

# Honduras



CABEI's framework of actions in Honduras includes actively the three strategic themes of the Bank: (i) poverty relief, (ii) globalization and insertion into world economy, and (iii) regional integration. Furthermore, when Honduras became a participant in the HIPC Initiative, CABEI included among its strategic objectives the support to this country in such an important process.

In Honduras, CABEI's operations have contributed to reducing poverty through investments in high productive potential sectors, support to production and intensive employment generation, as the maquila, micro, MSMEs, tourism, primary and secondary roads, electric power generation and distribution, water resource management, and other productive sectors related to exports and domestic market. In addition, collaboration continues to enhance competitiveness of national economy in order to support the countries insertion to global economy, also strengthening its role in sustainable rural development, and granting special attention to construction and improvement of rural infrastructure and promotion of agri-business.

It is important to highlight the energetic support CABEI has provided to the integration process through the Plan Puebla Panama, the Customs Union and not less important the Free Trade Agreement (DR-CAFTA), which will enable Honduras to participate in a more active manner in intra and extra regional trade and a significant reduction in the knowledge and technology gap.

## Loan Approval

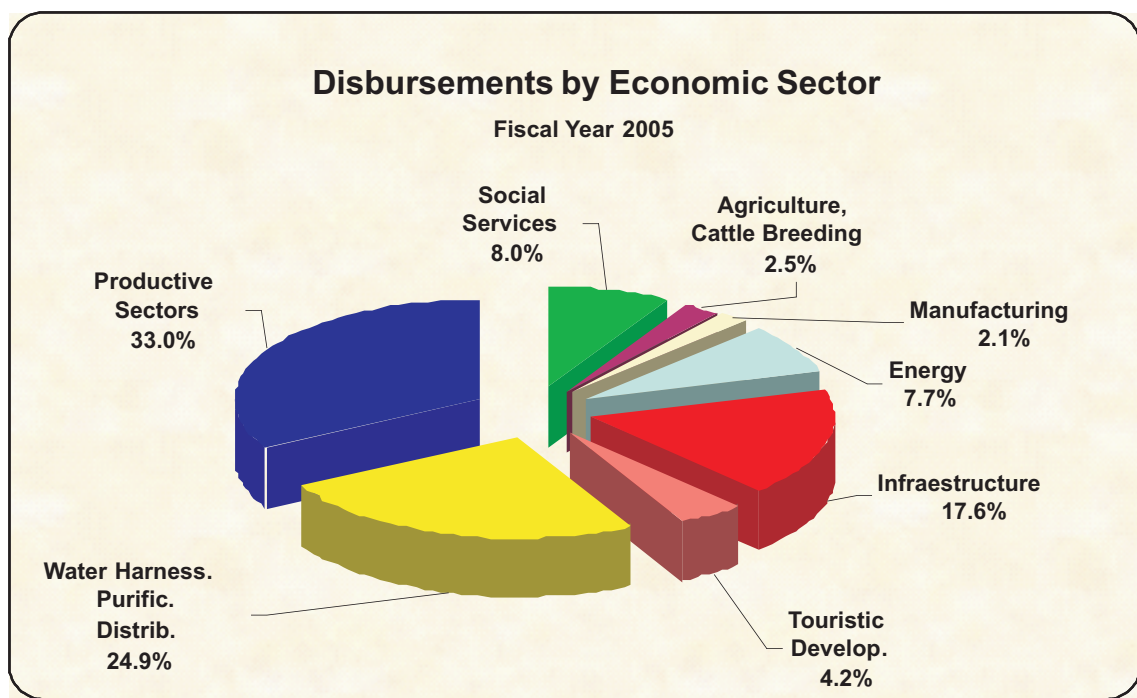
In 2005, credit management of the Regional Country Office achieved approvals by US\$204.9 million including US\$18.4 in FETS funds. These resources were directed to a diversity of themes, among which road infrastructure projects, energy, water management and building infrastructure to establish maquilas and other productive type developments both in the public and private sectors, can be highlighted.

### Approvals by Economic Sector Fiscal Year 2005 In US\$ million

Sector Economic	Amount
Social Services	15.0
Agriculture, Cattle Breeding	4.6
Manufacturing	3.9
Energy	14.4
Infrastructure	32.8
Touristic Development	7.9
Water Harnessing, Purification and Distribution	46.5
Productive Sectors	61.5
<b>Total</b>	<b>186.6</b>

*Does not include US\$18.4 million FETS resources.*

Percentage distribution of new approvals point to the fact that the most benefited has been the productive sector, through Financial Intermediation, with a total of 33% of the total amount, followed water harnessing, purification and distribution, 24.9%, and road infrastructure with 17.6%.



Among the most important projects approved by CABEL in Honduras are:

The Sectorial Program for Water and Sanitation, US\$46.5 million, to build two conduction and distribution water lines for Tegucigalpa, expects to mitigate the loss of approximately 30 million of cubic metres of water a year, and to provide sustainability to the problem of supply of this vital resource.

The Road Security National Plan, US\$22.5 million, includes installation vertical and horizontal traffic signs along about 1,597 kilometres in the Atlantic and Pacific corridors, and urban roads.

The Rural Infrastructure Program, US\$15.0 million, projects the reconstruction and up grading of community roads, provision and improvement of potable water, sanitation and electrification, which have an impact on the socioeconomic development of municipalities, employment generation, building local capacities, among others.

The Social Electrification Program - Stage NDF-2000, US\$10.1 million, and a second credit approval for the Media Luna Resort Project, US\$6.0 million.

Loans were also approved with FETS resources for projects such as the Perisur Market, implemented by the Central District Municipality, US\$5.9 million; Development of Basic Infrastructure for the Tela Bay, promoted by the Honduran Tourism Institute, US\$5.1 million; Sustainable Development Program of the Quetzal Corridor, US\$5.0 million; and Agripreneurial Development Program for African Palm Small and Medium-sized Producers, US\$2.4 million.

**Approved Projects**  
**Fiscal Year 2005**  
**In US\$ million**

Borrower / Project	Amount	FETS
Gov. SOPTRAVI. Rehabilitation and Construction Puerto Cortés-Guatemala Border (CA-13) Highway – Extension	4.6	
ZIP Calpules. Construction of Seven Industrial Building	4.0	
Gov. Road Security National Plan	22.5	
Gov. Social Electrification Program – Stage NDF-2000	10.1	
Gov. Rural Infrastructure Program (PIR)	15.0	
Caracol Knits. Electric Cogeneration Plant, Potabilization Plant and Stamping Machinery Project	3.8	
Gov. Sectorial Program for Water and Sanitation	46.5	
Media Luna Resort	6.0	
PALCASA. Biogas Electric Generation	1.4	
AMDC. Perisur Public Market	1.7	5.9
IHT. Basic Infrastructure Development in Tela Bay	1.9	5.1
Gov. SAG. Agripreneurial Development Program for African Palm Small and Medium-sized Producers	4.6	2.4
Gob. Integral Sustainable Development Program- Corredor del Quetzal		5.0
<b>Total</b>	<b>122.1</b>	<b>18.4</b>

## Loan Disbursements

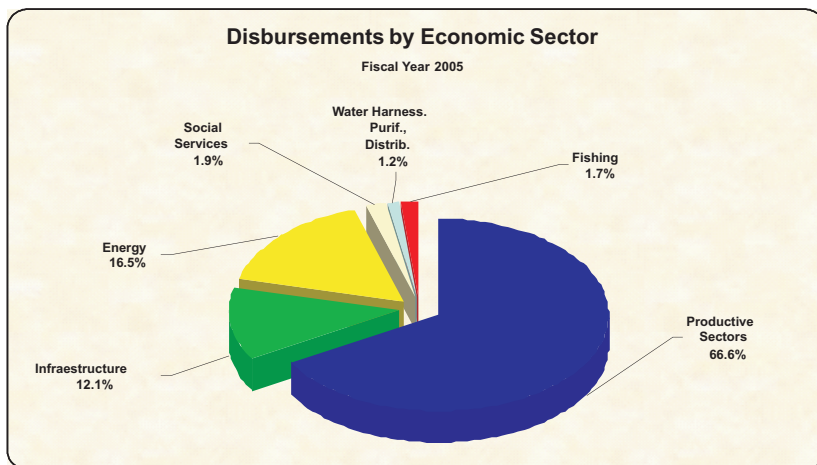
In 2005, CABEI disbursed US\$136.2 million to Honduras, promoting power generation and government electrification programs, up-grading road infrastructure, social services, fishery, including support for irrigation activities with FETS resources.

**Disbursements by Economic Sector**  
**Fiscal Year 2005**  
**In US\$ million**

Economic Sector	Amount
Infrastructure	16.5
Energy	22.4
Social Services	2.5
Water Harnessing, Purification and Distribution	1.6
Fishing	2.3
Productive Sectors	90.2
<b>Total</b>	<b>135.5</b>

*Does not include US\$0.8 million FETS resources.*

Productive sectors received 66.6% of amounts disbursed by CABEI during 2005, 16.5% were allocated to power generation and distribution, 12.1% went to road infrastructure. The following graph illustrates the corresponding shares of these and other sectors.



During this period, resource disbursements continued for ongoing projects such as Rehabilitation and Construction of the Puerto Cortés-Guatemala Border Road (CA-13), Social Electrification, electric power generation Projects Pavana III, Choloma III, Hydroelectric La Esperanza, Cuyamapa and Río Blanco, and Combating Chagas Disease program.

Moreover, CABEI initiated disbursements for several new projects, among which it is important to highlight Aqua Corporación-Tilapia biomass production, US\$2.3 million; Underground Water Supply for Tegucigalpa, US\$1.6 million; Zacapa Hydroelectric Plant, US\$0.5 million. In addition a US\$0.8 million disbursement with FETS resources was made for the Comayagua Irrigation Project-PROMORCO, and US\$0.3 million for the Program to Foster Self-management Women's Enterprises in the Rural Zone.

Following is a detail of the above-mentioned activities:

### Projects and Amounts Disbursed Fiscal Year 2005 In US\$ million

Borrower / Project	Amount	FETS
Gov. Urban Improvement – Phase II	1.2	
Gov. SOPTRAVI. Rehabilitation and Construction Puerto Cortés- Guatemala Border ( CA-13 I ) Highway Project	5.2	
Gov. SOPTRAVI. Rehabilitation and Construction Puerto Cortés- Guatemala Border ( CA-13 I ) Highway Project - Section II	10.1	
Gov. Social Electrification Program, Stage ES-N98, Extension No.2	1.9	
Gov. SANAA. Underground Water Supply for Tegucigalpa	1.6	
Gov. Combat Chagas Disease through Housing Improvement	0.8	
Gov. PRAF. Promotion of Self-managed Companies for Women in the Rural Area	0.3	
Gob. Healthy School Program– Phase I	1.5	
Aqua Corporación de Honduras. Tilapia Biomass Production	2.3	
CENIT. Zacapa Hydroelectric Plant	0.5	
Gov. Watering Modernization Project in the Microwatersheds in Western Zone of Valley of Comayagua - PROMORCO		0.8
Cía. Azucarera Tres Valles. Electric Cogeneration Plant– Extension	0.1	
Consorcio de Inversiones. La Esperanza Hydroelectric Plant	3.3	
ENETRAN. Cuyamapa Hydroelectric Plant	4.9	
ENERSA. Choloma III Thermal Plant	10.5	
LUFUSSA. Pavana III Electric Generation Plant	1.0	
Sociedad Hydroelectric Río Blanco. Río Blanco Hydroelectric Plant	0.1	
Productive Sectors	90.2	
<b>Total</b>	<b>135.5</b>	<b>0.8</b>

## **Project Potential Impacts**

Potential impact of some of the projects that received disbursements during 2005 can be summarized as follows:

Estimates of the Aqua Corporation Project funding show an increase in annual tilapia biomass production capacity from 5,750 to 9,000 metric tons, which is a 2.13 million pound increase for export purposes. The project will generate 140 direct employments.

The Cuyamapa Hydroelectric Plant project is a clean energy generation project that will contribute 12 megawatts to cover increasing demand, reducing currency expenditures of fuel purchase in approximately US\$1.2 million a year, and will support a reduction of environmental contamination. A generation of 80 new direct employments has been estimated.

According to estimates, the Underground Water Supply Project for Tegucigalpa will enable the use of a potable water system suitable for human consumption in Tegucigalpa of up to 0.38 cubic meters a second, from underground sources at more than 200 meters deep, with the objective of reducing the current deficit of the potable water system, from 35% to 22%. The project is generating approximately 200 jobs during its execution.

The implementation of the Watering Modernization Project for Micro Watersheds in the Western Zone in the Valley of Comayagua (PROMORCO) will benefit 1,222 small and medium-sized farmers, with an estimated increase of intensive labour use of 224%, and a total of 7,332 beneficiary families. With the construction of more or less 38 kilometers of primary and secondary pipelines, a 15% increase has been estimated in production area of several municipalities of the departments of Comayagua and La Paz, which will have as a result the increase of about US\$100.0 million in agriculture products exports.