sharp gains in real growth were accompanied by mixed performance for stabilization indicators as shown in Table 1. Price inflation continued to be held to low levels. The consumer price index (CPI), which had risen by an average rate of about four percent annually over the 1984-1986 period, rose only 2.5 percent in 1987. With an increase of 0.9 percent in 1987, prices at the wholesale level have grown by an average annual rate of only one percent over the 1983 to 1987 period. The GDP deflator grew by two percent in 1987 after increasing by about five percent annually over the 1983-86 period.

Despite the advantage of low inflation figures, it should be emphasized that these are not necessarily indicative of sound policy performance. First, inflation was held down in 1987 by a spillover of excess demand into imports facilitated both by the growth in external payments arrears of over $120 million on existing external debt and by the accumulation of new external debt by the Central Bank. Second, the private sector added substantially to deposits in the banking system that are awaiting the delivery of foreign exchange to finance approved imports. The problem associated with these deposits stems from a growing inability of the banking system to provide foreign exchange in amounts sufficient to meet import demand. Once this is fully realized by the private sector, prices for domestic assets are likely to be quickly bid up resulting in sharply higher inflation.

The fiscal deficit of the consolidated nonfinancial public sector (CNFPS) as a percent of GDP is preliminarily estimated at 6.2 percent of GDP, down from the 6.6 percent recorded in 1986 and substantially below the nearly 12 percent average for 1983 to 1984 and 7.6 percent in 1985. However, the portion of the deficit requiring finance from the domestic banking system in 1987 nearly doubled from the figure recorded in 1986. This is due to a drop in external finance and to less favorable coffee prices as well as to an expansion in public sector expenditures. On the positive side, Central Government revenues increased 12 percent in 1987, reflecting improved

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TABLE 1

HONDURAS : SUMMARY OF ECONOMIC/FINANCIAL SITUATION, 1983-1987

Real Indicators (Annual Growth Rates)	1983	1984	1985	1986	Prel 1987
Real Gross Domestic Product (GDP)	-0.2%	2.8%	3.2%	2.7%	4.2%
Real Fixed Capital Formation	15.1%	21.9%	-3.2%	-9.0%	-3.8%
Private	13.9%	3.4%	14.5%	3.9%	1.7%
Public	16.0%	37.2%	-14.1%	-19.6%	-9.8%
Quality of Life Indicators					
Per Capita GDP in Current Dollars	737	764	798	839	866
Real Per Capita GDP Growth Rate	-3.6%	-0.6%	-0.1%	-0.4%	1.2%
Open Unemployment Rate	8.8%	9.0%	9.2%	9.5%	NA
Population Growth Rate	3.5%	3.4%	3.3%	3.1%	3.0%
Infant Mortality Rate (Deaths per 1000 Live Births)	NA	78	NA	70	NA
Life Expectancy at Birth (Years)	NA	58	61	62	NA
Literacy Rate			57.5%		
Percent of New First Graders Expected to Complete Sixth Grade	NA	41%	45%	NA	NA
Inflation (Annual Growth Rates)					
Consumer Price Index	8.3%	4.7%	3.4%	4.4%	2.5%
Wholesale Price Index	7.3%	0.8%	0.7%	1.4%	0.9%
GDP Deflator	5.0%	4.2%	4.6%	5.5%	2.0%
Financial Indicators (As % of GDP)					
Consolidated Nonfinancial Public Sector					
Expenditures	31.1%	31.7%	29.5%	27.5%	27.5%
Fiscal Deficit	12.2%	11.3%	7.6%	6.6%	6.2%
Central Government Fiscal Deficit	10.1%	11.4%	9.0%	7.9%	7.3%
Current Account Deficit in the Balance of Payments	8.6%	12.0%	9.7%	6.6%	7.8%
ESF Disbursements (As % of:)					
Fiscal Deficit of the Consolidated Nonfinancial Public Sector	4.9%	18.6%	33.7%	43.3%	32.8%
Current Account Deficit in the Balance of Payments	6.9%	17.5%	26.7%	42.9%	25.9%
Merchandise Imports FOB	2.4%	7.7%	10.2%	12.3%	9.1%
Merchandise Exports FOB	2.6%	9.2%	11.4%	12.1%	9.4%
External Indicators					
Exports/Imports (G & NFS)	87.8%	79.5%	85.0%	95.1%	90.1%
Imports of Goods & NFS as % of GDP	30.3%	33.1%	30.5%	28.1%	27.1%
Exports of Goods & NFS as % of GDP	26.6%	26.3%	26.0%	26.7%	24.5%
Annual Growth Rates					
Exports of Goods and Nonfactor Services	4.5%	5.8%	6.6%	11.7%	-2.7%
Imports of Goods and Nonfactor Services	7.4%	16.7%	-0.3%	-0.1%	2.6%
Total External Debt ($ Millions)	1903	2231	2493	2574	
Medium and Long Term	1717	2043	2316	2445	
Short Term (Excluding Central Bank)	44	48	51	51	51
Central Bank Short Term with IMF	142	140	125	77	34
Accumulation of Arrears - Public and Publicly Guaranteed Commercial Debt ($ Millions)	111	148	197	217	343
Net International Reserves of Central Bank Includes Deposits for Arrears ($ Millions)	-83	-93	-71	-77	-36
Total External Debt as % of GDP	63.1%	69.0%	71.5%	68.1%	
Debt Service Pmts as % of Exports of G&S	26.8%	25.0%	28.6%	34.1%	35.9%
Credit and Monetary Indicators					
Private Sector Liquidity as % of GDP	36.8%	37.3%	36.4%	37.3%	41.0%
Broad Money Supply, Annual Growth Rate	16.2%	7.7%	4.3%	11.5%	17.9%
Credit Expansion of the Consolidated Banking System ($ Millions)	186	151	147	143	270
of which, to: Public Sector	105	45	21	44	72
Private Sector	82	106	126	99	198

SOURCE: Central Bank of Honduras, Other GOH sources, IMF and Mission Staff Estimates.
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tax administration procedures, higher GDP and greater trade volumes. This was a noteworthy achievement considering a 21 percent drop in coffee export tax collections as a result of legislation reducing tax rates and deferring tax liabilities. The improved tax performance, however, was offset by a 12 percent jump in Central Government current expenditures reflecting increased salaries and purchases of goods and services. This contributed to a rise in overall Central Government expenditures of eight percent; capital expenditures dropped four percent and net lending declined 12 percent.

With respect to external performance, preliminary figures for 1987 indicate that the current account deficit in the balance of payments rose to 7.8 percent of GDP, about one percentage point higher than the figure recorded in 1986. In addition to lower world coffee prices, this reflected a marked decline in mineral exports, moderately higher imports and heavier interest payments on the external debt. While merchandise exports declined 3.2 percent in value compared to the coffee boom year of 1986, they were 9.2 percent above the level recorded in 1985. This reflected improved performance in bananas, due to both greater yields and favorable price trends, and substantially higher volumes of coffee and shrimp exports.

D. Other Indicators

Basic statistics for Honduras demonstrate the underdeveloped charateristics of the economy. Table 1 shows its per capita income is $866 per year (a figure which is overstated by an overvalued currency). Moreover the nation has high population growth, high illiteracy and a low percentage of school age children reaching the sixth grade. The Mission's project portfolio strives to better these indicators. However, we believe that the ESF program is also playing a crucial role by improving the bases upon which economic growth and development will take place.

III. PERFORMANCE UNDER FY 1987 ESF PROGRAM

The 1987 ESF Program was a continuation of the program initiated in 1986. Like its predecessor, the 1987 ESF Program was designed to support a GOH economic program of stabilization, recuperation and structural reform.

With respect to immediate objectives, the aims of the program were to reduce the fiscal and balance of payments deficits while simultaneously achieving positive real growth. With respect to midterm objectives, the aims of the program were to improve the efficiency with which the economy allocates the real resources available to it. Reflecting the dual objectives of the program, it contained two components. The monetary program component established an overall credit limit designed to hold credit creation to levels consistent with containing pressures on inflation and the balance of payments while simultaneously permitting real growth to occur at a sustainable rate. A subceiling on credit to the consolidated nonfinancial public sector was established to reserve the majority of available credit to finance private sector production and investment. Quarterly targets were set for increases in net international reserves. Complementing the monetary program and directly related to the creation of conditions for a sustainable recuperation in economic activity, the GOH economic program also contained a significant structural adjustment component. This component consisted of 27 structural adjustment measures designed to improve economic performance beyond 1987 by: (1) rationalizing public sector operations, (2) promoting private sector investment, (3) enhancing export competitiveness, and (4) restoring internal and external confidence in the Honduran economy.

Performance under the FY 1987 ESF Program was mixed. As detailed below, performance under the structural reform component of the program was very good, even exceeding some of the ambitious goals programmed for completion during 1987. Performance under the monetary program component of the ESF Program was, however, weak.

A. Structural Reform Program

The quality of performance under the structural reform component was noteworthy. Seven of the nine pieces of legislation submitted to the National Congress were approved, including the highly contentious tariff reform legislation that had been a major bottleneck since 1983. The record is all the more impressive given the limited support base of President Azcona in the Congress.

It testifies to the commitment of the GOH Executive Branch to the Program and, with respect to the National Congress, the non-partisan character of the program itself. Even in the two areas -- tax loss carryovers and investment tax credits -- where congressional approval was not obtained, the GOH executive branch fully met its commitment to submit appropriate legislation and press for congressional action.

In addition to the gains achieved through legislation, four state-owned enterprises were sold to the private sector and preparations have been made to privatize a larger number in 1988. External debt renegotiations with the private banks have been virtually concluded. The decentralized public sector agencies have submitted the initial two quarterly financial operation statements to the interministerial group set up to rationalize public sector operations.

All key reports scheduled for completion and submission have been delivered. These include the final report and recommendations of the Private Sector Commission on Capital Market Development, the final report on effective protection, special reports on eliminating public sector preferences in taxation and periodic reports on developments in Honduras' export competitiveness.

B. Monetary Program

In contrast to the noteworthy performance on structural adjustment measures, performance on the monetary program was weak. As indicated in Table 2, net credit expansion exceeded the December 30 limit by 300 million Lempiras, more than doubling the target. This credit expansion has resulted in increased pressure on prices and the balance of payments with these pressures initially being reflected in a widening gap between official and parallel market exchange rates and growing arrearages on external debt. The IMF team that visited Honduras on an Article IV consultation mission in December 1987 strongly urged the GOH authorities to take immediate corrective measures, emphasizing that delays would result in the need to impose larger and more rapid adjustment measures later in 1988 than would currently be necessary to reach a near term accommodation with the IMF.

The 122 million Lempira gain recorded in net international reserves of the Central Bank for 1987 represents compliance with the targets in form but not in substance. In essence it reflects creative accounting. First, arrearages on GOH external debt as of December 31, 1987 increased by about $120 million, a level much higher than registered over the last two years. Since the GOH has not made Lempira deposits in the Central Bank and has not instructed the Central Bank to make the external debt payments, such arrearages are not reflected in short-term external liabilities of the Central Bank. Second, and again through creative accounting, a recent Central Bank resolution has had the effect of arbitrarily reducing a category of short term external liabilities of the Central Bank known as "deposits for arrears".

These represent Lempira deposits placed in the national banking system by those holding valid import permits and approved requests for foreign exchange which are awaiting the delivery from the Central Bank of the foreign exchange equivalent of their deposits. On October 29, 1987 the Central Bank Board of Directors issued a resolution effectively suspending the operation of this "queue for dollars" for the months of November and December. Thus, the total value of deposits for arrears, which had tripled from April to October, declined in November and December. In early 1988 thus suspension was lifted, causing this category of short-term external liabilities of the Central Bank to grow quickly and thereby lowering the overall net international reserve position of the Central Bank.

TABLE 2

GOH 1987 MONETARY PROGRAM LIMITS/TARGETS AND ACTUAL PERFORMANCE
(Millions of Lempiras 1/)

	Established in 1987 GOH Monetary Program			Actual Performance			Margin Above Limit/Target		
redit Expansion of onsolidated Banking ystem from 12-31-86	6-30	9-30	12-30	6-30	9-30	12-30	6-30-	9-30	12-30 4/
verall 2/	120	203 3	263 3/	199	274	563	79	71	300
f which to:									
Consolidated Nonfinancial Public Sector	20	43 3/	53 3/	137	73	166	117	30	113
Private Sector	100	160	210	61	201	397	(39)	41	187
ccumulation in Net nternational Reserves f the Central Bank from 2-31-86 5/	0-5	0-10	0-20	62	71	122	57	61	102

ources: Economic Stabilization and Recovery Program II Agreement, Central Bank of Honduras and Mission Staff estimates.

. One U.S. dollar equals two lempiras at the official exchange rate.

. Sums of components may not exactly equal totals due to rounding.

. Includes an upward adjustment of 23 million lempiras for external debt conversion as provided for in FY 1987 ESF Agreement.

. These figures have been substantitally revised from the preliminary estimates presented in Tegucigalpa 169 based on new estimates made in late January 1988.

. Includes deposits for arrears. Note from discussion in text that series is not consistent in 1987.

Concerned that failure to quickly address the deteriorating monetary situation could have erased many of the gains achieved by the GOH though pragmatic monetary policy over the 1985 through early 1987 period, the Mission postponed disbursement of the final $20 million tranch of the FY 1987 ESF program until the GOH adopted a credible corrective monetary package. In January 1988, the GOH complied with this requirement as the Central Bank took several additional measures designed to arrest and reverse the excessive credit expansion which occurred during 1987. These included freezing Central Bank credit to the consolidated nonfinancial public sector, freezing credit to the private sector through the Central Bank rediscount lines and increasing reserve requirements.

It should also be noted that the final tranch of the FY 1987 ESF disbursement was reduced from $40 million to $20 million because of restrictions arising from the Ramírez case. This reduction greatly limited the Mission's leverage in obtaining corrective measures.

In spite of the above mentioned flaws in the execution of the monetary program, significant progress was made on one of the most important components of the program. In late December 1987, the Board of Directors of the Central Bank approved the CETRA foreign exchange system, a qualitatively important increase in the flexibility and transparency of the exchange rate regime. For 27 well defined products, the new regime permits a portion (30 percent) of export proceeds to be retained in hard currencies by the exporter. These are retained in the form of a negotiable certificate of deposit in the national banking system that provides automatic access to foreign exchange.

The certificates may be used directly to finance imports or they may be sold by the holder to other importers. This is an important initial step towards liberalizing the exchange rate regime on a broader basis as experience is gained. An agreement to achieve further liberalization will be a major requirement for a formal IMF Agreement.

IV. FY 1988 ESF PROGRAM

Like its predecessors, the FY 1988 ESF Program continues to address the need for stabilization measures while improving the underpinnings of the economy. The stabilization measures are found in the monetary component of the program. The structural component, on the other hand, focuses on improving the underpinnings of the Honduran economy. Both of these components are reflected in the 1988 GOH economic program which was prepared with technical support from the USAID Mission.

A. Objectives of the GOH Economic Program

The 1988 GOH Economic Program was designed to be credible on its own merits. It addresses both the urgency of curbing the excess credit expansion of 1987 while, at the same time, seeking to move ahead on correcting the allocation of resources available to Honduras. As reflected by the last of 24 structural adjustment measures (see Part IV.C.), a key objective of the GOH in 1988 is to formulate an economic program which merits the support of the IMF and the World Bank.

B. Monetary Program Component

1. Credit Limits and International Reserve Targets

It should be noted that the monetary program this year has a different format than that of 1987. The World Bank (with IMF, GOH and USAID concurrence) prefers to monitor movements in the Central Bank's assets and reserves rather than those of the entire banking system. The GOH correctly argues that it is easier to control and monitor Central Bank actions than those of the entire banking system and all agree that the credit and reserve policies of the Central Bank are fundamental to the performance of the total banking system.

The credit limits and international reserve targets for the GOH monetary program for 1988 are presented in Table 3. These figures are the same as those included in President Azcona's letter to the Ambassador (see Annex I) plus an additional target placed on net international reserves. The limits and targets presented in Table 3 are the result of agreements between the IMF, World Bank and USAID on similar stabilization objectives.

The monetary program for 1988 is tight. It is designed to represent a balance between growth and the need to restrain aggregate demand. During the 1988 calendar year, limits are placed on the expansion of internal assets of the Central Bank of Honduras at 109.9 million Lempiras (See Table 3). A subceiling for the public sector is set at 145.6 million Lempiras, implying that Central Bank credit to the private and banking sector would decline by 35.7 million Lempiras if the previous two ceilings were exactly met. In addition the program calls for an increase in net international reserves of $34.0 million.

The tightness of the program can be better appreciated by looking at the internal credit component of internal assets. The monetary program calls for a decline in internal credit of the Central Bank from 1,678 million

TABLE 3

GOH MONETARY PROGRAM: CREDIT LIMITS AND NET INTERNATIONAL RESERVE TARGETS FOR THE CENTRAL BANK OF HONDURAS, 1988

(Millions of Lempiras at the last day of each month)

	Actual		Targets		
	Dec.'87	April'88	June'88	Sept.'88	Dec.'88
1.a. Net International assets 1/	-955.2	-1,049.3	-1,027.1	1,069.7	-1,051.3
1.b. Net International reserves 2/	-107.3	-122.8	-107.3	-136.7	-73.3
-Change in net international reserves relative to Dec.'87	-	-15.5	0.0	-29.4	+34.0
2.a. Internal assets 3/	1,625.8	1,682.1	1,658.9	1,689.5	1,735.7
-Public sector internal assets 3/	690.9	752.9	744.7	785.3	836.5
-Change in internal assets relative to Dec.'87	-	56.3	33.1	63.7	109.9
-Change in public sector internal assets relative to Dec.'87	-	62.0	53.8	94.4	145.6

1/ Net International reserves less medium and long term international debt.

2/ IMF definition; includes "deposits for arrears".

3/ Excludes government bonds sold in the banking system; includes "other net assets" and credit to public sector entities including credit used to service international debts. The conversion of public or publically guaranteed debt into Lempiras may result in an upward adjustment not to exceed 25 million Lempiras.

Lempiras on December 31, 1987 to 1,672 million Lempiras at the end of 1988 (see Annex I, page 41). It also calls for freezing credit to the public sector at 743 million Lempiras over the same period.

Although Central Bank credit to the private sector is programmed to decline slightly, overall banking system credit to the private sector is expected to increase by 7.3 percent (see Annex I, page 40, projecting an increment of credit by the banking system to the private sector of 222 million Lempiras -- from L3,024 million in Dec. 1987 to L3,246 in Dec. 1988). This is considered adequate to meet private sector needs.

The monetary program also calls for an expansion in net international reserves of 34.0 million Lempiras (see Table 3). Net international assets (net international reserves less the net change in medium- and long-term debt) are expected to decline from -955.2 million Lempiras in December 1987 to -1,051.3 million Lempiras in December, reflecting an increase in medium- and long-term indebtedness of 130.2 million Lempiras.

As reflected in Table 4, the monetary program is expected to be accompanied by the following changes in principal macro-economic and financial variables in 1988:

- real GDP growth of 2.5 percent,
- a current account deficit in the balance of payments of nearby 5 percent of GDP,
- a deficit in the consolidated nonfinancial public sector of 5.6 percent of GDP.

In order to facilitate the sale of bonds by the Central Bank, the 1988 monetary program calls for permitting the sale of a new series of bonds at a discount if necessary. These bonds would have no repurchase guarantee and would not enjoy an income tax exemption on interest payments. This is an important action which reduces the favoritism currently bestowed on public sector bonds. It is also an adjustment called for by one of this year's structural adjustment measures (measure No. 13).

2. Deficit Reduction Program

Throughout the first part of 1988, the Mission's policy dialogue stressed the urgency of reducing the public sector deficit to avoid a repetition of the excessive monetary expansion in 1987. The Mission highlighted the danger of maintaining too high a level of aggregate demand which increases the demand for imports, thereby pressuring the balance of payments. This led to the rapid accumulation of arrears in 1987. A higher level of imports than is consonant with the nation's ability to obtain international finance is simply unsustainable over the near term. The Mission's policy dialogue has carefully explained that a credible deficit reduction package would not only strengthen the nation's balance of payments situation but, in addition, would facilitate timely disbursements of ESF funds and further financial relief through agreements with the World Bank and the IMF.

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TABLE 4

HONDURAS: MACROECONOMIC OUTCOMES FOR 1985 TO 1987 AND PROJECTIONS

	1985	1986	Prel. 1987	Proj. 1988
Nominal GDP in millions of Lempiras	6977	7565	8043	8750a
Real GDP growth rate (percentage change)	3.2	2.7	4.2	2.5
Fiscal deficit of consolidated non financial public sector in millions of Lempiras	534	496	495	489
-As a percent of GDP	7.6	6.6	6.2	5.6
Current account deficit of the balance of payments in millions of Lempiras	675	501	627	492
-As a percent of GDP	9.7	6.6	7.8	5.6
Net international reserves of the Central Bank in millions of Lempiras	-197	-174	-107	-73
-Annual change in millions of Lempiras	+44	+23	+67	+34

Source: IMF, World Bank and Mission Data Base

a/ The nominal GDP estimate for 1988 in this table represents a small upward revision of the estimate of 8697 appearing in Statistical Appendix Table D.2. The revision is due to an upward revision in the projected inflation rate for 1988.

Note: Projected growth rates of imports and exports, while not appearing in this table, are important indicators of the overall performance of the Honduran economy. These growth rates are strongly influenced by GOH exchange rate policies. If an overvalued exchange rate is maintained, imports are expected to grow faster than exports over the 1987 to 1990 period. This scenario is reflected in Tables B.3. and B.4. of the Statistical Appendix prepared jointly by the Central Bank of Honduras and the USAID Mission. If, to the contrary, the exchange regime is liberalized, this is expected to have a highly favorable impact on the balance of trade. The IMF recently made projections assuming exchange rate liberalization. Under this assumption, exports are projected to grow by 9.3 percent annually over the 1987 to 1990 period with non traditional exports increasing by an average of 12.0 percent yearly. Over the same time period, imports are projected to grow by an average annual growth rate of 6.6 percent. If the Mission's attempts to achieve trade liberalization are successful, then the IMF projections are more likely to be accurate than the more pessimistic projections prepared with the Central Bank.

The Mission, along with the World Bank, argued in favor of a deficit reduction package of 100 to 150 million Lempiras for the 1988 calendar year. After a long delay, the GOH agreed to a deficit reduction package with two components, one for the remainder of 1988 and the other for 1989.

a. The 1988 Package

Implicit in the monetary program described in previous pages is a commitment by the Government to a deficit reduction package of about 65 million Lempiras for the remainder of 1988. The reduction is in relation to the GOH's projected public sector deficit. If the GOH complies with the reduction, it will bring the overall public sector deficit down to 5.6 percent of GDP from 6.2 percent in 1987 (see Table 4). At least 40 million Lempiras of this reduction must be in the form of expenditure cuts.

While the Mission originally asked for a stronger deficit reduction, we consider the agreement satisfactory for four reasons:

(1) It specifically calls for a reduction in public expenditures. We believe that a reduction in the bloated level of public expenditures is preferable to tax hikes. It should be noted, however, that the GOH may reduce the deficit by 25 million Lempiras largely by closing tax loopholes, in particular by eliminating customs exonerations for privileged importers.

(2) The Central Bank is taking the initiative in proposing changes in the characteristics of government bonds which will permit the absorption of more excess liquidity. This proposal would permit the sale of bonds without a repurchase guarantee. It would permit no income tax exemption on interest. The bonds could be sold at a discount if insufficient demand exists at the offered price.

(3) The government has committed itself to a further deficit reduction package for 1989.

(4) As well as being acceptable to the Mission, the 1988 deficit reduction package is also acceptable to the World Bank and IMF staff members who participated in the negotiations.

In order to encourage compliance with this commitment, we will require evidence that it will be carried out as a condition precedent to the first tranch of our ESF disbursement. This will require a letter from the GOH detailing how the 65 million Lempira budget deficit cut will be made. It is expected that at least 40 million Lempiras of the cut will be from reductions in public expenditures.

b. The 1989 Package

It can be seen that the President's letter to the Ambassador included in Annex II of this document commits the GOH to a public sector deficit of no more than 5 percent of GDP in 1989. Since this deficit is projected to be

5.6 percent of GDP in 1988 (assuming compliance with the 65 million Lempira deficit reduction), the 1989 program calls for a deficit reduction of an additional 0.6 percent of GDP, or the equivalent of an additional 52 million Lempiras valued at 1988 prices.

In order to encourage compliance with this commitment, the Mission proposes to put two conditions precedent in the FY 1988 ESF agreement:

(1) Disbursement of the second tranch will be conditioned on the presentation of the President's budget message to the National Congress, reflecting the deficit reduction commitment. The presentation is scheduled for mid-September 1988.

(2) Disbursement of the third tranch will be conditioned on congressional approval of a budget with a projected public sector deficit not to exceed 5 percent. This approval is expected in November 1988.

At present, it appears that the World Bank and the IMF will seek a stronger public sector deficit reduction than USAID in 1989. They have indicated that they will require a deficit cut of an additional 100-110 million Lempiras next year. While the Mission agrees with the desirability of a cut of this magnitude, we feel that our target of approximately 52 million Lempiras is more realistic. We have been repeatedly informed by the GOH that more than the target suggested by USAID would be very difficult to obtain in an election year.

During the June 1988 visit of a World Bank team, we discussed the differences in our 1989 deficit reduction targets and agreed, that despite their apparent conflict, the differences are mutually supportive. The USAID proposal of a 5 percent target, which has already been accepted by the GOH, encouraged the government to begin its 1989 budgetary process (it started in June 1988) with a mandate to explore alternatives for reducing the deficit. This paved the way, according to the leader of the Bank team, for the stronger IMF/Bank proposal which is currently under consideration by the GOH.

3. Exchange Rate Policy

Along with the need to reduce the public sector budget deficit, the Mission believes that a liberalization of exchange rate policy vies for the top priority on our policy dialogue agenda. We are pleased with the GOH's first move toward recognition of the parallel exchange rate market in December 1987 when it permitted the sale of a limited amount of the foreign exchange derived from the sale of certain exports. This foreign exchange could be sold for specified imports through the "CETRA system" at any price acceptable to both parties.

As part of the 1988 monetary program the GOH has agreed to expand the CETRA system to 30 percent of the value of all non-traditional exports (previously it only applied to 28 items) and to 15 percent of the value of traditional exports. However, the applicability of the CETRA to coffee exports will be conditioned on a reform of coffee taxes.

The net result of this planned CETRA expansion will bring the share of the value of exports not passing through the official exchange market from 27 to 33 percent. Given the importance of this system in liberalizing the exchange regime, the Mission will seek a further CETRA expansion through a condition precedent to the first disbursement. Further expansions of the CETRA system are especially important for promoting non traditional exports. A better exchange rate regime has been identified by the Mission as key to improving the performance of the agricultural sector.

Even though the CETRA system seeks to liberalize the GOH exchange regime, it still does not constitute a parallel market for foreign exchange. CETRA certificates are denominated in Lempiras at the official exchange rate and simply afford the holder immediate access to foreign exchange at the official exchange rate. There is no established market for exchanging CETRAs. In fact, trading in them is so thin that complaints abound by importers who cannot find them. CETRAs can only be sold to importers, not to the general public. There is no record of CETRA trades -- neither of the number of transactions nor of their prices. In its present form the CETRA is little more than a special incentive to exporters.

C. Structural Adjustment Component

The 1988 GOH structural adjustment program builds on the progress and experience gained from the 1986 and 1987 programs. The Mission is pleased with this progress and maintains the opinion expressed in last year's PAAD that continued progress on these adjustments should significantly improve Honduras' economic performance beginning around 1990. The measures of the 1988 program are grouped under three principal headings:

1. Rationalize public sector operations,
2. Increase the competitiveness of exports and promote private investment,
3. Enhance confidence in the Honduran economy.

Even though the Mission expects substantial compliance with the structural adjustment measures, it is important to emphasize that USAID is cognizant that there will almost certainly be shortfalls in their implementation. This is an inevitable result of the breadth of the program. When determining whether compliance is adequate for disbursement, the Mission will reach its decision based on the importance of the implemented measures.

The first group of measures generally seeks to reduce public expenditures through improving efficiency. Among these, the privatization of six firms is especially important. This group of measures also calls for introducing user fees on highways and payment by the Central Government for the services it consumes. It also calls for simplifications in the tax code which are also aimed at eliminating distortions currently misallocating resources.

The second group of measures includes periodic reviews of actions already taken to promote exports. Reports on the price competitiveness of exports are important in documenting the damage caused by an overvalued exchange rate. Within the second group of measures are several actions designed to stimulate private investment. Measure number 21 is especially important because an analysis of the risks facing a potential agricultural investor will clearly

TABLE 5

STATEMENT OF THE 1988 STRUCTURAL MEASURES AND TARGETS

MEASURE	TARGETS FOR 1988
I. RATIONALIZE PUBLIC SECTOR OPERATIONS	
A. Improve the operational and economic efficiency of the decentralized government institutions	
1. Introduction of Zero Base Budget (ZBB)	- Preparation and submission to the National Congress of the 1989 budget for three pilot institutions (INA, INVA, and SANAA) based on the zero base budgeting technique. - Preparation and initiation of a plan for extending the ZBB technique to other decentralized public sector institutions.
2. Develop and implement a budget control system	- Continue to apply budget control in the institutions in which the system is already established. - Continue with the establishment of budget control in five institutions that do not already have it (ENEE, HONDUTEL, SANAA, INVA, COHDEFOR).
3. Periodic analysis of the operational and economic efficiency of decentralized institutions.	- Analyze periodically through a system of selected indicators the operational and economic efficiency of the decentralized institutions most responsible for the public sector deficit (ENEE, SANAA, COHDEFOR, HONDUTEL).
4. Corrective measures to be taken.	- Complete a comprehensive management assessment of ENEE. - Initiate system improvements in ENEE.
B. Strengthen the independence and efficiency of the municipal system	
5. Promote the approval of the new Municipalities Law and issue its regulations.	- Passage of the new Municipalities Law.

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TABLE 5 (continued)

MEASURE	TARGETS FOR 1988
C. Transfer of public sector enterprises to the private sector	
6. Continue the process of transferring state participation in productive activities to the private sector.	- Preparation of at least eight divestiture packages, including legal and financial clean-ups, reports of technical-financial appraisals and recommendations for strategic transfers. - Expected approval of seven privatization packages, appraisals and transfer strategies by the Legal Opinion Commission and the Boards of Directors of the respective institutions. - Implementation of at least six public auctions and/or direct negotiations for the transfer of public enterprises to the private sector.
D. Rationalization of the tax system	
7. Structural analysis and evaluation of the tax system.	- Carry out a complete study on the tax system and recommendations for its rationalization.
8. Monitoring of the new tariff and customs system.	- Approval of the regulations for the Tariff and Customs Regime, the Customs Law and the Customs Valuation Law. - Presentation of reports on the tariff system implementation process, Customs Law and Customs Valuation Law.
9. Rationalization of the tax exemptions system.	- Complete the investigation that began in 1987 on this topic and submit appropriate recommendations accompanied by the draft decrees needed to implement the recommendations. - Expected derogation of the laws that grant fiscal incentives.
10. Introduction of tolls on paved roads.	Toll collection implemented at eight selected stations.

TABLE 5 (continued)

E. Improve the operational efficiency of the Central Government

MEASURE	TARGETS FOR 1988
11. Continue with the improvement of the tax administration system.	Submission of reports demonstrating improvement in the tax administration system.
12. Rationalization of the services rendered by public enterprises to the Central Government.	- Carry out a study identifying the billing procedures for the provision of services by ENEE, SANAA and HONDUTEL to the Central Government. The study will identify all costs paid by the Government, including those incurred as guarantor of credit and financial obligations of the cited public entities.
13. Reduce non-market incentives granted on public sector debt.	- Elimination of the tax exemption on the interest earned by Government bonds. - Continue eliminating the automatic repurchase guarantee on Government bonds.

II. INCREASE THE COMPETITIVENESS OF EXPORTS AND PROMOTE PRIVATE INVESTMENT

A. Increase the competitiveness of exports

14. Monitoring of the export incentive laws: Temporary Import Law, Export Promotion Law, Industrial Export Processing Zone Law, and Banana Export Incentives Law.	- Progress reports due on the implementation of the Temporary Import Regime (RIT), Export Promotion Law (LEFOMEX), Industrial Zone Law for Export Processing (ZIP) and the Banana Industry Law.
15. Periodic evaluations of exports performance and price competitiveness.	- Submission to the Economic Cabinet of periodic evaluations of export performance and price competitiveness. - Discussions within the Economic Cabinet of the evaluations and Cabinet recommendations for appropriate policies.

TABLE 5 (continued)

MEASURE	TARGETS FOR 1988
B. Promote private investment	
16. Establishment of the information center for the investor.	- Establish an information center for potential investors.
17. Analysis and rationalization of the legal framework for investment.	- Analyze legislation related to investment and submit recommendations for its simplification.
18. Promotion of a capital market.	- Facilitate the application process so that a capital market can begin functioning.
19. Analysis of present effective tariff protection and recommendations to reduce the average rates and levels of dispersion.	- Calculate the effective tariff protection afforded by the new customs system. - Develop a methodology to convert nominal protection into effective protective and viceversa.
20. Promote foreign direct investment in the tourism sector.	- Promote legislation to safeguard land ownership rights, thereby allowing direct foreign investment in tourism.
21. Promote private investment in the agricultural sector with the objective of increasing production and employment.	- Assess the agricultural sector, identifying the risks facing private investors. - Prepare the basis for a survey of the intensity of land use.
III. ENHANCE CONFIDENCE IN THE HONDURAN ECONOMY	
22. Continue with progress toward the establishment of a career judicial system.	- Implementation of the Career Judicial Law.
23. Continue external debt renegotiations.	- Continue with negotiations in good faith.
24. Continue negotiations with the World Bank and the International Monetary Fund.	- Status reports on the negotiations.

identify the need for urgent sectoral reforms. As mentioned in the FY 1990 Action Plan, the Mission hopes to gradually shift its ESF program toward a sectoral approach. We believe that promising areas for this approach are agriculture and exports and expect to focus much more attention on these areas in future ESF programs.

The last group of measures emphasizes important actions to improve confidence in the Honduran economy. The first two measures are continuations of those appearing in the previous economic program. The last measure is new this year and underlines the importance the GOH places on reaching IMF and World Bank supported programs.

The full set of measures is detailed in Annex I along with goals and target dates for compliance. A summary of this Annex by reform measures and targets is presented in Table 5. Another summary ordering key implementation targets by dates appears in Table 6.

As in previous years, the 1988 structural reform program is the result of detailed discussions at the technical and political levels within the GOH and between the GOH and USAID. The GOH now feels comfortable with the preparation and implementation of a yearly economic program. The Mission is pleased to note the GOH commitment to the program.

D. Role of the World Bank and the IMF

As mentioned in Part IV.B, the Mission places great importance on enhancing the participation of the World Bank and the IMF in improving the macro-economic performance of Honduras. The resources and technical expertise of these institutions offer important additional support to the GOH Economic Program. Moreover, a strong macro-economic role for these institutions would enable USAID to shift its resources toward a sectoral focus.

The USAID Mission believes that the programs it supported in 1986 and 1987 paved the way for the understandings recently reached between the GOH and the World Bank and IMF. We welcome the participation of these two entities in the design of the 1988 monetary program. The Mission worked closely with the Bank and Fund in negotiating the 1988 economic program and believes their participation has been positive.

There are, however, some problems which must be overcome before agreements can be reached between the GOH and the World Bank and IMF. The principal problem is arrears. By mid August (the earliest date a program could be submitted to the Board of the Bank), the GOH will have about $43 million in arrears to the Bank and $25 million to the Fund for a total of $68 million. Without all these arrears being paid, it is understood that the Bank's Board would probably not approve - and perhaps not even consider - a macro-economic adjustment operation. In order to enable the IMF and World Bank to fully support the GOH Economic program, the Mission recommends that approval be granted to use ESF funds to clear up GOH arrears to these entities (see Part I.D. Issues Associated with the FY 1988 Program).

TABLE 6

KEY IMPLEMENTATION TARGETS/DISBURSEMENT CRITERIA FOR FY 1988 STRUCTURAL MEASURES

A. First Disbursement (July 31, 1988)

	Measure No. and Brief Statement of Content	Specific Actions to be completed by July 15, 1988
1.	Zero base budgeting	- Preparation, organization and consolidation of the decision packages for selected units in the three pilots institutions.
2.	Budget control	- Preparation and evaluation of the report on the implementation of the 1987 budget of the decentralized institutions. - Review the 1988 plan for the establishment of the budgetary control in five institutions.
3.	Operational and economic efficiency	- Preparation, discussion and approval of the methodology, selection of the indicators and establishment of the 1988 plan.
4.	Corrective measures	- Preparation of the proposals concerning the scope of the management assessment and system improvements in the ENEE.
6.	Privatization	- Preparation of four packages. - Expected approval of three packages. - Expected implementation of two public auctions and/or direct negotiations.
7.	Tax system	- Submit to the IDB a draft document to contract external technical assistance for analyzing the tax system.
8.	Tariff and customs system	- Presentation of the first report on the implementation of the Customs Tariff, the Customs Law and the Customs Valuation Law.

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TABLE 6 (continued)

9.	Tax exemptions system	- Progress report of the study for the derogation of exemptions. - Expected derogation of the laws that grant fiscal incentives to productive activities.
10.	Tolls on paved roads	- Approval of toll rates to be charged. - Approval of the administrative collection system.
11.	Improve tax administration	- Presentation of the 1988 work plan with its respective schedule. - Implementation of the scheduled measures.
14.	Monitoring of the export incentive laws	- Preparation of a report on the application of the laws during 1987.
15.	Export competitiveness assessment	- Evaluation for the first quarter of 1988.
16.	Information center for the investor	- Submission of the project proposal including a work plan for its establishment.
17.	Legal framework for the investor	- Submission of a document justifying the need to carry out a study to rationalize legislation related to the investment.
24.	Negotiations with the World Bank and the International Monetary Fund	- First report on the status of the negotiations.

B. Second Disbursement (October 31, 1988)

	Measure No. and Brief Statement of Content	Specific Actions to be completed by October 15, 1988
1.	Zero base budgeting	- Submission of a budget by the three pilot institutions to SECPLAN and the Ministry of Finance. - Budget submission in draft by the three pilots institutions to the National Congress.

TABLE 6 (continued)

2.	Budget control	- Preparation and evaluation of the report on the implementation of the budget for the period of January through June 1988 for five institutions.
3.	Operational and economic efficiency	- Approval of a system of periodic analysis and instruction to the institutions concerning its implementation.
4.	Corrective measures	- Initiation of the ENEE management assessment.
5.	Municipal system	- Submission of the proposed Law to the National Congress.
6.	Privatization	- Preparation of two additional packages. - Expected approval of two additional packages. - Expected implementation of two additional auctions and/or direct negotiations.
7.	Tax system	- Expected approval by the IDB of the technical assistance project. - Expected contract for the consultant group to carry out the study.
8.	Tariff and customs system	- Executive Branch approval of the regulations for the Tariff and Customs Regime, the Customs Law and the Customs Valuation Law. - Presentation of the second report on the implementation of the Customs Tariff, the Customs Law and the Customs Valuation Law.
9.	Tax exemptions system	- Presentation of draft decrees to rationalize the use of tax exemptions for activities excluded from the legislation expected for June 30.
10.	Tolls on paved roads	- Toll collection implemented in Cerro de Hula, Tamara, Olancho, Zamorano and Choloma.
11.	Improve tax administration	- Implementation of the scheduled measures.

TABLE 6 (continued)

12.	Rationalization of the services rendered by public enterprises to the Central Government	- Submission of a study identifying the billing procedures for the provision of services by ENEE, SANAA and HONDUTEL to the Central Government. The study will identify all costs paid by the Government.
13.	Reduce preferential treatment to the public sector	- Review and expand upon the analysis of a 1987 study calling for the elimination of the tax exemption on interest paid on government bonds.
14.	Monitoring of the export incentive laws	- Preparation of a report on the application of the laws during the period January through June 1988.
15.	Export competitiveness assessment	- Evaluation for the second quarter of 1988. - Discussion within the Economic Cabinet of the first and the second quarter evaluations of 1988 and policy recommendations as appropriate.
16.	Information center for the investor	- Report on activities performed according to the scheduled work plan.
17.	Legal framework for investment	- Progress report.
19.	Effective tariff protection	- Calculation of the rates of effective protection of the new tariff system.
20.	Foreign direct investment in the tourism sector	- Submission of draft law to the National Congress.
21.	Promote private investment in the agricultural sector	- Preparation for the survey to dertermine the level of land utilization. - Presentation of the study identifying the risks of private investment in the agricultural sector.
22.	Career Judicial System	- Approval expected by the Supreme Cour of Justice of the pending regulations.
23.	External debt renegotiations	- Submission of the External Debt Renegotiation Agreement to the National Congress.
24.	Negotiations with the World Bank and the International Monetary Fund	- Second report on the status of the negotiations.

TABLE 6 (continued)

C. Third Disbursement (December 31, 1988)

	Measure No. and Brief Statement of Content	Specific Actions to be completed by December 15, 1988
1.	Zero base budgeting	- Evaluation of the results and preparation and approval of a report to determine the convenience of extending the ZBB to other decentralized institutions.
2.	Budget control	- Preparation and evaluation of the report on the implementation of the budget for the period of January through September 1988 for five institutions.
3.	Operational and economic efficiency	- Preparation and evaluation of the report concerning progress on the establishment of the system of periodic analysis and taking of appropriate decisions.
4.	Corrective measures	- Preparation of the progress report progress on the management assessment and the adoptions of measures for system improvements in ENEE. - End of the ENEE audit and its final report.
5.	Municipal system	- Expected approval by the National Congress of the new Law.
6.	Privatization	- Preparation of two additional packages. - Expected approval of two additional packages. - Expected implementation of two additional auctions and/or direct negotiations.
7.	Tax system	- Presentation of the work plan by the consultant group.
8.	Tariff and customs system	- Presentation of the third report on the implementation of the Customs Tariff, the Customs Law and the Customs Valuatiation Law.

TABLE 6 (continued)

10.	Tolls on paved roads	- Toll collection implemented in Lima, Tela and Caracol.
11.	Improve tax administration	- Implementation of the scheduled measures. - Analysis of the revenue impact of the measures.
12.	Rationalization of the services rendered by public enterprises to the Central Government	- Preparation of an implementation plan to rationalize the use of the public services provided to the Central Government.
13.	Reduce preferential treatment to the public sector	- Report on the measures taken for the gradual elimination of the automatic repurchase guarantee facilities of the Central Government bonds.
15.	Export competitiveness assessment	- Evaluation for the third quarter of 1988.
16.	Information center for the investor	- Est blishment of the information center for the investor.
17.	Legal framework for investment	- Submission of the study with recommendations for simplification.
18.	Capital market	- Submission of a progress report on the establishment of a capital market.
19.	Effective tariff protection	- Develop a methodology to convert nominal protection into effective protection and viceversa.
20.	Foreign direct investment in the tourism sector	- Expected approval by the Naticnal Congress of the new legislation. - Draft of the proposed implementing regulations for the law.
21.	Promote private investment in the agricultural sector	- Preparation for the survey to determine the level of utilization. - Presentation of the study identifying the risks of private investment in the agricultural sector.
22.	Career Judicial System	- Approval expected by the Supreme Court of Justice of the pending regulations.

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TABLE 6 (continued)

23.	External debt renegotiation	- Expected approval by the National Congress of the External Debt Renegotiation Agreement.
24.	Negotiations with the World Bank and the International Monetary Fund	- Third report on the status of the negotiations

If the World Bank program is presented to its Board in mid-August, approval could be obtained by early September for a $50 million macro-economic adjustment operation (MAO). In addition, the Bank would seek an additional $50 million in co-financing by the Japanese. The first disbursement of the combined $100 million program would be $25 million of Bank funds to take place in late September. It is then expected that $25 million of Japanese funds could be disbursed a month later. The final $50 would be disbursed in January 1989 upon compliance with the December targets.

The IMF program is expected to remain a "shadow program" until October. This implies staff monitoring of the agreed upon targets without the presentation of a more formal program to the IMF Board. If the September 30 targets are met and if arrears to the Fund are eliminated, then the shadow program could be transformed into a formal Fund arrangement, that is a Stand-by.

E. Tranching of Disbursements in Accordance with Performance

As indicated in Table 7, three disbursements are proposed. The disbursements are tranched in accordance with compliance with the quarterly monetary program targets set forth in Table 3 and substantial compliance with the quarterly implementation plan established for each of the structural reform measures included in the 1988 structural reform program. In addition, the first disbursement is conditioned on compliance with the 1988 deficit reduction goal and agreement for expanding the CETRA system during the remainder of 1988. The second and third disbursements are conditioned on complying with the planned expansion of the CETRA system and on budgetary preparations supporting the deficit reduction target for 1989. All three disbursements are for $25 million each. The final disbursement will involve an overall qualitative assessment of compliance with both the structural and monetary components of the GOH Economic Program. Experience has indicated that there may be some slippage between the time the required actions are taken by the GOH, and the time at which the GOH provides proper documentation to the Mission. Accordingly, target dates for completion of all required actions have been scheduled so that all required documentation will have been available and evaluated by the target dates for review indicated in Table 7.

F. U.S. Assistance for Implementation of GOH 1988 Economic Program.

1. Policy Planning Project.

In 1987 the Mission approved the Policy Analysis and Implementation Project (522-0325). The project consists of a "Public Sector" and a "Private Sector" component. The former is divided into two subcomponents. The first provides technical expertise to the GOH which it needs to design and effectively implement its Economic Reform Program. While this subcomponent seeks to meet the immediate need for technical assistance, the second component is designed to provide a more permanent solution to the current lack of depth and breadth in economic policy analysis. It will provide financing for 10 Ph.D. and 25 M.A. degrees in economics or related areas for qualified Hondurans at leading U.S. universities. The private sector component of the project will assist in the analysis of policy issues and in the formulation of effective positions on issues affecting the private sector as a whole.

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TABLE 7

DISBURSEMENT TRANCHES, DATES AND PERFORMANCE CRITERIA

TARGET DATE FOR DISBURSEMENT	AMOUNT	TARGET DATE FOR REVIEW	PERFORMANCE CRITERIA
July 31	$25 million	July 15	1) Compliance with June 30 monetary program limits/targets. 2) Substantial compliance with implementation calendar for structural reform program. 3) Compliance with the 1988 budget deficit target. 4) Plan to expand the CETRA system during the remainder of 1988.
October 31	$25 million	October 15	1) Compliance with September 30 monetary program limits/targets. 2) Substantial compliance with implementation calendar for structural reform program. 3) Budget presentation to Congress reflecting the 1989 deficit reduction target. 4. Compliance with the CETRA expansion plan.
December 31	$25 million	December 15	1) Compliance with December 30 monetary program limits/targets based on mid-December projections. 2) Substantial compliance with implementation calendar for structural reform program. 3) Budget passed by Congress reflecting the 1989 deficit reduction target. 4) Compliance with the CETRA expansion plan. 5) Qualitative review of overall progress on economic program.

2. Privatization of State-Owned Enterprises Project (522-0289)

Support for the privatization component of the 1987 structural reform program is being provided through a specific USAID project intervention, The Privatization of State-Owned Enterprises Project (522-0289). Through this project, the Mission is providing financial resources and technical assistance to support GOH efforts to divest a number of publicly owned/controlled operations that can be run by the private sector. AID assistance has been instrumental in the development and ultimate passage of the Honduran Divestiture Law, passed by Congress in October 1985, which provided the legal basis for divestiture activities currently being conducted by the GOH. Current efforts through the project are directed at performing appraisals of public firms to be divested, completing legal and financial clean-ups of these enterprises, and preparing prospectuses on companies to be auctioned to the private sector. Three public sector enterprises were privatized in 1987 and the GOH Economic Program for 1988 calls for at least six additional privatizations.

G. Utilization of Dollar Resources

Separate account(s) have been established by the Central Bank of Honduras at commercial banks in the United States chosen by the Central Bank as its correspondent bank(s). Dollar funds provided by AID for balance-of-payments support will be deposited into the separate account(s) in the designated correspondent bank(s). The separate account(s) may be interest bearing account(s). However, any interest earned on the funds deposited in the separate account(s) will be used in the same manner and for the same purposes as the balance-of-payments support disbursements.

The use of the separate account(s) is to comply with U.S. law and will provide accountability for the funds and preclude the co-mingling of balance of payments support with the Central Bank's other foreign exchange resources. Funds deposited in the separate account(s) and interest earnings generated by such funds may be used for financing transactions from one or more of the following eligible categories:

1. CIF value of commodities of U.S. source and origin falling in the following classifications:

   a. agricultural inputs,
   b. capital goods,
   c. intermediate goods,
   d. spare parts, and
   e. petroleum products;

2. Crude petroleum and its derivatives imported from Mexico and Venezuela; and

3. debt service payments due on direct and guaranteed loans under AID, PL 480, the Housing Guarantee, and the TCIP (AID-EXIM) Programs.

4. Debt service payments (principal and interest) to International Financial Institutions (IFIs). Given the importance of continued close cooperation of USAID with IFIs, especially the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF), and the fact that this cooperation can only be maintained through the timely servicing of GOH debt to IFIs, the Mission requests that these payments be included among the eligible categories.

The Central Bank will be required to establish and maintain files for each transaction funded from the separate account(s). Each file will contain documents which support the transaction's eligibility, establish that payment has been effected and demonstrate that commodities have been cleared through customs and have entered the economy. The Central Bank will make reimbursements from the separate account(s) using letters of credit, reimbursement to Honduran importers or their banks, direct payments, and other methods as specified in implementation letters.

The documentation supporting the disbursements from the special accounts will be subject to review by the authorized representatives of USAID. The Central Bank will furnish the Mission quarterly reports detailing the use of the dollars deposited and interest, if any, generated. The quarterly report will be verified by the USAID Office of the Controller personnel.

H. Utilization of Local Currency Resources

1. Strategy

The ESF local currency programming strategy is to support priority areas of GOH/USAID concern, including support for private sector initiatives directly and indirectly associated with Mission programs. In this regard, programming of local currency fully supports the Central American Initiative objectives as indicated in Table 8.

Upon disbursement of ESF U.S. dollar assistance, the GOH deposits an equivalent amount of funds in Lempiras into the Central Bank's Special Account for Development Activities, established under the Economic Recovery Program (522-0230). The Economic Recovery Program which ended in 1985, disbursed U.S. $131,000,000. The Economic Stabilization Facility (522-0283) which followed the Economic Recovery Program disbursed U.S. $208,748,000. The most recent program, Economic Stabilization and Recovery II, has disbursed U.S.$80,000.

In line with the local currency strategy, the Special Account is divided into two major components: (1) Public Sector Activities, and (2) Private Sector/Special Activities. Funding is split equally between the two components in accordance with our ESF Agreement. Local currency resources are programmed through program implementation letters, co-signed by USAID, the Ministry of Finance and Public Credit and the Central Bank. The division between public and private sector uses and amounts programmed appears in Table 9.

TABLE 8

LOCAL CURRENCY USES

LOCAL CURRENCY USE	CORRESPONDING USAID OBJECTIVES	NBCCA GOALS
I. Public Sector Activities A. Counterpart for AID and IFI Projects B. Budget Support for GOH Programs Related to Mission's Programs	- Improve Macroeconomic Performance - Improve Agricultural - Production - Increase Export Earnings - Generate Productive Employment - Reduce the Population Growth Rate - Provide Improved Shelter and Services - Improve Primary Education - Increase life Expectancy - Consolidate Democratic Processes	- Economic Stabilization - Laying the Basis for Long-term Growth - Equity and Broad Participation in Development - Democratic Institutions and Human Rights
C. Employment Generation	- Generate Productive Employment	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
D. Democratic Initiatives	- Provide Scholarships for Study in U.S.A. to Honduras - Consolidate Democratic Processes	- Equity and Broad Participation in Development - Democratic Institutions and Human Rights
II. Private Sector and Special Activities		
1. Working Capital Credit for Small and Medium Enterprises	- Improve Macroeconomic Performance - Increase Export Earnings - Generate Productive Employment	- Economic Stabilization - Laying the Basis for Long-term Growth - Broad Participation

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TABLE 8 (continued)

2.	Divestiture of Public Enterprises Fund	- Improve Macroeconomic Performance - Increase Export Earnings - Generate Productive Employment	- Economic Stabilization - Laying the Basis for Long-term Growth
3.	Investment Capital for Nontraditional Exports	- Improve Macroeconomic Performance - Increase Export Earnings - Generate Productive Employment	- Economic Stabilization - Laying the Basis for Long-term Growth
4.	Support for PVOs	- Increase Agricultural Production - Increase Export Earnings - Generate Productive Employment - Increase Life Expectancy - Reduce Population Growth Rate - Provide Improve Shelter Services	- Economic Stabilization - Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
5.	Agricultural Land Sale Fund	- Increase Agricultural Production	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
6.	Coffee Production Investment and Diversification	- Increase Agricultural Production - Increase Export Earning	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
7.	Rural Technologies Credit	- Generate Productive Employment - Improve Agricultural Production	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
8.	Housing Support Credit	- Provide Improved Shelter and Services	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development

TABLE 8 (continued)

9.	Irrigation Financing Facility	- Improve Agricultural Production	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
10.	Small Farmer Organization Strengthening	- Improve Agricultural Production - Increase Export Earnings	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
11.	Pan-American Agricultural School	- Generate Productive Employment - Improve macroeconomic Performance - Increase agricultural Production	- Laying the Basis for Long-term Growth - Equity and Broad Participation in Development
12.	Emergency Relief Assistance Fund	- Strengthening Democratic Institutions	- Laying the Basic for Long-term Growth - Equity and Broad Participation in Development

TABLE 9

SUMMARY OF GLOBAL PROGRAMMING OF LOCAL CURRENCY GENERATIONS

(U.S. Dollar Equivalent 000)

	0230	0283	0323	TOTAL
I. PUBLIC SECTOR				
1. Counterpart-A.I.D.	29,019	22,949	14,389	66,357
a. Ag. & Rural Projects	15,073	10,693	8,778	34,545
b. Education	4,828	2,976	1,447	9,250
c. Health & Nutrition	6,925	6,430	2,727	16,082
d. Others	2,194	2,850	1,437	6,481
2. USAID Project Revolving Funds	3,700	2,800	1,700	8,200
3. IFI Projects	15,595	25,741	13,136	54,473
4. PVOs GOH Budget	3,694	1,389		5,083
5. GOH Budget Support	7,864	42,438	9,274	59,576
6. Employment Generation	5,278	9,057	1,500	15,835
7. AID Trust Fund/Training	350			350
SUBTOTAL PUBLIC SECTOR	65,500	104,374	40,000	209,874

TABLE 9 (CONTINUED)

SUMMARY OF GLOBAL PROGRAMMING OF LOCAL CURRENCY GENERATIONS

(U.S. Dollar Equivalent In Thousands)

	********* 0230 *********	********* 0283 *********	********* 0323 *********	********* TOTAL *********
II. PRIVATE SECTOR AND SPECIAL ACTIVITIES				
A. Private Sector				
1. Private Initiative Support Fund				
Economic Growth and Investment		19,200	13,266	32,466
Educational Services		19,800	3,610	23,410
PVOs	9,325	7,500	134	16,959
2. Divestiture of Public Enterprises Fund	2,500	9,500		12,000
3. Credit Programs				
a. Agric. Mortgage Rediscount Fund	500	1,500		2,000
b. Coffee Prod. Investment	5,000	2,500	1,500	9,000
c. Export Promotion and Services	12,000	7,000		19,000
d. Agric. Diversification Fund	750			750
e. Rural Technologies Credit	400	1,650	1,850	3,900
f. Basic Grains Production (Regional Cooperatives)	2,250			2,250
g. FONDEI/FIA	4,000			4,000
h. Small/Med.-Sized Businesses (Working Capital)	26,200			26,200
i. Housing Support Credit/HG008		7,500		7,500
j. INVA Rural Housing Credit		2,000		2,000
k. Irrigation Financing Facility			750	750
4. Small Farmer Organization Stren./Financial Stabilization		5,000	2,250	0
5. Free Zone Expansion Program		2,000		
6. Pan-American Agr. School Endowment			5,000	5,000
7. Reserve Fund		601		601
SUBTOTAL PRIVATE SECTOR	62,925	85,751	28,360	177,036
B. Special Activities				
1. A.I.D. Trust Funds				
a. Operating Expenses	2,025	7,500	5,650	15,175
b. Technical Support Fund	500	4,050	2,500	7,050
c. Training		1,124	1,090	2,214
d. Financial Reviews		275	250	525
e. Peace Corps-Honduras SDA Prg.	50	275	150	475
2. Emergency Assistance Relief Fund		3,000	1,000	4,000
3. Rotating Funds *		1,400		1,400
4. Employment Generation - PVO		1,000	1,000	2,000
SUBTOTAL SPECIAL ACTIVITIES	2,575	18,624	11,640	32,839
TOTAL PRIV. SECTOR & SPEC. ACTIVITIES	65,000	104,374	40,000	209,874
GRAND TOTAL	131,000	208,748	80,000	419,748

*Resources to cover additional rotating fund needs are on loan from the Private and Special Activities Account to the Public Sector Account.

The Mission carries out the programming of local currency resources in accordance with existing agency policy on its use and in accordance with macro-economic considerations inherent in the GOH monetary program. The latter implies that the Mission must reconcile demands for local currency disbursements with a global credit ceiling based on Honduras' import capacity. To do otherwise would provoke inflationary pressures and a demand for imports which could not easily be satisfied. Keeping this in mind, the Mission has placed a ceiling on non-credit local currency disbursements to the private sector during 1988 at 48 million Lempiras. It is believed that this figure is consonant with a small positive growth rate in GDP (of about two percent) and a moderate increment in the CPI (of four to seven percent). Over the time period spanned by the stabilization program, continued pressures to reduce the demand for imports will almost certainly necessitate further restrictions on local currency disbursements. Accordingly the Mission is severely restricting the approval of local currency disbursements from the special account for new activities not already programmed.

a. Public Sector Activities

Within the public sector, the Mission assigns the following priority to local currency funding considerations:

1. USAID project counterpart,
2. counterpart for projects funded by other international financial institutions (IFIs),
3. GOH public sector programs that support GOH development strategies and complement AID goals and objectives,
4. "projectized" GOH budget support in which AID is involved in project design and/or implementation (i.e., the Employment Generation Program), and
5. GOH contributions to Honduran private and voluntary organizations (PVOs).

In addition, local currency counterpart funds provide an important facilitating mechanism to ensure timely implementation of GOH/AID projects through rotating funds. Rotating funds are initially funded with local currency generations and reimbursed with project funds. In this manner, projects have a continuous "advance" of funds to finance critical project activities, without delays that often result from programming or other GOH budget allocation procedures. Moreover, this system eliminates DA funded advances. Currently nine projects have rotating funds. The funds are used to pay project personnel, per diem expenses, and project-related purchases. To date, 14,544.50 Lempiras have been programmed for rotating funds.

The type of GOH programs and projects funded through local currency include labor intensive public works activities such as potable water projects, and road and school construction, as well as budget assistance to GOH public entities. Examples of counterpart to IFI projects (mostly IDB and IBRD) include agricultural programs, public works activities and feasibility studies for future IFI programs.

Under the three ESF programs a total of 419,748,000 Lempiras have been deposited in the Central Bank's Special Account and have been partly programmed for public sector activities. Counterparts for AID-financed projects represents 32 percent of this amount, while support to GOH programs represents 28 percent of the total programmed for public sector.

b. Private Sector and Special Activities

Under Private Sector and Special Activities, the Mission's strategy is to fund the following activities in order of priority:

1. USAID Trust Fund (special activities),
2. USAID-related credit programs,
3. USAID-related private sector initiatives, and private and voluntary organizations, and
4. other programs in the private sector and special activities, including contingency funds for special programs such as emergency assistance.

Private Sector Activities. In the private sector, funds support A.I.D. projects such as the Export Development and Services Project (522-0207), and A.I.D. - financed private sector Honduran Institutions, such as FIDE, FEPROEXAH, and FDF. Other private sector activities supported by local currency include: shelter upgrading, specialized credit lines for cooperatives, agriculture and private business; support for private initiatives (economic growth and investment, educational services, and PVOs); and credit and support services for the privatization of state-owned enterprises.

Specialized credit lines are one of the largest components of the private sector account. The rediscount lines of credit provided through the Central Bank for onlending to commercial banks amount to 174,700,000, Lempiras and include the following:

	(in thousands of Lempiras) Programmed	Disbursed
Irrigation Financing Facility	1,500	0
Divestiture of Public Enterprises	24,000	3,084
Housing Support Credit	15,000	15,000
Agricultural Land Sale Fund	4,000	3,998
Rural Technologies Credit	7,800	4,100
Working Capital/Small-medium Size Companies	52,400	52,400
FONDEI/FIA	8,000	8,000
Basic Grains Production/BANADESA Regional Cooperatives	4,500	4,500
Coffee Production Investment	18,000	9,911
Export Development and Services	38,000	0
Agricultural Diversification Fund	1,500	1,500
	174,700	102,493

The Small Coffee Growers Improvement line of credit was initiated in 1981 with 8 million Lempiras. With over 43,000 small coffee growers in Honduras, this line of credit was designed to assist these small growers with their production costs. The interest rate for the farmer was 17 percent. The discount rate from the Central Bank to the commercial banks has been 13 percent.

The Farm Land Purchase line of credit originated in 1982 with 4 million Lempiras. Banks can onlend to the land purchaser at approximately 15 percent for a period up to ten years.

Under the Working Capital line for credit, businessmen are permitted to borrow funds for up to two years for working capital. The program began in 1982 with 48 million Lempiras that has since been increased to 52.4 million Lempiras. Maximum loan under the program is 1 million Lempiras and interest rates to the borrower range from 14 percent to 19 percent with an average of 17 percent. Ten percent of the portfolio is required for lending to small businesses with loans of 50,000 Lempiras ($25,000) or less. Original capital has turned over approximately five times.

Interest from the capital fund of these rediscount lines of credit has financed seminars for Central Bank employees, debt services of the ESF program, and the cost of the Joint Economic Working Group (JEWG) meetings.

Special Activities. In the October 17, 1986 ESF programming PIL (No.87), the private sector account was split into two parts: (1) private sector activities and (2) special activities. This extra programming category was established to better reflect the purposes for which funds are allocated. Activities under this new category are not necessarily private sector but include important activities which, due to budgetary restrictions, could not otherwise be supported by the GOH in a timely manner. The 50/50 funding split is maintained; however, special activities will be funded from the private sector account.

The Emergency Relief Assistance Fund was established to provide the GOH with a mechanism that would permit it to respond quickly to emergency situations. The fund can be used by either the GOH or private sector institutions, and currently has disbursed nearly 8,000,000 Lempiras. Activities financed with this fund include training program for regional community leaders in managing natural disasters, disaster assistance for the Mosquitia and the south, and an emergency relief program for displaced Hondurans.

2. Endowment Program

Given the restrictions placed on local currency disbursements by the monetary program, the Mission is actively seeking to convert a portion of local currency resources to bonds and use them to form endowments for worthwhile private organizations. This has an immediate advantage to the public sector in that it enables compliance with monetary targets while finding a purchaser for some of its bonds. The concept of an endowment program is also attractive to the private sector as it provides long term financing as opposed to the generally transitory financing implicit in other USAID private sector programs.

As a pilot endowment program, the GOH and Mission are seeking to establish and educational endowment for the Escuela Agricola Pan Americana (EAP) Inc. with funds from the Special Account. The endowment is expected to reach thirty million Lempiras to be paid in three equal installments of ten million Lempiras each. The Board of Trustees of the EAP will have fiduciary responsibility for the management of the bond with the understanding that the nominal value of the capital will be maintained intact. It will be invested in bonds of the Central Bank of Honduras or in other investments agreed upon by the parties.

It may reinvest the income earned on the endowment in any investments it judges appropriate. By funding EAP, a positive impact is expected on water availability and the management of forests and other natural resources, including agricultural resources, of Honduras. The investment income which is not reinvested shall be channeled toward scholarships and educational costs (in a proportion yet to be defined) and toward programs having a direct impact on water availability on the management of forests or other natural resources of Honduras. In order to further strengthen the endowment, EAP will have to show evidence it has increased its endowment funds from other sources prior to using the income from each of the three installments and also prior to receiving the second and third installments.

Upon establishing the EAP endowment, the Mission with actively seek to constitute similar funds for other worthwhile private institutions such as FHIA. This permits local currency resources to support economic development while conforming with the restrictions on the expansion of the money supply.

3. Program Monitoring

Once programmed and disbursed, funds are monitored by both the Ministry of Finance and Public Credit (MFPC) and the USAID Controller's office. Based on documentation submitted by the MFPC, the Controller's office issues a monthly status report of the ESF Program.

The report provides information on the complete portfolio of local currency resources. The report identifies amounts approved, programmed, disbursed, bank reserves (funds committed but not disbursed), and funds available for programming.

In addition to the monthly reports, the Controller's office makes spot checks on the vouchers maintained by the GOH for public sector institutions and for private sector organizations that receive GOH support. Operating Program Grants (OPGs) with institutions also require yearly independent financial reviews of the local currency programs.

In general, AID's role in monitoring public sector local currency is limited to ensuring that appropriate institutions receive the funds and that disbursements are made on a timely basis, particularly for USAID project counterpart.

The Mission closely monitors private sector funds. To reduce the Mission's management burden, a fiduciary account system was initiated with selected local commercial banks. Under this system, private sector recipients of local currency project funding (primarily PVOs) are required to sign a fiduciary agreement with a local commercial bank. This arrangement places the direct disbursement, management and monitoring burden in the hands of private banks. For a fee, the banks will disburse funds and manage each project's finances, implementation and accounting, with related reports submitted to AID on a quarterly basis.

V. CONDITIONS AND COVENANTS

A. Conditions Precedent to the First Disbursement

Prior to the initial disbursement of $25.0 million, the Grantee shall provide to AID, in form and substance satisfactory to AID, unless AID otherwise agrees in writing:

1. a written opinion of the Attorney General of Honduras that the Agreement is legal and binding;

2. specimen signature of the individual(s) empowered to act on behalf of the Government for this program;

3. evidence that the Grantee is in compliance with the June 30, 1988 ceiling on domestic credit expansion by the Central Bank, the subceiling on domestic credit expansion by the Central Bank to the consolidated nonfinancial public sector and the target changes in net international assets and net international reserves;

4. evidence that the GOH has substantially completed those specific actions required by July 15, 1988 as specified in the structural component of the GOH Economic Program attached in Annex I of this PAAD;

5. evidence that the GOH has taken measures since June 1988 to reduce the deficit of the consolidated nonfinancial public sector in 1988 by 60 to 65 million Lempiras and that no less than 40 million Lempiras of this reduction is derived from expenditure cuts.

6. evidence that a tracking system has been put in place to insure compliance with GOH fiscal deficit target;

7. establish a separate account(s) in the United States for ESF dollar disbursements as specified in Section IV.F of this PAAD;

8. a letter specifying a plan acceptable to USAID for expanding the CETRA system during the remainder of 1988.

B. Conditions Precedent to the Second Disbursement

Prior to a second disbursement of $25 million, the Grantee shall provide to AID, in form and substance satisfactory to AID, unless AID otherwise agrees in writing:

1. evidence that the Grantee is in compliance with the September 30, 1988 ceiling on domestic credit expansion by the Central Bank, the subceiling on domestic credit expansion to the consolidated nonfinancial public sector and the target changes in net international assets and net international reserves;

2. evidence that the GOH has substantially completed those specific actions required by October 15, 1988 as specified in the structural reform component of the GOH Economic Program attached in Annex I of this PAAD;

3. evidence that the 1989 budget submission by the President to the National Congress calls for a budget deficit of the consolidated nonfinancial public sector of no more than 5 percent of projected GDP; and

4. evidence that the GOH has comply with the targets up to October 15, 1988 for the expansion of the CETRA system.

C. Conditions Precedent to the Third Disbursement

Prior to a third disbursement of $25.0 million, the Grantee shall provide to AID, in form and substance satisfactory to AID, unless AID otherwise agrees in writing:

1. evidence that the Grantee is in compliance with the December 30, 1988 ceiling on overall net domestic credit expansion by the Central Bank, the subceiling on net domestic credit expansion to the consolidated nonfinancial public sector and the target changes in net international assets and net international reserves;

2. evidence that the GOH has substantially completed those specific actions required by December 15, 1988 as specified in the structural reform component of the GOH Economic Program attached in Annex I of this PAAD.

3. evidence that the 1989 budget passed by Congress projects a budget deficit not to exceed 5 percent of GDP projected for that year;

4. based on an overall review of GOH performance on the complementary structural reform program contained in Annex I of this PAAD, evidence that satisfactory progress has taken place; and

5. evidence that the GOH has complied with the targets up to December 30, 1988 for the expansion of the CETRA system.

D. Covenants

The cooperating country shall covenant that, unless AID otherwise agrees in writing, it will:

1. deposit in the Central Bank of Honduras, upon each ESF dollar disbursement, an amount of Lempiras equal to the U.S. dollars disbursed at the highest legally obtainable rate of exchange on the date of disbursement. These Lempiras will be programmed for such purposes as will be mutually agreed upon in writing by the Grantee and AID within 120 days from the dates of the deposits; and

2. maintain current its interest payments and installments of principal, or any other payment required under any other loan, guaranty, other agreement between the Government of Honduras or any of its agencies and the Government of the United States of America or any of its agencies.

2.5% en la inflación, es el más bajo de los últimos 15 años. La mejora en la economía hondureña en 1987 se refleja también en el progreso sustancial obtenido en el establecimiento de medidas para mejorar el comportamiento económico a mediano y largo plazo, especialmente en las áreas de la racionalización de las operaciones del sector público, incentivos a la inversión privada, promoción de las exportaciones y en el reestablecimiento de la confianza interna y externa en la economía.

En gran medida, las mejoras en la economía durante 1987, son el producto de los esfuerzos del Gobierno para cumplir con el Programa que iniciamos en mayo de 1986, a cuyos fundamentos básicos se les dio continuidad en 1987. No obstante, es de su conocimiento que al final del Programa de 1987 se presentaron dificultades en el cumplimiento de algunas metas, específicamente en los agregados monetarios, registrándose excesos en los límites de crédito programados para el sector público y el sector privado, especialmente en este último. Estas desviaciones se produjeron aún cuando las autoridades monetarias emitieron una serie de medidas correctivas contingentes, con la intención de modificar la tendencia de la liquidez y del crédito neto del Banco Central de Honduras. En este sentido, se elevó en tres (3) puntos el encaje requerido para las obligaciones depositarias del sistema bancario y, se congeló el crédito con recursos propios del Banco Central de Honduras al sistema bancario.

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Entre otras, como causas para el excesivo crédito bancario al sector público, se señalan las demoras en la aprobación del decreto que autoriza la emisión de los bonos y por consiguiente las dificultades en la colocación de estos valores del Gobierno, para cubrir la brecha presupuestaria de 1986. En lo referente a la expansión del crédito al sector privado se señaló oportunamente como causa, la mayor demanda de crédito por el crecimiento de la economia, la obligatoriedad para que el producto de los "bonos de caja" emitidos por los bancos, fuera colocado en fechas prefijadas, la inexistencia de opciones por parte del sistema bancario para invertir en titulos valores a una tasa de interés rentable y el apoyo financiero a las actividades de preexportación de café, sin el respaldo acostumbrado en años anteriores de anticipos directos de la banca extranjera a la banca nacional. Sin embargo, en lo que corresponde a las reformas estructurales contempladas en el Programa Económico, el Gobierno de Honduras cumplió exitosamente con el calendario de acciones en la forma convenida.

Me place informarle que el Programa Económico para 1988, representa la continuación de nuestros esfuerzos para ejecutar un programa monetario diseñado para armonizar los objetivos inmediatos de estabilización y crecimiento, dentro del contexto de la realidad del pais y de un

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programa de reformas estructurales orientado a mejorar la economía en forma significativa en el mediano y largo plazo.

Mi Gobierno está consciente de que nuestro reto mas difícil lo constituye la reducción del déficit del sector público no financiero, el cual a su vez refleja los efectos desestabilizadores derivados del sector externo. A este respecto, deseo enfatizar que para 1988, mi Gobierno está realizando esfuerzos adicionales para reducir el déficit del sector público como porcentaje del Producto Interno Bruto a partir de la proporción registrada en 1987, estableciéndose como meta para 1988 una relación de 5.5 a 5.6% lo que equivale a una reducción entre 60 a 65 millones de Lempiras de lo estimado; para 1989 la meta sería una proporción no mayor al 5% del Producto Interno Bruto. Esta meta será reflejada en el Proyecto de Presupuesto General de Ingresos y Egresos de la República que el Poder Ejecutivo presentará al Congreso Nacional a más tardar durante el mes de septiembre de 1988. También se verá reflejada en los proyectos de presupuesto de las instituciones descentralizadas no financieras del Estado. El Poder Ejecutivo tiene la confianza de que el Congreso Nacional de la República aprobará los presupuestos de ingresos y egresos para 1989 con las metas que hemos indicado, se espera también que este Programa obtendrá el apoyo de su Gobierno mediante los

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"Fondos de Apoyo Económico" y que a su vez tendrá el respaldo del Banco Mundial y el Fondo Monetario Internacional, de acuerdo a las negociaciones que se están efectuando con estas instituciones. Apreciaríamos grandemente la colaboración de su Gobierno en la búsqueda de cooperación financiera adicional, especialmente ante los organismos mencionados.

I. Resumen del Programa Económico del Gobierno de Honduras para 1988.

A. Programa Monetario

El Programa para 1988, está enmarcado en los objetivos de estabilidad y crecimiento, fijándose como meta corregir gradualmente el déficit fiscal y de balanza de pagos, pese al desmejoramiento progresivo en los flujos de capital externo.

El Programa Monetario del Gobierno de Honduras, en función de las tendencias actuales, es muy ajustado. El crecimiento en el crédito interno se proyecta a 7.6%, menor en 7.4 puntos a la tasa de incremento registrada en 1987. Dentro de la cartera en general se prevé una expansión crediticia neta en el sector público no financiero consolidado de 92 millones de Lempiras, menor en 53 millones al incremento de 1987. El resto de la

expansión crediticia se destina a financiar la producción e inversión del sector privado, como se puede observar en el documento que se acompaña denominado "Programa Monetario 1988".

A pesar del continuado flujo negativo de recursos de capital del exterior, el Banco Central de Honduras ha fijado como meta un moderado incremento en las reservas monetarias internacionales netas en 1988, buscando un compromiso realista entre los objetivos de crecimiento y estabilización.

Se estima que el Programa Monetario es compatible con el crecimiento real del Producto Interno Bruto de 3 a 4%, un déficit en cuenta corriente de la Balanza de Pagos de alrededor de 7.3% y un déficit en el sector público consolidado no financiero de un 5.6% ambos en relación al Producto Interno Bruto. Asimismo, aunque estas proyecciones para los indicadores de crecimiento y estabilización no representan una mejoria sustancial sobre los resultados de 1987, se refleja la decision de evitar un mayor deterioro de dichos logros ante las perspectivas desfavorables que presenta el sector externo de la economia; más aún, y tal como se indicó anteriormente, mi Gobierno está realizando mayores esfuerzos para mantener la relación del

déficit fiscal al Producto Interno Bruto menor a la registrada en 1987 y adoptar las medidas del caso para reducirlo a 5% en 1989. Para lograr ésto, se ha requerido el desarrollo de una serie de medidas orientadas a reducir los gastos en magnitudes considerables, y a mejorar ingresos fiscales, intensificando los esfuerzos que se han venido realizando en el campo de administración tributaria. En el caso de las medidas que requieren acción legislativa, el 28 de junio recién pasado se sometieron al Congreso Nacional para su aprobación, dos proyectos de ley contentivos de un traslado al consumo interno de impuestos que actualmente sólo gravan las importaciones, y de la derogación de todos los decretos que conceden exoneraciones arancelarias a diferentes sectores de la producción, lo que propiciará equidad tributaria, contribuirá a mejorar las recaudaciones fiscales e introducirá elementos positivos en la racionalización de la estructura de la protección efectiva a la producción nacional.

Dentro del objetivo de fortalecer la balanza de pagos, las autoridades monetarias ya adoptaron las medidas que consideran apropiadas para flexibilizar los mecanismos existentes de control cambiario,

especialmente aquellos orientados a incrementar al sector exportador, las mismas se detallan en el Programa Monetario 1988.

En linea con las negociaciones efectuadas con el Banco Mundial y el Fondo Monetario Internacioral se han definido como variables de control para el cumplimiento de las metas del Programa de Estabilización Económica del Gobierno, el comportamiento de los activos internos del Banco Central de Honduras, los cuales deberán registrar un incremento no mayor de 110 millones de Lempiras con respecto al saldo mostrado en 1987. Corresponde al sector público dentro de tal límite un incremento máximo de 146 millones, monto que incluye 54 millones de Lempiras como variaciones de otros activos netos, conforme se proyecta en el siguiente cuadro:

HONDURAS: BANCO CENTRAL DE HONDURAS
(Millones de Lempiras)

	ACTUAL		PROGRAMADO 1988			
	1986 Dicbre	1987 Dicbre	Abril	Junio	Sept.	Dicbre
I. Activos Internos Netos 2/	(955.4)	(055.2)	(1,049.3)	(1,027.1)	(1,069.7)	(1,051.3)
II. Activos Internos 1/	1,534.2	1.625.8	1.682.1	1,658.8	1,689.5	1,735.7
A. Sector Privado	0.6	2.8	4.3	4.3	4.3	4.3
B. Sector Público 1/	626.6	690.9	752.9	744.7	785.3	836.5
C. Sector Bancario	907.0	932.1	924.9	909.9	899.9	894.9
III. Pasivos	578.8	670.6	632.8	631.8	619.8	684.4

1/ Excluye bonos del Gobierno colocados en el sistema bancario; incluye "Otros Activos Netos"
2/ Reservas Monetarias Internacionales Netas menos Endeudamiento Externo de Largo Plazo.

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B. Programa de Medidas Estructurales para 1988

El Programa de medidas estructurales de 1988 se basa en el progreso realizado hasta ahora, y aún más, en la experiencia obtenida durante el desarrollo y ejecución de los programas de Reformas Estructurales de 1986-1987. Como resultado de ambos factores, mi Gobierno anticipa un progreso significativo en el Programa de Medidas Estructurales, el cual deberá mejorar sustancialmente el comportamiento de la economía hondureña en 1988 y en los años venideros.

En relación a las medidas que requieren aprobación legislativa, el Programa de Medidas Estructurales para 1988, asume que tanto aquellas medidas que ya fueron sometidas al Congreso Nacional y que formaron parte del Programa de 1987, así como las que se introdujeron recientemente, serán aprobadas por este organismo. El Programa prevé en 1988 la aceleración del proceso de privatización, con resultados aún más concretos que el de 1987. El Programa de Medidas Estructurales completo, cubriendo las metas finales así como el calendario de ejecución trimestral para cada una de las reformas, está detallado en el Anexo No. 2 de esta carta.

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Me gustaría enfatizar que el Programa de Medidas Estructurales de 1988 incluye varias medidas en proceso y otras nuevas que requieren la acción legislativa ya mencionada, en este caso, puedo asegurarle que el Poder Ejecutivo hará todos los esfuerzos necesarios para lograr la aprobación por parte del Congreso Nacional de los proyectos de ley contenidos en el Programa.

Con el fin de mejorar la coordinación intergubernamental y acelerar la Ejecución del Programa Estructural, esperamos continuar recibiendo la cooperación técnica de la AID principalmente en aquellas áreas claves en la ejecución del Programa. Mi Gobierno también espera recibir asistencia técnica del Fondo Monetario Internacional, del Banco Mundial y del Banco Interamericano de Desarrollo.

Siendo una meta permanente la consolidación del sistema democrático, así como la demostración de que una sociedad libre es el único medio legítimo para satisfacer las necesidades sociales y económicas de los hondureños de bajos ingresos, considero que Honduras está confrontando una situación extremadamente delicada en la consecución de recursos de capital del sector externo, lo que

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agrava aún más su posición como país de menor desarrollo relativo en América Latina. Los éxitos obtenidos en los Programas Económicos 1986 y 1987, más las Medidas de Estabilización y Ajuste Estructurales para 1988, ameritan la asistencia financiera de su Gobierno y de la comunidad económica financiera internacional.

Anticipadamente, agradezco a usted remitir a su Gobierno la información arriba proporcionada, así como también los Anexos a la presente, para su debida consideración.

Atentamente,

JOSE SIMON AZCONA HOYO
Presidente Constitucional
de la República

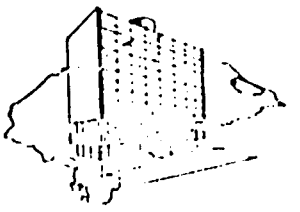
Al Señor
Embajador de los Estados Unidos de América
EVERETT ELLIS BRIGGS
Su Despacho

ANEXO NO. 1

PROGRAMA MONETARIO

Banco Central de Honduras
Departamento de Estudios Económicos

"V Centenario del Descubrimiento de América,
Encuentro de dos Mundos" 1492-1992



Programa Monetario

1988

Tegucigalpa, M.D.C., Honduras, C.A.
Junio, 1988

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PANORAMA ECONOMICO Y FINANCIERO DE 1987

A principios de 1987 las autoridades hondureñas estaban sumamente preocupadas por las dificultades para continuar con el proceso de estabilización y recuperación económica. Estas dificultades se basaban esencialmente en los siguientes pronósticos:

- La fuerte baja en el precio internacional del café.
- El aumento en las cotizaciones internacionales del petróleo.
- El inminente cierre de la principal empresa exportadora de minerales.
- La continua disminución de las entradas de capital al sector público.
- La aguda escasez de divisas.
- El alto déficit fiscal.

El aumento del precio del petróleo y la baja del precio de café, entre otros factores, indicaban que en 1987 en el sector externo se daría una disminución muy fuerte de las exportaciones, un menor poder de compra de las mismas, una pérdida de los términos de intercambio, un alto déficit comercial, un fuerte desequilibrio de las transacciones de bienes y servicios, una brecha de divisas muy amplia, coadyuvando a un déficit fiscal difícil de reducir como proporción de la producción nacional.

Como resultado de los factores anteriores, se pronosticaba que para 1987 la economía hondureña se estancaría, la inflación y el desempleo aumentarían y sería difícil mantener la paridad del Lempira.

Ante estas perspectivas y la preocupación de que en 1987 se pudiera retroceder en los avances para seguir superando

gradualmente la crisis económica, el Gobierno de Honduras aprobó en marzo de 1987 un programa de medidas cuyo objetivo era seguir avanzando en la estabilidad económica, mantener el proceso de recuperación y edificar las bases para un desarrollo económico sostenido.

En ese sentido, la política monetaria, crediticia y cambiaria ejecutada por el Banco Central de Honduras durante el año, estuvo orientada a apoyar la recuperación económica, conservar una tasa de inflación baja y mantener el tipo de cambio del Lempira. En efecto, el Programa Monetario de 1987 estuvo dirigido a la recuperación económica con estabilización, orientándose recursos a la producción de granos básicos y de productos de exportación, tales como, café, carne y tabaco; a la reactivación del sector industrial y a la dinamización de la industria de la construcción. Para contribuir con el objetivo anterior, se disminuyó la tasa máxima de interés activa, se redujo la tasa de redescuento a la producción agrícola y ganadera y la de los préstamos concedidos por el Fondo Nacional de Desarrollo Industrial para el fomento de esta actividad. Los resultados de esta política se vieron plasmados en la tasa de crecimiento real de la economía de 4.2% y en el bajo nivel de inflación de apenas 2.5%.

Sin embargo, el alto déficit fiscal y la disminución esperada en el ingreso neto de divisas eran, y continúan siendo, fuertes restricciones para la ejecución del Programa Económico orientado a lograr el crecimiento con estabilidad. Es así que como resultado de las acciones tomadas a principios de 1987, las cuales fueron complementadas con un programa global de medidas estructurales dirigidas a objetivos de corto y mediano plazo, y a pesar de los factores adversos en el sector externo, como la

caída en el poder de compra de las exportaciones, menores entradas de capitales en el sector público y problemas en la utilización de los préstamos externos, Honduras registró el incremento en su producción en términos reales ya mencionado y una reducción en su ya baja tasa de inflación.

No obstante, no se pudo contrarrestar, como se prevía, la tendencia declinante de los recursos externos dirigidos especialmente al sector oficial. Lo anterior, combinado con una fuerte expansión de la demanda interna, la cual impulsó un aumento en las importaciones más allá de lo contemplado, dio como resultado un incremento en el déficit comercial, así como también en el de las transacciones totales con el exterior. Para poder suplir las necesidades del sector privado, el déficit de la balanza de bienes y servicios tuvo que financiarse, en parte, con una acumulación de atrasos en el servicio de la deuda externa. Cabe señalar, que esta acumulación de atrasos seguirá siendo un obstáculo para seguir manteniendo el ritmo de crecimiento y estabilidad experimentado por la economía durante 1987.

Producción y Precios

Como se dijo anteriormente, excluyendo el problema en el Sector Externo, la economía hondureña mostró durante 1987 un comportamiento bastante satisfactorio, tanto en materia de producción como en estabilidad de precios internos.

De acuerdo a las estimaciones del Producto Interno Bruto, la economía creció en términos reales a una tasa de 4.2%. Esta es mayor que la de 1986, así como también a la prevista a inicios de 1987. El crecimiento se sustenta principalmente en el sector agropecuario, debido básicamente al aumento en la produc-

ción de café, banano, mariscos, granos básicos y otros productos de exportación no tradicionales, así como también en el aumento en las actividades de la industria, construcción, comercio y otros servicios.

Como es sabido, Honduras ha logrado mantener en los últimos cuatro años una relativa estabilidad de precios. En 1987 la tasa de inflación mostró una reducción respecto a la del año anterior, situándose en apenas 2.5%; dicho comportamiento se debió en gran medida a un adecuado abastecimiento de granos básicos, al mantenimiento de la paridad del Lempira y a la política de control parcial de precios.

Sector Externo

En lo que respecta al sector externo, durante 1987 se registró un nivel de exportaciones menor en alrededor de 3% al del año anterior, lo que significó un importante esfuerzo si se considera la caída en el precio del café, la baja en la cuota del azúcar, la paralización de la industria minera de exportación y las medidas proteccionistas de los países importadores de productos hondureños.

Por su lado, las importaciones en correlación con la actividad económica interna, mostraron un crecimiento de 3%, especialmente en bienes de consumo.

Aunque las entradas de capital al sector oficial se vieron disminuidas por problemas de atrasos en los pagos al exterior, y las transferencias de la Agencia para el Desarrollo Internacional (AID) no se efectuaron dentro de lo programado, el nivel de reservas netas se vio mejorado en alrededor de L 80 millones,

desde luego, sin considerar la fuerte acumulación de atrasos del servicio de la deuda externa.

El aumento en las importaciones frente al estancamiento en el crecimiento de las exportaciones, provocó un deterioro en la balanza comercial que contrasta con el superávit alcanzado en 1986. El déficit en el intercambio comercial, unido al saldo adverso en la cuenta de servicios, en el que se destaca el servicio de la deuda externa, determinó un déficit en la cuenta corriente de 7.8% respecto al PIB.

Por su parte, las transferencias, especialmente las recibidas de la AID han continuado ejerciendo un importante efecto compensatorio en el desfavorable intercambio de las relaciones comerciales financieras de Honduras con el exterior. En este sentido, debe señalarse que durante 1987 Honduras recibió menos de lo programado, además, los desembolsos no se efectuaron dentro del tiempo previsto.

En lo que se refiere al ámbito cambiario, se siguió con la política de mantener fijo el tipo de cambio oficial del Lempira, combinándolo con la expansión gradual del mecanismo de autofinanciamiento para importaciones y con la aplicación de criterios más flexibles en la asignación de divisas. Durante 1987 se adoptó también una serie de medidas para mejorar la competitividad externa del país. Así, se puso en vigencia la Ley de Zonas Industriales de Procesamiento para Exportación (ZIP), la creación del Certificado de Fomento a las Exportaciones (CEFEX), la suscripción de Acuerdos de Comercio Compensatorio con Guatemala, El Salvador y Costa Rica y la creación de una oficina central para el trámite de permisos de exportación.

Sector Fiscal

En lo que respecta a las finanzas públicas puede señalarse que el déficit fiscal del Gobierno Central alcanzó en 1987 un nivel de L 590 millones y su relación con el Producto Interno Bruto se situó en un 7.3%.

A pesar de que los ingresos corrientes tuvieron un comportamiento bastante aceptable, el continuo aumento en los gastos corrientes no permitió mejorar el nivel del ahorro interno, por lo que el déficit fiscal continuó siendo elevado.

El financiamiento del déficit fiscal durante 1987, a diferencia de años anteriores, fue cubierto en alrededor de un 50% con recursos internos proveniente especialmente del sector bancario y de los organismos descentralizados superavitarios.

El aumento en los ingresos estuvo determinado por las mayores recaudaciones en el impuesto sobre la renta, sobre las transacciones internas, las importaciones y el diferencial del petróleo. El crecimiento en los gastos se explica primordialmente por el aumento en las erogaciones de los sectores Salud, Educación y Defensa Nacional, así como también por los pagos por servicio de la deuda.

En lo que se refiere a los gastos de capital, éstos han continuado en su tendencia decreciente, debido a la ausencia de proyectos de inversión de gran envergadura. En general los gastos de inversión del gobierno se han orientado a pequeños proyectos, tales como: reparación de carreteras, caminos de penetración, agua potable, electrificación, riego y otros.

Sector Financiero

Durante 1987 el sector bancario se caracterizó por preservar y

fortalecer su posición financiera, por un fuerte aumento en la captación de recursos superior al 18% y un crecimiento en el crédito a los sectores público y privado de alrededor de 15%. Este comportamiento excedió las metas de la política monetaria y crediticia tendentes a dinamizar y orientar recursos al sector privado con el objeto de reactivar la actividad económica interna.

El crecimiento del crédito al sector privado se explica por el aumento en la actividad interna, la baja en la tasa de interés activa, el uso de mayores recursos a través del redescuento del Banco Central y la fuerte captación de recursos privados por parte del Sistema Bancario. En lo que respecta al crédito del sector público, éste fue incrementado debido a que el Gobierno al no poder utilizar recursos externos tuvo que recurrir al crédito del sistema bancario nacional.

La fuerte expansión de la liquidez en 1987 se concentró tanto en el crecimiento del dinero como del cuasi-dinero, reflejando básicamente la expansión monetaria derivada del financiamiento del déficit fiscal, el mayor desembolso de los fondos en lempiras provenientes de la AID y la acumulación de pagos atrasados al exterior.

En general, el crecimiento de la captación de recursos y del crédito interno superó las necesidades de la economía y se desvió del objetivo de estabilidad, por lo que a finales de año se tomó medidas para limitar el nivel de redescuento al sistema bancario y se planteó la necesidad de planificar un aumento progresivo de las tasas de encaje a inicios de 1988. Asimismo, la rápida expansión de los "bonos de caja" fue otro factor determinante del aumento de los depósitos y del crédito al sector privado.

PERSPECTIVAS PARA 1988

Durante 1988 pareciera que Honduras aún tiene algún espacio para seguir manteniendo un crecimiento con estabilidad, pero los problemas deficitarios en el área fiscal y de balanza de pagos podrían limitarlo. Lo primero se fundamenta en las perspectivas de seguir aumentando la exportación de banano, café, minerales, mariscos y las de productos no tradicionales, como también en el dinamismo de la construcción privada, el funcionamiento de pequeñas industrias, la ampliación del sector servicios y el aumento en el consumo y la inversión.

Sobre la base anterior se estima que el Producto Interno real puede acusar una tasa de crecimiento un tanto menor o similar a la de 1987, aún cuando la inflación podría ser de 4 a 5%, mayor que la alcanzada en 1987.

HONDURAS: INDICADORES SELECCIONADOS DE LA ECONOMIA REAL
(Tasas de Crecimiento)

	1985	1986	1987	1988
Producción	3.1	2.7	4.2	3-4
Inflación	3.3	4.4	2.5	4-5
Exportaciones	7.2	12.7	-3.0	10.7
Importaciones	-0.7	1.4	2.9	3.0
Inversión	-	-8.2	1.0	4.5
Consumo	6.8	7.4	8.4	8.4

El comportamiento económico y de precios mencionados están amenazados por diversos factores, entre los que se puede mencionar la aguda escasez de divisas, la fuerte acumulación de pagos atrasados al exterior, el alto déficit fiscal y el exceso de liquidez interna.

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La solución a estos problemas se complica aún más ante la situación del comercio internacional, el déficit fiscal y comercial de Estados Unidos, el nuevo arancel de aduanas de Honduras, el presupuesto estimado del Gobierno, que inciden en desequilibrios del sector externo y fiscal, presionando cada vez más sobre el desenvolvimiento de la economía.

Ante esta situación, la política económica durante el resto de 1988 tendrá que delinearse bajo las siguientes alternativas:

- Fuerte acumulación de pagos atrasados, reversión de los flujos de capital con el exterior negociada con los organismos multilaterales y bilaterales de financiamiento.
- Contención de importaciones.
- Adopción de medidas fiscales encaminadas a reducir el déficit del Gobierno (aumento de ingresos y disminución de gastos).
- Reasignación de los recursos internos y de las divisas.

Producción y Precios

Se estima que la economía hondureña puede crecer durante 1988 en alrededor de 3 a 4%, como resultado del aumento de las exportaciones, el auge de las actividades de la construcción, comercio y banca, el aumento en algunas ramas de producción industrial y el incremento en los servicios del sector industrial.

La inflación que durante 1987 llegó a ser de apenas un 2.5%, alcanzará en 1988 un nivel de alrededor de 4 a 5% debido

esencialmente a la agudización de la sequía, la baja producción de frijoles de postrera en 1987, la presión por aumento en los precios de otros productos de consumo básico y la implantación y ampliación gradual de los Certificados Transferibles de Opción a Divisas por Exportación (CETRA).

Sector Externo

El escenario de balanza de pagos para 1988 se presenta complicado. Se estima que las exportaciones alcanzarán un crecimiento superior al 10.8, mientras que las importaciones lo harán más moderadamente. Aún así, la brecha de la balanza de bienes y servicios continuará siendo significante.

La capacidad de pago del país continuará en precario, al experimentar la economía un flujo negativo de recursos externos con el Fondo Monetario Internacional, el Banco Mundial, el Banco Interamericano de Desarrollo y otros organismos, así como por la incertidumbre existente en lo que respecta a los desembolsos de la Agencia para el Desarrollo Internacional (AID) y una demanda potencial de importaciones mayor al aumento en el ingreso de divisas requeridas para su financiamiento.

En este sentido, deberá revisarse minuciosamente el esquema de esencialidades para las asignaciones de las escasas divisas oficiales, dando siempre prioridad al pago de la deuda externa, de importaciones de petróleo y de insumos agrícolas.

Como se ha dicho en otras oportunidades, una de las principales restricciones para que la economía hondureña avance con estabilidad es la disponibilidad de divisas. La situación para 1988 en este contexto, se puede observar a continuación .

GOH ECONOMIC PROGRAM

Letter from President Azcona to Ambassador Briggs transmitting the GOH economic program and requesting ESF assistance.

A. Letter and annexes, presenting structural adjustments, in Spanish. The annexes include the GOH Monetary Program and the Structural Adjustment Program.

B. Translation of letter and the Structural Adjustment Program.

Residencia de la República
Honduras, C.A.

Tegucigalpa, D.C., 5 de Julio de 1988

Excelentísimo Señor Embajador:

El propósito de la presente es hacerle llegar el Programa Económico del Gobierno de Honduras para 1988 y a la vez por su medio, solicitarle al Gobierno de los Estados Unidos de América fondos de "Apoyo Económico (ESF)" para la ejecución de nuestro Programa.

Es de su conocimiento que el Programa Económico ejecutado por el Gobierno de Honduras en 1986 y 1987, con el apoyo financiero de su país, ha tenido resultados favorables. Los logros alcanzados en la economía hondureña se reflejan a través de lo siguiente: El Producto Interno Bruto creció en un promedio superior al 3% en los dos (2) últimos años, la tasa de desempleo abierto en el área urbana se ha reducido en aproximadamente 1%, la tasa promedio de inflación se mantiene en 3.3%. A su vez, el déficit del sector público no financiero se ha reducido continuamente desde 1984, en igual forma se ha reducido el déficit en cuenta corriente de la Balanza de Pagos como proporción del Producto Interno Bruto. Es relevante mencionar que entre los resultados económicos de 1987, por primera vez en los últimos años la tasa de crecimiento del Producto Interno Bruto de 4.2%, supera a la tasa de incremento de la población, y que el aumento registrado de

HONDURAS: DISPONIBILIDAD DE RECURSOS EXTERNOS
(Millones de lempiras)

	1985	1986	1987	1988
portaciones	1836	2044	1987	2199
Financiamiento Externo	729	515	742	448
Uso de Crédito Externo	438	154	133	178
Transferencias	291	311	293	270
Pagos Atrasados	-	35	264	-
Readecuación de Deuda	-	9	52	-
Total Recursos Externos	2565	2559	2729	2647
Menos: Importaciones Totales	2536	2571	2646	2726
Brecha sin Financiar	-29	12	-83	79

En el cuadro anterior se puede apreciar que durante 1985 y 1986 se contó con una disponibilidad de divisas de alrededor de L 2,560 millones, para hacerle frente a una demanda de L 2,555 millones entre importaciones y pago de deuda. En 1986 las exportaciones crecieron en 11% por el buen precio del café; las transferencias externas, así como el uso de crédito disminuyeron, haciendo caer el financiamiento externo en alrededor de 35%; pero el nivel de la oferta de recursos externos fue similar al de 1985. Las importaciones, por su parte, por efecto del servicio de la deuda y del precio del petróleo crecieron en 1.4%. Todo lo anterior determinó una brecha sin financiamiento de L 12 millones y el surgimiento de atrasos en el pago de la deuda.

En 1987, las exportaciones se redujeron en casi 3% (L 57 millones), el uso de crédito externo también disminuyó a pesar de la reactivación de lo utilizado por el sector privado y el Banco Central; las transferencias fueron inferiores nuevamente,

así como el crédito externo utilizado por el sector oficial. En comparación con 1986 estos conceptos determinaron un nivel inferior en L 102 millones.

HONDURAS: UTILIZACION DE RECURSOS EXTERNOS
(Diferencia absolutas, en millones de lempiras)

	1986	1987
Exportaciones	208	-57
Crédito Externo	-284	-21
Transferencias	26	-24
Total	-50	-102
- aumento de Importaciones	35	75
Brecha	85	177

En vez de reducirse el déficit fiscal y las importaciones en L 100 millones durante 1987, tal como se propuso en el Programa Monetario, ambas aumentaron. El nivel de reservas monetarias internacionales, sin embargo, fue mayor, debido a la acumulación de atrasos en el pago de la deuda externa.

El aumento en los medios de pago y la solución de la situación de pagos atrasados debe enfrentarse en 1988, para la consecución de nuevos créditos y para aliviar las presiones inflacionarias.

Aun cuando se proyecta un aumento en las exportaciones de 11% (L 212 millones), utilización de préstamos mayor en L 46 millones y una disminución en las transferencias de L 23 millones, el nivel total de financiamiento externo será menor en L 82 millones en relación con el de 1987.

Como lo anterior es insostenible con la estabilidad alcanzada hasta ahora, y para mantener un equilibrio interno y externo

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consistente con un aumento de la economía, se hace necesario lo siguiente:

1. Reducir el déficit fiscal por lo menos en L 100 millones en base anual.
2. Obtener nuevos recursos por L 80 millones.
3. Mantener un nivel de importaciones igual al de 1987.
4. Reasignar mejor el destino de las divisas.
5. Lograr una nueva distribución de las divisas entre el Banco Central y el sistema bancario.
6. Negociar convenios con el Banco Mundial, Fondo Monetario Internacional (F.M.I.), AID y renegociación de la deuda.

Sector Fiscal

La relación del déficit fiscal con respecto al PIB ha bajado de 13% en el período 1982-83 a un estimado de 7.0% en 1988 debido a la declinación de los gastos de inversión, lo cual compromete la base productiva para un futuro crecimiento económico. Los gastos corrientes siguen creciendo más rápidamente que los ingresos, determinando una posición creciente de desahorro. Esto quiere, decir que aún en el caso de que no se realicen gastos de inversión, el presupuesto del Gobierno seguirá siendo deficitario.

En general, las expectativas del Gobierno de seguir aumentando sus ingresos corrientes sin aplicar nuevas reformas tributarias parecen ser más limitadas que en 1987. La presión de crecimiento del gasto corriente, no obstante las medidas establecidas en el Presupuesto de Ingresos y Egresos de la Nación, aún sigue presente, lo que indica que el excedente para financiar inversiones todavía estará ausente. Si a esto se suma los problemas en los desembolsos de los préstamos internacionales, el

aumento en el servicio de la deuda externa y las pérdidas cambiarias por la caída del Dólar, se puede apreciar fácilmente que el uso neto de recursos externos para la acumulación de capital en 1988 será más limitado. En este sentido, el sector público tendrá que presionar más sobre el financiamiento interno, a menos que encuentre una forma de introducir disciplina en sus gastos.

La ausencia de nuevos proyectos importantes y la dificultad de cumplir en su totalidad los compromisos de la deuda externa han hecho difícil la utilización de financiamiento externo, por lo que las finanzas del Gobierno descansan en gran medida en el crédito interno, especialmente del Banco Central y de los otros bancos. Esto se ha convertido en algo delicado, dada sus repercusiones en el crédito al sector privado, la alta liquidez interna y la presión en las importaciones, el tipo de cambio y las reservas monetarias internacionales.

Dado lo anterior, se hace cada vez más urgente una mayor recaudación de ingresos y una ordenada disciplina fiscal.

Es importante señalar también la presión del financiamiento del déficit fiscal en el desequilibrio de balanza de pagos. Esto se puede apreciar al relacionar dicho déficit con el resultado de la cuenta de bienes y servicios de la balanza de pagos.

RELACION DEFICIT FISCAL CON EL AHORRO EXTERNO
(Millones de lempiras)

	1985	1986	1987	1988 t/
Déficit Fiscal	626	594	591	600
Ahorro Externo (M-X)*	700	527	659	527
Relación Porcentual	89.4	112.7	89.7	113.9

* M = Importaciones Totales
X = Exportaciones Totales

t/ Tendencia

Como se puede apreciar en el cuadro anterior, el déficit fiscal explica la brecha entre importaciones y exportaciones y las necesidades de recursos externos. Entre más alto sea el déficit fiscal, la brecha de las transacciones de bienes y servicios con el exterior será mayor; obviamente, más elevada la necesidad de financiamiento externo.

Se puede notar que esta relación pasa de casi 90% en 1985, a 113% en 1986, 90% en 1987 y 114% en 1988. En 1985 esta relación se justificaba por el alto nivel de inversión (El Cajón), desafortunadamente en 1988 gran parte es provocada por los gastos de consumo del Gobierno.

Sector Financiero

Antes de señalar las perspectivas del sistema financiero en 1988, debe recordarse que en 1987 éste se caracterizó por: un aumento de la liquidez 18.3%, muy por encima de las necesidades de la economía 7% y, por un crecimiento del crédito tanto público como privado en alrededor de 15%, que también no guardó relación con el dinamismo de la actividad interna 8%.

Por lo tanto en 1988 se tendría que corregir el desequilibrio entre el crecimiento de la liquidez y las necesidades de la economía, a fin de disminuir las presiones inflacionarias.

En línea con lo anterior, a finales de 1987 y principios de 1988 se tomó medidas para revertir dicha situación, congelando el nivel de redescuento del Banco Central, aumentando la tasa de encaje legal, y reestableciendo el mecanismo de depósitos por pagos atrasados.

Dichas medidas ya se han hecho sentir en los primeros cinco

meses de 1988 al reducirse gradualmente la tasa de crecimiento interanual de la liquidez de 18.3% en enero a casi 15% en mayo. La desaceleración se ha centrado casi totalmente en el dinero, pasando de 18% en diciembre de 1987, a apenas 10% en abril de 1988.

HONDURAS: INDICADORES DEL SISTEMA BANCARIO
(En millones de Lempiras)

				Tasas de Crecimiento	
	1986	1987	1988 p/	1987	1988
Captación de Recursos	2512	2971	3328	18.3	12.0
Dinero	917	1080	1097	17.8	1.6
Cuasidinero	1595	1891	2231	18.6	18.0
Crédito Interno	3610	4152	4466	15.0	7.6
Sector Público	983	1128	1220	14.8	8.2
Sector Privado	2627	3024	3246	15.1	7.3

p/ Proyección

Las proyecciones del Si tema Bancario para 1988 descansan en los siguientes supuestos:

1. Seguir reduciendo el crecimiento del dinero.

2. El ahorro financiero mantendrá una tasa sostenida de crecimiento 18%.
3. Se mejorará el nivel de reservas monetarias internacionales.
4. El crédito al Gobierno por parte del Sistema Financiero está en línea con lo presupuestado para 1988.
5. El crédito al sector privado programado es consistente con las necesidades reales del mismo.
6. La expansión de la base monetaria guardará consistencia con la inflación prevista.

Así, y en base a lo anterior, el crecimiento de los depósitos en los bancos e instituciones de ahorro y préstamo alcanzaría una tasa de 12%, que a pesar de que significa una sustancial reducción en su tasa de crecimiento, estaría todavía por encima del crecimiento de la economía.

Por su parte, el crédito interno aumentará a una tasa similar al crecimiento monetario de la economía 8%, el crédito al Sector Privado se expandirá en 7.3% y el del Sector Público en 8.6% como máximo.

Por último, la participación del Banco Central tanto en la expansión de la liquidez interna y en la dotación de crédito se reducirá en 1988, a fin de evitar creación de financiamiento inflacionario.

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MEDIDAS DE POLITICA MONETARIA, CREDITICIA Y CAMBIARIA PARA 1988

Del análisis de las condiciones macroeconómicas esperadas para 1988, y con el objeto de continuar la recuperación económica en un ambiente de estabilidad, se sugiere al Honorable Directorio de la Institución las siguientes medidas:

1) Congelar el crédito neto del Banco Central al Sector Público no Financiero para 1988 al nivel del 31 de diciembre de 1987.

2) Fijar un límite de L 25 millones para el financiamiento del Banco Central para la conversión de Deuda Externa con incidencia sobre la emisión monetaria.

3) Establecer como límite global para el crédito del Banco Central al Sistema Financiero el saldo al 30 de abril de 1988. Este límite excluye el otorgamiento eventual de Adelantos por Iliquidez.

   La Comisión de Cartera propondrá al Directorio la distribución correspondiente para las diferentes líneas de crédito.

4) Ratificar los Requerimientos de Encaje Legal establecidos mediante Resolución No. 11-1/88.

5) Ratificar el actual esquema de depósitos por pagos atrasados pendientes de remesa al exterior contemplado en el Reglamento vigente.

6) Modificar la estructura de tasas de interés aplicable a los redescuentos otorgados por el Banco Central con recursos propios, así como las tasas máximas que los bancos interme-

diarios podrán cobrar a sus clientes en los préstamos elegibles para redescuento, en la siguiente forma:

	Tasa de Redescuento	Tasa Activa (Máxima)
a) Producción interna de granos básicos (maíz, frijol, sorgo y arroz) y créditos para la estabilización de precios de granos básicos.	6% anual	11% anual
b) Comercialización de granos básicos.	9% anual	13% anual
c) Producción, comercialización y exportación de otros productos nacionales	9% anual	13% anual

7) Mantener la tasa de interés máxima de 17% anual para las operaciones activas del Sistema Financiero con recursos propios.

8) Ampliar la cobertura de los Certificados Transferibles de Opción a Divisas por Exportación (CETRA), para todas las exportaciones de productos no tradicionales a un 30% del valor de las divisas generadas; y a un 15% para todas las exportaciones tradicionales. En ambos casos se requerirá la venta de la totalidad de las divisas al sistema bancario nacional. Cuando se trate de productos de origen industrial, su elegibilidad para CETRA estará sujeta a que se dictamine que, por lo menos, un 40% de su costo de producción representa valor incorporado de origen nacional.

En el caso de las exportaciones de café, este beneficio estará condicionado a que previamente se reforme el Decreto 175-87 aprobado por el Congreso Nacional el 30 de octubre de 1987, a fin de que el Estado pueda mejorar su percepción de ingresos.

Para los efectos de esta resolución se considera productos de exportación tradicional los siguientes:

Banano
Café
Madera
Ganado en Pie
Tabaco en Rama
Minerales Metálicos
Algodón
Azúcar

9) Por mientras se define lo indicado en el penúltimo párrafo del numeral anterior, el 100% de las divisas resultantes de las ventas de café al exterior deberá ser trasladado al Banco Central de Honduras y, éste, devolverá al banco intermediario en la operación, el 50% de las divisas percibidas, que será destinado a cubrir el pago de las obligaciones en divisas que dicho banco tenga, las cuales serán determinadas por el Banco Central de Honduras.

10) Los exportadores de café quedan obligados a canalizar por medio del sistema bancario todos los documentos y divisas provenientes de cada exportación.

11) Ampliar en forma gradual el listado de bienes y otros servicios que deberán ser importados bajo el sistema de autofinanciamiento, tomando en consideración su grado de esencialidad, así como la disponibilidad de CETRA en circulación en el mercado.

12) Establecer que a partir de la fecha de vigencia de esta Resolución, sólo podrán ser financiadas con divisas del sistema bancario, aquellas importaciones de vehículos automotores destinados al servicio de la producción y del transporte público de pasajeros.

Los permisos de importación de otra clase de vehículos automotores serán autorizados únicamente bajo el mecanismo de autofinanciamiento.

13) Transferir al mercado de autofinanciamiento, las demandas de divisas requeridas para el pago de regalías y gastos de viaje en exceso de US$ 100 por persona, exceptuando aquellos por motivos oficiales, de salud y educación.

14) En consistencia con el Programa Monetario 1988, el Banco Central se permite recomendar al Gobieno lo siguiente:

I) Tomar medidas adicionales para la progresiva reducción del déficit fiscal a un nivel no mayor del 5.5% del Producto Interno Bruto (PIB), entre las cuales podrían considerarse las siguientes:

a) Continuar mejorando la administración tributaria.

b) Reforzar las medidas para la contención del gasto corriente, especialmente aquel con alto contenido importado.

c) Tomar medidas administrativas y fiscales que conduzcan a generar ingresos adicionales en 1988.

d) Adoptar las medidas administrativas y fiscales necesarias que conduzcan en 1989 a una reducción del déficit del Sector Público no Financiero dentro de un rango de 4.5 a 5.0% del Producto Interno Bruto.

e) Asegurar la adopción de los mecanismos para la consolidación o eliminación de aquellas Instituciones Autónomas que no tengan perspectivas reales para mejorar su eficiencia.

f) Acelerar el proceso de privatización de las empresas adquiridas en forma eventual por el Estado.

II) Reducir la presión sobre el crédito del Banco Central para el financiamiento del déficit fiscal, mediante la adopción de las medidas siguientes:

a) Evitar los créditos no documentados al Gobierno, mediante la oportuna emisión de Letras de Tesorería o Bonos de la Deuda Pública.

b) Promover la colocación de las nuevas emisiones de títulos valores que efectúe el Estado, bajo condiciones de mercado, en bancos, empresas y particulares.

c) Fijar la tasa nominal de interés sobre las nuevas emisiones de bonos a un nivel de 14% anual, cuando el rendimiento de tales emisiones no esté exento del pago del Impuesto sobre la Renta. Estos valores podrán ser vendidos con descuento o premio en el mercado, dependiendo de la situación prevaleciente entre oferta y demanda, utilizando para su colocación los servicios del Sistema Bancario o de Bolsas de Valores debidamente autorizadas.

d) Prohibir a los Fondos de Previsión y demás instituciones del Sector Público exentas del pago del Impuesto sobre la Renta, la adquisición de los valores contemplados en el inciso c) anterior, induciéndolos a que compren bonos del Estado a tasas de interés no mayores del 10% anual.

III) Dictar las medidas legales pertinentes a fin de que se sancione a los exportadores que no cumplan con la obligación de repatriar la totalidad de divisas que obtengan como pago de sus exportaciones, o que como consecuencia de la subvaluación de exportaciones no hayan ingresado la totalidad de las divisas de que se trate.

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ANEXO ESTADISTICO

Cuadro No.1

Balance Consolidado del Sistema Bancario
(Saldos en millones de lempiras)

	1986	1987	Abril 1988	Dicbre. 1988
RESERVAS INTERNAC. (NETAS)	(274)	(192)	(210)	(150)
ACTIVOS NACIONALES	2,786	3,163	3,251	3,478
Crédito Interno	3,610	4,152	4,202	4,466
Sector Publico Neto	983	1,128	1,114	1,220
Gobierno Central	1,159	1,319	1,298	1,419
Resto Sectór Púb.	(176)	(191)	(184)	(199)
Sector Privado	2,627	3,024	3,088	3,246
Préstamos y Desc.	2,423	2,809	2,868	3,026
Otros Créditos	205	215	220	220
Otros Activos Netos	(824)	(989)	(951)	(988)
Capital y Reservas	(930)	(928)	(931)	(930)
Endeudamiento Externo	(974)	(1,112)	(1,168)	(1,231)
Flote Interbancario	(6)	(20)	(40)	(10)
No Clasificados	1,086	1,072	1,187	1,183
ACTIVOS = PASIVOS	2,512	2,971	3,041	3,328
OBLIGACIONES MONETARIAS	917	1,080	1,040	1,097
Numerario	418	483	454	490
Depósitos Monetarios	499	597	586	607
OBLIG. CUASI-MONETARIAS	1,595	1,891	2,001	2,231
Depositos Ahorro y Plazo	1,162	1,407	1,502	1,670
Otros Depósitos	143	164	175	191
Bonos y Cedulas	100	116	112	134
Ahorro Especializado	64	68	70	79
Otras Obligaciones	126	136	142	157

a/ Proyeccion

Cuadro No.2

Balance del Banco Central de Honduras
(Saldos en millones de lempiras)

	1986	1987	Abril 1988	Dicbre. 1988
RESERVAS INTERNAC. (NETAS)	(214)	(72)	(98)	(38)
ACTIVOS NACIONALES	792	744	730	722
Crédito Interno	1,531	1,678	1,617	1,672
Sector Público (neto)	623	743	688	743
Gobierno Central	587	724	666	724
Resto Sectór Pub.	36	19	22	19
Sector Bancario	907	932	925	925
Bancos Comerciales	517	476	474	465
Bancos Desarrollo	312	335	326	335
Inst. Ahorro Prest.	79	121	125	125
Sector Privado	1	3	4	4
Otros Activos Netos	(739)	(934)	(887)	(950)
Capital y Reservas	(315)	(293)	(287)	(287)
Endeudamiento Ext.	(742)	(883)	(945)	(1,008)
No Clasificados } pagos diferidos USAID 49 M parc.	318	242	345	345
ACTIVOS = PASIVOS	579	671	633	684
EMISION MONETARIA	477	541	502	543
DEPOSITOS DE BANCOS	86	103	108	116
Bancos Comerciales	75	73	59	71
Bancos de Desarrollo	4	13	36	30
Inst. Ahorro y Prestamo	7	17	13	15
OBLIG. CON PRIVADOS	16	27	23	25
Depósitos Monetarios	4	10	7	8
Otros Depósitos	4	7	9	7
Valores	7	10	7	10
Otras Obligaciones	1	0	0	0

a/ Proyeccion

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Cuadro No.3

Balance del resto del Sistema Bancario
(Saldos en millones de lempiras)

	1986	1987	Abril 1988	Dicbre. 1988
RESERVAS INTERNAC. (NETAS)	(61)	(119)	(112)	(112)
ACTIVOS NACIONALES	3,165	3,653	3,708	3,960
Crédito Interno	2,987	3,406	3,510	3,719
Sector Público Neto	360	385	426	477
Gobierno Central	572	595	632	695
Resto Sector Público	(212)	(210)	(206)	(218)
Sectór Privado	2,627	3,021	3,084	3,242
Préstamos y Desc.	2,423	2,809	2,868	3,026
Otros Créditos	204	212	216	216
Disponib. Monetarias	258	281	223	269
Depósitos en BCH	109	99	88	96
Caja	59	58	49	53
Cheques a Compensar	90	124	87	120
Otros Activos Netos	(80)	(35)	(25)	(28)
Capital y Reservas	(616)	(635)	(644)	(650)
Endeudamiento Externo	(232)	(230)	(223)	(223)
No Clasificados	768	830	842	845
ACTIVOS = PASIVOS	3,104	3,533	3,596	3,848
OBLIG. CON PRIVADOS	2,168	2,585	2,651	2,933
Depos. Moneda Nacional	1,829	2,220	2,289	2,523
En Cta. de Cheques	584	712	665	719
De Ahorro	586	740	779	879
A Plazo	576	666	724	791
Otros Depósitos	83	101	122	134
Depos. Mon. Extranjera	56	56	44	50
Bonos y Cedulas	94	105	106	124
Ahorro Especializado	64	68	70	79
Otras Obligaciones	125	136	142	157
OBLIGACIONES CON BANCO CENTRAL	936	948	945	915

a/ Proyeccion

Cuadro No.4

Cuenta Financiera del Gobierno Central
(Millones de lempiras)

	1986	1987 a/	1988 b/
Ingresos Corrientes	1,180	1,321	1,407
Gastos Corrientes	1,354	1,517	1,607
Ahorro en Cuenta Corriente	(174)	(196)	(200)
Gastos de Capital	329	315	278
Concesion Neta de Prestamos	91	80	100
DEFICIT GLOBAL (Base Caja)	(594)	(591)	(578)
FINANCIAMIENTO EXTERNO	359	259	238
Crédito Neto	233	153	117
Utilización	314	224	200
Amortización	(81)	(72)	(83)
Transferencias	126	106	121
FINACIAMIENTO INTERNO	235	332	340
Sistema Bancario	166	160	100
Banco Central	(29)	137	0
Resto de Bancos	195	23	100
Otros Sectóres	69	172	240
Colocación Bonos	30	124	190
Resto Sector Púb.	(4)	76	80
Sector Privado	33	47	110
Otro Financiamiento	40	48	50

a/ Preliminar
b/ Proyeccion

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Cuadro No.5

Balanza de Pagos
(Millones de Lempiras)

	1986	1987 a/	1988 b/
Exportaciones Totales	2,044	1,987	2,308 c/
Importaciones Totales	2,571	2,646	2,764 c/
Saldo Bienes y Servicios	(527)	(659)	(456)
Transferencias	317	293	270
A.I.D.	215	163	190
Otras fuentes	102	130	80
Entradas de Capital	198	449	228
Sector Bancario	81	138	119
Gobierno Central	233	153	117
Otros Sectores	(116)	158	(8)
Cambio Rvas. Internac. ()=Aumento	12	(83)	(42)

a/ Preliminar
b/ Proyeccion
c/ Ajustadas por flujos de divisas no registrados

ANEXO NO. 2

MEDIDAS ESTRUCTURALES DEL GOBIERNO DE HONDURAS PARA 1988

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I. RACIONALIZAR LAS OPERACIONES DEL SECTOR PUBLICO

A. MEJORAR LA EFICIENCIA OPERACIONAL Y ECONOMICA DE LOS ORGANISMOS DESCENTRALIZADOS DEL ESTADO

MEDIDA 1: INTRODUCCION DEL PRESUPUESTO BASE CERO (PBC)

META PARA 1988: 1. Preparación del Presupuesto de 1989 de las tres instituciones piloto (INA, INVA y SANAA) en base a la técnica presupuestaria base cero y su presentacion al Congreso Nacional.

2. Preparación e inicio de un plan de extensión del PBC a las otras instituciones descentralizadas del sector público.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Junio 15:	Elaboración, jerarquización y consolidación de los paquetes de decisión de las unidades seleccionadas, en las tres instituciones piloto.
Julio 15:	
Julio 30:	Presentación por parte de las tres instituciones piloto del documento POA-Presupuesto a SECPLAN y Ministerio de Hacienda.
Septiembre 15:	Presentación del Proyecto de Presupuesto de 1989 de las tres instituciones piloto ante el Congreso Nacional.

Octubre 15:

Octubre 30: Evaluación por parte del Grupo Técnico de los resultados obtenidos y preparación de un informe a fin de determinar la conveniencia de extender el PBC a las Instituciones Descentralizadas.

Noviembre 30: Discusión y aprobación del informe del Grupo Técnico por parte de la Comisión de Evaluación y Control Financiero de las Instituciones Descentralizadas y adopción de decisiones.

Diciembre 15:

Diciembre 30: Inicio del plan de acción aprobado.

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MEDIDA 2: DESARROLLAR Y EJECUTAR UN SISTEMA DE CONTROL PRESUPUESTARIO

[illegible]: 1. Continuar aplicando el control presupuestario en las instituciones en las cuales el sistema se ha establecido.

2. Continuar con el establecimiento del control presupuestario en las instituciones que aun lo tienen pendiente (INNE, INNAFIL, SaBás, IRSA, CORBETEX).

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Junio 30:	Preparación del informe global por parte del Grupo Técnico sobre la ejecución del Presupuesto de 1988 en las instituciones descentralizadas de acuerdo con las normas de control presupuestario establecidas.
Junio 30:	Reunión de la Comisión de Estudios y Control Financiero de las Instituciones Descentralizadas con el Grupo Técnico para evaluar los resultados de 1988 y revisar el Plan de Acción de 1988, el cual deberá incluir las medidas y acciones por el

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establecimiento del control presupuestario en las instituciones que aún lo tienen pendiente (CEBI, [illegible], SOMAG, INSVI, [illegible]).

Julio [illegible]

Agosto 30: Preparación del informe global por el Grupo Técnico sobre la ejecución del presupuesto para el período enero a junio de 1988 de las instituciones descentralizadas y sobre los logros alcanzados de acuerdo con las normas de control presupuestario establecidas.

Septiembre 15: Reunión de la Comisión de Evaluación y Control Financiero de las Instituciones Descentralizadas con el Grupo Técnico para evaluar los resultados de enero a junio de 1988.

Octubre 15:

Noviembre 30: Preparación del informe global por el Grupo Técnico sobre la ejecución del presupuesto para el período enero a septiembre de 1988 de las instituciones descentralizadas y sobre los

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logros alcanzados de acuerdo con las normas de control presupuestario establecidas.

Diciembre 15: Reunión de la Comisión de Evaluación y Control Financiero de las Instituciones Descentralizadas con el Grupo Técnico para evaluar los resultados de enero a septiembre de 1988.

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MEDIDA 3: ANALISIS PERIODICO DE LA EFICIENCIA OPERACIONAL Y ECONOMICA

META PARA 1988: Analizar en forma periódica mediante un sistema de indicadores seleccionados la eficiencia operacional y económica de aquellas instituciones descentralizadas con mayor incidencia en el déficit del sector público (ENEE, SANAA, COHDEFOR, HONDUTEL, ENP).

PROGRAMA DE EJECUCION

CALENDARIO 1988	ACCIONES A CUMPLIR
Junio 15:	Reunión del Grupo Técnico para la prepación de la metodología a utilizar y establecimiento del plan de acción de 1988.
Julio 15:	Discusión y aprobación por el Grupo Técnico de la metodología a utilizarse y selección de los indicadores.
Septiembre 15:	Reunión de la Comisión de Evaluación y Control Financiero de las Instituciones Descentralizadas con el Grupo Técnico para aprobar el sistema de análisis periódico de la eficiencia operacional y económica e instruir a las instituciones para su implantación.

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Octubre 15:

Noviembre 30: Preparación de un informe por el Grupo Técnico sobre el estado de avance en la implantación del sistema de análisis periódico de la eficiencia operacional y económica de las Instituciones Descentralizadas.

Diciembre 15: Reunión de la Comisión de Evaluación y Control Financiero de las Instituciones Descentralizadas para conocer el informe del Grupo Técnico y tomar las decisiones correspondientes.

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MEDIDA 4: ADOPCION DE MEDIDAS CORRECTIVAS

META PARA 1988:

1. Realizar en forma completa una evaluación gerencial en la ENEE.
2. Iniciar el mejoramiento de sistemas en la ENEE.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Junio 15:	Reunión del Grupo Técnico para elaborar propuestas a la Comisión sobre el alcance de la evaluación y del mejoramiento de los sistemas en la ENEE.
Julio 15:	
Agosto 30:	Iniciar la evaluación en la ENEE.
Octubre 15:	
Octubre 30:	Informe del Grupo Técnico a la Comisión sobre el avance de la evaluación y adopción de medidas para el mejoramiento de los sistemas.
Noviembre 30:	Finaliza la evaluación
Diciembre 15:	Informe final sobre la evaluación practicada
Diciembre 30:	Plan de ejecución de las recomendaciones presentadas en el informe de la evaluación incluyendo el mejoramiento de los sistemas.

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B. FORTALECER LA AUTONOMIA Y EFICIENCIA DEL SISTEMA MUNICIPAL

MEDIDA 5: PROMOVER LA APROBACION DE LA NUEVA LEY DE MUNICIPALIDADES Y SU REGLAMENTO

META PARA 1988: Emisión de la nueva Ley de Municipalidades

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988.	ACCIONES A CUMPLIR
Julio 15:	
Agosto 30:	Presentación del Proyecto de Ley al Congreso Nacional.
Octubre 15:	
Noviembre 30:	Aprobación esperada por parte del Congreso Nacional de la nueva Ley de Municipalidades.
Diciembre 15:	

C. TRANSFERENCIA AL SECTOR PRIVADO DE LA PARTICIPACION DEL ESTADO EN ACTIVIDADES QUE DEBEN SER EFECTUADAS POR LA EMPRESA PRIVADA

MEDIDA 6: CONTINUAR CON EL PROCESO DE ACCIONES PARA TRASPASAR AL SECTOR PRIVADO LA PARTICIPACION DEL ESTADO EN ACTIVIDADES PRODUCTIVAS

META PARA 1988:

1. Preparación de ocho paquetes de privatización, incluyendo saneamiento financiero y legal, informe de avalúo técnico financiero y recomendación de estrategia de traspaso.
2. Aprobación esperada de siete paquetes de privatización (avalúos y estrategia de traspaso) por parte de la Comisión de Dictámenes y la Junta Directiva de la Institución respectiva.
3. Realización esperada de por lo menos seis subastas públicas y/o negociaciones directas para el traspaso de empresas al sector privado.

PROGRAMA DE EJECUCION

CALENDARIO Feb. 1988	ACCIONES A CUMPLIR
Julio 15	1. Preparación de 4 paquetes de privatización incluyendo saneamiento financiero y legal, informe de avalúo técnico financiero y recomendación de estrategia de traspaso. 2. Aprobación esperada de 3 paquetes de privatización, avalúos y estrategia de

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traspaso por parte de la Comisión de Dictamen y la Junta Directiva de la institución respectiva. privatización.

3. Realización esperada de por lo menos 2 subastas públicas y/o negociaciones directas para el traspaso de empresas al sector privado.

Octubre 15: 1. Preparación de 2 paquetes de privatización adicionales (para un total de 6), incluyendo saneamiento financiero y legal, informe de avalúo técnico financiero y recomendación de estrategia de traspaso.

2. Aprobación esperada de 2 paquetes de privatización adicionales (avalúos y estrategia de traspaso) por parte de la Comisión de Dictamen, la Junta Directiva de la institución respectiva (para un total de 5).

3. Realización esperada de por lo menos 2 subastas públicas y/o negociaciones directas adicionales para el traspaso de empresas al sector privado (para un total de 4).

Diciembre 15: 1. Preparación de 2 paquetes de privatización adicionales (para un total de 8), incluyendo saneamiento financiero y

legal, informe de avalúo técnico-financiero y recomendación de estrategia de traspaso.

2. Aprobación esperada de 2 paquetes de privatización adicionales, avalúos y estrategia de traspaso por parte de la Comisión de Dictamen y la Junta Directiva de la institución respectiva (para un total de 7).

3. Realización esperada de por lo menos 2 subastas públicas y/o negociaciones directas adicionales para el traspaso de empresas al sector privado (para un total de 6).

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D. RACIONALIZACION DEL SISTEMA TRIBUTARIO

MEDIDA 7: EVALUACION Y ANALISIS ESTRUCTURAL DEL SISTEMA TRIBUTARIO

META PARA 1988: Realización de un estudio completo sobre el sistema tributario y recomendaciones para su racionalización.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988:	ACCIONES A CUMPLIR
Junio 15:	Presentación por parte del Ministerio de Hacienda al BID del documento de proyecto para la contratación de la asistencia técnica externa para el estudio sobre el sistema tributario.
Julio 15:	
Agosto 30:	Aprobación esperada por parte del BID del proyecto de asistencia técnica.
Octubre 15:	Contratación del grupo consultor que realizará el estudio.
Diciembre 15:	Presentación del plan de trabajo por parte del Grupo Consultor.

MEDIDA 8: SEGUIMIENTO DEL NUEVO SISTEMA ARANCELARIO Y ADUANERO

META PARA 1988: 1. Aprobación de los Reglamentos del Régimen Arancelario y Aduanero, Ley de Aduanas y Ley de Valoración Aduanera.

2. Presentación de informes sobre el proceso de implementación del Arancel de Aduanas, Ley de Aduanas y Ley de Valoración Aduanera.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	Presentación del primer informe sobre la implementación del Arancel de Aduanas, Ley de Aduanas y Ley de Valoración Aduanera.
Agosto 30:	Aprobación por parte del Poder Ejecutivo de los Reglamentos del Régimen Arancelario y Aduanero, Ley de Aduanas y Ley de Valoración Aduanera.
Octubre 15:	Presentación del segundo informe sobre la implementación del Arancel de Aduanas, Ley de Aduanas y Ley de Valoración Aduanera.
Diciembre 15:	Presentación del tercer informe sobre la implementación del Arancel de Aduanas, Ley de Aduanas y Ley de Valoración Aduanera.

Diciembre 30: Análisis comparativo (1987 y 1988) del comportamiento de las importaciones para determinar el efecto del nuevo Arancel en el volumen importado y en el correspondiente ingreso fiscal.

MEDIDA 9: RACIONALIZACION DEL ACTUAL SISTEMA DE EXENCIONES DE IMPUESTOS

META PARA 1988:

1. Completar la investigación comenzada en 1987 y presentar estudio con las debidas recomendaciones y los borradores de los anteproyectos de decretos que sean necesarios para cumplir con la medida.
2. Derogación esperada de las leyes que conceden incentivos fiscales.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Junio 30:	1. Informe de avance sobre el estudio para la derogación de las exoneraciones. 2. Derogación esperada por parte del Congreso Nacional de las leyes que conceden incentivos fiscales a actividades productivas.
Julio 15:	
Octubre 15:	Borradores de los anteproyectos de decretos complementarios para racionalizar el actual sistema de exención de impuestos de que gozan otras actividades.
Diciembre 15:	

MEDIDA 10: INTRODUCCION DEL PEAJE EN CARRETERAS PAVIMENTADAS

META PARA 1988: Cobrar el peaje en las ocho estaciones escogidas.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Junio 30:	Aprobación del nivel de tarifas a cobrarse.
Julio 15:	Aprobación del Sistema Administrativo.
Julio 30:	Cobro del peaje en Cerro de Hula, Tamara y Olancho.
Septiembre 30:	Cobro del peaje en Zamorano y Choloma.
Octubre 15:	
Octubre 30:	Cobro del peaje en La Lima, Tela y Caracol.
Diciembre 15:	

MEDIDA 11: CONTINUACION DEL MEJORAMIENTO DEL SISTEMA ADMINISTRATIVO DE LOS TRIBUTOS

META PARA 1988: Presentación de informes que demuestren el mejoramiento del sistema administrativo de los tributos.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Junio 15:	Presentación del plan de trabajo de 1988 con su respectiva calendarización.
Julio 15:	Ejecución de las medidas calendarizadas de acuerdo con el plan de trabajo.
Octubre 15:	Ejecución de las medidas calendarizadas de acuerdo con el plan de trabajo.
Diciembre 15:	1. Ejecución de las medidas calendarizadas de acuerdo con el plan de trabajo. 2. Evaluación del ingreso adicional debido a las medidas tomadas.

E. MEJORAR LA EFICIENCIA OPERACIONAL DEL GOBIERNO CENTRAL

MEDIDA 12: RACIONALIZACION DE LOS SERVICIOS PRESTADOS POR LAS EMPRESAS PUBLICAS AL GOBIERNO CENTRAL

META PARA 1988: Estudio que establezca con precisión el detalle de la facturación de los servicios públicos que la ENEE, SANAA y HONDUTEL proporcionan al Gobierno Central. El estudio identificarà todos los valores pagados por el gobierno, incluyendo aquellos en que ha incurrido como avalista de los créditos y obligaciones de dichas empresas públicas.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	
Octubre 15:	Presentación del estudio que establezca con precisión el detalle de la facturación de los servicios públicos que la ENEE, SANAA y HONDUTEL proporcionan al Gobierno Central versus los valores pagados por éste como avalista de los créditos y obligaciones de dichas empresas públicas.
Noviembre 15:	Plan de ejecución para racionalizar el uso de los servicios públicos proporcionados al Gobierno Central.
Diciembre 15:	

MEDIDA 13: REDUCIR LAS PREFERENCIAS OTORGADAS AL SECTOR PUBLICO EN MATERIA FISCAL Y MONETARIA Y CONTINUAR CON EL PROCESO DE ELIMINACION GRADUAL DE LAS FACILIDADES DE GARANTIA DE RECOMPRA AUTOMATICA DE LOS BONOS DEL GOBIERNO CENTRAL

METAS PARA 1988:

1. Eliminación de la exención del impuesto sobre la renta para los intereses de los bonos del Gobierno.

2. Continuar con el proceso de eliminación gradual de las facilidades de garantía de recompra automática de los bonos del Gobierno Central.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	
Septiembre 30:	Revisión del estudio realizado en 1987 para hacer una mayor investigación y ampliar el análisis del tema concreto de la exención del impuesto sobre la renta para los intereses de los bonos del Gobierno.
Octubre 15:	

Octubre 30: Informe de las medidas tomadas para la eliminación gradual de las facilidades de garantía de recompra automática de los bonos del Gobierno.

Diciembre 15:

II. ACRECENTAR LA COMPETITIVIDAD DE LAS EXPORTACIONES Y PROMOVER LA INVERSION PRIVADA

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A. ACRECENTAR LA COMPETITIVIDAD DE LAS EXPORTACIONES

MEDIDA 14: SEGUIMIENTO DE LAS LEYES DE INCENTIVOS A LAS EXPORTACIONES: REGIMEN DE IMPORTACION TEMPORAL (RIT), LEY DE FOMENTO A LAS EXPORTACIONES (LEFOMEX), LEY DE ZONAS INDUSTRIALES DE PROCESAMIENTO PARA EXPORTACIONES (ZIP) Y LA LEY DE INCENTIVOS A LA INDUSTRIA BANANERA

META PARA 1988: Presentación de informes sobre el proceso de implementación del Régimen de Importación Temporal (RIT), Ley de Fomento a las Exportaciones (LEFOMEX), Ley de Zonas Industriales de Procesamiento para Exportaciones (ZIP) y Ley de Incentivos a la Industria Bananera.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Junio 15:	Elaboración del informe sobre la aplicación del RIT, LEFOMEX, ZIP y Ley de Incentivos a la Industria Bananera durante el año 1987.
Julio 15:	
Agosto 30:	Elaboración del informe sobre la aplicación del RIT, LEFOMEX, ZIP y Ley de Incentivos a la Industria Bananera durante el período enero a junio de 1988.
Octubre 15:	

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Documento 14:

Documento 20: Elaboración del informe preliminar sobre la aplicación del ISI, [illegible], ZIF y los de incentivos a la industria [illegible] durante el año 1988.

MEDIDA 15: EVALUACIONES PERIODICAS DE LAS EXPORTACIONES Y COMPETITIVIDAD DE PRECIOS

META PARA 1988: 1. Presentación de las evaluaciones periódicas de las exportaciones y competitividad de precios al Gabinete Económico.

2. Discusiones de las evaluaciones dentro del Gabinete Económico y recomendaciones de política.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	Presentación con base de los datos del primer trimestre de la primera evaluación de 1988 al Gabinete Económico.
Agosto 15:	Discusión de la primera evaluación dentro del Gabinete Económico y recomendaciones de política.
Septiembre 15:	Presentación con base de los datos del segundo trimestre de la segunda evaluación de 1988 al Gabinete Económico.
Octubre 15:	Discusión de la segunda evaluación dentro del Gabinete Económico y recomendaciones de política.

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Diciembre 15:	Presentación con base de los datos del tercer trimestre de la tercera evaluación de 1988 al Gabinete Económico.
Diciembre 30:	Discusión de la tercera evaluación dentro del Gabinete Económico y recomendaciones de política.

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B. PROMOVER LA INVERSION PRIVADA

MEDIDA 16: ESTABLECIMIENTO DE UN CENTRO DE INFORMACION PARA EL INVERSIONISTA

META PARA 1988: Establecer el centro de información para el inversionista.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	Presentación del proyecto para el establecimiento del centro de información con un plan de trabajo calendarizado.
Octubre 15:	Informe sobre las actividades realizadas de acuerdo con la calendarización del plan de trabajo.
Diciembre 15:	Establecimiento del centro de informacion para el inversionista.

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MEDIDA 17: INVESTIGACION Y RACIONALIZACION DEL MARCO LEGAL PARA LA INVERSION

META PARA 1988: Hacer una investigación de la legislación relacionada con la inversión y presentar recomendaciones para su racionalización.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	Presentación del documento que justifica la necesidad de realizar un estudio que sirva de base para lograr la racionalización de la legislación relacionada con la inversión.
Octubre 15:	Informe sobre los avances del estudio para la racionalización de la legislación relacionada con la inversión.
Diciembre 15:	Presentación del estudio sobre la racionalización de la legislación relacionada con la inversión.

MEDIDA 18: PROMOCION DE UN MERCADO DE CAPITALES

META PARA 1988: Agilización del trámite de solicitudes para el establecimiento de un mercado de capitales.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1989	ACCIONES A CUMPLIR
Julio 15:	
Octubre 15:	
Diciembre 15:	Presentación de un informe sobre el avance de la medida.

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MEDIDA 19: ANALISIS DE LA PROTECCION EFECTIVA ARANCELARIA EXISTENTE Y RECOMENDACIONES PARA LA REDUCCION DEL PROMEDIO Y DEL GRADO DE DISPERSION DE LOS NIVELES DE TARIFA

META PARA 1988:

1. Calcular la protección efectiva del nuevo Arancel.

2. Desarrollar la metodología para convertir la protección nominal en protección efectiva y viceversa.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	
Septiembre 30:	Calculo de la protección efectiva del nuevo Arancel.
Octubre 15:	
Noviembre 30:	Desarrollo de la metodología para convertir la protección nominal en protección efectiva y viceversa.
Diciembre 15:	
Diciembre 30:	Estudio que servirá de apoyo para la elaboración de un arancel basado en protección efectiva.

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MEDIDA 20: PROMOVER LA INVERSION DIRECTA EXTRANJERA EN EL SECTOR TURISMO

META PARA 1988: Promover la legislación adecuada en relación a la propiedad de la tierra que permita la inversión directa extranjera en turismo.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	
Octubre 15:	Presentar el Proyecto de Ley ante el Congreso Nacional.
Octubre 30:	Aprobación esperada por parte del Congreso Nacional.
Noviembre 30:	Borrador del Proyecto de Reglamento de la Ley.
Diciembre 15:	
Diciembre 30:	Aprobación esperada por parte del Poder Ejecutivo del Reglamento de la Ley.

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MEDIDA 21: PROMOVER LA INVERSION PRIVADA EN EL SECTOR AGROPECUARIO CON EL FIN DE AUMENTAR LA PRODUCCION Y EL EMPLEO

META PARA 1988: 1. Estudiar la situación del sector agropecuario para analizar los riesgos que tiene la inversión privada.

2. Preparar las bases para la realización de una investigación por muestreo para determinar la intensidad del uso de la tierra.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	
Julio 30:	Definición de los términos de referencia para la realización del estudio.
Octubre 15:	
Noviembre 30:	Elaboración de las bases para la realización de la investigación por muestreo para determinar la intensidad del uso de la tierra.
Diciembre 15:	Presentación del estudio sobre la situación del sector agropecuario analizando los riesgos que tiene la inversión privada.

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III. FORTALECIMIENTO DE LA CONFIANZA EN LA ECONOMIA HONDUREÑA

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MEDIDA 22: CONTINUAR CON EL ESTABLECIMIENTO DEL SISTEMA DE LA CARRERA JUDICIAL

META PARA 1988: Implementación de la Ley de Carrera Judicial

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	
Octubre 15:	
Noviembre 30:	Aprobación esperada por parte de la Corte Suprema de Justicia de los reglamentos pendientes de la Ley de Carrera Judicial.
Diciembre 15:	

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MEDIDA 23: CONTINUAR CON LA RENEGOCIACION DE LA DEUDA EXTERNA

META PARA 1988 Continuar con las negociaciones de buena fe.

PROGRAMA DE EJECUCION

CALENDARIO PARA 1988	ACCIONES A CUMPLIR
Julio 15:	
Agosto 30:	Presentación esperada al Congreso Nacional del Convenio de Renegociación de la Deuda.
Octubre 15:	
Noviembre 30:	Aprobación esperada por el Congreso Nacional del Convenio de la Renegociación de la Deuda.
Diciembre 15:	

MEDIDA 24: CONTINUAR CON LAS NEGOCIACIONES CON EL BANCO MUNDIAL Y EL FONDO MONETARIO INTERNACIONAL

Meta Fecha 1988: Informe sobre el estado de las negociaciones.

PROGRAMA DE EJECUCION

Cronograma 1988	ACTIVIDADES A CUMPLIR
Junio 30	Primer informe sobre el estado de las negociaciones.
Julio 1º:	
Septiembre 30:	Segundo informe sobre el estado de las negociaciones.
Octubre 15	
Noviembre 30:	Tercer informe sobre el estado de las negociaciones.
Diciembre 15:	

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TRANSLATION

Ambassador Everett E. Briggss
Embassy of the United States of America
Tegucigalpa, D.C.

The purpose of this letter is to transmit to you the 1988 Economic Program of the Government of Honduras and to request U.S. Economic Support Funds (ESF) to assist us in implementing our program.

As you know, the economic program that the GOH initiated in 1986 - 1987, with financial support from the United States met with considerable success. The gains made by the Honduran economy are clearly reflected by the following: real GDP grew by over 3 percent over the last two years; the urban open unemployment rate fell by one percentage point; the average rate of inflation was held to 3.3%. At the same time, the overall deficit of the consolidated nonfinancial public sector has fallen continuously since 1984, while the current account deficit on the balance of payments in proportion to GDP has fallen in a like manner. It is relevant to mention that among the economic results of 1987, for the first time in recent years the real growth rate of GDP, at 4.2 percent, exceeded the population growth rate, and that the inflation increase of 2.5 percent is the lowest in the last fifteen years. The gains made by the Honduran economy in 1987 are reflected as well by the substantial progress made in establishing measures to improve economic performance over mid- and long-term, especially in the areas of rationalization of public sector operations, providing private sector incentives, promoting exports and restoring internal and external confidence in the economy.

In no small measure, the gains made by the economy during 1987 were due to the successful efforts that my Government made to comply with the economic program we initiated in May 1986, the basic fundamentals of which were continued in 1987. Nevertheless, as you know, at the end of the 1987 Program some difficulties were experienced in achieving some goals, specifically in the monetary aggregates, which exceeded the credit limits programmed to the public sector and especially to the private sector. These deviations were produced even when the monetary authorities promulgated corrective measures, with the intention of modifying the liquidity trend and the net credit of the Central Bank of Honduras. In this regard, the reserve requirement was raised by (3) points and the credit provided the banking system with resources of the Central Bank was frozen.

Among other causes of the excessive bank credit to the public sector were delays in the approval of the decree authorizing the emission of bonds, and difficulties in the placement of these government instruments, which were designed to cover the 1986 financial gap. In reference to the expansion of credit to the private sector, the following may be listed as causes: larger credit demand due to economic growth; the obligation that the yields from sight bonds emitted by the banks were allocated according to fixed dates; the lack of options on the part of the banking system to invest in commercial paper at a remunerative interest rate; and financial help to the coffee pre-export activities without the customary backing of previous years of advance payments by foreign banks to the domestic banks. However, in

matters corresponding to the structural reforms contemplated in the economic program, the Government of Honduras complied successfuly with the calendar of actions in the form agreed.

I am pleased to inform you that the GOH Economic Program for 1988 represents a continuation of our effort to implement a monetary program designed to harmonize immediate objectives for stabilization and growth within the context of the Honduran reality and a structural adjustment program designed significantly to improve economic prospects in the mid-and-long term.

My government recognizes that our most difficult challenge is to reduce further the nonfinancial public sector deficit which reflects the destabilizing external factor. In this respect, I want to emphasize that my government is making additional efforts to reduce the public sector deficit to 5.5 or 5.6 percent of the GDP, an amount equivalent to 60 or 65 million lempiras of reduction in the budget deficit; the public sector deficit in 1989 could be no more than 5 percent of GDP. This goal will be reflected in the project on General Budget expenditures and revenues of the Republic that the Executive Branch will present to the National Congress at the latest during the month of September of 1988. It will be reflected also, in the budget projects of the nonfinancial decentralized institutions of the State. The executive branch believes that the National Congress will approve the budgets of revenues and expenditures for 1989 with the goals that we have indicated; it is also expected that this program will have U.S. support through the ESF and that at the same time the program will get the support of the World Bank and the International Monetary Fund, in accord with the negotiations that we are effecting with those institutions. We would appreciate help from the U.S. Government in securing additional financial cooperation, especially with the aforementioned institutions.

I. Summary of Economic Program of the Government of Honduras for 1988.

A. Monetary Program

The program for 1988 is framed with the objectives of stability and growth, setting as goals to gradually correct the fiscal and balance-of-payment deficit, despite the progressive worsening of external capital flows.

The Monetary Program of the Government of Honduras in light of current trends, is very tight. Growth in internal credit is forecast to be 7.6 percent, 7.4 points lower than the growth rate registered in 1987. We anticipate a net credit expansion to the nonfinancial consolidated public sector of 92 million lempiras, 53 million lempiras less than the increase of 1987. The rest of the credit expansion is to finance investment and production in the private sector, as can be observed in the attached document "Programa Monetario 1988".

In spite of the continous negative flow of capital resources from the rest of the world, the Central Bank of Honduras has established as a goal a moderate increase in the net international monetary reserves in 1988, searching for a realistic compromise between the growth and stabilization objectives.

It is estimated that the Monetary Program in compatible with real GDP growth on the order of 3 to 4 percent; a deficit in current account of the balance of payments of about 7.3 percent in relating to GDP, and the deficit in the nonfinancial consolidated public sector of 5.6 percent in relation to GDP. While these projections for growth and stabilization indicators do not represent substantial improvement over the 1987 outcomes, they do represent a decision to prevent a major deterioration from the quite sharp gains achieved in 1987 in spite of the unfavorable external factor facing the economy. Moreover, and as noted above, my government is making a major effort to hold the 1988 fiscal deficit as a percentage of GDP to less than that registered 1987, and to adopt the corresponding measures to reduce it to 5 percent in 1989. This has required the development of a package of revenue enhancements/expenditure reductions, intensifiying efforts we have been making in the tax administration field. In the case of the measures requiring legislative action, on June 28 two bills were submitted to the National Congress calling for a transfer to domestic consumption of taxes currently charged on imports, and the elimination of all decrees giving tariff exonerations to different productive sectors. These measures will promote tax equity and will contribute to improving tax collection as well as lowering effective protection.

Within the objective of strengthening the balance of payment, the monetary authorities already have adopted the appropiate measures to enhance flexibility in the existing mechanisms of exchange control especially those oriented toward encouraging the export sector -- the same ones that are detailed in the Monetary Program for 1988.

In line with the negotiations with the World Bank and the International Monetary Fund, the following control variables have been defined to accomplish the Economic Stabilization Program (ESF) of the Government: the behavior of domestic assets of the Central Bank of Honduras, which should register an increase no larger than 110 million of Lempiras relative to the total reached in 1987; and within that limit a maximum increase of 146 million for the public sector. The latter includes a 54 million Lempira increase in other net assets, as is proyected in the following table:

Honduras: Central Bank of Honduras
(Million of Lempiras)

	ACTUAL		PROGRAMMED			
	1986	1987	1988			
	Dec.	Dec.	Apr.	June	Sept.	Dec.
I. Net dom. assets 2/	(955.4)	(055.2)	(1,049.3)	(1,027.1)	(1,069.7)	(1,051.3)
II. Domestic Assets 1/	1,534.2	1,625.8	1,682.1	1,658.8	1,689.5	1,735.7
A. Priv. Sect.	0.6	2.8	4.3	4.3	4.3	4.3
B. Pub. Sect. 1/	626.6	690.9	752.9	744.7	785.3	836.5
C. Bank Sect.	907.0	932.1	924.9	909.9	899.9	894.9
III. Liabil.	578.8	670.6	632.8	631.8	619.8	684.4

1/ Excludes government bonds allocated in the banking system; includes other net assets.
2/ Net international monetary reserves less long term external debt.

B. 1988 Structural Adjustment Program

The 1988 structural adjustment program builds on progress made, and more importantly, the experience that was gained in developing and implementing the 1987 structural adjustment program. As a result of both factors my Government anticipates good progress on the structural adjustment program, significantly improving Honduras' economic performance in 1988 and in the coming years.

With respect to measures requiring legislative approval, the 1988 Structural Adjustment Program assumes that all those measures submitted to the National Congress as a part of the 1987 program, like those that were recently introduced, will be approved. The 1988 Program contemplates an acceleration of the progress toward privatization realized in 1987. The complete Structural Adjustment Program, covering the final goals and the quarterly execution schedule for each reform, is detailed in Annex 2 of this letter.

I would like to emphasize that the 1988 Structural Adjustment Program includes several measures in process and other new ones which require the legislative actions already mentioned; in this case I can assure you that the Executive Branch will make all necessary efforts to achieve approval by the National Congress of all bills contained in the Program.

In order to enhance inter-governmental coordination and accelerate structural program implementation we hope to continue receiving technical cooperation from USAID, mainly in the key areas of program implementation. My government also expects to receive technical assistance from the International Monetary Fund, the World Bank and Inter American Development Bank.

Consolidation of the democratic system being a permanent goal, and seeing as how a free society is the only real means to satisfy the economic and social needs of low-income Honduran families, I believe that Honduras is facing an extremely delicate situation in getting capital resources from the external sector, which worsens even more its position as a less- developed country in Latin America. The success achieved in the 1986 and 1987 economic programs, as well as in the stabilization and structural adjustments for 1988, deserve the financial assistance of the U.S. Government and from the international financial economic community.

I would appreciate it your transmitting the above information and attachments to your government for appropiate consideration.

Sincerely,

José Simón Azcona Hoyo
President of the Republic

To the Ambassador of the United States of America
EVERETT ELLIS BRIGGS

ANNEX NO. 1

GOH MONETARY PROGRAM, 1988

The parts of the GOH Monetary Program most relevant to the FY 1988 ESF Program are summarized in the text of this document (Part IV.B. "Monetary Program").

ANNEX NO. 2

GOH STRUCTURAL MEASURES, 1988

GOH STRUCTURAL MEASURES, 1988

CONTENTS:

I. RATIONALIZE PUBLIC SECTOR OPERATIONS

A. Improve the operational and economic efficiency of the decentralized government institutions

1. Introduction of Zero Base Budget (ZBB).
2. Develop and implement a budget control system.
3. Periodic analysis of the operational and economic efficiency of decentralized institutions.
4. Corrective measures to be taken.

B. Strengthen the independence and efficiency of the municipal system

5. Promote the approval of the new Municipalities Law and issue its Regulations

C. Transfer of public sector enterprises to the private sector

6. Continue the process of transferring state participation in production activities to the private sector.

D. Rationalization of the tax system

7. Structural analysis and evaluation of the tax system.
8. Monitoring of the new tariff and customs system.
9. Rationalization of the tax exemptions system.
10. Introduction of tolls on paved roads.
11. Continue with the improvement of the tax administration system.

E. Improve the operational efficiency of the Central Government

12. Rationalization of the services rendered by public enterprises to the Central Government.

13. Reduce tax exemption preferences granted to the public sector and continue to gradually eliminate the automatic repurchase guarantee facilities on Central Government bonds.

11. INCREASE THE COMPETITIVENESS OF EXPORTS AND PROMOTE PRIVATE INVESTMENT

A. Increase the competitiveness of exports

14. Monitoring of the Export Incentives Laws: Temporary Import Law, Export Promotion Law, Industrial Export Processing Zone Law, and Banana Export Incentives Law.

15. Periodic evaluations of export performance and price competitiveness.

B. Promote private investment

16. Establishment of the informationa center for the investor.

17. Analysis and rationalization of the legal framework for investment.

18. Promotion of a capital market.

19. Analysis of present effective tariff protection and recommendations to reduce the average rates and levels of dispersion.

20. Promote foreign direct investment in the tourism sector.

21. Promote private investment in the agricultural sector with the objective of increasing production and employment.

III. ENHANCE CONFIDENCE IN THE HONDURAN ECONOMY

22. Continue with progress toward the establishment of a Career Judicial System.

23. Continue external debt renegotiations.

24. Continue negotiations with the World Bank and the International Monetary Fund.

I. RATIONALIZE PUBLIC SECTOR OPERATIONS

A. Improve the operational and economic efficiency of the decentralized government institutions

MEASURE 1: INTRODUCTION OF ZERO BASE BUDGET (ZBB)

GOAL FOR 1988:

1. Preparation and submission to the National Congress of the 1989 budget for three pilot institutions (INA, INVA and SANAA) based on the zero base budgeting technique.

2. Preparation and initiation of a plan for extending the ZBB technique to other decentralized public sector institutions.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
June 15:	Preparation, organization and consolidation of the decision packages for selected units in the three pilots institutions.
July 15:	
July 30:	Submission of a budget by the three pilot institutions to SECPLAN and the Ministry of Finance.
September 15:	Budget submission in draft by the three pilot institutions to the National Congress.
October 15:	
October 30:	Technical Group evaluation of the results and preparation of a report to determine the convenience of extending the ZBB to other decentralized institutions.
November 30:	Discussion and approval of the Technical Group report by the Evaluation and Financial Control Commission.
December 15:	
December 30:	Initiation of the approved action plan.

MEASURE 2: DEVELOP AND IMPLEMENT A BUDGET CONTROL SYSTEM

GOAL FOR 1988:

1. Continue to apply budget control in the institutions in which the system is already established.

2. Continue with the establishment of the budget control in five institutions that do not already have it. (ENEE, HONDUTEL, SANAA, INVA, COHDEFOR).

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
June 15:	Preparation of the overall report by the Technical Group on the implementation of the 1987 budget of the selected decentralized institutions in accordance with the established budget control standards.
June 30:	The Evaluation and Financial Control Commission to meet with the Technical Group in order to evaluate 1987 results and review 1988 action plan which must include the measures and actions for the establishment of the budgetary control in five institutions that do not already have it (ENEE, HONDUTEL, SANAA, INVA, COHDEFOR).
July 15:	
August 30:	Preparation of the overall report by the Technical Group on the implementation of the budget for the period of January through June 1988 for the five decentralized institutions. It should report on progress toward establishing budgetary control standards.
September 15:	The Evaluation and Financial Control Commission to meet with the Technical Group in order to evaluate the results of the period January to June 1988.
October 15:	

November 30: Preparation of the overall report by the Technical Group on budgetary implementation. The document will report on progress for the period January through September 1988.

December 15: The Evaluation and Financial Control Commission to meet with the Technical Group in order to evaluate the results of the period January through September 1988.

MEASURE 3: PERIODIC ANALYSIS OF THE OPERATIONAL AND ECONOMIC EFFICIENCY OF DECENTRALIZED INSTITUTIONS

GOAL FOR 1988: Analyze periodically through a system of selected indicators the operational and economic efficiency of the decentralized institutions most responsible for the public sector deficit (ENEE, SANAA, COHDEFOR, HONDUTEL).

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
June 15:	Meeting of the Technical Group to prepare methodology and to establish the 1988 action plan.
July 15:	Discussion and approval of the methodology by the Technical Group and selection of the indicators to be used.
September 15:	Meeting of the Evaluation and Financial Control Commission with the Technical Group to: (1) approve a system of periodic analysis of the operational and economic efficiency and (2) instruct the institutions concerning its implementation.
October 15:	
November 30:	Preparation of a report by the Technical Group concerning progress on the establishment of the system of periodic analysis of the operational and economic efficiency of the selected decentralized institutions.
December 15:	The Evaluation and Financial Control Commission meets to review the Technical Group Report and take appropriate decisions.

MEASURE 4: CORRECTIVE MEASURES TO BE TAKEN

GOAL FOR 1988:

1. Complete a comprehensive management assessment of ENEE.
2. Initiate system improvements in ENEE.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
June 15:	Technical Group meeting to prepare proposals for the Commission concerning the scope of the management assessment and system improvements in the ENEE.
July 15:	
August 30:	Initiation of the ENEE management assessment.
October 15:	
October 30:	Technical Group report to the Commission about progress on the management assessment and adoption of measures for system improvements.
November 30:	End of the management assessment.
December 15:	Final management assessment report.
December 30:	Implementation plan for management assessment recommendations including those calling for system improvements.

B. Strengthen the independence and efficiency of the municipal system

MEASURE 5: PROMOTE THE APPROVAL OF THE NEW MUNICIPALITIES LAW AND ISSUE ITS REGULATIONS.

GOAL FOR 1988: Issue of the new Municipalities Law.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
July 15:	
August 30:	Submission of the proposed Law to the National Congress.
October 15:	
November 30:	Expected approval by the National Congress of the new Municipalities Law.
December 15:	

C. Transfer of public sector enterprises to the private sector

MEASURE 6: CONTINUE THE PROCESS OF TRANSFERRING STATE PARTICIPATION IN PRODUCTION ACTIVITIES TO THE PRIVATE SECTOR

GOAL FOR 1988:

1. Preparation of at least eight divestiture packages, including the legal and financial clean-ups, reports of technical-financial appraisals and recommendation for strategic transfers.

2. Expected approval of seven privatization packages, appraisals and transfer strategies by the Legal Opinion Commission and the Boards of Directors of the respective institutions.

3. Expected Implementation of at least six public auctions and/or direct negotiations for the transfer of public enterprises to the private sector.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
July 15:	1. Preparation of four privatization packages including the legal and financial clean-ups, reports of technical-financial appraisals and recommendations for strategic transfers. 2. Expected approval of three privatization packages, appraisals and strategic for transfer by the Legal Opinion Commission and the Boards of Directors of the respective institutions. 3. Expected implementation of at least two public auctions and/or direct negotiations for the transfer of enterprises to the private sector.
October 15:	1. Preparation of two additional divestiture packages (for a total of six), including the legal and financial clean-ups, reports of technical-financial appraisals and recommendations for strategic transfers. 2. Expected approval of two additional privatization packages, appraisals and transfer strategies by the Legal Opinion Commission and the Boards of Directors of the respective institutions (for a total of five).

3. Expected implementation of at least two additional public auctions and/or direct negotiations for the transfer of enterprises to the private sector (for a total of four).

December 15:

1. Preparation of two additional divestiture packages (for a total of eight), including the legal and financial clean-ups, reports of technical-financial appraisals and recommendations for strategic transfers.

2. Expected approval of two additional privatization packages, appraisals and transfer strategies by the Legal Opinion Commission and the Boards of Directors of the respective institutions (for a total of seven).

3. Expected implementation of at least two additional public auctions and/or direct negotiations for the transfer of enterprises to the private sector (for a total of six).

D. Rationalization of the tax system

MEASURE 7: STRUCTURAL ANALYSIS AND EVALUATION OF THE TAX SYSTEM

GOAL FOR 1988: Carry out a complete study on the tax system and recommendations for its rationalization.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
June 15:	The Ministry of Finance submits to the IDB a draft document to contract the external technical assistance for analyzing the tax system.
July 15:	
August 30:	Expected approval by the IDB of the technical assistance project.
October 15:	Expected contract for the consultant group to carry out the study.
December 15:	Presentation of the work plan by the consultant.

MEASURE 8: MONITORING OF THE NEW TARIFF AND CUSTOMS SYSTEM

GOAL FOR 1988:

1. Approval of the Regulations for the Tariff and Custom Regime, the Customs Law and the Customs Valuation Law.

2. Presentation of reports on the implementation of the Custom Tariff, the Customs Law and the Customs Valuation Law.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
July 15:	Presentation of the first report on the implementation of the Customs Tariff, the Customs Law and the Customs Valuation Law.
August 30:	Executive Branch approval of the regulations for the Tariff and Customs Regime, the Customs Law and the Customs Valuation Law.
October 15:	Presentation of the second report on the implementation of the Customs Tariff, the Customs Law and the Customs Valuation Law.
December 15:	Presentation of the third report on the implementation of the Customs Tariff, the Customs Law and the Customs Valuation Law.
December 30:	Comparative analysis (1987 and 1988) of the behavior of imports to determine the effect of the new tariffs on import volumes and on import duties.

MEASURE 9: RATIONALIZATION OF TAX EXEMPTIONS SYSTEM

GOAL FOR 1988:

1. Complete the investigation that began in 1987 on this topic and submit appropriate recommendations accompanied by the draft decrees needed to implement the recommendations.

2. Expected derogation of the laws that grant fiscal incentives.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
June 30:	1. Progress report of the study for the derogation of exemptions. 2. Expected derogation by the National Congress of the laws that grant fiscal incentives to productive activities.
July 15:	
October 15:	Presentation of draft decrees to rationalize the use of tax exemptions for activities excluded from the legislation expected for June 30.
December 15	

MEASURE 10: INTRODUCTION OF TOLLS ON PAVED ROADS

TARGET FOR 1988: Toll collection implemented at eight selected stations.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
June 30:	Approval of toll rates to be charged.
July 15:	Approval of the administrative collection system.
July 30:	Toll collection in Cerro de Hula and Tamara.
September 30:	Toll collection in Olancho, Zamorano and Choloma.
October 15:	
October 30:	Toll collection in La Lima, Tela and Caracol.
December 15:	

MEASURE 11: CONTINUE WITH THE IMPROVEMENT OF THE TAX ADMINISTRATION SYSTEM.

GOAL FOR 1988: Submission of reports demonstrating improvement in the tax administration system.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
June 15:	Presentation of the 1988 work plan with its respective schedule.
July 15:	Implementation of the scheduled measures as defined in the work plan.
October 15:	Implementation of the scheduled measures as defined in the work plan.
December 15:	1. Implementation of the scheduled measures as defined in the work plan. 2. Analysis of the revenue impact of the measures.

E. Improve the operational efficiency of the Central Government

MEASURE 12: RATIONALIZATION OF THE SERVICES RENDERED BY PUBLIC ENTERPRISES TO THE CENTRAL GOVERNMENT

GOAL FOR 1988: Carry out a study identifying the billing procedures for the provision of services by ENEE, SANAA and HONDUTEL to the Central Government. The study will identify all costs paid by the Government including those incurred as guarantor of credit and financial obligations of the cited public entities.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988: ACTIONS TO BE IMPLEMENTED:

July 15:

October 15: Submission of the above study.

November 15: Preparation of an implementation plan to rationalize the use of the public services provided to the Central Government.

December 15:

MEASURE 13: REDUCE TAX EXEMPTION PREFERENCES GRANTED TO THE PUBLIC SECTOR AND CONTINUE TO THE GRADUALLY ELIMINATE THE AUTOMATIC REPURCHASE GUARANTEE FACILITIES ON CENTRAL GOVERNMENT BONDS.

GOAL FOR 1988:

1. Elimination of the tax exemption on the interest earned by Government bonds.

2. Continue eliminating the automatic repurchase guarantee on government bonds.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988:	ACTIONS TO BE IMPLEMENTED:
July 15:	
September 30:	Review and expand upon the analysis of 1987 study calling for the elimination of the tax exemption on interest paid on government bonds.
October 15:	
October 30:	Report on the measures taken for the gradual elimination of the automatic repurchase guarantee facilities of the Central Government bonds.
December 15:	

II. INCREASE THE COMPETITIVENESS OF EXPORTS AND PROMOTE PRIVATE INVESTMENT

A. Increase the competitiveness of exports

MEASURE 14: MONITORING OF THE EXPORT INCENTIVES LAWS: TEMPORARY IMPORT LAW, EXPORT PROMOTION LAW, INDUSTRIAL EXPORT PROCESSING ZONE LAW, AND BANANA EXPORT INCENTIVES LAW

GOAL FOR 1988: Progress reports due on the implementation of the Temporary Import Regime, Export Promotion Law, Industrial Zone Law for Export Processing and the Banana Industry Law.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988:	ACTIONS TO BE IMPLEMENTED:
June 15:	Preparation of a report on the application of the above mentioned laws during 1987.
July 15:	
August 30:	Preparation of a report on the application of the above mentioned laws during the period January through June 1988.
October 15:	
December 15:	
December 30:	Preparation of a preliminary report on the application of the above mentioned laws during 1988.

MEASURE 15: PERIODIC EVALUATIONS OF EXPORT PERFORMANCE AND PRICE COMPETITIVENESS

GOAL FOR 1988:

1. Submission to the Economic Cabinet of periodic evaluations of export performance and price competitiveness.

2. Discussions within the Economic Cabinet of the evaluations and Cabinet recommendations for appropriate policies.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
July 15:	Submission to the Economic Cabinet of the evaluation for the first quarter of 1988.
August 15:	Discussion within the Economic Cabinet of the first quarter evaluation and policy recommendations as appropriate.
September 15:	Submission to the Economic Cabinet of the evaluation for the second quarter of 1988.
October 15:	Discussion within the Economic Cabinet of the second quarter evaluation and policy recommendations as appropriate.
December 15:	Submission to the Economic Cabinet of the evaluation for the third quarter of 1988.
December 30:	Discussion within the Economic Cabinet of the third quarter evaluation and policy recommendations as appropriate.

B. Promote private investment

MEASURE 16: ESTABLISHMENT OF THE INFORMATION CENTER FOR THE INVESTOR

GOAL FOR 1988: Establish an information center for the investor.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
July 15:	Submission of the project proposal including a work plan for the establishment of the cited information center.
October 15:	Report on activities performed according to the scheduled work plan.
December 15:	Establishment of the information center for the investor.

MEASURE 17: ANALYSIS AND RATIONALIZATION OF THE LEGAL FRAMEWORK FOR INVESTMENT

GOAL FOR 1988: Analyze legislation related to investment and submit recommendations for its simplification.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
July 15:	Submission of a document justifying the need to carry out a study to rationalize legislation related to the investment.
October 15:	Progress report for the above mentioned study.
December 15:	Submission of the study.

MEASURE 18: PROMOTION OF A CAPITAL MARKET

GOAL FOR 1988: Facilitate the application process so that the capital market can begin functioning.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
July 15:	
October 15:	
December 15:	Submission of a progress report on the establishment of a capital market.

MEASURE 19: ANALYSIS OF PRESENT EFFECTIVE TARIFF PROTECTION AND RECOMMENDATIONS TO REDUCE THE AVERAGE RATE AND LEVELS OF DISPERSION

GOAL FOR 1988:

1. Calculate the effective tariff protection afforded by the new customs system.

2. Develop a methodology to convert nominal protection into effective protective and viceversa.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED:
July 15:	
September 30:	Calculation of the rates of effective protection of the new tariff system.
October 15:	
November 30:	Develop a methodology to convert nominal protection into effective protection and viceversa.
December 15:	
December 30:	Prepare a study to serve as a basis for the preparation of a tariff system based on effective protection.

MEASURE 20: PROMOTE FOREIGN DIRECT INVESTMENT IN THE TOURISM SECTOR

GOAL FOR 1988: Promote legislation to permit land ownership rights, thereby allowing direct foreign investment in tourism.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
July 15:	
October 15:	Submission of draft law to the National Congress.
October 30:	Expected approval by the National Congress.
November 30:	Draft of the proposed implementing regulations for the law.
December 15:	
December 30:	Expected approval by the Executive Branch of the implementing regulations.

MEASURE 21: PROMOTE PRIVATE INVESTMENT IN THE AGRICULTURAL SECTOR WITH THE OBJECTIVE OF INCREASING PRODUCTION AND EMPLOYMENT

GOAL FOR 1988

1. Assess the agricultural sector, identifying the risks facing private investors.

2. Prepare the basis for a survey of the intensity of land use.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
July 15	
July 30:	Definition of the study's terms of reference.
October 15	
November 30:	Preparations for the survey to determine the level of land utilization.
December 15:	Presentation of the study identifying the risks of private investment in the agricultural sector.

III. ENHANCE CONFIDENCE IN HONDURAN ECONOMY

MEASURE 22: CONTINUE WITH PROGRESS TOWARD THE ESTABLISHMENT OF A CAREER JUDICIAL SYSTEM

GOAL FOR 1988 Implementation of the Career Judicial System Law.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO BE IMPLEMENTED
July 15:	
October 15:	
November 30:	Approval expected by the Supreme Court of Justice of the pending regulations for the Career Judicial System Law.
December 15:	

MEASURE 23: CONTINUE EXTERNAL DEBT RENEGOTIATIONS

GOAL FOR 1988: Continue with negotiations in good faith.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988:	ACTIONS TO BE IMPLEMENTED
July 15:	
August 30:	Espected submission of the External Debt Renegotiation Agreement to the National Congress.
October 15:	
November 30:	Expected approval by the National Congress of the External Debt Renegotiation Agreement.
December 15:	

MEASURE 24: CONTINUE NEGOTIATIONS WITH THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND

GOAL FOR 1988: Report on the status of negotiations.

IMPLEMENTATION PROGRAM

CALENDAR FOR 1988	ACTIONS TO IMPLEMENTED:
June 30:	First report on the status of the negotiations.
July 15:	
September 30:	Second report on the status of the negotiations.
October 15:	
November 30:	Third report on the status of the negotiations.
December 15:	

ECONOMIC RATIONALE FOR FY 1988 STRUCTURAL PERFORM MEASURES

MEASURE BY MAJOR CATEGORY	EXPLANATION/DISCUSSION
I. RATIONALIZE PUBLIC SECTOR OPERATIONS	
A. Improve the operational and economic efficiency of the decentralized government institutions	
1. Introduction of Zero Base Budget (ZBB).	Attempt by the GOH to implement a budget technique for prioritizing budget goals and requirements. As such could eliminate waste in expenditure decisions.
2. Develop and implement a budget control system.	Budget control systems designed to insure that expenditures conform to the line items and amounts reserved in the budget throughout the year. In effect, forces executors of the budget to conform to priorities.
3. Periodic analysis of the operational and economic efficiency of decentralized institutions.	Development and submission of periodic reports providing information on the economic efficiency with which public sector operations are performed, i.e., rate of return on invested capital and a variety of measures covering the real resource cost per unit of output. Reports would provide the basis for taking action to reduce inefficient use of resources.
4. Corrective measures to be taken.	Facilitate rational decision-making through assuring the timely availability of financial and management assessment. Reduce possibilities for waste and abuse of public sector funds through public dissemination of financial and management information.

B. Strengthen the Independence and Efficiency of the Municipal System

5. Promote the approval of the new Municipalities Law and issue its regulations.	Permit decentralized decision-making both with respect to the generation of local tax revenue and the programming of that revenue for local public services.

C. Transfer of public sector enterprises to the private sector

6. Continue the process of transferring state participation in production activities to the private sector.	Place enterprises under more efficient management contributing to expanded income, more efficient production and increased productive employment opportunities. Reduce the current drain on limited fiscal resources required to keep inefficient firms in operation.

D. Rationalization of the tax system

7. Structural analysis and evaluation of the tax System.	Tax policy should be an economic development instrument and should provide the fiscal revenues to reduce the GOH deficit. These objectives require a complete revision of the tax system aimed at making it operate according to the principles of capacity to pay, equity, transparency, elasticity and revenue generation.
8. Monitoring of the new tariff and customs system.	Adoption of a standard tariff nomenclature which clearly defines the classification of imported merchandise. Conversion to ad valorem rates preventing the loss of fiscal revenues as the result of inflation.

	The Customs Valuation Law and the Custom Procedures Law serve to minize fraud, waste and abuse associated with lack of clear rules with respect to tariff classification, valuation and regime under which goods enter the country. These measures insure greater objectivity and consistency in the valuation and classification rules that are applied by customs personnel and by doing so significantly reduce the high degree of uncertainty that is currently associated with importing goods into the country.
9. Rationalization of the tax exemptions system.	Provide the data base required to effectively assess the economic benefits and cost of the existing system of tax exemptions. Should promote an improvement in the economic efficiency of the current system of exemptions by eliminating a number of anti-export, pro-import biases. Also should enhance administrative ease and equity of current systems.
10. Introduction of tolls on paved roads.	Establish principle of fees for services where such fees can be effectively charged; also insure a source of financing for the maintenance of an important part of Honduras' transportation system infrastructure.
11. Continue with the improvement of the tax administration system.	Improve revenue collection without changing the existing legal tax rates or tax base.

E. Improve the operational efficiency of the Central Government

12. Rationalization of the services rendered by public enterprises to the Central Government.	Carry out a study detailing the billing procedures for the provision of services by ENEE, SANAA and HONDUTEL to the Central Government. The study will identify all costs paid by the Governor including those incurred as guarantor of credit and financial obligations of the cited public entities.
13. Reduce exemption preferences granted to the public sector and continue to gradually eliminate the automatic repurchase guarantee facilities on Central Government bonds.	Develop information base and calendar for elimination of exemptions from income tax of income earned on government bonds and the automatic repurchase guarantee on government bonds.

II. INCREASE THE COMPETITIVENESS OF EXPORTS AND PROMOTE PRIVATE INVESTMENT

A. Increase the competitiveness of exports

14. Increase the competitiveness of exports and promote private investment.	Temporary Import Law establishes exemption from duties on imports destined as inputs into the production of nontraditional exports. Export Promotion Law provides tax credits for procedures of nontraditional exports. Industrial Export Processing Zone Law promotes increased foreign and domestic investment in the production of nontraditional exports through establishing geographic locations where legal framework covering operations in Honduras does not contain provisions which inefficiently preclude such investment.

	Banana Export Incentives Law contributes to expanded investment and production in Honduras through moving toward the elimination of inefficient taxes on exports. Designed to reduce the marginal tax rate on an individual firm basis for exports over spicific amounts for each firm.
15. Periodic evaluations of export perfomance and price competitiveness.	Provides a key part of the information base required for intelligent policy making; keeps the issue of export competitiveness and export policy under consideration at the highest levels of decision making.
B. Promote Private Investment	
16. Establishment of an information for the investor.	To inform potential investors of the necessary procedures for investing; also to inform them of incentives granted by the laws of the country.
17. Analysis and rationalization of the legal framework for investment.	Prepares the way to eventually eliminate excessive paperwork adversely affecting investment.
18. Promotion of a capital market.	Expands supply of both debt and equity funds available for private sector investment in the commodity producing and services sector of the economy. Expands menu of financial investments which may be purchased by private domestic investors, resulting in increased domestic savings.
19. Analysis of present effective tariff protection and recommendations to reduce the average rate and levels of dispersion.	Lays out parameters for an effective tariff system reducing the anti-export bias of the existing system; lowers level of protection accorded to inefficient industries and thereby reduces the misallocation of resources.

20. Promote foreign direct investment in the tourism sector.	Promotes private investment through elimination of current prohibition against foreign equity participation in tourism and other industries located within 40 kilometers of the Honduran seacoast/national boundary.
21. Promote private investment in the agricultural sector with the objective of increasing production and employment.	Analize the risk, inherent in private investment in agriculture with the eventual aim of improving the prospects for such investment.

III. ENHANCE CONFIDENCE IN THE HONDURAN ECONOMY

22. Continue with progress toward the establishment of a Career Judicial System.	Provides greater assurances on the protection of human and property rights. This will reduce the perceived risk of private sector investment in Honduras.
23. Continue external debt renegotiations.	Successful renegotiation of Honduras' publicly guaranteed private external debt will measurably enhance Honduras' creditworthiness in the eyes of the international financial community. As a result, Honduras would be eligible to receive additional loans on more favorable terms.
24. Continue negotiation with the World Bank and the International Monetary Fund.	Needed to improve the flow of resources to Honduras as well as to broaden the bases for major macroeconomic and sectoral reforms.

ESF PROGRAM HISTORY THROUGH 1986

A. Economic Recovery Program (522-0230)

In September 1982, the GOH and AID signed the first ESF assistance agreement between the two countries for $35 million of FY82 ESF funds. By providing balance-of-payments support to Honduras, the program aimed at: (1) maintaining an on-going policy dialogue between the GOH and the Mission, (2) sustaining key portions of the GOH's public investment program, and (3) ensuring the availability of credit to private sector producers. The program was instrumental in substantially achieving the above objectives. A significant portion of the local currency generated by the ESF program was utilized to provide much needed private sector credit, and the rest supported public investment projects financed by AID, as well as other donors.

The initial success of the program was reinforced by amendments in 1983 and 1984 which provided $56 million and $40 million of FY83 and FY84 funds, respectively. These amendments continued to support achievement of those objectives specified in the first agreement, and were instrumental in obtaining the following important reforms:

(1) Enactment of the Export Incentive Law providing tax credits (for indirect taxes) to exporters of nontraditional products. Subsequent further efforts were needed to enhance such incentives as reflected in the FY 1986 and FY 1987 ESF programs.

(2) The implementation of a moratorium on Central Government guarantees on external loans to private sector firms. In addition, a limitation on Central Government guarantees on external loans granted to autonomous public sector institutions.

(3) The formation of an AID/GOH task force which studied impediments to U.S. disbursements and recommended actions to overcome them. The GOH expanded this effort by initiating similar pipeline reviews with other donors.

(4) The implementation of key tax administration reforms designed to streamline the processing of tax returns by eliminating some steps and redesigning others. These reforms have resulted in significantly greater revenues and improved tax compliance. However, subsequent efforts have been needed as reflected in the FY 1986 and FY 1987 ESF programs.

(5) Establishment of a Joint Economic Working Group (JEWG), with USG participation in an advisory capacity, to develop a comprehensive economic program and discuss the policy reforms necessary to undertake the program.

(6) Honduran Congressional approval of Decree Law 85-84 which constituted a comprehensive stabilization package aimed at lowering the Central Government's fiscal deficit and reducing excess liquidity in the banking system.

(7) Enactment of a Temporary Import Law and its implementing regulations to promote the development of nontraditional exports.

8) Approval of a memorandum of understanding containing the principal terms for the partial renegotiation of the country's external debt.

B. Economic Stabilization Facility (522-0283)

On March 25, 1985 an agreement was signed which established the conditions precedent and covenants linked to the disbursement of $72.5 million of FY84 supplemental ESF. It provided for the following:

-- An immediate $35 million disbursement.

-- $20 million to be disbursed upon the establishment by the GOH of a Special Payment Regime for Central America (SPRCA) promoting exports by permitting Honduran exporters to Central America to maintain deposits in the national banking system denominated in currencies of the particular countries to which they exported.

-- $17.5 million disbursement upon GOH adoption of a structural reform package including: (1) improved government domestic debt instruments, (2) banking legislation designed to improve access to agricultural credit, (3) passage of laws facilitating the divestiture of public sector enterprises, (4) increasing private sector participation in the marketing of forestry products and (5) tariff reform.

The program was amended on May 21, 1985 adding $75 million to FY85 ESF and providing for:

-- An immediate disbursement of $25 million.

-- Two subsequent $25 million disbursements linked to GOH compliance with: (1) measures to reduce public sector involvement in specific commercial activities, and (2) July 30 and October 30, 1985 targets for: (a) limits on net domestic credit expansion, and (b) increased coverage of international trade covered by the SPRCA and/or the parallel "autofinanciamiento" foreign exchange.

Prior to the January 27, 1986 inauguration of the Azcona Administration of the $147.5 million obligated under the Economic Stabilization Facility, $80 million had been disbursed in accordance with terms and conditions established in the Original Agreement and in Amendment No. 1.

Disbursements totaling $67.5 million had been withheld ($17.5 million from the Original Agreement and $50 million from Amendment No. 1) due to GOH noncompliance.

On January 30, 1986 the remaining $67.5 million was renegotiated to provide $35 million once the Azcona Administration made a firm commitment to develop a comprehensive stabilization program and $32.5 million conditioned upon GOH submission to AID of an acceptable comprehensive economic stabilization program. The initial $35 million was disbursed on January 31, 1986 and the remaining $32.5 million was disbursed in May 1986.

On June 18, 1986 Amendatory Agreement No. 3 was signed obligating an additional $61,248,000 to be disbursed in three separate tranches in support of the GOH's 1986 economic program of stabilization, recuperation and structural reform. The program consisted of two components. The monetary program component established an overall ceiling on the expansion of banking system credit to hold credit creation down to levels consistent with containing pressures on inflation and the balance of payments while simultaneously permitting the achievement of moderate economic growth. A subceiling on credit to the public sector was set to reserve the majority of available credit to finance private sector credit and investment. Quarterly targets were set for increases in net international reserves. Complementing the monetary program and directly related to creating the conditions for a sustainable recuperation in economic activity over the medium term, the GOH economic program also contained 29 structural adjustment measures. These measures were designed to improve economic performance beyond 1986 by: (1) rationalizing public sector operations; (2) enhancing export competitiveness; (3) promoting private sector investment; and (4) restoring internal and external confidence in the Honduran economy. Based on successful GOH compliance with the program, all $61,248,000 in obligated funds were disbursed in three tranches over the August 1986 through January 1987 period.

The FY 1987 program is summarized in part III of the text of this document.

The following tables provide a detailed account of all obligations and disbursements under the Economic Recovery Program and the Economic Stabilization Facility through 1987:

USAID/HONDURAS
ESF OBLIGATIONS BY DATE
(US DOLLARS)

	GRANT	LOAN	TOTAL
PROJECT NO. 522-0230			
Original Agreement September 24, 1982		35,000,000	35,000,000
Amendment No. 1 March 29, 1983		3,000,000	3,000,000
Amendment No. 2 July 30, 1983	12,750,000	2,250,000	15,000,000
Amendment No. 3 September 30, 1983	6,800,000	1,200,000	8,000,000
Amendment No. 4 September 30, 1983	25,500,000	4,500,000	30,000,000
Amendment No. 7 July 9, 1984	25,500,000	4,500,000	30,000,000
Amendment No. 8 September 29, 1984	8,500,000	1,500,000	10,000,000
Agreement/Amendments Total	79,050,000	51,950,000	131,000,000
PROJECT NO. 522-0283			
Original Agreement March 25, 1985	72,500,000	-	72,500,000
Amendment No. 1 May 21, 1985	69,000,000	-	69,000,000
Amendment No. 2 July 25, 1985	6,000,000	-	6,000,000
Amendment No. 3 June 19, 1986	61,248,000	-	61,248,000
Agreement/Amendments Total	208,748,000		208,748,000
PROJECT NO. 522-0323			
Original Agreement June 19, 1987	65,000,000	-	65,000,000
Amendment No. 1 August 28, 1987	15,000,000		80,000,000
Agreement Total	80,000,000		80,000,000
GRAND TOTAL	367,798,000	51,950,000	419,748,000

SUMMARY RECORD OF GOH PROGRESS ON FY 1987 STRUCTURAL REFORM MEASURES

CATEGORY/MEASURE	SPECIFIC ACTIONS COMPLETED
A. Rationalize Public Sector Operations	
1. Introduction of zero base budgeting (ZBB)	All required actions completed. Decision made by GOH to implement ZBB techniques in pilot institutions in 1988 and plans established to gradually extend ZBB to other public sector institutions.
2a. Develop and implement a budget control system in each decentralized institution	GOH Technical Group received quarterly reports on budget control from decentralized public sector agencies.
2b. Quarterly submission to the Central Government of financial operation statements in accordance with generally accepted accounting practices	About 20 percent of the decentralized entities submitted information in the required format. Problems were encountered due to deficient accounting standards and inadequate information.
3. Development and submission to the Central Government by decentralized institutions of quarterly reports on economic efficiency	For the same reasons as mentioned in 2b, only 20 percent of the decentralized entities submitted the required information.
4. Independent annual audits of decentralized institutions	Decision was reached to convert these independent annual audits into management audits.
5. Expansion of municipal tax base	The National Congress passed legislation permitting municipalities to charge for local improvements.
6. Transfer to the private sector of state participation in activities that can be run by the private sector	Four full privatizations have taken place in 1987, including one that began in CY 1986 and was completed in 1987.

CATEGORY/MEASURE	SPECIFIC ACTIONS COMPLETED
7. Tariff system	The National Congress approved legislation replacing the current customs nomenclature with the Customs Cooperation Council Nomenclature (CCCN), converting the current system of specific and mixed rates to ad valorem rates.
8. Customs Valuation Law	The law was presented to the National Congress and approved.
9. Customs Procedures Law	Honduran Congress passed the Customs Procedures Law.
10. Introduction of tolls on improved roads	Toll collections have not yet begun.
11. Continue with the improvement in tax administration system	GOH has provided required report and evaluation.
B. Enhance Export Competitiveness	
12. Temporary Import Law	Implementing regulations issued.
13. Export Promotion Law	Law passed by National Congress and implementing regulations issued.
14. Industrial Export Processing Zone Law	Law passed by National Congress and implementing regulations issued.
15. Banana Export Incentives Law	Law passed by National Congress and implementing regulations issued.
16. Submit to the Economic Cabinet evaluations of export performance and price competitiveness	GOH inter-agency team drafted evaluations containing major section on Honduran price competitiveness and on trends in Honduran market share in industrialized country imports.
17. Year of the Exporter - 1987	The investor forums and trade fairs were conducted. Prizes were awarded to best exporters.

CATEGORY/MEASURE	SPECIFIC ACTIONS COMPLETED
C. Promote Private Investment	
18. Reduction of preferences accorded to the public sector in fiscal and monetary matters	GOH inter-agency team completed a study on several aspects of GOH bonds including the possibility of eliminating the exemption from income tax on interest earned by GOH bond holders.
19. Investment tax credit	Legislation not approved by Congress.
20. Tax loss carry-overs	Legislation not approved by Congress.
21. Development of a capital market	Delivery of final report and recommendations.
22. Enhance private sector participation in export marketing of lumber	Required action has been fully completed.
23. Final study on effective tariff protection; reduction in the average rates of effective protection and in the dispersion about the average rate	Studies and seminars completed.
24. Promotion of foreign direct investment in tourism in seacost areas	AID agreed to a delay in presentation of draft legislation to Congress due to its highly sensitive political ramifications.
D. Others	
25. Consolidation, elimination and rationalization of the current system of tax exemptions	Ministry of Finance team developed a very complete data base and qualitative legal assessment of tax exemption.
26. Establishment of a judicial career system	Implementing regulations for the career judicial system law approved by the Supreme Court of Justice in October 1987.
27. Renegotiation of external debt	All required actions completed.

S T A T I S T I C A L

A P P E N D I X

BANCO CENTRAL DE HONDURAS
Depto. de Estudios Económicos

Table A.1

CUADRO A.1
HONDURAS: BALANZA DE PAGOS, 1985-1988
(Millones de Lempiras)

	1985			1986			Prel. 1987			Proj. 1988		
	Crédito	Débito	Balance	Crédito	Débito	Balance	Crédito	Débito	Balance	Crédito	Débito	Balance
CUENTA CORRIENTE			-674.7			-500.9			-627.2			-491.7
BIENES Y SERVICIOS	1836.4	2535.9	-699.5	2044.3	2571.2	-526.9	1986.9	2646.1	-659.2	2198.9	2725.6	-526.7
Mercaderías FOB	1579.2	1758.3	-179.1	1782.5	1748.1	34.4	1735.1	1787.7	-62.6	1927.1	1856.5	70.6
Flete y Seguro s/mercaderías	15.7	148.5	-132.7	17.8	146.8	-129.0	17.2	150.2	-133.0	19.3	156.1	-136.8
Costos de viajero	49.0	53.0	-4.0	52.0	60.0	-8.0	53.5	69.0	-15.5	55.0	74.0	-19.0
Ingresos directos de inversión	-	116.0	-116.0	-	135.0	-135.0	-	140.0	-140.0	-	145.0	-145.0
Dividendos e intereses	25.5	290.0	-264.5	22.0	309.3	-287.3	20.1	324.2	-304.1	20.0	315.0	-295.0
Otros servicios del gobierno	29.0	10.0	19.0	30.0	12.0	18.0	30.0	12.0	18.0	32.5	13.0	19.5
Otros servicios transp/privados	138.0	160.0	-22.0	140.0	160.0	-20.0	141.0	163.0	-22.0	145.0	166.0	-21.0
Memo: Bienes y Servicios N.F.	1810.9	2129.9	-319.0	2022.3	2126.9	-104.6	1966.8	2181.9	-215.1	2178.9	2265.6	-86.7
TRANSFERENCIAS	42.8	18.0	24.8	45.0	19.0	26.0	52.0	20.0	32.0	55.0	20.0	35.0
CUENTA DE CAPITAL			480.6			404.4			396.8			427.6
TRANSFERENCIAS OFICIALES	272.0	5.8	266.2	296.7	6.0	290.7	266.6	6.0	260.6	255.2	6.0	249.2
De las cuales, A.I.D.	222.3	-	222.3	273.7	-	273.7	242.1	-	242.1	255.2	-	255.2
ESF-Donación	178.1	-	178.1	215.0	-	215.0	162.5	-	162.5	190.0	-	190.0
DA -Donación	37.4	-	37.4	51.5	-	51.5	55.8	-	55.8	58.0	-	58.0
PL-480/Sec 416-Donación	6.8	-	6.8	7.2	-	7.2	23.8	-	23.8	7.2	-	7.2
Otras Transferencias	49.7	6.8	43.9	23.0	6.0	17.0	24.5	6.0	18.5		6.0	-6.0
CAPITAL PRIVADO	-	-	-177.0			-78.3			53.6	-	-	66.0
Inversión directa	55.0	-	55.0	60.0	-	60.0	72.0	-	72.0	100.0	-	100.0
Préstamos a mediano y largo plazo	9.0	64.0 (1)	-55.0	7.9	32.5	-24.6	20.0	40.0	-20.0	15.0	55.0	-40.0
Atrasos Deuda Externa	-	-	-	-	42.4	-42.4	-	14.7	-14.7	-	4.0	-4.0
Préstamos a corto plazo (incl err y omisiones (2)	-	-	-177.0	-	-	-71.3	-	-	16.3			10.0
CAPITAL OFICIAL	530.0	133.2	396.8	350.2	176.9	173.3	193.2	237.8	-44.6	331.8	204.1	127.7
Gobierno Central	415.8	89.6	326.2	321.5	120.9	200.6	187.2	93.2	94.0	322.0	130.4	191.6
Atrasos Deuda Externa G. Central	-	-	-	-	-	-	-	55.5	-55.5	-	-	-
Resto del Sector Público	-	1.8	-1.8	-	1.1	-1.1	-	1.5	-1.5	-	1.2	-1.2
Atrasos Deuda Ext Resto Sector Pub	-	-	-	-	-	-	-	0.7	-0.7	-	-	-
Empresas Estatales	114.2	41.8 (1)	72.4	28.7	46.1	-17.4	6.0	36.5	-30.5	9.8	64.5	-54.7
Atrasos Deuda Ext Empr Estatales	-	-	-	-	8.8	-8.8	-	50.4	-50.4	-	8.0	-8.0
SISTEMA FINANCIERO	172.6	166.4	6.2	-	-	15.0	-	-	125.3	110.5	131.8	-15.3
Banco Central Largo/ Mediano Plazo (4)	157.6	129.4	28.2	-	-	20.3	-	-	70.7	105.3	110.4	-5.1
Otros Bancos Oficiales	1.0	33.0 (1)	-32.0	-	-	18.3	-	-	19.5		14.4	-14.4
Bancos privados e inst de ahorro	14.0	4.0	10.0	-	-	-23.6	-	-	36.1	5.2	7.0	-1.8
Resto del Sistema Financiero	-	-	-	-	-	-	-	-	-	-	-	6.3
TRANSACCIONES CON AGENCIAS INTERNACIONALES NO MONETARIAS			-11.0			-7.3			-2.5			0.0
ASIGNACION DE DEG			-0.6			11.0			3.4			0.0
BALANCE GLOBAL			-194.1			-96.5			-230.4			-64.1
FINANCIAMIENTO REQUERIDO			194.1			96.5			230.4			64.1
1. Cambio Reservas Internacionales Netas del Banco Central (Aumento = -)			20.5			12.2			-141.2			
del cual:												
a. Incremento en Reservas Brutas			-95.3			18.1			40.1			
b. Incremento en Nuevas Obligaciones a Corto Plazo			-78.8			30.3			-101.1			
2. Cambio Reservas Internacionales Netas del Resto Sistema Financiero (Aumento = -)			10.4			-0.4			58.7			
del cual:												
a. Incremento Act. Internac. C.P.			0.7			3.1			-0.7			
b. Incremento Pas. Internac. C.P.			11.1			2.7			58.0			
3. Depósitos pagos atrasados (com)			-0.2			-34.8			15.8			
4. Atrasos pago deuda: Principal			63.6			70.2			141.8			
Intereses			8.6			14.0			105.6			
5. Oblig. del Banco Central Readecuadas de Corto a Mediano Plazo			68.2			8.8			52.4			
6. Otro Financiamiento (5)			23.0			26.5			-2.7			64.1
MEMORANDUM: Cambio en Reservas Internacionales Netas (Aumento = -)			30.9			11.8			-82.5			

FUENTE: Banco Central de Honduras, cálculos y proyecciones por el Personal de Apoyo Técnico del Grupo Conjunto Económico del Trabajo (GCET).

(1) Se ajusto para incluir el monto de pagos atrasados de la deuda externa en renegociación.
(2) Incluye otros créditos como cobranzas, cartas de crédito, etc.
(3) Se supone un programa de estabilización para el control de las variables monetarias y fiscales que compensen la presión de la demanda.
(4) Se ajustó para incluir el monto de la deuda documentada a largo plazo con Nicaragua años 1985 y 1986.
(5) Incluye ajustes por FMI.

TABLE A.2.
CENTRAL GOVERNMENT ACCOUNTS
1985 - 1988
(Millions of Lempiras)

	1985	1986	1987	1988(1)	Relative Changes 86/85	87/86	88/87
TOTAL REVENUES	1091.1	1179.7	1320.9	1385.7	8.1%	12.0%	5.0%
Tax revenues	985.8	997.2	1116.5	1172.0	1.2%	12.0%	5.0%
Income tax	240.6	250.2	297.9	316.9	4.0%	19.1%	6.4%
Property tax	8.8	8.5	10.6	11.2	-3.4%	24.7%	5.7%
Taxes on goods and services	325.4	332.8	365.3	381.2	2.0%	9.8%	4.4%
Taxes on international trade	409.1	404.8	441.0	461.6	-1.1%	8.9%	4.7%
Imports	316.6	301.9	345.2	361.3	-4.6%	14.3%	4.7%
Exports	92.5	102.9	95.8	100.3	11.3%	-6.9%	4.7%
Bananas	41.3	36.1	41.1	47.7	-12.6%	13.7%	16.1%
Coffee	45.3	62.7	49.6	41.7	38.4%	-21.1%	-15.8%
Others	5.9	4.1	5.2	10.9	-30.5%	26.8%	109.6%
Other taxes	0.9	0.9	1.7	0.9	0.6%	88.9%	-47.1%
Nontax revenues	59.4	134.9	157.7	163.7	127.1%	16.9%	3.8%
Current transfers	45.9 (2)	47.6 (3)	46.7 (4)	51.0 (5)	3.7%	-1.9%	9.2%
TOTAL EXPENDITURES AND NET LENDING	1717.2	1774.0	1911.7	1984.6	3.3%	7.8%	3.8%
Current expenditures	1243.9	1353.9	1516.5	1606.9	8.8%	12.0%	5.0%
Wages and salaries	525.3	611.5	663.4	706.4	16.4%	8.5%	6.6%
Social security contributions	46.2	54.9	60.8	65.5	13.9%	10.7%	7.7%
Purchases of goods and services	342.0 (2)	309.0 (3)	366.6 (4)	375.9 (5)	-9.6%	13.5%	2.8%
Interest payments	162.5	202.7	251.5	274.8	24.7%	24.1%	9.3%
Domestic debt	87.9	105.0	121.4	124.0	19.5%	21.3%	-2.7%
External debt	65.1	87.7	113.0	139.8	34.7%	28.8%	23.7%
Commissions	9.5	10.0	11.1	11.0	5.3%	11.0%	-0.9%
Current transfers	165.9	175.6	174.2	181.3	6.0%	-0.9%	4.1%
To private sector	23.5	14.5	26.0	25.6	-37.9%	78.1%	-3.8%
To public sector	137.2	155.2	141.6	151.2	13.1%	-8.8%	6.8%
To abroad (6)	5.2	6.0	6.6	5.1	15.4%	10.0%	-22.7%
Capital expenditures	328.3	329.4	315.1	277.9	0.3%	-4.3%	-11.8%
Fixed capital formation	200.3	202.3	207.9	182.7	1.0%	2.8%	-12.1%
Capital transfers	128.0	127.1	107.2	95.2	-0.7%	-15.7%	-11.2%
To private sector	-	-	-	-	-	-	-
To public sector	128.0	127.1	104.2	95.2	-0.7%	-18.0%	-8.6%
Others	-	-	-	-	-	-	-
Net lending	145.0	90.7	80.1	100.0	-37.4%	-11.7%	24.8%
Interest payments on foreign debt	-	-	-	-	0.6%	0.0%	0.0%
CURRENT ACCOUNT SURPLUS OR DEFICIT	-152.8	-174.2	-195.6	-220.2	14.0%	12.3%	12.6%
OVERALL SURPLUS OR DEFICIT (-)	-626.1	-594.3	-590.8	-598.1	-5.1%	-0.6%	1.2%
External financing (net)	213.9	232.6	152.5	117.0	-25.8%	-34.5%	-23.3%
Utilization	389.3	313.6	224.2	200.0	-19.4%	-28.5%	-10.8%
Amortization	-75.4	-80.7	-71.7	-83.0	7.0%	-11.2%	15.8%
Domestic financing (net)	204.7	235.3	332.2	350.6	14.9%	41.2%	8.5%
Banking system (net)	132.2	181.5	158.6		37.3%	-12.6%	
Bonds	33.0	21.3	110.8		-35.5%	420.2%	
To nonbank private sector	36.1	-3.5	76.4		-113.4%		
To public sector	6.9	24.8	34.4		259.4%	38.7%	
Others	39.5	32.5	62.8		-17.7%	93.2%	
Interest Arrears (Ext Debt under Renegotiation)	0.0	0.0	0.0	0.0			
External transfers (7)	107.5	125.1	106.1	120.6	17.3%	-15.9%	13.6%
MEMORANDUM: A.I.D. Assistance, of which:	146.6	165.4	141.2	157.0	12.8%	-14.6%	11.2%
BSP	90.0	107.5	81.2	95.0	19.4%	-24.4%	16.9%
DA	56.6	57.9	60.0	62.0	2.3%	3.6%	3.3%

NOTES: (1) Based on the Central Government Budget for 1988 as approved by the National Congress and adjusted to reflect extra-budgetary expenditures, revised estimates for the export taxes on coffee, and other adjustments.
(2) Includes L24.2 million for transfers from the Central Government to public utilities for services provided.
(3) Includes L25.2 million for transfers from the Central Government to public utilities for services provided.
(4) Includes L27.6 million for transfers from the Central Government to public utilities for services provided.
(5) Includes L24.6 million for transfers from the Central Government to public utilities for services provided.
(6) Represents transfers abroad for payments of dues to international organizations.
(7) Consists of transfers from A.I.D., EEC and Switzerland.

SOURCE: Ministry of Finance and Public Credit, Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group (JEWG).

TABLE A.3.
CONSOLIDATED NONFINANCIAL PUBLIC SECTOR ACCOUNTS
1985 - 1988
(Millions of Lempiras)

	1985	1986	1987	1988(1)	Relative Changes 86/85	87/86	88/87
TOTAL REVENUES	1528.2	1586.7	1718.1	1824.2	4.0%	8.3%	6.2%
Current revenues	1470.0	1556.2	1702.1	1801.8	5.9%	9.4%	5.9%
Tax revenues	1118.5	1133.6	1270.5	1334.1	1.4%	12.1%	5.0%
Nontax revenues	215.6	301.0	336.9	360.7	39.6%	11.9%	7.1%
Central Government	59.4	134.9	157.7	163.7	127.1%	16.9%	3.8%
Rest of general government	156.2	166.1	179.2	197.0	6.3%	7.9%	9.9%
Operating surplus of public enterprises	135.9	121.6	94.7	107.0	-10.5%	-22.1%	13.0%
Current transfers (net)	12.7	1.6	2.8	1.6	-87.4%	75.0%	-42.9%
Capital revenue	43.5	28.9	13.2	20.8	-33.6%	-54.3%	57.6%
Capital transfers (net)	0.2	0.4	4.5	4.0	--	--	--
Other capital revenues	43.3	28.5	8.7	16.8	-34.2%	-69.5%	93.1%
TOTAL EXPENDITURES AND NET LENDING	2059.8	2083.1	2213.5	2338.2	1.1%	6.3%	5.6%
Current expenditures	1389.1	1472.2	1654.6	1776.1	6.0%	12.4%	7.3%
Interest payment	158.8	199.1	241.5	283.6	25.4%	21.3%	17.4%
Domestic	93.5	111.4	128.1	158.3	19.1%	15.0%	23.6%
External	65.3	87.7	113.4	125.3	34.3%	29.3%	10.5%
Capital expenditures	602.5	529.6	454.2	480.2	-12.1%	-14.2%	5.7%
Fixed capital formation	582.1	480.7	394.8	418.0	-17.4%	-17.9%	5.9%
Capital transfers	2.0	47.5	26.9	38.4	2275.0%	-43.4%	42.8%
Other capital expenditures	18.4	1.4	32.5	23.8	-92.4%	2221.4%	-26.8%
Net lending	68.2	81.3	104.7	81.9	19.2%	28.8%	-21.8%
Loans	153.6	153.5	189.4	160.2	--	23.4%	-15.4%
Repayments	-85.4	-72.2	-84.7	-78.3	--	17.3%	-7.6%
CURRENT ACCOUNT SURPLUS OR DEFICIT	93.6	85.6	50.3	27.3	-8.5%	-41.2%	-45.7%
OVERALL SURPLUS OR DEFICIT	-533.6	-496.4	-495.4	-514.0	-7.0%	-0.2%	3.8%
External financing (net)	396.8	173.3	-44.6	127.7	-56.3%	-125.7%	-386.3%
Utilization	530.0	350.2	193.2	331.8	-33.9%	-44.8%	71.7%
Amortization	-133.2	-176.9	-237.8	-204.1	32.8%	34.4%	-14.2%
Domestic financing (net)	27.9	193.2	426.0	284.7	0.0%	120.5%	-33.2%
Banking system (net)	42.7	87.1	143.4		104.0%	64.6%	--
Bonds	48.1	60.2	105.8		25.2%	75.7%	--
To nonbank private sector	9.3	44.4	31.6		377.4%	-28.8%	--
To public sector	38.8	15.8	74.2		-59.3%	369.6%	--
Others	-62.9	45.9	176.8		-173.0%	285.2%	--
External Transfers (2)	108.9	129.9	114.0	101.6	19.3%	-12.2%	-10.9%

NOTES: (1) Based on the Central Government Budget for 1988 as approved by the National Congress and adjusted to reflect extra-budgetary expenditures and revised revenues estimates.
(2) Consists of transfers from A.I.D., EEC and Switzerland.

SOURCE: Ministry of Finance and Public Credit, Central Bank of Honduras and calculations of the Technical Support Staff of the Joint Economic Working Group (JEWG).

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TABLE A.4.
DETAILED ACCOUNTS OF THE CENTRAL BANK OF HONDURAS, 1983-1987
(Millions of Lempiras)

	1983	1984	1985	1986	Prel 1987	Absolute Changes 84/83	85/84	86/85	87/86	Relative Changes 84/83	85/84	86/85	87/86
INTERNATIONAL RESERVES (NET)	-167.2	-241.3	-196.7	-174.1	-108.7	-74.1	44.6	22.6	65.4	44.3%	-18.5%	-11.5%	-37.6%
Foreign Assets	266.4	297.4	283.1	281.2	261.3	31.0	-14.3	18.1	-19.9	11.6%	-11.5%	6.5%	-7.1%
Net IMF position	-293.8	-289.8	-241.2	-188.9	-125.2	4.0	48.6	52.3	63.7	-1.4%	-16.8%	-21.7%	-33.7%
Short-term liabilities	-139.5	-193.4	-163.3	-245.9	-208.5	-53.9	30.1	-82.6	37.4	38.6%	-15.6%	50.6%	-15.2%
Deposits for arrears	-0.3	-55.5	-55.3	-20.5	-36.3	-55.2	0.2	34.8	-15.8	--	-0.4%	-62.9%	77.1%
DOMESTIC ASSETS	1147.1	1339.7	1465.2	1559.7	1693.4	192.6	125.5	133.0	94.9	16.8%	9.4%	9.1%	5.9%
Credit to public sector (net), of which	610.6	645.9	702.8	662.6	781.0	35.3	56.9	-40.3	120.2	5.8%	8.8%	-5.7%	18.1%
Credit to Central Government (net)	516.1	563.3	616.2	626.8	763.9	47.2	52.9	10.6	137.1	9.1%	9.4%	1.7%	21.9%
Credit	631.0	687.1	777.1	757.6	989.0	56.1	90.0	-19.5	231.4	8.9%	13.1%	-2.5%	30.5%
Deposits	-114.9	-123.8	-160.9	-130.8	-225.1	-8.9	-37.1	30.1	-94.3	7.7%	30.0%	-18.7%	72.1%
Credit to rest of public sector (net)	94.5	82.6	86.6	35.8	17.1	-11.9	4.0	-50.8	-18.9	-12.6%	4.8%	-58.8%	-47.3%
Credit	144.2	143.1	147.4	131.1	136.3	-1.1	4.3	-16.3	5.2	-0.8%	3.0%	-11.1%	4.0%
Deposits	-49.7	-60.5	-60.8	-88.2	-112.1	-10.8	-0.3	-27.4	-23.9	21.7%	0.5%	45.1%	27.1%
Other Obligations	0.0	0.0	0.0	-7.1	-7.1	0.0	0.0	-7.2	1.8				
Central Government Trust Fund	0.0	0.0	0.0	-38.3	-38.3	0.0	0.0	-38.7	-0.6				
Official Capital and Reserves	-205.2	-230.6	-295.4	-314.7	-293.4	-25.4	-64.8	-19.3	21.3	12.4%	28.1%	6.5%	-6.8%
Credit to Private Sector	0.5	0.5	0.5	0.6	2.8	0.0	0.0	0.1	2.2	0.0%	0.0%	20.0%	366.7%
Net Credit to BANPINAH	52.9	52.9	41.8	43.7	39.6	0.0	-11.1	1.9	-4.1	0.0%	-21.0%	4.5%	-9.4%
Credit to Banks	464.9	604.6	766.4	902.9	931.5	139.7	161.8	136.5	28.6	30.0%	26.8%	17.8%	3.2%
Commercial Banks	214.7	302.5	424.9	516.7	475.5	87.8	122.4	91.8	-41.2	40.9%	40.5%	21.6%	-8.0%
BANADESA	201.0	248.0	291.6	298.0	326.6	47.0	43.6	6.4	28.6	23.4%	17.6%	2.2%	9.6%
CONADI	10.8	9.5	8.8	8.1	7.3	-1.3	-0.7	-0.7	-0.8	-12.0%	-7.4%	-8.0%	-9.9%
BANHA	0.7	1.7	2.7	1.6	0.7	1.0	1.0	-1.1	-0.9	142.9%	58.8%	-40.7%	-56.3%
Savings and Loan Institutions	37.7	42.9	38.4	78.5	121.4	5.2	-4.5	40.1	42.9	13.8%	-10.5%	104.4%	54.6%
Subscriptions to International Agencies (net)	89.1	114.1	126.7	133.5	133.3	25.0	12.6	6.8	-0.2	28.1%	11.0%	5.4%	-0.1%
Subscriptions to International Agencies	163.0	167.5	175.9	183.2	185.8	24.5	8.1	7.3	2.6	17.1%	5.0%	4.2%	1.4%
Deposits of International Agencies	-53.9	-53.4	-49.2	-49.7	-52.5	0.5	4.2	-0.5	-2.8	-0.9%	-7.9%	1.0%	5.6%
Unclassified assets (net)	134.3	152.3	122.6	209.4	136.9	18.0	-29.9	87.0	-72.5	13.4%	-19.6%	71.1%	-34.6%
AID/GOH Trust Fund - Private Sector Program	-20.6	-74.3	-67.4	-140.5	-144.8	-53.7	6.9	-73.1	-4.3	260.7%	-9.3%	108.5%	3.1%
FOVI (Housing Fund in Central Bank)	0.0	0.0	0.0	7.9	-34.6	0.0	0.0	7.9	-42.5				
Others	154.9	226.6	189.8	342.0	316.3	71.7	-36.8	152.2	-25.7	46.3%	-16.2%	80.2%	-7.5%
COUNTERPART UNREQUITED FOREIGN EXCHANGE	-51.1	-58.4	-53.0	-64.0	-67.3	-7.3	5.4	-11.0	-3.3	14.3%	-9.2%	20.8%	5.2%
Allocation of SDRs	-41.2	-39.9	-37.8	-37.8	-37.8	1.3	2.1	0.0	0.0	-3.2%	-5.3%	0.0%	0.0%
Valuation Adjustment Fund Accounts	-9.9	-18.5	-15.2	-26.2	-29.5	-8.6	3.3	-11.0	-3.3	86.9%	-17.8%	72.4%	12.6%
FOREIGN LIABILITIES (MEDIUM- AND LONG-TERM)	450.5	568.1	713.7	741.8	882.8	117.6	145.6	28.1	141.0	26.1%	25.6%	3.9%	19.0%
LIABILITIES TO BANKS	114.6	88.5	90.5	124.9	124.3	-26.1	2.0	34.4	-0.6	-22.8%	2.3%	38.0%	-0.5%
Cash in vaults	37.2	47.3	50.3	59.3	57.9	10.1	3.0	9.0	-1.4	27.2%	6.3%	17.9%	-2.4%
Deposits	77.4	41.2	40.2	65.6	66.4	-36.2	-1.0	25.4	0.8	-46.8%	-2.4%	63.2%	1.2%
LIABILITIES TO PRIVATE SECTOR AND NONBANK PRIVATE FINANCIAL INTERMEDIARIES	363.7	383.4	411.3	433.7	507.9	19.7	27.9	22.1	74.6	5.4%	7.3%	5.4%	17.7%
Money	361.9	380.3	407.7	421.7	492.8	18.4	27.4	14.0	71.1	5.1%	7.2%	3.4%	16.9%
Currency in circulation	354.8	377.0	404.3	417.7	483.1	22.2	27.3	13.4	65.4	6.3%	7.2%	3.3%	15.7%
Sight deposits	7.1	3.3	3.4	4.0	9.7	-3.8	0.1	0.6	5.7	-53.5%	3.0%	17.6%	142.5%
Time and savings deposits	1.8	3.1	3.6	3.8	6.8	1.3	0.5	0.2	3.0	72.2%	16.1%	5.6%	78.9%
Securities	0.0	0.0	0.0	6.7	10.4	0.0	0.0	6.7	3.7				
Other Obligations	0.0	0.0	0.0	8.2	8.2	0.0	0.0	1.2	-1.2				

SOURCE: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group (JEWG).

TABLE A.5.
DETAILED ACCOUNTS OF THE CONSOLIDATED BANKING SYSTEM, 1983-1987
(Millions of Lempiras)

	1983	1984	1985	1986	Prel 1987	Absolute Changes 84/83	85/84	86/85	87/86	Relative Changes 84/83	85/84	86/85	87/86
INTERNATIONAL RESERVES (NET)	-230.3	-292.1	-257.9	-234.8	-228.1	-61.8	34.2	23.1	6.7	26.8%	-11.7%	-9.0%	-2.9%
Foreign assets	271.3	302.2	268.7	290.0	269.4	30.9	-33.5	21.3	-20.6	11.4%	-11.1%	7.9%	-7.1%
Net IMF position	-293.8	-289.8	-241.2	-188.9	-125.2	4.0	48.6	52.3	63.7	-1.4%	-16.8%	-21.7%	-33.7%
Short-term liabilities	-207.5	-249.0	-230.1	-315.4	-336.0	-41.5	18.9	-85.3	-20.6	20.0%	-7.6%	37.1%	6.5%
Deposits for arrears	-0.3	-55.5	-55.3	-20.5	-36.3	-55.2	0.2	34.8	-15.8	--	-0.4%	-62.9%	77.1%
DOMESTIC ASSETS	3161.2	3566.8	3807.8	4157.5	4710.0	405.7	240.9	349.7	552.5	12.8%	6.6%	9.2%	13.3%
Credit to public sector (net)	949.3	1039.1	1081.8	1168.9	1312.3	89.8	42.7	87.1	143.4	9.5%	4.1%	8.1%	12.3%
Credit to Central Government (net)	913.1	1031.3	1163.5	1345.0	1503.6	118.2	132.2	181.5	158.6	12.9%	12.8%	15.6%	11.8%
Credit	1022.5	1161.7	1330.6	1480.4	1734.8	139.2	168.9	149.8	254.4	13.6%	14.5%	11.3%	17.2%
Deposits	-109.4	-130.4	-167.1	-135.4	-231.2	-21.0	-36.7	31.7	-95.8	19.2%	28.1%	-19.0%	70.8%
Credit to rest of public sector (net)	36.2	7.8	-81.7	-176.1	-191.3	-28.4	-89.5	-94.4	-15.2	-78.5%	-1147.4%	115.6%	8.6%
Credit	266.5	278.6	256.4	265.0	271.0	12.1	-22.2	8.6	7.0	4.5%	-8.0%	3.4%	2.6%
Deposits	-191.5	-232.1	-268.6	-384.8	-422.7	-40.6	-36.5	-116.2	-37.9	21.2%	15.7%	43.3%	9.8%
	-38.8	-38.7	-69.5	-56.3	-40.6	0.1	-30.8	13.2	15.7				
Trust fund of the Central Government	-147.7	-158.5	-170.8	-186.4	-184.6	-10.8	-12.3	-15.6	1.8	7.3%	7.8%	9.1%	-1.0%
Credit to nonbank private financial intermediaries													
Credit to private sector	1966.2	2177.8	2429.0	2627.3	3024.0	211.6	251.2	198.3	396.7	10.8%	11.5%	8.2%	15.1%
Net credit to BANPINAH	52.9	52.9	41.8	43.7	39.6	0.0	-11.1	1.9	-4.1	0.0%	-21.0%	4.5%	-9.4%
Subscription to international agencies (net)	89.1	114.1	126.7	133.5	133.3	25.0	11.6	6.8	-0.2	28.1%	11.0%	5.4%	-0.1%
Subscription to international agencies	143.0	167.5	175.8	183.2	185.8	24.5	8.4	7.3	2.6	17.1%	5.0%	4.1%	1.4%
Deposits of international agencies	-53.9	-53.4	-49.2	-49.7	-52.5	0.5	4.2	-0.5	-2.8	-0.9%	-7.9%	1.0%	5.6%
Official capital and reserves	-366.2	-398.0	-478.1	-505.9	-474.3	-31.8	-80.1	-27.8	31.6	8.7%	20.1%	5.8%	-6.2%
Unclassified assets (net)	632.4	728.6	764.8	870.5	864.7	96.2	36.2	105.7	-5.8	15.2%	5.0%	13.8%	-0.7%
AID/GOH Trust fund - private sector program	-20.6	-74.3	-67.4	-140.5	-144.8	-53.7	6.9	-73.1	-4.3	260.7%	-9.3%	108.5%	3.1%
FOVI	0.0	0.0	0.0	7.9	-24.6	0.0	0.0	7.9	-42.5				
Others	653.0	802.9	832.2	1003.1	1044.1	149.9	29.3	170.9	41.0	23.0%	3.6%	20.5%	4.1%
Interbank Float	-14.8	10.9	12.6	5.9	-5.0	25.7	1.7	-6.7	-10.9	-173.6%	15.6%	-53.2%	-184.7%
COUNTERPART UNEQUITED FOREIGN EXCHANGE	-51.1	-58.4	53.0	-64.0	-67.3	-7.3	5.4	-11.0	-3.3	14.3%	-9.2%	20.8%	5.2%
Allocation of SDRs	-41.2	-39.9	-37.4	-37.8	-37.8	1.3	2.1	0.0	0.0	-3.2%	-5.3%	0.0%	0.0%
Valuation adjustment Fund accounts	-9.9	-18.5	-15.2	-26.2	-29.5	-8.6	3.3	-11.0	-3.3	86.9%	-17.8%	72.4%	12.6%
FOREIGN LIABILITIES (MEDIUM- AND LONG-TERM)	657.5	805.6	954.0	1037.3	1116.4	147.9	148.6	83.3	79.1	22.5%	18.5%	8.7%	7.6%
LIABILITIES TO PRIVATE SECTOR AND NONBANK PRIVATE FINANCIAL INTERMEDIARIES	2222.3	2411.0	2543.9	2821.4	3298.2	188.7	131.9	278.5	476.8	8.5%	5.5%	11.0%	16.9%
Money	795.2	832.0	844.0	916.6	1080.4	32.8	12.0	72.6	163.8	4.1%	1.4%	8.6%	17.9%
Currency in circulation	354.8	377.0	404.3	417.7	483.1	22.2	27.3	13.4	65.4	6.3%	7.2%	3.3%	15.7%
Sight deposits	444.4	455.0	439.7	498.9	597.3	10.6	-15.3	59.2	98.4	2.4%	-3.4%	13.5%	19.7%
Quasi-money	1189.1	1310.0	1389.3	1574.4	1856.0	120.9	79.3	185.1	281.6	10.2%	6.1%	13.3%	17.9%
Time and savings deposits	875.0	966.5	1014.9	1161.7	1406.6	91.5	48.4	146.8	244.9	10.5%	5.0%	14.5%	21.1%
Specialized deposits	53.7	60.3	61.2	63.8	68.4	6.6	0.9	2.6	4.6	12.3%	1.5%	4.2%	7.2%
Other deposits in local currency	54.5	56.9	67.3	66.6	73.2	2.4	10.4	-0.7	6.6	4.4%	18.3%	-1.0%	9.9%
Deposits in foreign exchange	53.8	45.3	47.9	55.6	56.4	-8.5	2.6	7.7	0.8	-15.8%	5.7%	16.1%	1.4%
Bonds	74.5	88.9	84.6	100.3	115.7	14.4	-4.3	15.7	15.4	19.3%	-4.8%	18.6%	15.4%
Other obligations	77.6	92.1	113.4	126.4	135.7	14.5	21.3	13.0	5.3	18.7%	23.1%	11.5%	7.4%
Official capital and reserves	234.0	269.0	309.6	330.4	361.8	35.0	40.6	20.8	31.4	15.0%	15.1%	6.7%	9.5%

(1) Includes the following special accounts in support of the private sector:

	1983	1984	1985	1986	1986
Inter-American Development Bank (PRI)	0.0	5.9	34.3		
World Bank (FONDEI, UPCA)	82.7	98.8	149.2		
Others (AID-INCAFE)	5.1	9.8	17.0		

SOURCE: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group(JEWG).
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TABLE B.1. HONDURAS: MERCHANDISE EXPORTS FOB TRENDS - - VOLUME, PRICE AND REVENUE, 1975 through 1987

PART 1: Merchandise Exports in Constant 1985 Prices (Volume Trends)

($ Millions)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	PREL 1987	Average Annual Percent Change 75-80	80-83	83-87
BANANAS	117.8	194.5	229.2	230.4	289.1	279.1	248.0	262.7	205.7	242.4	273.5	250.0	293.2	18.9%	-9.7%	9.3%
COFFEE	125.4	111.8	92.9	148.9	171.0	146.9	176.0	148.5	189.6	175.6	185.2	205.7	229.2	3.2%	8.9%	4.8%
WOOD	72.8	68.8	71.2	67.3	53.8	43.1	46.7	48.2	41.9	37.0	34.1	35.1	38.7	-10.0%	-0.8%	-2.0%
MEAT	35.1	43.5	37.0	47.5	63.0	60.1	50.1	34.0	32.6	20.0	18.2	20.7	19.7	11.4%	-18.5%	-11.8%
SILVER	16.3	20.7	16.7	13.1	15.1	10.0	9.7	7.3	10.0	12.5	13.0	13.9	4.9	-9.2%	8.1%	-16.4%
LEAD	5.2	8.3	7.1	5.5	7.6	4.7	4.5	3.3	4.4	5.3	6.0	8.3	1.5	-2.3%	-1.7%	-23.1%
ZINC	19.1	14.5	16.4	20.0	14.3	12.8	12.9	12.6	19.9	26.8	30.0	31.6	13.3	-8.0%	16.5%	-9.6%
SUGAR	1.8	1.2	3.6	4.1	9.9	14.6	14.9	15.7	19.1	16.1	21.5	11.4	18.2	82.2%	5.2%	-1.2%
SHRIMP	29.6	29.9	38.5	29.5	31.6	38.6	43.0	42.4	50.3	46.5	41.0	40.7	64.2	8.4%	9.2%	1.9%
TOBACCO	10.2	12.1	16.7	16.3	16.8	17.0	16.7	11.8	11.7	9.4	8.7	5.6	5.3	10.5%	-11.9%	-18.8%
SUBTOTAL	433.0	505.3	629.3	572.5	672.2	626.7	622.6	586.8	595.2	591.4	630.9	621.0	678.2	7.7%	-2.3%	3.8%
OTHER 1/1, 1/2	128.0	135.2	146.4	165.6	178.1	192.9	176.3	135.6	153.9	144.6	168.7	134.9	141.6	8.5%	-7.2%	-2.1%
TOTAL EXPORTS	561.0	640.6	675.7	738.1	850.3	819.6	798.9	725.4	739.0	736.0	799.6	755.9	819.8	7.9%	-3.4%	2.6%
Annual Percent Change		14.2%	5.5%	9.2%	15.2%	-3.6%	-2.5%	-9.6%	2.3%	-0.4%	7.3%	-4.3%	8.4%			

PART 2: Export Price Index 1/3

(1985 = 100)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	PREL 1987	Average Annual Percent Change 75-80	80-83	83-87
BANANAS	52.3	54.9	56.8	61.3	69.1	81.7	86.0	83.1	98.8	95.3	100.0	102.7	110.6	9.3%	6.5%	2.9%
COFFEE	45.4	89.7	181.1	141.7	115.1	138.9	98.2	103.1	79.7	95.3	100.0	156.6	90.9	25.1%	-16.9%	3.3%
WOOD	52.9	59.3	76.3	73.8	78.3	84.1	92.3	92.7	96.3	94.2	100.0	92.1	93.7	9.7%	4.6%	-0.7%
MEAT	52.2	58.7	58.7	81.6	96.5	101.1	92.8	95.7	96.5	106.1	100.0	96.7	107.1	14.1%	-1.6%	2.7%
SILVER	68.3	65.7	70.6	83.1	113.8	317.0	162.1	124.6	174.7	124.3	100.0	90.2	110.0	35.9%	-10.0%	-10.9%
LEAD	76.5	76.7	101.8	116.9	218.2	213.8	134.7	128.9	105.1	119.8	100.0	97.6	119.8	22.8%	-21.1%	3.3%
ZINC	84.3	82.0	78.2	67.9	77.2	79.1	95.1	94.9	101.6	118.5	100.0	83.1	87.9	-1.3%	8.7%	-3.6%
SUGAR	384.7	182.7	107.0	135.4	133.9	200.3	311.7	137.3	145.9	159.2	100.0	110.1	107.3	-12.2%	-10.0%	-7.4%
SHRIMP	34.8	41.1	39.4	52.8	76.8	60.6	61.1	65.8	71.6	107.1	100.0	111.3	113.2	11.8%	5.7%	12.1%
TOBACCO	85.1	48.8	54.6	55.3	72.2	80.4	79.7	90.9	92.7	89.3	100.0	84.9	66.8	7.9%	4.8%	-7.8%
SUBTOTAL	52.9	64.4	80.7	86.3	88.4	103.3	96.1	91.3	92.8	100.3	100.0	115.0	102.2	14.3%	-3.5%	2.4%
OTHER 1/1, 1/4	65.8	66.7	73.3	84.3	95.5	104.7	105.2	103.8	101.0	99.3	100.0	113.0	119.5	9.8%	-1.2%	4.3%
TOTAL EXPORTS	55.2	64.3	78.4	85.0	89.0	103.6	98.1	93.6	94.5	100.1	100.0	117.9	105.2	13.4%	-3.0%	2.7%
Annual Percent Change		16.5%	22.0%	8.4%	4.6%	16.4%	-5.3%	-4.6%	1.0%	5.9%	-0.1%	17.9%	-10.8%			

PART 3: Export Revenue

($ Current Millions)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	PREL 1987	Average Annual Percent Change 75-80	80-83	83-87
BANANAS	61.5	106.7	130.2	141.2	159.9	228.0	213.3	218.3	203.2	231.0	273.5	256.8	324.3	30.0%	-3.8%	12.4%
COFFEE	56.9	100.3	168.2	211.0	196.9	204.1	172.9	153.1	151.2	169.1	185.2	322.1	208.4	29.1%	-9.5%	8.3%
WOOD	38.5	40.8	67.2	42.3	42.1	35.2	43.2	44.7	40.4	34.9	34.1	32.3	36.3	-1.2%	3.7%	-2.6%
MEAT	18.3	25.5	21.7	38.8	60.8	60.8	46.5	33.9	31.4	21.2	18.2	19.7	21.1	27.1%	-19.8%	-9.4%
SILVER	11.1	13.6	11.8	10.9	17.2	31.0	15.8	9.3	17.6	15.5	13.0	12.6	5.4	23.4%	-17.9%	-25.5%
LEAD	4.0	6.4	7.3	6.4	16.5	10.0	8.4	4.3	4.7	6.3	6.0	6.2	1.9	20.0%	-22.4%	-20.6%
ZINC	16.1	11.9	12.8	13.6	11.0	10.0	12.3	12.0	20.2	31.8	30.0	26.3	11.7	-9.2%	26.6%	-12.9%
SUGAR	6.9	2.2	3.8	5.5	13.3	29.6	46.6	21.6	27.9	25.7	21.5	12.5	19.5	33.6%	-1.7%	-8.5%
SHRIMP	10.3	12.3	15.2	15.6	24.3	23.4	26.3	28.0	36.0	49.8	41.0	45.4	61.4	17.8%	15.4%	14.3%
TOBACCO	5.6	5.9	9.1	9.0	12.1	13.7	13.4	10.8	10.8	8.4	8.7	5.3	3.6	19.6%	-7.6%	-24.3%
SUBTOTAL	229.2	325.6	427.3	494.3	594.1	667.2	598.3	535.8	543.2	593.5	630.9	738.9	693.4	23.1%	-5.7%	6.3%
OTHER 1/1	80.4	85.1	102.5	133.3	162.4	202.0	185.5	140.8	155.5	143.5	158.7	152.4	169.2	20.2%	-8.3%	2.1%
TOTAL EXPORTS	309.6	411.7	525.8	627.6	756.5	869.1	783.8	676.5	698.7	737.0	789.6	891.3	862.6	22.1%	-6.3%	5.4%
Annual Percent Change		33.0%	28.7%	18.5%	20.5%	12.3%	-7.7%	-13.7%	3.3%	5.5%	7.1%	12.9%	-3.2%			

NOTES: 1. Primarily non-traditional exports, also includes other products, re-exports and other adjustments.
2. Volume obtained by dividing export revenue in Part 3 by the price index.
3. Based on prices in current U.S. Dollars.
4. Based on price index for manufacturing unit value obtained from World Bank's Commodity Price Forecasts.

SOURCES: Central Bank of Honduras, IMF and Mission estimates.
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PART 1. Merchandise Imports in Constant 1985 Prices (Volume Index)

(Millions of Dollars)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	PREL 1987	Average Annual Percent Change 75-80	80-83	83-87
Food Products	55.8	39.7	33.1	45.5	46.4	65.5	67.7	58.0	68.6	67.8	80.4	78.3	101.1	3.3%	1.5%	10.2%
Beverages and Tobacco	2.9	2.4	2.7	4.1	3.6	4.0	7.7	4.8	2.7	4.3	4.6	3.7	5.8	7.2%	-12.9%	21.7%
Raw Materials (Non-fuel)	7.6	9.3	7.5	9.9	7.8	8.2	8.3	6.7	8.8	8.4	9.4	9.8	10.0	1.4%	2.4%	3.2%
Fuels and Lubricants	167.8	122.8	148.2	158.0	162.2	149.8	127.0	146.4	155.5	174.4	158.6	155.8	163.1	-2.2%	1.3%	1.2%
Vegetable/Animal Fats/Oils	5.0	5.9	6.0	5.9	4.8	8.9	9.0	5.2	4.1	4.7	7.4	9.8	9.4	12.2%	-22.9%	23.3%
Chemicals	88.5	110.9	129.0	126.3	144.2	147.9	158.5	124.3	167.6	170.4	176.9	170.1	162.1	10.8%	4.3%	-0.8%
Intermediate Manufactured Articles	131.3	177.0	187.1	185.7	205.3	203.2	196.5	149.2	188.2	205.0	193.8	153.[illegible]	151.4	9.1%	-2.5%	-5.3%
Machinery and Transport Equipment	167.2	196.2	243.9	273.0	258.7	289.1	236.7	132.6	147.6	198.5	202.1	171.4	166.1	12.2%	-20.0%	3.0%
Other Manufactured Articles	32.8	40.6	51.8	58.5	60.9	64.6	65.9	42.3	39.4	46.2	50.7	55.0	51.8	14.5%	-15.2%	7.1%
Live Animals/Miscellaneous Merchandise	1.8	1.9	0.8	4.0	1.7	1.3	2.0	3.0	1.8	1.8	4.4	18.3	13.9	-5.9%	10.0%	67.1%
Adjustments and Not Elsewhere Classified	5.8	16.6	24.4	18.4	20.9	19.4	14.7	26.0	19.9	66.8	65.3	61.2	56.1	27.4%	8.9%	29.6%
Total Merchandise Imports, CIF	661.5	723.2	834.3	889.4	916.6	960.9	894.0	698.7	804.1	948.4	953.4	886.7	891.0	7.8%	-5.8%	2.6%
Annual Growth Rate		9.3%	15.4%	6.6%	3.1%	4.8%	-7.0%	-21.8%	15.1%	17.9%	0.5%	-7.0%	0.5%			

PART 2. Import Price Index */1

(1985 = 100)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	PREL 1987	Average Annual Percent Change 75-80	80-83	83-87
Food Products	81.1	93.9	125.4	112.2	122.0	130.6	114.2	100.9	106.8	113.8	100.0	106.4	88.4	10.0%	-6.5%	-4.6%
Beverages and Tobacco	49.1	94.0	158.4	117.4	143.1	109.1	90.8	92.7	93.8	108.5	100.0	122.2	81.2	17.3%	-4.9%	-3.5%
Raw Materials (Non-fuel)	82.0	92.1	110.9	105.5	123.6	135.7	118.0	105.3	111.1	112.7	100.0	100.6	96.9	10.6%	-6.5%	-3.4%
Fuels and Lubricants	40.8	43.9	47.9	48.3	69.7	114.3	128.5	116.1	105.3	103.0	100.0	62.5	63.8	22.9%	-2.7%	-11.8%
Vegetable/Animal Fats/Oils	89.1	95.3	118.2	123.7	141.5	131.0	126.3	102.9	121.4	142.7	100.0	77.1	85.5	8.0%	-2.5%	-8.4%
Chemicals	65.8	66.7	73.3	84.3	95.5	104.3	104.8	103.3	100.7	99.0	100.0	118.4	125.2	9.7%	-1.2%	5.6%
Intermediate Manufactured Articles	65.8	66.7	73.3	84.3	95.5	104.3	104.8	103.3	100.7	99.0	100.0	118.4	125.2	9.7%	-1.2%	5.6%
Machinery and Transport Equipment	65.8	66.7	73.3	84.3	95.5	104.3	104.8	103.3	100.7	99.0	100.0	118.4	125.2	9.7%	-1.2%	5.6%
Other Manufactured Articles	65.8	66.7	73.3	84.3	95.5	104.3	104.8	103.3	100.7	99.0	100.0	118.4	125.2	9.7%	-1.2%	5.6%
Live Animals/Miscellaneous Merchandise	65.8	66.7	73.3	84.3	95.5	104.3	104.8	103.3	100.7	99.0	100.0	118.4	125.2	9.7%	-1.2%	5.6%
Adjustments and Not Elsewhere Classified	65.8	66.7	73.3	84.3	95.5	104.3	104.8	103.3	100.7	99.0	100.0	118.4	125.2	9.7%	-1.2%	5.6%
Merchandise Import Deflator (1985=100)	61.0	65.0	71.8	80.0	92.9	108.2	109.1	105.7	102.3	101.2	100.0	106.8	108.8	12.1%	-1.8%	1.5%
Annual Growth Rate		6.4%	10.5%	11.4%	16.2%	16.4%	0.9%	-3.1%	-3.2%	-1.1%	-1.2%	6.8%	1.8%			

PART 3. Merchandise Imports, C.I.F.

(Millions of Current Dollars)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	PREL 1987	Average Annual Percent Change 75-80	80-83	83-87
Food Products	45.2	37.3	41.5	51.1	56.7	85.6	77.3	58.5	73.3	77.2	80.4	83.3	89.4	13.6%	-5.0%	5.1%
Beverages and Tobacco	1.4	2.3	4.3	4.8	5.2	4.4	7.0	4.5	2.5	4.7	4.6	4.6	4.8	25.7%	-17.2%	17.4%
Raw Materials (Non-fuel)	6.3	8.6	8.3	10.5	9.6	11.1	9.9	7.1	9.8	9.5	9.4	9.9	9.7	12.2%	-4.2%	-0.3%
Fuels and Lubricants	68.5	53.9	71.0	76.4	113.0	171.2	163.2	170.1	163.8	179.7	158.6	97.4	104.0	20.1%	-1.5%	-10.7%
Vegetable/Animal Fats/Oils	4.5	5.6	7.1	7.3	6.9	11.7	11.4	5.4	5.0	6.8	7.4	7.6	8.1	21.2%	-24.8%	12.9%
Chemicals	58.3	74.0	94.6	106.5	137.8	154.3	166.1	128.4	168.8	168.7	176.9	201.3	203.0	21.5%	3.0%	4.7%
Intermediate Manufactured Articles	86.4	118.1	137.2	156.6	196.1	211.9	206.0	154.1	189.5	203.0	193.8	181.6	189.6	19.7%	-3.7%	0.0%
Machinery and Transport Equipment	106.8	130.9	178.8	230.2	247.1	300.5	248.1	137.0	148.6	196.5	202.1	202.9	208.0	23.0%	-20.9%	8.8%
Other Manufactured Articles	21.6	27.1	38.0	49.3	58.2	67.4	69.1	43.7	39.7	45.8	50.7	65.1	64.8	25.6%	-16.2%	13.1%
Live Animals/Miscellaneous Merchandise	1.2	1.3	0.6	3.4	1.6	1.4	2.1	3.2	1.8	1.8	4.4	21.6	17.5	3.1%	8.7%	76.5%
Adjustments and Not Elsewhere Classified	3.8	11.0	17.8	15.6	20.0	20.2	15.5	26.9	20.0	66.1	65.3	72.4	70.3	39.7%	-0.2%	34.8%
Total Merchandise Imports, CIF	403.8	469.8	599.0	711.5	851.9	1039.5	975.5	738.7	822.7	959.5	953.4	947.4	969.0	20.8%	-7.5%	4.2%
Annual Growth Rate		16.3%	27.5%	18.8%	19.7%	22.0%	-6.2%	-24.3%	11.4%	16.6%	-0.6%	-0.6%	2.3%			

NOTES: 1. Based on World Bank Commodity Price Forecasts for prices in current U.S. Dollars.

SOURCE: Central Bank of Honduras, IMF, World Bank and Mission staff estimates.

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TABLE 8.3. HONDURAS: MERCHANDISE EXPORTS FOB -- VOLUME, PRICE AND VALUE, 1986 with 1987 through 1992 Projections

PART 1: Merchandise Exports in Constant 1985 Prices (Volume Trends)

($ Millions)	1986	1987	1988	1989	1990	1991	1992	Average Annual Percent Change 1987/90	1987/92
BANANAS	250.0	293.2	323.2	335.0	340.6	346.7	354.7	5.2%	3.9%
COFFEE	205.7	229.3	217.5	234.9	223.1	246.6	234.9	-0.9%	0.5%
WOOD	38.1	38.7	40.7	38.7	38.7	38.7	38.7	0.0%	0.0%
MEAT	20.7	19.7	23.1	23.9	24.8	25.7	26.6	7.9%	6.2%
SILVER	13.9	4.9	13.5	13.7	14.0	14.2	14.5	41.7%	24.2%
LEAD	6.3	1.6	6.1	6.4	6.6	6.9	7.1	62.4%	35.0%
ZINC	31.6	13.3	25.3	25.0	24.6	24.3	23.9	22.9%	12.6%
SUGAR	11.4	10.2	10.5	10.5	10.5	10.5	10.5	0.6%	0.4%
SHRIMP	40.7	54.2	59.7	63.5	67.6	71.9	76.5	7.6%	7.1%
TOBACCO	2.5	5.3	5.6	5.6	5.6	5.6	5.6	1.7%	1.0%
==========	======	======	======	======	======	======	======	======	======
SUBTOTAL	621.0	678.2	733.1	765.1	764.4	799.2	801.2	4.1%	3.4%
OTHER 1/1, 1/2	134.9	141.6	148.1	155.1	162.5	170.3	178.4	4.7%	4.7%
==========	======	======	======	======	======	======	======	======	======
TOTAL EXPORTS	755.9	819.8	881.2	920.3	926.9	969.4	979.6	4.2%	3.6%
Annual Percent Change		8.4%	7.5%	4.4%	0.7%	4.6%	1.0%		

PART 2: Export Price Index 1/3

(1985 = 100)	PREL 1986	PROJ 1987	PROJ 1988	PROJ 1989	PROJ 1990	PROJ 1991	PROJ 1992	Average Annual Percent Change 1987/90	1987/92
BANANAS	102.7	110.6	120.2	123.1	125.2	128.7	132.3	4.2%	3.6%
COFFEE	156.6	90.9	98.8	90.5	94.3	95.6	99.2	1.2%	1.8%
WOOD	92.1	93.7	95.4	97.0	102.4	104.8	107.2	3.0%	2.7%
MEAT	94.7	107.1	114.5	105.8	91.4	102.3	114.6	-6.1%	1.3%
SILVER	90.2	110.0	116.1	122.5	122.0	123.5	125.0	3.5%	2.6%
LEAD	97.6	119.8	107.5	102.4	106.5	109.6	112.8	-3.9%	-1.2%
ZINC	83.1	87.9	87.9	93.5	96.9	102.5	108.5	3.3%	4.3%
SUGAR	110.1	107.3	115.2	148.9	157.0	160.3	163.8	13.5%	8.8%
SHRIMP	111.3	113.2	121.0	111.8	96.6	108.1	120.9	-6.1%	1.3%
TOBACCO	94.9	66.8	67.4	70.3	73.5	76.3	79.2	3.2%	3.5%
==========	======	======	======	======	======	======	======	======	======
SUBTOTAL	119.0	102.2	105.9	109.4	110.7	113.9	119.0	2.7%	3.1%
OTHER 1/1, 1/4	113.0	119.5	126.2	133.1	132.0	134.2	135.8	3.5%	2.6%
==========	======	======	======	======	======	======	======	======	======
TOTAL EXPORTS	117.9	105.2	109.3	113.4	114.5	117.5	122.1	8.9%	3.0%
Annual Percent Change		-10.8%	3.9%	3.7%	1.0%	2.6%	3.9%		

PART 3: Export Revenue

($ Current Millions)	PREL 1986	PROJ 1987	PROJ 1988	PROJ 1989	PROJ 1990	PROJ 1991	PROJ 1992	Average Annual Percent Change 1987/90	1987/92
BANANAS	256.8	324.3	358.0	412.4	426.6	446.2	469.3	9.6%	7.7%
COFFEE	322.1	209.4	214.9	212.6	210.4	235.9	233.0	0.3%	2.3%
WOOD	32.3	36.3	39.4	37.6	39.7	40.6	41.5	3.0%	2.7%
MEAT	19.7	21.1	25.8	25.3	22.6	26.2	30.4	2.4%	7.6%
SILVER	12.6	5.4	15.0	16.8	17.0	17.6	18.1	46.7%	27.4%
LEAD	6.2	1.9	7.3	6.5	7.0	7.5	8.0	56.1%	34.2%
ZINC	26.3	11.7	22.8	23.4	22.9	24.9	26.0	27.0%	17.4%
SUGAR	12.5	19.5	21.4	27.6	25.1	29.7	30.4	14.3%	9.3%
SHRIMP	45.4	61.4	68.3	71.0	65.3	77.8	92.6	2.1%	8.6%
TOBACCO	5.3	3.6	4.2	3.9	4.1	4.3	4.4	5.0%	4.5%
==========	======	======	======	======	======	======	======	======	======
SUBTOTAL	738.9	693.4	776.8	837.1	845.8	910.6	953.8	6.8%	6.6%
OTHER 1/1	152.4	169.2	186.8	206.5	215.5	228.5	242.2	8.4%	7.4%
==========	======	======	======	======	======	======	======	======	======
TOTAL EXPORTS	891.3	862.6	963.6	1043.6	1061.3	1139.1	1196.0	7.2%	6.8%
Annual Percent Change		-3.2%	11.7%	8.3%	1.7%	7.3%	5.0%		

NOTES: 1. Primarily non-traditional exports, also includes other products, re-exports and other adjustments.
2. Volume obtained by dividing export revenue in Part 3 by the price index.
3. Based on prices in current U.S. Dollars.
4. Based on price index for manufacturing unit value obtained from World Bank's Commodity Price Forecasts.

SOURCES: Central Bank of Honduras, IMF and Mission estimates.
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TABLE B.4. HONDURAS: VOLUME, PRICE AND VALUE TRENDS FOR MERCHANDISE IMPORTS, C.I.F., 1986 through 1992

PART 1. Merchandise Imports in Constant 1985 Prices (Volume Index)

(Millions of Dollars)	1986	PREL 1987	PROJ 1988	PROJ 1989	PROJ 1990	PROJ 1991	PROJ 1992	Average Annual Percent Change 87-90	87-92
Food Products	78.3	101.1	94.7	104.4	119.5	123.1	126.8	5.7%	4.6%
Beverages and Tobacco	3.7	5.8	5.4	6.0	6.9	7.1	7.3	5.5%	4.5%
Raw Materials (Non-fuel)	9.8	10.0	9.7	10.7	12.2	12.6	13.0	7.1%	5.4%
Fuels and Lubricants	155.8	163.1	162.6	179.3	205.3	211.5	217.8	8.0%	5.9%
Vegetable/Animal Fats/Oils	9.8	9.4	8.6	9.4	10.8	11.1	11.5	4.7%	4.0%
Chemicals	170.1	162.1	159.1	175.4	200.8	206.9	213.1	7.4%	5.6%
Intermediate Manufactured Articles	153.4	151.4	148.6	163.8	187.6	193.2	199.0	7.4%	5.6%
Machinery and Transport Equipment	171.4	166.1	163.0	179.7	205.8	211.9	218.3	7.4%	5.6%
Other Manufactured Articles	55.0	51.8	50.8	56.0	64.1	66.1	68.0	7.4%	5.6%
Live Animals/Miscellaneous Merchandise	18.3	13.9	14.0	15.4	17.6	18.2	18.7	8.1%	6.1%
Adjustments and Not Elsewhere Classified	61.2	56.1	55.5	61.2	69.4	71.4	73.6	7.3%	5.6%
Total Merchandise Imports, CIF	886.7	891.0	871.9	961.4	1100.0	1133.0	1167.0	7.3%	5.5%
Annual Growth Rate	-7.0%	0.5%	-2.1%	10.3%	14.4%	3.0%	3.0%		

PART 2. Import Price Index 1/1

(1985 = 100)	1986	PREL 1987	PROJ 1988	PROJ 1989	PROJ 1990	PROJ 1991	PROJ 1992	Average Annual Percent Change 87-90	87-92
Food Products	106.4	88.4	97.8	104.2	108.4	111.9	115.6	7.1%	5.5%
Beverages and Tobacco	122.2	81.2	89.1	92.4	95.9	99.1	102.4	5.7%	4.7%
Raw Materials (Non-fuel)	103.6	96.9	102.8	107.3	111.7	116.0	120.6	4.9%	4.5%
Fuels and Lubricants	62.5	63.8	67.4	67.4	71.1	75.2	79.4	3.7%	4.5%
Vegetable/Animal Fats/Oils	77.1	85.5	96.9	105.6	112.1	116.1	120.2	9.4%	7.0%
Chemicals	118.4	125.2	132.2	139.5	138.9	140.6	142.2	3.5%	2.6%
Intermediate Manufactured Articles	118.4	125.2	132.2	139.5	138.9	140.6	142.2	3.5%	2.6%
Machinery and Transport Equipment	118.4	125.2	132.2	139.5	138.9	140.6	142.2	3.5%	2.6%
Other Manufactured Articles	118.4	125.2	132.2	139.5	138.9	140.6	142.2	3.5%	2.6%
Live Animals/Miscellaneous Merchandise	118.4	125.2	132.2	139.5	138.9	140.6	142.2	3.5%	2.6%
Adjustments and Not Elsewhere Classified	118.4	125.2	132.2	139.5	138.9	140.6	142.2	3.5%	2.6%
Merchandise Import Deflator (1985=100)	106.8	108.8	115.4	121.2	122.1	124.5	126.9	3.9%	3.1%
Annual Growth Rate	6.8%	1.8%	6.1%	5.0%	0.7%	1.9%	2.0%		

PART 3. Merchandise Imports, C.I.F.

(Millions of Current Dollars)	1986	PREL 1987	PROJ 1988	PROJ 1989	PROJ 1990	PROJ 1991	PROJ 1992	Average Annual Percent Change 87-90	87-92
Food Products	83.3	89.4	92.6	108.7	129.6	137.8	146.5	13.2%	10.4%
Beverages and Tobacco	4.6	4.8	4.9	5.5	6.6	7.0	7.5	11.6%	9.5%
Raw Materials (Non-fuel)	9.9	9.7	10.0	11.5	13.7	14.6	15.6	12.3%	10.1%
Fuels and Lubricants	97.4	104.0	109.6	120.8	146.1	158.9	173.0	12.0%	10.7%
Vegetable/Animal Fats/Oils	7.6	8.1	8.3	10.0	12.1	12.9	13.8	14.6%	11.3%
Chemicals	201.3	203.0	210.3	244.6	278.9	290.8	303.1	11.2%	8.3%
Intermediate Manufactured Articles	181.6	189.6	196.4	228.5	260.5	271.5	283.0	11.2%	8.3%
Machinery and Transport Equipment	202.9	208.0	215.4	250.6	285.8	297.9	310.5	11.2%	8.3%
Other Manufactured Articles	65.1	64.8	67.2	78.1	89.1	92.9	96.8	11.2%	8.4%
Live Animals/Miscellaneous Merchandise	21.6	17.5	18.5	21.5	24.5	25.5	26.6	11.9%	8.8%
Adjustments and Not Elsewhere Classified	72.4	70.3	73.4	85.4	96.3	100.4	104.7	11.1%	8.3%
Total Merchandise Imports, CIF	947.4	969.0	1006.3	1165.3	1343.1	1410.3	1481.0	11.5%	8.9%
Annual Growth Rate	-0.6%	2.3%	3.9%	15.8%	15.3%	5.0%	5.0%		

NOTES: 1. Based on World Bank Commodity Price Forecasts.

SOURCE: Central Bank of Honduras, IMF, World Bank and Mission staff estimates.

26-May-88 10:25 AM

BANCO CENTRAL DE HONDURAS
DEPTO. DE ESTUDIOS ECONOMICOS

ESTIMACION DEUDA EXTERNA DEL SECTOR OFICIAL DE HONDURAS A MEDIANO Y LARGO PLAZO
SEGUN USUARIO FINAL
(Miles de lempiras)

	1 9 8 7		
	UTILIZACION	AMORTIZACION	INTERESES
GOBIERNO CENTRAL	90,434	50,911	46,419
GOBIERNOS LOCALES	5,368	3,284	2,390
AMSPS	5,368	1,484	1,908
AMDC	0	1,800	482
INST. PUBL. NO FINANCIERAS	91,720	73,299	93,859
PROY.HIDROELEC. "EL CAJON"	26,999	24,748	40,054
ENEE	8,763	16,774	10,848
SANAA	9,528	1,937	2,074
HONDUTEL	27,616	12,497	6,922
INA	4,819	3,455	2,501
INVA	4,170	564	6,974
ENP	1,307	7,682	7,394
UNAH	0	448	35
FNH	0	330	94
COHDEFOR	1,790	3,295	2,902
CORFINO	3,828	720	6,652
IHMA	900	563	350
EDUCREDITO	0	286	276
COHBANA	0	0	2,800
IHCAFE	0	0	3,983
SUB TOTAL	137,522	127,494	142,668
INST. PUBLICAS FINANCIERAS	5,641	6,692	11,171
BANADESA	4,691	4,710	3,780
BANMA	950	173	1,152
CONADI	0	1,809	6,239
T O T A L	195,163	134,186	153,839
UTILIZACION NETA	58,977		

Tegucigalpa,D.C.,Enero 14,1988.

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Table B.5.b

ESTIMACION DEUDA EXTERNA DEL SECTOR OFICIAL DE HONDURAS A MEDIANO Y LARGO PLAZO
POR DEUDOR Y PRESTAMISTA
(Miles de lempiras)

	1 9 9 7		
	UTILIZACION	AMORTIZACION	INTERESES
GOBIERNO CENTRAL	187,180	93,236	107,487
AID	41,523	5,900	10,933
IDA	0	1,688	651
BID	48,719	23,784	38,942
BIRF	5,225	17,114	13,977
BCIE	22,827	25,004	17,773
OTROS	59,186	19,746	21,213
GOBIERNOS LOCALES	0	1,484	648
MSPS	0	1,484	648
BID	0	84	40
BCIE	0	1,400	608
INST.PUBLICAS NO FINANCIERAS	5,983	36,454	43,321
PORY.HIDROELEC."EL CAJON"	4,493	16,748	18,853
BID	0	0	0
BIRF	0	15,000	17,325
OTROS	4,493	1,748	1,528
ENEE	1,490	8,395	6,150
AID	0	364	16
BIRF	0	5,930	5,350
BCIE	0	1,135	493
OTROS	1,490	966	291
SANAA	0	68	5
AID	0	68	5
BID	0	0	0
HONDUTEL	0	4,277	1,724
OTROS	0	4,277	1,724
INA	0	475	270
OTROS	0	475	270
ENP	0	5,255	6,300
BIRF	0	2,851	1,445
BCIE	0	754	435
OTROS	0	1,651	4,417

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Table B.5.c

BANCO CENTRAL DE HONDURAS
Depto. Estudios Economicos

ESTIMACION DEUDA EXTERNA DEL SECTOR OFICIAL DE HONDURAS A MEDIANO Y LARGO PLAZO
POR DEUDOR
(Miles de lempiras)

	1 9 8 7		
	UTILIZACION	AMORTIZACION	INTERESES
GOBIERNO CENTRAL	187,180	93,236	103,489
GOBIERNOS LOCALES	0	1,484	648
AMSFS	0	1,484	648
INST.PUBLICAS NO FINANCIERAS	5,983	36,454	43,321
PROY.HIDROELEC."EL CAJON"	4,493	16,748	18,853
ENEE	1,490	8,395	6,150
SANAA	0	68	5
HONDUTEL	0	4,277	1,724
INA	0	475	270
ENP	0	5,255	6,800
UNAH	0	448	35
FNH	0	330	94
COHDEFOR	0	0	130
COHBANA	0	0	2,800
IHCAFE	0	0	3,983
INVA	0	458	2,353
IHMA	0	0	124
SUB TOTAL	193,163	131,174	147,458
INST. PUBLICAS FINANCIERAS	0	3,012	6,381
BANADESA	0	2,459	673
BANMA	0	0	623
CONADI	0	553	5,085
T O T A L	193,163	134,186	153,839
UTILIZACION NETA	58,977		

Tegucigalpa.D.C.,Enero 14.1989.

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BANCO CENTRAL DE HONDURAS
Depto. Estudios Economicos

Table B.5.d.

ESTIMACION DEUDA EXTERNA DEL SECTOR OFICIAL DE HONDURAS A MEDIANO Y LARGO PLAZO
POR DEUDOR Y PRESTAMISTA
(Miles de lempiras)

	1 9 8 7		
	UTILIZACION	AMORTIZACION	INTERESES
GOBIERNO CENTRAL	187,180	93,236	103,489
AID	40,523	5,900	10,933
IDA	0	1,688	651
BID	48,319	23,784	38,942
BIRF	6,325	17,114	13,977
BCIE	32,827	25,004	17,773
OTROS	59,186	19,746	21,213
GOBIERNOS LOCALES	0	1,484	648
MSPS	0	1,484	648
BID	0	84	40
BCIE	0	1,400	608
INST.PUBLICAS NO FINANCIERAS	5,983	36,454	43,321
PORY.HIDROELEC."EL CAJON"	4,493	16,748	18,853
BID	0	0	0
BIRF	0	15,000	17,325
OTROS	4,493	1,748	1,528
ENEE	1,490	8,395	6,150
AID	0	364	16
BIRF	0	5,930	5,350
BCIE	0	1,135	493
OTROS	1,490	966	291
SANAA	0	68	5
AID	0	68	5
BID	0	0	0
HONDUTEL	0	4,277	1,724
OTROS	0	4,277	1,724
INA	0	475	270
OTROS	0	475	270
ENP	0	5,255	6,900
BIRF	0	2,850	1,445
BCIE	0	754	438
OTROS	0	1,651	4,917

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	1 9 8 7		
	UTILIZACION	AMORTIZACION	INTERESES
UNAH	0	448	35
	-	---	-
BID	0	448	35
FNH	0	330	94
	-	---	--
BCIE	0	330	94
COHDEFOR	0	0	130
	-	-	--
OTROS	0	0	130
COHBANA	0	0	2,800
	-	-	-
OTROS	0	0	2,800
IHCAFE	0	0	3,983
	-	---	-----
OTROS	0	0	3,983
INVA	0	458	2,353
	-	---	---
BID	0	308	60
BCIE	0	150	2,293
IHMA	0	0	124
	-	-	---
OTROS	0	0	124
INST.PUBLICAS FINANCIERAS	0	3,012	6,381
	-	-----	-----
BANADESA	0	2,459	673
	-	---	---
BID	0	1,429	227
BCIE	0	161	80
OTROS	0	870	366
BANMA	0	0	623
	-	-	---
OTROS	0	0	623
CONADI	0	553	5,085
	-	---	-----
BCIE	0	450	25
OTROS	0	103	5,060
T O T A L	193,163	134,186	153,939
UTILIZACION NETA	58,977		

Tegucigalpa.D.C.,Enero 14,1988.

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MOVIMIENTO DE LA DEUDA EXTERNA DEL BANCO CENTRAL DE HONDURAS
A MEDIANO Y LARGO PLAZO
(En miles de lempiras)
1988 a/

	Utilización	Amortización	Intereses
BANCO CENTRAL DE HONDURAS	105,292	110,431	48,601
Compensatorios	8,000	81,289	11,534
Fondo Monetario Internacional	-	9,745	-
Fondo de Inversiones de Venezuela	8,000	54,142	8,392
Banco de México	-	5,402	720
Banco Central de Venezuela	-	12,000	178
AID 522-K-46 (Cuenca del Caribe)	-	-	2,084
BCIE	-	-	160
No Compensatorios	82,292	13,980	36,689
IDA-434 UPCA	-	132	253
IDA-179 UPCA	-	53	205
IDA-628 UPCA	-	122	239
IDA-1005 UPCA	-	873	200
BIRF-1673 FONDEI	-	-	600
BIRF-1659 FONDEI	-	895	1,400
BIRF-1833 UPCA	-	2,527	6,500
BIRF-2075 FONDEI	-	1,913	8,500
AID-522-010-016	-	-	56
BID-449 PRI	-	4,280	3,398
BIRF-2284 UPCA	2,800	-	8,000
Banco de Taipei	-	500	254
BIRF-2703 FONDEI	55,200	-	1,700
AID-522-T-44	-	-	560
AID-522-W23	-	-	165
AID-522-HG-07	-	-	125
AID-522-HG-08	24,292	-	1,689
BIAPE	-	494	603
BCIE	-	491	1,085
Programa de Apoyo Peq.&Med.Ind. PRI	-	-	140
Programa Agroemp. Rurales PRI-BCIE	-	-	140
BANCOMEX	-	-	105
Mexico BCIE	-	1,700	772
Liquidación de Convenios	15,000	15,162	378
Banco Central de Costa Rica	-	10,674	323
Banco Central de Guatemala	-	4,488	55

a/Estimación

Tegucigalpa, D.C., 22 de marzo de 1988
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Table B.5.f.

PROYECCION DEUDA EXTERNA DEL SECTOR OFICIAL DE HONDURAS A MEDIANO Y LARGO PLAZO
POR DEUDOR
(Miles de lempiras)

	1988 1/		
	UTILIZACION	AMORTIZACION	INTERESES
GOBIERNO CENTRAL	322,005	130,383	159,693
GOBIERNOS LOCALES	0	1,150	514
AMSFS	0	1,150	514
INST.PUBLICAS NO FINANCIERAS	9,751	64,542	65,138
PROY.HIDROELEC."EL CAJON"	0	33,922	45,483
ENEE	9,292	15,633	8,566
SANAA	0	297	23
HONDUTEL	459	4,783	2,059
INA	0	1,449	745
ENP	0	6,266	5,216
UNAH	0	448	9
FNH	0	330	52
COHDEFOR	0	0	90
COHBANA	0	0	0
IHCAFE	0	800	2,102
INVA	0	594	793
SUB TOTAL	331,756	196,075	225,345
INST. PUBLICAS FINANCIERAS	0	1,019	6,272
BANADESA	0	813	269
BANMA	0	0	782
CONADI	0	206	5,201
ATRASOS 2/	104,400	63,433	77,719
T O T A L	436.156	260,527	309,336
UTILIZACION NETA	175,629		

1/ Estimacion en base al presupuesto y criterio "devengado", a excepcion de la utilizacion que esta ajustada de acuerdo a niveles de ejecucion.
2/ Por la utilizacion son fondos comprometidos solicitados a los prestamistas y por la amortizacion es la mora acumulada al 31/Dic/87(excluye monto en renegociacion).

Tegucigalpa,D.C.,Enero 11,1988.

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BANCO CENTRAL DE HONDURAS
Depto. de Estudios Economicos

Table B.5.g.
CUADRO B.5.g.

PROYECCION DE LA DEUDA EXTERNA A MEDIANO Y LARGO PLAZO 1985-1990
(Miles de US dolares)

	1 9 8 9			1 9 9 0		
	Utilizacion	Amortizacion	Intereses	Utilizacion	Amortizacion	Intereses
Multilateral	61,910	85,629	68,485	20,506	85,442	64,537
Bilateral	17,902	32,871	26,383	4,764	33,089	24,983
Prestamo directo	17,801	29,864	24,429	4,713	30,202	23,328
Prestamo asegurado	0	2,588	1,775	0	2,468	1,496
Credito asegurado a proveedores	101	419	179	51	419	159
Bancos comerciales	2,603	24,820	25,188	417	9,427	22,783
Prestamos en renegociacion	0	7,370	16,260	0	530	15,670
Ptmos. excluidos de renegociacion	2,603	17,450	8,928	417	8,897	7,113
Proveedores	3,039	10,761	3,476	0	10,685	2,449
T O T A L	85,454	154,081	123,532	25,687	138,643	114,752

Fuente: Tablas del banco mundial del 6 de Octubre de 1986 y ajustadas por el Depto. de Estudios Economicos del Banco Central de Honduras.

Tegucigalpa, D.C., 21 de Enero de 1987.

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Table C.1.

TRANSFERENCIAS DEL GOBIERNO CENTRAL
AL RESTO DEL SECTOR PUBLICO
(En millones de lempiras)

	1985	1986	1987	1988 e/
	I. TRANSFERENCIAS CORRIENTES			
Total Sector Público	137.2	155.2	141.6	151.2
Gobiernos Locales	0.5	0.5	1.1	1.1
Instituciones Públicas	105.9	123.5	132.1	134.6
INA	30.6	31.9	31.7	32.8
CDI	7.0	6.9	11.1	10.2
INPREMA	-	1.0	1.0	1.3
JNBS	10.4	13.2	11.0	9.0
UNAH	57.9	70.5	77.3	81.3
Empresas Públicas			0.3	-
Banasupro			0.3	-
Otros	30.8	31.2	8.1	15.5
	II. TRANSFERENCIAS DE CAPITAL			
Total Sector Público	128.0	127.1	107.2	95.2
Gobiernos Locales	12.8	10.1	27.6	31.1
Instituciones Públicas	5.9	13.3	4.4	1.4
INA	4.0	12.5	4.0	1.4
EDUCREDITO	1.3	0.8	0.4	-
CDI	-	-	-	-
UNAH	0.6	-	-	-
Empresas Públicas	107.4	56.6	52.7	50.9
SANAA	15.8	20.8	20.9	29.0
HONDUTEL	-	-	-	-
INVA	2.2	2.4	2.1	3.2
IHMA	6.5	11.5	1.0	0.4
IHCAFE	-	-	0.6	0.7
ENEE	80.9	18.3	28.0	17.6
COHDEFOR	2.0	3.6	-	-
Otros	1.9	47.1	22.5	11.8

e/ Estimación

Table C.2.

CONCESION DE PRESTAMOS DEL GOBIERNO CENTRAL

(En millones de lempiras)

	1985	1986	1987
ENEE	105.7	30.9	4.9
COHDEFOR	1.1	2.3	0.1
INVA	1.5	1.8	2.6
ENP	8.9	-	-
HONDUTEL	1.5	36.1	28.5
INFOP	-	1.4	0.8
Sub-Total Organ. Descent.	118.7	72.5	36.9
AMDC	3.8	2.6	1.6
MSPS	2.2	5.6	5.2
Sub-Total Gob. Locales	6.0	8.2	6.8
CORFINO	4.1	2.3	3.1
FINAVI	2.2	-	-
Ministerio de Educacion	0.9	0.1	-
BANMA	2.5	-	0.1
COPALMA	12.7	-	-
Sub-Total Otros	22.4	2.4	3.2
Otros	39.4	36.7	53.6
T O T A L	186.5	119.8	100.5

Tegucigalpa, D.C., 24 de mayo, 1988

RECUPERACION DE CREDITOS DEL GOBIERNO CENTRAL

(En millones de lempiras)

	1985	1986	1987
ENEE	18.3	21.8	15.0
COHDEFOR	3.0	3.0	2.2
INVA	0.2	0.2	0.1
ENP	1.3	1.1	0.7
Sub-Total Organizaciones Descentraliz.	22.8	26.1	18.0
INCEHSA	1.3	1.3	0.6
Otros	17.4	1.7	1.8
Sub-Total Otros	18.7	3.0	2.4
T O T A L	41.5	29.1	20.4

Tegucigalpa, D.C., 24 de mayo de 1988

BANCO CENTRAL DE HONDURAS
Depto. Estudios Económicos

Table C.4.

CLASIFICACION ECONOMICA DE LOS INGRESOS DEL GOBIERNO CENTRAL
(Millones de Lempiras)

	1985	1986	1987p/	1988 e/
I. INGRESOS CORRIENTES	1,091.1	1,179.8	1,320.9	1,386.7
Ingresos Tributarios	985.8	997.3	1,116.5	1,172.0
Directos	249.4	258.7	308.5	328.1
Impto. s/la Renta	240.6	250.2	297.9	316.9
Impto. s/la Propiedad	8.8	8.5	10.6	11.2
Indirectos	735.5	738.5	806.3	843.0
Impto. s/Prod., Consumo y Ventas	326.4	332.8	365.3	381.4
Sobre Ventas	105.5	111.5	125.1	159.2
Fabricación Cervezas	47.7	47.5	52.0	53.8
Fabricación Aguardiente	28.6	29.2	28.4	33.9
Fabricación Azúcar	3.5	3.4	3.8	4.2
Prod. Derivados del Petróleo	17.0	17.5	20.0	19.3
Venta de Cigarrillos	33.3	33.9	34.7	37.1
Fabricación Aguas Gaseosas	12.3	13.1	15.8	15.4
Otros	78.5	76.7	85.5	58.5
Impto. y Cgos. s/Importación	316.6	301.9	345.2	361.3
Impto. y Cgos. s/Exportación	92.5	102.9	95.8	100.3
Banano	41.3	36.1	41.1	47.7
Café	45.3	62.7	49.5	41.7
Otros	5.9	4.1	5.2	10.9
Imptos. Varios	0.9	0.9	1.7	0.9
Ingresos no Tributarios	36.8	29.4	32.2	35.3
Venta de Bienes y Servicios	17.6	17.3	18.2	24.1
Intereses y Dividendos	9.0	1.6	3.5	2.0
Otros Cargos y Derechos	10.2	10.5	10.5	9.2
Transferencias Corrientes 1/	45.9	47.6	46.7	51.0
Del Sector Privado	3.4	3.4	2.5	2.6
Del Resto del Sector Público	42.5	44.2	44.2	48.4
Del Sector Externo	-	-	-	-
Otros Ingresos Corrientes	22.6	105.5	125.5	128.4
II. RECUPERACION DE CREDITOS	41.5	29.1	20.4	32.0
III. INGRESOS DE CAPITAL	1,071.1	1,008.1	895.4	851.6
Transferencias	107.5	126.1	106.5	95.6
Del Resto del Sector Público	0.1	-	0.4	-
Del Sector Externo	107.4	126.1	106.1	95.6
Otros Ingresos de Capital	8.2	3.3	0.3	4.0
Endeudamiento	955.3	878.7	788.6	752.0
Crédito Interno	566.0	565.1	564.4	552.0
Crédito Externo	389.3	313.6	224.2	200.0

p/ Preliminar
e/ Estimación
Nota: Incluye Administración General y Otros Organismos del Gobierno Central.
1/ Incluye transferencias por servicios de los Organismos Descentralizados al Gobierno Central, en 1985 L 24.2, en 1986 L 25.2, en 1987 L 27.6 y en 1988 L 26.4 millones.

DEUDA INTERNA DEL GOBIERNO CENTRAL POR TENEDORES
(Millones de Lempiras)

	1986	1987		1988
	Diciembre	Abril	Diciembre	Abril
BANCO CENTRAL DE HONDURAS	823.9	860.4	1,047.5	1,073.9
Valores al 2%	11.6	11.4	11.1	10.8
Valores al 4%	464.4	401.7	594.3	488.5
Bonos Corfino 10%	5.5	0.3	0.7	-
Fideicomiso de Transporte 7%	11.8	11.8	11.8	11.8
Bonos de la Vivienda 7%	-	10.0	10.0	10.0
Proyectos del B.C.H.	78.8	92.9	78.9	70.9
Sobregiro	66.3	152.1	56.4	210.4
Pago Int. Deuda Negociacion	181.0	175.7	186.0	180.8
Bonos Consolid. Mon. Met. 4%	1.1	1.1	1.1	1.1
Conversion Deuda Externa	-	-	12.0	12.9
Otros (Préstamos)	3.4	3.4	85.2	76.7
BANCOS COMERCIALES	676.9	684.7	689.2	725.0
Valores al 4%	594.8	596.8	609.0	643.0
Valores al 7%	2.0	10.8	35.7	29.3
Valores al 9%	20.1	15.6	8.2	15.2
Valores al 10%	35.6	22.0	35.3	28.2
Valores al 11% a/	24.4	26.0	-	9.3
Valores al 13%	-	13.5	-	-
ASOCIACION DE AHORRO Y PRESTAMO	30.5	30.5	31.3	29.8
Valores al 4%	24.0	24.4	24.6	27.9
Valores al 7%	-	-	6.4	1.9
Valores al 9%	1.6	1.5	-	-
Valores al 10%	0.7	0.4	0.3	-
Valores al 11%	4.2	4.2	-	-
COMPANIAS DE SEGURO	10.4	12.6	13.8	18.1
Valores al 4%	10.1	8.3	2.4	1.2
Valores al 7%	-	1.2	5.2	9.1
Valores al 9%	-	2.6	3.2	2.1
Valores al 10%	0.3	0.5	3.0	3.3
Valores al 11%	-	-	-	2.4
BANCOS DE DESARROLLO	15.0	36.9	26.3	34.7
Valores al 4%	10.6	34.1	23.8	31.0
Valores al 10% a/	4.4	2.8	2.5	3.7
ORGANISMOS DESCENTRALIZADOS	208.6	248.5	285.0	291.6
Valores al 4%	2.0	1.4	1.5	8.0
Valores al 7%	21.0	23.0	22.4	42.8

	1986	1987		1988
	Diciembre	Abril	Diciembre	Abril
Valores al 9%	0.3	-	-	-
Valores al 10%	84.2	87.1	109.3	109.0
Valores al 11%	16.0	64.9	116.8	131.8
Valores al 12%	37.1	37.1	-	-
Valores al 13%	48.0	35.0	35.0	-
ORGANISMOS INTERNACIONALES	4.1	5.0	13.4	14.8
Valores al 4%	4.1	-	6.4	7.8
Valores al 7%	-	1.0	7.0	-
Valores al 11%	-	3.0	-	7.0
Valores al 13%	-	1.0	-	-
SECTOR PRIVADO	205.1	206.2	236.1	247.0
Valores al 7%	-	-	2.4	1.0
Valores al 9%	-	-	16.2	-
Valores al 10%	156.8	163.0	204.1	230.3
Valores al 11%	28.4	30.3	13.4	15.7
Valores al 12%	12.9	12.9	-	-
Valores al 13%	7.0	-	-	-
TOTAL	1,974.5	2,084.8	2,341.6	2,434.9

a/ Incluye Deuda Agraria

Tegucigalpa, D.C., 24 de mayo de 1988

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TABLE 8.1.
HONDURAS: GROSS DOMESTIC PRODUCT — BY SECTOR OF ORIGIN

a. In Constant 1978 Prices

(Millions of 1978 Lempiras)

	Gravamen	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	1.000	3798	4038	4090	4153	4072	4062	4176	4308	4426	4612	4806
Less Net Indirect Taxes	0.112	426	453	433	447	404	415	455	519	549	561	588
GDP at Factor Prices	0.888	3372	3585	3657	3706	3664	3647	3720	3789	3877	4051	4218
Primary Production	0.268	1018	1099	1080	1113	1119	1118	1140	1173	1189	1256	1310
Agriculture and Related Sectors	0.249	945	1022	1014	1053	1047	1040	1053	1084	1102	1181	1230
Mining	0.019	73	77	66	60	72	78	87	89	87	75	80
Secondary Production	0.201	763	792	838	767	797	808	862	838	840	854	876
Manufacturing	0.137	520	554	538	526	506	533	578	565	580	590	606
Construction	0.053	201	192	251	193	241	225	232	218	200	204	208
Utilities	0.011	42	46	49	49	50	50	52	55	60	60	62
Services	0.419	1591	1694	1739	1826	1748	1721	1728	1778	1848	1941	2032
Transportion and Communications	0.060	229	237	243	267	284	295	303	306	316	338	351
Commercial Services	0.133	505	563	565	581	513	476	456	457	484	493	513
Financial Services	0.051	195	209	207	214	201	200	218	222	230	244	254
Housing	0.043	188	193	209	220	232	244	236	254	258	272	282
Public Administration	0.035	134	159	164	182	169	163	175	189	198	215	230
Other Services	0.090	340	343	360	362	349	344	340	350	362	379	402

Annual Growth Rates

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	6.3%	1.3%	1.5%	-2.0%	-0.2%	2.8%	3.2%	2.7%	4.2%	4.2%
Less Net Indirect Taxes	6.3%	-4.4%	3.2%	-8.7%	1.7%	9.6%	14.1%	5.8%	2.2%	4.8%
GDP at Factor Prices	6.3%	2.0%	1.3%	-1.1%	-0.5%	2.0%	1.9%	2.3%	4.5%	4.1%
Primary Production	0.0%	-1.7%	3.1%	0.5%	-0.1%	2.0%	2.9%	1.4%	5.6%	4.3%
Agriculture and Related Sectors	8.1%	-0.8%	3.8%	-0.6%	-0.7%	1.3%	2.9%	1.7%	7.2%	4.1%
Mining	5.6%	-14.3%	-9.1%	20.0%	8.3%	11.5%	2.3%	-2.2%	-13.8%	6.7%
Secondary Production	3.8%	5.8%	-8.6%	3.9%	1.4%	6.4%	-1.6%	0.2%	1.7%	2.6%
Manufacturing	6.5%	-2.9%	-2.4%	-3.6%	5.3%	8.4%	-2.2%	2.7%	1.7%	2.7%
Construction	-4.5%	30.7%	-23.1%	24.9%	-6.6%	-1.3%	-1.8%	-8.3%	2.0%	2.0%
Utilities	9.5%	6.5%	0.0%	2.0%	0.0%	4.0%	5.8%	9.1%	0.0%	3.3%
Services	6.5%	2.7%	5.0%	-4.3%	-1.5%	0.4%	2.9%	3.9%	5.0%	4.7%
Transportion and Communications	3.5%	2.5%	9.9%	6.4%	3.9%	2.7%	1.0%	3.3%	7.0%	3.8%
Commercial Services	9.5%	0.6%	4.5%	-11.7%	-7.4%	-4.0%	0.2%	5.9%	1.9%	4.1%
Financial Services	7.2%	-1.0%	3.4%	-6.1%	-0.5%	9.0%	1.8%	3.6%	6.1%	4.1%
Housing	2.7%	8.3%	5.3%	5.5%	5.2%	-3.3%	7.6%	1.6%	5.4%	3.7%
Public Administration	18.7%	3.1%	11.0%	-7.1%	-3.6%	7.4%	8.0%	4.8%	8.6%	7.0%
Other Services	0.9%	5.0%	0.6%	-3.6%	-1.4%	-1.2%	2.2%	3.4%	4.7%	6.1%

As Percent of Total GDP

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less Net Indirect Taxes	11.2%	11.2%	10.6%	10.8%	10.0%	10.2%	10.9%	12.0%	12.4%	12.2%	12.2%
GDP at Factor Prices	88.8%	88.8%	89.4%	89.2%	90.0%	89.8%	89.1%	88.0%	87.6%	87.8%	87.8%
Primary Production	26.8%	27.2%	26.4%	26.8%	27.5%	27.5%	27.3%	27.2%	26.9%	27.2%	27.3%
Agriculture and Related Sectors	24.9%	25.3%	24.8%	25.4%	25.7%	25.6%	25.2%	25.2%	24.9%	25.6%	25.6%
Mining	1.9%	1.9%	1.6%	1.4%	1.8%	1.9%	2.1%	2.1%	2.0%	1.6%	1.7%
Secondary Production	20.1%	19.6%	20.5%	18.5%	19.6%	19.9%	20.6%	19.5%	19.0%	18.5%	18.2%
Manufacturing	13.7%	13.7%	13.2%	12.6%	12.4%	13.1%	13.8%	13.1%	13.1%	12.8%	12.6%
Construction	5.3%	4.8%	6.1%	4.6%	5.9%	5.5%	5.3%	5.1%	4.5%	4.4%	4.3%
Utilities	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%	1.3%	1.4%	1.3%	1.3%
Services	41.9%	42.0%	42.5%	44.0%	42.9%	42.4%	41.4%	41.3%	41.8%	42.1%	42.3%
Transportion and Communications	6.0%	5.9%	5.9%	6.4%	7.0%	7.3%	7.3%	7.1%	7.1%	7.3%	7.3%
Commercial Services	13.3%	13.7%	13.6%	14.0%	12.6%	11.7%	10.9%	10.6%	10.9%	10.7%	10.7%
Financial Services	5.1%	5.2%	5.1%	5.2%	4.9%	4.9%	5.2%	5.2%	5.2%	5.3%	5.3%
Housing	4.9%	4.8%	5.1%	5.3%	5.7%	6.0%	5.7%	5.9%	5.8%	5.9%	5.9%
Public Administration	3.5%	3.9%	4.0%	4.4%	4.2%	4.0%	4.2%	4.4%	4.5%	4.7%	4.8%
Other Services	9.0%	8.5%	8.8%	8.7%	8.6%	8.5%	8.1%	8.1%	8.2%	8.2%	8.4%

Contribution to Overall GDP Growth by Sector

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less Net Indirect Taxes	11.3%	-38.5%	22.2%	48.1%	-70.0%	35.4%	48.1%	25.4%	6.5%	13.9%
GDP at Factor Prices	88.8%	138.5%	77.8%	51.9%	170.0%	64.6%	51.9%	74.6%	93.5%	86.1%
Primary Production	33.8%	-36.5%	62.4%	-7.4%	10.0%	19.5%	24.8%	13.6%	36.0%	27.8%
Agriculture and Related Sectors	32.1%	-15.4%	61.9%	7.4%	10.0%	11.5%	23.3%	15.3%	42.5%	25.3%
Mining	1.7%	-21.2%	-9.5%	-14.8%	-60.0%	8.0%	1.5%	-1.7%	-6.5%	2.6%
Secondary Production	12.1%	88.5%	-112.7%	-37.0%	-110.0%	38.9%	-10.5%	1.7%	7.5%	11.2%
Manufacturing	14.2%	-30.8%	-20.6%	23.6%	-270.0%	38.8%	-9.8%	12.7%	5.4%	8.2%
Construction	-3.8%	113.5%	-92.1%	-59.3%	160.0%	-2.7%	-3.0%	-15.3%	2.2%	2.1%
Utilities	1.7%	5.8%	0.0%	-1.2%	0.0%	1.8%	2.3%	4.2%	0.0%	1.0%
Services	42.9%	86.5%	138.1%	86.3%	270.0%	6.2%	37.6%	59.3%	50.0%	46.9%
Transportion and Communications	3.3%	11.5%	38.1%	-21.0%	-110.0%	7.1%	2.3%	8.5%	11.8%	6.7%
Commercial Services	20.0%	5.8%	39.7%	84.0%	380.0%	-16.8%	0.8%	22.9%	4.8%	10.3%
Financial Services	5.8%	-3.8%	11.1%	16.0%	10.0%	15.9%	3.0%	6.8%	7.5%	5.2%
Housing	2.1%	30.8%	17.5%	-14.8%	-120.0%	-7.1%	13.5%	3.4%	7.5%	5.2%
Public Administration	10.4%	9.6%	28.6%	16.0%	60.0%	10.6%	10.5%	7.6%	9.1%	7.7%
Other Services	1.3%	32.7%	3.2%	16.0%	50.0%	-3.5%	7.5%	10.2%	9.1%	11.9%

Projections for 1988 are based on Central Bank of Honduras estimates.
Source: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group.
27-May-88 05:39 AM

TABLE D.1.
HONDURAS: GROSS DOMESTIC PRODUCT -- BY SECTOR OF ORIGIN

b. In Current Prices

Millions of Lempiras

	Gravamen	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	1.000	3798	4435	5088	5553	5762	6035	6462	6977	7565	8043	8657
Less Net Indirect Taxes	0.112	426	496	539	597	577	616	706	842	936	983	1067
GDP at Factor Prices	0.888	3372	3939	4549	4956	5185	5419	5757	6135	6629	7060	7630
Primary Production	0.268	1918	1153	1228	1259	1295	1343	1384	1467	1636	1647	1766
Agriculture and Related Sectors	0.249	945	1048	1132	1166	1186	1226	1263	1328	1495	1529	1636
Mining	0.019	73	105	96	93	109	117	131	139	141	118	130
Secondary Production	0.201	763	873	1047	1067	1226	1275	1371	1401	1439	1546	1644
Manufacturing	0.137	520	606	687	726	766	832	913	926	963	1030	1097
Construction	0.053	201	214	256	290	382	356	359	366	350	383	403
Utilities	0.011	42	53	64	71	78	87	99	109	126	133	144
Services	0.419	1591	1913	2274	2610	2664	2801	3002	3267	3555	3867	4220
Transportion and Communications	0.060	225	280	313	359	365	373	388	409	455	493	525
Commercial Services	0.133	505	601	725	837	813	800	802	843	905	952	995
Financial Services	0.051	195	240	288	309	307	341	378	419	443	477	513
Housing	0.049	188	222	250	278	315	378	445	504	550	592	567
Public Administration	0.035	134	178	217	263	267	278	312	350	383	433	482
Other Services	0.090	340	392	481	564	597	631	677	743	811	936	1033

Annual Growth Rates

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	16.8%	14.7%	9.1%	3.8%	4.7%	7.1%	8.0%	8.4%	6.3%	8.1%
Less Net Indirect Taxes	16.4%	8.7%	10.6%	-3.4%	6.8%	14.4%	19.4%	11.0%	5.1%	8.5%
GDP at Factor Prices	16.8%	16.5%	8.9%	4.6%	4.5%	6.2%	6.6%	8.1%	6.5%	8.1%
Primary Production	13.3%	6.5%	2.5%	2.9%	3.7%	3.1%	6.0%	11.5%	0.7%	7.2%
Agriculture and Related Sectors	10.9%	8.0%	3.0%	1.7%	3.4%	2.2%	6.0%	12.6%	2.3%	7.0%
Mining	43.8%	-8.6%	-3.1%	17.2%	7.3%	12.0%	6.1%	1.4%	-16.3%	10.2%
Secondary Production	14.4%	19.9%	3.8%	12.8%	4.0%	7.5%	2.2%	2.7%	7.4%	6.3%
Manufacturing	16.5%	13.4%	5.7%	5.5%	8.6%	9.7%	1.4%	4.0%	7.0%	6.5%
Construction	6.5%	30.3%	-2.0%	31.7%	-6.8%	0.8%	1.9%	-4.4%	9.4%	5.2%
Utilities	26.2%	20.8%	10.9%	9.9%	11.5%	13.0%	10.1%	15.6%	5.6%	8.3%
Services	20.2%	18.9%	14.8%	2.1%	5.1%	7.2%	8.8%	8.8%	8.8%	9.1%
Transportion and Communications	22.3%	11.8%	14.7%	1.7%	2.2%	4.0%	5.2%	11.5%	6.2%	9.5%
Commercial Services	19.0%	20.6%	15.4%	-2.9%	-1.6%	0.3%	5.1%	7.4%	5.2%	4.5%
Financial Services	23.1%	20.0%	7.3%	-0.6%	11.1%	10.9%	10.8%	5.7%	7.7%	7.5%
Housing	18.1%	12.6%	11.2%	13.3%	20.0%	17.7%	13.3%	10.7%	6.1%	12.7%
Public Administration	32.8%	21.9%	21.2%	1.5%	4.1%	12.2%	12.2%	9.4%	13.1%	11.5%
Other Services	15.3%	22.7%	17.3%	5.9%	5.7%	7.3%	5.7%	9.2%	14.7%	11.1%

As Percent of Total GDP

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less Net Indirect Taxes	11.2%	11.2%	10.6%	10.8%	10.0%	10.2%	10.9%	12.1%	12.4%	12.2%	12.3%
GDP at Factor Prices	88.8%	88.8%	89.4%	89.2%	90.0%	89.8%	89.1%	87.9%	87.6%	87.8%	87.7%
Primary Production	26.8%	26.0%	24.1%	22.7%	22.5%	22.3%	21.4%	21.0%	21.6%	20.6%	20.3%
Agriculture and Related Sectors	24.9%	23.6%	22.2%	21.0%	20.6%	20.3%	19.6%	19.0%	19.8%	19.0%	18.8%
Mining	1.9%	2.4%	1.9%	1.7%	1.9%	1.9%	2.0%	2.0%	1.9%	1.5%	1.5%
Secondary Production	20.1%	19.7%	20.6%	19.8%	21.3%	21.1%	21.2%	20.1%	19.0%	19.2%	18.9%
Manufacturing	13.7%	13.7%	13.5%	13.1%	13.3%	13.8%	14.1%	13.3%	12.7%	12.8%	12.6%
Construction	5.3%	4.8%	5.6%	5.2%	6.6%	5.9%	5.6%	5.2%	4.6%	4.8%	4.6%
Utilities	1.1%	1.2%	1.3%	1.3%	1.4%	1.4%	1.5%	1.6%	1.7%	1.7%	1.7%
Services	41.9%	43.1%	44.7%	47.0%	46.2%	46.4%	46.5%	46.8%	47.0%	48.1%	48.5%
Transportion and Communications	5.9%	6.3%	6.2%	6.5%	6.3%	6.2%	6.0%	5.8%	6.0%	6.0%	6.1%
Commercial Services	13.3%	13.6%	14.2%	15.1%	14.1%	13.3%	12.4%	12.1%	12.0%	11.8%	11.4%
Financial Services	5.1%	5.4%	5.7%	5.6%	5.3%	5.7%	5.8%	6.0%	5.9%	5.9%	5.9%
Housing	4.9%	5.0%	4.9%	5.0%	5.5%	6.3%	6.9%	7.2%	7.4%	7.4%	7.7%
Public Administration	3.5%	4.0%	4.3%	4.7%	4.6%	4.6%	4.8%	5.0%	5.1%	5.4%	5.6%
Other Services	9.0%	8.8%	9.5%	10.2%	10.4%	10.5%	10.5%	10.6%	10.7%	11.6%	11.9%

Contribution to Overall GDP Growth by Sector

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Less Net Indirect Taxes	11%	7%	12%	-10%	14%	21%	27%	16%	10%	13%
GDP at Factor Prices	89%	93%	88%	110%	86%	79%	73%	84%	90%	87%
Primary Production	21%	11%	7%	17%	18%	10%	16%	29%	2%	18%
Agriculture and Related Sectors	16%	13%	7%	10%	15%	6%	15%	28%	7%	16%
Mining	5%	-1%	-1%	8%	3%	3%	2%	0%	-5%	2%
Secondary Production	17%	27%	9%	67%	18%	22%	6%	6%	22%	15%
Manufacturing	14%	12%	8%	19%	74%	19%	3%	6%	14%	10%
Construction	2%	13%	-1%	44%	-10%	1%	1%	-3%	7%	3%
Utilities	2%	2%	2%	3%	3%	3%	2%	3%	1%	2%
Services	51%	55%	72%	56%	50%	47%	51%	49%	65%	54%
Transportion and Communications	8%	5%	10%	3%	3%	4%	4%	8%	6%	7%
Commercial Services	16%	19%	24%	-11%	-5%	0%	8%	11%	10%	7%
Financial Services	7%	7%	5%	-1%	12%	9%	8%	6%	7%	6%
Housing	5%	4%	6%	18%	23%	16%	11%	9%	7%	11%
Public Administration	7%	6%	10%	2%	4%	8%	7%	6%	10%	8%
Other Services	8%	14%	18%	16%	12%	11%	13%	12%	25%	16%

Projections for 1988 are based on Central Bank of Honduras estimates.
Source: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group.
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TABLE D.2.
HONDURAS: GROSS DOMESTIC PRODUCT -- BY SECTOR OF FINAL DEMAND, 1978 - 1988

a. In Constant 1978 Prices

Millions of 1987 Lempiras

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	3798	4038	4090	4153	4072	4062	4175	4308	4426	4612	4806
Gross Domestic Expenditure	3987	4069	4265	4085	3773	3825	4128	4226	4267	4437	4516
Consumption Expenditures	2953	2995	3244	3229	3262	3205	3253	3357	3469	3638	3793
Private Sector	2511	2531	2732	2705	2755	2692	2721	2797	2871	3009	3137
Public Sector	442	464	512	524	507	513	532	560	598	629	656
Net Domestic Investment	1034	1074	1021	856	511	620	875	869	807	799	723
Gross Fixed Capital Formation	941	920	1011	781	645	739	885	857	788	750	746
Private Sector	586	582	633	453	289	334	339	388	403	410	406
Public Sector	355	338	378	328	356	405	546	469	377	340	340
Changes in Inventories	93	154	10	75	-134	-119	-10	12	27	49	-23
Net Exports	-189	-31	-175	68	299	237	47	82	159	176	290
Exports of Goods and Nonfactor Services	1366	1619	1534	1569	1364	1516	1541	1582	1651	1689	1804
Imports of Goods and Nonfactor Services	1555	1650	1709	1601	1065	1279	1494	1500	1492	1514	1514
Net Factor Payments	-157	-179	-203	-175	-240	-182	-197	-222	-244	-245	-236
Gross National Product at Market Prices	3641	3859	3887	3978	3832	3880	3978	4086	4182	4365	4570

Annual Growth Rates

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	6.3%	1.3%	1.5%	-2.0%	-0.2%	2.8%	3.2%	2.7%	4.2%	4.2%
Gross Domestic Expenditure	2.1%	4.8%	-4.2%	-7.6%	1.4%	7.9%	2.4%	1.0%	4.0%	1.8%
Consumption Expenditures	1.4%	8.3%	-0.5%	1.0%	-1.7%	1.5%	3.2%	3.1%	5.1%	4.3%
Private Sector	0.8%	7.9%	-1.0%	1.8%	-0.3%	1.1%	2.8%	2.6%	4.8%	4.3%
Public Sector	5.0%	10.3%	2.3%	-3.2%	1.2%	3.7%	5.3%	5.2%	6.8%	4.3%
Net Domestic Investment	3.9%	-4.9%	-16.2%	-40.3%	21.3%	41.1%	-0.7%	-7.1%	-1.0%	-9.5%
Gross Fixed Capital Formation	-2.2%	9.9%	-22.7%	-17.4%	14.6%	19.8%	-3.2%	-9.0%	-3.8%	-0.5%
Private Sector	-0.7%	8.8%	-28.4%	-36.2%	15.6%	1.5%	14.5%	3.9%	1.7%	-1.0%
Public Sector	-4.8%	11.0%	-13.2%	8.5%	13.8%	34.8%	-14.1%	-19.6%	-9.6%	0.0%
Changes in Inventories										
Net Exports										
Exports of Goods and Nonfactor Services	18.5%	-5.3%	2.3%	-11.8%	9.5%	1.6%	2.7%	4.4%	2.3%	6.8%
Imports of Goods and Nonfactor Services	6.1%	3.6%	-12.2%	-27.7%	17.9%	16.8%	0.4%	-0.5%	1.5%	0.0%
Net Factor Payments										
Gross National Product at Market Prices	6.0%	0.7%	2.3%	-3.7%	1.3%	2.5%	2.7%	2.3%	4.4%	4.6%

As Percent of Total GDP

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Domestic Expenditure	105.0%	100.8%	104.3%	98.4%	92.7%	94.2%	98.9%	98.1%	96.4%	96.2%	94.0%
Consumption Expenditures	77.8%	74.2%	79.3%	77.8%	80.1%	78.9%	77.9%	77.9%	78.2%	78.9%	78.9%
Private Sector	66.1%	62.7%	66.8%	65.1%	67.7%	66.3%	65.2%	64.9%	64.9%	65.2%	65.3%
Public Sector	11.6%	11.5%	12.5%	12.6%	12.5%	12.6%	12.7%	13.0%	13.3%	13.6%	13.6%
Net Domestic Investment	27.2%	26.6%	25.0%	20.6%	12.5%	15.3%	21.0%	20.2%	18.2%	17.3%	15.0%
Gross Fixed Capital Formation	24.8%	22.8%	24.7%	18.8%	15.8%	18.2%	21.2%	19.9%	17.6%	16.3%	15.5%
Private Sector	15.4%	14.4%	15.5%	10.9%	7.1%	8.2%	8.1%	9.0%	9.1%	8.9%	8.4%
Public Sector	9.3%	8.4%	9.2%	7.9%	8.7%	10.0%	13.1%	10.9%	8.5%	7.4%	7.1%
Changes in Inventories	2.4%	3.8%	0.2%	1.8%	-3.3%	-2.9%	-0.2%	0.3%	0.6%	1.1%	-0.5%
Net Exports	-5.0%	-0.8%	-4.3%	1.6%	7.3%	5.8%	1.1%	1.9%	3.6%	3.8%	6.0%
Exports of Goods and Nonfactor Services	36.0%	40.1%	37.5%	37.8%	34.0%	37.3%	36.9%	36.7%	37.3%	36.6%	37.5%
Imports of Goods and Nonfactor Services	40.9%	40.9%	41.8%	38.1%	26.6%	31.5%	35.8%	34.8%	33.7%	32.8%	31.5%
Net Factor Payments	-4.1%	-4.4%	-5.0%	-4.2%	-5.9%	-4.5%	-4.7%	-5.2%	-5.5%	-5.3%	-4.9%
Gross National Product at Market Prices	95.9%	95.6%	95.0%	95.8%	94.1%	95.5%	95.3%	94.8%	94.5%	94.7%	95.1%

Contribution to Overall GDP Growth by Sector

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross Domestic Expenditure	34%	377%	-286%	385%	-520%	268%	74%	69%	66%	96%
Consumption Expenditures	18%	479%	-24%	-41%	570%	42%	78%	92%	88%	79%
Private Sector	8%	387%	-43%	-62%	630%	26%	57%	70%	70%	65%
Public Sector	9%	92%	19%	21%	-60%	17%	21%	23%	18%	14%
Net Domestic Investment	17%	-102%	-262%	426%	-1090%	226%	-5%	-23%	-22%	17%
Gross Fixed Capital Formation	-9%	175%	-365%	168%	-840%	129%	-21%	-35%	-9%	16%
Private Sector	-2%	98%	-286%	202%	-450%	4%	37%	7%	1%	9%
Public Sector	-7%	77%	-79%	-35%	-490%	125%	-58%	-42%	-10%	7%
Changes in Inventories	25%	-277%	103%	258%	-150%	96%	17%	12%	-13%	1%
Net Exports	66%	-277%	386%	-285%	620%	-168%	26%	31%	34%	4%
Exports of Goods and Nonfactor Services	105%	-163%	66%	228%	-1320%	22%	31%	35%	40%	37%
Imports of Goods and Nonfactor Services	40%	113%	-330%	514%	-1940%	190%	5%	5%	6%	33%

Projections for 1988 are based on Central Bank of Honduras estimates.
Source: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group.
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TABLE D.1.
HONDURAS: GROSS DOMESTIC PRODUCT -- BY SECTOR OF FINAL DEMAND, 1978 - 1987

b. In Current Prices

Millions of Lempiras

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	3798	4425	5088	5553	5762	6035	6462	6977	7565	8043	8537
Gross Domestic Expenditure	3987	4639	5489	5944	5871	6278	6925	7343	7713	8313	8834
Consumption Expenditures	2953	3465	4241	4793	5095	5381	5894	6079	6527	7075	7667
Private Sector	2511	2945	3563	4035	4295	4504	4742	5033	5383	5786	6262
Public Sector	442	520	678	758	800	877	952	1046	1144	1289	1405
Net Domestic Investment	1034	1174	1248	1151	776	897	1231	1264	1186	1238	1167
Gross Fixed Capital Formation	941	1004	1235	1051	966	1073	1246	1245	1142	1155	1207
Private Sector	586	634	758	597	435	463	459	527	558	614	642
Public Sector	355	370	477	454	531	610	787	718	585	541	565
Changes in Inventories	93	170	13	100	-190	-176	-15	19	43	83	-40
Net Exports	-189	-214	-401	-391	-109	-243	-463	-366	-148	-270	-137
Exports of Goods and Nonfactor Services	1366	1649	1860	1735	1520	1556	1663	1754	1971	1912	2129
Imports of Goods and Nonfactor Services	1555	1863	2261	2126	1629	1799	2126	2120	2119	2182	2266
Net Factor Payments	-157	-210	-275	-269	-385	-284	-308	-334	-379	-389	-390
Gross National Product at Market Prices	3641	4215	4813	5284	5377	5751	6154	6643	7186	7654	8307

Annual Growth Rates

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	16.5%	15.0%	9.1%	3.8%	5.7%	7.1%	8.0%	8.4%	6.3%	8.1%
Gross Domestic Expenditure	16.4%	18.3%	8.3%	-1.2%	6.9%	10.3%	6.0%	5.0%	7.8%	6.3%
Consumption Expenditures	17.3%	22.4%	13.0%	6.3%	5.6%	5.8%	6.8%	7.4%	8.4%	8.4%
Private Sector	17.3%	21.0%	13.2%	6.4%	4.9%	5.3%	6.1%	7.0%	7.5%	8.2%
Public Sector	17.6%	30.4%	11.8%	5.5%	8.6%	8.6%	9.9%	9.4%	12.7%	9.0%
Net Domestic Investment	13.5%	6.3%	-7.8%	-32.6%	15.6%	37.2%	2.7%	-6.2%	4.4%	-5.7%
Gross Fixed Capital Formation	6.7%	23.0%	-14.9%	-8.1%	11.1%	16.1%	-0.1%	-8.2%	1.0%	4.5%
Private Sector	8.2%	19.6%	-21.2%	-27.1%	6.4%	-0.9%	14.8%	5.9%	10.0%	4.6%
Public Sector	4.2%	28.9%	-4.8%	17.0%	14.9%	29.0%	-8.8%	-18.5%	-7.5%	4.4%
Changes in Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Exports										
Exports of Goods and Nonfactor Services	20.7%	12.8%	-6.7%	-12.4%	2.4%	6.9%	6.5%	12.4%	-3.0%	11.3%
Imports of Goods and Nonfactor Services	19.8%	21.4%	-6.0%	-23.4%	10.4%	18.2%	-0.3%	-0.0%	3.0%	3.8%
Net Factor Payments										
Gross National Product at Market Prices	15.3%	14.2%	9.8%	1.8%	7.0%	7.0%	7.9%	8.2%	6.5%	8.5%

As Percent of Total GDP

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Domestic Expenditure	105.0%	104.8%	107.9%	107.0%	101.9%	104.0%	107.2%	105.2%	102.0%	103.4%	101.6%
Consumption Expenditures	77.8%	78.3%	83.4%	86.3%	88.4%	89.2%	88.1%	87.1%	86.3%	88.0%	88.2%
Private Sector	66.1%	66.6%	70.0%	72.7%	74.5%	74.6%	73.4%	72.1%	71.2%	71.9%	72.0%
Public Sector	11.6%	11.8%	13.3%	13.7%	13.9%	14.5%	14.7%	15.0%	15.1%	16.0%	16.2%
Net Domestic Investment	27.2%	26.5%	24.5%	20.7%	13.5%	14.9%	19.0%	18.1%	15.7%	15.4%	13.4%
Gross Fixed Capital Formation	24.8%	22.7%	24.3%	18.9%	16.8%	17.8%	19.3%	17.8%	15.1%	14.4%	13.9%
Private Sector	15.4%	14.3%	14.9%	10.8%	7.5%	7.7%	7.1%	7.6%	7.4%	7.6%	7.4%
Public Sector	9.3%	8.3%	9.4%	8.2%	9.2%	10.1%	12.2%	10.3%	7.7%	6.7%	6.5%
Changes in Inventories	2.4%	3.8%	0.3%	1.8%	-3.3%	-2.9%	-0.2%	0.3%	0.6%	1.0%	-0.5%
Net Exports	-6.0%	-4.8%	-7.9%	-7.0%	-1.9%	-4.0%	-7.2%	-6.2%	-2.0%	-3.4%	-1.6%
Exports of Goods and Nonfactor Services	36.0%	37.3%	36.6%	31.2%	26.4%	25.8%	25.7%	25.1%	26.1%	23.8%	24.5%
Imports of Goods and Nonfactor Services	40.9%	42.1%	44.4%	38.3%	28.3%	29.8%	32.9%	30.4%	28.0%	27.1%	26.1%
Net Factor Payments	-4.1%	-4.7%	-5.4%	-4.8%	-6.7%	-4.7%	-4.8%	-4.8%	-5.0%	-4.8%	-4.5%
Gross National Product at Market Prices	95.9%	95.3%	94.6%	95.2%	93.3%	95.3%	95.2%	95.2%	95.0%	95.2%	95.5%

Contribution to Overall GDP Growth by Sector

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross Domestic Expenditure	104%	128%	98%	-35%	149%	152%	81%	63%	126%	80%
Consumption Expenditures	82%	117%	119%	144%	105%	73%	75%	76%	115%	91%
Private Sector	69%	93%	102%	124%	77%	56%	57%	60%	84%	73%
Public Sector	12%	24%	17%	20%	28%	18%	18%	17%	30%	18%
Net Domestic Investment	22%	11%	-21%	-179%	44%	78%	6%	-13%	11%	-11%
Gross Fixed Capital Formation	10%	35%	-40%	-41%	39%	41%	-0%	-17%	3%	8%
Private Sector	8%	19%	-35%	-78%	10%	-1%	13%	5%	12%	4%
Public Sector	2%	16%	-5%	37%	29%	41%	-13%	-23%	-9%	4%
Changes in Inventories	12%	-24%	15%	-139%	5%	38%	7%	4%	8%	-15%
Net Exports	-4%	-28%	2%	135%	-49%	-52%	19%	37%	-26%	20%
Exports of Goods and Nonfactor Services	45%	32%	-27%	-103%	13%	25%	18%	37%	-12%	33%
Imports of Goods and Nonfactor Services	49%	60%	-25%	-238%	62%	77%	-1%	-8%	13%	13%
Net Factor Payments										
Gross National Product at Market Prices										

Projections for 1988 are based on Central Bank of Honduras estimates.
Source: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group.
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TABLE B.1

HONDURAS: SUMMARY OF CHANGES IN PRICE INDICES

	Weight	(1978 = 100) 1979	1980	1981	1982	1983	1984	1985	1986	1987	Annual Growth Rates 79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86
Consumer Price Index	100.0	112.1	132.4	144.8	157.8	170.9	178.9	184.9	193.0	197.8	12.1%	18.1%	9.4%	9.0%	8.3%	4.7%	3.4%	4.4%	2.5%
Foods	41.2	111.4	130.4	139.9	148.2	157.4	158.1	160.5	164.9	167.0	11.4%	17.1%	7.3%	5.9%	6.2%	0.4%	1.5%	2.7%	1.3%
Nontradables	37.6	113.9	131.5	145.4	155.3	171.6	185.9	194.6	206.4	214.6	13.9%	15.5%	10.5%	6.9%	10.4%	8.4%	4.7%	6.0%	4.0%
Tradables	21.2	110.5	137.6	154.0	181.7	196.4	207.6	215.0	224.2	228.2	10.5%	24.6%	11.9%	18.0%	8.1%	5.7%	3.9%	3.9%	1.8%
Wholesale Price Index	100.0	109.7	125.6	136.4	150.2	162.0	164.0	165.9	169.1	170.4	9.7%	14.5%	8.6%	10.1%	7.9%	1.2%	1.2%	1.9%	0.8%
Domestic	67.2	110.5	130.6	137.2	147.3	156.4	158.0	162.1	164.9	166.0	10.5%	18.2%	5.1%	7.4%	6.2%	1.0%	2.6%	[illegible]	0.7%
Agricultural	28.2	107.6	126.6	150.5	133.9	144.3	142.3	146.0	152.3	154.7	7.6%	17.7%	3.1%	2.4%	7.8%	-1.4%	2.5%	4.3%	1.6%
Industrial	39.1	112.5	133.5	142.0	157.0	165.1	169.4	172.1	174.0	174.2	12.5%	18.7%	6.4%	10.6%	5.2%	2.6%	1.6%	1.1%	0.1%
Imports	32.8	108.8	115.4	134.8	156.0	173.3	176.3	175.6	177.8	179.3	8.8%	6.9%	16.8%	15.7%	11.1%	1.7%	-0.4%	1.3%	0.8%
GDP Deflators																			
By Sector of Origin	100.0	109.8	124.4	133.7	141.5	148.6	154.8	162.0	170.9	174.4	9.8%	13.3%	7.5%	5.8%	5.0%	4.2%	4.6%	5.5%	2.0%
Primary Production	26.8	104.9	113.7	113.1	115.7	120.1	121.4	125.1	137.6	131.1	4.9%	8.4%	-0.5%	2.3%	3.8%	1.1%	3.0%	10.0%	-4.7%
Secondary Production	20.1	110.2	124.9	141.7	153.8	157.8	160.9	167.2	171.3	191.0	10.2%	13.3%	13.4%	8.5%	2.6%	2.0%	3.9%	2.5%	5.7%
Services	41.9	112.9	130.8	142.9	152.4	162.8	173.7	183.7	192.4	199.2	12.9%	15.9%	9.3%	6.6%	6.4%	5.7%	5.8%	4.7%	3.5%
Net Indirect Taxes	11.2	109.5	124.5	133.6	141.4	148.4	154.9	162.2	170.3	175.2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
By Sector of Final Demand		109.6	124.4	133.7	141.5	148.6	154.8	162.0	170.9	174.4	9.6%	13.5%	7.5%	5.8%	5.0%	4.2%	4.6%	5.5%	2.0%
Consumption		115.7	130.7	148.4	155.2	167.9	175.0	181.1	188.6	194.5	15.7%	13.0%	13.5%	5.2%	7.5%	4.2%	3.5%	4.2%	3.1%
Investment		109.3	122.2	134.5	151.9	144.7	140.7	145.5	147.0	154.9	9.3%	11.8%	10.0%	12.9%	-4.7%	-2.8%	3.4%	1.0%	5.4%
Exports		101.9	121.3	110.6	109.8	102.6	107.9	110.9	119.4	113.2	1.9%	19.0%	-8.8%	-0.7%	-6.5%	5.1%	2.7%	7.7%	-5.2%
Imports		112.9	132.3	141.6	150.1	140.7	142.3	141.3	142.0	144.1	12.9%	17.2%	7.1%	6.0%	-6.3%	1.2%	-0.7%	9.[illegible]	1.5%

SOURCE: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group (JEWG)
18-May-88 11:57 AM

TABLE 8.8

NATIONAL CONSUMER PRICE INDEX (CPI) 1970 - 1987
Detailed by Product and Contribution to Inflation
(1970 = 100)

Groups	Gravamen	Annual Averages 1970	1980	1981	1982	1983	1984	1985	1986	1987*	Relative Changes 70/79	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86
General Index	87.947	100.0	122.4	140.8	157.8	170.9	178.8	184.5	193.0	197.8	10.1%	10.1%	9.4%	8.0%	8.3%	4.7%	3.4%	4.6%	2.5%
I. Food	41.214	111.4	130.4	138.9	149.2	157.4	168.1	166.5	164.8	167.6	11.4%	17.1%	7.3%	6.9%	6.2%	0.4%	1.5%	2.7%	1.3%
Vegetables, cereals	11.153	104.9	126.9	126.4	142.2	140.2					4.9%	21.0%	-0.4%	12.5%	-1.4%				
Meat, fish	9.019	113.8	131.3	149.4	160.1	165.7					13.8%	15.4%	13.8%	7.2%	3.5%				
Milk and eggs	6.614	105.1	130.7	140.4	149.4	158.7					9.1%	29.0%	7.4%	6.4%	6.2%				
Fats	2.432	110.4	135.6	125.6	127.4	128.5					10.4%	8.3%	6.0%	1.4%	0.9%				
Tubers and vegetables	2.255	122.7	140.1	151.0	138.9	147.5					22.7%	14.2%	8.0%	-8.5%	6.2%				
Fruits	1.524	120.1	150.4	164.2	165.8	179.4					20.1%	25.2%	9.2%	1.0%	8.2%				
Various foods	3.727	109.6	120.2	129.0	143.0	171.8					9.6%	16.7%	7.3%	26.4%	8.4%				
Meals	2.596	127.4	152.2	176.7	187.0	199.5					27.4%	19.5%	12.2%	9.5%	6.7%				
II. Other groups	58.786	112.6	133.7	148.5	164.8	180.5	193.7	202.2	212.8	219.5	12.6%	18.7%	11.1%	11.0%	9.5%	7.3%	4.4%	5.2%	3.2%
A. Nontradeables	37.623	113.9	131.5	145.4	155.3	171.6	181.9	194.6	204.4	214.6	13.9%	15.5%	10.5%	6.9%	10.4%	6.4%	4.7%	5.0%	4.8%
1. Health care	3.979	111.6	125.9	144.3	161.5	177.4	186.0	185.9	192.4	197.3	11.6%	12.8%	14.6%	11.9%	9.8%	4.8%	2.1%	1.3%	2.5%
Medical services and hospital	1.378	118.0	140.1	174.5	201.8	231.1					18.0%	18.7%	24.6%	15.6%	14.5%				
Medicines	2.601	107.0	115.8	124.6	133.9	140.8					7.0%	8.2%	7.6%	7.5%	5.2%				
2. Housing and home facil.	30.611	114.7	132.5	146.1	155.1	172.3	188.6	198.5	219.0	221.3	14.7%	15.5%	10.3%	6.2%	11.1%	9.3%	5.2%	6.8%	4.4%
Housing	16.490	115.7	128.2	139.8	150.9	179.6					15.7%	11.9%	9.0%	7.9%	19.0%				
Home functioning	9.611	118.0	149.1	170.3	176.9	192.3					18.0%	26.4%	14.2%	3.9%	8.7%				
Furniture and equipment	4.510	104.8	114.0	119.9	130.0	140.3					4.8%	8.8%	5.2%	8.4%	7.9%				
3. Transportation	3.032	102.5	128.9	135.4	145.6	158.4	159.6	161.9	167.7	169.5	8.5%	18.8%	8.1%	7.3%	4.5%	1.4%	2.1%	3.6%	1.1%
Transportation serv.	2.160	101.8	117.2	122.0	134.6	141.4					1.8%	15.1%	4.9%	9.4%	5.1%				
Fuel	0.709	129.0	176.0	186.1	187.5	187.5					29.0%	32.0%	9.5%	0.8%	0.0%				
Spare parts	0.158	115.6	130.1	175.0	201.6	233.7					15.6%	12.5%	37.6%	12.6%	15.9%				
B. Tradeable	21.163	110.5	137.6	154.0	181.7	196.4	207.6	215.0	224.2	228.2	10.5%	24.6%	11.9%	18.0%	8.1%	5.7%	3.9%	3.9%	1.8%
1. Clothing	9.110	112.1	145.1	168.9	200.2	217.2	228.3	234.9	241.0	242.6	12.1%	29.4%	16.0%	20.0%	8.5%	5.1%	3.0%	2.2%	1.1%
Ladies apparel	2.747	111.2	147.1	171.0	213.6	239.7					11.2%	32.3%	16.0%	24.3%	12.2%				
Girl apparel	0.583	113.4	155.2	173.5	207.5	230.3					13.4%	36.9%	11.8%	19.6%	11.0%				
Men apparel	2.796	110.7	141.6	161.2	185.0	198.3					10.7%	27.9%	13.8%	14.8%	7.1%				
Boy apparel	1.384	112.0	141.3	164.4	198.3	222.3					12.0%	26.2%	16.3%	20.6%	12.1%				
Infant apparel	0.226	113.6	146.2	163.1	187.8	201.6					12.6%	29.0%	11.6%	15.1%	7.3%				
Sewing materials	1.374	115.8	147.6	167.8	204.9	214.6					15.8%	27.5%	13.7%	22.1%	4.7%				
2. Personal care	2.973	108.3	124.3	137.5	158.2	173.0	181.0	178.4	180.1	182.5	8.3%	14.8%	10.6%	15.1%	9.4%	4.6%	-1.4%	1.0%	1.3%
Personal services	0.228	122.8	154.1	174.0	193.8	216.4					22.8%	25.5%	13.4%	10.9%	11.7%				
Personal articles	2.747	107.2	121.9	136.8	155.0	169.2					7.2%	13.7%	10.4%	15.4%	9.2%				
3. Beverages and Tobacco	3.790	109.1	146.5	157.4	180.7	200.5	208.6	220.3	245.8	247.1	9.1%	34.6%	7.1%	19.9%	6.3%	3.0%	6.6%	11.6%	0.5%
Beverages	3.140	105.3	132.4	158.3	193.2	204.0					5.3%	25.5%	3.8%	22.0%	5.6%				
Tobacco	0.650	108.3	125.6	147.9	168.7	182.3					8.3%	15.9%	18.3%	12.7%	10.0%				
4. Others	5.290	105.8	125.5	138.7	158.2	170.8	187.8	200.6	208.4	215.6	5.8%	14.3%	10.5%	14.1%	8.0%	10.0%	6.8%	3.9%	4.5%
Education	2.435	110.2	128.5	140.7	158.1	164.2					10.2%	17.0%	9.2%	10.9%	4.2%				
Reading	0.477	112.0	129.5	164.6	172.5	181.0					12.0%	15.6%	27.1%	4.8%	4.9%				
Entertainment	2.378	100.5	115.7	125.1	152.5	174.7					0.5%	15.3%	7.9%	18.1%	11.9%				

SOURCE: Central Bank of Bahamas and calculations by the Technical Support of the Joint Economic Working Group (JEWG).
18-May-88 10:00 AM

DOMINICAN REPUBLIC CONSUMER PRICE INDEX (CPI) 1979 - 1987
Detailed by Product and Contribution to Inflation
(1979 = 100)

Groups	Contributions to Global Change of CPI								
	1979/78	1980/79	1981/80	1982/81	1983/82	1984/83	1985/84	1986/85	1987/86
General Index	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
I. Food	41.5%	35.7%	31.2%	30.3%	17.0%	4.0%	19.5%	27.0%	21.0%
Vegetables, cereals	4.9%	12.9%	-0.5%	13.0%	-2.0%				
Meat, fish	11.1%	7.6%	13.6%	6.4%	4.0%				
Milk and eggs	6.9%	9.3%	6.9%	5.4%	6.7%				
Fats	2.2%	1.1%	1.3%	0.3%	0.3%				
Tubers and vegetables	4.6%	1.0%	2.1%	-1.9%	1.0%				
Fruits	2.7%	2.1%	1.5%	0.1%	1.6%				
Various foods	2.0%	2.2%	3.0%	0.7%	2.5%				
Meals	6.3%	2.0%	2.4%	2.4%	2.2%				
II. Other groups	58.5%	64.3%	68.7%	63.7%	83.0%	96.0%	80.5%	73.0%	78.1%
A. Untradeables	46.6%	31.7%	31.9%	26.7%	60.4%	68.7%	54.6%	53.5%	61.6%
1. Health care	3.0%	2.6%	5.0%	4.6%	4.2%	4.2%	2.6%	1.3%	4.2%
Medical services and hospital	2.2%	1.4%	3.7%	2.1%	2.5%				
Medicines	1.6%	1.2%	2.3%	1.9%	1.7%				
2. Housing and home furnit.	40.3%	26.0%	23.6%	20.4%	54.5%	63.5%	50.0%	49.7%	56.1%
Housing	23.0%	9.9%	16.1%	12.9%	35.5%				
Home functioning	15.4%	13.9%	14.9%	3.7%	10.5%				
Furniture and equipment	1.9%	2.2%	2.5%	2.0%	4.5%				
3. Transportation	2.4%	3.1%	2.5%	2.3%	1.7%	0.9%	2.0%	2.6%	1.4%
Transportation serv.	0.3%	1.0%	1.2%	2.0%	1.4%				
Fuel	1.9%	1.2%	0.7%	0.1%	0.0%				
Spare parts	0.2%	0.1%	0.6%	0.2%	0.3%				
B. Tradeable	12.0%	28.6%	26.8%	37.1%	22.6%	27.3%	25.9%	19.5%	16.5%
1. Clothing	9.7%	14.0%	14.7%	11.0%	10.7%	10.2%	8.2%	4.7%	4.1%
Ladies apparel	2.7%	4.9%	5.0%	6.6%	4.2%				
Girl apparel	0.7%	1.2%	0.7%	1.1%	0.8%				
Men apparel	2.7%	4.3%	4.2%	4.1%	2.5%				
Boy apparel	1.5%	2.0%	2.5%	2.0%	2.1%				
Infant apparel	0.3%	0.4%	0.3%	0.3%	0.2%				
Sewing materials	1.9%	2.1%	2.1%	3.0%	0.8%				
2. Personal care	2.2%	2.4%	3.5%	4.3%	3.5%	3.0%	-1.3%	0.7%	1.7%
Personal services	0.5%	0.3%	0.3%	0.2%	0.3%				
Personal articles	1.8%	2.1%	3.2%	4.1%	3.2%				
3. Beverages and Tobacco	0.0%	7.4%	2.0%	7.7%	3.0%	2.5%	7.0%	10.5%	0.0%
Beverages	0.0%	6.0%	1.3%	6.0%	2.2%				
Tobacco	0.0%	0.6%	1.3%	0.0%	0.0%				
4. Others	0.0%	4.0%	5.9%	7.1%	5.4%	11.5%	11.2%	3.6%	9.0%
Education	0.0%	2.3%	2.4%	2.6%	1.6%				
Reading	0.0%	0.4%	1.4%	0.3%	0.3%				
Entertainment	0.0%	1.4%	2.0%	4.3%	3.6%				

SOURCE: Central Bank of Dominican and calculations by the Technical Support Staff of the Joint Economic Working Group (JEWG).

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TABLE E.3.
HONDURAS: WHOLESALE PRICE INDEX
By Product Groupings and by Contribution to Inflation

	Weight	(1978 = 100)									Annual Percent Changes								
		~1979	1980	1981	1982	1983	1984	1985	1986	1987	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86
OVERALL INDEX	100.00	109.7	125.6	136.4	150.2	162.0	164.0	165.9	169.1	170.4	9.7%	14.5%	8.6%	10.1%	7.9%	1.2%	1.2%	1.9%	0.8%
DOMESTIC	67.24	110.5	130.6	137.2	147.3	156.4	158.0	162.1	164.9	166.0	10.5%	18.2%	5.1%	7.4%	6.2%	1.0%	2.6%	1.7%	0.7%
Agricultural	28.19	107.6	126.6	130.5	133.9	144.3	142.3	146.0	152.3	154.7	7.6%	17.7%	3.1%	2.6%	7.8%	-1.4%	2.6%	4.3%	1.6%
Farming	18.85	99.2	122.9	114.3	115.3	132.0	124.1	129.9	136.5	138.6	-0.8%	23.9%	-7.0%	0.9%	14.5%	-6.0%	4.7%	5.1%	1.5%
Fishing	10.25	111.2	129.2	138.4	140.6	144.3	142.9	142.8	148.7	148.8	11.2%	16.2%	7.1%	1.6%	2.6%	-1.0%	-0.1%	4.1%	0.1%
Others	7.09	115.3	128.4	144.0	152.8	163.3	169.3	175.4	181.8	187.9	15.3%	11.4%	12.1%	6.1%	6.9%	3.7%	3.6%	3.6%	3.4%
Industrial	39.05	112.5	133.5	142.0	157.0	165.1	169.4	172.1	174.0	174.2	12.5%	18.7%	6.4%	10.6%	5.2%	2.6%	1.6%	1.1%	0.1%
Foods	12.34	104.5	120.0	130.0	146.6	152.5	153.2	153.4	153.7	152.7	4.5%	14.8%	8.3%	12.8%	4.0%	0.5%	0.1%	0.2%	-0.7%
Beverages and Tobacco	7.15	107.2	131.1	137.3	178.7	186.2	194.4	209.3	225.9	227.0	7.2%	22.3%	4.7%	30.2%	4.2%	4.4%	7.7%	7.9%	0.5%
Construction Materials	3.97	109.8	126.8	142.1	146.8	154.9	156.6	157.5	156.3	155.2	9.8%	15.5%	12.1%	3.3%	5.5%	1.1%	0.6%	-0.8%	-0.7%
Textiles	2.91	109.8	128.8	116.4	122.7	145.7	163.1	159.7	159.8	164.0	9.8%	17.3%	-9.6%	5.4%	18.7%	11.9%	-2.1%	0.1%	2.6%
Clothing	2.88	106.4	109.5	118.3	124.6	137.8	142.5	142.5	144.0	142.6	6.4%	2.9%	8.0%	5.3%	10.6%	3.4%	0.0%	1.1%	-1.0%
Chemicals	3.32	114.5	122.0	128.6	133.7	135.5	136.6	137.7	137.9	137.7	14.5%	6.6%	5.4%	4.0%	1.3%	0.8%	0.8%	0.1%	-0.1%
Petroleum Derivatives	4.60	142.5	197.8	219.3	220.8	220.8	220.8	220.8	211.6	211.6	42.5%	38.8%	10.9%	0.7%	0.0%	0.0%	0.0%	-4.2%	0.0%
Others	2.68	121.7	138.6	139.5	143.8	166.2	176.7	176.2	174.9	176.5	21.7%	14.1%	0.5%	3.1%	15.6%	6.3%	-0.3%	-0.7%	0.9%
IMPORTS	32.76	108.0	115.4	136.8	156.0	173.3	176.3	175.6	177.8	179.3	8.0%	6.9%	16.8%	13.7%	11.1%	1.7%	-0.4%	1.3%	0.8%
Foods	6.44	102.7	111.3	136.4	144.4	151.4	152.8	154.1	156.8	155.4	2.7%	8.4%	22.6%	5.9%	4.8%	0.9%	0.5%	1.8%	-0.9%
Beverages	0.65	112.2	137.2	152.9	198.0	258.8	264.6	237.1	228.5	228.8	12.2%	22.3%	11.4%	29.5%	30.7%	2.2%	-10.4%	-3.6%	0.1%
Textiles	4.89	122.8	119.2	132.7	187.7	203.0	204.2	237.7	219.6	220.2	22.8%	-2.9%	11.3%	41.4%	8.2%	0.6%	1.7%	5.7%	0.3%
Chemicals	9.75	103.5	110.8	131.3	153.4	176.6	176.2	183.0	186.4	189.6	3.5%	6.3%	19.4%	16.8%	13.8%	0.9%	3.9%	0.8%	2.8%
Paramaceuticals	3.59	105.9	111.1	122.6	126.9	135.0	138.3	139.5	139.2	139.7	5.9%	4.9%	10.4%	3.5%	6.4%	2.4%	0.9%	-0.2%	0.4%
Others	7.49	109.6	123.8	143.8	159.0	182.5	189.6	175.7	174.4	174.5	9.6%	13.0%	16.2%	10.6%	14.8%	3.9%	-7.3%	-0.7%	0.1%

SOURCE: Central Bank of Honduras and calculations by the Technical Support of the Joint Economic Working Group (JEWG).
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TABLE B.3. (Continuation)
HONDURAS: WHOLESALE PRICE INDEX
By Product Groupings and by Contribution to Inflation

Contribution to Overall Change in WPI by Sector

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86
OVERALL INDEX	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DOMESTIC	72.8%	84.0%	37.4%	49.6%	56.1%	48.7%	105.3%	80.8%	62.5%
Agricultural	22.2%	35.3%	9.5%	6.8%	28.6%	-43.9%	61.1%	61.9%	62.1%
Farming	-0.1%	18.1%	-8.6%	0.9%	19.3%	-58.4%	41.0%	27.6%	25.2%
Fishing	11.9%	11.6%	8.3%	1.6%	3.3%	-8.9%	-0.6%	21.2%	1.0%
Others	11.2%	5.6%	9.8%	4.2%	6.0%	23.4%	20.7%	13.0%	35.9%
Industrial	50.6%	48.7%	27.6%	42.9%	27.5%	92.6%	44.2%	19.0%	0.4%
Foods	5.7%	12.8%	11.7%	15.4%	6.1%	5.1%	1.3%	1.2%	-12.1%
Beverages and Tobacco	5.3%	11.1%	3.8%	21.1%	3.7%	28.3%	44.4%	28.4%	5.3%
Construction Materials	4.0%	4.3%	5.4%	1.3%	2.7%	3.9%	1.8%	-1.5%	-4.2%
Textiles	2.9%	3.5%	-3.2%	1.5%	6.7%	31.3%	-4.9%	0.1%	11.5%
Clothing	1.4%	3.4%	1.9%	1.4%	2.7%	6.4%	0.0%	1.1%	-3.0%
Chemicals	5.0%	1.5%	2.0%	2.3%	0.5%	2.4%	2.2%	2.2%	-0.7%
Petroleum Derivatives	20.2%	12.5%	5.7%	0.3%	0.0%	0.0%	0.0%	-9.6%	0.0%
Others	6.0%	2.6%	0.2%	0.8%	5.1%	15.2%	-0.6%	-1.0%	3.7%
IMPORTS	27.2%	16.0%	63.0%	50.4%	43.9%	51.3%	-5.3%	19.2%	37.5%
Foods	1.8%	3.8%	16.5%	3.7%	3.8%	5.4%	4.4%	5.7%	-8.7%
Beverages	0.8%	0.9%	0.8%	1.7%	2.3%	1.2%	-5.9%	-1.1%	0.1%
Textiles	11.5%	-1.0%	6.3%	19.9%	4.9%	2.6%	6.8%	14.0%	2.0%
Chemicals	3.5%	4.3%	21.4%	16.1%	16.5%	8.0%	30.5%	3.7%	41.5%
Farmaceuticals	2.2%	1.2%	4.2%	1.2%	2.8%	7.9%	2.6%	-0.4%	1.9%
Others	7.4%	6.8%	13.7%	7.8%	13.6%	26.2%	-44.4%	-2.8%	0.6%

SOURCE: Central Bank of Honduras and calculations by the Technical Support of the Joint Economic Working Group (JEWG).
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TABLE B.4.a.
HONDURAS: GROSS DOMESTIC PRODUCT DEFLATORS

	Weight	(1978 = 100)											Annual Growth Rates									
		1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
GDP at Market Prices	1.000	100.0	109.8	124.4	133.7	141.5	148.6	154.8	162.0	170.9	174.4	181.0	9.8%	13.3%	7.5%	5.8%	5.0%	4.2%	4.6%	5.5%	2.9%	3.8%
Less Net Indirect Taxes	0.112	100.0	109.6	124.5	133.6	141.4	149.4	154.9	162.3	170.3	175.2	181.5	9.5%	13.7%	7.3%	6.9%	6.0%	4.4%	4.7%	5.0%	2.9%	3.6%
GDP at Factor Prices	0.888	100.0	109.9	124.4	133.7	141.6	148.6	154.8	161.9	171.0	174.3	180.9	9.9%	13.2%	7.5%	5.8%	5.0%	4.2%	4.6%	5.6%	1.9%	3.9%
Primary Production	0.266	100.0	106.9	113.7	113.1	115.7	120.1	121.4	125.1	137.6	131.1	134.0	6.9%	6.4%	-0.5%	2.3%	3.8%	1.1%	3.0%	10.0%	-4.7%	2.4%
Agriculture and Related Sectors	0.249	100.0	102.5	111.6	110.7	113.3	117.9	119.0	122.5	135.7	129.5	133.0	2.5%	8.9%	-0.8%	2.3%	4.1%	0.9%	3.0%	10.7%	-4.6%	2.7%
Mining	0.019	100.0	136.4	145.5	155.0	151.4	150.0	150.6	156.2	162.1	167.3	162.5	36.4%	6.7%	6.6%	-2.3%	-0.9%	0.4%	3.7%	3.8%	-2.9%	3.3%
Secondary Production	0.201	100.0	110.2	124.9	141.7	153.8	157.8	160.9	167.2	171.3	181.0	187.7	10.2%	13.3%	13.4%	8.5%	2.6%	2.0%	3.9%	2.5%	5.7%	3.7%
Manufacturing	0.137	100.0	109.4	127.7	138.3	151.4	156.1	158.0	163.9	166.0	174.6	181.0	9.4%	16.7%	8.3%	9.5%	3.1%	1.2%	3.8%	1.3%	5.1%	3.7%
Construction	0.053	100.0	111.5	117.9	150.3	158.5	166.2	161.7	167.9	175.0	187.7	193.0	11.5%	5.8%	27.4%	5.6%	-0.2%	2.2%	3.8%	4.2%	7.3%	3.2%
Utilities	0.011	100.0	115.2	138.6	146.9	156.0	176.0	190.4	198.2	210.0	221.7	232.3	15.2%	13.4%	10.9%	7.7%	11.5%	9.4%	4.1%	6.0%	5.5%	4.8%
Services	0.415	100.0	113.9	130.8	142.9	152.4	162.8	173.7	183.7	192.4	199.2	207.7	12.9%	15.8%	9.3%	6.6%	6.8%	6.7%	5.8%	4.7%	3.6%	4.2%
Transportion and Communications	0.060	100.0	118.1	128.8	134.5	128.5	126.4	128.1	133.3	144.0	142.9	150.7	18.1%	9.0%	4.4%	-4.4%	-1.6%	1.3%	4.1%	8.0%	-0.7%	5.5%
Commercial Services	0.133	100.0	108.7	130.4	144.1	158.5	168.4	175.9	184.8	187.0	193.1	194.0	8.7%	20.0%	10.5%	10.0%	6.3%	4.4%	4.9%	1.4%	3.2%	0.4%
Financial Services	0.051	100.0	114.8	139.1	144.4	152.7	170.5	173.4	188.7	192.6	195.5	202.0	14.8%	21.2%	3.4%	5.8%	11.6%	1.7%	8.8%	2.1%	1.5%	3.3%
Housing	0.049	100.0	115.0	119.6	126.4	135.8	154.9	188.6	198.4	216.3	217.6	256.5	15.0%	4.0%	5.6%	7.4%	14.1%	21.7%	5.2%	9.0%	0.6%	1.7%
Public Administration	0.035	100.0	111.9	132.3	144.5	158.0	170.6	178.3	185.2	193.4	201.4	210.0	11.9%	18.2%	9.2%	9.3%	8.0%	4.5%	3.9%	4.5%	4.2%	4.3%
Other Services	0.090	100.0	114.3	133.6	155.8	171.1	183.4	199.1	212.3	224.0	245.4	257.0	14.3%	16.9%	16.6%	9.8%	7.2%	8.6%	6.6%	5.5%	9.5%	4.7%

Projections for 1988 are based on Central Bank of Honduras estimates.
Source: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group.
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TABLE 8.4.b. HONDURAS: GROSS DOMESTIC PRODUCT DEFLATORS -- By Sector of Final Demand

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87
												Annual Growth Rates									
GDP at Market Prices	100.0	109.6	124.4	133.7	141.5	148.6	154.8	162.0	170.9	174.4	181.0	9.6%	13.5%	7.5%	5.8%	5.0%	4.2%	4.5%	5.5%	2.0%	3.9%
Gross Domestic Expenditure	100.0	114.0	128.7	145.5	155.6	164.1	167.8	173.8	180.8	187.4	195.6	14.0%	12.9%	13.1%	6.9%	5.5%	2.2%	3.6%	4.0%	2.6%	4.4%
Consumption Expenditures	100.0	115.7	130.7	148.4	156.2	167.9	175.0	181.1	188.6	194.5	202.1	15.7%	13.0%	13.5%	5.2%	7.5%	4.3%	3.5%	4.2%	3.1%	3.9%
Private Sector	100.0	116.4	130.4	149.2	155.9	167.3	174.3	179.9	187.5	192.3	199.6	16.4%	12.1%	14.4%	4.5%	7.3%	4.2%	3.2%	4.2%	2.5%	3.8%
Public Sector	100.0	112.1	132.4	144.7	157.8	171.0	178.9	186.8	194.2	204.9	214.2	12.1%	18.2%	9.2%	9.1%	8.3%	4.7%	4.4%	4.8%	5.5%	4.5%
Net Domestic Investment	100.0	109.3	122.2	134.5	151.9	144.7	140.7	145.5	149.0	154.9	161.4	9.3%	11.8%	10.0%	12.9%	-4.7%	-2.8%	3.4%	1.8%	5.4%	4.2%
Gross Fixed Capital Formation	100.0	109.1	122.2	134.6	149.8	145.2	140.8	145.3	146.5	154.8	161.8	9.1%	11.9%	10.2%	11.3%	-3.1%	-2.8%	3.2%	0.9%	5.1%	5.1%
Private Sector	100.0	108.9	119.7	131.8	150.5	138.6	135.4	135.8	138.5	149.8	158.1	8.9%	9.9%	10.1%	14.2%	-7.9%	-2.3%	0.3%	1.9%	8.2%	5.4%
Public Sector	100.0	109.5	126.2	138.4	149.2	150.8	144.1	153.1	155.2	159.1	166.2	9.5%	15.3%	9.7%	7.8%	1.0%	-4.3%	6.2%	1.4%	2.5%	4.4%
Changes in Inventories	100.0	110.4	130.0	133.3	141.8	147.5	150.0	158.3	159.3	169.4	173.9										
Net Exports	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Exports of Goods and Nonfactor Services	100.0	101.9	121.3	110.6	109.8	102.6	107.9	110.9	119.4	113.2	118.0	1.9%	19.0%	-8.8%	-0.7%	-6.5%	5.1%	2.7%	7.7%	-5.2%	4.2%
Imports of Goods and Nonfactor Services	100.0	112.9	132.3	141.6	150.1	150.7	142.3	141.3	142.0	144.1	149.7	12.9%	17.2%	7.1%	6.0%	-6.3%	1.2%	-0.7%	0.5%	1.5%	3.9%
Net Factor Payments	100.0	117.3	135.5	153.7	160.4	156.0	156.2	130.5	155.3	158.8	165.3	17.3%	15.5%	13.5%	4.4%	-2.7%	0.2%	-3.8%	3.2%	2.2%	4.1%
Gross National Product at Market Prices	100.0	109.2	123.8	132.8	140.3	148.2	154.7	162.6	171.8	175.3	181.8	9.2%	13.4%	7.3%	5.6%	5.6%	4.4%	5.1%	5.7%	2.0%	3.7%

Projections for 1988 are based on Central Bank of Honduras estimates.
Source: Central Bank of Honduras and calculations by the Technical Support Staff of the Joint Economic Working Group.
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