

**Honduras: Report on the Observance of Standards and Codes—
Data Module, Response by the Authorities, and Detailed Assessments Using the
Data Quality Assessment Framework**

This Report on the Observance of Standards and Codes on Data Module for Honduras was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on July 6, 2004. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Honduras or the Executive Board of the IMF.

The Response by the Authorities on this report, and the Detailed Assessments Using the Data Quality Assessment Framework (DQAF) are also included.

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HONDURAS

Report on Observance of Standards and Codes (ROSC)—Data Module

Prepared by the Statistics Department

Approved by Carol S. Carson and Anoop Singh

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ACRONYMS

<i>1953 SNA</i>	<i>System of National Accounts 1953</i>
<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
BOP	Balance of Payments
<i>BPM4</i>	<i>Balance of Payments Manual, fourth edition</i>
<i>BPM5</i>	<i>Balance of Payments Manual, fifth edition</i>
CBH	Central Bank of Honduras
COICOP	Classification of Individual Consumption by Purpose
CPI	Consumer Price Index
DOP	Department of Organization and Planning
DQAF	Data Quality Assessment Framework
DSBB	Dissemination Standards Bulletin Board
EDR	Executive Directorate of Revenue
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFS	Government Finance Statistics
<i>GFSM 1986</i>	<i>A Manual on Government Finance Statistics 1986</i>
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
HIPC	Highly Indebted Poor Countries
IDB	Inter-American Development Bank
IMF	International Monetary Fund
ISFM	Integrated System of Financial Management
ISFMED	Integrated System of Financial Management of External Debt
ISIC	International Standard Industrial Classification of All Economic Activities
MFS	Monetary and Financial Statistics
<i>MFSM</i>	<i>Monetary and Financial Statistics Manual</i>
MIEA	Monthly Index of Economic Activity
NAS	National Accounts Section
NCBI	National Commission of Banks and Insurance
NIS	National Institute of Statistics
NSHIE	National Survey of Household Income and Expenditure
NSP	National Statistical Plan
NSS	National Statistical System
PPI	Producer Price Index
ROSC	Report on the Observance of Standards and Codes
SDDS	Special Data Dissemination Standard
SF	Secretariat of Finance
STA	The IMF's Statistics Department

EXECUTIVE SUMMARY

This data module of the Report on the Observance of Standards and Codes (ROSC) contains a summary assessment of dissemination practices relative to the IMF's General Data Dissemination System (GDDS); a summary assessment of data quality for national accounts, consumer price, producer price, government finance, balance of payments, and monetary statistics, based on the Data Quality Assessment Framework (DQAF) prepared by the Statistics Department of the IMF; and recommendations for improvement (Section IV).

Assessed datasets are compiled by the Central Bank of Honduras (CBH) and the Secretariat of Finance (SF); the National Institute of Statistics (NIS) provides some basic data. This report was prepared by an IMF mission that visited Tegucigalpa during July 8–24, 2003.

The main findings are the following:

- **GDDS:** Dissemination practices are broadly consistent with GDDS recommendations, though surveyed users expressed an interest in improved periodicity and timeliness. A major exception to GDDS recommendations relates to the coverage of central government operations, which exclude the operations of social security funds and central government agencies with their own budgets. To participate in the GDDS, the authorities would need to appoint a GDDS coordinator and commit to adopting the GDDS framework to improve the statistical system.
- **Prerequisites of quality:** Further improvement in the quality of the macroeconomic statistics and in compilation efficiency will require attaching higher priority to the statistical system and improving inter-agency cooperation. While an extensive legal framework supports statistical activity, stricter application of the law and judicious imposition of penalties for nonresponse could help increase the survey response rate. Agencies are aware of the importance of quality, but increased permanent staff, training, and computer resources are needed to improve macroeconomic statistics.
- **Integrity:** Agencies demonstrate professionalism and their staff are provided with appropriate ethical guidelines. Selection of data sources and methods is governed exclusively by statistical considerations. Transparency could be enhanced by public information on occasional pre-release access (following approval at the technical level) to certain data by selected government officials and multilateral organizations.
- **Methodological soundness:** There is scope to follow more closely international guidelines, as there are shortcomings regarding the scope, classification, sectorization, and/or basis of recording affecting all datasets, with more serious deviations affecting the fiscal, national accounts, and producer price statistics. The conceptual framework (*1953 SNA*) and base year (1978) of the national accounts are outdated, while the producer price index has very limited coverage.
- **Accuracy and reliability:** The availability of fiscal source data is inadequate and there are also deficiencies in source data for compiling the national accounts, the

balance of payments, and the producer price index. Revision studies are not prepared on a regular basis, and there is insufficient statistical analysis of data sources.

- **Serviceability:** There is a clear need for greater intersectoral reconciliation and consistency across macroeconomic datasets. Revision studies are not disseminated and formal consultations with users are not conducted regularly.
- **Accessibility:** The CBH, which compiles and disseminates most macroeconomic aggregates, makes a variety of data available in print and through its website. There is a need, however, to disseminate more detail and analysis of published data, more information on methodology and data sources (metadata), and advance release calendars. In most cases, adequate assistance is offered to users, but no information is disseminated on the availability of nonpublished (and nonconfidential) data.

I. INTRODUCTION

1. Assessments in this data module of the Report on the Observance of Standards and Codes (ROSC) are based on information provided by the authorities to the team that visited Tegucigalpa during July 8–24, 2003,¹ official data available to the public, and user's views. The report includes the following main components:

- a summary assessment of dissemination practices of macroeconomic statistics relative to the IMF's General Data Dissemination System (GDDS) (Section II);
- a summary assessment of the quality of key macroeconomic statistics (Section III), based on the Fund's Data Quality Assessment Framework (DQAF) (detailed assessments are presented in a companion document); and,
- recommendations for improving the quality of macroeconomic statistics (Section IV).

2. To enrich the basis for assessment, the mission elicited the views of users of the macroeconomic statistics. With the assistance of the Central Bank of Honduras (CBH), a survey was conducted and a meeting held with selected users. Most users were satisfied with the official macroeconomic statistics, but saw scope for improvement. In particular, some users expressed an interest in more detail and better periodicity and timeliness, especially as regards the national accounts and the balance of payments (see Appendix III of the Detailed Assessments volume). There was concern about the insufficient coverage of the national accounts, and interest in quarterly BOP and GDP estimates and more timely production indicators. Most pointed to the lack of information on methodologies, advance release calendars, and data revisions. A number of users suggested that coordination among statistical agencies be strengthened, and that compiling agencies improve their websites. Some noted that access to data was based on personal contact.

¹ The team comprised J.R. Rosales (Head), Eduardo Valdivia-Velarde, Rita Mesías, Lisbeth Rivas, Alfredo Torrez (all STA), Dale Smith (expert), and Ana M. French (STA—Staff Assistant).

II. ASSESSMENT OF DATA DISSEMINATION PRACTICES AND THE GDDS

A. Overview of the GDDS

3. Dissemination practices have been assessed against the standards set out in the General Data Dissemination System (GDDS). The GDDS is a dissemination standard (rather than a data quality standard) that promotes disclosure of information, including for assessing the suitability of data for various purposes. For each of four dimensions of dissemination (data, quality, integrity, and access), the GDDS prescribes two to four practices to be monitored. The GDDS was established in December 1997 to help countries disseminate comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic statistics. It focuses on improving statistical systems, and its dissemination standards are less demanding than those of the Special Data Dissemination Standard (SDDS). However, countries participating in the GDDS are expected to implement plans for improvement that would permit eventual subscription to the SDDS.

B. Current Dissemination Practices

4. Honduras meets many of the GDDS recommendations for the core statistical frameworks and recommended indicators. A major exception relates to the coverage of central government operations, which excludes the operations of social security funds and central government agencies with their own budgets. Meeting GDDS recommendations will also require disseminating production indices. To follow GDDS recommendations and facilitate eventual subscription to the SDDS, it would be important that key agencies press forward with plans for improvement (see below). To participate in the GDDS, the authorities would need to appoint a GDDS coordinator and commit to follow GDDS recommendations for selected data (Table 1).

5. Three institutions are responsible for producing the macroeconomic and socio-demographic statistics subject to the GDDS:

- the CBH produces the national accounts, price, balance of payments, and monetary statistics;
- the Secretariat of Finance (SF) prepares the government finance and public debt statistics; and
- the National Institute of Statistics (NIS) prepares sociodemographic indicators.

6. Honduras provides access to these data through various publications and websites:

- The CBH website <http://www.bch.hn>
- The SF website <http://www.sefin.gob.hn>
- The NIS website <http://www.ine-hn.org>

Data: coverage, periodicity, and timeliness

7. Table 1 compares the coverage, periodicity, and timeliness of macroeconomic data with GDDS recommendations. While some gaps in coverage are a serious shortcoming, periodicity and timeliness are consistent with or exceed recommendations for a majority of core sectoral frameworks and indicators. Obvious exceptions are data not disseminated to the public, most notably production indices. Other exceptions are the unavailability of quarterly external debt estimates and the long delay in the dissemination of official reserves.

8. Concerning *extensions* encouraged by the GDDS, a key gap is the lack of dissemination of data on general government operations, national saving, the producer price index, and quarterly BOP. Coverage problems affect data on the operations of the general government, while periodicity/timeliness deficiencies affect financial survey data.

Quality

9. The GDDS recommends dissemination of documentation on methodology, data sources, and component detail to permit intra and inter-sectoral reconciliation. Such documentation, however, is disseminated only for the CPI, with documentation on national accounts only available upon request. Generally, agencies do not disseminate component detail and additional data series that would permit crosschecks and checks of reasonableness. As a result, the public is generally unaware of differences in data coverage, sectorization, classification, and accounting procedures that may hamper data reconciliation.

Integrity

10. The GDDS recommends disclosure of the legal framework for the collection, compilation, and dissemination of data, including the provisions governing confidentiality of individual responses. In the case of Honduras, there are gaps in the provision of the terms and conditions under which official statistics are collected, compiled, and disseminated. While some of this information is in the public domain, it is often dispersed and not easily accessible. Compilation of the macroeconomic statistics is supported by the statutes of the CBH and the SF, but dissemination is only weakly contemplated for certain basic monetary and fiscal data. However, the mandate to disseminate statistics has been reinforced with the recent passage of the law of the NIS. Pre-release access to GDP and BOP estimates by selected government officials and multilateral organizations is not publicized, although such access follows approval at the technical level.

Access

11. Easy and equal access to official data, including by donors and market participants, is a fundamental requirement for the statistics to be regarded as a public good. This would be facilitated by simultaneous data release to all parties and dissemination of advance release calendars. However, such calendars are not disseminated and the internal release schedules at the CBH, SF, and NIS are not well known to users.

Plans for improvement

12. Preparation of documentation on concepts, scope, classification, and methodologies (metadata), including plans for improvement, is recommended for GDDS participants. Plans for improvement may be implemented at a pace consistent with available resources, and in line with government priorities. For the real sector statistics, focus is on the implementation of the *1993 System of National Accounts (1993 SNA)* and changing the base year from 1978 to 2000. The CBH plans to expand coverage and update statistical techniques, and there are plans to prepare quarterly national accounts over the medium term. For prices, plans are in place for the official publication of a new PPI with expanded coverage and new weights based on the results of the Economic Survey of 2000.
13. In its operative plan for 2004, the SF has undertaken to prepare statistics on the consolidated central government and the nonfinancial public sector applying the new analytical framework of *GFSM 2001*. In addition the SF is in the process of expanding the institutional coverage of central administration statistics to include all deconcentrated units.
14. Regarding the external sector, medium-term plans aim at completing compilation of the BOP on the basis of the fifth edition of the *Balance of Payments Manual (BPM5)* and improving the compilation of quarterly BOP estimates. In the short-term, the aim is to increase significantly the resources for compiling external sector data, to foster survey related activities, and to adopt international standards for recording foreign trade of the maquila sector (export firms operating under preferential tax regimes) on a gross basis rather than recording related value added under services.
15. As regards the monetary statistics, the CBH intends to improve the sectorization of key stocks in the balance sheet of depository corporations to permit proper identification of the net credit to the central and general governments and the nonfinancial public enterprises. Also, it plans to improve the coverage of the depository corporation's data with the inclusion of balance sheet information of the credit and savings cooperatives, and to apply market valuation and accrual accounting.

Table 1. Honduras: Overview of Current Practices Regarding Coverage, Periodicity, and Timeliness of Data Compared to the General Data Dissemination System¹

GDDS Data Category	Coverage (meets GDDS)	Periodicity		Timeliness	
		GDDS	Honduras	GDDS	Honduras
COMPREHENSIVE FRAMEWORK					
Real sector: National Accounts	Yes	A	A	10–14 months	6–9 months
Fiscal sector: Central govt. operations	No ²	A	A, B, M	6–9 months	A: 7–9 months; B: 2–3 months; M: 2–3 months
<i>General govt. operations</i>	<i>No</i>	<i>A</i>	<i>n.a.</i>	<i>6–9 months</i>	<i>No</i>
Central govt. debt	Yes	A	A	6–9 months	A: 7–9 months
Financial sector: Broad money survey	Yes	M	M	2–3 months	2 months
External sector: Balance of payments	Yes	A	A	6–9 months	6–9 months
DATA CATEGORIES AND INDICATORS					
Real Sector					
GDP (nominal and real)	Yes	Q, A	A	6–9 months	6–9 months
<i>Gross national income, capital formation</i>	<i>Yes</i>	<i>Q, A</i>	<i>A</i>	<i>6–9 months</i>	<i>6–9 months</i>
<i>Saving</i>	<i>Yes</i> ³	<i>Q, A</i>	<i>A</i>	<i>6–9 months</i>	<i>No</i> ⁴
Manufacturing or industrial production index/indices.	Yes	M	M	6–12 weeks	No
Primary commodity, agricultural, or other indices, as relevant	Yes	M	M	6–12 weeks	No
Consumer price index	Yes	M	M	1–2 months	2 weeks
<i>Producer price index</i>	<i>No</i> ⁵	<i>M</i>	<i>M</i>	<i>1–2 months</i>	<i>No</i> ⁶
Employment	Yes	A	B	6–9 months	3 months
Unemployment	Yes	A	B	6–9 months	3 months
Wages/earnings (all sectors)	Yes	A	B	6–9 months	3 months
Fiscal Sector					
Central govt. aggregates: revenue, expenditure, balance, and financing with breakdowns (debt by holder, instrument, and currency), as relevant	No ²	Q	A, B, M	1 quarter	A: 7–9 months; B: 2–3 months; M: 2–3 months
<i>Interest payments</i>	<i>No</i> ²	<i>Q</i>	<i>A, B, M</i>	<i>1 quarter</i>	A: 7–9 months; B: 2–3 months; M: 2–3 months
Central govt. debt: domestic and external, as relevant, with breakdowns (currency, maturity, holder, and instrument), as relevant	No ⁷	Q, A	A	1–2 quarters	7–9 months
<i>Government guaranteed debt</i>	<i>No</i>	<i>A</i>	<i>n.a.</i>	<i>1–2 quarters</i>	<i>n.a.</i>

Table 1. Honduras: Overview of Current Practices Regarding Coverage, Periodicity, and Timeliness of Data Compared to the General Data Dissemination System (concluded)

Financial Sector					
Broad money and credit aggregates	Yes	M	M	1–3 months	2 months
Central bank aggregates	Yes	M	M	1–2 months	1 month
Interest rates: Short- and long-term govt. security rates, policy variable rate (central bank bond rate) ⁸	Yes	M	M	High frequency publication	1 month
<i>Money or interbank rates and a range of deposit and lending rates</i>	<i>Yes</i>	<i>M</i>	<i>1 week</i>	<i>High frequency publication</i>	<i>1 week</i>
External Sector					
Balance of payments aggregates	Yes	<i>Q, A</i>	A	6 months	6 months
Public and publicly guaranteed external debt, broken down by maturity	Yes ⁹	Q	A	1–2 quarters	7–9 months
Public and publicly guaranteed external debt service schedule	Yes ⁹	Twice yearly	A	3–6 months	7–9 months
<i>Private external debt not publicly guaranteed, and debt service schedule</i>	<i>No</i> ¹⁰	<i>A</i>	<i>A</i>	<i>6–9 months</i>	<i>9 months</i>
Gross official reserves denominated in U.S. dollars	Yes	M	M	1–4 weeks	8–10 weeks
<i>Reserve-related liabilities</i>	<i>Yes</i>	<i>M</i>	<i>M</i>	<i>1–4 weeks</i>	<i>8–10 weeks</i>
Total exports and total imports	No ¹¹	M	M	8–12 weeks	8–10 weeks
<i>Major commodity breakdowns with longer time lapse</i>	<i>No</i> ¹¹	<i>M</i>	<i>M</i>	<i>8–12 weeks</i>	<i>8–10 weeks</i>
Exchange rates: spot rates	Yes	Daily	Daily	High frequency publication	Following day

¹ Key to symbols: A=annual, B=bi-yearly, Q=quarterly, M=monthly, NA=Not Applicable. Italics indicate encouraged categories.

² Estimates exclude social security funds and certain decentralized units.

³ Estimates are not published.

⁴ National saving is not published, but is available upon request.

⁵ The PPI covers manufacturing only and the coverage is very limited.

⁶ The PPI is not published but is available upon request.

⁷ Not all recommended breakdowns are available.

⁸ Interest rates on Treasury bills and central bank bills are the same.

⁹ Compiled by the SF and disseminated in its Annual Report to Congress. No short-term debt data are available.

¹⁰ Position data (with incomplete coverage) compiled by the CBH and disseminated in “Honduras in Figures.”

¹¹ Available estimates exclude the maquila sector.

III. SUMMARY DATA QUALITY ASSESSMENT

16. ROSC data modules assess the quality of statistics using the Data Quality Assessment Framework (DQAF).² The summary assessment of the Honduran statistical system presented

² The DQAF comprises a generic framework (see Appendix II of the Detailed Assessments volume) and a set of data-set specific frameworks. The frameworks cover five dimensions of quality—integrity, methodological soundness, accuracy and reliability, serviceability, and

(continued)

below is supported by the accompanying Detailed Assessments volume. Conclusions are also presented in the form of standardized summary tables in which the assessment of data practices is made on a qualitative basis, using a four-part scale (Table 2 in this report, and Tables 1–6 in the Detailed Assessments volume).

17. In general, Honduras' macroeconomic statistics satisfy minimum requirements for facilitating surveillance of economic and financial conditions. There is ample scope, however, to improve the methodological foundation of most macroeconomic statistics, and to enhance their accuracy and reliability.

Prerequisites of quality

18. The law of the NIS that came into effect in 2000 provides the overarching framework for statistical activity. The law conferred the NIS broad authority to compile a range of statistics and created a National Statistical System (NSS) comprising all compilers of statistics in the public sector. With the commendable intent of increasing efficiency and inter-agency cooperation in the public sector, it gave the NIS responsibility for coordinating public sector statistical activity as well as designing and evaluating a National Statistical Plan (NSP). To provide the NIS with advice on its comprehensive functions, the law envisaged the creation of a National Statistics Commission (NSC) headed by the director of the NIS and including the heads of all statistical units in public institutions. In addition, the law established presidential appointment of the director of the NIS, placing this institution organizationally under the Secretary of the Presidency. In all, this new institution represented an improvement over its predecessor, which had been seen as technically and organizationally weak.³

19. The law of the NIS reinforced support for data collection. It introduced additional safeguards to guarantee confidentiality of individual responses and established the obligation to provide data at the request of any member of the NSS. This filled a gap in the legislation governing data collection by key institutions, such as the CBH. Unfortunately, however, this law is seldom invoked by agencies (other than the NIS) when circulating data requests, which lack a reference to the legal basis and the terms underpinning such requests. While most agents continue to respond voluntarily to data requests, the low response rate to certain BOP surveys is a matter of concern. Close contact, particularly between the CBH and its respondents, has helped preempt and resolve noncompliance in the collection of basic data for monetary and price statistics, without recourse to penalties. The law of the NIS contemplates penalties for noncompliance (US\$ 400–US\$ 2,800) and disclosure of confidential information (US\$ 2,800–US\$ 3,000), which are indexed to the minimum wage.

accessibility—and a set of prerequisites. Further information on data quality can be found at the IMF's "Data Quality Reference Site" (<http://dsbb.imf.org>).

³ The General Directorate of Statistics and Censuses, which had been under the former Ministry of the Economy and Finance, lapsed with the creation of the NIS.

20. The broader legal framework assigns responsibilities for producing macroeconomic statistics, and the law requires the NIS to step in whenever another NSS agency cannot or ceases to compile statistics. As noted in Section 1, most macroeconomic statistics are currently produced by the CBH, except for the government finance statistics (GFS) that are prepared by the SF with assistance from the CBH for financing data. The NIS compiles sociodemographic statistics and provides input for the preparation of the national accounts. In preparing macroeconomic aggregates, the CBH also relies on inputs from the National Commission for Banking and Insurance (NCBI).

21. The law and by-laws of the NIS contemplate the transfer of the production of price statistics and selected surveys from the CBH to the NIS, without specifying a timetable. While the CBH and NIS have not yet agreed on a program for effecting such a transfer, there is broad agreement that it should take place prior to an eventual move to inflation targeting. However, there is concern that such a transfer should take place only after the NIS has been durably endowed with sufficient budgetary resources to facilitate a credible commitment to produce high quality price statistics. Disproportionate reliance on temporary donor funds largely earmarked for social statistics has given rise to a perception that the NIS's comparative advantage lies in areas other than macroeconomic statistics.

22. Gaps in the legal mandate for dissemination have not hampered publication of macroeconomic statistics. The law of the CBH requires dissemination of the financial statements of the CBH, rather than the broader monetary aggregates and other key macroeconomic statistics effectively under its responsibility. It also envisages publication of a bulletin without specifying its content. Similarly, the by-laws of the Public Administration Law broadly require the SF to publish government financial statements with discretionary periodicity, rather than periodic and timely publication of statistics on the operation of the different levels of government. A commendable intent of the law of the NIS is to strengthen the mandate for dissemination. It requires the NIS to ensure publication of the statistics needed for policymaking, and members of the NSS to publish statistics in line with standards to be set by the NSS. However, such standards as well as possible action to remedy noncompliance have not been outlined.

23. The legal framework of the **CBH** is broadly adequate, but insufficient inter-agency coordination hinders progress in improving certain statistics. In contrast to the good cooperation between the CBH and the NCBI for the compilation of monetary statistics, there is insufficient inter-institutional consultation in the production of external and real sector statistics. Also, there are no formal arrangements to guarantee timely receipt of basic statistics prepared by the NIS and the Executive Directorate of Revenue (EDR).

24. In spite of some resource constraints, the CBH has demonstrated a commitment to quality. Resource constraints are particularly evident in the preparation of the BOP, where

staffing falls substantially short of needs.⁴ Also, computer resources are somewhat insufficient to undertake needed improvements of the macroeconomic statistics. In addition, a high internal turnover rate and retirements have recently eroded human capital acquired through training, including that provided by the Fund. Aware of the importance of quality, the CBH is revising methodologies and data collection in virtually all areas, and its five-year strategic plan is also aimed at promoting statistical improvement. However, it does not audit statistics regularly or conduct user surveys, and it lacks an internal or external advisory body to review the quality of its statistics.

25. The legal framework of the **SF** supports the compilation of fiscal statistics, and robust cooperation with the CBH on government financing data has helped to address acute deficiencies in data collection and recording. Aware of the importance of quality, the SF is introducing a new financial management system financed by the World Bank.

26. The **SF** makes efficient use of its adequate computer resources, but needs more staff and training. More staff is needed to undertake statistical improvements and to allow professional development of current staff. The SF promotes quality through common accounting standards for all budgetary units as well as through automated data compilation. However, there are no formal data quality assessment procedures.

Integrity

27. The **CBH** is committed to maintaining the highest standards of professionalism, transparency, and ethical conduct. The Constitution establishes the administrative and technical autonomy of the CBH, and its internal rules emphasize professionalism in the hiring and promotion of staff. Staff members are encouraged to participate in internal and international professional meetings, and to work on relevant research. Selection of data sources is based exclusively on statistical considerations, and the CBH reacts to erroneous interpretations in the media, providing explanations through the press. There is some scope, however, to publicize better the terms and conditions of data dissemination, as access to GDP and BOP estimates prior to release by selected officials is not publicized. In addition, the CBH gives advance notice of major changes in methodology, statistical techniques, or source data only for the national accounts and price statistics. PPI data are not disseminated and the terms and conditions under which data are produced are not available to the public. Both permanent and temporary employees are subject to ethical and professional guidelines.

28. The **SF** promotes a high level of professionalism and ethical conduct, but there is insufficient emphasis placed on the need for transparency. The choice of data sources and methods is free from any political influence, and changes in statistical procedures are based solely on technical criteria. However, there is no policy for disseminating the terms and

⁴ Production of the national accounts at the CBH is currently supported by IDB funding, which could lapse in 2004. In such a case, the CBH would need to budget increased resources for this task.

conditions for data production, and there is only limited related information on its website. Furthermore, there is no advance notice of major changes in methodology, statistical techniques, or source data. In the event of improper interpretation of fiscal data by the press, the SF disseminates explanatory material to facilitate correction.

Methodological soundness

29. Compilation of the **national accounts** follows the concepts and definitions of the outdated 1953 report *A System of National Accounts and Supporting Tables (1953 SNA)* Rev. 2. Main methodological shortcomings are the inclusion in value added of property income, land rental, and some current transfers; and treatment of the operating balances of public enterprises as a tax. Scope is incomplete, as not all accounts for the economy are compiled. However, the CBH is carrying out a project to implement the *1993 SNA* and to change the base year from 1978 to 2000. Disseminated annual national accounts are limited to GDP by the production and expenditure approaches at both current and constant prices. Estimates of annual national disposable income and national savings as well as the monthly index of economic activity (MIEA) are not published. Government offices abroad and zones under special customs regimes are generally included as part of the economy. Implementation of the recommended production and assets boundaries is hampered by source data constraints—for instance, production of goods for own final consumption and own capital formation are not covered. Similarly, mineral exploration, valuables, and patented entities are not included in the assets boundary. Coverage of informal and hidden activities is indirect and incomplete.

30. The classification/sectorization of the **national accounts** is not consistent with the *1993 SNA*. For instance, economic activities are classified according to the *International Standard Industrial Classification (ISIC)* Rev. 2 instead of the ISIC Rev. 3; government final consumption expenditures are not classified by function; and final consumption expenditures are not classified by purpose. The basis for recording is only partially in accordance with international standards, as output and value added are valued at factor costs instead of basic prices or producer prices, and government revenue and some external government transactions are recorded on a cash basis, rather than on an accrual basis. Also, work in progress is only recorded for permanent crops.

31. The **CPI** is compiled following internationally accepted concepts, practices, and standards. The index covers all types of urban households, all monetary consumption expenditure, own-produced food, and imputed rents on owner-occupied dwellings. An extended version of the Classification of Individual Consumption by Purpose (COICOP) is used for the classification and coding of all source data and published series for the index.

32. Although unpublished, the **PPI** broadly follows international guidelines with respect to concepts and definitions. Its coverage, however, is limited to the manufacturing sector, excluding key sectors such as mining, electricity and water production, agriculture, fishing, and processing under special custom regimes (maquila). In addition, the classification system, the International Standard Industrial Classification (ISIC, revision 2), is outdated.

33. Concepts, definitions, and classification for compiling the **GFS** are broadly in line with the *GFS Manual 1986*, with no migration plan set for moving to *GFSM 2001*. Coverage

is incomplete—only central administration data are compiled and disseminated. In principle, data on all transactions within the scope of GFS are available, except for those needed for compiling the functional classification of expenditure, and financing by debt holder and by instrument. Deviations from the methodology include: (a) interest and commissions are recorded jointly; (b) tax refunds are included as expenditure; (c) amortization of domestic and external debt are included above-the-line; (d) expenditure is misclassified owing to a lack of detailed information on the use of central administration transfers; (e) grants are only partly covered, excluding HIPC debt relief from international organizations other than the World Bank, the IDB and the IMF; and (f) grants-in-kind are included in revenue. Data are compiled on a cash basis (revenue and financing) and on an accrual basis/payment order basis (expenditure). Refunds are not netted out of tax revenue.

34. The **balance of payments** is compiled in broad conformity with the fourth edition of the *Balance of Payments Manual (BPM4)*. Considerable progress has been made, however, in preparations to adopt the *BPM5*, with preliminary annual estimates already available for 1993–2002, although not yet published. Present departures from the criterion of residency underlie the treatment of the maquila sector, and some financial sector transactions in foreign currency. Net exports of the maquila industry are recorded as net services rather than as exports and imports of goods for processing. Non recording of profits of foreign enterprises operating in the maquila industry likely understates the external current account deficit, while direct investment in this industry is excluded from the financial account. Coverage of other financial transactions of the nonfinancial private sector is incomplete. Classification of transactions is largely in line with the outdated *BPM4*, and the institutional breakdown of portfolio and other investment does not conform to international standards. In most cases, the basis for recording is broadly in line with recommendations for using market prices and accrual basis. Nevertheless, interest on external debt is recorded on a due date basis.

35. The CBH broadly follows the IMF's *Guide to Money and Banking Statistics in International Financial Statistics (1986)* for compiling **monetary statistics**. The monetary survey consolidates the balance sheet of the CBH and those of 22 commercial banks, three development banks, three savings and loan institutions, and eight finance companies, but credit cooperatives are not included. There are shortcomings in the sectorization of the units of the central government as well as the rest of the public sector. This impedes identification of transactions of local governments, the social security funds, and nonfinancial public corporations. The CBH intends to revise procedures and formats for the production of the monetary statistics in line with the *Monetary and Financial Statistics Manual (MFSM)*, published in September 2000. This will require improving the sectorization of institutional units, particularly the rest of the public sector, and the classification of financial instruments. Commercial banks classify accounts of residents and nonresidents mainly according to currency denomination, rather than the principle of "center of economic interest." Repurchase agreements are incorrectly classified as contingent assets/liabilities. Both the CBH and commercial banks apply market price valuation of financial assets/liabilities only partially, and record assets/liabilities on both an accrual and a gross basis. However, interest accrued (on claims/liabilities) is not sectorized together with the underlying asset.

Accuracy and reliability

36. The main shortcomings of source data for the **national accounts** are inadequate coverage of quarrying, construction, services, and informal activities; untimely availability of certain annual data; and lack of sufficient data on wages, final consumption expenditure, and inventories. Source data are generally consistent with recommended definitions, scope, and classifications, except for the ISIC classification of income tax data and the intra-year and multi-year allocation of agricultural output and value added. The base year is seriously outdated, as relative prices and the sectoral structure of the economy have likely changed markedly since 1978. Given this baseline, statistical techniques are based largely on extrapolation/direct deflation of value added, rather than the recommended double deflation. The single indicator method is used to estimate GDP at constant prices, and there are no good estimates for informal, hidden, and uncovered activities. A key weakness is that changes in inventories and private final consumption expenditure are calculated as residuals. Deficient techniques have resulted in capital formation estimates that include imports of machine parts and vehicles for final consumption, and in changes in inventories that have been persistently positive and large. Although the assessment and validation of source and intermediate data guide statistical improvement to some extent, no supply and use framework exists for investigating discrepancies. While the magnitude of revisions is investigated, no formal studies of such revisions are published.

37. The sampling frame for the **CPI** is adequate and includes expenditure data and monthly surveys. The source data for the CPI weights and the monthly price survey are thoroughly reviewed. A well functioning quality assurance program has been established to reduce errors in data collection and processing. With the exception of the lack of imputation for missing prices, statistical techniques are in accordance with best practice. Extensive revision studies were carried out on the 1998–99 NSHIE, focusing on error size and the consistency of expenditure data.

38. Although the unpublished **PPI** is calculated using adequate statistical techniques, the coverage is limited to only the manufacturing sector. The sample of enterprises is very limited and only a small number of products are priced. Since indices are compiled only by economic activity, no meaningful indices for product aggregates can be calculated.

39. Source data for the **GFS** are generally adequate except for those from certain central administration units. Timely monthly central administration revenue and expenditure, as well as nonfinancial public sector debt, are available from the Integrated System of Financial Management (ISFM) and the Integrated System of Financial Management of External Debt (ISFMED). Financing data are provided by the CBH on a monthly basis. The SF directly collects data from decentralized institutions, a sample of local governments, and nonfinancial public enterprises. Despite availability of source data, statistics on above-the-line annual operations of the consolidated central and general governments are not compiled. However, statistics on the operations of the nonfinancial public sector (based on a limited sample of local governments) are compiled but not disseminated. Intermediate data are validated against accounting records, but no revisions studies are prepared.

40. Although some improvements have been made since the start of the implementation of ISFM, many compilation shortcomings remain. A principal shortcoming is that key items are being presented in an overly aggregated manner, such as the central administration transfers to the Congress, Judiciary, and National Electoral Court, with several global provisions including but not distinguishing among payment of wages, salaries, and goods and services. In addition, the ISFM modules for payroll, treasury and accounting, and the GFS are not yet available. If not addressed promptly, these shortcomings will continue to preclude adequate economic classification of central administration operations, complicating the measurement of total wage obligations and overall fiscal performance.

41. Source data for the **balance of payments** comprise an adequate mix of administrative records and enterprise surveys. Major administrative source data, including on foreign trade, external debt, and financial sector transactions, are available on a timely basis. Surveys (about 19) are based on a well-established business register, and conducted by the CBH annually to obtain mainly nonfinancial private sector data. Source data on direct investment, several services, and certain foreign transactions of private enterprises are relatively weak. Most annual surveys have low response rates, and results are obtained with long delays, due in part to insufficient staff and computer resources. There are no quarterly or monthly surveys, except for a pilot monthly survey on the maquila sector that began in 2003. Statistical techniques are used to improve coverage, classification, and valuation of foreign trade data, as well as data from surveys (such as worker's remittances); but some adjustments have shortcomings. Foreign direct investment surveys request insufficient data (no position data are requested). Validation of data on foreign trade is comprehensive, but surveys lack built-in quality control features, and no automatized processes are applied to minimize errors. In general, documentation on validation procedures is not available and surveys lack instructions. Revisions are made as needed, but no revision studies are conducted.

42. The **monetary statistics** are generally accurate and reliable, with accounting records of the CBH and other depository corporations available with good timeliness. At present, however, data derived from such records do not permit a good approximation to the new *MFSM* definitions, but plans to implement the *MFSM* include the redesign of the data-reporting framework. Also, accounting sources are not exploited fully to obtain a sectorized central bank survey. Statistical discrepancies are investigated when they arise; data revisions are infrequent, as they are made only as more accurate data become available.

Serviceability

43. Greater efforts are needed to help assure the relevance of the **national accounts**. While the CBH evaluates the suitability of statistics for government needs, there are no systematic procedures to assess relevance to private user needs, and no regular user feedback is solicited. The timeliness and periodicity of provisional estimates meets GDDS recommendations, and consistent time series according to the *1953 SNA* are available from 1950 onward, albeit with limited detail. Quarterly national accounts estimates are not prepared. The national accounts are reconcilable with the BOP, except in the case of maquila activities. Data on maquila output and value added exclude profits and depreciation, even though surveys contain relevant information. Data on government operations are reconcilable

with the fiscal statistics since source data are the same. However, the institutional classification of the public sector and the treatment of profits/losses of public enterprises differ across statistical frameworks. Annual GDP estimates have a predetermined revision cycle, but the change of base year does not follow a predetermined schedule. Publications identify provisional data and revisions include the same level of detail. Only analyses of major revisions are published.

44. There are no user surveys or functioning advisory groups for the **CPI** and the **PPI**. However, consultative meetings are held on an irregular basis for the CPI. The periodicity is monthly for both series, and the CPI is published within two weeks following the reference month. The PPI is not published and is only available upon request. Coherent and consistent time series are available for both indices at an acceptable level of detail. However, due to limited coverage, the PPI is aggregated only by type of economic activity and not by type of product. There is no well-established schedule for weight revisions for the CPI or the PPI, and the weights for the PPI have not been updated since the index was first published in 1992. The CBH plans to expand the coverage of the PPI and update the weights to the year 2000 as part of the project to update the base year of the national accounts. Current plans envisage eventual publication of the new PPI.

45. The **GFS** production timeframe is aligned with the budget cycle. In general, dissemination of fiscal data meets GDDS recommendations, though data on the general government are not disseminated. Feedback from users on the relevance and practical utility of GFS for analysis is not obtained on a regular basis. Usefulness of disseminated data is limited by a large and unexplained discrepancy between the overall balance and its financing. Reasons for this discrepancy include recording of revenue/expenditure using different bases (revenues on a cash basis and expenditures on a payment order basis). In addition, bank financing data (prepared by the CBH) are not sectorized to allow clear identification of the different components of the nonfinancial public sector. There are difficulties in obtaining accurate data on expenditure financed through project loans and grants. Although the BOP and the GFS use the ISFMED for debt data, no formal reconciliation procedure is in place. Preliminary data are clearly identified, but revisions do not follow a predetermined schedule.

46. The relevance of the **balance of payments** is not monitored through a regular consultation process with users. However, concerns and suggestions gathered verbally in meetings with public sector officials are taken into account by the CBH. Timeliness and periodicity meet the GDDS recommendations. Quarterly BOP estimates are prepared but not disseminated to the public. With exceptions, data are generally consistent with other major statistical frameworks, with identified inconsistencies with the national accounts relating to the treatment of the maquila sector, and those with the fiscal accounts relating to external debt. As regards internal consistency, net errors and omissions are relatively large but stable (averaging about 50 percent of the external current account deficit and nearly 2 percent of GDP in 1997–2002). In general, data for previous periods are not reconstructed when changes in source data and/or methodology are made. The revision policy is not made public, although revisions follow a regular procedure. Preliminary data are clearly identified, but no studies/analysis of revisions is made public.

47. The CBH lacks a policy of regular consultation with users on the relevance of the **monetary statistics**, which meet the periodicity and the timeliness recommendations of the GDDS. Information on positions between the CBH and the other depository corporations allows assessment of internal consistency. Changes in methodology are not explained in notes/footnotes to the tables in the CBH's *Semi Annual Statistical Bulletin*. Due to different institutional coverage, GFS and the monetary and financial statistics (MFS) need to be reconciled, and consistency checks between the GFS and the MFS are not conducted regularly. Preliminary and revised data are identified, but results of revision studies and analyses are not publicized.

Accessibility

48. While the **national accounts** are readily accessible through the CBH website, available detail is limited. Dissemination media and formats are adequate, but statistics are not released on a pre-announced schedule and simultaneously to all users. Non-published (but non-confidential) data are available upon request; however, this option is not publicized. Availability of information on concepts and methods does not fully meet user needs. A contact person is listed on the CBH website, but not in other publications. A complete list of publications is available in the CBH website.

49. The **CPI** is released in an acceptable format simultaneously to all users through a press release and the CBH website. There is no published list of release dates. The level of detail and the length of the time series presented in both the press release and the website could be improved. Detailed indices are available upon request for longer periods, but it is difficult to determine exactly what data are available. A contact person for the CPI is only available on the CBH website, and not all CPI publications include the website address. Since the **PPI** is not published, data accessibility is very limited. However, both two-digit level and four-digit level ISIC (revision 2) indices for the manufacturing sector, along with limited documentation, are available upon request.

50. There are shortcomings in the presentation of the **GFS**, as publications do not include the coverage and detail necessary for comprehensive fiscal analysis. Dissemination of the GFS is made in periodic hardcopy publications and through the SF website, but Honduras has not reported GFS data for publication in *Government Finance Statistics Yearbook* since 1981. The GFS are disseminated without a pre-announced release calendar, and the availability of non-published data along with information about access is not publicized. Concepts, scope, classification, basis of recording, data sources and statistical methods are not documented. No contact person is identified in hardcopy or electronic publications. The SF provides technical support to users requesting assistance.

51. Data access to the **balance of payments** is provided through the CBH website and in hard copy publications, but statistics are not presented in a way that facilitates proper interpretation. The CBH prepares a set of detailed tables on BOP components that are available only for internal use and to selected outside users. Data are not accompanied by charts, key concepts and definitions, or explanatory texts to facilitate analysis. No metadata on BOP statistics are prepared by the CBH. However, assistance to users is prompt and

knowledgeable, and a list of statistical products is available at the CBH website. A contact is not given in hard copy publications, but e-mail addresses are provided in the CBH's website.

52. The **monetary statistics** are disseminated in the CBH's *Semiannual Statistical Bulletin* and website. Although there is no publicly announced release schedule, the CBH strictly follows an internal publication schedule, according to which data are released simultaneously to all users between the sixth and eighth week after the reference month. Nonpublished but nonconfidential data are available upon request, but this is not publicized. There is insufficient documentation on concepts, scopes, classification, basis of recording, data sources, and statistical techniques, to meet users' needs. There is no contact person for monetary statistics in the CBH's website or in the *Bulletin*. A list of products can be found in the website and the CBH library offers a list of publications.

IV. FUND STAFF RECOMMENDATIONS

53. Based on the data quality assessment, discussions with the authorities, and user feedback, the following actions are proposed to bring compilation and dissemination of macroeconomic statistics closer in line with best practice and to enhance analytical usefulness. Recommendations on fiscal statistics should be addressed with greater urgency.

General Recommendations

High priority

- Improve coordination within the National Statistical System (NSS) to facilitate information sharing and avoid duplication in the collection of basic data and in the compilation of macroeconomic statistics.
- Intensify efforts to improve intersectoral data consistency and reconciliation by addressing issues related to shortcomings in sectorization.

Other recommendations

- At the highest political level (possibly the Secretary of the Presidency), attach greater priority to promoting judicious implementation of the statistical legislation, including for adopting an agreed national statistical policy and a national statistical plan.
- Ensure that agencies and units compiling macroeconomic statistics have adequate staff and training, and take steps to increase retention of qualified staff.
- Disseminate macroeconomics statistics simultaneously to all users as soon as available, publicizing any prior access granted to selected users.
- Disseminate documentation on concepts, scope, classification, and methodologies used for compiling the macroeconomic statistics.
- To improve the usefulness of statistics, initiate regular consultations with public and private sector users (including advisory committees), inform the public ahead of time of planned major methodological changes, disseminate revision policies, and prepare and publish revision studies.
- To assist users, disseminate the name of contact persons responsible for each dataset.
- Refer to the law of the NIS in requesting data.

National Accounts

High priority

- Complete implementation of the *1993 SNA* and adopt a new base year without delay.
- Use the information available on inventories and investment to improve the quality of published national accounts, and procure source data on construction, services, the informal sector, and household consumption expenditures.

Other recommendations

- Include a module on income/expenditure in the semi-annual household survey and a module on national accounts in the survey on living conditions (to be conducted quarterly during a selected year, and subsequently, every two to five years).
- Implement the double deflation method to calculate GDP by using cost information already available from annual surveys and price indices.
- Improve estimates of informal, hidden, and unrecorded activities by using available employment and income from household survey data.
- Update the business register (directory) regularly.
- Conduct economic censuses or censuses by economic activity, as envisaged in the law of the NIS.
- Compile quarterly national accounts estimates over the medium-term.

Consumer Price Index

High priority

- Establish and disseminate a calendar for regular (at least every five to seven years) revisions of the CPI market basket weights.
- Use data from the upcoming survey of living conditions to estimate new market basket weights, as part of the CPI revision/process.

Other recommendations

- Impute missing prices for temporarily and/or seasonally unavailable items.
- Increase the level of detail and the length of the historical series presented in the CPI press release. Both index levels and percent changes should be included.
- Make non-confidential detailed historical series available on the CBH website.

Producer Price Index

High priority

- Transfer responsibility for compiling the PPI to an entity independent of the national accounts section of the CBH. Consideration should be given to moving the PPI to the NIS in the near future.
- Implement plans to expand the coverage of the PPI to include mining, manufacturing, electricity and water production, fishing, and agriculture.

Other recommendations

- Include goods for processing (maquila) in the PPI.
- Update the classification system for the PPI to the ISIC, revision 3.
- Implement plans to update the PPI weights.
- Select a new expanded enterprise sample based on the new business register, tax lists, and the results of the new economic survey for the year 2000.

- Select a representative sample of products (both primary and secondary) for monthly price collection in each selected enterprise.
- Tabulate the new PPI both by economic activity and by product.
- Disseminate the new PPI on a monthly basis through press releases, the Internet, and other appropriate means.

Government Finance Statistics

High priority

- Compile and disseminate GFS for the central government and the general government with sufficient detail, using the classification, sectorization, and presentation of the *GFSM 1986*, and disseminate estimates of the nonfinancial public sector operations.
- Take steps to ensure more timely and detailed reporting to the SF by local governments, the Congress, the Judiciary, and the National Electoral Court.

Other recommendations

- Take immediate action to ensure that the ISFM produces all data and detail required to compile the fiscal statistics, preferably in spreadsheet form.
- Develop the ISFM modules for payroll and GFS and complete those for the treasury and accounting subsystems, and align ISFM revenue and expenditure classifications with those recommended in the *GFSM 1986*.
- Establish a plan and timetable for adopting the *GFSM 2001*; commence relevant training; and start recording government transaction both on a cash and accrual basis.

Balance of Payments Statistics

High priority

- Complete conversion to *BPM5* as soon as possible, including preparation of draft metadata and presentation of an improved BOP summary table.
- Conduct routine reconciliation of foreign trade data produced by the NIS and CBH, and use customs information to compile and disseminate foreign trade data of the maquila sector. This would allow validation of data derived from enterprise surveys.

Other recommendations

- Increase staffing (3–4 professionals) to ensure adequate design, collection, processing, and validation of BOP survey data (annual and quarterly).
- Continue to improve statistical techniques for estimating workers remittances, profits of maquila firms, freight and insurance on imports of goods, and undercoverage of exports and imports.
- Widely disseminate detailed BOP data currently prepared for selected users.
- Conduct quarterly sample surveys to improve coverage of quarterly BOP estimates, and begin dissemination of quarterly BOP as soon as possible. A three-month lag would seem adequate, considering administrative source data availability.
- Record exports and imports of the maquila sector as goods for processing (on a gross basis), rather than treating value added of the maquila sector as services.
- Conduct benchmark surveys to identify maquila enterprises with direct investment and other financial transactions, and other nonfinancial private enterprises with external debt and other financial transactions.
- Move from due date-based recording of interest on external debt to accrual basis.

Monetary Statistics

High priority

- Establish a plan for adopting the principles and definitions of the *MFSM*, particularly the sectorization of institutional units and the classification of financial instruments.
- Sectorize claims on/deposits of public sector units to permit identification of bank financing of the consolidated central and general governments.

Other recommendations

- Include data on credit and savings cooperatives should in the other depository corporation's survey.
- Classify repurchase agreements as collateralized loans rather than as contingent assets and liabilities.
- Impute realized unpaid losses as profits/losses rather than *Activos diferidos*.
- Compile and publish a fully sectorized central bank survey, as recommended by the *MFSM*, with publication scheduled 10 days after the end of the reference month.
- Include explanatory notes on the procedures for compiling the monetary statistics in the relevant CBH publications.

Table 2. Honduras—Data Quality Assessment Framework: Summary Presentation of Results

Key to symbols: NA = Not applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice not observed

	National Accounts	Consumer Prices	Producer Prices	Government Finance	Balance of Payments	Monetary Statistics	Comments
0. Prerequisites							
01. Legal and institutional environment	LO	O	O	O	LO	O	See paragraphs 18–26
0.2 Resources	LO	LO	LNO	LNO	LNO	O	
0.3 Quality awareness	LO	LO	LNO	LO	LO	LO	
1. Integrity							
1.1 Professionalism	O	O	O	O	O	O	See paragraphs 27–28
1.2 Transparency	LO	O	NA	LO	LO	LO	
1.3 Ethical Standards	O	O	O	O	O	O	
2. Methodological Soundness							
2.1 Concepts and definitions	LNO	O	O	LO	LO	O	See paragraphs 29, 31–35 See paragraphs 29, 31–35 See paragraphs 30–35 See paragraphs 30–35
2.2 Scope	LO	O	LNO	LNO	LO	O	
2.3 Classification/sectorization	LNO	O	LNO	LNO	LNO	LNO	
2.4 Basis for recording	LO	O	O	LNO	LO	LO	
3. Accuracy and reliability							
3.1 Source data	LO	O	LNO	LO	LO	O	See paragraph 36–42
3.2 Statistical techniques	LNO	LO	LO	O	LO	O	
3.3 Assessment and validation of source data	LO	O	LNO	LO	LO	O	
3.4 Assessment and validation of intermediate data	LO	O	LO	O	LO	O	
3.5 Revision studies	LNO	O	LNO	NO	LNO	LO	
4. Serviceability							
4.1 Relevance	LO	LO	LO	LO	LO	LO	See paragraphs 43–47
4.2 Timeliness and periodicity	O	O	NO	O	O	O	
4.3 Consistency	LO	O	LO	LNO	LO	O	
4.4 Revision policy and practice	LO	LO	LO	LO	LO	LO	
5. Accessibility							
5.1 Data accessibility	LNO	LO	LNO	LNO	LNO	LO	See paragraphs 48–52
5.2 Metadata accessibility	LNO	LO	LNO	NO	NO	LNO	
5.3 Assistance to users	LO	LO	LNO	LO	LO	LO	

INTERNATIONAL MONETARY FUND

HONDURAS

**Report on Observance of Standards and Codes (ROSC)—
Response of the Authorities**

July 6, 2004

- The Central Bank of Honduras (CBH) and the Secretariat of Finance (SF) broadly agree with the comprehensive assessment of the statistical system prepared by the IMF mission that visited Tegucigalpa in July 2003. The data ROSC incorporates the comments and suggestions of the experts at the CBH and the SF. Therefore, it presents an accurate description of statistical practices at that time, and we believe that its recommendations offer reasonable guidance for overcoming identified shortcomings.
- To address the data ROSC recommendations, the CBH has prepared a comprehensive plan to improve the macroeconomic statistics and thereby enhance the basis for analysis and decision making in the public and private sectors. This plan is being implemented with financial support from the Inter-American Development Bank and technical assistance from the IMF. A principal objective of this plan is early adoption of up-to-date international methodological standards.
- Remedial action has already commenced. Work to implement the *1993 System of National Accounts* has been accelerated and is expected to be finished by 2005. Preparations for the implementation of the *fifth edition of the Balance of Payments Manual* are well advanced. Dissemination of quarterly estimates of the balance of payments is expected to commence in late 2004. Also, work is underway to improve estimates of the transactions of the maquila sector. A recent IMF mission (early May 2004) reviewed the work in these areas and made specific recommendations.
- The plan also aims at improving the fiscal and monetary statistics. A key objective is early implementation of the *Monetary and Financial Statistics Manual* and the formulation of a timetable for the gradual adoption of the recommendations of the *Government Finance Statistics Manual 2001*. Presently, the CBH is working to improve the sectorization of bank transactions, which should permit preparation of more reliable estimates of public sector financing by level of government, and further actions will be taken within the program to be agreed with the IMF TA mission that will visit the country in the following months. As regards, the fiscal statistics, a detailed work program will be prepared by the SF with the assistance of an IMF mission scheduled to visit Tegucigalpa later this year. Short-term priorities include improving the reliability of expenditure and financing estimates.

INTERNATIONAL MONETARY FUND

HONDURAS

**Report on the Observance of Standards and Codes (ROSC)—
Response by the Authorities—Update**

June 27, 2005

This Update follows up on the Response of the Authorities of June, 2003. Its purpose is to outline the progress made to date in implementing the recommendations of the data ROSC mission of July 2003. It describes the large-scale efforts currently aimed at statistical improvement, focusing on specific actions aimed to modernize the methodological foundations as well as enhance the accuracy and reliability of the macroeconomic statistics. As the Central Bank of Honduras (CBH) and the Secretariat of Finance (SF) produce most macroeconomic data, this Update describes the work undertaken by these institutions.

Overall Strategy

In the wake of the data ROSC mission of July 2003, the CBH and the SF launched an ambitious effort to seek closer adherence to best practice in the compilation and dissemination of key macroeconomic datasets. The main compilation objective was to improve the methodological foundation and the source data of the macroeconomic statistics. As statistical improvement has a relatively long gestation period and requires sustained application of substantial resources, the authorities sought financial support from the IDB and technical assistance from the IMF and official producers of statistics in Bolivia, Colombia, and Mexico. With this support, simultaneous efforts to improve the national accounts, balance of payments, the monetary statistics, and the government finance statistics intensified during 2004. The expected completion dates for these system-wide compilation efforts vary by dataset, ranging from June 2005–December 2007.

While work to improve dissemination practices has focused on preparations to participate in the General Data Dissemination System (GDDS), some other steps have been taken to improve data accessibility. With assistance from the IMF, the drafting of GDDS metadata was completed in early 2005. Upon review of these metadata by the Statistics Department of the IMF, Honduras is expected to attain GDDS participation status by end-July 2005. Pending completion of the new macroeconomic series currently under preparation, more methodological notes and contact information have been published by the CBH and the SF. In the case of the CBH, this was done with the enhancement of its website, which was completed in mid-2004. The 2003 Annual Report published by the SF in December 2004 included more explanatory notes and fiscal statistics with greater coverage and component detail. Also, the SF is disseminating through its website improved estimates of the nonfinancial public sector operations by level of government.

National Accounts

Substantial progress has been made in preparations to migrate to the *System of National Accounts 1993 (1993 SNA)*. An annual series has been prepared for the period 2000–02 based on the new methodology and with 2000 as the new base year. Following presentation of the new series to the Board of the CBH in February 2005, intensive work has continued to ensure the high quality of the series, prepare estimates for 2003–04, and commence preparations to produce quarterly estimates fully consistent with the new annual series. On current plans, the new annual series for 2000–04 is to be finalized by end-March 2006,¹ with quarterly estimates to be published by end-2006.

As recommended by the data ROSC mission of July 2003, preparation of the new series has been supported by greater recourse to survey and other data. In particular, estimates for construction activity have been derived from new quarterly surveys initiated in early 2004,

¹ Supply-side estimates will be available by end-2005.

with assistance from the National Statistics Directorate of Colombia. Also, business tax returns are now being accessed to obtain data on business investment (fixed capital formation and changes in inventories). Estimates of informal sector activity have been prepared by extrapolating data from the survey of household income and expenditure of 1998–99. The business register (directory) of 2000–01, which has continued to be updated with administrative information, is being used as a basis for sampling decisions. Estimates of GDP are now based on the application of the double deflation method.

Balance of Payments

Substantial progress has been made in adhering to the guidelines of the *Balance of Payments Statistics Manual*, fifth edition (*BPM5*), with work to improve frequency nearing completion. It is expected that compilation of *BPM5*-based quarterly estimates for 2004 and 2005 will be disseminated by end-2005, with a one-quarter lag. Metadata for *BPM4* estimates were finalized in March 2004 and preparation of those for *BPM5* estimates is under way.

New surveys, more exhaustive use of other data, and better techniques are expected to enhance the accuracy and reliability of BOP estimates. Commencing in early 2004, the CBH has conducted quarterly surveys covering services and foreign investment, and has begun processing export and import information of maquila enterprises with a view to allow recording of such trade as goods for processing (on a gross basis). Once recording of the latter data for 2004 is completed, treatment of value-added of the maquila sector as services will be discontinued, possibly by end-July 2005. Efforts to improve estimates of remittances and remuneration of border and seasonal workers include the conduct of a pilot border survey currently under way, semi-annual surveys conducted in airports since 2004, and use of information on international money transfers from banks and exchange houses. Estimates of cost, insurance, and freight from customs data were first derived in March 2005, corresponding to 2003 and the first two quarters of 2004.

The large-scale effort to improve BOP estimates has required an increase in resources and training. The number of economists in the BOP unit has been doubled (to eight) since mid-2003, and six data entry staff also have been added. In addition, staff received training on *BPM5* methodology in 2004 and on sampling techniques in 2005. Looking ahead, arrangements have been made with the Center of Latin American Studies (CEMLA) and Debt Relief International for CBH staff to receive training on the compilation of external debt in the context of an internship that will take place during May 2005 at the Central Bank of Bolivia and at the International Debt Management office in Washington DC.

Monetary Statistics

Work is in train to align compilation practices more closely with international standards, particularly on sectorization of institutional units and classification of financial instruments. An early result has been the preparation since June 2004 of a preliminary balance sheet of the CBH according to the guidelines of the new *Monetary and Financial Statistics Manual (MFSM)*. Two of the changes reflected in the new balance sheet relate to stricter adherence to

the residency criterion in the definition of international reserves and classification of CBH profits/losses as accounts receivable/payable with the central government.² The new CBH balance sheet remains work-in-progress pending completion of efforts to compile the balance sheets of the other components of the financial system on the basis of the *MFSM*.

Following the data ROSC mission, the CBH began formulating a strategy for collecting the considerably expanded information set required from financial intermediaries. A plan was set in motion in mid-2004 involving design of new reporting requirements of supplementary data that would permit an improved sectorization of assets and liabilities and classification instruments without modifying the chart of accounts. The new information requirements were made consistent with data needed to compile the new BOP series and finalized in consultation with the supervisory authority, the National Commission of Banks and Insurance (NCBI). In November 2004, the CBH and NCBI met with financial institutions to explain the need to expand reporting requirements, and subsequently the authorities formally requested that reporting under the new guidelines be initiated in February 2005 with data for end-2004. Pointing to the resource implications, banks requested an extension of the deadline, which is currently set to end-June 2005 for reporting data for January–May 2005.

In addition, the CBH is working to create the conditions for increased timeliness and coverage of the monetary statistics. In particular, starting in June 2005 the depository institutions will move from reporting data through the NCBI to direct reporting to CBH through electronic means, which should cut the reporting lag. As regards coverage, following intensive field work with credit unions, the CBH has just completed a consolidated sheet for 2003 covering the 28 credit unions, which account for 80 percent of assets and liabilities. Plans are to publish the quarterly balance sheet of these credit unions by end-June 2006.

Government Finance Statistics

Progress is apace to improve cash estimates of public sector operations in the short term and migrate to the *Government Finance Statistics Manual 2001 (GFSM 2001)* over the medium-term. This is being supported by the phased implementation of the Integrated System of Financial Management (ISFM) at the SF and the more stringent reporting requirements in the new Budget Law approved on June 21, 2004.³ Full implementation of the ISFM is expected for 2007, with consultants hired in the third quarter of 2004 to design its statistical component. Upon completion of this project, fiscal statistics will be produced both on a cash basis (in line with *GFSM 1986*) and on an accrual basis (*GFSM 2001*). The accounting department of the SF has started compiling an inventory of public sector assets, which will facilitate eventual preparation of the public sector balance sheet recommended by *GFSM 2001*.

² The underlying accounting enhancement was facilitated by the new Law of the Central Bank of Honduras that became effective in September 2004.

³ The by-laws of the Budget Law are expected to be signed by the President shortly.

In the period since 2003, and particularly with the advent of the program supported by the IMF, the SF has made important advances to strengthen the analytical usefulness of the fiscal statistics. In particular, a tightening of criteria to define coverage of the different levels of governments has resulted in more reliable estimates of the operations of the consolidated central and general governments. In addition, intensified efforts at reconciling “above the line” estimates with financing data have led to improved estimates of the overall balance of the different levels of government. Based on ISFM, estimates of spending to reduce poverty were completed in December 2004 for the period 2000–04.

Communications Strategy

The CBH and the SF are designing a communications strategy to ensure that the substantial statistical improvements expected to be completed in the months ahead be clearly explained to the public. The strategy will be aimed at explaining the nature of the improvements in the macroeconomic datasets and the differences between the new series and those currently published. It will stress the enhanced cross-sectoral consistency among datasets and note that, in certain cases, data for different definitions of key variables such as international reserves and the fiscal deficit will continue to be published to satisfy demands for different uses (analysis, international comparability). The strategy will emphasize that explanatory information on the nature of each series will be published, and that assistance will be available to users in this regard.

Publication of the data ROSC and this Update will help the public and donors better appreciate the large-scale efforts nearing completion and aimed at statistical improvement. Once these efforts are concluded, higher-quality macroeconomic data will provide an enhanced basis for macroeconomic analysis and policy formulation. In addition, it is expected that Honduras will be able to transit from dissemination practices consistent with the recommendations of the GDSS to those prescribed by the Special Data Dissemination Standard (SDDS) by end-2007.

INTERNATIONAL MONETARY FUND

HONDURAS

Detailed Assessments Using the Data Quality Assessment Framework (DQAF)

Prepared by the Statistics Department

Approved by Carol S. Carson and Anoop Singh

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This document contains a detailed assessment by dataset of the elements and indicators that underlie the data quality dimensions discussed in the Report on the Observance of Standards and Codes (ROSC)—Data Module. It also includes as appendices the DQAF generic framework and the results of the users' survey.

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ACRONYMS

<i>1953 SNA</i>	<i>System of National Accounts 1953</i>
<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
BIS	Budgetary Integrated System
BOP	Balance of payments
<i>BPM4</i>	<i>Balance of Payments Manual, fourth edition</i>
<i>BPM5</i>	<i>Balance of Payments Manual, fifth edition</i>
BPS	Balance of Payments Section
CABEI	Central American Bank of Economic Integration
CADD	Monetary Absorption Certificates
CAMC	Central American Monetary Council
CBH	Central Bank of Honduras
CEMLA	Center of Latin American Studies
CMCA	Central American Monetary Council
CNSS	Commission of the National Statistical System
COFOG	Classification of the Functions of the Government
COICOP	Classification of Individual Consumption by Purpose
COPNI	Classification of the Purposes of the Non-profit Institutions
CPI	Consumer Price Index
CPC	Central Product Classification
DMFAS	Debt Management and Financial Analysis System
DOP	Department of Organization and Planning
DPC	Directorate of Public Credit
DQAF	Data Quality Assessment Framework
DSBB	Dissemination Standards Bulletin Board
EDR	Executive Directorate of Revenues
ESD	Economic Studies Department
EUROSTAT	Statistical Office of the European Communities
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GDDS	General Data Dissemination System
GDSC	General Directorate of Statistics and Census
GFS	Government Finance Statistics
<i>GFSM 1986</i>	<i>A Manual on Government Finance Statistics 1986</i>
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
HIPC	Highly Indebted Poor Countries
HPN	Honduran Product Nomenclature
HNEA	Honduran Nomenclature of Economic Activities
IDB	Inter-American Development Bank
IMAE	Monthly Index of Economic Activity
IMF	International Monetary Fund
ISFM	Integrated System of Financial Management

ISFMED	Integrated System of Financial Management of External Debt
ISIC	International Standard Industrial Classification of All Economic Activities
MFS	Monetary and Financial Statistics
<i>MFSM</i>	<i>Monetary and Financial Statistics Manual</i>
MIEA	Monthly Index of Economic Activity
MS	Monetary Section
NAS	National Accounts Section
NCBI	National Commission of Banks and Insurance
NIRPEBE	National Institute of Retirement and Pension of Executive Branch Employees
NIS	National Institute of Statistics
NISPTE	National Institute of Social Protection of Teachers
NPISH	Nonprofit Institutions Serving Households
NSHIE	National Survey of Household Income and Expenditure
NSP	National Statistical Plan
NSS	National Statistical System
ODC	Other depository corporations
OECD	Organization for Economic Cooperation and Development
PAL	Public Administration Law
PPI	Producer Price Index
ROSC	Report on the Observance of Standards and Codes
SDDS	Special Data Dissemination Standard
SF	Secretariat of Finance
STA	IMF's Statistics Department
UNCTAD	United Nations Conference on Trade and Development
UEA	Unit of Economic Aggregates
USAID	United States Agency for International Development
WPI	Wholesale Price Index

DETAILED ASSESSMENT USING THE DATA QUALITY ASSESSMENT FRAMEWORK (DQAF)

The following detailed information on indicators of statistical practices in the areas of the national accounts, prices, government finance, money and banking, and balance of payments statistics was gathered from publicly available documents and information provided by officials. This information, which is organized along the lines of the generic DQAF (see Appendix II), was used to prepare the summary assessment of data quality elements, based on a four-part scale of observance, shown in the Report on the Observance of Standards and Codes (ROSC)—Data Module.

I. NATIONAL ACCOUNTS

0. Prerequisites of quality

0.1 *Legal and institutional environment*

0.1.1 *The responsibility for collecting, processing, and disseminating statistics is clearly specified*

The responsibility for collecting, processing, and disseminating official statistics is laid out in a series of laws and legislative decrees. The Central Bank of Honduras (CBH) has been compiling and disseminating national accounts since 1954, according to Article 25 of the CBH law (Decree No. 53, 2/3/1950). Article 25 states that the Economic Studies Department of the CBH (ESD) is in charge of obtaining data and carrying out research pertinent for monetary and exchange rate policies. It does not clearly specify that the CBH is responsible for collecting, processing, and disseminating national accounts. The law of the CBH was amended in 1996 (Decree No. 228–96, 12/17/1996) and in 2002 (Decree No. 248–2002, 1/17/2002); however, Article 25 was not modified. Operational responsibility for collecting, compiling, and disseminating national accounts lies with the National Accounts Section (NAS) within the Unit of Economic Aggregates (UEA) of the ESD.

The General Directorate of Statistics and Census (GDSC) started operating in 1957, as a dependence of the Ministry of Economy and Finance (MEF) (Decree No. 50, 2/20/1957). Later, the Law of Statistics and Censuses of 1960 (Legislative Decree No. 299, 5/10/1960) established that the GDSC would be “in charge of collecting, elaborating, analyzing, and disseminating the statistics that are not under the responsibility of other public dependencies.” In 2000, the GDSC discontinued operations owing to the creation of the National Institute of Statistics (NIS), with passage of the law of the NIS (Decree No. 86–2000, 7/8/2000). Articles 1 and 2 of this law established the NIS as an autonomous technical entity that coordinates the National Statistical System (NSS). Article 5 specifies “...the execution and coordination of the production of basic data for elaborating the system of national accounts” as one of the functions of the NIS.

In addition, Article 120, within the transitory provisions of the NIS regulations (Executive Agreement No. 042–2001, 11/6/2001), establishes that the CBH and the NIS would

coordinate, design, and jointly execute a program for the gradual transfer of statistical activities from the former to the latter or to the corresponding entities of the NSS. These activities include conducting surveys of enterprises and establishments, and other statistical work established by the NIS law, its regulations, and its Manual of Functions and Organization. Nevertheless, this program is not operational at this time owing to infrequent communication within the NSS and to the NIS resource constraints.

While the legal framework is adequate, some functions specified for the NIS are rather ambitious and go beyond its current capacity. On the other hand, the institutional environment features a highly decentralized statistical system, which includes statistical offices in the ministries, in the centralized and decentralized public entities, in the public enterprises, and in the regions. In part due to this decentralization, some duplication exists, even though the budget for the statistical function is limited.

0.1.2 Data sharing and coordination among data producing agencies are adequate

The CBH collects basic data from public and private institutions to compile the national accounts. This is facilitated by a formal arrangement between the Executive Directorate of Revenues (EDR) of the Secretary of Finance (SF) and the CBH to exchange statistical information. In addition, informal sectoral committees have been established to ensure that source data originating from various institutions meet timeliness and other requirements.

Article 5 of the NIS regulations establishes a coordinating role for the NIS in the NSS. It states that “the NIS will seek adequate integration, planning, direction, supervision and control of statistical activities.” Article 9 specifies that the NSS is the entity constituted by all dependencies of the Honduran State, including deconcentrated and decentralized entities, autonomous entities, and local entities that have as functions the elaboration, collection, analysis, coding, and publication of statistical information. These activities are to be “developed in integrated, coordinated, and rational manner and under the common scientific-normative procedures established by the NIS.” Under this legal framework, there are formal arrangements for data exchange between statistical agencies and the NIS. Articles 25 and 26 of the NIS law establish that NSS members are obligated to provide databases and products generated by their investigations to the NIS, when required.

The Commission of the National Statistical System (CNSS) envisaged in articles 11 and 12 of the NIS regulations is not operational at this time. Article 71 establishes that the NIS conducts normative relations of a technical nature in the coordination of the NSS. In this respect, only two meetings among the institutions within the NSS have been held. In addition, there was no consultation for preparing the first National Statistical Plan (NSP) and the operative annual plans of the NIS, even though Article 15 of the Decree No 86–2000 mandates it. Furthermore, the NSS has not held a meeting since 2001.

Moreover, the formal inter-institutional coordination committees established by the NIS do not meet regularly. These include inter-institutional committees on agriculture, tourism, external trade, health, and education. There are, however, no inter-institutional committees

on manufacturing, mining, and services. Their functioning is important for coordinating work programs and facilitating information sharing. There is also evidence of insufficient communication between the CBH and the NIS. This has hindered data sharing and coordination, heightening the risk of duplication of efforts. For instance, there are some actions in the Project of Strengthening and Modernizing the NSS to be developed by the NIS that are already being implemented by the CBH, such as conducting price and industrial production surveys. Also, there is duplication of efforts in the compilation of trade statistics (CBH and NIS) that might be causing confusion among users.

0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only

CBH personnel compiling national accounts have access to individual source information and are aware of the confidentiality of the data and the penalties imposed by the statistical legal framework and the CBH internal regulations.

Articles No. 44-i, 44-o, and 45-m of the CBH Internal Labor Regulation (11/29/1994) state the obligations and prohibitions of its employees. They establish sanctions for employees who reveal confidential data. According to Article 44 employees must safeguard all documentation provided for work purposes, refrain from commenting on its contents, and observe strict reserve about the operations, business, and activities of the CBH.

Article 45-m prohibits revealing and divulging the confidential affairs, the operations, studies, projects, decisions, and activities of the CBH. The General Manager of the CBH has the faculty to lay off the personnel that reveal confidential information or take advantage of this information for personal purposes or to harm the State, the CBH or third parties.

Article 31 of the NIS law and 100 of its regulations guarantee the confidentiality of individual respondents' data. It states that "the dependencies and entities that integrate the NSS will collect and manage the data provided according to this law as strictly confidential and shall neither be provided nor be published in individualized form, only as part of aggregated figures in accordance to criteria and categories of public interest. Individual data shall only be provided to public institutions that required them for their statistical purposes." However, the law does not explicitly specify that the information cannot be used for tax administration purposes or police investigations.

All questionnaires used for censuses, surveys, and special investigations by the NIS and the CBH include a reference to the confidentiality of data requests on the first page, which reads: "Confidentiality of the information: The data required are strictly confidential and to be used for statistical purposes only, publication will be done at aggregate level. Decree Law No. 86–2000 of creation of the NIS. Art. 4, 5, and 31." This reference was recently removed from the questionnaires apparently owing to shortcomings in communication between the NIS and the CBH involving differences in interpretation of the statistical legal framework. The questionnaires circulated by the NIS also underscore that individual data will be strictly confidential, citing Decree 86–2000, art. 31–July, 2000.

The mission learned of NIS plans to post selected individual responses to the Census 2000 on its website. Even as responders would not be identified, this is cause for concern since individual responses might be identified by some knowledgeable users.

National accounts databases are administered by the NAS of the CBH. Data security is supported by the internal security of the operating system (Windows NT), and an external barrier/firewall.

The CBH work procedures for compiling the national accounts ensure that data are disseminated at an aggregated level. Questionnaires, once processed, are sent to the CBH library. After five years, they are archived, and eventually they are destroyed, in coordination with the UEA.

0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response

Article 25 of the CBH law empowers the ESD to gather statistical information from public sector agencies. However, there is no legal obligation for the non-financial private sector to provide information to the CBH. Moreover, the CBH law does not include sanctions for noncompliance with data requests. However, the CBH collects most of the basic data needed to compile national accounts. Taking into account that data provision by the private non-financial private sector is voluntary, the CBH maintains good relations with respondents. In addition, the CBH provides the aggregate statistics to respondents. However, some enterprises (particularly foreign enterprises) refuse to respond to surveys. For instance, EDR staff often accompanies CBH personnel on visits to maquila firms, as the EDR is legally authorized to collect data from enterprises, with the CBH covering expenses (salaries and traveling costs) of EDR staff.

Some surveys are collected by the NIS. Article 25 of the NIS law states that State entities, individuals, and public and private enterprises that operate in the country, are sources of information to the NSS. Therefore, CBH could refer to Article 25 of the NIS law in requesting data from the nonfinancial private sector, including maquila firms.

Article 28 specifies that individuals and enterprises receiving data requests from the NIS shall be informed of the (i) obligatory character of their responses; (ii) consequences of false responses; (iii) right of rectification; (iv) confidentiality in the administration of the statistical information that they provide; (v) manner of dissemination; and (vi) timeframe for providing the information. The respondents whose information is considered classified because of national security reasons are exempt from this obligation.

Chapter VII of the NIS law establishes the sanctions for non compliance with data requests. Those who do not respond to surveys, falsify the truth maliciously, or delay response unjustifiably, are liable to be fined. However, the authorities prefer to encourage voluntary reporting by explaining in detail to respondents the use that will be made of their

information, its confidential nature, and its importance for assessing economic and social conditions.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The NAS is also responsible for conducting most of the surveys, compiling the Monthly Index of Economic Activity (MIEA) and developing applications, computer programs and databases for the national accounts. This unit has 57 employees, of which 19 are permanent and 38 contractual. These temporary employees will work at the NAS until December 2003. Even though the current resource allocation is adequate, staff insufficiency has been a problem in the past that seriously affected the quality of national accounts estimates. The new resource allocation is a consequence of the program for implementing the *System of National Accounts 1993 (1993 SNA)* and changing the base year with funding from international donors. Once these activities are completed, the NAS plans to develop quarterly national accounts and a new producer price index.

The mix of staff involved in the compilation of national accounts is as follows:

National Accounts Section	Permanent	Contractual	Total
Professionals	15	37	52
Assistants	4	1	5
Total	19	38	57

Regarding training, there is a program on national accounts methodology. A limitation is that there is only one university that offers social accounting courses, and local universities do not have a study program in statistics. Therefore, training is usually provided through courses, seminars, workshops and international conferences, which are offered every year by several international organizations, such as the United Nations Economic Commission for Latin America and the Caribbean, the European Center for the Formation of Statistics of Developing Countries, the Center of Latin American Monetary Studies, the World Tourism Organization, and the Central American Monetary Council. In addition, working groups on national accounts have held sessions to discuss methodological improvements and international recommendations, as well as to restructure and simplify work procedures.

Some staff members with substantial experience in the compilation of national accounts have been transferred to other units of the CBH. As a result, the average seniority of staff in the NAS is only 10 years. The years of service of NAS staff is as follows:

Years in service	Staff		
	Permanent	Contractual	Total
0 – 1	1	11	12
1 – 3	4	27	31
3 – 7	6	0	6
7 – 14	1	0	1
14 – 21	5	0	5
21 – 28	2	0	2
Total	19	38	57
	Percentage of staff		
0–1	5.3	28.9	19.3
1–3	21.1	71.1	56.1
3–7	31.5	0.0	10.5
7–14	5.3	0.0	1.8
14–21	26.3	0.0	8.8
21–28	10.5	0.0	3.5
Total	100.0	100.0	100.0

Regarding computing resources, the NAS has 38 computers, 1 server and 2 printers. Even though seemingly adequate in light of staff numbers and tasks, only 25 were provided by the CBH. The rest were donations from USAID. Processing capacity of half of the computers is very limited.

The CBH tries to take advantage of the potential offered by available information technology. The NAS and the Department of Informatics and Technology (DIT) in a joint effort have developed applications and databases in Progress, Visual Basic, Fox Pro, SQL Server, and Oracle, in order to process and store survey data. Besides the Intranet of the NAS, each professional has access to computer programs, such as Excel, Word, PowerPoint, Acrobat Reader, E-Views, Tramo Seats, X-11 Arima, SPSS, and an application of the Chow Lin Method. The NAS has also developed computer programs for faster and simplified work procedures to be applied in the compilation of the complete sequence of accounts for the new base year (2000).

Distribution of the 38 computers within the NAS takes into account staff assigned to the different tasks (data collection in the field, processing, and compilation) as well as their work programs. Nevertheless, the distribution of the two printers does not seem adequate since they are shared with other sections within the UEA. Moreover, only three computers have access to Internet.

Domestic financial resources assigned to the NAS are limited, considering the heavy tasks of collecting and processing source data. In light of the programs for implementing the 1993

SNA and changing the base year, the CBH received funding from the USAID to carry out the first phase of this program, and it is currently receiving funding from the Inter-American Development Bank (IDB) to complete the second phase.

0.2.2 Measures to ensure efficient use of resources are implemented

The tasks and projects of the NAS are included in the Strategic Plan of the CBH prepared every 5 years. This plan includes the goals, actions, work program, and products to be delivered. The UEA and the Department of Planning (DOP) carry out an evaluation of implementation progress every four months. The section chiefs within the UEA meet every week in order to measure progress, define the work to be undertaken and propose methodological improvements. Managers in the CBH also promote a vision and sense of direction that are shared with the staff. Each year the ESD prepares a program with the objectives and plans of each unit. It includes statistical projects as well as studies related to the topics of the Department.

Innovations have been introduced in computer processing to reduce time and cost of statistical collection, coding, editing and tabulation of source data. In the event of errors and inconsistencies, clarification is sought with respondents and corrections made. Data in databases are subjected to additional consistency checks. An application has been developed using Excel to elaborate the accounts of the units, the institutional sub-sectors, the supply and use tables and the different matrices of the 1993 *SNA*. The UEA controls the number of questionnaires processed per employee per day and by survey type on a weekly basis.

The NAS is receiving technical assistance from an independent consultant to review the methodologies used and to systematize the compilation of the complete sequence of accounts according to the 1993 *SNA*. Efficiencies are sought by encouraging consistent concepts and methodologies across the different units within the CBH. There are clear responsibilities assigned among the different areas. There is also a manual that lists the duties of every position of the ESD.

There are processes to measure resource use and productivity in the compilation of the national accounts. The budget is reviewed periodically to ensure that scarce resources are best employed in addressing major data problems or meeting new data priorities.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

Although the CBH has not established an official program of quality awareness, e.g., total quality management, ISO 9000, etc., many elements of such program are already in place, especially in terms of monitoring data collection, processing and compiling national accounts. The Strategic Plan of the CBH includes goals, tasks, and actions to be accomplished every five years. In addition, annual plans are prepared to measure progress every four months. One of the goals is the improvement in the efficiency of the process for

designing, elaborating, and presenting CBH publications; the use of improved methodologies to compile economic indicators; and the improvement in the technology used in different processes. Furthermore, productivity indicators by area and task are calculated.

On the other hand, the CBH is audited by a commission constituted by the DOP, Internal Auditing, and the Department of Security. Moreover, the CBH mission statement emphasizes quality of service.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

Tests are carried out to identify problems related to stages of aggregation, compilation and dissemination of data. During the period 2000–2002, NAS staff revised methodologies and cross-checked source data to validate them and improve work procedures. Exports statistics are compared to the data provided by enterprises in the case of agriculture and mining activities. Imports of gasoline and oil are cross-checked with the data from wholesale trading enterprises. However, there are no formal mechanisms for assessing the quality of national accounts statistics.

Under the Strategic Plan of the CBH, productivity indicators have been prepared to monitor efficiency in data collection and processing. For example, the NAS keeps daily records and monitors the number of enterprises visited, the number of surveys processed, and the response to surveys.

The CBH has implemented programs to improve the quality of national accounts estimates since 1993. Technical assistance was provided by the Fund in January 1999 for assessing the coverage and the methods used to compile national accounts statistics. At the beginning of 2000, the CBH started carrying out a project to implement the *1993 SNA* in two phases with technical assistance from an independent consultant. The objectives of the first phase (pilot phase) were to identify the weaknesses in the source data, prepare a business register, provide training to the staff on the *1993 SNA*, and implement the UN compilation software for 1997. This phase concluded at the end of 2001 and was funded by USAID. The objectives of the second phase, currently in execution with financial support from the IDB, are to complete the implementation of the *1993 SNA* and change the base year of the national accounts to 2000.

A Commission of the National Statistical System (CNSS) is envisaged in Articles 11 and 12 of NIS regulations. Article 11 states that the CNSS ... “is a technical organism of assistance character presided by the Director of the NIS.” It is integrated by the responsible units, dependencies and statistical offices cited in Articles 9 and 10. Among the functions of this Commission are: to assist and support the formulation and evaluation of the National Plan of Statistics (NSP) and the annual operative plans of the NIS; to support the integration of the main orientations; and to approve their statistical programming in integrated and coordinated manner. However, this Commission is not currently functioning.

Article 12 declares that the CNSS could establish working groups denominated Technical Committees of Statistical Coordination in order to assist the NSS in certain theme areas. These committees could be permanent or temporal by sector or region. Their functions and number of participants will be established by the NSS. Nevertheless, these committees do not meet regularly.

Periodic surveys to obtain feedback from users on data quality are not conducted.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

The Management of the CBH recognizes the alternatives among the dimensions of data quality; for example, between timeliness and accuracy and reliability. Quality of national accounts data is a function of the timeliness of source data. This situation is taken into account to carry out opportune estimates of national accounts. In this respect, the NAS informs users the character of the data: forecast (very preliminary), estimates (preliminary), and definitive data.

Regarding users' needs, the NIS and the CBH do not have regular meetings with those entities that participate in the CNSS, in order to examine statistical development and establish new data requirements.

Even though quality awareness is high, as evidenced by the strong emphasis on quality issues of the National Plan of Statistics and the Strategic Plan of the CBH, regular procedures to obtain feedback from users need to be implemented.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The CBH recognizes the importance of the professional independence of its staff. Professionalism is revealed by the requisites applied by the CBH for hiring personnel. Article 3 of the CBH Internal Labor Regulation establishes that "every person that expects to become part of the Bank's staff shall comply with the following admission requisites: ...b. Have approved the exams on professional knowledge, aptitude, and personality that the Bank will apply...under the procedures that it determines." Article 4-f also states that public employees elected by the population or who are compensated by the government cannot be hired as Bank's employees, except those of teaching character." The mission of the CBH includes a sentence on professionalism that reads as follows: "The activity [of the Bank] is supported by the respect to the law, leadership and institutional autonomy, ethics, professionalism, creative effort, quality of the service, and pursuit of excellence."

The procedures of collection and compilation of national accounts statistics are only governed by technical considerations. Professionalism is promoted by the publication of methodological papers on special studies and by organizing meetings of professional groups. For example, special studies entitled Maquila Activity, Production and Industrialization of Shrimp Farming in Honduras, Survey on Production of Selected Vegetables and Fruits, and Production Accounts of Manufacturing have been prepared, presented in public presentations, and published. Staff attending domestic and international courses and conferences shall present their content to the rest of the staff after coming back to the Bank. Conversation groups involving staff of the different units forming the ESD meet regularly to discuss international recommendations and practical treatments. The staff is internally evaluated every four months.

Standards set within the CBH establish regard for professional behavior, courtesy toward respondents, integrity, impartiality in hiring, execution of official duties, and the avoidance of influence by third parties. Staff members with outstanding performance are promoted for an interim period, with the promotion made permanent after an appraisal confirms satisfactory performance. However, the president of the CBH is selected by the President of Honduras and he/she does not remain in his/her position for periods that exceed the governance period of the President.

In order to protect the reputation of the CBH, national accounts' publications are revised and validated by all levels of the hierarchical chain within the institution.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

Choices of sources and statistical techniques are made on the basis of statistical considerations and international standards. Source data for compiling national accounts is gathered from public and private sectors, including households. Sources are selected according to coverage needs, proper treatments, statistical quality, timeliness, cost, and work load for the respondents. Respondents' information is used for statistical purposes only.

1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics

To avoid erroneous interpretations or misuse of published data, the CBH foment trust in its work by disclosing the statistical information and explanatory reports to the public through press notes, interviews, or on its website. Data sources are presented in all statistical publications produced by the CBH. The president of the CBH is entitled to comment on misuse of statistics and has done so through interviews, press conferences, and press notes. The ESD has also commented and provided clarifications in specialized periodicals and the general media on the sources and methods used to compile economic indicators. The UEA has given presentations to journalists, universities, and labor organizations on the methods used to compile national accounts statistics.

The Unit of Communications and Internal Relations (UCIR) of the CBH closely monitors the press to keep records of articles that refer to data disseminated by the CBH. These records are useful to produce an official statement to clarify or explain the scope of the data. Press information related to statistics is updated daily on the CBH Intranet.

1.2 Transparency

1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public

The CBH does not disseminate its law and labor regulations on its website, and CBH publications do not include the main provisions of this legal framework. The CBH mission statement, which is published on its website and publications, does not include compilation and dissemination of statistics as one of the functions of the CBH. The public is unaware that supplementary information is available at the CBH library.

The CBH publications and website do not contain information about the terms and conditions under which statistics are collected, compiled and disseminated. They do not mention the definition of confidentiality and the obligations of the staff regarding confidential information.

1.2.2 Internal governmental access to statistics prior to their release is publicly identified

The public is not aware of the approval process for publishing national accounts series. After the authorities of the CBH have approved the annual estimate of gross domestic product (GDP), a copy of the results is available to governmental officials, international organizations, and private users upon request. The estimates are not released to the public immediately. The list of individuals receiving advanced access to the national accounts statistics is not published.

1.2.3 Products of statistical agencies/units are clearly identified as such

Because the CBH is a decentralized entity of the government, all CBH publications are identified with its logo. The statistics compiled by other institutions and the sources of basic information are identified in the CBH publications. Statistics compiled by the CBH are also identified as such in the publications of other institutions.

The bulletins and press notes produced by the CBH have also its logo and are available on the CBH website. The CBH has a policy of releasing publications on national accounts in a standard format (titles, colors, typography, etc.)

1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques

Changes in methodology and source data are announced in advance in the case of changes to the base year. For example, the Annual Report of 2001 (*Memoria Annual 2001*) includes a briefing on the Improvements of Macroeconomic Statistics under the program for implementing the *1993 SNA* and changing the base year from 1978 to 2000. Users of statistics are informed in seminars and publications when new data are released. In particular, when the new base year will be published, press conferences, meetings with public and private institutions and conferences at universities will be carried out to explain the methodological improvements and differences between the 1978 series and the 2000 series.

1.3 Ethical standards

1.3.1 Guidelines for staff behavior are in place and are well known to the staff

Staff members of the CBH are provided with guidelines on ethical standards outlining correct behavior when confronted with potential conflict of interest. These guidelines are in internal regulations and the labor contract, which are made available to staff when joining the institution.

Article 44-c of the CBH regulations states that employees “shall have good customs and exemplar conduct during service.” Article 44-t prescribes staff to “conduct under the good customs and urbanity of the society...acting in such a way that their norms of conduct give prestigious to the name of the Institution.” Article 45-o reads the following: Employees “shall not ask or receive direct or indirect gratifications for their services to the Bank.” Article 45-q states that Bank’s employees “shall not participate in business that their nature is incompatible with Bank’s operations or with the ethic condition required for being Bank’s employee.”

The CBH also applies the Labor Code (Decree No. 189, 5/11/1959) regarding employees’ obligations when the situations to resolve are not treated in the CBH regulations. Even though there is a tradition of statistical independence at the CBH, these regulations do not cover interference by parties outside the Bank concerning the compilation of statistical data.

2. Methodological Soundness

2.1 Concepts and definitions

2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices

The national accounts follow the concepts and definitions of the 1953 United Nations' report *A System of National Accounts and Supporting Tables (1953 SNA)* Rev. 2 as general framework. This conceptual framework is extremely outdated; the *1993 SNA* Rev. 4 is the

current internationally recommended standard. The definition of value added used is inappropriate owing to the inclusion of property income, land rentals, and some current transfers. Profits of all public enterprises are considered taxes.

2.2 *Scope*

2.2.1 *The scope is broadly consistent with internationally accepted standards, guidelines, or good practices*

The national accounts do not cover all tables and accounts determined as minimum requirement by the Inter-Secretariat Working Group on National Accounts (ISWGNA) since the 1993 SNA is in the process of being implemented. The set of tables and accounts covered by the national accounts are limited to the following:

- annual value added and gross domestic product (GDP) at current and constant prices by activity;
- annual expenditures of GDP at current and constant prices;
- annual gross/net national product and national income, and
- global supply and use at current and constant prices.

The full sequence of accounts for the total economy is not compiled. The set of accounts that the CBH compiles are not disseminated, but are available upon request. These include:

- national disposable income and the use of disposable income account for the total economy, capital formation financing separated by gross national savings (public and private savings), and external savings (net lending/borrowing); and
- monthly index of economic activity (IMAE).

The delimitation of the constituent units of the economy is generally in accordance with the 1953 SNA. The following are included as part of the economy:

- territorial enclaves in the rest of the world,
- free zones, manufacturing processing zones (maquila), and bonded warehouses.

Due to data constraints, all workers who work part of the year in a foreign country are not included in the constituent units of the economy. For example, Honduran workers who work in forestry during 7 months in the United States are not included in the national accounts estimates. Similarly, the compensations of foreign workers who work part of the year in Honduras are not completely recorded as imports of factor services. For instance, the compensations of Nicaraguan employees who work in Honduran coffee plantations are not adjusted as imports of factor services to calculate the gross national product owing to the lack of data.

The production and assets boundaries are in accordance with the *1953 SNA*. Own account production of all goods for own final consumption, output of goods for own-account fixed capital formation, computer software, intellectual production, and illegal output sold are not covered as the *1993 SNA* recommends; however, the last three are not important in Honduras. Mineral exploration, valuables and historical monuments, patented entities, applications and data bases are not included in the assets boundary. The coverage of informal and hidden activities is limited.

2.3 Classification/sectorization

2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices

The classification systems used for national accounts purposes are not consistent with the current internationally accepted standards, guidelines, and good practices:

- The *1953 SNA* is followed for classifying institutional units, transactions, and other flows.
- The *International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 2* instead of the *ISIC Rev. 3* is used to classify the economic activity of enterprises, except in the case of agricultural production, which is separated by major products.
- The *Classification of the Functions of the Government (COFOG)* is not used to classify the functions of government.
- The *Classification of Individual Consumption by Purpose (COICOP)* is not used to classify household final consumption expenditure.
- The *Classification of the Purposes of the Non-profit Institutions Serving Households (COPNI)* is not used to classify final consumption expenditures of the NPISH.

The Honduran Nomenclature of Economic Activities (HNEA) prepared to implement the *1993 SNA* is based on the *ISIC Rev. 3*. The Honduran Product Nomenclature (HPN) also prepared for the *1993 SNA* implementation is based on the *Central Product Classification (CPC)*. These classifications are adaptations of the international standards to the Honduran supply. However, a mixture of economic branches is included in some categories of the HNEA. The COICOP, the COFOG, and the COPNI will also be applied to the estimates of the new base year 2000. The Unique Classification of Economic Use (UCEU) is applied to exports and imports of goods. There are some misclassifications of imports of inputs, capital goods, and final consumption goods.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks

- Value added is valued at factor costs.

- GDP is valued at market prices.
- Output for own-use is not included in production estimates.
- Deductible sales tax (value added tax) is excluded from the valuation of final uses.
- Selective taxes on consumption and non-deductible sales taxes are included in final uses.
- Imports and exports are valued on an f.o.b. basis and data on insurance and freight costs are available.
- Transactions in foreign currency (for the foreign trade data) are converted to Lempiras using the annual average exchange rate of purchases of foreign currency.
- Corrections are made when transfers prices are detected (exports of banana, shrimp, and minerals).

2.4.2 Recording is done on an accrual basis

- Transactions and flows are recorded on an accrual basis with the exception of government's revenues, taxes and subsidies, and some external transactions other than goods which are recorded on a cash basis.
- Work in progress is only recorded for permanent crops. Work in progress for growing crops is not recorded in the period when it is produced.

2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices

Grossing and netting procedures are adhered to in so far as the source data permit. Most transactions between establishments within the same enterprise are recorded on a net basis since data is collected at enterprise level. However, the production of some important enterprises is separated by establishment, such as the enterprises that produce banana, shrimp, African palm, sugar cane, and beverages, whose production is separated in banana, coconut, other fruits, boxes, education services, wholesale, health services, transport services, sugar cane, sugar, alcoholic beverages, non-alcoholic beverages, African palm, cooking oil, and soap.

3. Accuracy and Reliability

3.1 Source data

3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions

Source data are collected through: (i) annual and monthly surveys to enterprises; (ii) household surveys; (iii) censuses, non-regular surveys or ad-hoc surveys; and (iv) administrative data sources.

Surveys to Enterprises

The sample frame for the surveys to enterprises is the National Taxpayer Register of the EDR. It is based on the administrative register of taxpayers, which covers all registered legal units and physical persons subject to the income tax. EDR currently maintains this list. The type of economic activity and status (active or inactive) of the units is reviewed once a year. However, the classification of economic activity used (ISIC Rev. 2) needs to be updated according to the ISIC Rev. 3. There are economic classification problems in this register.

The units from the register are stratified into three groups according to three revenue strata, which vary depending on the range of total revenues of each economic activity at 4 digit level of the ISIC Rev. 2:

Main stratum: Large-sized units (universe)

Medium stratum: Medium-sized units (sample)

Small stratum: Small-sized units (sample)

This register was complemented with the obligatory register of establishments maintained by the local governments in order to include the rest of small-sized units. This register includes the level of sales by establishments. In spite of the availability of enough information to prepare an updated business register, the NAS had not prepared it due to the lack of personnel that hampered this unit until 1999. Because there was no updated sample frame that included all economic units, the CBH decided in early 2000 to prepare an updated directory of enterprises and establishments. This task was one of the tasks included in the project for the implementation of the *1993 SNA* funded by USAID. The directory was concluded in May of 2001 and is being used to design samples and conduct the surveys needed to compile the full sequence of accounts by institutional sector.

The annual surveys of enterprises used for compiling published series and the collecting agency are as follows:

Annual Surveys	Collector
1. Statistical Questionnaire	EDR/Banks/CBH
2. Forecast and Validation of First and Last Cycles of Basic Grains	NIS
3. Agricultural Survey (every 2 years)	NIS
4. Sugar Cane	CBH
5. Banana Activity	CBH
6. African Palm Production	CBH
7. Processor Enterprises of African Palm	CBH
8. Forecast of Coffee Output by Crop	HICOFFEE ¹ /CBH
9. Special Investigation to Salt Producers (every 2 years)	CBH
10. Agricultural Survey on Costs Structures (new base year)	CBH
11. Economic Survey, Questionnaire of Small Producers of Ground Transport Services	CBH
12. Financial statements of private non-financial enterprises	CBH
13. Economic Information of maquila Enterprises	CBH
14. Economic Multipurpose Survey (new base year and subsequent years)	CBH

Also, the NIS conducts a quarterly survey on Enterprise Opinion. The monthly surveys and the collecting agency are as follows:

Monthly Surveys	Collector
1. Economic Information of maquila enterprises	CBH
2. Reports of Mining Production	CBH
3. Permanent Survey of Multiple Purposes of Households (Only collected on May and September)	NIS
4. Output Volume and Prices of Large Private Enterprises (IMAE)	CBH

The large units are surveyed exhaustively every year, while the medium and small units are surveyed by a sample. The sample is stratified by economic activity. Scientific random sampling techniques are not used for the medium and small-sized units. The NAS does not use proper imputation methods to handle nonresponse (such as using respondents from the same economic activity, size class, and region as the missing firm), and grossing up factors are not derived scientifically. Total revenues for the medium units are taking from the EDR records. Costs structures of the enterprises that responded to surveys are applied to total revenues by economic activity to calculate the production account, except in the case of

¹ Honduran Institute of Coffee.

agriculture, quarrying, handicraft, own account production of housing, and some personal services where costs structures are referred to 1978.

The coverage of the total economic activities (in terms of value added) in the annual surveys is satisfactory, except in the case of quarrying, private construction, services, and informal activities. The coverage by economic activities and an assessment of the coverage are presented below.

Production approach		
ISIC Rev. 2	Main data source	Assessment of coverage
Agriculture, hunting, forestry, and fishing	<ul style="list-style-type: none"> - Business surveys (NIS and CBH) - Establishment surveys on costs - Honduran Corporation of Forestry Development (COHDEFOR) - IV Agricultural Census of 1993 - Ministry of Agriculture and Livestock - Inversion plans of the National Bank of Agricultural Development - Local Governments' Meat Processors - Prices of inputs - Prices of agricultural products 	Good
Mining and quarrying	<ul style="list-style-type: none"> - Business surveys 	Unsatisfactory
Manufacturing	<ul style="list-style-type: none"> - Business surveys and statements - Manufacturing Producer Price Index (PPI) - Small establishments and own account workers (employment data: source not used) 	Satisfactory Unavailable
Goods for processing (maquila)	<ul style="list-style-type: none"> - Business surveys 	Good
Electricity, gas, and water supply	<ul style="list-style-type: none"> - Statements of electric and water companies 	Good
Construction	<ul style="list-style-type: none"> - Construction Permits of local governments - Investment of Public Sector - Price index on construction materials 	Unsatisfactory Good
Wholesale and retail trade, and hotels and restaurants	<ul style="list-style-type: none"> - Business surveys - Small establishments and own account workers (employment data: source not used) - Consumer Price Index (CPI) - Wholesale Price index (WPI) 	Unsatisfactory
Transport, storage, and communications	<ul style="list-style-type: none"> - Business surveys - Secretary of Public Works, Transport and Housing - General Directorate of Transport - Small establishments and own account workers (employment data: source not used) - Taxis' surveys - Fare prices 	Satisfactory
Financial intermediation	<ul style="list-style-type: none"> - Data from supervisory bodies 	Good
Real estate, renting, and business activities	<ul style="list-style-type: none"> - Business surveys - Small establishments and own account workers (employment data: source not used) 	Satisfactory
Public administration and defense; compulsory social security	<ul style="list-style-type: none"> - Budget data from central, state, and some local authorities, as well as from decentralized, non-concentrated and autonomous entities - CPI (inappropriate use) 	Good
Public education/Health and social work	<ul style="list-style-type: none"> - Health and education census - Budget data (government) - Social Security Institute and budget - Ministries of Health and Education - Business surveys to private schools and universities 	Good

Production approach		
Other community, social, and personal services	- Business surveys - Small establishments and own account workers (employment data: source not used) - Household surveys (NIS) - Population	Unsatisfactory
Net taxes less subsidies on products	- Budget data (government)	Good

Expenditure Approach		
Expenditure category	Main data source	Assessment of coverage
Household final consumption expenditure	- Residual - Population - CPI	Poor
Final consumption expenditure of nonprofit institutions serving households	- Fixed ratios - CPI	Poor
Government final consumption expenditure	- Budget records - CPI (inappropriate use)	Good
Acquisitions less disposals of tangible fixed assets	- Machinery and equipment (commodity flow total) - Transport equipment (commodity flow total) - Financial statements and records of public sector - Financial statements of private sector (source not used) - Investment private sector (construction permits and rest of component on a residual basis) - Foreign unit value of machinery - Combine index of minimum salary in construction and construction materials index	Satisfactory Unsatisfactory Good Satisfactory Unsatisfactory Satisfactory Satisfactory
Changes in inventories	- Business surveys (source not used) - Residual	Poor
Exports and imports of goods	- Foreign trade statistics - Foreign unit value indices	Good
Exports and imports of services	- Balance of payments - Foreign unit value indices (inappropriate use)	Unsatisfactory

Household Surveys

The Permanent Household Survey of Multiple Purposes is a periodic survey conducted during May and September to collect data on employment, income, and salaries. The survey covers all geographic areas and socio-economic groups. A two-stage stratified random sampling technique is applied, and proper imputation methods are used to deal with the nonresponse. The grossing-up factors are derived scientifically. Data on the purchases of consumption goods, production for own-consumption, purchases of valuables as well as own-account fixed-capital formation are not collected.

Censuses and non-regular and ad hoc surveys

Agriculture estimates are based on the data on cultivation areas, output, and livestock of the IV Agricultural Census conducted in 1993 by the GDSC. Information from the National Agricultural Survey collected by the NIS during 2000 and 2001 has also been used and includes data on annual cultivations, permanent cultivations, livestock and other animal species, land use and farming, and technical assistance.

The last National Survey of Household Incomes and Expenditures (NSHIE) was conducted during 1998–1999. The Hurricane Mitch affected its results during November, 1998 and the first months of 1999. Therefore, the method of household substitution was applied. The sampling was done by geographic strata and the sample was constituted by 3,746 households. The last Industrial Census was conducted in 1975. The NIS conducted a Population Census in 2001, but preliminary results do not include information on housing and employment by economic activity.

Administrative data sources

The Secretariat of Finance (SF) compiles statistics on revenues and expenditures of the central government, some local governments, and some decentralized institutions, as well as on other important public records. Data are available monthly and annually. This information includes all defense-related expenditure and is sufficiently detailed to measure output, intermediate consumption, fixed-capital formation, and final consumption of government services. The major local governments provide monthly reports on construction permits, construction area, value, number of dwellings, constructions for wholesale, manufacturing, services, and lineal constructions (sidewalks, streets, roads, highways, dams, etc.), improvements, and amplifications. They also provide annual reports on their revenues and expenditures. A unit of the SF compiles the register of tax payers, the declarations of income taxes, and the customs declarations. Other administrative sources for compiling national accounts statistics include the records of: the Honduran Institute of Cooperatives (IHC), the National Directorate of Population and Migration Policy (NDPMP), the Secretary of Public Work, Transport and Housing (SPWTH), the Secretary of Public Health (SPH), the Secretary of Education (SE), the universities, the National Fund for the Production and Housing (FNPH), and the financial statements and records of public enterprises.

The NAS receives from the National Commission of Banks and Insurance Companies (NCBI) monthly and annual data on statements of commercial banks and other financial intermediaries. In addition, the NCBI provides quarterly statements of insurance companies to the CBH.

The NAS receives monthly and annual data on imports and exports of goods based on the Automation System of Customs Data (ASYCUDA) and on imports and exports of services from the Balance of Payments Section (BOPS) of the CBH.

3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required

Source data reasonable approximate the definitions, scope, classifications, valuation, and time of recording required for compiling national accounts statistics. National accounts compilers are aware of differences in concepts and definitions used in the source data from those required by national accounts. Maquila output might be understated since exports are recorded as the national component (domestic costs) or value added. It does not include

enterprises' profits. There is a mixture of valuations in the value of maquila exports (gross/net) in the surveys.

Annual data requested to establishments and non financial enterprises are recorded on accrual basis and disaggregated according to business accounting of the private sector. However, increased detail on other revenues and expenditures is needed to correctly classify these transactions. Likewise, the information on financial enterprises is recorded on accrual basis according to the chart of accounts of financial institutions and insurance companies, respectively. In addition, the government has its own charts of accounts. Government expenditures are recorded on accrual basis and revenues on cash basis. The available information can be easily reclassified according to the *1993 SNA*.

Work in progress is only estimated for permanent crops since information on growing crops' calendar was not available for the base year. Nevertheless, the Ministry of Agriculture is planning to conduct a survey on production, cultivation areas, costs, and investment in order to improve coverage and the methods applied on this activity. In general, source data are consistent with the definitions, scope, and classifications of national accounts estimates.

3.1.3 Source data are timely

There are no major problems with the timeliness of the source data. Data on financial and insurance companies, prices, and the general government are obtained on a timely basis. However, foreign trade statistics and balance of payments data are not timely. In addition, the response to surveys of non-financial private enterprises is voluntary since it is not enforced by the application of the sanctions prescribed in the NIS law. Therefore, some responses are not timely. On the other hand, the NAS' permanent resources to regularly visit establishments are insufficient.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

The base year of national accounts estimates (1978) is extremely outdated, as relative price and sectoral structures have likely changed markedly over the last 25 years. Subsequently, the CBH launched a project to implement the *1993 SNA* and change the base year of national accounts statistics in two phases, with the first phase aimed at identifying weaknesses in source data, preparing a business register, and training staff in the *1993 SNA*. This phase was concluded at the end of 2001. The second phase, currently underway, seeks to complete implementation of the *1993 SNA* and to change the base year to 2000.

Production approach procedures

In general, current output estimates are made at the four-digit level of the ISIC, Rev. 2. In the case of agriculture, estimates are made at product level. Nevertheless, estimates of some activities are limited to value added. Estimates of intermediate consumption are not compiled

at the same level of detail as output. Even though cost structures from annual surveys are used, reliance in old fixed ratios in some activities is excessive. The definition of value added includes compensation of employees, social security contributions, consumption of fixed capital, and operating surplus. The latter includes profits, rentals on land and buildings, net interest payments, and some current transfers.

Most economic activities are estimated by using revenues (sales) declared by enterprises to the EDR, aggregated by activity. An adjustment to the coverage is made for the establishments that instead declare sale volumes to local governments. In the case of manufacturing, an adjustment is made to cover the production of handicraft. The production account is estimated by applying production and costs coefficients obtained from the statistical questionnaire of the CBH included by the EDR in the income tax declarations. This procedure is used to estimate manufacturing, wholesale, hotels and restaurants, transport, and personal and business services. It is assumed that revenue data declared to the EDR have a systematic bias due to the understatement of revenue. This procedure does not cover the output of informal activities that might be significant in wholesale and personal services activities. Output and value added of maquila enterprises are underestimated since they do not include enterprises' profits (operating surplus is equal to zero) and consumption of fixed capital, even though the surveys collect information on profits/losses and depreciation.

Output of private construction is estimated on the basis of construction permits. This procedure might overestimate construction output since not all constructions permits are executed during the approved period. In addition, some constructions might never be executed. However, illegal constructions (without permit) are not recorded.

Estimates of transport activities are based on the number of vehicles with an operation license and special investigations.

Output of owner-occupied dwellings is calculated by using the number of own dwellings from the Population and Housing Census of 1988 valued at average rentals obtained from the CPI. Work in progress is only calculated for permanent cultivations. Data on output and intermediate consumption are not adjusted for holding gains/losses on inventories. The perpetual inventory method is not used for estimating consumption of fixed capital. This variable is estimated on the basis of information on depreciation. Depreciation is deflated by the CPI; an inappropriate method. The cash data on government revenues are not converted to accrual by allocating them in the period that they relate.

The primary method used for deriving constant price estimates is the single indicator method. The main deflators are the producer price indices, the consumer price indices, and the wholesale price indices.

Value added for wholesale trade by product category is deflated using wholesale price indices. A similar procedure is used to deflate the value added of retail trade by consumer price indices, which is a deviation from best practices. In agriculture, output is extrapolated by volume indicators. Value added of restaurant services is deflated by the CPI of hotel

breakfasts. Hotel services are deflated by the CPI of housing—a method that departs from best practices. General government services and financial services are deflated by an index of average compensations of employees or by the CPI, depending on the information available. Taxes/subsidies at constant prices are incorrectly derived by deflating figures at current prices by the CPI. Instead, they should be derived by multiplying the real value of output of goods and services subject to taxes/subsidies by the base-year ratio of taxes/subsidies to output. Profits/losses of public enterprises are incorrectly treated as taxes/subsidies.

Expenditure approach procedures

The GDP estimate by expenditure components is not derived independently. Only government final consumption expenditures and exports are independently compiled. Government final consumption expenditure excludes incidental sales. The estimate is based on the expenditure data of the central government, the local governments, and the decentralized public institutions. Government final consumption expenditures at constant prices are obtained by deflating current price estimates by the CPI, a method that departs from best practices. It is important to note that government value added at constant prices is not consistent with government final consumption expenditures. Government's value added includes some transactions that are considered deviations from best practices, such as net interest payments and some current transfers. Government consumption expenditures should be obtained as the sum of the government's costs less incidental sales. The value at constant prices of the government's compensation of employees and consumption of fixed capital should be equal for both estimates: value added and government consumption.

Gross-fixed capital formation is compiled by four types of assets—machinery, transport equipment, and buildings and other constructions. Estimates of the construction of buildings and other structures are based on construction output. Gross capital formation of machinery and equipment is based on data on imports and output of these products. Recording imports of capital goods as capital formation might lead to overestimation, because some import data from customs might include spare parts. All imports are not used in the same period that they are imported. There is a lag between the date the machinery is imported and the date it is installed to be used in the production process. On average, at least two or three months of inventories should be estimated for these goods. Total imports of vehicles are recorded as capital formation. An important number of imported vehicles are bought by households for final consumption purposes. Domestic machinery is deflated by import unit value indices, an inappropriate method.

The sum of the total changes in inventories and the total private final consumption expenditures (including final consumption expenditures of non-profit institutions serving households) is estimated as a residual between the GDP calculated by the production approach and the sum of the other components of the domestic expenditure and the trade balance. Private final consumption expenditures and changes in inventories are separated by using population data and the CPI developments—a method that departs from best practices. As can be concluded from the published figures, total changes in inventories have been positive for more than 10 years. Consecutive positive annual changes in inventories which

represent between 5 to 10 percent to GDP are not realistic. It is financially costly for enterprises to maintain such level of inventories.

In this respect, information on inventories is available from the statistical questionnaires, the business surveys, the financial statements of enterprises, and the survey on enterprise opinion that is not used to improve the estimate on changes in inventories.

Private final consumption expenditure is compiled at the aggregate level. Household final consumption expenditures estimates could be improved by using the developments of output of consumption goods, imports of consumption goods, and information on household expenditures from a periodic household survey.

Expenses of residents abroad are not included in household final consumption expenditure, and expenditures of nonresidents in the domestic economy are not excluded from private final consumption expenditure, even though they are included as exports in the balance of payments as far as the basic data permit.

Estimates of exports and imports of goods and services at constant prices are obtained by deflating the current values by unit value indices of exports and imports. However, constant price estimates of exports and imports of services should have their own price indices (indices calculated with the developments of the CPI, the percentage change of the exchange rates, and the price indices of trade partners, respectively).

Estimates of gross national product (GNP) include imports and exports of factor services deflated by the implicit price index of imports and exports of goods.

Specific quarterly compilation techniques

Seasonally adjusted quarterly GDP estimates at constant 1978 prices are being developed on an experimental basis. The NAS will ask for technical assistance regarding the compilation of quarterly national accounts. Benchmarking has been done by using the prorate technique and the Chow Lin method, resulting in a step problem between quarterly and annual estimates.

Monthly index of economic activity (MIEA)

The MIEA is a Laspeyres volume index obtained by integrating the monthly production indices of relevant industries by the structure of value added for 1986, base year of this index. Indices for agriculture, mining, manufacturing, electricity and water, private construction, transport and communication services, wholesale, governmental services, financial and insurance services, and some personal services are calculated by using monthly data. The index covers 74 percent of GDP for the base year. These indices present some deficiencies in coverage, especially in regard to the production of services. The CBH does not publish the trends of the MIEA. Seasonally adjusted data is calculated by using X-11 ARIMA.

3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques

Output estimates at constant prices of small establishments and own account workers are not made by using employment statistics and the output per capita from the base year. Data on output and costs of own account workers could be obtained from a module to be included in the household survey. Handicraft and informal activities are not estimated and analyzed separately. These activities are important in Honduras. Hidden and illegal activities are not included in national accounts estimates.

3.3 Assessment and validation of source data

3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide planning

Source data are not routinely assessed for their accuracy. Information is not available about sampling and nonsampling errors for all surveys. The NAS keeps archives for internal purposes on problems encountered (for example, issues of misclassification or measurement), to avoid similar problems in the future. Information about imputations made in the basic statistics is not available. Outliers in basic statistics are evident in the provisional figures, but they are mostly removed from the final results. High-value transactions are confirmed with respondents. Household surveys are audited to verify the accuracy of the individual survey data. Source data are not routinely validated for temporal consistency. Establishments are not selected from probabilistic samples due to the lack of an up-to-date business register until to 2001. Therefore, coverage cannot be accurately assessed. Sample errors, non samples errors and response errors are not available. Response to surveys is voluntary.

Some processes to assess accuracy of the data on large enterprises, external trade, financial institutions, insurance companies, and government are implemented.

3.4 Assessment and validation of intermediate data and statistical outputs

3.4.1 Main intermediate data are validated against other information where applicable

Data derived from enterprise surveys are cross-checked against data on output derived from administrative sources, as well as against merchandise trade statistics. Basic data are cross-checked with information from other sources, when available. Information on external trade is validated with data from agriculture and mining corporations. Ad hoc assessment of potential discrepancies is done, but checks only occur after discrepancies are identified.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

When discrepancies in intermediate data are identified, they are evaluated and investigated in order to remove them. If some information from the business surveys is not clear or presents an irregular behavior, specialists call enterprises' accountants to ask for an explanation in order to reconcile the information.

When there are two data sources regarding the information on an enterprise (business surveys vs. financial statements), the information is validated and reconciled.

3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated

The supply-use framework is not used to make GDP estimates by activity and expenditure components consistent. GDP estimates are calculated by the production and expenditure approaches. The net operating surplus is obtained as a residual. Discrepancies usually exist between the production and the expenditure approaches, but cannot be addressed since some expenditure components are not derived independently. The expenditure approach is made at aggregate level and its coverage is lower than that of the production approach. In general, discrepancies are assumed to be part of expenditures on GDP. Explanatory notes about the discrepancies are not included in the publication.

NAS does not use unofficial estimates to validate national accounts estimates. Moreover, it does not carry out studies to ensure that bias in the GDP estimate is negligible and stable over time.

3.5 Revision studies

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

The direction and magnitude of revisions between preliminary data and final data are analyzed and investigated. When final GDP figures change with respect to the preliminary estimates owing to coverage improvements, changes in trends are internally explained. However, these analyses are not published.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

The CNSS was set out in the NIS law to meet regularly to deal with the statistical issues, including those related to the relevance and practical utility of statistics. Nevertheless, there have been only two meetings of the CNSS and no meetings have taken place since 2001.

The relevance and practical utility of statistics is assessed, to some extent, through user requests. However, there is no a formal process of consultation with users.

CBH staff participate in international statistical meetings and seminars organized by international and regional organizations.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

The national accounts statistics meet the General Data Dissemination System (GDDS) requirement on timeliness. Annual estimates of GDP are disseminated between 6 to 9 months after the end of the reference year.

4.2.2 Periodicity follows dissemination standards

National accounts are compiled annually meeting the GDDS requirements.

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

Discrepancies between supply and expenditures are adjusted as part of final household consumption expenditures and changes in inventories since supply sources are considered more reliable than those of the expenditure side. Estimates on gross capital formation and inventories might be overestimated due to the sources and methods used in their estimation. Total final consumption expenditure might be underestimated since it is calculated as a residual. Maquila production and hence, its value added do not include enterprises' profits and consumption of fixed capital as exports do. Therefore, statistical discrepancies between the value added and exports of the maquila sector are included in the residual variables. Similarly, discrepancies between government value added and government final consumption expenditure are also included in the residual variables. Final consumption expenditures do not include direct adjustments for expenditures of non resident households and those of resident households abroad, even though they are included in the exports and imports of

travel services of the balance of payments. Consistency of the national accounts is established through balancing procedures. The estimates at current prices, volume measures, and implicit deflators are consistent within the “value = volume × price” framework.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

National accounts series from 1950 to 2002 are available. The latest major revision of GDP estimates, with the adoption of the base year 1978, allows for coherent time series for the period 1978–2001. As for previous years, interpolation work was done to prepare comparable series with 1978 as base year. Detailed methodological notes to identify and explain breaks and discontinuities in time series, their causes, as well as adjustments made to maintain consistency over time are not available. Any unusual changes in economic trends are explained in a general way in the analytical text included in the annual report (*Memoria Annual*) of the CBH.

4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks

National accounts statistics are consistent with balance of payments statistics, except in the case of maquila estimates. National accounts statistics do not include profits of maquila enterprises in their value added as balance of payments statistics do. Monetary and government finance statistics are generally consistent with national accounts estimates since the data sources used in their compilation are the same. However, the institutional classification of the public sector among government finance statistics, national accounts, and monetary statistics is not the same. The coverage of local governments used in national accounts is higher than that of government finance statistics. In addition, all profits/losses of public enterprises are treated as taxes/subsidies in the national accounts.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

A preliminary GDP estimate is followed by two routine revisions. A final estimate is published 14 months after the first estimate. The preliminary estimate of GDP for the previous year is published in February of the following year. A first revised estimate of the reference period is published in May/June of the following year. A second revised estimate is disseminated in August/September of the following year. A final estimate is published in February of the second following year. Base years are not changed following a predetermined schedule. Therefore, the general public is not informed of any predetermined revision policy. Adequate documentation on revisions is not included in the publication of statistical series and in the database (website) accessible to users.

The revisions cycle for annual estimates is as follows:

Estimates	Timetable for annual estimates
Preliminary estimate	2 months
First revised estimate	5–6 months
Second revised estimate	8–9 months
Final estimate	14 months

4.4.2 Preliminary data are clearly identified

The forecast of the percentage change of GDP at constant prices for the current year is presented in the monetary program posted on the CBH website. The first estimate of GDP is disseminated with much more level of detail at current and at constant prices. Users are informed in a footnote included in each table of the publication that the initially published data are preliminary and subject to revision, and preliminary data are labeled. The revised data are disseminated with the same level of detail as previously published for the data being revised.

4.4.3 Studies and analyses of revisions are made public

Only analyses and causes of major revisions (e.g. change in the base year) are made public. Analyses on the extent and causes of current revisions are elaborated, but not publicized.

5. Accessibility

5.1 Data accessibility

5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)

The national accounts are readily accessible on the CBH website. Annual national accounts estimates are presented in a clear manner, and charts, tables and analysis of recent developments are disseminated with the data. However, household and government final consumption expenditures are disseminated at a high level of aggregation. Datasets are not published with sufficient detail to facilitate meaningful comparisons.

5.1.2 Dissemination media and formats are adequate

The primary dissemination media is a release that is posted on the CBH website. Data are also published in hard copy for the period 1993–2000. CBH publications are free. Electronic versions are also available in diskette at the NAS or by e-mail at cnacionales@mail.bch.hn.

The annual national accounts data are released through the following hard copy publications: *Statistical Bulletin*. —Preliminary, first and second revised estimates of GDP
Annual Report —Second and final revised estimates of GDP; and
Honduras in Figures —Second and final revised estimates of GDP.

The web page of the CBH reproduces the data from the monthly *Statistical Bulletin* and the *Annual Report*. Longer time series cannot be accessed electronically.

5.1.3 Statistics are released on a preannounced schedule

The schedule for the release of annual estimates of national accounts is not formally pre-announced.

5.1.4 Statistics are made available to all users at the same time

The data of national accounts series are not made available to all users at the same time. Data is available to some government users and other users upon request before being disseminated.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Nonpublished, but nonconfidential sub-aggregates of the statistics are available to users upon request, but the availability of this information is not publicized.

5.2 Metadata accessibility

5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated

Limited metadata for national accounts are available in three publications: *National Accounts of Honduras 1970–1980* published in 1982, *National Accounts of Honduras 1975–1984* published in 1986, and *National Accounts of Honduras 1978–1990* published in 1992. However, only concepts and definitions are included. Sources and statistical techniques used to compile the estimates are not published.

5.2.2 Levels of detail are adapted to the needs of the intended audience

Documentation is available to inform general users about the statistical series. However, specialized users might find some explanations very general.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

The name of the contact person (the Chief of the NAS) and her email address (ehernandez@mail.bch.hn) are publicized on the CBH website www.bch.hn. There is also a general email address for the NAS (cnacionales@mail.bch.hn), where queries and requests may be addressed. An institutional email address (webmaster@mail.bch.hn) is on the Internet for users' comments and suggestions. The addresses of the different offices of the Bank are also posted on the CBH website. However, a contact person is not publicized in the publications.

In addition, the Library of the CBH gives information to users about the contact person, phone number, and email to facilitate requests for clarification/elaboration. The CBH gives presentations to college students in order to explain the contents of their publications.

5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available

The CBH disseminates a list of publications on the Internet. It does not charge for documents that are in print. A copying fee may be charged for other documents.

Table 1. Honduras: Data Quality Assessment Framework—Summary of Results for National Accounts
(*Compiling Agency: CBH*)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
0. Prerequisites of quality						
0.1 Legal and institutional environment			X		Neither the CBH law nor the NIS law specify the responsibility for compiling national accounts. Infrequent communication and meetings among data producing agencies. The Commission of the NSS is not working. Duplication of effort in the compilation of trade statistics. Respondent burden is not carefully considered. The CBH is compiling almost all basic information. The CBH is member of the NSS, but does not use the NIS law to enforced response to surveys. Payment of fines is not enforced. In the case of the CBH law, data reporting not mandatory for the non-financial private sector. Some rotation of personnel. Permanent staff and financial resources are not adequate for maintenance and development work. Some computing resources are obsolete.	
0.2 Resources			X		Statistical Advisory Council is envisaged in the NIS law, but it is not working. No users' surveys. Users' feedback is not undertaken on a regular basis. Meetings with policy makers are not frequent.	
0.3 Quality awareness			X			
1. Integrity						
1.1 Professionalism		X			Law and codes of conduct of the CBH are not published on its website and in its publications. Mission statement does not reflect statistical function. Access of government officials to CBH data before publication not made public.	
1.2 Transparency			X			
1.3 Ethical standards			X			

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 1. Honduras: Data Quality Assessment Framework—Summary of Results for National Accounts
(Compiling Agency: CBH)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
2. Methodological soundness						
2.1 Concepts and definitions				X	Concepts and definitions of the 1953 SNA used as a general framework. Value added definition includes property income and some transfers. Total profit/losses of public enterprises treated as taxes/subsidies. However, the implementation of the 1993 SNA is under way.	
2.2 Scope			X		The full set of accounts for the total economy according to the 1953 SNA is not compiled.	
2.3 Classification/sectorization				X	ISIC Rev. 2. No other standard classifications are used (e.g., CPC, COICOP, COFOG, and COPNI). ISIC Rev. 3 being implemented. Some misclassification of imported goods by economic use.	
2.4 Basis for recording			X		Value added is valued at factor costs. Output for own use is not included. Transactions in foreign currency are converted to Lempiras using the annual average exchange rate. Due to limitations in source data, government revenue and some external transactions other than goods are recorded on a cash basis. Work in progress is not recorded in the period it is produced. Most of production accounts are compiled at the enterprise level rather than at the establishment level.	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 1. Honduras: Data Quality Assessment Framework—Summary of Results for National Accounts
(Compiling Agency: CBH)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
3. Accuracy and reliability						
3.1 Source data		X			Unsatisfactory coverage of quarrying, private construction, and services. A household survey is only collected during May and September. Problems with ISIC classification of data from tax declarations. Responses to surveys are not enforced. Lack of resources to visit establishments. Underestimation of maquila output due to the exclusion of profits of maquila enterprises in value added.	
3.2 Statistical techniques			X		Wide use of single indicator method to estimate GDP (no double deflation) even though there are data on price indices and cost structures from annual surveys. For some activities, value added is deflated by CPI or WPI. The reliance on old fixed ratios is excessive. Total of household consumption expenditures and changes in inventories is compiled at aggregate level and as a residual. Allocation of harvests in time is inaccurate. Private investment in machinery includes spare parts and in transport equipment includes vehicles for final consumption. Profits/losses of public enterprises are treated as tax/subsidies. Adjustments for informal, hidden and unrecorded activities are not made. There is available information to improve coverage and statistical techniques, but it is not used.	
3.3 Assessment and validation of source data			X		Information about sampling errors is only available for the Household Survey. Information about imputation methods and internal processes is not available.	

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Table 1. Honduras: Data Quality Assessment Framework—Summary of Results for National Accounts
(Compiling Agency: CBH)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
3.4 Assessment and validation of inter-mediate data and statistical outputs			X		Administrative records are somewhat assessed. No systematic validation process. Ad hoc assessment of potential discrepancies is done, but checks only occur after discrepancies are identified. Supply and use tables are not used to address discrepancies in data.	
3.5 Revision studies				X	Analysis of revisions is not done routinely.	
4. Serviceability						
4.1 Relevance			X		Policy makers' feedback not solicited in a structured manner. The needs of non-government users not monitored regularly. There is no an advisory group.	
4.2 Timeliness and periodicity					Inventories systematically positive and high. Lack of proper reconciliation framework (supply and use tables). There is no consistency between government value added and government final consumption. Any unusual changes are not explained to the public.	
4.3 Consistency		X			Institutional coverage of Public Finance differs from that of national accounts. Maquila profits are not included in production of national accounts, but they are included in balance of payments statistics.	
4.4 Revision policy and practice			X		No predetermined revision policy. Revision studies are not published. Analysis and causes of major revisions (change in the base year) are made public.	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 1. Honduras: Data Quality Assessment Framework—Summary of Results for National Accounts
(Compiling Agency: CBH)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
5. Accessibility							
5.1 Data accessibility				X		Household final consumption and government final consumption are published at aggregate level. Disposable national income and savings are not published. Statistics are too aggregate. No formal-preannounced publication schedule exists. Some data are made available to some users prior to official release. The availability of non-published sub-aggregated data is not publicized.	
5.2 Metadata accessibility					X	Metadata are outdated and only include concepts and definitions. Information on sources and statistical techniques is not included. Explanations are too broad.	
5.3 Assistance to users			X			Contact person is published on the Internet, but not in CBH publications. Requests and queries are made in person or by email to the NAS.	

II. PRICE STATISTICS (CONSUMER PRICE INDEX)

0. Prerequisites of quality

0.1 *Legal and institutional environment*

0.1.1 *The responsibility for collecting, processing, and disseminating statistics is clearly specified*

The consumer price index (CPI) is compiled and published by the CBH. The legal framework for the activities of the CBH is set forth in the CBH law found in the National Congressional Decree No. 53 passed on February 3, 1950 and modified by Decree No. 228–96 on December 17, 1996. Article 25 of Section V in Chapter II of the law of the CBH assigns the responsibility for the compilation of statistical series relating to prices to the ESD.

On May 31, 2000, the NIS was formed by means of the National Congressional Decree No. 86–2000. In Article 5, Number 5 of Chapter II the NIS is assigned the responsibility of producing and/or coordinating the production of the basic statistical series including the national accounts, and monetary, fiscal, balance of payments, production, employment, salaries and price statistics. It should be noted that although the NIS is not currently directly involved in the compilation and dissemination of the CPI, Article 120 of the regulations of the NIS provides for a transitional program intended for use in assisting with the transfer of the compilation of the CPI from the CBH to the NIS.

0.1.2 *Data sharing and coordination among data producing agencies are adequate*

With the exception of expenditure data from the National Survey of Household Income and Expenditures (NSHIE) needed for the CPI market basket weights, the CBH is self-sufficient in the production and dissemination of the monthly CPI. Historically, there has been excellent cooperation between the CBH and the General Directorate of Statistics and Census (GDSC) with regard to the NSHIE. It is expected that the same level of cooperation will exist between the CBH and the NIS for future household surveys.

There is a potential problem of duplication of effort in the calculation of the CPI. As part of the transition process, the CBH passes a detailed list of average prices used in the calculation of the index to the NIS. However, the NIS has indicated its desire to receive, on a monthly basis, a copy of the entire database containing the results of the monthly price collection survey conducted by the CBH. The NIS intends to use these data for analysis and experimental calculations. In addition, the NIS has begun a separate price collection effort for the preparation of a separate experimental index based on a limited list of “basic” market basket items.

0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only

Although the CBH law does not refer specifically to the confidentiality of statistical data collected by the CBH, the Internal Regulations for Workers of the CBH specifies the obligations of employees with regard to confidentiality. Letter o of Article 44 and Letters d and m of Article 45 specify that CBH employees should observe standards of strict confidentiality with regard to all data collected by the CBH and any studies or projects carried out by the bank. In Articles 47 and 48 sanctions for transgressions are specified.

Article 31 of NIS law states that statistical data should be held confidential and should not be published in any form that would allow for the identification of the respondent, except in the case of selected data from public institutions. Infractions of these standards are defined in Article 33 of the NIS law and sanctions for employees that disregard these standards are given in Article 34.

In the CBH, access to confidential data is restricted to those employees who require the information in the performance of their duties. CPI data prepared for dissemination is reviewed by CBH staff to avoid the potential identification of individual respondents, although given the nature of these data, there is limited potential for this problem to recur.

The CBH has implemented a number of security measures to guard against unauthorized access to its statistical databases. The CBH intranet can only be accessed with a name and password, and different levels of access have been established for the various databases. There is also an external firewall to prohibit access to the intranet through the CBH internet website.

0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response

Although there is no law that provides for obligatory submission of statistical data to the CBH as with the NIS, there is a strong tradition of voluntary cooperation among respondents. The CBH has fostered a belief that the data provided will be used only for statistical purposes and will be held confidential. Each respondent is presented with a letter explaining the need for the data and the policy of the CBH with regard to confidentiality. The data collection instruments are designed to reduce respondent burden, and an attempt is made to take into account the time schedule of the respondent for data collection.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The CBH staff dedicated to the compilation of the CPI is adequate. There are 9 staff members within the ESD working directly on the CPI and 12 field agents and/or supervisors assigned to price collection in the 7 geographic regions covered by the index. CPI staff members receive on-the-job training as well as formal training through courses and seminars

both in and outside the country, such as those conducted by the National Institute of Statistics of Spain. Even though a number of the staff members working on the CPI are contract personnel, there is no significant problem with the loss of trained employees.

Although the CBH currently has a sufficient number of computers and other data processing equipment for the monthly preparation of the CPI, a number of these computers, servers and their operating systems are becoming obsolete and need to be updated. The CPI is presently being computed using the database software PROGRESS version 9.1.x and is configured to perform all calculations for the CPI in an automated fashion.

The financial resources for compiling the CPI are adequate. Funding for the compilation of the CPI is provided under the standard budgetary process of the CBH. Requests for funding for special projects such as changing the reference base for the index are included as part of the normal budget process as needed.

0.2.2 Measures to ensure efficient use of resources are implemented

The CBH has a four-year (2003–2006) strategic plan that serves to increase the quality of the statistical series that are compiled as well as to improve efficiency in the allocation of resources. The four-year strategic plan is further broken down into individual yearly plans. These plans are administered by each organizational unit of the bank in coordination with the Department of Organization and Planning (DOP). The DOP meets with each organizational unit every four months to review progress with the four-year plan and the yearly plan. The allocation of both financial and human resources is also discussed during these meetings with the DOP. In addition, each unit formally reviews progress on a monthly basis.

The CBH has an active program to take advantage of new computing technology, including the internet, for data processing and dissemination. The CBH internet website is well designed, and has become an important part of the data dissemination process for both the bank and index users.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

The four-year strategic plan, as it is administered by the organizational units under the direction of the DOP, possesses the essential characteristics of a total quality management program. It provides the framework for continuous structured review of the allocation of all types of resources as well as the different elements of data quality, including accuracy, methodological soundness, reliability, serviceability, and accessibility.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

The CBH has established practices and procedures to ensure the quality of the CPI at all levels of production including data collection, data processing, and index tabulation and dissemination. The weekly and monthly price collection phase of the CPI is reviewed at both the regional level and the national level. Any problems that are detected are referred to the supervisors at the section and the unit levels. Data entry and screening are handled at the CBH central office. Computer listings are generated that allow for review and validation of the index at each level of compilation. This process allows a consistent review of data from all parts of the country by qualified analysts. Any errors that are detected are corrected after consultation with regional staff, when necessary. The index aggregates are also reviewed and analyzed by CBH staff at various administrative levels before the index is published.

The CBH also has instituted a program of monthly visits to oversee price collection in the different regions. These visits also serve as a means for verifying abnormalities detected during the monthly review of data in the central office.

For the CPI there are no official mechanisms, such as a user surveys or official advisory groups, for obtaining feedback from users and/or guidance on methodological issues. However, when the need arises, ad hoc advisory groups are formed from members of the academic community, other government agencies, the press, private sector consulting firms, local business firms, and international organizations that provide technical assistance.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

The four-year strategic planning system of the CBH and the form in which it has been implemented is strong evidence of the bank's commitment to quality assurance and an analysis of the tradeoffs among its different dimensions.

The CBH has an ongoing program to identify changes in specifications for CPI market basket items, especially motor vehicles and high technology items. The new items specifications are introduced into the index as needed.

Although there is no official advisory group for the CPI, the CBH convenes, on an ad hoc basis, such groups when changes are being considered for the index. However, these groups tend to concentrate on issues relating to the methodological soundness of the CPI, rather than user needs and other aspects of quality.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The CBH law provides for a degree of autonomy that has allowed the CBH to carry out its obligations in an environment of technical, economic and administrative independence. The result is that the CPI is produced and disseminated without any type of outside influence.

Both the hiring and the promotion of CBH employees are carried out by the Department of Human Resources. These employee actions are governed by CBH regulations and are based on professional merit.

CBH employees are encouraged to carry out research projects and to participate in conferences, lectures and professional meetings with other professional groups. The methodological studies prepared by CBH professionals are circulated for internal review and, where appropriate, for outside review. Papers submitted for publication must be approved by the administration of the CBH.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

The selection of source data and statistical techniques for the compilation of statistical series by the CBH is based solely on statistical considerations. Decisions in this regard are made internally after careful consideration of methodological recommendations by international organizations.

Documentation of source data and methodologies employed for the compilation of the CPI has been prepared and is available to the public.

1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics

When necessary, the CBH responds to erroneous interpretations of the CPI using press releases and other means of publication. The CBH follows the financial press very carefully with regard to references to the CPI. Commentaries on the behavior of the CPI are included in the monthly bulletin that is distributed to the press.

1.2 Transparency

1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public

Although the CBH website and other publications are well designed and describe in detail the methodology and the technical conditions under which the CPI is calculated, these sources do not refer directly to standards of confidentiality and professionalism required for CBH staff. However, these standards are covered in the CBH law and/or the NIS law that are available in the CBH library and on websites other than those of the CBH.

All CBH publications contain information on the CBH website. The CBH website includes a directory of key personnel for each organizational unit.

1.2.2 Internal governmental access to statistics prior to their release is publicly identified

The CBH prepares a weekly index for a market basket of food items that is for the exclusive use of the authorities of the CBH and the President of the Republic. Once the complete monthly CPI is ready for publication, a draft press release is sent to the President of the CBH for approval. After the press release is approved, two color copies are prepared for distribution to the press and to the President of the Republic. At this time, the CPI is released simultaneously to the public through the monthly bulletin and the website.

1.2.3 Products of statistical agencies/units are clearly identified as such

Every CBH publication carries the CBH logo and the department or organizational unit that is responsible for its preparation. When other institutions use data from the CBH, they are requested to give attribution to the CBH.

1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques

When major changes in methodology or sources of data are made, they are publicized before their implementation. For the recent change in the reference base of the CPI, a campaign was carried out by means of publications, workshops and meetings to publicize this change.

1.3 Ethical standards

1.3.1 Guidelines for staff behavior are in place and are well known to the staff

CBH norms and regulations with regard to confidentiality, improper use of statistical data, and conflict of interest are presented in the Internal Labor Regulations of the CBH published on November 29, 1994. Each new employee is informed of these norms and regulations and is given a personal copy of them.

Even though there is a long tradition of statistical independence and professionalism that has been developed in the CBH, its regulations do not specifically cover interference and/or influence with official statistics by parties outside the CBH.

2. Methodological Soundness

2.1 Concepts and definitions

2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices

The concepts and definitions used for the compilation of the CPI are in accordance with the international recommendations. Index weights are based on expenditure data obtained from the 1998–99 NSHIE using concepts that are consistent with the *1993 SNA*. Specifications for specific varieties for goods and services on which monthly price collection takes place follow guidelines given in the *Consumer Price Index Manual*, taking into account item characteristics as well as transaction characteristics.

2.2 Scope

2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices

Both the geographic weights and the market basket item weights for the CPI are based on expenditure data from all urban households included in the household sample for the 1998–99 NSHIE. The household sample is representative of all levels of income, types of occupations and household composition. The NSHIE was designed to separate consumption and business expenditures for those households with unincorporated business activity. Expenditure data from households involved in farming and fishing activities that resided in urban geographic areas were included for weights calculations for the CPI.

Imputed rents were used to determine the value of housing for owner occupants as well as for households that did not own a house and did not pay rent.

Consumption of illegal market goods and services was included in the weights for the CPI. Only one such expenditure was recorded in the 1998–99 NSHIE.

2.3 Classification/sectorization

2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices

All classification and coding for the 1999–98 NSHIE and the current CPI are based on an extended version of COICOP. A detailed concordance is available for reclassification of

NSHIE and CPI data to the Central Product Classification (CPC), the International Industrial Classification (ISIC) versions 2 and 3, and the Honduran Product Nomenclature (HPN).

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks

The value of consumption used for determining the weights for the CPI is based on expenditures data from the 1998–99 NSHIE. The prices used to determine expenditures were the market prices including trade and transportation margins and taxes. Subsidies on products were discounted. Imputed rent was used to value housing services for owner-occupants and for households with free housing. Own production was valued at market prices.

Product specifications for pricing items in the CPI market basket include detailed item characteristics and the terms of transactions.

2.4.2 Recording is done on an accrual basis

All prices used for estimating the market basket item weights and for monthly price collection are measured on an accrual basis. The market price of the good or service is recorded for the period in which the item is purchased or, in the case of monthly price collection, the period during which the item is offered for sale.

2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices

For the CPI market basket weights, purchases of durable goods, such as automobiles, are registered as acquisitions less disposal of such goods. For the 1998–99 NSHIE, it is possible to separate out purchases of new goods from purchases of used goods for consumer durables. Sales of used consumer durables are also identifiable.

3. Accuracy and Reliability

3.1 Source data

3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions

The sampling frame for the 1998–99 NSHIE that was used as the source for CPI market basket item weights was the 1988 Census of Population and Housing (CPH). The construction of this sampling frame was based on updated census maps (for the selection of segments) and updated lists of households (for the selection of households within the selected segments). The NSHIE sampling frame covered the entire territory of Honduras with the exception of the Department of Gracias a Dios and Las Islas de la Bahia. These areas contain less than two percent of the population of Honduras.

The NSHIE sampling frame contained 902,052 housing units of which 3746 were surveyed. A two-stage procedure was used for the selection households. The territory of Honduras was stratified into four geographic strata: 1) the Central District that includes Tegucigalpa and Comayagua, 2) the metropolitan area of San Pedro Sula, 3) other urban areas, and 4) rural areas. In the first stage of sampling specific geographic areas (or segments) were selected, and in the second stage the households to be surveyed were selected. For each geographic stratum, the household sample was distributed over the 12-month period that was to be covered by the survey (January–December, 1998). Due to the effect of hurricane Mitch, data collection was suspended in November and December of 1998 and resumed for a period of three months during January–March 1999. Adjustments were made as part of the tabulation process to annualize the 13 months of expenditure data obtained from the survey.

The results of the NSHIE were expanded to reflect the universe of the survey sampling frame. Based on extensive analysis, additional adjustments were made for non-response, missing data, and for the effects of hurricane Mitch.

Household income and expenditure surveys were conducted in Honduras in 1937, 1948, 1966, 1978 and 1998–99. In other words, the surveys have been held every 10 to 20 years historically. According to the authorities of the NIS, a long-term plan exists to conduct household income and expenditure surveys every five years. However, the NIS is currently planning to carry out a survey of living conditions in near future, rather than a survey of income and expenditures. Since the typical survey of living conditions is carried out over a four month period, rather than over an entire year, the results have the potential of having seasonal biases. However, in some countries the survey of living conditions is modified to accommodate the needs of the CPI. It is unclear whether these modifications will be made for the proposed living conditions survey in Honduras.

Tabulations of the 1998–99 NSHIE data were carried out in sufficient detail to accommodate the selection of the item sample and the estimation of market basket weights for the CPI. Purchases of goods and services were valued at purchaser's prices, own production was valued at market prices, and imputed rent for owner-occupied housing was estimated based on market rents for rental units.

The CPI market basket includes a sample of 282 products and services aggregated into 12 groups (COICOP divisions), 35 sub-groups (COICOP groups), 78 partitions (COICOP classes), 114 sub-partitions, and 207 strata. The national classification system used for the 1998–99 NSHIE, the CPI, and personal consumption in the national accounts is an eight-digit extended version of the four-digit COICOP system recommended by the *1993 SNA*. For the CPI, the national eight-digit COICOP classification system was further extended by adding two digits for coding the strata that were used as part of the item selection and weight calculation process. All expenditure items from the 1998–99 NSHIE with budget shares of greater than 0.02 percent were included in the CPI market basket.

A sample of 1,295 outlets for monthly price collection for the CPI was selected by taking into account the shopping patterns reflected in the 1998–99 NSHIE and the availability of the items selected for price collection. A scientific sample of approximately 660 rental units derived from the 1998–99 NSHIE is used for estimating changes in rent. This sample is divided into 12 monthly panels. Each rental unit is interviewed once a year.

Detailed specifications are used to identify the specific varieties of products and services that are priced for the CPI.

Regular studies are conducted to ensure that the product specifications are up-to-date, especially with regard to high technology items. Price behavior for CPI market basket items is monitored and compared with information from the press and outside research papers.

3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required

Expenditure data from the 1998–99 NSHIE and the monthly price surveys are adequate for the need of the CPI. The classification systems, the valuations, and basis for recording the data are consistent. Expenditure data used for weights were updated from the reference period of the survey to the reference period of the index. Other adjustment to the expenditure data were made for owner-occupied housing and for maintenance and repair of the dwelling.

3.1.3 Source data are timely

Only price data from the monthly price survey conducted by the CBH are used in the calculation of the weekly CPI for food items and the monthly published CPI. These data are consistently obtained in a timely manner.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

Expenditure data on goods and services from the 1998–99 NSHIE are classified in to an eight-digit extended version of the internationally recommended four-digit version of COICOP. Two additional digits were added for the classification of these data into strata for item selection and weight estimation for the CPI market basket. CPI indices are available at the item and strata level as well as at all levels of aggregation above the item level for the national extended COICOP classification system. A detailed concordance is also available for the conversion item-level data from the national COICOP classification system to the CPC.

In general, expenditure data from the 1998–99 NSHIE were compatible with the data needs for estimation of market basket weights in terms of adequate detail, concept and market valuation. However, it was necessary to estimate the market rental value for owner-occupied housing since no estimates of imputed rent were available from the survey. Additionally, it

was necessary to separate out certain types of expenditures for additions and improvements to housing from expenditures for maintenance and repairs. The survey already accommodated for the valuation of own production for goods and services (other than owner-occupied housing) at market prices. All expenditures were reported on an accrual basis.

Elementary indices at the item level are calculated using the geometric mean formula. For higher levels of aggregation, the current-period-to-base-period (long-term relative) formulation of the Laspeyres index calculation formulas is used.

Updated weights for the CPI, based on the 1998–99 NSHIE, were introduced in April 2000. These weights were updated to the index reference period of December 1999. The old CPI was linked to the new CPI in March 2000, and detailed historical indices, with the December 1999 reference base, were calculated and are available to users.

Temporarily unavailable and seasonally unavailable prices are held constant. When prices for substitution items/varieties for permanently unavailable items/varieties are available, the price change for the substitution item/variety is imputed to the permanently unavailable item/variety. Although the methodology of holding the temporarily unavailable and seasonally unavailable prices constant is a self-correcting procedure, it has the potential of causing large jumps in the index series when the prices again become available. It would be preferable to impute all missing prices. A more serious problem arises when items/varieties become permanently unavailable. Sometime it may take several months to determine that an item/variety will not return to the market in the outlet in which it is being priced. If the price of the old variety is held constant until this is determined and if no imputation of price change is made, there exist the potential for a permanent uncorrected bias in the index. Although this bias is likely to be small during periods of stable prices, it could be significant during periods characterized by large changes in prices.

In general, only repackaging quality adjustments (adjustments for the volume, weight, or count) for CPI items/varieties are made. New products are introduced into the index only when a major revision of the index is carried out.

3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques

Estimates of price change for that part of the economy not covered by regular CPI compilation are available in the implicit deflator for the national accounts, the producer price index and the wholesale price index. Indices of price change could also be estimated based on agricultural prices that are available.

The CPI covers more than 90 percent of final household consumption for urban households. The entire housing stock owned and/or rented by urban consumers is included in the CPI as rent or imputed rent. Although consumption for rural households is not included in the CPI, the price changes for urban households could be imputed to rural households to obtain a

more complete coverage of price change for all personal consumption. It should be noted that the implicit deflator for the national accounts covers both urban and rural households.

3.3 *Assessment and validation of source data*

3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide planning

For the 1998–99 NSHIE adjustments were made for non-response, the effects of hurricane Mitch, atypical values (outliers), and missing data. Variances were also estimated for expenditure estimates.

Prices collected for the CPI are also heavily scrutinized. Any atypical prices are verified with the respondents before they are used in index calculations. A constant program for review of the price collection process is carried out by the Economic Indicators unit of the CBH responsible for the compilation of the CPI. An annual review is made of the item specifications particularly with regard to high technology items. A study of prices in small in-the-home shops as compared to prices in markets and supermarkets was conducted. It was determined that although the price levels were higher, the price movements were very similar.

Where necessary, adjustments were made to the 1998–99 NSHIE data to make them compatible with the need of the CPI. Imputed rent was estimated for owner-occupied housing, and maintenance and repair expenditures on housing were separated from expenditures on improvements to housing.

3.4 *Assessment and validation of intermediate data and statistical outputs*

3.4.1 Main intermediate data are validated against other information where applicable

Detailed and intermediate-level price indices are compared with comparable indices from the WPI, the PPI and price data from other sources such as the Ministry of Agriculture.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

The CBH has established a program for the constant monitoring of price data used in the CPI. Any atypical prices are reviewed with price collectors and respondents before they are included in the index.

3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated

Price data are checked for consistency with prices for similar products in the same geographic area and for the same products in other geographic areas. Investigations are made into the source of any errors that are detected and steps are taken to eliminate the source of these errors.

3.5 Revision studies

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

Extensive studies were carried out on the 1998–99 NSHIE with regard to the level of error and consistency in the expenditure data. Detailed documentation for the survey and these studies is available for use in future NSHIE surveys.

A research project on estimating imputed rents for owner-occupants was carried out by the CBH. A summary of this project and its results is included as an appendix of the CPI manual. Based on this study, imputed rents were estimated for owner-occupant households and for household that did not pay rent. These data were used for estimating CPI weights.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

Although the CBH has not established a formal system for obtaining opinions and advice from users concerning the PPI by means of user surveys or advisory groups, the views of users are obtained informally through occasional meetings with university groups, the press and other data producing agencies. However, the lack of a formal functioning advisory group for the CPI is a serious problem, especially with regard to preparations for a new NSHIE needed for updating the market basket weights. This group along with an intergovernmental advisory group would also be very helpful in assisting with the future transfer of the compilation of the index to the NIS.

CBH personnel participate regularly in both domestic and international seminars and training courses on household surveys, the measurement of poverty, and methodology for the construction of price indices.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

The monthly CPI is published within two weeks of the reference month. This exceeds GDDS standards.

4.2.2 Periodicity follows dissemination standards

The periodicity for the compilation of the CPI is monthly, meeting GDDS standards.

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

For the CPI, the all-items index tabulations are consistent regardless of whether the aggregations are made by category of expenditure or by geographical area.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

The revised CPI began publication in April 2000 with a reference base of December 1999. Since the reference base and the link month (March 2000) are different, the linking process was somewhat complicated. The details of this linking process are included in the methodological documentation for the CPI. Continuous historical series for the CPI, with the December 1999 reference base, are available for the period January 1979 to the present.

The monthly publication of the CPI, in both the press release and on the CBH website, includes a brief analysis of the index and an explanation of any unusual price behavior.

4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks

The CPI is consistent with other available price statistics such as the WPI and the PPI in the sense that, in many cases, the behavior of these indicators can be compared to the behavior of the CPI for the purpose of verification. Of course, these other indices have different coverage and different conceptual frameworks.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

Although the CPI was last revised in the year 2000, there has not been a historically consistent pattern established for revision of the index. The household income and expenditure surveys needed for updating the CPI market basket have been held every 10 to 20 years, which is not adequate. The NIS has indicated its plan to carry out the NSHIE every five years. However, the NIS is currently planning to carry out a household survey of living conditions rather than a new NSHIE.

A detailed documentation of the latest CPI revision is available in the methodological manual for the CPI and in the manual describing the 1998–99 NSHIE.

4.4.2 Preliminary data are clearly identified

Due to the extensive review process in place for the CPI and the timeliness of source data, the index is published in its final form, and no corrections are published. In the event that errors are discovered after publication, corrections are incorporated into the following month's index.

4.4.3 Studies and analyses of revisions are made public

Studies carried out with regard to the last CPI revision are available in the methodological manual for the CPI and in the documentation of the 1998–99 NSHIE. These documents are made available to the public.

5. Accessibility

5.1 Data accessibility

5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)

The monthly CBH publication, *Indices de Precios al Consumidor*, presents the monthly national-level CPI for the last three years and available months for the current year. Tables are also included for percent changes for the current month by major group by region, and for selected items and lower-level aggregates at the national level. A chart of the percent change for the current month to the corresponding months of previous years is also included. A brief analysis of the important prices changes for the current month is included.

Although the publication format for the CPI meets minimum standards, there is insufficient detail with regard to index levels and time series.

5.1.2 Dissemination media and formats are adequate

Although more detailed data on the CPI are not published formally, they are available from the CBH library for from the Economic Indicators Section of the CBH.

5.1.3 Statistics are released on a preannounced schedule

There is no published schedule for the dissemination of the index.

5.1.4 Statistics are made available to all users at the same time

After the CPI has been approved by the President of the CBH, it is released simultaneously to all index users.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Historical, unpublished, non-confidential CPI data are available for the national and regional indices at the item level and at higher-level COICOP aggregations upon request from the Economic Indicators Section of the CBH.

5.2 *Metadata accessibility*

5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated

Metadata on the CPI that are available to the public in both written form and on the CBH website are quite comprehensive. Although they include detail on geographic coverage, the characteristics of the CPI market basket, the price collection process, the index calculation formula, and other methodological issues, no mention is made of the lack of self-correcting imputations for missing prices and the policy of not introducing new goods between major revisions.

5.2.2 Levels of detail are adapted to the needs of the intended audience

A number of CPI publications are available, in hard copy and/or on the CBH website, that give a complete documentation of the concepts, scope, classification system, data sources and statistical techniques. These publications are designed for different types of index users from the typical consumer to the economic analyst.

5.3 *Assistance to users*

5.3.1 Contact person for each subject field is publicized

Prompt and knowledgeable service and support on the CPI is available to all index users through the key personnel listed access to the CBH website. The website contains a list with the names and e-mail addresses of departmental, unit, and section chiefs responsible for the different types of published statistical indicators. However, since this list is in a separate location from the sections of the site that correspond to the different economic indicator, it is not obvious to the inexperienced index user exactly whom should be contacted.

Although some of the documents covering the CPI include the website address, a number do not. A contact person for information on the CPI is not listed on any of the CBH publication mediums other than the CBH website.

5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available

A list of CPI publications is available from the CBH librarian. The CBH does not charge for documents that are in print. A copying fee may be charged for documents that are out of print.

Table 2. Honduras: Data Quality Assessment Framework—Summary of Results for Price Statistics (Consumer Price Index)
(*Compiling Agency:*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
0. Prerequisites of quality							
0.1 Legal and institutional environment		X				Many computers used in the compilation of the CPI are obsolete. No user surveys or formal advisory groups to consider quality issues.	
0.2 Resources			X				
0.3 Quality awareness				X			
1. Integrity							
1.1 Professionalism		X					
1.2 Transparency		X					
1.3 Ethical standards		X					
2. Methodological soundness							
2.1 Concepts and definitions		X					
2.2 Scope		X					
2.3 Classification/sectorization		X					
2.4 Basis for recording		X					
3. Accuracy and reliability							
3.1 Source data		X				Missing prices for seasonally unavailable items are not imputed.	
3.2 Statistical techniques			X				
3.3 Assessment and validation of source data		X					
3.4 Assessment and validation of intermediate data and statistical outputs		X					
3.5 Revision studies		X					
4. Serviceability							
4.1 Relevance			X			No formal process established for consultation with policy departments and index users.	
4.2 Timeliness and periodicity		X				No regular timetable has been set for index updates (major revisions).	
4.3 Consistency		X					
4.4 Revision policy and practice			X				

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 2. Honduras: Data Quality Assessment Framework—Summary of Results for Price Statistics (Consumer Price Index)
(Compiling Agency:)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
5. Accessibility						
5.1 Data accessibility			X		Insufficient detail, only 3 years of historical data presented, most results presented in percent changes without corresponding index levels, no published schedule of release dates, and difficulty in determining what detailed data are available upon request.	
5.2 Metadata accessibility			X		The lack of imputations for prices of seasonally unavailable items is not made know to the public	
5.3 Assistance to users			X		No contact person on CPI hardcopy publications; website address only on one hardcopy publication; and assistance to users is not monitored through user surveys.	

III. PRICE STATISTICS (PRODUCER PRICE INDEX)

0. Prerequisites of quality

0.1 *Legal and institutional environment*

0.1.1 *The responsibility for collecting, processing, and disseminating statistics is clearly specified*

The monthly producer price index (PPI) is compiled by the CBH as part of the tabulations carried out for the national accounts. Although the PPI is not published officially, it is made available to users upon request. The CBH also produces a quarterly wholesale price index (WPI) that will not be evaluated by this assessment.

The legal framework for the activities of the CBH is set forth in the CBH law found in the National Congressional Decree No. 53 passed on February 3, 1950 and modified by Decree No. 228–96 on December 17, 1996. Article 25 of Section V in Chapter II of the CBH law assigns the responsibility for the compilation of price statistics to the ESD.

On May 31, 2000, the NIS was formed by means of the National Congressional Decree No. 86–2000. In Article 5, Number 5 of Chapter II the NIS is assigned the responsibility of producing and/or coordinating the production of the basic statistical series including the national accounts, and monetary, fiscal, balance of payments, production, employment, salaries and price statistics. It should be noted that although the NIS is not currently directly involved in the compilation of the PPI, Article 120 of NIS regulations provides for a transitional program intended for use in assisting with the transfer of the compilation of the PPI from the CBH to the NIS.

0.1.2 *Data sharing and coordination among data producing agencies are adequate*

The CBH is self-sufficient in the production of the PPI. All price and source data for weights are collected and tabulated within the CBH.

0.1.3 *Respondents' data are to be kept confidential and used for statistical purposes only*

Although the CBH law does not refer specifically to the confidentiality of statistical data collected by the CBH, the Internal Regulations for Workers of the CBH specifies the obligations of employees with regard to confidentiality. Letter o of Article 44 and Letters d and m of Article 45 specify that CBH employees should observe standards of strict confidentiality with regard to all data collected by the CBH and any studies or projects carried out by the bank. In Articles 47 and 48 sanctions for transgressions are specified.

Article 31 of the NIS law states that statistical data should be held confidential and should not be published in any form that would allow for the identification of the respondent, except

in the case of selected data from public institutions. Infractions of these standards are defined in Article 33 of the NIS law and sanctions for employees that disregard these standards are given in Article 34.

In the CBH, access to confidential data is restricted to those employees who require the information in the performance of their duties.

The CBH has implemented a number of security measures to guard against unauthorized access to its statistical databases. The CBH intranet can only be accessed with a name and password, and different levels of access have been established for the various databases. There is also an external firewall to prohibit access to the intranet through the CBH internet website.

0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response

Although there is no law that provides for obligatory submission of statistical data to the CBH as with the NIS, there is a strong tradition of voluntary cooperation among respondents. The CBH has fostered a belief that the data provided will be used only for statistical purposes and will be held confidential. Each respondent is presented with a letter explaining the need for the data and the policy of the CBH with regard to confidentiality. The data collection instruments are designed to reduce respondent burden, and an attempt is made to take into account the time schedule of the respondent for data collection.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The PPI is compiled using the resources of the national accounts program. Although the index only covers manufacturing at the present time, the CBH plans to expand the coverage of the PPI to include fishing, agriculture, mining, electricity and water production in 2004 with the introduction of the new base year 2000. The CBH also plans to formally publish the new index, which will also serve as an input to the preparation of quarterly national accounts.

While current national accounts resources are adequate for the preparation of the current PPI covering only 31 products from 55 enterprises for the manufacturing sector, there will be a shortage of resources (both human and financial) for the compilation and dissemination of an expanded PPI that meets international standards.

0.2.2 Measures to ensure efficient use of resources are implemented

With regard to the production of source, data for weights for the new PPI procedures have been implemented to ensure the efficient use of resources. An exhaustive concordance of classification and coding systems has been developed to link the national classification system with all of the internationally recommended systems. This facilitates the use of all

types of economic survey data in producing statistical series, such as the new PPI, that meet international standards regarding nomenclature. In addition, all economic survey data are automated on a Visual Basic platform on the CBH website that allows for easy conversion to other platforms.

Since the current PPI is a virtual by-product of the national accounts tabulation process, it is produced in a very efficient manner. Nonetheless, only minimal effort is dedicated to quality issues regarding the index and its production process.

0.3 *Quality awareness*

0.3.1 Processes are in place to focus on quality

The five-year strategic plan, as it is administered by the organizational units under the direction of the DOP, possesses the essential characteristics of a total quality management program. It provides the framework for continuous structured review of the allocation of all types of resources as well as the different elements of data quality, including accuracy, methodological soundness, reliability, serviceability, and accessibility. However, the current PPI program receives little scrutiny under this program.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

The bulk of data quality review for the PPI is done based on comparisons with the CPI and the WPI.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

The five-year strategic planning system of the CBH and the form in which it has been implemented is strong evidence of the bank's commitment to quality assurance and an analysis of the tradeoffs among its different dimensions. In this regard, there are plans to publish a new PPI with expanded coverage in 2004. However, the planning for this project has been done mostly within the context of revising the base year of the national accounts to the year 2000. There is little user feedback through meetings convened to discuss the PPI specifically.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The CBH law provides for a degree of autonomy that has allowed the CBH to carry out its obligations in an environment of technical, economic and administrative independence. The result is that the PPI is produced without any type of outside influence.

Both the hiring and the promotion of CBH employees are carried out by the Department of Human Resources. These employee actions are governed by the CBH regulations and are based on professional merit.

CBH employees are encouraged to carry out research projects and to participate in conferences, lectures and professional meetings with other professional groups. The methodological studies prepared by CBH professionals are circulated for internal review and, where appropriate, for outside review. Papers submitted for publication must be approved by the administration of the CBH.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

The selection of source data and statistical techniques for the compilation of statistical series by the CBH is based solely on statistical considerations. Decisions in this regard are made internally after careful consideration of methodological recommendations by international organizations.

Given that the PPI is not published officially, documentation of source data and methodologies employed for its compilation has not been prepared and is not available to the public.

1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics

Since the PPI is not published, this element is not applicable.

1.2 Transparency

1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public

Although the CBH website and other publications are well designed, these sources do not refer directly to standards of confidentiality and professionalism required for CBH staff.

However, these standards are covered in the CBH law and/or the NIS law that are available in the CBH library and on several websites.

All CBH publications contain information about the CBH website. The website includes a directory of key personnel for each organizational unit.

1.2.2 Internal governmental access to statistics prior to their release is publicly identified

Since the PPI is not published, this element is not applicable.

1.2.3 Products of statistical agencies/units are clearly identified as such

Every CBH publication carries the CBH logo and the department or organizational unit that is responsible for its preparation. When other institutions use data from the CBH, they are requested to give attribution to the CBH.

1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques

The CBH plans to provide advance notice of the official publication of the new PPI as part of the publication of the national accounts with the new base year 2000.

1.3 Ethical standards

1.3.1 Guidelines for staff behavior are in place and are well known to the staff

The norms of conduct and regulations of the CBH with regard to confidentiality, improper use of statistical data, and conflict of interest are presented in the Internal Labor CBH regulations were published on November 29, 1994. Each new employee is informed of these norms and regulations and is given a personal copy of them.

Even though there is a long CBH tradition of statistical independence and professionalism, CBH regulations do not specifically cover interference and/or influence with official statistics by parties outside the CBH.

2. Methodological Soundness

2.1 Concepts and definitions

2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices

Although the PPI for Honduras covers only the manufacturing sector, the concepts and definitions of the index are consistent with international standards. The weights for the PPI are determined on a value-added basis at the four-digit ISIC, revision 2 level. The prices

collected for the monthly price survey are factory gate prices for narrowly specified products. The specifications for these prices include a detailed description of the product, the brand, and the quantity and/or unit of measurement.

2.2 Scope

2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices

The current unpublished PPI covers only the manufacturing sector of the Honduran economy. Core industries such as mineral extraction and water and electricity production are excluded. The PPI also excludes goods for processing (maquila) that constitute an important segment of the Honduran economy.

As part of updating the national accounts to the base year 2000, the CBH plans to compile and publish a new PPI that covers mining, manufacturing, electricity and water production, fishing and agriculture. The new index is expected to be published during calendar year 2004.

2.3 Classification/sectorization

2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices

The classification system used for the current PPI is ISIC version 2. The classification system will be updated to ISIC, version 3 with concordances to the Central Product Classification (CPC) and the Honduran Product Nomenclature (HPN).

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks

The weights for the PPI are determined using values for production based on factory gate producer prices. These prices exclude taxes, transportation costs and commercial margins.

2.4.2 Recording is done on an accrual basis

For both the estimation of weights and monthly price collection for the PPI, values are determined on an accrual basis. For monthly price collection, the market price of the product at the moment of the transaction, during the time period covered by the survey, is recorded.

2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices

For the manufacturing sector in Honduras there is not a significant problem with regard to grossing and netting procedures for the PPI. However, for those enterprises producing significant amounts of dissimilar outputs, such as an enterprise that produces both cooking oil and soap, the production is separated and treated as if there were two separate establishments producing these products. In these cases, “transactions” between the “establishments” are recorded on a gross basis. In many cases this is facilitated by the accounting practices of the enterprises that have developed separate cost centers for the different types of production.

3. Accuracy and Reliability

3.1 Source data

3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions

Although a new business register has been established, this register only includes data on the number of employees of the enterprise and lacks essential data on the value of production and/or sales that is typically available in a business register. These data on value of production and/or sales are useful in constructing sampling frames for economic surveys. Other data that have been used in constructing sampling frames are the Economic Census of 1975 and the lists of enterprises that have paid income taxes.

The unpublished PPI that has been available for internal CBH use since 1992 has a 1989 reference base. The index has serious problems with regard to economic coverage. Only the manufacturing sector is covered. Core industries such as mineral extraction, fishing agriculture, water and electricity production, and goods for processing (maquila) are excluded. Although the weights for the index reflect the value added for all manufacturing production, except goods for processing, the 76 enterprises included in the monthly pricing survey account for only 42 percent of manufacturing (excluding goods for processing). Additionally, only one product is priced in each enterprise. The 76 monthly prices collected are for only 31 products. No secondary products are priced.

Weight calculations are consistently in that the enterprises with the largest values added at the four-digit ISIC, revision 2 level were selected. No scientific sampling procedures were employed.

There are serious problems with regard to the estimation of value added for goods for processing. The gross value of production/export sales is only available for domestic enterprises involved in goods for processing. No attempt is made to estimate the gross value of production that includes profit (the factory gate value for exports) for international firms. These results in an undervaluation of value added.

The only data available on unincorporated household businesses are from the 1998–99 NSHIE.

These data are less than adequate since the measurement of the output of home-based business was not a major purpose of that survey.

The CBH and the NIS have embarked on a continuous annual economic survey. Data are available for the year 2000 and will be used in updating the base year for the national accounts. Data for 2001 and 2002 are presently being collected. Although NIS participated in the survey for the year 2000, the CBH is conducting the 2001 and 2002 surveys independently with Inter-American Development Bank (IDB) money that was available from a previous project. Funding for continuing the survey in the future has not been secured.

3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required

With the exception of data on goods for processing, the source date for PPI weights and prices are consistent with the need of the PPI in terms of time of recording, reference period, and valuation.

3.1.3 Source data are timely

Monthly price collection is handled by the national accounts personnel using the telephone and fax. Since the index is not published, this process is not always timely.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

The PPI is produced only for the classification by economic activity. The most detailed level of indices is at the four-digit ISIC, revision 2 level. There are no meaningful product aggregations available. Monthly indices are available by economic activity for the manufacturing sector at the four-digit and above levels.

The statistical procedures used to generate the value added weights for the PPI are the same as those used for the national accounts.

The PPI is calculated using the current-period-to-previous-period (short-term price change) formulation of the Laspeyres index calculation formula. The primary index relatives are calculated using a ratio of equally weighted (un-weighted) arithmetic means.

The reference periods for both the weights and the index are calendar year 1989. The weights for the PPI have not been updated.

Temporarily unavailable prices are held constant. New specifications for products are linked into the index as needed. No attempt is made to include new products in the PPI.

The source data for the PPI weights are obtained from the national accounts. The conceptual framework for the index is essentially the same as that for the national accounts. The only significant conceptual problem as far as the PPI is concerned is the treatment of goods for processing.

3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques

The coverage of total production by the PPI for Honduras is very poor. There are no good alternative price indices (by economic activity) available for that part of total production that is not covered by the PPI.

3.3 Assessment and validation of source data

3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide planning

Very little analysis of PPI data is done other than consistency checks with other data sources. Suspicious data are usually verified by contacting the respondent a second time.

3.4 Assessment and validation of intermediate data and statistical outputs

3.4.1 Main intermediate data are validated against other information where applicable

Where possible PPI price and index data are compared to corresponding data from the CPI, the WPI, and other price data from government ministries and trade associations.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

Unusual price behavior is investigated, and corrections are made. However, no documentation is prepared.

3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated

Since no product aggregations are prepared for the PPI, it is not possible for there to be inconsistencies with aggregations by economic activity. No formal studies are conducted to investigate errors, omissions, and fluctuations in the data. Since there are only 76 prices collected each month for the PPI, these types of studies would likely be of limited use.

3.5 Revision studies

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

Since the PPI is not published, there are no revisions of published data. There have also been no revisions of the base year weights. However, the CBH is in the process of updating the base year of the national accounts to the year 2000. The CBH plans to expand the coverage of the PPI and update the weights to the year 2000 at the same time.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

For the unpublished PPI there are no formal advisory groups or user surveys. However, the national accounts personnel that produce the PPI participate regularly in local and international training seminars relating to all of the processes involved in the production of indices. These courses are usually oriented toward the national accounts.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

Since the PPI is not published, it does not meet GDDS standards for timeliness. However, with some delays, the index is generally produced in a timely manner.

4.2.2 Periodicity follows dissemination standards

The PPI meets GDDS standards for periodicity since it is prepared on a monthly basis.

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

Since the PPI is only calculated by economic activity, there no way to evaluate internal consistency with product-based aggregations.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

Monthly index series are available since 1992 when they were first compiled.

4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks

The PPI is consistent with other government statistics as far as its limited industrial coverage is concerned.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

There is no well-established schedule for revising the weights for the PPI. The weights have not been updated since the index was first published in 1992. However, as part of updating the base year for the national accounts to the year 2000, the PPI will also be expanded and updated. The new index will be formally published, one of the steps necessary for Honduras to achieve GDDS status.

Documentation of the process for estimating the weights and the methodology for index calculation are available upon request, but not published.

4.4.2 Preliminary data are clearly identified

This element does not apply to the PPI since the index is not published.

4.4.3 Studies and analyses of revisions are made public

Since the PPI weights have not been updated and since the index is not published, this element cannot be evaluated except to mention that a documentation of the methodology for compiling the index has been prepared and is available upon request. No other analysis of the index or its potential revision has been documented.

5. Accessibility

5.1 Data accessibility

5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)

The PPI is not published, but is available upon request. Initially a publication format similar to that of the CPI was used to present the monthly index, charts, historical series and a short note describing the most important monthly price movements. However, the preparation of this monthly document was discontinued. When data on producer prices are requested, the user is provided with a table of historical index series at the two-digit and/or four-digit ISIC (revision 2) level. A methodological document is also provided upon request.

5.1.2 Dissemination media and formats are adequate

This element is not met since the PPI is not published.

5.1.3 Statistics are released on a preannounced schedule

This element is not met since the PPI is not published.

5.1.4 Statistics are made available to all users at the same time

This element is not met since the PPI is not published.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

The PPI is provided only upon request. The availability of the CPI is not widely known among potential users. However, complete detailed data for the PPI are provided when requested.

5.2 Metadata accessibility

5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated

A methodological document on the PPI describing the weight estimation process and the index calculation methodology is available upon request. This is the only document that is provided to the public.

5.2.2 Levels of detail are adapted to the needs of the intended audience

There is only one level of detail on metadata provided.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

Since the PPI is not published, the contact person is not evident to potential users of the PPI on the CBH website.

5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available

A list statistical publications is available from the CBH librarian. However, no documents on the PPI are listed, since it not published. The CBH does not charge for documents that are in print. A copying fee may be charged for documents that are out of print.

Table 3. Honduras: Data Quality Assessment Framework—Summary of Results for Price Statistics (Producer Price Index)
(*Compiling Agency:*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
0. Prerequisites of quality							
0.1 Legal and institutional environment		X					
0.2 Resources				X		The PPI is a by-product of the national accounts program. Very few resources available for its compilation.	
0.3 Quality awareness				X		Very little attention given to the PPI.	
1. Integrity							
1.1 Professionalism		X					
1.2 Transparency	X					Index not published.	
1.3 Ethical standards		X					
2. Methodological soundness							
2.1 Concepts and definitions		X					
2.2 Scope				X		Index covers only the manufacturing sector.	
2.3 Classification/sectorization				X		The outdated ISIC, version 2 is being used.	
2.4 Basis for recording		X					

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 3. Honduras: Data Quality Assessment Framework—Summary of Results for Price Statistics (Producer Price Index)
(*Compiling Agency:*)

Element		NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
			O	LO	LNO		
3. Accuracy and reliability							
3.1 Source data							
				X		The price survey has very little coverage, both in terms of scope and the number of economic activities and commodities included.	
						The maquila which represents a significant part of national production (especially for the PPI) is not measured in a way that is useful for the PPI. The Maquila is completely excluded from the PPI.	
3.2 Statistical techniques				X		Price survey data are not always received in a timely manner. Little commodity detail. No secondary goods included in the price survey. No aggregations by product	
3.3 Assessment and validation of source data					X	The measure of price change in the manufacturing sector, the only sector covered by the PPI is based on very thin data. Little statistical analysis is carried out on PPI data.	
3.4 Assessment and validation of intermediate data and statistical outputs					X	No documentation on unusual changes is prepared and disseminated. Since aggregations by product are not carried out, there can be no consistency checks with aggregations by economic activity.	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 3. Honduras: Data Quality Assessment Framework—Summary of Results for Price Statistics (Producer Price Index)
(*Compiling Agency: .*)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
3.5 Revision studies				X	The PPI has not yet been revised. However, the weight estimation process for the current index is well documented and will be. This documentation will assist with tabulation for the new weights for the index	
4. Serviceability						
4.1 Relevance				X	No formal advisory groups and no user surveys	
4.2 Timeliness and periodicity				X	Index is not published.	
4.3 Consistency			X		There are no tabulations by product, only by activity. There is only one way to tabulate the index.	
4.4 Revision policy and practice			X		No revisions so far. The first revision is scheduled as part of the update of the base year for the national accounts to 2000.	
					The PPI is not published. There are no preliminary tabulations.	
					The documentation of the PPI was never made public but is available upon request.	

Table 3. Honduras: Data Quality Assessment Framework—Summary of Results for Price Statistics (Producer Price Index)
(*Compiling Agency:*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
5. Accessibility							
5.1 Data accessibility				X		No real layout and no charts. Loose tables and methodology are provided upon request. The PPI is not published The PPI is not published The PPI is not published Two-digit and four-digit tables available upon request. Availability not made known to public. Methodological document on the PPI is available, but it is only made available upon request. Only one level of detail available. It is very difficult to find the contact person (in the national accounts section) for the PPI since the index is not published.	
5.2 Metadata accessibility				X			
5.3 Assistance to users				X			

IV. GOVERNMENT FINANCE STATISTICS

0. Prerequisites of quality

0.1 *Legal and institutional environment*

0.1.1 *The responsibility for collecting, processing, and disseminating statistics is clearly specified*

The government finance statistics (GFS) are collected, compiled and disseminated by the SF. The SF collects and compiles GFS in accordance with: (a) the Public Administration Law (PAL) (Law No. 146 of October 1986), its amendments (Decree No. 218 of December 1996), and its by-laws (Executive Decree No. 008 of June 1997); (b) the Budget Act (Decree No. 407 of December 1976); (c) the General Accounting Unit Act, (Decree No. 1001 of July 1980); (d) the Public Credit Law (Decree No. 111 of January 1991); (e) the NIS law (Decree No. 86 of May 2000) and its by-laws, (Executive Decree No. 042 of November 2001); and, (f) the Constitution (Decree No. 131 of January 1982).

These laws provide adequate support for the production of the GFS. Under Art. 57 of Executive Decree No. 008, the SF is responsible for quarterly publication of the revenue and expense statements, and is in charge of recording public credit and debt. The General Accounting Unit Act states in its Art. 55 that the end of the fiscal year, The General Accounting Unit is to prepare an integrated balance of the public sector, including assets, liabilities, net worth, and a statement of government operations. The Public Credit Law states (Art. 10) that the SF is responsible for implementing debt policy and recording public debt (Art. 11). Executive Decree No. 042, which sets out the by-laws of the NIS law, states in its Art. 54 that the Public Sector and Foreign Statistics Unit is responsible for compiling and assessing administrative records on budgetary operations, including on revenue, expenditure, investment, and debt of the public sector.

The CBH also compiles GFS in accordance with the CBH Act of February 1950. Art. 25 of this Act states that the ESD is responsible for compiling statistics on public finance. These data are used for internal purposes and are not publicly disseminated, with financing data reported to the SF and the IMF. Two ESD divisions are involved in the compilation of GFS: (a) the Finance Division; and (b) the External Debt Division.

Congress is considering approval a new Financial Administration of the Public Sector Law. The system defined by this law would comprise the budget, public credit, treasury, and accounting sub-systems. It would replace the Budget Act, the General Accounting Unit Act, the Public Credit Law, and other legislation.

0.1.2 Data sharing and coordination among data producing agencies are adequate

Data sharing and coordination between the SF and the CBH are adequate, but there are no formal working arrangements to ensure regular reconciliation of monetary and fiscal data, with the exception of a committee that validates financing data. However, there are informal meetings between the SF and the CBH with participation of the Treasury, the General Budget Directorate and the General Public Credit Directorate. Currently the CBH compiles financing data. Effective coordination of the SF and the CBH is hampered by deficient sectorization of the public sector in the monetary accounts.

Upon request, the SF provides methodological and statistical information, though there are no formal mechanisms to ensure close contact between GFS compilers and users. The SF maintains routine communications with international agencies that use its statistics.

The SF is introducing an Integrated System of Financial Management (ISFM) designed to help manage the budget, accounting, treasury and public credit sub-systems. At present, the ISFM covers mainly the budgetary sub-system for the central administration. This sub-system records income on a cash basis and expenditure on an accrual basis, though it is prepared also to record income on an accrual basis and expenditure on a cash basis. Most of the central administration units are electronically linked to the ISFM in real time. The ISFM database could provide reliable budgetary information for compiling GFS. However, fiscal compilers have limited access to the ISFM.

0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only

The confidentiality of data received from respondents is protected by Art. 31 of the NIS law, which states that all units and entities that comprise the NSS² should treat data with strict confidentiality. Also, internal regulations for SF staff (Art. 14), state that it is prohibited to disseminate the contents of reports, studies, or other information considered confidential. In addition, Art. 259 of the Law of the Civil Servants states that supplying confidential information individuals not in the public service is considered a serious fault, which could result in demotion or dismissal.

0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response

The Budget Act establishes that each institution of the Executive Branch (including deconcentrated and decentralized units) is required to present to the SF within 8 days after

² Art. 2 states that the NSS is comprised of all, deconcentrated entities, decentralized, autonomous, and semiautonomous units and municipalities which have within their functions any activity related to collection, compilation, analysis and publication of statistical information.

the end of each quarter, information on the financial execution of its budget. Also these legal provisions establish that the SF should present to the Congress within 30 days after the end of each quarter budgetary execution reports. Similar obligations are set for the decentralized institutions and deconcentrated units. Art. 32 of the Public Administration Act states that deconcentrated units are to be supervised by the central administration, while and Art. 19 of the Executive Decree No. 008 states that autonomous institutions are to report to relevant national government secretariats (ministries).

In addition, Art. 11 of Budget Act states that all public entities should provide the SF, no later than April 31, a consolidated financial report, including a balance sheet, that shows the fiscal or financial deficit/surplus of the period. An analysis of each of the accounts of the balance sheet should be attached. Art. 18 states that revenue should be presented with a structure and classification that facilitates analysis and international comparison. Finally, Art. 76 requires the CBH to provide the SF with a detailed daily report of fiscal deposits and a monthly detailed report on the uses of Treasury account funds. A copy of this information should also be reported to the Accounting Unit.

Art. 18 of the Public Credit Law requires the General Public Credit Directorate to keep a record of all financial obligations resulting from public credit operations. For this purpose, the decentralized institutions (municipalities and public enterprises) are to provide the directorate with a detailed monthly financial report, including all financial obligations.

The General Accounting Unit Act includes outlines the reports, data reporting requirements (including periodicity), and penalties for not reporting the information requested by the Accounting Unit. The cooperation of respondents is elicited by offering respondents information on the intended use of the data, training, seminars, and workshops. These activities are intensified when methodological changes are introduced.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The GFS are compiled by a unit (MPEU) that comprises nine members (a chief, a deputy chief and seven economists), including four contractual appointments. Each member of this team is responsible for an specific level of government. The training in the methodological aspects of compilation is provided internally and complemented by domestic and external courses. Recently, internal training has been drastically reduced owing to financial constraints. Apart from the compilation of GFS, the MPEU performs other tasks, which leaves staff with insufficient time for adequate compilation. There are no measures in place to encourage the retention of experienced staff, and there are constraints on promotion and merit increases due to budgetary restrictions in the SF.

Available computer resources are reasonable, but there is a lack of adequate software to protect equipment from viruses and back-ups of the government finance database.

0.2.2 Measures to ensure efficient use of resources are implemented

The costs associated with the GFS compilation are not calculated, and there is no reliable information on whether available resources are used as efficiently as possible. However, a process of modernization of the entire public sector has been initiated, which is aimed at increasing the efficient use of resources and the quality of the statistics.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

The SF is fully aware that quality should be the cornerstone of the accounting, budget, and statistical processes. To this end, major efforts have been put in place during the last year to compile and disseminate a more complete set of GFS with increased coverage of institutions and transactions, timeliness and periodicity.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

Mechanisms are in place to ensure consistency in the production of the GFS. Shortcomings in the reporting of primary data and difficulty to assess and cross-check data sources in the first stages of compilation affect the reliability of the GFS. Also, there are no mechanisms to enforce legal requirements on the reporting of detailed and timely financial information from all public entities, specially the local governments, Congress, Judiciary, and the National Electoral Court. In addition, there are no systematic arrangements in place to obtain feedback from users of GFS.

The MPEU and the Accounting unit seek to adhere to the guidelines set out in *A Manual on Government Finance Statistics 1986 (GFSM 1986)*. The accounting standards underlying the source data for compilation of GFS are broadly adequate, and could support migration and implementation of the *Government Finance Statistics Manual 2001 (GFSM 2001)*.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

There are no formal processes to assess the quality of the GFS and no medium term plan to improve data quality. However, efforts are made to ensure the internal consistency of the data and to improve quality. For instance, (a) the ISFM is being extended to include all deconcentrated entities, which should result in a major improvement in timeliness and periodicity, and the staff in charge of this system is launching training courses and seminars to explain the benefits of the ISFM; (b) the MPEU is working on improvements in the GFS classification; (c) GFS is being increasingly disseminated through the SF's website; (d) efforts are underway to reduce the statistical discrepancy between the deficit/surplus and financing of the central administration; and (e) the new framework for compiling GFS is being studied.

Trade-offs between quality and timeliness are acknowledged to users in the publication of preliminary data and the updating of these data.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

Efforts are made to promote professionalism by sending staff to training courses domestically and abroad and by contracting foreign experts to provide on-the-job training. Also, professionalism is fostered by analytical work and lectures. More importantly, professionalism is a key factor in the evaluation and promotion of staff, as envisaged in the Law of the Civil Service.

Although there are no legal provisions for analytical frameworks to be in place, the accounting and GFS compilation methodology broadly follows international standards.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

There is no evidence of political interference in the choice of data sources and statistical methods. Data sources are selected according to how useful and available the information is to compile sound GFS. Also, changes to the analytical framework are made solely for statistical reasons, but implementation of the *GFSM 2001* would require participation by the different SF directorates and units involved in the compilation of GFS in the context of clear political support.

1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics

GFS compilers often provide expert advice on technical aspects of GFS. The SF is empowered to respond to misinterpretation/misuse of the GFS. In addition, the SF disseminates explanatory notes to help correct the misuses of GFS, and provides an account of recent developments in annual and biannual reports.

1.2 Transparency

1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public

The public has access to the PAL, the Budget Act and the General Accounting Unit Act that contain the broad legal framework for collection, compilation and dissemination.

Comprehensive terms and conditions under which the SF collects, compiles, and disseminates GFS are not available to the public.

1.2.2 Internal governmental access to statistics prior to their release is publicly identified

In principle, no official agency outside of SF has access to data prior to publication. However, in the role of financial agent of the government, the CBH receives the central administration deficit/surplus from SF prior to publication. This information is not disseminated. Procedures for authorizing dissemination of GFS are deemed to be internal are made public only in a limited manner. The minister of the SF authorizes the release of GFS.

1.2.3 Products of statistical agencies/units are clearly identified as such

All GFS products that are disseminated, whether through hard copy publications or through SF website, clearly identify the producing agencies and the data sources.

1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques

No advance notice is given to the public about major methodological or other relevant changes that materially affect the GFS. Explanatory notes are provided when the changes are introduced in publications.

1.3 Ethical standards

1.3.1 Guidelines for staff behavior are in place and are well known to the staff

The ethical standards guiding staff behavior are: (a) the Law of the Civil Service, Decree No. 126 dated October 1967, its by-laws (Executive Decree No. 175 dated February 1976) and the Decree No. 156 which modified some articles of the Law of the Civil Service; and (b) the internal regulations of the SF staff of 1997. The law requires civil servants to maintain reserve about work activities and to honor the public administration and the institution where they work, including by observing “good conduct” inside and outside the civil service. Staff are generally aware of ethical provisions that regulate their work. Art. 37 of the law contemplates penalties (including dismissal) for nonobservance of ethical standards.

2. Methodological Soundness

2.1 Concepts and definitions

2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices

Concepts and definitions are generally consistent with the recommendations of the *GFSM 1986*. The authorities have not prepared a plan to migrate from *GFSM 1986* to *GFSM 2001*,

but have formally requested Fund assistance for this purpose and have started assessing needed changes for the implementation of the new analytical framework.

2.2 *Scope*

2.2.1 *The scope is broadly consistent with internationally accepted standards, guidelines, or good practices*

The scope of the GFS disseminated on monthly, biannual and annual bases covers solely the central administration (budgetary central government). This scope is not in line with the recommendations of GFS manuals. According to both the *GFSM 1986* and *GFSM 2001*, statistics should be compiled for the general government, and its subsectors, i.e. consolidated central government and local governments.

However, for internal distribution and for dissemination to the Western Hemisphere Department of the IMF, the MPEU compiles statistics on the operations of the nonfinancial public sector with the following breakdown and institutional coverage:

<p>I. Coverage of the central administration</p> <ul style="list-style-type: none"> • Executive Branch • Legislative Branch • Judicial Branch • Deconcentrated units³
<p>II. Social Security and Pension Schemes</p> <ul style="list-style-type: none"> • Honduran Social Security Institute • NIRPEBE and NISPTE
<p>III. Rest of the Decentralized Institutions</p>
<p>IV. Non Financial Public Enterprises</p>
<p>V. Local Governments (municipalities)</p>

Central Administration includes the Executive, Legislative and Judicial branches. The Executive branch is mainly comprised by the secretariats (ministries) and deconcentrated units controlled by a secretariat. The legislative branch is comprised by the Congress. Only 17 of a total of 25 deconcentrated units report detailed financial information for recording in the ISFM. The financial information is used for classifying the operations of these deconcentrated units. The operations of the other eight units can not be properly classified

³ Art. 32 of the PAL states that the deconcentrated units are controlled by a unit of the central administration and Art. 19 of the Executive Decree No. 008 states that autonomous institutions are linked to the secretariat that undertakes similar activities.

and are recorded as transfers of the central administration. A large share of the revenues of decentralized units are mainly central administration transfers.

Social Security and Pension Schemes are compounded by three social security schemes the Social Security Institute of Honduras, the National Institute of Retirement and Pension of Executive Branch Employees (NIRPEBE) and the National Institute of Social Protection of Teachers (NISPTTE). There is a fourth pension scheme, the Institute of Social Protection of Military Personnel, which was not reviewed by the mission because data were not available.

Rest of Decentralized Institutions include all decentralized institutions apart from the social security schemes, including projects recorded as transfers of the central administration. In the future the ISFM will record the financial information of such projects within the operations of the corresponding secretariats.

Local governments comprise 298 municipalities. Only the 18 largest municipalities report detailed financial information to the SF, accounting for about 80 percent of central administration transfers. The operations of the rest are effectively included under central administration transfers to local governments.

The CBH uses the following institutional classification: (a) central government; (b) decentralized entities; and (c) local governments. The central government is in the practice the central administration including the decentralized units. The decentralized entities include nonfinancial public enterprises and other public institutions. The local governments include detailed financial information of 44 municipalities, the rest is recorded indirectly through central administration transfers to local governments. The CBH prepares a data on the central government and the nonfinancial public sector for internal use.

The presentation of GFS compiled by MPEU closely follows the Summary Table of Major Components in the *GFSM 1986*. In addition, disseminated tables for the central administration follow the format of table A (government revenue and grants) and C (economic classification of expenditures and lending minus repayment). There are no tables for functional classification of expenditures, financing by type of debt holder, and financing by type of debt instrument (tables B, D and E). The tables on debt cover external and domestic debt. The domestic debt is presented by security and by holder; and the external debt is presented by creditor. Also, tables on external and domestic debt service are included in the annual report.

2.3 Classification/sectorization

2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices

Contrary to recommendations in the GFS manuals, statistics on the consolidated central and general governments are not prepared by the SF. Such recommendations call for statistics on (a) the consolidated central government including the central administration, social security

schemes, and decentralized institutions (except public enterprises); (b) the consolidated general government including the consolidated central government and local governments; and (c) the consolidated nonfinancial public sector including the consolidated general government and the consolidated nonfinancial public enterprises.

The classifications of revenue and expenditure are mostly in accordance with the recommendations of the *GFSM 1986*. However, revenue excludes HIPC grants from international organizations other than the World Bank, the Inter-American Development Bank and IMF; and includes grants-in-kind, which should be recorded as memorandum item. Other deviations are: (a) interest and commissions are recorded together; (b) tax refunds are included as expenditure; (c) amortization of domestic and external debt are included above-the-line; and (d) misclassification arising from the lack of detailed information of the uses of central administration transfers. In accordance with international standards, commissions should instead be recorded separately as goods and services, tax refunds should be recorded in their corresponding tax categories as negative revenue and amortization should be presented below-the-line in domestic and external financing.

Published central administration revenue is classified as: (a) current revenue, (b) capital revenue and (c) external transfers (grants). Likewise, the current revenue is classified as tax and nontax revenue, with tax revenue divided into indirect and indirect.

Published central administration expenditure is classified as: (a) current expenditure, (b) capital expenditure and net lending, and (c) debt amortization. The capital expenditure is divided in investment, financial investment that includes lending minus repayment, and transfers. Current transfers are disaggregated by recipient: other levels governments and the private sector. Central administration expenditure by institution is also published.

The financing of the central administration is classified as: (a) domestic credit; (b) external credit; (c) external transfers; (d) utilization of Monetary Absorption Letter (MAL);⁴ (e) other financing sources; (f) decrease in external assets; (g) change in arrears; (h) special accounts; (i) HONDUTEL⁵ transfers; (j) change in holdings of external bonds; and (k) change in cash. The domestic and external credits refer to domestic and external drawings; the external transfers are grants to pay debt service; the other financing resources and the decrease of external assets are deposit withdrawals; the special accounts are uses of the Treasury deposit account; and the change in the holding of external bonds are the purchase of US Treasury bond for paying a debt kept with the CABEL⁶.

⁴ It is a CBH financial instrument bought by the SF to compensate public bonds issued and bought by CBH. The MAL and public bonds have the same interest rate.

⁵ Honduran Telecommunication Enterprise.

⁶ The Central American Bank of Economic Integration.

Currently the CBH classifies financing as: (a) external, (b) domestic, and (c) external deposits. External financing refers to drawings and amortization, exceptional financing (principal, interest and HIPC debt relief) and changes in arrears. The domestic financing is classified as central bank, rest of financial sector, bonds held by private sector, and floating debt. The CBH prepares annexes with detailed information of these variables.

Domestic debt by holder is disaggregated in public sector and private sector. Domestic debt by public sector creditor is divided by central bank, development banks, decentralized institutions, central government, and deconcentrated entities.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks

All cash transactions reflect actual prices. Where transactions are recorded on an accrual basis, market valuation, or the nearest proxy, is used. In accordance with the *GFSM 1986*, debt is recorded at face value (i.e. the amount to be repaid at the end of the contract), rather than market value. Also the amounts denominated in foreign currency are converted to Lempiras using the monthly and daily average exchange rates, as provided by the CBH.

2.4.2 Recording is done on an accrual basis

Revenue is recorded on cash basis and most expenditure is recorded on a payment order basis (proxy for accrual basis)⁷, with interest presented on a cash basis (.). All financing data, except arrears, are recorded on a cash basis, in line with the *1986 GFSM*. As a result of these differences in the recording of above-and below-the-line data, a statistical discrepancy exists between the overall deficit/surplus and total financing estimates. Starting with the next GFS publication, the SF intends to use CBH financing data, which are on an accrual basis. While the ISFM is recording revenue and expenditure using the bases of recording indicated above, it is not to be extended to record revenue on accrual basis and expenditure on cash basis.

2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices

Most transactions are shown on a gross basis, in line with the *GFSM 1986*, including tax revenue and financing. Tax refunds should be deducted from tax revenue, and financing should be presented on a net basis.

⁷ Except in the case of construction, goods and services have not been delivered when the payment order is issued.

3. Accuracy and Reliability

3.1 Source data

3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions

The main data sources are the administrative systems for monitoring the budget execution and debt management. These systems are the ISFM (controlled by the General Budget Directorate) and the Integrated System of Financial Management of External Debt (ISFMED)⁸ (controlled by the General Public Credit Directorate). The data sources in the ISFM cover detailed financial information for all budgetary units, except for eight deconcentrated units and some project management units. These sources provide information on the whole range of economic flows and stocks. The data sources in the ISFMED cover detailed information about the domestic and external debt and are shared by the SF and CBH. However, the CBH only has access to the information generated on the financial resources provided by the IMF and recorded in the ISFMED.

The SF collects annual budget financial information from decentralized institutions, local governments, and nonfinancial public enterprises. This information is provided in hardcopy and is processed by MPEU. The coverage of this information for decentralized institutions and nonfinancial public enterprises is complete, with all units within these levels of government reporting to the MPEU. This is not the case for local governments. Only 18 of the total of 298 municipalities report to the MPEU, aggregated information for the rest is obtained from central administration transfers. In some cases, MPEU staff visit selected municipalities to obtain the financial information; no data are collected by surveys.

3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required

Scope

The legal framework provides various definitions and structures of the non financial public sector, which may have impeded use of a common institutional coverage in the GFS. Thus the PAL states that the public administration is comprised of: (a) the centralized public administration and (b) decentralized public administration. The centralized public administration comprises the executive branch (Presidency, Council of Ministries and secretariats) and does not include legislative and judicial branches. Also this law states that the centralized public administration should control the deconcentrated units. In the practice, the deconcentrated units are controlled by the secretariats, for instance the SF controls the Executive Directorate of Revenues (EDR), among others. The decentralized public

⁸ Also under this system is recorded the domestic financing and debt.

administration comprises autonomous institutions and municipalities. Likewise, the autonomous institutions are divided into public institutions and public enterprises. The public institutions, as defined by the PAL are those created to develop administrative functions and provide public services. In The Municipalities Law (Decree No. 134 of November 1990) states in its Art. 97 that a copy of the approved budget for the current year as well as data on the execution of the previous year budget should be delivered to the Secretariat of Planning, Coordination and Budget⁹ no later than January 10 of every year.

To support recording, the accounting law establishes that the basic structure of public sector is: (a) central government; (b) autonomous institutions; (c) public sector; and (d) national public sector. The central government includes the executive, legislative and judicial branches. Similarly, the autonomous institutions include autonomous entities and public enterprises. Public enterprises comprise nonfinancial and financial public enterprises. The public sector comprises the central government and the autonomous institutions, and the national public sector comprises the public sector plus the municipalities.

The ISFM in its manual of classifications (institutional classification, Volume I) presents a list of public entities comprising the nonfinancial public sector. This list includes: (a) centralized public administration; (b) decentralized institutions that are not public enterprises; (c) social security institutions (which include the Honduran Social Security Institute, the NIRPEBE and NISPTE); and (d) non financial public enterprises. This institutional classification does not include the local governments.

Classification

The SF uses its own classifications for revenue and expense in the ISFM. The ISFM has improved the recording of central administration data by revamping the treasury and accounting units and by decentralizing the recording process. Secretariats are now directly recording financial information in the ISFM. Also, the centralization of financial information in this system has permitted the SF to prepare a multi-annual budget (this project has IDB financing). At present, the system includes detailed financial information on 17 deconcentrated units. Although many improvements are being made with the implementation of the ISFM, remaining shortcomings affect GFS compilation. These are: (a) many items are overly aggregated, including central administration transfers to the Congress, Judiciary, and the National Electoral Court, which do not permit separating global provisions into wages and salaries, and goods and services; (b) the ISFM payroll module has not yet been developed; (c) there are several misclassifications; (d) there is no GFS module; and (e) the treasury and accounting subsystems are yet to be finished.

⁹ In the practice this law should be interpreted as the SF is the central administration unit which will receive the financial information of the local governments. The Secretariat of Planning, Coordination and Budget was dissolved by Decree No. 218 and its functions of formulation of the budget and public investment program were transferred to SF.

Recording of payroll data is problematic. As the PAL does not include the Judicial and Legislative branches as part of the central administration and there is no ISFM payroll module, recording is based on the older Budgetary Integrated System (BIS) as well as data recorded by the education secretariat. Payroll data is recorded in the BIS and then transmitted to the ISFM using a bridge table. A premature phasing out of the BIS in anticipation of the ISFM recently led to serious problems in GFS compilation. Following early re-introduction of the BIS, these two systems currently contain the same updated information. The classifications for revenue and expenditure in the ISFM have not been revised to bring them more in line with the *GFSM 2001*. Also, an important step for improving the quality of GFS compilation would be the development of GFS module in the ISFM, meanwhile the MPEU should be given broad access to the financial information kept in its database.

The general budget classification for revenue and expenditure—the source—is broadly aligned with the *GFSM 1986* valuation and time recording. The source data for compiling financing (by CBH) are mostly in accordance with the *GFSM 1986* definitions and classifications. The recording of foreign loans is on a commitments basis, which is line with the *GFSM 2001*.

3.1.3 Source data are timely

Sources of financial information report data in a timely manner. Thus, decentralized institutions and the public enterprises report monthly financial information to the SF two to three months after the reference month, and municipalities report quarterly data two months after the reference quarter. The rest of the information, meaning monthly central administration data is processed directly by the ISFM.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

Accepted statistical techniques, including extrapolation, are applied to preliminary data. When the SF does not receive detailed information (for example on the use of transfers by local governments), it uses the expenditure structure in the execution of previous budgets. Transfers from the central administration account for the bulk of local government revenue.

3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques

Other statistical procedures are not employed in compiling GFS.

3.3 *Assessment and validation of source data*

3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide planning

With the exception of ISFM data, informal verification procedures are being introduced to assess the accuracy of the GFS. In the case of the ISFM, there is a sort of control of the administrative process developed by budget staff (“preinterventores”). The MPEU is only a user of this information. The results of these reviews are not monitored and made available to guide planning. Generally, there is an appropriate balance between accuracy and timeliness in the production of central administration data, but there are delays in local government data. The MPEU publishes preliminary data as soon as reasonably complete and accurate data become available, even if this requires that some missing data be estimated. Preliminary estimates are replaced with final data after audited accounts have been produced. The status of the data used for each period is noted in the GFS publication.

3.4 *Assessment and validation of intermediate data and statistical outputs*

3.4.1 Main intermediate data are validated against other information where applicable

The GFS for the central administration are based on the budget data derived from the ISFM. Intermediate data are validated against accounting data. Also the main statistical outputs of the GFS are validated against other economic statistics. The CBH compiles GFS data based on the central administration records of SF. For the rest of nonfinancial public sector, the CBH collects directly information from the decentralized institutions and nonfinancial public enterprises. These two sets of information are reconciled.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

All discrepancies between GFS and intermediate data, and intermediate data and related accounting series are investigated.

3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated

Statistical discrepancies between the deficit/surplus and financing, and between financing and changes in gross debt are investigated and resolved to the extent possible. Reconciliation with monetary and BOP data may involve occasional meetings with the CBH.

3.5 Revision studies

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

For annual data, revisions mainly result from routine replacement of preliminary data with final data. Revisions are not documented and no revision studies and analyses are prepared.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

The GFS timeframe is aligned with the budget cycle. The fiscal year is the calendar year. The budget preparation begins in April and includes consolidated reports of the financial statements and balance sheet of the entire public sector. Monthly GFS are used to monitor fiscal performance, including under the Fund program. In addition, data used for budget preparation, monitoring, and projections for the multi-annual budget also rely on GFS.

The level of detail, coverage, and timeliness of the GFS could be improved to enable users to better assess the government social and fiscal policy. For instance there is limited information on donor financing of social expenditure.

User feedback about the relevance and practical utility of GFS for analytical purposes is not obtained on a regular basis. There are no surveys for obtaining such feedback, though some informal feedback is received when SF authorities make presentations about fiscal affairs.

Although methodological changes being introduced have affected the timeliness of the annual and monthly publications, they are expected to increase relevance to the users. To this end, the SF will also start using financing data compiled by the CBH.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

The dissemination of fiscal data follow GDDS recommendations, with exceptions (for instance, annual and monthly data on central and general government operations are not published). The biannual and monthly data on the central administration are published two to three months after the end of the reference month. Annual data on the central administration is currently published seven to nine months after the end of the reference year. The annual data of the public debt is published seven to nine months after the end of the reference year in the Annual Report of the SF. The complete and final accounts of the central administration are available in annual, biannual, and monthly publications.

4.2.2 Periodicity follows dissemination standards

As mentioned earlier (2.2.1), no data on the consolidated central and general governments are published. Data on the central administration operations and debt are published with annual, biannual, and monthly periodicity. Honduras has not adopted the recommendations of the GDDS, which establishes that the quarterly central government aggregates should be disseminated within one quarter after the end of the reference period.

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

The overall deficit/surplus and financing are not consistent owing to a number of factors. Revenue and expenditure are recorded using different bases (revenue is on a cash basis and expenditure is on payment order basis). On the other hand, domestic financing reflect the actual cash receipts and payments. Also, there are difficulties in obtaining accurate information on expenditure financed through project loans and grants. In addition, the coverage of the nonfinancial public sector in the monetary and fiscal datasets is different, in part because of deficient sectorization of banking data.

The transfers of the central administration to other levels of governments are not fully reconciled because of incomplete data for some units of the other levels of government.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

GFS are consistent with expected trends and reflect discretionary changes, external shocks, and developments of economic activity. Historical data (five years) were revised to reflect the methodological changes and modifications made to implement the ISFM. However, time breaks are not clearly identified and documented, although the SF is aware of the need to explain and document changes to the time series.

4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks

While efforts are made to reconcile the national accounts with the GFS, there are discrepancies due to differences in data sources and institutional coverage. The national accounts use accrual basis and include the pension schemes as financial institutions while the GFS includes them as part of nonfinancial public sector. The national accounts establish the following levels of government: (a) central government, which includes all the secretariats except Health and Education; (b) Defense; (c) public enterprises; and (d) autonomous entities including only four entities.

The monetary accounts are not regularly reconciled with GFS as regards the aspects of financing for which the SF keeps records. Currently, changes in nonfinancial public sector deposits are not cross-checked with deposits in depositary institutions. Other discrepancies

could be explained by the differences of the recording criteria and timing. Domestic debt is produced by the General Directorate of Public Credit and is reconciled with the CBH.

Although the BOP and GFS use the same data source (ISFMED), no formal reconciliation is undertaken. Key variables that should be reconciled include external transfers and capital and external financing.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

The GFS published for the first time are preliminary, and final data are published following revisions. Generally, revised data are published in the next publication. Revisions do not follow a schedule and are completed when all institutions provide revised data.

4.4.2 Preliminary data are clearly identified

Preliminary and final data are adequately noted in publications. Both are disseminated with the same detail and through the same media.

4.4.3 Studies and analyses of revisions are made public

No revision studies and analyses are undertaken.

5. Accessibility

5.1 Data accessibility

5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)

Although formats permit identification and comparison of major aggregates and balancing items, the detailed underlying data are not well presented. Publications do present the coverage and detail set out in the *GFSM 1986*, though data are available for extensions in coverage and detail. The presentation of GFS is made in monthly, biannual, and annual reports in hardcopy and through the SF website. Data are presented in nominal terms and some data in the annual reports (deficit/surplus) are presented in terms of GDP. National classifications are in general consistent with those specified in the *GFSM 1986*, except for financing and the level of detail is significantly less than recommended. Monthly data are published for the 17 months up to the last month, and annual data include a set of five years.

5.1.2 Dissemination media and formats are adequate

Honduras has not reported GFS data for publication in the *Government Finance Statistics Yearbook (GFSY)* since 1981. The main statistical publication of the SF is the Annual Report

which includes an important segment dedicated to GFS. This segment includes annual GFS data and some graphs and tables with detailed information on the main aggregates. Through the SF website, monthly, biannual, and annual GFS data are also disseminated.

5.1.3 Statistics are released on a preannounced schedule

Presentation to Congress of the budget and accounting data follow pre-announced calendars, but the GFS are not disseminated according to a pre-announced calendar.

5.1.4 Statistics are made available to all users at the same time

Selected officials in the SF and the CBH obtain the GFS before other users.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Non published, non-confidential, disaggregated data are made available upon request. The availability of non-published data and the terms and conditions under which such data are made available are not publicized in GFS publications.

5.2 Metadata accessibility

5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated

The concepts, scope, classifications, basis of recording, data sources and statistical methods are not documented. There are no bridge tables showing the links between source data and GFS.

5.2.2 Levels of detail are adapted to the needs of the intended audience

As indicated above, the metadata are not available.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

No contact person is identified in publications. The SF provides support in technical matters to users requesting assistance.

5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available

The SF website presents a list of available publications.

Table 4. Honduras: Data Quality Assessment Framework—Summary of Results for Government Finance Statistics
(*Compiling Agency:*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
0. Prerequisites of quality							
0.1 Legal and institutional environment		X		X		Resources are not adequate for required GFS methodological improvements including expansion of the GFS coverage and implementation of <i>GFSM 2001</i> . Training in the <i>GFSM 2001</i> is needed. Low retention experienced staff. Procedures for data quality monitoring need to be improved and the development of a plan for improvement data quality is required.	
0.2 Resources							
0.3 Quality awareness			X				
1. Integrity							
1.1 Professionalism		X				Specific terms of conditions under which GFS are compiled, approval processes for publication, and advance notice with methodological changes are not made public.	
1.2 Transparency			X				
1.3 Ethical standards		X					
2. Methodological soundness							
2.1 Concepts and definitions			X			An specific migration plan to <i>GFSM 2001</i> has not been developed. Disseminated data covers only central administration. Sectorization is not consistent with the <i>GFSM 1986</i> and <i>GFSM 2001</i> . Classification broadly according to <i>GFSM 1986</i> , except: financing and debt are not classified by type of debt holder, of debt instrument, maturity, some misclassifications in expenditure and functional classification of expenditures is not provided.	
2.2 Scope				X			
2.3 Classification/sectorization				X			

Table 4. Honduras: Data Quality Assessment Framework—Summary of Results for Government Finance Statistics
(*Compiling Agency:*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
2.4 Basis for recording				X		GFS are compiled using a mixed basis of recording, revenues are recorded on cash basis and expenditures are recorded on payment order basis; and financing is not presented in net.	
3. Accuracy and reliability							
3.1 Source data			X			Only central administration data have broadly an adequate source data through the ISFM for the GFS to be compiled on a timely manner. Insufficient detailed data of some local governments and central administration units. ISFM needs to develop GFS sub-system and payroll statement module.	
3.2 Statistical techniques					X	Some procedures to assess the data are put in place, some problems detected and some of them corrected. The results of assessment are not monitored and made available to guide planning.	
3.3 Assessment and validation of source data			X				
3.4 Assessment and validation of intermediate data and statistical outputs					X		
3.5 Revision studies						No revision studies and analysis are performed.	X
4. Serviceability							
4.1 Relevance			X			Regular feedback from the GFS users is not provided and better assessment of the fiscal and social policies could be improved by detailed and timely data.	
4.2 Timeliness and periodicity					X	No reconciliation is reached between financing from the CBH and SF. Also there are not reconciliations with BOP and monetary datasets.	
4.3 Consistency			X			Revised policy and practice do not follow a regular schedule.	
4.4 Revision policy and practice					X		

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 4. Honduras: Data Quality Assessment Framework—Summary of Results for Government Finance Statistics
(*Compiling Agency:*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
5. Accessibility							
5.1 Data accessibility				X		GFS data are easily available only for central administration but not for the rest of the general government; GFS presentation requires to be improved and to be released on preannounced schedule; and terms and conditions of non-published (but non-confidential subaggregates are not available.	
5.2 Metadata accessibility					X	Documentation on concepts, scope, classifications, basis of recording, data sources and statistical techniques require to be developed	
5.3 Assistance to users			X			Contact persons for public sector operation data and public debt data required to be identified.	

V. BALANCE OF PAYMENTS STATISTICS

0. Prerequisites of quality

0.1 *Legal and institutional environment*

0.1.1 *The responsibility for collecting, processing, and disseminating statistics is clearly specified*

The CBH law, amended by Decree 228-96 of December 1996, assigns in its Article 25 primary responsibility to the Economic Studies Department (ESD) for the compilation of balance of payments (BOP) statistics. The CBH law does not refer to the responsibility for collecting and disseminating BOP statistics. Nevertheless, the CBH has a long and well-known practice of disseminating BOP statistics.

The NIS law approved by Decree 86-2000 of May 21, 2000, establishes in its Article 2 that NIS primary responsibility is coordinating the NSS. Article 2 of the NIS law also establishes that the NSS comprises all government agencies and other public sector entities involved in the collection, processing, and dissemination. Article 5 of the NIS law establishes that NIS is responsible for elaborating and/or coordinating the production of basic statistics for the compilation of macroeconomic statistics, including BOP. The regulation of the NIS law, approved by Executive Decree 0432-2001, establishes in its Article 54 that the NIS's Public Sector and Foreign Trade Statistics Unit is responsible for collecting, assessing, and processing customs data on exports and imports, including the elaboration of a database for the dissemination of foreign trade data series as required by national and international users.

The Balance of Payments Section (BPS) collects source data from several public sector institutions, such as the Executive Directorate of Revenues (EDR) and the Directorate of Public Credit (DPC) of the SF, the Petroleum Technical Unit, the National Port Enterprise, the Ministry of Industry and Commerce, the Honduran Tourism Institute, the General Directorate of Migration Policy; as well as from foreign investment enterprises; large companies involved in foreign trade and/or the production of goods and services; commercial banks and other financial institutions, embassies; donors; and other units of the CBH, such as the International Department.

0.1.2 *Data sharing and coordination among data producing agencies are adequate*

In general, arrangements and working procedures between the CBH and other data producing agencies, as well as within relevant CBH units, are in place to facilitate the adequate flow of source data for compiling BOP statistics. Periodic meetings and frequent telephone coordination with public institutions also provide source data.

Three public sector institutions are currently involved (EDR, NIS, and CBH) in compiling foreign trade data. The NIS has the legal responsibility to compile and disseminate foreign

trade statistics. Nevertheless, the CBH has been compiling and disseminating foreign trade data since the mid-1990s, in order to have timely data. The NIS and the CBH compile foreign trade statistics based on customs data available at the EDR. Foreign trade data disseminated by both institutions were reconciled prior to their release until 2001. Inadequate data sharing and inefficient coordination among these institutions have affected adversely the quality of foreign trade statistics. Not only these institutions have disseminated different foreign trade data for 2002, but also there is a severe deterioration in the timeliness for disseminating foreign trade data. The most recent monthly trade data on exports and imports published by the CBH correspond to November 2002.

Finally, arrangements are in place between the CBH and the DPC, with regard to having full on-line access to public sector external debt transactions recorded in UNCTAD's Debt Management and Financial Analysis System (DMFAS). Nevertheless, periodic coordination is needed between the relevant offices of the CBH and the SF to overcome lack of consistency on public external debt data disseminated by both institutions.

0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only

Individual responses are treated as confidential and are not disclosed nor used for other than statistical purposes. In surveys and statistical requirements conducted by the BPS, respondents are informed that their data will be kept confidential, displayed in an aggregated manner, and used solely for statistical purposes.

Aggregation rules are in place to ensure that individual data are not disclosed. Tables and outputs prepared by the BPS prevent direct and indirect disclosure of individual data. Rules are also in place to restrict access to individual data to staff requiring the information to perform their duties. Steps are taken to prevent unauthorized access to the CBH premises, and passwords are needed for accessing computers available in the BPS.

The CBH Internal Work Regulation, approved by the Ministry of Labor and Social Provision on November 29, 1994, establishes several provisions in Articles 44, 45, and 46 intended to avoid unauthorized disclosure of information by CBH staff. Among these provisions, this regulation establishes that staff shall store information appropriately; keep strict reserve in relation with confidential information and activities performed by CBH staff; avoid unauthorized use or move of documents, equipment, etc. Unauthorized disclosure of confidential information is considered a severe transgression. The CBH is authorized to terminate the work contract with staff involved in a severe fault. Other penalties include leave without pay up to eight days, written or verbal reprimands, etc. Work contracts for temporary employees include provisions to ensure that contractual employees follow relevant work regulations applicable to permanent staff.

The NIS law in its Article 28 establishes that enterprises and individuals that provide data to agencies of the NSS, such as the CBH, shall be informed of: (a) the voluntary or obligatory nature of responses; (b) consequences of misreporting of data; (c) their right to correct data previously reported; (d) confidentiality in managing data reported; (e) ways of data

dissemination; and (f) deadlines for providing data. This information might be included in questionnaires and documents requesting data, or informed when collecting data. Article 31 of the NIS law establishes that agencies of the NSS shall treat data collected as strictly confidential, and shall not disseminate individual data but aggregate figures according to criteria and categories that satisfy users' needs. Article 33 of the NIS law identifies staff behavior of staff of the NIS and other agencies of the NSS that might be subject to penalties. Penalties are well defined in Article 106 of the regulation of NIS law.

The CBH has not invoked articles of the NIS law when gathering data to compile BOP statistics. Clarification of certain provisions of the NIS regulations would facilitate adequate implementation.

0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response

Article 25 of the CBH law establishes that all government agencies, official and semiofficial entities, shall furnish to the ESD information requested for achieving its responsibilities. Article 50 of the law provides legal mandate to the CBH for obtaining information on the financial sector directly or through the National Commission for Banks and Insurance. No penalties for noncompliance with data reporting requirements (including misreporting) are established in the CBH law and regulations. Moreover, the CBH law does not provide legal authority to the CBH for collecting data from the nonfinancial private sector. Nonfinancial private sector data have been provided to the CBH on a voluntary basis.

Article 25 of the NIS law establishes that all government offices, public and private sector enterprises, and individuals that are located in Honduras must furnish to the NSS entities all information requested by these institutions for achieving their statistical responsibilities. No reference to the recently approved NIS law has been made yet by the CBH in requesting data for the compilation of BOP statistics.

Article 32 of the NIS law provides a comprehensive identification of data respondents' behavior that might be subject to penalties. Penalties are well defined in Articles 105 of NIS regulations. Nevertheless, no penalties for noncompliance with data reporting requirements have been yet applied.

The CBH seeks to secure the cooperation of respondents by creating goodwill (e.g., by raising their awareness of the importance of good quality statistics, and providing respondents with data upon request). The CBH provides assistance to respondents in completing and submitting forms; by providing a point of contact, and visiting respondents whenever possible.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The number of staff currently assigned to the BPS is not adequate to perform the existing tasks, including the full conversion of the data from *BPM4* to *BPM5*. The BPS currently comprises five staff, including the section chief. BPS staff is responsible for collecting, processing, and disseminating balance of payment statistics¹⁰. This responsibility includes performing all survey-related activities—design, distribution of questionnaires, data processing and analysis—for about 19 surveys conducted by the BPS, and few other surveys jointly carried out with the CBH's National Accounts Section.

The retention of core trained BOP staff has been severely affected. In the past six months, two analysts have been reassigned from the BPS to other CBH's Departments, and two analysts have resigned to the CBH. Currently, all BPS staff but one analyst are new; new staff have been assigned to the BPS within the past five months. All BPS staff is required to be economists or to have concluded at least $\frac{3}{4}$ of the university studies in economics.

BPS staff is highly motivated, and demonstrate initiative and dedication to their responsibilities. Nevertheless, most staff lack of formal training, mainly in BOP methodology and compilation techniques. The BPS is one of three sections under direct supervision of the Financial Aggregates Unit. The Unit Chief and only one of the BPS analysts have participated in the Fund's BOP statistics course and/or other formal courses on the subject. New staff is being trained on *BPM5* methodologies by more experienced staff, through one-hour workshops held weekly outside official working hours. Staff from other relevant sections of the Economic Studies Department of the CBH participates in these workshops. At the beginning of each year, the Economic Studies Department develops a plan with internal and external training activities for its staff.

Three or four additional permanent staff members are required for adequate compilation of BOP statistics. This would facilitate implementation of the mission's recommendations for improving the quality of BOP statistics (including the unpublished quarterly BOP estimates), and for expanding the coverage of major economic sectors, such as foreign direct investment in the maquila sector.

Each BPS staff has its own computer, but just half of the equipment is adequate to ensure efficient processing of data and management of the databases; only one computer has internet access. For compiling foreign trade statistics, the CBH developed software to process data available at the EDR's SIDUNEA (UNCTAD's data base for foreign trade data). Currently, the CBH has access to EUROTRACE (software developed by EUROSTAT and provided to the NIS for compiling foreign trade data). Both software applications use the database

¹⁰ In mid-1995, the BPS comprised eight staff including the section chief.

available at the EDR; however, CBH staff indicates that different results are obtained by these applications.

0.2.2 Measures to ensure efficient use of resources are implemented

Managers in the CBH promote a vision and a sense of direction that are shared with the staff. An Annual Operational Plan consolidated at the departmental level is prepared. The Plan includes all statistical products of the ESD, and it is monitored and reviewed each four months. Little documentation exist on processes to measure and compare efficiency in resource usage for balance of payment compilation vis-à-vis other statistical processes conducted by the CBH. Procedures to improve efficiency in resources allocated to BOP surveys are not in place. A manual that states duties and/or main responsibilities of every BPS analyst is being updated by the CBH. There is not enough documentation on procedures to minimize errors, such as coding, editing, and tabulation errors in the data. Written instructions for surveys' respondents that might reduce involuntary misreporting are not available. Procedures are not in place to ensure that CBH staff that participated in international courses on BOP statistics keep engaged with BOP statistics adequately.

CBH staff undergoes annual performance appraisals, but performance indicators are not set out at that time, and performance is not reviewed against those performance criteria. There has not been sufficient effort for concluding the process to compile BOP statistics according to *BPM5* (most countries have already moved from *BPM4* to *BPM5*).

CBH's most recent international technical assistance on BOP methodologies and compilation systems was provided by the IMF and the Central American Monetary Council in the mid-1990s. As a component of an internationally financed project to change the base year for national accounts statistics, an assessment of BOP methodology and compilation procedures was conducted by an international expert in early 2003.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

CBH management and staff are aware that quality is an essential component of statistical work. They are sensitive to all dimensions of data quality and conduct their work accordingly. However no explicit measures are undertaken to focus on quality overall.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

Procedures have been established for examining the quality of BOP statistics, but few of them are documented. Some basic reviews are undertaken to identify problems at some stages of collecting and processing data. New data are compared with data declared for previous periods. When inconsistencies are detected, the respondents are contacted for making appropriate corrections. Manual checks are also performed when data are input for

loading to the database. Foreign trade source data compiled by the CBH are manually reviewed to verify the use of appropriate custom coding, and to detect inconsistencies between physical volumes and transaction values. There is no documentation that would facilitate consistent quality review procedures at the various stages of collecting, processing, and disseminating of data.

There are no defined procedures to consult users of BOP statistics on data quality issues. No users' surveys are conducted; there are no technical committees where users participate; and the CBH internet page does not provide special mechanisms for users to provide their comments on quality issues.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

CBH management and staff are aware of the tradeoffs among different dimensions of data quality, such as timeliness and accuracy of BOP data. Improvement of data quality is considered in planning the work program. Nevertheless, few formal processes are in place to guide planning for existing and emerging needs. For example, no significant efforts have been made for identifying users' needs for quarterly BOP estimates, quarterly external debt service and position data, or international investment position statistics. Currently, these data are either not elaborated or not disseminated by the CBH.

Formal mechanisms are not in place to identify new and emerging BOP data requirements, such as periodic meetings with policy makers and other data users. Users' feedback on BOP statistics is not requested nor encouraged. The participation of the President of the CBH in cabinet meetings might constitute one mechanism to identify new data requirements of other policy makers.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The CBH law, in its Article 12, establishes that CBH Board members act with total independence, and under their personal and joint responsibility, according to CBH's legal framework.

Professional competence is a key element in staff hiring, assignment of tasks, and promotion practices. The CBH has a tradition of promoting staff training through attendance at courses organized by international institutions in the country or overseas. The CBH, usually with donors' financing, fosters postgraduate courses for its employees. The CBH does not have a policy for encouraging the publication of methodological papers. Internal workshops on BOP methodology are organized by the CBH, thus promoting professionalism.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

BPS staff chooses data sources, methodologies, and statistical techniques used in compiling BOP statistics solely on the basis of statistical considerations. Most available surveys were designed by the CBH, including some recommendations made by international experts in the mid-1990s. Nevertheless, some surveys do not request adequate or sufficient data from respondents.

1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics

Staff regularly monitors national press coverage of CBH's statistical products and where there is an erroneous interpretation, the CBH provides comments and clarifications to the media. The CBH seeks to prevent erroneous interpretation of statistics by providing explanatory material when releasing BOP data in its website or through publications. The CBH has organized occasional workshops for professional associations to promote adequate use of economic and financial indicators.

1.2 Transparency

1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public

Although the CBH has a well-established practice for compiling and disseminating BOP statistics, the terms and conditions under which the data are collected, processed, and disseminated are not readily available. Confidentiality of individual respondent's data collected but the CBH is guaranteed by the CBH's Internal Work Regulation, and several articles of the NIS law. Nevertheless, this information is not readily available to the public in CBH publications or website. The process of preparation, review, and approval of BOP statistics is not divulged to the public.

The CBH provides in its website the electronic mail address (webmaster@mail.bch.hn) where users could direct comments, suggestions or questions on any CBH statistics, including BOP data.

1.2.2 Internal governmental access to statistics prior to their release is publicly identified

With approval from the CBH authorities, selected users (mainly, government officials and staff from international organizations) obtain occasional access to the BOP statistics, before data are released to the public through CBH publications and/or its website. The BOP statistics are prepared by the BPS, reviewed by the Chief of the Financial Aggregates Unit, and discussed with the Deputy Manager of the ESD. The BOP data are presented by the

Deputy Manager to the CBH President and, once approved, distributed to CBH Board members.

The public is not informed that the approval process of BOP data rests entirely on the CBH, and that there is occasional government access to data prior to public release.

1.2.3 Products of statistical agencies/units are clearly identified as such

Balance of payment statistics are clearly identified as a CBH product either through CBH periodic publications or its website. All CBH publications bear the institution's logo. Most published tables include a footnote indicating the data source.

Any official government report that includes BOP information acknowledges the CBH as the data source. The Ministry of Finance's Annual Report to Congress includes tables on BOP and foreign trade statistics (the document is also available in the SF website). The NIS also disseminates BOP data in its publications and the NIS website. Both, the SF and the NIS, make clear reference to the CBH as the data source for BOP statistics. When the NIS disseminates data on foreign trade without CBH-related methodological adjustments, explanatory footnotes are included in the relevant tables.

1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques

The CBH has not introduced major changes in BOP methodology, source data, or statistical techniques in recent years. Minor changes were introduced to some BOP components, such as travel and other services, foreign trade. None of these modifications were announced in advance to the public.

The CBH has been working on the conversion of BOP data from *BPM4* to *BPM5*. The mission was informed that the CBH would provide users of BOP statistics with advance notice on this modification. The CBH's internal BOP users are aware of work being done and have participated in technical discussions.

1.3 Ethical standards

1.3.1 Guidelines for staff behavior are in place and are well known to the staff

The CBH Internal Work Regulations provide broad ethical guidelines for CBH staff. New staff members receive a copy of the regulation when they join the institution. New staff also participates in an orientation course that thoroughly covers these guidelines. All staff is periodically reminded that they must adhere to the regulation. Violation or nonobservance of the standards of conduct is penalized according to the provisions of articles 47 and 48 of the regulation. Work contracts for temporary employees include provisions to assure that contractual employees follow relevant work regulations applicable for permanent staff.

2. Methodological Soundness

2.1 Concepts and definitions

2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices

Concepts and definitions used to compile the BOP statistics are in broad conformity with the guidelines presented in *BPM4*. Progress has been made in the transition to the methodology of *BPM5*. There are few departures, such as the criterion of residency underlying the treatment of the maquila sector (enterprises operating under two special tax regimes: free trade zones and industrial transformation zones), and some foreign currency transactions among residents (misclassified in banks records).

2.2 Scope

2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices

In principle, BOP statistics cover all resident-nonresident transactions. Resident institutional unit are defined in conformity with *BPM5* concepts of economic territory, residency, and center of economic interest. The data cover the entire economic territory of Honduras, and also most maquila (free trade zones and industrial transformation zones) transactions.

The lack of recording of profits obtained by direct investment enterprises operating in the maquila sector underestimates the current account deficit of the BOP. The financial account of the BOP excludes any direct investment transaction in the maquila sector (including reinvested earnings and undistributed profits).

Due to the paucity of data sources, other transactions with nonresidents are not covered. Among these are: (a) several services, such as financial services, services between direct investment affiliates, etc.; (b) foreign assets of the nonfinancial private sector, including direct investment enterprises and individuals; (c) various foreign liabilities of the nonfinancial private sector, and (d) financial transactions (assets and liabilities) of the maquila sector. These departures are kept under review.

2.3 Classification/sectorization

2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices

The classification of BOP transactions conforms to the recommendations of *BPM4*. Nevertheless, deviations from the classification recommended by *BPM5* are kept under close review, and most major differences are identified.

The main deviations of BOP data included in national publications are:

- Goods are not broken down in the five categories recommended by the *BPM5* (general merchandise, goods for processing, repairs on goods, goods procured in port, and nonmonetary gold).
- Goods for processing (that is, goods that enter Honduras for processing and return to the country of origin without a change of ownership) are not identified separately within “goods” (exports and imports) as recommended¹¹; these goods are recorded on a net basis (value added) under “services.”
- Repair of goods are recorded under “services,” rather than identified separately within “goods.”
- Various services items are not classified and/or disaggregated appropriately due to the lack of breakdown in the data sources. For example, transportation services are not disaggregated by means of transport; travel is not shown by purpose of traveler; etc.
- Interest, dividends, and branch profits are classified as “services” instead of as “investment income.”
- Remuneration of border and seasonal workers, as well as remuneration of local staff of foreign embassies located in Honduras and of Honduran embassies abroad, are classified as “services” instead of as “labor income.”
- Gross premiums and claims on insurance are included in “insurance services.” *BPM5* calls for a rearrangement into two components (a) the service charge (premiums earned less claims paid) that should be entered in “insurance services,” and (b) the difference between gross premiums and the service charge that should be recorded under “other investment” in the financial account (for life insurance) and under “current transfers” in the current account (for other insurance).
- Transfers are not disaggregated and classified into current and capital transfers. Only current transfers are registered under the current account of the BOP.

The presentation table for BOP used in national publications does not facilitate users’ analysis. Short-term transactions involving bank assets and liabilities should be recorded “above the line” rather than “below the line,”¹² because these financial resources are not under CBH’s direct control.

BPM5 recommends portfolio investment and other investment transactions be classified in four institutional sectors (monetary authorities, general government, banks, and other

¹¹ About 45 countries are currently reporting statistics on goods for processing to the IMF Statistics Department according to the recommendations of *BPM5*.

¹² Transactions recorded “below the line” usually comprise reserve assets, use of Fund’s credit and loans, and exceptional financing (BOP support grants and loans, debt forgiveness, change in arrears, and debt rescheduling).

sectors). However, BOP publications display a breakdown in three institutional sectors (private sector, official sector, and banking sector). This institutional breakdown does not identify: (a) transactions of monetary authorities and banks (both are included under the banking sector); and (b) transactions of the general government (which are included under the official sector, together with other nonfinancial public sector transactions).

The CBH has prepared a preliminary BOP statement in broad compliance with the classification/sectorization recommended by *BPM5* for the period 1993-2002. The CBH has provided these data to the IMF's Statistics Department for publication in the *International Financial Statistics* and the *Balance of Payment Statistics Yearbook*. The CBH plans to release BOP data according to *BPM5* for 1993-2002 in its publications and in the CBH website, once final review and approval is provided by CBH management.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks

Balance of payments statistics are compiled in U.S. dollars. Transactions reported in other currencies are converted into U.S. dollars at the exchange rate prevailing on the day of transaction. When the actual date of the transaction is not available, the average exchange rate for the reporting period is used. Stocks in other currencies are converted into U.S. dollars at the end-month relevant exchange rate. Where transaction estimates are derived from end-of-period position statements, transactions include exchange rate variations (stock data are not converted using exchange rates prevailing on the statement date).

Balance of payments transactions are generally valued at market prices as recommended by the *BPM5*. A substantial portion of Honduras' foreign trade is carried out between direct investment enterprises located in Honduras and related foreign enterprises. When transfer prices are identified, adjustments are made to value goods at market prices. Services are valued at the price paid for the services provided. Goods are valued on an f.o.b. basis.

2.4.2 Recording is done on an accrual basis

In general, change of ownership is the principle governing the recognition of transactions and their time of recording. Merchandise trade statistics are recorded largely according to the time of clearance by customs (as with other countries), which may not be at the same time that the goods change ownership. Most services are recorded on an accrual basis; a major exception would be government services, which are recorded as reported mainly on a cash basis. Interest income is recorded on an accrual basis in the balance sheets of the CBH and commercial banks. Interest on public sector external debt is recorded on a due date basis; no adjustments to convert interest to accrued values are made. Other accounts are a mixture of cash basis and derived income/expenses using an implicit rate of interest.

2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices

Grossing/netting procedures are broadly consistent with BPM5. Most current account items are recorded on a gross basis. Financial account items are mainly recorded on a net basis, separately for the individual asset and liability components.

3. Accuracy and Reliability

3.1 Source data

3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions

Data sources used to compile the BOP statistics include an adequate mix of administrative records and surveys, supplemented by category-specific estimates.

The BPS has a business register that identifies transactor units engaged in BOP transactions. The register is kept under review. All surveys conducted by the BPS but one (the survey on workers' remittances) are intended to cover relevant enterprises. All surveys are annual surveys. Currently, there are no surveys on direct investment and other financial transactions of enterprises located in free trade zones and industrial transformation zones, nor surveys on external debt and other financial transactions of other nonfinancial private sector enterprises. Benchmark surveys are not conducted.

Currently, 19 surveys are conducted by the BPS to obtain data on BOP transactions, as follows:

- Seventeen annual surveys are intended to cover relevant transactions of enterprises with nonresidents. One survey is used to obtain financial data of foreign direct investment enterprises; four surveys are conducted to obtain data on passenger and goods transportation services (by air, sea, and land means of transport) provided by national and foreign companies; nine surveys are designed to obtain data on other services, such as courier, audiovisual, construction, royalties, insurance, information, tourism related services, professional services, and government services; and three surveys are designed to obtain data on grants, technical cooperation, and other transfers. Currently, about 441 enterprises are being requested to provide data on their 2002 transactions. In 2002, 424 enterprises were requested to provide data on 2001.
- One survey conducted in early January of each year is intended to estimate workers' remittances ("remesas familiares"). This is the only survey applied to a sample of respondents. Sampling techniques are not used. The survey is applied to Hondurans residing abroad that visit the country for Christmas and New Year's holidays. More than 800 individuals were surveyed in 2003, and about 370 persons in 2002.

- In coordination with the CBH's National Account Section, the BPS conducts one annual survey intended to have full coverage of the goods for processing companies ("maquila sector") operating in free trade zones and industrial transformation zones. Data on relevant transactions for BOP statistics include goods exports, imports of intermediate goods, trade activities with the rest of Honduran economy, and several services and labor income transactions. About 230 enterprises provided data on their 2002 transactions. Since early 2003, a pilot project to conduct a monthly survey to the maquila enterprises has been underway. More than 180 enterprises have provided monthly data for January–March 2003.

The BPS obtains data (mainly, administrative data) from other institutions:

- the EDR of the SF, and the NIS¹³, for monthly foreign trade data on goods exports and imports;
- full on-line access to public sector external debt daily data available in the UNCTAD's DMFAS managed by the DPC of the SF;
- the Ministry of Foreign Affairs, for annual data on government services;
- the Ministry of Technical Cooperation for information on official agreements with official donors;
- the Honduran Institute of Tourism for data on nonresident's travel expenditures, based on a survey on nonresident travelers to Honduras, conducted twice yearly during high and low season;
- the General Directorate of Migration Policy for monthly number of travelers entering and exiting Honduras;
- the National Commission of Banks and Insurance for quarterly data on insurance related services;
- the National Ports Enterprise for annual data on port and related services;
- the National Post Office for annual data on courier services;
- the Honduran Telecommunication Enterprise, for annual data on cable, television, internet, and telephone services;
- the National Enterprise of Electricity, for quarterly data on exports and imports of electricity and fuel consumption;
- the Directorate of Civil Air Affairs of the Ministry of Transport, for annual data on selected airline activities;

¹³ As previously indicated, Honduras' current legal framework establishes that the recently created NIS is responsible for compiling foreign trade data. Previous legislation established that the former General Directorate of Statistics and Census (GDSC) was responsible for the compilation of foreign trade data. However, the CBH has a well-known tradition of compiling foreign trade data for BOP and national accounts statistics. Until 2001, both the CBH and the NIS (or the former GDSC) have disseminated basically the same data on exports and imports.

- the Directorate of Mining Promotion, for quarterly data on mineral exports (volume and value);
- the Petroleum Technical Unit of the Ministry of Natural Resources, for quarterly data on fuel imports (volume and value);
- the Honduran Coffee Institute for monthly data on coffee exports (volume and value);
- several private sector export enterprises provide monthly data on exports volumes for banana, pineapples, shrimps, "palma" oil, and mineral products;
- some foreign government agencies and international organizations provide periodic information on grants to the Honduran public and private sector.

Finally, the BPS obtains information from other areas in the CBH, such:

- the National Account Section, for information on foreign direct investment transactions obtained from a report form attached to the income tax statement, production of goods and services, and monthly indices of economic activity;
- the International Department, mainly for monthly data on nonfinancial private external debt transactions, foreign long-term liabilities of the financial sector, residents' travel expense abroad; and other transactions included in the foreign exchange balance ("balanza cambiaria"); and
- the Monetary Section, for monthly data on CBH's reserve assets, and other financial assets and liabilities, monthly data on commercial banks' positions on short-term foreign assets and liabilities; and CBH's investment income data, among others.

Foreign trade data from primary sources are supplemented with information from numerous secondary data sources. The local media and the internet are monitored for information on international transactions; this information is used for updating BOP survey coverage, and for contacting large transactors as to reflect significant transactions in the BOP estimates. No meetings are held by the BPS with financial market participants and/or the business community to identify new developments that might need to be taken account of in BOP compilation.

Currently, the first release of BOP statistics is based mainly on administrative data. Data from surveys are only available for the preparation of revised BOP data (see 3.1.3 and 4.2.1).

In Honduras, there is no international transactions reporting system in place.

3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required

BPS staff are aware of differences in practices used in compiling source data for the BOP statistics, and have developed specific procedures to adjust data, particularly on foreign trade to improve coverage, classification, and valuation according to *BPM5*. The EDR's foreign trade database, which is based on customs data compiled using UNCTAD's SIDUNEA (software for foreign trade), is subject to the following scope and valuation adjustments:

- No data on exports and imports of maquila enterprises have been included in the customs database or estimated for BOP statistics. BOP statistics includes only value-added estimates of the maquila sector, which is recorded under services according to *BPM4*. The CBH has recently prepared foreign trade preliminary estimates of the maquila sector for 2002, based on annual surveys recently conducted by the CBH (not yet included in official statistics). Based on these surveys, goods exports exceed US\$ 2.4 billion, while imports of inputs and intermediate goods amount to about US\$ 1.8 billion.¹⁴
- Several commodities exported by foreign direct enterprises to their affiliates are subject to major adjustments, such as: (a) replacing transfer prices with estimates of market prices; and (b) adjusting volumes based on data reported by large exporters.
- Exports figures are also subject to other adjustments such as: (a) estimating unrecorded land exports to other Central American countries (coffee and several other food products); (b) including energy exported to neighboring countries; (c) including an estimation of goods returned to the country of origin; and (d) improving coverage of exports made by enterprises subject to the Temporal Import Regime.
- Imports f.o.b. are subject to large adjustments, such as: (a) estimating the freight and insurance components included in import data available included in Customs data;
- Imports figures are also subject to other adjustments such as: (a) estimating unrecorded land imports from other Central American countries (mainly, electrical home consumer appliances); (b) including energy imports from neighboring countries; (c) including an estimation of goods returned by trade partners; (d) including estimates of unrecorded good received as grants from official foreign donors; (e) improving coverage of imports made by enterprises subject to the Temporal Import Regime.

The EDR is currently involved in a comprehensive project to produce data on the maquila sector, including exports, imports, and several other relevant macroeconomic data. This project is being carried out to obtain key data requested by official Honduran authorities, including data requirements previously made by the IMF. Software has been developed by the EDR, and initial data entry has begun. However, the current project status is unclear, due to lack of adequate coordination between the EDR, the NIS, and the CBH. Several basic understandings between the EDR and the CBH were reached while the mission was in Tegucigalpa. Nevertheless, further coordination between these agencies and the NIS and, probably, the Ministry of Industry and Commerce is needed, for this project to move forward. Relevant pending issues include: (a) the identification of a mechanism for effective coordination between the official institutions involved in foreign trade statistics; (b) improving the design of the data entry form to include data needs for compiling BOP and

¹⁴ During 2002, BOP statistics included US\$ 1.4 billion of exports f.o.b. and US\$ 2.8 billion of imports f.o.b.

national accounts statistics, as well as specialized data requirements for international foreign trade negotiations; and (c) identifying resources and financing for personnel entering relevant data from 2000, among others.

DMFAS is not currently used to obtain public external debt transactions and positions on an accrual basis as recommended by *BPM5*, and reinforced by the external debt statistics guide recently published by the IMF. Data obtained from DMFAS on a due-for-payment basis are recorded in the balance of payment statistics. Misidentification of debtors and differences in debtor sectorization make data conciliation with other datasets very difficult. Data on external debt transactions are being classified by the sector of the executing agency, rather than by sector of the debtor institution (as recommended by international standards).

3.1.3 Source data are timely

Generally, the data collection system provides for the timely receipt of administrative data for BOP compilation. The majority of administrative data are available (on a monthly and/or quarterly basis) and provided to the BPS with sufficient time for annual and quarterly BOP compilation¹⁵. For example, source data on foreign trade and public sector external debt are available within the following month of the reference period. Administrative data includes information on foreign trade, public sector external debt, CBH's reserve assets and other foreign assets and liabilities, the financial system's foreign assets and liabilities, and basic data for travel services.

Data from surveys are available with significant and irregular delays. In general, distribution of questionnaires to respondents is timely. However, the response rate is low and the quality of responses is poor. For 2001, the average response rate for 17 enterprise-surveys conducted by the BPS was 46 percent (or 24 percent if only questionnaires with relevant data are considered). Legal framework limitations, reduced number of staff, low priority assigned to surveys -measured by staff allocation to this activity-, no documentation on procedures to conduct surveys, lack of instructions for respondents to fill out questionnaires, no clear definition of key concepts, are factors underlying this performance.

Currently, data from surveys are still preliminary since 2000. Generally, no data from surveys are available for BOP compilation earlier than 12 months after the end of the previous year. Therefore, the first release of BOP statistics includes no data from surveys. BOP revised data (prepared and disseminated during the second year after the end of the reference year) benefits from surveys data.

¹⁵ After several years, compilation of quarterly BOP data for policy making decisions has been resumed in early 2003. Nevertheless, no quarterly BOP estimates have yet been disseminated to the public or to the IMF.

3.2 *Statistical techniques*

3.2.1 *Data compilation employs sound statistical techniques*

Data obtained from most surveys conducted by the BPS are barely satisfactory. Main features of the collection and data processing processes are as follows:

- All annual questionnaires are sent to enterprises by mail and fax, or, for some surveys, distributed by BPS staff through visits to each individual enterprise. Currently, the only survey being conducted through electronic data delivery is the pilot monthly survey on the maquila sector.
- Surveys are designed to be easily completed but lack of instructions for respondents to fill-out questionnaires seriously endangers the quality of data.
- Surveys are not designed in a way consistent with computer processing.
- No automatic controls to detect errors in processing administrative data or surveys data are available. Nevertheless, intense and commended efforts are made by the BPS staff for identifying errors in data processing.
- No questionnaires are available in the CBH website. Several respondents are sending their data replies using computer means.
- No survey has adequate documentation of adjustment procedures applied to respondents' data to improve the coverage, classification, valuation, and timing of the information received by the BPS.
- Key data requested by the foreign direct investment survey are incomplete and misleading.

The survey on workers' remittances ("remesas familiares") is the only survey applied to a sample of respondents and conducted at the airport by direct interviewers.¹⁶ Remesas familiares are currently the largest inflow of resources recorded in the balance of payments. The BPS compares data estimated from surveys with data recorded in the CBH's "balanza cambiaria." For 2002, "remesas familiares" recorded in the BOP statistics amounted to US\$ 711 million (10 percent larger than foreign exchange recorded in the CBH's balanza cambiaria for that period). The number of Honduran nationals residing in the United States is obtained from the USA Embassy in Tegucigalpa. These data (adjusted by a factor) are multiplied by the average amount sent to relatives and friends in Honduras declared by respondents. The statistical technique used for estimating "remesas familiares" does not consider the age structure of Honduran families residing abroad (estimates on remittances are sensitive to the age structure; minors should not be assumed to send remittances). No estimates on the number of Honduran nationals residing in Europe (presumably a relevant number) are used for the estimation.

¹⁶ Beginning in 2003, the survey coverage includes two major airports (one in Tegucigalpa and the other in San Pedro de Sula).

3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques

As mentioned previously, the BPS conducts a number of adjustments to estimate goods exports and imports consistent with *BPM5*. Some statistical techniques used for adjusting foreign trade data are not sound. For example, the BPS converts imports from c.i.f. to f.o.b. values using a fixed factor for freight and insurance (equivalent to 10.5 percent of c.i.f. value). However, available customs data based on the Unified Declaration Document include both c.i.f. and f.o.b. import values. This document does not disaggregate freight and insurance by single products, but compilers prepare estimates. Foreign trade data reconciliation with major Central American trade partners are not conducted, but undercoverage of exports and undervaluation of imports are identified by official trade data reported by those countries. Trade credits related to exports are estimated on the basis of partial information contained in banks documents.

Some transactions not yet covered in Honduras' BOP statistics, or not sufficiently disaggregated, might be estimated by implementing widely used statistical techniques. Among these transactions are: financial services related to banking activity, commissions on external debt operations, several transport services, some foreign direct investment transactions, and other financial transactions made by the private sector enterprises and individuals with nonresidents.

3.3 Assessment and validation of source data

3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide planning

In general, accuracy of the data from surveys is not routinely assessed owing to severe BPS understaffing. No documentation on sampling and nonsampling errors, undercoverage, underreporting, or misclassification is available or regularly reviewed. Non-response is monitored, but available documentation refers to overall number of questionnaires received from respondents. There is no information on the number of questionnaires with complete and relevant responses, identification of specific components of surveys where the response is low or inadequate response.

The BPS regularly assesses foreign trade data for coverage, misclassification, and coding errors. The results of the assessments are monitored, documented, and used to guide planning. High-value transactions are confirmed with respondents. In early 2003, the NIS disseminated foreign trade data for 2002 obtained by using EUROSTAT's EUROTRACE (software for foreign trade data) to access the EDR's database (SIDUNEA). These data differs from data disseminated by the CBH based on source data also provided by the EDR. The CBH is concerned about these data discrepancies, and decided in March 2003 to suspend

the publication of monthly foreign trade data; the last CBH monthly data published correspond to November 2002.

3.4 *Assessment and validation of intermediate data and statistical outputs*

3.4.1 *Main intermediate data are validated against other information where applicable*

Some data compiled from surveys are subject to validation procedures against other independent data sources. Information reported in the local media is used to verify high-value direct investment and other transactions. Some data comparisons are made with the CBH's monthly foreign exchange balance (balanza cambiaria).

3.4.2 *Statistical discrepancies in intermediate data are assessed and investigated*

The behavior of selected series is cross-checked with related series and/or indicators. Data on interest payments on external debt and receipts on reserve assets are regularly assessed in relation to the corresponding position data.

3.4.3 *Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated*

Errors and omissions are closely monitored. Staff involved in BOP compilation seek to understand them by cross-checks between entries in the current, capital, and financial accounts.

Bilateral comparisons are conducted with foreign trade data of other Central American countries and with the United States for selected commodities and exports of the maquila sector.

Data on public sector external debt are compared with creditors' data and some information available from international organizations. Data on selected external debt transactions are not compared with available data produced by several international institutions, such as the Joint BIS-IMF-OECD-World Bank table on external debt statistics, or the BIS locational international banking statistics.

3.5 *Revision studies*

3.5.1 *Studies and analyses of revisions are carried out routinely and used to inform statistical processes*

No studies are conducted to evaluate revisions to BOP statistics. However, BPS staff is committed to improving the compilation process of BOP statistics.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

No specific actions are taken by the CBH to ensure that BOP data addresses issues of concerns to users of statistics. There is no established process of regular consultation with users of BOP statistics (ministries, private sector, academia, etc.), such as a user advisory group, users' surveys, or other established form of communications with users. Nevertheless, the CBH takes into account concerns and suggestions gathered verbally, mainly through the participation of the CBH president and senior management with other senior public sector officials.

BPS staff regularly participate in international statistical meetings and seminars organized by international and regional organizations such as the IMF, the Latin American Center for Monetary Studies (LACME), and the Central American Monetary Council (CAMC).

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

The CBH disseminates annual BOP data within six months after the end of the reference period. This timeliness is consistent with GDDS recommendations. Quarterly BOP estimates are prepared but not disseminated to the public.

4.2.2 Periodicity follows dissemination standards

The CBH compiles annual BOP statistics, and periodicity is consistent with GDDS recommendations. The CBH is compiling preliminary quarterly BOP estimates.

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

Over the long run, annual net errors and omissions in the BOP have been large, but relatively stable. During 1997-2002, net errors and omissions have been equivalent to 49.5 percent of the current account deficit of the BOP. Over the same period, net errors and omissions averaged about 1.9 percent of total goods' exports and imports, ranging between 2.7 percent in 1997 to 1.0 percent in 1997.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

In general, when the CBH introduced changes in source data, methodology, or techniques, historical BOP data were not reconstructed. For example, a new methodology for estimating workers' remittances was recently introduced, but—as note previously—data were not adjusted for previous years. There are no methodological notes identifying or explaining the main breaks and discontinuities in the BOP component time series.

4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks

BOP data can be broadly reconciled with data on foreign trade, national accounts, and monetary statistics. Since these datasets are produced by the CBH, the data benefit from internal consultations and reviews with all relevant divisions. Foreign trade statistics are the basis for the goods account in the BOP statistics. Several adjustments are made to improve coverage, classification, valuation, and time of recording. The BOP statistics are broadly consistent with the national accounts statistics because the SNA's rest of the world account is compiled on the basis of data from the BOP current account. Nevertheless, some inconsistencies related to the treatment of the maquila sector were identified. Profits of the maquila sector are included in the BOP (although substantially understated), but excluded from value added in the national accounts. The flows of CBH reserve assets cover the same accounts as are included in monetary statistics.

Balance of payments data are consistent with public sector external debt statistics produced by the CBH. In general, BOP components comprising public sector external debt data are based on data obtained by the CBH from the UNCTAD's DMFAS. These datasets also benefit from regular consultation within relevant areas of the CBH. Nevertheless, there are some inconsistencies between BOP data and government finance statistics, due to different methodology related to classification/sectorization and basis for recording. Some relatively large differences exist in data on public sector external debt position and debt service, prepared and/or published by the CBH and the SF. Differences are mainly on coverage, classification/sectorization, and basis for recording practices.

Honduras is not compiling nor disseminating the international investment position data.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

The revision cycle for BOP statistics follows a regular procedure, but is not made known to the public. Data published for 2000-2002 are considered preliminary. No documentation of revisions is accessible to users. New source data are incorporated in BOP statistics as early as possible, but a regular, well-established, and transparent schedule is not made available to the public.

The revision process takes into account the timing for discussion and approval of the monetary program by the CBH board.

4.4.2 Preliminary data are clearly identified

Initially published BOP data are preliminary and subject to revisions as new source data from administrative records and surveys become available. Preliminary data are clearly identified in a footnote. The revised data are disseminated with the same level of detail and the same format as previously published data.

4.4.3 Studies and analyses of revisions are made public

Data revisions are not subject to a formal assessment, and written explanations are not regularly included, while disseminating BOP data. No analysis of preliminary versus revised data is published for major aggregates to allow an assessment of the reliability of preliminary data. There are no studies or analyses of revisions made and therefore no publication in this regard.

5. Accessibility

5.1 Data accessibility

5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)

The presentation of BOP data disseminated to the public by the CBH does not facilitate proper interpretation. The CBH only disseminates BOP data through one official summary table, accompanied by a few tables with data on foreign trade and external debt. Interpretation and analysis is hampered by inadequate classification of major BOP transactions, such as foreign trade transactions of the maquila sector, investment income, and exceptional financing transactions (see 2.3.1).

The CBH provides a set of detailed tables on BOP components (not included in publications or on the website) to internal and selected users outside the CBH (mainly other government officials and staff from international organizations). These tables are useful to facilitate proper interpretation of BOP statistics; they provide: (a) detailed breakdown of exports and imports of services, transfers, interests on external debt, and other financial transactions of the public and private sectors; (b) information on major components of exceptional financing; (c) more detailed data to distinguish financial transactions of the CBH; and information on adjustments on goods exports and imports made by the CBH.

Balance of payments data included in most CBH's publications are not accompanied by charts, explanatory texts to facilitate analysis, nor key concepts and definitions. Balance of payments statistics are not seasonally adjusted.

5.1.2 Dissemination media and formats are adequate

BOP data are disseminated in several CBH publications, all of which are also available at the CBH website. The main CBH's publications that include BOP statistics are:

- The monthly *Statistics Bulletin* includes a summary table with data on BOP aggregates (annual data for the past five years), accompanied by two tables with data on exports f.o.b. by main product (annual data for the past five years and monthly data for the past two years) and imports c.i.f. by main group products (annual data for the past five years and monthly data for the past two years). The publication includes no explanatory text nor charts on BOP statistics.
- The *Annual Report* includes a brief economic analysis of the recent developments of Honduras' external sector. The report includes four tables on related BOP data: the official BOP summary (annual data for the past three years), exports f.o.b. by product (annual data for the past three years), imports c.i.f. by product category (annual data for the past three years), and summary table of external debt position by debtor sector and by creditor category (annual data for the past three years). A chart on net international reserves of the banking system, and a summary table of external debt by debtor sector (public and private) and by creditor category (multilateral, bilateral, and commercial creditors), are also included in the main text.
- The *Monetary Program* also includes a brief economic analysis of the recent developments concerning the external sector and expected trends for the current year, accompanied with specific indicators (exports of goods and services, value added of the maquila sector, current transfers and other financial inflows, etc). No tables with BOP data are included in this publication.
- *Honduras in Figures* includes ten tables on BOP related data: the official BOP summary (annual data for the past three years); two tables on exports f.o.b. by product, and by country of destination (annual data for the past three years); and five tables on imports c.i.f., by product category, by section, by economic use, and by country of origin (annual data for the past three years); one table with exports and import of services, by main type (annual data for the past three years); and a summary table of external debt position by debtor sector (public and private) and by creditor category (multilateral, bilateral, and private). The publication includes neither explanatory text nor charts on BOP statistics.

In addition to these publications, the CBH disseminates BOP statistics for a longer time series on its website. Three tables are provided in an Excel file: the official BOP summary (annual data for the past 13 years); exports f.o.b. by product (annual data for the past 13 years), and imports c.i.f. by category (annual data for the past 13 years).

No separate BOP statistical publication has been prepared by the CBH in recent years.

5.1.3 Statistics are released on a preannounced schedule

BOP data are not released according to a preannounced schedule. There is no specific date and/or time when BOP statistics are released to the public.

5.1.4 Statistics are made available to all users at the same time

BOP data are not released simultaneously to all users of statistics. Once BOP statistics are approved by the relevant CBH authorities, data are occasionally provided to selected users—mainly government officials and staff of international financial institutions.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

In addition to the BOP data included in CBH's publications and disseminated in the CBH website, a number of nonpublished but nonconfidential BOP subaggregates are made available upon demand. When requested, special tabulations based on unpublished (but nonconfidential) data, such as bilateral foreign trade data, subaggregates of minor export products, among others, are usually provided to some users.

No specific reference is made in BOP publications about the availability of nonpublished subaggregates and the terms and conditions on which they are made available.

5.2 Metadata accessibility

5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated

Metadata, including documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques are not available for BOP statistics. Departures from internationally accepted standards are not documented.

5.2.2 Levels of detail are adapted to the needs of the intended audience

No brochure is available to inform general users about BOP and other external sector statistics. No document on sources and methods has been produced to inform analysts and other users of BOP statistics on the compilation methods and techniques.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

The CBH website identifies specific individuals who may be contacted by users (email addresses) for consultation on BOP statistics. Prompt and knowledgeable service is available

to users on BOP statistics. Assistance to users is not monitored through periodic users' surveys or equivalent mechanism.

5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available

A catalog of all CBH publications and documents is listed in the CBH website, and it is kept under review. The CBH does not charge for any statistical products and services.

Table 5. Honduras: Data Quality Assessment Framework—Summary of Results for Balance of Payments Statistics
(Compiling Agency: Central Bank of Honduras)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
0. Prerequisites of quality							
0.1 Legal and institutional environment			X			Insufficient foreign trade inter-institutional coordination. Unclear reference to legal framework in surveys.	
0.2 Resources			X			Understaffing, inadequate computer equipment	
0.3 Quality awareness			X			Few and undocumented processes for monitoring data quality, and guiding planning for users' needs	
1. Integrity							
1.1 Professionalism			X				
1.2 Transparency						Terms and conditions under which data are collected and disseminated are not made public.	
1.3 Ethical standards			X				
2. Methodological soundness							
2.1 Concepts and definitions			X			BOP data are compiled in broad conformity with <i>BPM4</i> and progress is being made to adopt <i>BPM5</i> . Residency criteria are not totally consistent with international standards	
2.2 Scope			X			Incomplete data coverage in some balance of payments components	
2.3 Classification/sectorization				X		Classification of transactions and sectorization depart from <i>BPM5</i> in a number of ways	
2.4 Basis for recording			X			Interest and several services are not recorded on an accrual basis	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 5. Honduras: Data Quality Assessment Framework—Summary of Results for Balance of Payments Statistics
(Compiling Agency: Central Bank of Honduras)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
3. Accuracy and reliability							
3.1 Source data			X			Weak source data on direct investment, some services, and nonfinancial private sector, including the maquila sector. Delays in data from surveys	
3.2 Statistical techniques			X			Insufficient quality control in data compilation. Some estimations do not employ sound techniques	
3.3 Assessment and validation of source data			X			Data from most surveys are not regularly assessed	
3.4 Assessment and validation of intermediate data and statistical outputs			X			Survey data are not widely checked against other data sources	
3.5 Revision studies				X		No revision studies are conducted, but revisions are carried out routinely	
4. Serviceability							
4.1 Relevance			X			User needs are not monitored through a regular consultation process with users	
4.2 Timeliness and periodicity			X			Quarterly data are currently produced but not disseminated	
4.3 Consistency			X			Large errors and omissions. Data series are not reconstructed when changes in data sources or statistical techniques are introduced.	
4.4 Revision policy and practice			X			Revision processes are not made public.	
5. Accessibility							
5.1 Data accessibility				X		Data are not published in a clear manner, and users need more detailed tables.	
5.2 Metadata accessibility					X	Users are not informed of availability of balance of payments detailed data	
5.3 Assistance to users			X			No metadata are prepared. Insufficient information in contact person for assistance to users	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

VI. MONETARY STATISTICS

0. Prerequisites of quality

0.1 *Legal and institutional environment*

0.1.1 *The responsibility for collecting, processing, and disseminating statistics is clearly specified*

The banking system is governed by the following laws that have undergone various amendments and additions: the CBH law, the National Commission of Banks and Insurance Law, and the Law of Financial Institutions. The CBH is in practice responsible for collecting, compiling, and disseminating monetary statistics, even though the data source is shared with other institutions, such as the National Commission of Banks and Insurance (NCBI).

In accordance with Article 2 of the CBH law the CBH is responsible for conducting the monetary and credit policy. For this purpose, the Economic Studies Department (ESD) is entrusted to compile monetary statistics that are needed for conducting monetary and exchange policy, as well as for research (Article 25 of the CBH law). Article 50 of the CBH law authorizes the central bank to request information from financial institutions to assess the liquidity and solvency of the financial institutions. In addition, Article 2 of the Law 86-2000, and Article 18, numeral 5 of the NIS law (Law 042-2001) provides the general framework for the compilation and dissemination of monetary statistics by the CBH.

Article 6 of the NCBI law states that banks, insurance and finance companies, savings and loans, stock exchange, leasing, pensions funds, and other financial institutions are under the NCBI purview. All these financial institutions, supervised by the NCBI, should submit their monthly balance sheet data to the NCBI (Article 27 of the NCBI law). These data subsequently are used to compile banking statistics, according to the NCBI and the CBH objectives, Article 14 section 4 of the NCBI law. The legal mandate regarding publication is limited to the central bank balance sheet (Article 66 of the CBH law).

A Monetary Section (MS) of the ESD compiles and disseminates in the *Statistical Bulletin* a financial survey, which is the consolidation of the accounts of the CBH and those of the depository corporations (commercial banks, development banks, savings and loan institutions, and finance companies). The CBH also publishes monthly monetary and financial data on its website. In the official publications of the CBH, however, there is no indication of the department that is officially responsible for the compilation and dissemination of monetary statistics.

0.1.2 *Data sharing and coordination among data producing agencies are adequate*

Adequate arrangements are in place in the CBH to ensure the flow of information between the Accounting Department, which is charge of producing the CBH balance sheet, the ESD,

and the NCBI. The monthly central bank balance sheet is provided to the MS, by electronic means, one day after the end of the reference month. Data from depository corporations are collected electronically by the NCBI, for surveillance and prudential purposes, 10 working days after the end of the reference month. These data, stored in the Management System, are accessed by authorized staff of the CBH for compiling monetary statistics. In addition, the CBH collects directly from the banking institutions on weekly basis and by electronic means other statistical information. The CBH receives data from decentralized and non financial public corporations on their deposits level in the banking system. The Honduran Stock and the Central American Stock exchanges provide also data on central bank and government securities held by institutional and private investors. However, no regular meetings or workshops are maintained with the NCBI to improve data sharing arrangements.

0.1.3 Respondents' data are to be kept confidential and only used for statistical purposes

Article 15 of the NCBI law addresses confidentiality issues. The law indicates that staff from the NCBI should maintain the confidentiality of the primary data, and that documentation reported by the supervised institution is subject to nondisclosure. In addition, articles 31 and 38 of the NIS law refers to the confidentiality under which the members of the NSS operate.

Article 29 of the Financial Institutions Law and the CBH's employee code of conduct (Articles 44, 45, and 46) require that the staff of the CBH observe the secrecy of confidential data, which they acquire within their official capacities and positions. Penalties are also established for disclosure of such data.

Information system equipment is protected by individual passwords and the data of commercial banks, development banks, and savings and loans institutions are disseminated in a consolidated form. As the financial system consists of more than 25 institutions, residual or indirect disclosures of individual data do not occur.

0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response

Article 27 of the NCBI law states that "All institutions subject to supervision should send their monthly financial statements and other detailed data on their operations, not later than the tenth day of each month, along with any additional information that the central bank may require for the accomplishment of its duties." In addition, Article 13, section 4 of the NCBI states sanctions for noncompliance with these requests. The CBH also reaches voluntary agreements with the financial corporations to gather information related to development of short-term financial indicators.

According to Article 68 of the Financial Institutions Law, failure to comply with the above mentioned reporting requirements (including misreporting) is punishable by a fine. Late

reporters will be charged with a fine of L1,000.00 for each day late.¹⁷ In practice, these penalties have become obsolete and are not preventing delays in reporting by banks.

The NCBI provides technical support to declaring financial institutions on completing the report forms for transmitting balance sheet data to NCBI. In addition, the CBH maintains channels of communications with commercial banks and other financial institutions by providing point of contacts (staff of the MS). The CBH also provides on a weekly basis economic indicators to each declaring financial institution, as goodwill.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The Monetary Section has ten staff members devoted to the compilation of monetary statistics, of which nine have a degree in economics and one is an accountant. Besides on-the-job-training, staff have had little opportunity to participate in courses conducted by international organizations, such as the IMF (especially the Monetary and Financial Statistics training course), and seminars offered by regional institutions, such as the Central American Monetary Council and the Center for Latin American Monetary Studies (CEMLA). Moreover, in recent years, the CBH management has transferred MS staff to other units of the CBH, resulting in the loss of well-trained staff in the compilation of the monetary statistics.

On average, the professional staff in the MS has a little over three years of experience and lack of adequate training in the compilation of monetary statistics.

All staff members have personal computers with standard software and are connected to the CBH network, but access to the internet is limited to two computers. In addition, some computers do not have the required capability for processing large spreadsheets. The derivation and compilation of monetary statistics from balance sheet data are performed using Excel spreadsheets. An ongoing project to develop a database on monetary statistics is expected to be completed by end-2003.

Overall, financial resources for compiling monetary statistics are adequate; however, substantial improvements in data quality, such as the adoption of the new *Manual on Monetary and Financial Statistics (MFSM)* for compiling the monetary data, will require the strengthening of the MS in terms of training and computer-hardware upgrades.

¹⁷ This penalty has increased to L2,000.00 in accordance with resolution No 256/2708-03-2001 of the NCBI, of April 17, 2001.

0.2.2 Measures to ensure efficient use of resources are implemented

In general, all CBH programs are subject to budget considerations and performance assessments. However, no specific process measures resources used to compile the monetary statistics vis-à-vis other statistical data. Annual programs are designed by the individual departments and submitted for approval by the Board of Directors. The programs are monitored and reviewed periodically.

Although procedures are in place to minimize processing errors such as coding and tabulation errors, no consistent cross-checking of macroeconomic data identifies and minimizes the differences between them, thereby fostering the standardization of methodologies. In the past MS staff maintained regular contacts with the IMF's Statistics Department to seek assistance on statistical methodologies and compilation issues.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

The CBH recognizes that the quality of the official statistics is essential for accurate analysis of the monetary conditions and for formulating and implementing monetary policy. In addition, they are sensitive to the different dimensions of data quality and the importance of quality to build trust among users. However, the CBH does not have processes or activities that focus exclusively on the quality of the monetary statistics. The MS, in collaboration with the NCBI, verifies that data reporting practices followed by the banks are consistent with the guidelines established by the CBH, and checks inputted data for accuracy. The balance sheet and other financial statements of the CBH are externally audited every year.

In addition, all depository corporations and other financial institutions under the purview of the NCBI are also required to publish their annual balance sheets and income statements, in accordance with NBCI regulations, along with the reports of external auditors on two major national newspapers. (Article 32 of the NCBI law).

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

Validation procedures for assessing the reasonableness of reported data are undertaken on a bank-by-bank basis using computer software. Supervised financial institutions use the single plan of accounts that facilitates the reporting of balance sheet data. The MS consults directly with the reporting institutions to verify the data for possible misclassifications. No other body outside the MS provides guidance on the quality of monetary statistics and on strategies for improving data production.

The production of monetary statistics is automated through the use of linked worksheets. As a measure of quality control, data processing includes a series of built-in checks and validation matrices at every stage of the production cycle.

The CBH does not follow a proactive policy to obtain feedback from users outside the institution on data quality issues through, for example, surveys or periodic meetings.

0.3.3 Processes are in place to deal with quality considerations, including trade-offs within quality, and to guide planning for existing and emerging needs

There is a wide recognition of the trade-offs between data accuracy and timeliness. For instance, the trade off between the published monthly monetary and the weekly data, in which the accuracy/reliability is sacrificed for timeliness.

No formal mechanism addresses quality considerations and seeks user feedback to guide planning for emerging data needs. The CBH does not promote meetings with the press and other users to explain monetary developments. The MS does not hold meetings with depository corporations to discuss data reporting to the CBH.

Following the publication of the *MFSM*, the MS plans to revise the methodology, data collection and compilation procedures, and practices to foster more consistency of monetary statistics with the new standards.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The CBH law entrusts the management of the CBH to a board of five directors, one of whom is elected president (Article 6 of the CBH law).¹⁸ Article 16 states that the board will exercise its functions with absolute independence within the regulations and norms established by the law. The board is empowered to establish policies and criteria in carrying out the monetary and credit policy. Internal regulations ensure that staff members involved in the collection, processing, and dissemination of monetary statistics are accountable for professional conduct. Staff of the MS work exempt from pressures from management or other government agencies. In addition, Article 12 of the CBH law provides broadly a general framework for a certain degree of independence when conducting its businesses.

Professional skills are a prerequisite for the hiring of personnel. Considerations for promotion include professionalism, productivity, and efficiency in the contribution to the MS

¹⁸ The same Article states that the President is appointed by the President of the Republic under the Minister of Finance's proposal. The Minister of Finance participates in Board meetings, but without the right to vote.

goals Professionalism of the staff in charge of the compilation of monetary statistics is promoted by encouraging participation in internal seminars, pursuing post-graduate studies, meetings with other central banks, and international organizations. As part of staff development, the MS's staff is encouraged to conduct research and publish research studies. However, validation and verification of the consistency of data demand a substantial amount of time, and not enough resources are dedicated to analyses and other statistical developments.

1.1.2 Choices of sources and statistical techniques are based solely on statistical considerations

The source data for the compilation of the monetary statistics, comprising the balance sheets of the CBH and the depository corporations operating in the country, meet the statistical requirements for the decision-making, and for publication. Data sources, statistical methods, and definitions are based solely on methodological considerations. However, the public is not informed on the choice of the methodology.

1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics

Whenever monetary statistics are misinterpreted, either by the public or by the media, the CBH through its designated officials has sought to make the needed corrections using the appropriate channels. However, the CBH does not provide explanatory materials to prevent misuse of statistics.

1.2 Transparency

1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public

Comprehensive terms and conditions under which the CBH collects, compiles, and disseminates data are not available in the CBH publications. However, the public has access to the CBH law, the Financial Institutions Law, the NCBI law and the NIS law, which contain very broad legal provisions concerning data collection, dissemination, and data confidentiality in the CBH's Library. However, the CBH law is not posted on its website.

1.2.2 Internal governmental access to statistics prior to their release is publicly identified

No government officials outside the CBH have access to the data before their release to the public.

1.2.3 Products of statistical agencies/units are clearly identified as such

The *Semiannual Statistical Bulletin* and the monthly statistical data posted on the web bears the CBH logo specifying the source of the basic data, but no mention is made about the

departments or divisions responsible for compiling and publishing statistics. Although, the CBH does not explicitly requests acknowledgement of the source when its monetary data are reproduced, the CBH is identified as the source of the monetary statistics.

1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques

Changes in methodology, source data, and statistical techniques are not announced in advance, or explained at the time the new data are published. For instance, users are unaware that partial data on deposits of the rest of the public sector, in the banking system, come from administrative records of autonomous institutions and nonfinancial public corporations.

1.3 Ethical standards

1.3.1 Guidelines for staff behavior are in place and are well known to the staff

Guidelines on ethical standards for CBH staff are contained in the internal publication “Employee Code of Conduct” This code establishes the rights and duties of the staff, and also the sanctions for noncompliance. The code is applicable to all CBH staff and contains principles and duties related to professional ethics in all CBH activities. While new staff are informed of the code of conduct, it is not posted on the CBH website.

Employees who violate data confidentiality face penalties (Chapter XVII, Article 46, of the code of conduct). New CBH staff participate in a three-day training program on the fundamental duties and powers of the CBH, as well as on its internal regulations. In addition, most contractual appointments specify clearly the rights and obligations recruits must follow.

2. Methodological soundness

2.1 Concepts and definitions

2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices

The analytical framework used for compiling monetary statistics follows concepts and definitions that are, in general, based on the IMF’s draft *Guide to Money and Banking Statistics in International Financial Statistics* of December 1984. However, the CBH together with other central banks of the region are engaged in implementing the new *Manual on Monetary and Financial Statistics (MFSM)*.

A financial survey is compiled on a monthly basis as a consolidation of the accounts of the CBH and other depository corporations (22 commercial banks, three development banks, three savings and loan institutions, and eight finance companies). The monetary and credit

aggregates identified in the financial survey¹⁹ are: (i) money liabilities, comprising currency in circulation plus demand deposits in domestic currency of the private sector (enterprises, individuals, and nonprofit institutions serving households); (ii) quasi-money liabilities, comprising savings and time deposits in domestic and foreign currencies, other deposits, deposits for buying US dollars, bonds and mortgage bills, special savings, central bank bonds in domestic and foreign currencies, other liabilities, and repurchase agreements if undertaken between the banking system and private enterprises. Other aggregates identified in the financial survey are: (i) net foreign assets (gross reserves minus foreign liabilities), other medium-and long-term foreign assets and liabilities); (ii) domestic credit disaggregated by net claims on public sector (central government and the rest of the public sector)²⁰ and credit to the private sector, denominated in domestic and foreign currencies; and (iii) other items (net).²¹ Net foreign assets include commercial banks' foreign currency denominated reserve requirements. However, they does not include commercial banks' holdings of foreign currency-denominated monetary absorption certificates (CADD).

Deviations from the key concepts and definitions of the *MFSM* are not clearly identified or stated in CBH publications.

This section compares present data compilation practices with those recommended in the *MFSM*. Hence, it indicates areas where the CBH has yet to make changes to comply with the new methodological standards.

2.2 Scope

2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices

The financial corporations sector of Honduras comprises the CBH, 22 commercial banks, three development banks (including FONAPROVI), three savings and loans institutions (AAP), eight finance companies,²² 96 credit cooperatives out of which 30 are reporting to the

¹⁹ The term “financial survey” refers to the framework for presenting consolidated monetary and financial sector statistics that the IMF recommended prior to the publication of the *Monetary and Financial Statistics Manual (MFSM)*. The “depository corporations survey” referred to in this report is the broader core framework recommended by the *MFSM*. The GDDS uses the term “broad money survey” for this framework.

²⁰ Claims on and liabilities to municipalities, non financial public enterprises, and social security are included as part of the net claims on the rest of the public sector.

²¹ Claims on and liabilities to financial institutions (mostly financial auxiliaries), are included in other items (net).

²² Three commercial banks, one specialized municipal-owned bank, and four finance companies that were liquidated in the past years, are included in the monetary data.

CBH,²³ 11 insurance companies, six depository warehouses (*Almacenes generales de depósito*), 12 exchange houses, one second-tier bank (*Regimen Aportaciones Privadas*), the CNBI, the Deposit Insurance Fund, two representative office of foreign banks, pension funds, two securities exchange, security brokerages, and other providers of financial services.

The CBH, the commercial banks, one development bank, the finance companies, the savings and loan institutions, and the savings and credit cooperatives, issue the types of financial instruments included in the national definition of money supply. Therefore, these financial corporations should be included in the other depository corporations subsector. One of the development banks, the Fonaprovi, which is classified as a development bank, is actually another financial intermediary, since it does not accept any type of deposits. Thus, it should be reclassified as part of other financial corporations, together with the second-tier bank. The pension fund and insurance companies should be included in the insurance and pensions funds survey. Finally, depository warehouses, exchange houses, the Honduran and the Central American Securities Exchange, the CNBI, and the deposits insurance fund do not issue any type of financial instruments included in the national definition of broad money and, therefore, should be classified as financial auxiliaries. However, savings and credit cooperatives that issue liquid liabilities need to be included within the depository corporations survey. Currently, work is underway to include these institutions in the monetary statistics of Honduras.

The monetary statistics include the depository corporations' domestic headquarters and all domestic branches.

2.3 Classification/sectorization

2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices

The principles of sectorization applied in the monetary statistics compiled by the CBH are not fully consistent with the IMF's *MFSM*, which recommends distinguishing between resident and nonresident units on the basis of the concept of "center of economic interest" and classifying resident institutional units into domestic sectors according to their objectives, functions, and economic behavior. The sectoral classification adopted in the *MFSM* is based on the *1993 SNA* that distinguishes five mutually exclusive domestic sectors: (i) general government; (ii) nonfinancial corporations; (iii) financial corporations; (iv) households; and (v) nonprofit institutions serving households (NPISH). The first three sectors are further disaggregated into sub-sectors. The sectoral classification of resident units recommended in the *MFSM* for the purpose of compiling monetary statistics refers mainly to the sub-sectors distinguished in the *1993 SNA* and is as follows: (i) central bank; (ii) other depository

23 According to FSSA May 2003, there are close to 364 credit cooperatives, 96 of which are members of the cooperative federation (FACACH) and many are non-members.

corporations; (iii) other financial corporations; (iv) central government; (v) state and local government; (vi) public nonfinancial corporations; (vii) other nonfinancial corporations; and (viii) other resident sectors.

In the monetary statistics compiled by the CBH, the following sectoral groupings of institutional units are distinguished: (i) central government²⁴; (ii) rest of the public sector²⁵; (iii) private sector (enterprises, and individuals); (iv) financial sector (that comprises the (a) central bank, (b) commercial banks, (c) development banks, (d) savings and loans institutions, and (e) finance companies); and (v) nonresidents. The financial survey is the consolidation of the accounts of the CBH, the finance companies, and the rest of the banking system survey. The latter consolidates the accounts of b, c, and d. The current treatment of institutional units deviates from the recommendations of the *MFSM* in four cases: (i) the distinction between residents and non-residents units, based on the residency criteria, is applied only for the accounts of the central bank, commercial banks focus sectorization on the denomination of the currency; (ii) the rest of the public sector, in the financial survey, includes indistinguishably, local governments, nonfinancial public corporations, and social security; (iii) the credit to the private sector is obtained as residual; and (iv) other surveys other than the central bank do not apply consistently the sectorization of the institutional units that pertains to the financial sector.

The principles underlying the classification of financial instruments are based on international standards and, notwithstanding differences in terminology used, are generally consistent with the IMF's statistical methodology as described in the *MFSM*. The classification framework is based on the liquidity of the financial instruments and the legal characteristics that describe the form of the underlying creditor/debtor relationship. There is also a table with the components of the money supply and M1, M2, and M3 aggregates. However, the classification of financial instruments is less detailed than that required by the *MFSM*.

The CBH occasionally conducts repurchase agreements (repos) with commercial banks to provide/absorb excess liquidity in the economy for this purpose CAM and government bills are used. These repurchases are conducted with banks with the commitment to repurchase the bills at a fixed price between 1–14 days. These transactions are reflected in the balance sheet of the CBH as collateralized loans, as recommended in the *MFSM*. However, commercial banks reduce their outstanding portfolio of securities (as in the case of outright sale), creating two off-balance sheet accounts: contingent assets and contingent liabilities to record the

24 Units that are part of the general budget and decentralized units with transfers from the general budget and own revenues.

25 It includes: (a) autonomous institutions that receive income from the government and own resources, (b) social security that comprises the *IHSS, Instituto Nacional de Previsión del Magisterio, y Jubilaciones y Pensiones de los Empleados Públicos*, (c) local governments, and (d) non financial public corporations.

repos. This deviates from international practices. Thus, this compels the monetary sector to make adjustments for restituting the original portfolio of securities in the monetary statistics.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks.

The general recommendation of the *MFSM* is that the valuation of financial assets and liabilities should be based on market prices or market-price equivalents (fair values). The valuation of loans is an exception to this principle in that loan values should be based on creditors' outstanding claims without adjustment for expected loan losses. This amount comprises the outstanding principal plus any accrued interest and is referred to as the book value of a loan. Stocks and flows denominated in foreign currency should be converted to national currency values at the market exchange rate prevailing at the time they are recorded. Holding gains and losses arising from changes in market values (or fair values) of financial assets and of outstanding liabilities should be recorded separately in a revaluation account.

Valuation principles recommended by the *MFSM* are applied partially in the monetary statistics compiled by the CBH. Domestic securities are not valued at market prices. Depository corporations record their securities at purchase price (acquisition cost) and are revalued through redemption applying accrued accounting rules. In the case of the central bank securities issue, they are recorded at book value, but obtaining fair value from them is complicated by the absence of clear information on unpaid realized losses. Gold is valued at the market price quoted in the London market, loans are recorded at the nominal value of the outstanding principal, but accrued interests are imputed to receivable accounts. In line with the practice recommended in the *MFSM*, loan valuation is not adjusted for expected loan losses. Deposits are valued at book value (principal plus accrued interest). General and specific provisions for loan losses are recorded under "capital accounts," a practice that deviates from the *MFSM*, which recommends the inclusion of such provisions under "other liabilities."

Transactions in foreign currency are converted into the national currency at the market exchange rate prevailing on the transaction date. The conversion of stocks of foreign currency-denominated assets and liabilities is based on the end-of-period buying market exchange rate, calculated daily on the average of exchange rates bid by the commercial banks to the CBH. Valuation gains/losses are recorded in the profit and losses accounts.

The *MFSM* recommends that data be compiled on stocks and on each of the three flow components: transactions, revaluations, and other changes in the volume of assets. In Honduras, banks do not provide financial information on flows, and the CBH does not derive transactions from stock data for monetary statistics purposes.

2.4.2 *Recording is done on an accrual basis*

In accordance with the accrual accounting principles recommended by *MFSM*, revenues and expenses should be recognized in the period in which they arise, regardless of when the corresponding cash flow actually occurs. In accordance with these principles, the *MFSM* recommends that interest due but not paid on financial instruments be incorporated into the outstanding amount of the financial asset or liability, rather than treated as part of other accounts receivable/payable.

Commercial banks recognize interest income in the income statements as it accrues. However, interest is not classified with the underlying financial instrument, but as part of receivable accounts. Interest due, but not paid up to three months, is recorded in arrears; otherwise, the interest will continue to be estimated and accounted for in contingency accounts (off-balance sheet accounts).²⁶ Dividend income is recorded as income only when received. Interest accruing on deposits, loans, and securities other than shares is incorporated into accounts payable and not in the outstanding amount of the financial liability. However, current monetary data do not allow for the allocation of accrued interest to specific instruments and for the classification of accrued interest by sector.

Similarly, in the case of the CBH accounts, any interest accruals are classified in other assets/other liabilities, as appropriate, rather than being included in the value of the underlying asset/liability. As a result, in the monetary survey compiled by the CBH, accrued interest is included in the other items (net) category. Thus, all money and credit aggregates are recorded on a cash basis.

A work program has been scheduled to sectorize the accrued interest, which will improve the quality of the monetary statistics.

2.4.3 *Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices.*

The general guideline of the *MFSM* and the *1993 SNA* that data are to be collected and compiled on a gross basis is applied partially in the compilation of Honduran monetary statistics. Assets and liabilities of the central bank accounts are compiled and disseminated on a gross basis and aggregated into a statement of assets and liabilities without consolidating interbank positions. However, in the case of commercial banks, savings and loans, and finance companies data are reported on a gross basis in their monthly returns, but are netted out and presented in a consolidated base, in other items net, in their surveys. Similarly, both, reciprocal asset/liability positions between the CBH and the commercial banks and claims

²⁶ Currently, the monetary statistics include contingent assets and liabilities; this practice is not consistent with the *MFSM*.

among commercial banks are indistinguishably included in “interbank flows,” under other items (net). Consistent with the standard recommended in the *MFSM*, netting and consolidation adjustments are made in presenting the financial survey.

3. Accuracy and reliability

3.1 Source data

3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions

The main source data for compiling the central bank sectoral balance sheet are the accounting statements (balance sheet) of the CBH prepared by the Accounting Department. These statements are electronically available on a daily, weekly and monthly basis, which are automatically linked to the MS for compiling monetary data. The sectoral central balance sheet does not cover the full range of financial instruments and economic sectors that exist in the underlying accounting statements. Consequently, the central bank’s monetary survey lacks the necessary classification of all financial instruments and economic sectors, as defined in the *MFSM*.

The source data for compiling the sectoral balance sheet of the other depository corporations (ODC) (commercial banks, development bank, savings and loan institutions, and finance companies) are the individual monthly balance sheets, submitted electronically to the NCBI. However, the accounting records of the ODCs lack sufficient detail to enable the classification of all financial instruments and economic sectors, as recommended in the *MFSM*. The CBH continuously reviews incoming data to foster data consistency, particularly when new accounts are created.

There are infrequent meetings with financial market participants aimed at identifying developments that need to be taken into account in the compilation of monetary statistics.

3.1.2 Source data reasonably approximate the required definitions, scope, classifications, valuation, and time of recording

The reports provided by the other depository corporations cover a complete set of balance sheet positions, and the reported source data provide an approximation to the concepts, definitions, scope, classifications, and recording principles for compiling monetary statistics. Deviations from the guidelines of the *MFSM* and *1993 SNA* concern (1) the lack of the residency criterion for compiling foreign assets and liabilities, (2) the inclusion of social security, local governments, and non financial public corporations as autonomous agencies, and (3) partial application of the accrual accounting.

To improve coverage of the data, the MS obtains other data sources on loans to the public sector, and details on holders of central bank bills. More detailed data are needed from commercial banks (i.e., identify separately their claims on and liabilities to the nonfinancial

public corporations). Data on deposits from decentralized and non financial public corporations units are also received monthly in hard copies. Administrative records from the securities exchanges are used for compiling monetary statistics. However, transactions of the CBH and banks with counter-parties that cannot be reasonably approximated or allocated to specific instruments or sectors are recorded in “other assets” and “other liabilities.”

The MS recognizes that the current reporting framework does not conform fully to the new international standard (*MFSM*) with regard to the definitions, sectorization, and valuation. Thus, the redesigning of data requirements from commercial banks is an integral part of efforts to implement the *MFSM*. However, no specific work program and timetable are in place to meet this goal.

3.1.3 Source data are timely

Commercial banks, savings and loans, and finance companies must submit report forms electronically within 10 working days after the end of the reference month. The information is checked and summarized by the National Commission of Banks and Insurance, and made available to the MS, which consolidates it with the balance sheet of the CBH to produce the monetary survey within 45 days after end of the month.

Final aggregated data are made available for their publication in the CBH website within two months of the reference period. The accounting records of the CBH are provided to the MS within one day after the end of the month for purposes of monetary data compilation. The CBH includes in the monetary statistics the accounting statements of banks in the process of liquidation.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

Depository corporations' balance sheet data are reported on diskette and entered into an electronic database of the National Commission of Banks and Insurance, from which the MS automatically downloads and links these balance sheets for the compilation of the monetary survey. For this purpose “a report of methodology” is used, which allows the accounting statements to be converted into analytical data. Other depository corporations transmit data in an electronic format, which minimizes the risk of processing errors.

At present, the MS receives also, by electronic means, the CBH balance sheet statement. Thus, the MS automatically links this balance sheet for the compilation of the central bank survey. The use of an automated compilation process from accounting statements to monetary data reduces the processing time and errors (e.g., coding, editing, and tabulating errors). The MS is embarked on a project to automate a database on deposit and loan information for the autonomous institutions. The sources for this database will be administrative records from public sector institutions and commercial banks.

3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques

Other adjustments made to the monetary statistics include the outstanding level of central banks bills with data from the exchange securities commission reports securities holdings by private and institutional investors.

3.3 *Assessment and validation of source data*

3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and non-sampling error; the results of the assessments are monitored and made available to guide planning

The quality of the source data is monitored throughout the compilation process, which is fully automated. Queries regarding the balance sheet data of the CBH are resolved between the Accounting Department and MS. The source data from other depository corporations are checked by a consistency test performed by the NCBI. In addition, the MS reviews the other depository corporations data provided by the NCBI and discusses any questionable data directly with the bank concerned.

Current commercial bank reporting arrangements are based on the chart of accounts for commercial banks approved by the NCBI in 1998. Annexes and supplementary tables require banks to provide partial information on the sectorization of the loan portfolio.

The CBH monitors developments in the financial markets that affect the compilation of the monetary accounts.

3.4 *Assessment and validation of intermediate data and statistical outputs*

3.4.1 Main intermediate data are validated against other information where applicable

Information on the stock of central bank bills in the primary and secondary markets, together with data of holdings of CAM and CADD provided by the securities exchange houses, are contrasted with data from the other depository corporations survey. For this purpose, the CBH maintains analytical records of the holders of the CAM and CADD. Other intermediate data, such as the finance companies survey and the savings institutions survey are verified as elements for compiling the financial survey. In addition, information on deposits of autonomous institutions and non financial public enterprises sent directly to the CBH, is not used fully to verify the depository corporations' liabilities to these public institutions.

Monetary statistics are sometimes subject to revisions. Revisions of data reported by the commercial banks are analyzed and, if necessary, the CBH requests clarification to ensure consistency of reporting by all respondents.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

The MS investigates the discrepancies when they arise, such in the case of the level of CAM holdings and the corresponding issue of CAMs by the CBH. No other secondary data sources are available for routine verification of monetary statistics.

3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated

Checks and balances built-in the CBH compilation process detect any discrepancy, which is investigated and corrected. This requires close communication within various CBH units and contact with depository corporations.

3.5 Revision studies

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

No mechanism is in place to conduct routine revision studies. However, deviations, omissions, and other potential sources of problems in the data (e.g., erroneous sectorization of institutional units) are identified, investigated, and eventually corrected and revisions published. Nonetheless, there is no documentation explaining the methods of revising the data. Revisions to preliminary data are usually related to delayed receipt of ODC reports.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

The CBH does not conduct periodic consultations with users to get feedback on the quality of the monetary statistics. Regular visits by CBH staff to other central banks and seminars organized by international and regional organizations (IMF and CAMC) help CBH staff to assess the relevance of the monetary statistics.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

The timeliness of the monetary statistics meets the recommendations of the IMF's GDDS. Monthly data on the central bank are disseminated within seven weeks after the end of the reference period on the Internet. Similarly, monthly data on the other depository corporations are disseminated within one to two months of the end of the reference month. However, the *Semiannual Statistical Bulletin* is published twice a year with two months delay after the reference period.

4.2.2 Periodicity follows dissemination standards

As recommended by the GDDS, key monetary statistics (including money supply, interest rates, loans and discounts, and private sector liquidity) are published on a monthly basis on the CBH website.

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

Overall the financial survey is internally consistent. The central bank survey presents details on credits/liabilities to the other depository corporations and the other financial corporations. Commercial banks, savings and loan institutions, developments banks and finance companies show clearly claims on and liabilities to the CBH. However, they do not show liabilities/credits to each other. Discrepancies arise because of improper sectorization and classification, particularly among commercial banks, owing to differences in the time of recording of financial transactions. Statistics for the entire financial corporations sector and the flow-of-funds accounts are not compiled in Honduras.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

The monetary statistics database is maintained by the MS in Excel spreadsheets. Series start in 1950 on annual basis and in 1987 on a monthly basis. The coverage of the time series has evolved over time to reflect changes in the financial system. Monthly time series are published on the Internet for the last eight years and for the most recent 12 months. The *Semiannual Statistical Bulletin* includes data for the preceding three years and the last 24 months. In general, the coverage lacks methodological notes to identify and explain the breaks and adjustments made to maintain consistency over time.

4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks

The MS provides data on transactions in net foreign assets to the balance of payments compilers. Data on changes in net credit to government are provided to the CBH's Public

Finance Section. However, due to differences in the central government institutional coverage and the use of an accrual basis in monetary statistics versus cash basis in fiscal statistics, it is difficult to reconcile the net domestic borrowing of the central government reported in the fiscal accounts with the data derived from the monetary statistics. At present, such consistency checks between government finance statistics and monetary statistics are not conducted regularly. The MS also reconciles also depository corporations' external debt data with the CBH's External Debt Section.

4.4 *Revision policy and practice*

4.4.1 Revisions follow a regular, well-established, and transparent schedule

The production cycle follows a schedule and a set of internal procedures, but there is no predetermined revision cycle. Revisions occur occasionally, when errors are detected, based on the availability of more accurate data. However, no adequate documentation of revisions is included in the monetary publication and in the database accessible to users. For instance, recently details of foreign-currency denominated credit to the private sector were published in the financial survey, without comments.

4.4.2 Preliminary data are clearly identified

Published figures remain preliminary when first published. After two months data are considered final. Preliminary monetary data are identified with the letter (P) and final data with the letter (R). The revised data are disseminated with the same level of detail as the previously published data. The CBH website contains data for a 12-month period and any revisions are published in the following issue.

4.4.3 Studies and analyses of revisions are made public

No studies and analyses are carried out routinely on the revisions to monetary data. Errors and data shortcomings in the data reported by banks are the focus of internal analysis. However, the CBH does not inform the public about the procedures that determine preliminary and revised data. In short, users are not informed of the causes of the revisions.

5. *Accessibility*

5.1 *Data accessibility*

5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)

The statistical tables published on the CBH website and in the *Semiannual Statistical Bulletin* present the information of the CBH and the accounts of depository corporations in a balance sheet format. The CBH website includes surveys of the (1) financial sector, (2) CBH,

(3) savings and loan institutions, (4) commercial banks, (5) development banks, and (6) finance companies. The presentation of monetary statistics by the CBH facilitates the interpretation of the data by the users. Datasets are published with some level of detail, such as money supply, loans and discounts to the private sector, interest rates, and government and central bank securities rates, although a greater level of desegregation would be desirable, particularly details on the net credit to the rest of the public sector. Charts and tables are disseminated together with relevant analysis of the period only in the annual report. Other CBH publications, such as *Honduras en Cifras* and *Comportamiento Trimestral de la Economía de Honduras*, contain analyses and developments on the monetary and financial sector. No seasonally adjusted monetary data are published.

5.1.2 Dissemination media and formats are adequate

The CBH disseminates monthly monetary statistics through its website, in Spanish. The hard copy of the *Semiannual Statistics Bulletin* is distributed free of charge to a list of subscribers (360 users). Both recent and historical series can be consulted on the CBH website. The CBH does not publish the monetary information in a press release. The data series cover four years of annual data and 24 months of monthly data. However, longer time series can be accessed through an electronic database or can be obtained from the MS.

5.1.3 Statistics are released on a pre-announced schedule

There is no publicly announced advance release calendar either for the *Semiannual Statistical Bulletin* or the Internet-based information, but the Monetary Section strictly follows an internal publication schedule, according to which the CBH's website will publish the monetary statistics within six to eight weeks after the end of the reference month.

5.1.4 Statistics are made available to all users at the same time

The publication of the *Semiannual Statistical Bulletin* and the posting of monetary data on the CBH's website are made available to all users at the same time.

5.1.5 Nonpublished (but nonconfidential) sub-aggregates are made available upon request

Nonpublished (but nonconfidential) data are made available upon request from the MS with the approval of senior staff of the ESD. However, the public is not informed of the availability of a such information.

5.2 Metadata accessibility

5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated

Neither the *Semiannual Statistical Bulletin* nor the CBH's website contains a section with methodological notes and definitions to facilitate the understanding of monetary statistics by the public. They do not provide information on revisions to historical series, breaks, discontinuities, or changes in methodology. The tables in the *Bulletin* include few footnotes explaining data sources and the consolidation process followed to compile the various surveys. The MS plans to include explanatory notes on statistical methodology in the CBH statistical publications in the near future. No GDDS summary methodologies and other related metadata are regularly reviewed and updated.

5.2.2 Levels of detail are adapted to the needs of the intended audience

There are no brochures informing external users about the monetary statistics. In general, there is no comprehensive documentation that would meet the various needs of users.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

The *Semiannual Statistical Bulletin* and the CBH website do not provide information on the unit and contact person responsible for monetary data. Nonetheless, some tables indicate that the ESD is responsible for publication, providing a contact name and e-mail address.

5.3.2 Catalogues of publications, documents, and other services, including information on any charges, are widely available

While the CBH has a list of publications in its library, this list is not included in the *Semiannual Statistical Bulletin* or on the CBH website.

Table 6. Honduras—Data Quality Assessment Framework: Summary of Results for Monetary Statistics
Compiling Agency: Central Bank of Honduras

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
0. Prerequisites of quality							
0.1 Legal and institutional environment		X					There is a need to address the weaknesses in the retention of a well-trained staff. The CBH's Monetary Section should conduct a users' survey of monetary statistics in the short term.
0.2 Resources		X					
0.3 Quality awareness			X				
1. Integrity							
1.1 Professionalism		X					No specific terms and conditions under which monetary statistics are compiled. Changes in methodology, source data and statistical techniques are not announced in advance.
1.2 Transparency			X				
1.3 Ethical standards			X				
2. Methodological soundness							
2.1 Concepts and definitions		X					The CBH is involved in a project to implement the <i>MFSM</i> for the compilation of the monetary data for Honduras. For this purpose, the sectorization of the commercial banks balance sheets' is essential. Repurchase agreements should not be classified as contingent assets and liabilities.
2.2 Scope		X			X		
2.3 Classification/Sectorization							

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

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Compiling Agency: Central Bank of Honduras

Element		NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
			O	LO	LNO	NO		
2.4 Basis for recording				X			The CBH should input realized unpaid losses in the profits and losses accounts rather than as <i>Activos diferidos</i> .	
3. Accuracy and reliability								
3.1 Source data			X				The MS should compile a complete sectorized central bank survey, as recommended in the <i>MFSM</i> . For this purpose, the full range of financial instruments and economic sectors that exist in the underlying CBH's accounting statements should be used.	
3.2 Statistical techniques			X					
3.3 Assessment and validation of source data			X					
3.4 Assessment and validation of intermediate data and statistical outputs			X					
3.5 Revision studies				X			The MS should document and publish the methods of revising the monetary data.	
4. Serviceability								
4.1 Relevance				X				
4.2 Timeliness and periodicity			X				The central bank survey should be published 10 days after the end of the reference month.	
4.3 Consistency (check)				X				
4.4 Revision policy and practice				X				

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 6. Honduras—Data Quality Assessment Framework: Summary of Results for Monetary Statistics
 Compiling Agency: Central Bank of Honduras

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
5. Accessibility							
5.1 Data accessibility							
5.2 Metadata accessibility			X		There is no publicly announced advance release calendar. Metadata are not available. The <i>Statistical Bulletin</i> does not contain a section with methodological notes, including breaks in series, to facilitate the understanding of monetary statistics by the public. No contact person is identified.	Metadata will be developed in the context of Honduras' participation in the GDDS. The CBH should plan to include explanatory notes on methodology in its statistical publications. The MS has not designated a contact person responsible for each set of statistics, and the CBH website does not list relevant publications.	
5.3 Assistance to users			X				

