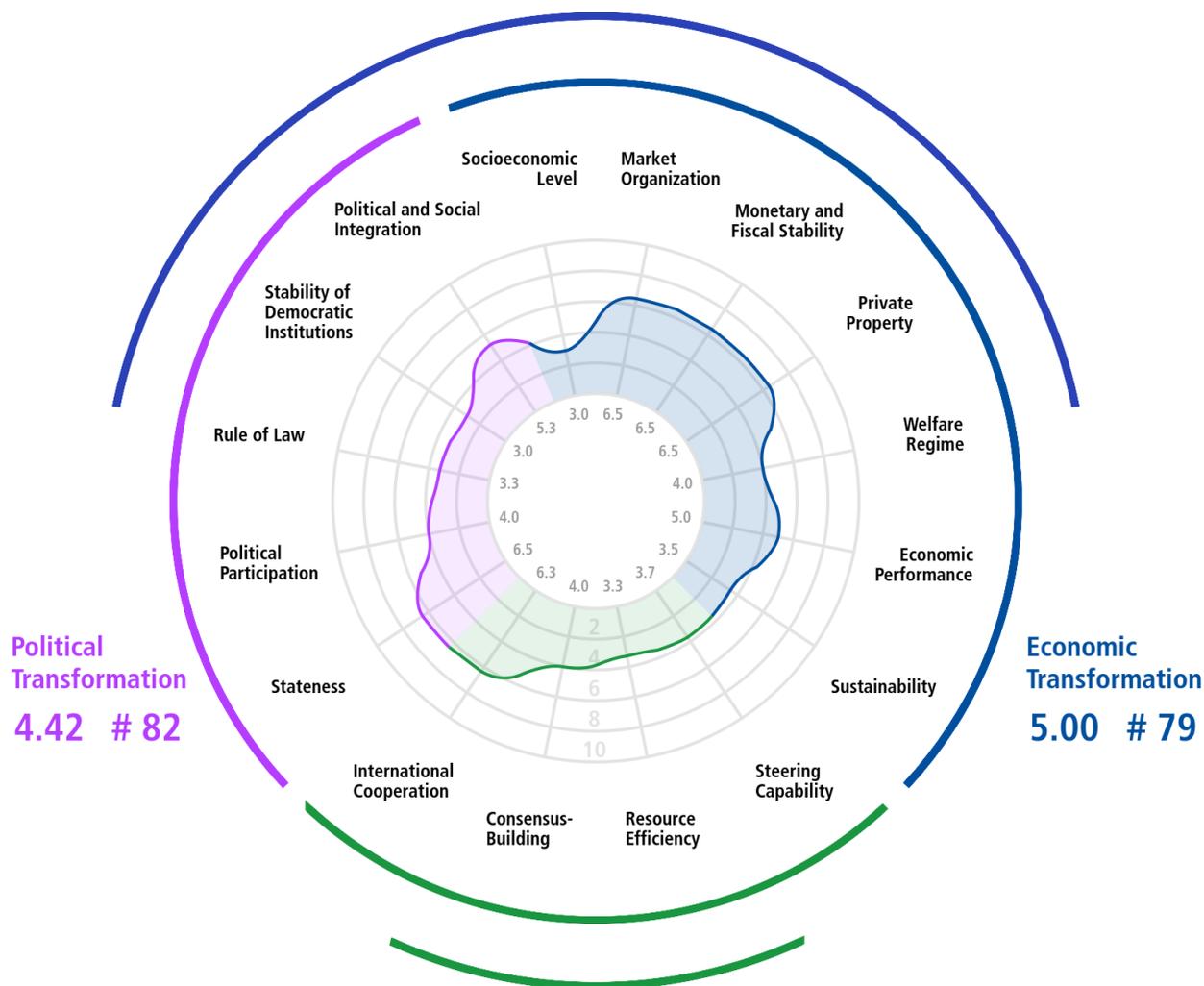


# Honduras

## Status Index

**4.71 # 87**

on 1-10 scale out of 137



**Political Transformation**  
**4.42 # 82**

**Economic Transformation**  
**5.00 # 79**

## Governance Index

**4.00 # 94**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>9.9</b>	HDI	<b>0.634</b>	GDP p.c., PPP \$	<b>5421</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.6</b>	HDI rank of 189	<b>132</b>	Gini Index	<b>48.2</b>
Life expectancy	years	<b>75.3</b>	UN Education Index	<b>0.499</b>	Poverty <sup>3</sup>	% <b>29.0</b>
Urban population	%	<b>58.4</b>	Gender inequality <sup>2</sup>	<b>0.423</b>	Aid per capita \$	<b>46.9</b>

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

In terms of democratic and social transformation, 2019 and 2020 marked two more years of regression in Honduras. In relation to democratic transformation, the country has continued its authoritarian trajectory. The government of President Juan Orlando Hernández has used every means available to it to silence the opposition, be it inside or outside Congress. This has included disabling all mechanisms of accountability and control at a time when the government has faced its most sustained scrutiny since Hernández took power following the elections of 2013.

In January 2020, the president announced the dismantling of the Mission to Support the Fight against Corruption and Impunity in Honduras (Misión de Apoyo Contra la Corrupción y la Impunidad en Honduras, MACCIH), which was backed by the Organization of American States (OAS). This followed MACCIH uncovering several large-scale corruption schemes that involved top-level politicians and members of the economic elite. Its demise is the clearest sign of elite fightback, bearing in mind that it was the same government that had agreed to set MACCIH up in the first place following revelations of a huge kickback scheme in the health and social security system, which had benefitted the National Party's 2013 election effort. Essentially, Honduras's political and economic elites put a stop to MACCIH once they felt threatened by it.

Popular protests against the government became a regular feature in 2019, and were primarily organized by students, health care workers and teachers. While these protests were a response to deeply unpopular policies (e.g., the privatization of public services), they were also a protest against the government and the political class in general as well as endemic corruption and the general unresponsiveness of the state to the demands of its citizens. These protests were met with violence from the state, which led to the injury and deaths of many protesters, as chronicled by human rights organizations, and some national and international media. However, there has also been a concerted political effort to make accountability impossible. This has included changing the criminal code and gutting the political independence of the Public Prosecutor's Office. COVID-19 and the devastating floods of November 2020 have given the government the perfect

cover to accelerate this process, enabling the government to declare a national state of emergency and suspend a host of constitutionally guaranteed rights.

Until the COVID-19 pandemic, the government used Honduras's relatively strong economic performance as well as the support of the U.S. Trump administration in Washington as cover for its increasingly authoritarian tendencies. In 2019, the economy grew by 2.7% and the percentage of people living in poverty declined slightly, continuing a multi-year trend. At the same time, a 2019 loan from the International Monetary Fund and positive reports from the same institution about the progress of market-friendly reforms gave the government international economic credibility.

The double crises of COVID-19 and the November 2020 floods exposed glaring state deficiencies. The lack of planning capacity and endemic corruption have hampered efforts to restart the economy and provide large parts of the population with even the most basic services, despite significant financial assistance, financed largely by new international loans. Furthermore, ongoing corruption investigations against the Honduran elite in the United States have now reached the president himself.

## History and Characteristics of Transformation

There are two aspects to Honduras's transformation which have interacted in several, often interdependent, ways over a long period of time: economics and politics. Economically, Honduras continues to be one of the poorest and most unequal countries in the Western Hemisphere. Nevertheless, there have been important changes in the macroeconomic policy of successive governments over time. Since the end of the Cold War, the economic base of the country has somewhat broadened, moving from an economy primarily based on agriculture to one based on manufacturing and the processing of low-cost consumer goods, the so-called maquilas. At the same time, the country has progressively integrated into the global economy, and has been an active driver of regional economic integration through the Central American Common Market and international trade agreements within the context of the Central American Integration System (SICA).

These developments were, in fact, spurred by natural disasters, such as Hurricane Mitch in 1998. The enormous international assistance that was necessary to rebuild the country made regional as well as international cooperation almost inevitable. However, the international aid received also came with demands for reform. The structural adjustment programs developed by the International Monetary Fund have not led to more equitable economic development. Socioeconomic inequalities have, in fact, deepened over time, often spurred on by reforms to social service provision and cuts to benefits – reforms which virtually every government from President Rafael Leonardo Callejas (1991 – 1994) through to the present incumbent, Hernández (2014 – present), has carried out.

Politically, the country enjoyed a period of relative stability between 1982, when the first democratically elected president (Roberto Suazo Córdova) took office, and 2009, when elected President Manuel Zelaya was removed from office in a military coup. Following Zelaya's removal much of the progress made in turning Honduras into a consolidated democracy was reversed. In particular, the reforms initiated between 1994 by President Carlos Roberto Reina and 1998 by President Carlos Flores to curb the power of the military have not only been undone but turned on their heads. These reforms included the appointment of a civilian defense minister to oversee the military and the gradual loosening of the economic influence of the military, which had been one of the major economic actors in the country. A further cornerstone of these reforms – the separation of military and police tasks – has been upended by the Hernández government. Under Hernández, the military has once again become a major actor in the Honduran economy, and is now in charge of several key ministries and government agencies. Consequently, the military is arguably in its most powerful position since the 1980s. Critically, this process has been heavily supported by a large part of the media, mostly in the name of addressing the most profound public security challenges that the country has faced since the 1990s. Of countries that are not officially at war, Honduras is one of the most violent worldwide.

Since 2009, the violent oppression of opposition protests and, more broadly, civil society activities has become far more common. Journalists who are critical of the government are routinely threatened, intimidated, arrested, injured or killed. Honduras has become one of the most dangerous countries in the world for environmental activists, and defenders of indigenous and other minority rights. There has, in short, been significant democratic back-sliding since 2009 as a consequence of deliberate government policy.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The monopoly on the use of force continues to be contested in the country by a variety of groups, ranging from street gangs (e.g., the MS-13 and the 18th Street Gang) to more organized, international drug-trafficking groups.

In turn, these groups have many, often complex, connections to various state institutions and senior representatives of the state, including elected national politicians and their families. These connections continue to be exposed by criminal investigations, particularly investigations led by the U.S. Department of Justice. The U.S. Department of Justice has indicted and convicted several high-profile political and economic actors in Honduras of international drug-trafficking, underlining the weakness of the Honduran state. In effect, the Honduran state is unable to enforce its own laws in its own territory, while also being unable to resist foreign interference in its internal affairs.

Bearing in mind the intricate connections between parts of the state and the criminal underworld, policies to increase the effectiveness of the state and its monopoly on the use of force are both half-hearted and ineffective. Nowhere is this more evident than in government attempts to confront the two main street gangs in the country, the MS-13 and the 18th Street Gang. While the exact number of gang members is almost impossible to determine, various studies from several organizations – such as the Association for a More Just Society (AJS) and Insight Crime – suggest that, combined, the main street gang members may number up to the tens of thousands.

Officially, the government pursues an “iron fist” (Mano Dura) policy against gangs. However, over the last two decades, successive governments have consistently undermined attempts to address some of the structural causes of state weakness. For instance, in the last few years, the government has ignored attempts to structurally reform the police in line with suggestions made by the Police Reform Commission in which the AJS had an active and prominent role.

Question  
Score

Monopoly on the  
use of force

5

'06 \_\_\_\_\_ '22 10

6 \_\_\_\_\_ 5

\_\_\_\_\_ 1

Statistics from the Igrapé Institute show that the country had a homicide rate of 44.7 per 100,000 people in 2019, similar to 2018. While the reliability of the official data is highly questionable, these figures suggest that the recent downward trend in the homicide rate (from a peak of 86.5 in 2014) has stopped. As a result, Honduras continues to be one of the most dangerous countries in the world.

Again, one must stress that violence does not impact on all groups in society equally. Poor people are far more likely to be victims of violence, including violence committed by the state. Equally, environmental activists and journalists who are critical of the government continue to be targeted. According to Human Rights Watch, Honduras is one of the most dangerous countries in the world for members of these groups.

While the nation-state is recognized by the majority of the population as legitimate, deep mistrust continues to exist between the state and significant parts of its citizens. In particular, indigenous peoples and people of Afro-descendent continue to be systematically disadvantaged and discriminated against, whether in education, the labor market or in terms of access to basic social and state services. This is also reflected in the under-representation of these groups in politics, which is heavily dominated by white males.

The government has paid lip service to the urgency of addressing this discrimination. For instance, the government has created departments that focus on policies for disadvantaged groups (e.g., the Dirección General para el Desarrollo de los Indígenas y Afroamericanos, DINAFROH). However, the practical impact of such changes has been limited, since proposals have a habit of dying in Congress or are not implemented even when they are passed by Congress. This raises serious concerns about the political will and state capacity to execute government policies and enforce laws. Critically, this lack of capacity is often the result of deliberate state policy, which is structured in such a way as to perpetuate the economic and political status quo. As a result, identification with the state is weak, albeit that there is no open revolt against the institution of the state.

Though access to citizenship and naturalization is rather easy, and particular groups are not excluded, there are legal provisions that place naturalized citizens in a subordinate position to native-born citizens. These provisions include the transmission of citizenship to children by *ius sanguinis*, the extension of citizenship to foreign spouses, dual citizenship and the deprivation of citizenship on various grounds as well as holding political posts, entering the civil service, or becoming directors of newspapers, radio stations or TV stations.



There is no state religion and, according to the constitution, the Honduran state is secular (Article 77). The Catholic Church is the only legally recognized church. Other religious groups are accorded the status of “religious associations,” with the granting of legal personality. Non-Catholic religious groups have applied to Congress for recognition as churches, which would give them various advantages, including tax breaks.

Irrespective of the outcome of these deliberations, evangelical groups in particular have grown in importance as social actors. Evangelical groups now exert considerable social influence over the population, especially in so-called barrios, the poorer communities in the country. In terms of public security, for instance, they are a critical mediator between gangs and the government. Moreover, engagement with and within churches often represents the only viable means for gang members to be reintegrated into civil society.

Catholic and evangelical churches continue to exercise considerable influence over several areas of social policymaking. They are extensively consulted by government on policy areas concerning so-called questions of morality, with the result that Honduras retains deeply restrictive policies in certain areas. For example, abortion is banned in Honduras, including in cases of rape and incest, while a constitutional amendment banned same-sex marriages.

Therefore, there is a clear divergence between the constitutional provision of Honduras as a secular state, and the practical influence of religious organizations and groups on the state, which is considerable. Politicians do not shy away from professing religiosity in public, seeing it as politically expedient, especially during election times.

As the country will hold national elections in 2021, it is unlikely that Honduran policies on questions such as abortion will become more progressive in the near future.

Honduras’s state administration suffers from institutional and personnel weaknesses that have been inherited from the recent past. Apart from corruption (more than 70% of public sector management is only possible with the payment of bribes) and the lack of transparency, public administration in Honduras is inefficient. The state is strongly “corporatist” and based on a network of personal relationships, which reach from the highest to lowest echelons of the state. This sustains corruption and does nothing to improve efficiency. While addressing the problem of corruption has been at the forefront of international efforts related to Honduras – with police reform and anti-corruption efforts invariably being financed by international organizations – the impact of these initiatives has been very limited. There is a clear lack of political will on the part of the country’s elites to address this problem. This is evidenced by the gutting of the internationally sponsored anti-corruption commission (MACCIH), and the failure to meaningfully reform the police and public security apparatus, despite numerous proposals by the Police Reform Commission.

No interference of religious dogmas

8



1

Basic administration

5



1

In terms of law enforcement and access to justice, Honduras's security and judicial institutions are centralized, and access to these institutions in rural areas is compromised by criminal structures and the private security industry. Women and other vulnerable populations, such as indigenous peoples and Garifunas, have less access to justice, security and basic services, because state infrastructure and resources are inadequate and do not cover the entire territory. This reflects more general problems of public service delivery. Water, sanitation and electricity coverage across the whole country has never been complete. Contrary to promises made at the time, the privatization of these and other services has not improved the situation. Instead, access to these services through official means for the poorest segments of the population has reduced, with price rises making them unaffordable.

The coronavirus pandemic has only worsened these problems. Through the declaration of a national state of emergency and the lack of coordination of state efforts to stem the effects of the pandemic (both in terms of public health and economic consequences), the state has undermined almost all mechanisms of public accountability. The recent flooding in the country, following two tropical storms in November, again illustrated not only the susceptibility of the country to climate change but also the total inability of the state to deal with the short- and long-term consequences of this trend as well as others. As of January 2021, according to UNICEF, several “general public services” in Honduras faced serious disruption, with child support services and services supporting the victims of domestic violence being particularly badly impacted.

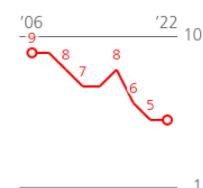
## 2 | Political Participation

Honduras has been gripped by a political crisis since the 2009 military coup and recent trends point to a continuing authoritarian trajectory. Recent elections were neither free nor fair, nor can the scheduled presidential and congressional elections of 2021 be expected to be. While most general elections since 1982 have been more or less free and fair, the 2017 elections were not.

Marked by increasing polarization, court rulings as well as skewed resources and media coverage favored the re-election of incumbent Juan Orlando Hernández. During the vote count – with the candidate of the Opposition Alliance ahead of Juan Orlando Hernández by 5 percentage points – the Supreme Electoral Tribunal (TSE) announced that a TSE data center server had experienced technical problems and would need to be replaced. Following the replacement of the server, the vote count changed in favor of the incumbent candidate, who beat the candidate of the Opposition Alliance by a very narrow margin of 42.95% to 41.42%, about 50,000 votes. The apparent “power outage” has never been adequately explained nor has the very sudden change in the vote count away from the main opposition candidate toward the incumbent. Nevertheless, on December 17, 2017, the TSE declared Hernández the winner.

Free and fair elections

5



What has been noticeable even before the disputed presidential election of 2017 has been the strong and increasing political polarization of the country. This polarization has come to the fore in response to key policies of President Juan Orlando Hernández, such as packing the Supreme Court with political loyalists, which subsequently allowed for his re-election. This polarization – as well as on the streets – is increasingly being played out in the media, where the language is often inflammatory. This bodes poorly for the upcoming elections in 2021, especially as there are ongoing disputes over the electoral system, which parts of the opposition consider to be illegal. Furthermore, the electoral commission has been under the effective control of the government and is deeply distrusted by the opposition, who see it as a political instrument for cementing the power of the current president.

Since 2013, President Hernández has increasingly subjected the entire state apparatus to his control. The independence of the judiciary has been eroded through “court packing” and the legislature has not functioned as an independent branch of the state.

Nonetheless, several constraints restrict Hernández’s power. The first of these is the administrative capacity of the state. The Honduran state frequently fails to implement political decisions.

Second, one has to consider the role of the military. Always important and often decisive, Hernández has been careful to cultivate the military, and has elevated active and former military men to dozens of key posts within the government and state agencies.

Not only is the military one of the key economic actors in the country, but it has also taken on key public security tasks as part of the government’s “iron fist” strategy. Among these, the military has assumed many roles that are constitutionally the exclusive responsibility of the police.

In doing so, Hernández has kept the military on his side – a critical point bearing in mind the constant stream of accusations levelled at the president over alleged international drug-trafficking crimes. However, this has also limited his own room for maneuver regarding domestic policy.

Thirdly and to only a slightly lesser extent, the same can be said about the country’s economic elites. Shaken by several high-profile drug-trafficking prosecutions in the United States of members of Honduras’s economic elite (e.g., the Rosenthal family), the president has been careful to pursue policies (e.g., privatization, deregulation and tax reform) that keep those same elites on side in order not to undermine the stability and survival of his government.

Effective power to govern

3



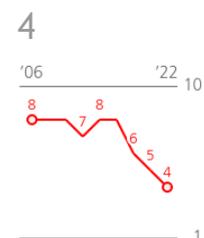
Association and assembly rights are guaranteed in the constitution, and are extensively used. Different groups have active representative organizations, including teachers, peasants and health care workers. These groups have, under the Hernández presidency, been highly active in protesting against some of Hernández's more controversial policies, such as energy and economic development projects in rural areas and on indigenous land as well as the privatization of public services. Students are another group who have become highly visible actors, organizing and leading anti-government protests.

However, the right to association and assembly continues to be impeded by the government. Peasant and indigenous groups, in particular, face almost constant violence and intimidation, either directly from the state or with the state's tacit support, especially groups that actively oppose the government's economic development projects. Honduras continues to be one of the most dangerous countries on Earth for environmental activists, as shown by the 2020 annual report of Human Rights Watch. Impunity for such attacks is the norm, despite convictions in the recent high-profile case into the assassination of civil society leader Berta Cáceres. Other groups that face constant threats of violence are LGBTQ+ rights activists and journalists who are critical of the government. Demonstrations against the government over recent years have been subject to police violence, which has led to many injuries and deaths, as documented by Amnesty International.

The COVID-19 pandemic and the devastation caused by the floods in November 2020 led the government to declare a national state of emergency. A state of emergency remains in force at the time of writing, although it has been relaxed in recent months, with only a night-time curfew still being applied. However, in practice, protests are being actively repressed by the state and arbitrary detentions continue.

The Committee for the Protection of Journalists has complained that these declarations were made without due consideration by Congress and were, therefore, unconstitutional. It has also highlighted the continued detention of journalists without due process. The Global State of Democracy Index has attested to "concerning developments" since the outbreak of COVID-19 and argued that, as a result, basic freedoms guaranteed by the constitution have been severely curtailed. In this respect, the National Human Rights Commissioner received 3,179 complaints against public institutions concerning restrictions to freedom of expression and freedom of mobility, discrimination in access to health care, and police abuse in jails and in daily detention.

Association /  
assembly rights



The Honduran constitution formally guarantees freedom of expression. Yet, in a practical sense, freedom of expression is severely curtailed. The country continues to be a highly dangerous place for journalists. The Committee for the Protection of Journalists confirmed at least two murders of journalists in the country in 2020. The Freedom of Speech Committee (C-Libre) reported 110 violent attacks against journalists. Crimes against journalists continue to go largely unpunished.

In the same context, independent media are continuously squeezed by threats to journalistic independence, threats to the physical integrity of journalists and the dominance of a few media companies that are closely aligned with the government.

This situation has worsened in response to the COVID-19 pandemic. Declaring a national emergency per decree on March 16, 2020, President Hernández gave the state extraordinary powers to deal with the public health emergency. In doing so, President Hernández suspended key elements of the constitution related to freedom of expression. This includes the suspension of Article 72, which protects journalists' right to work without "any persecution," even under martial law. The right of access to government information has also been curtailed.

Since the 2017 elections, the tone in which the "traditional" media report on opposition politicians, parties and civil society has become significantly more threatening. Neither the government nor Congress has shown the political will to address this problem.

### 3 | Rule of Law

The separation of powers is formally established in the Honduran constitution, but in practice is not enforced. Since the military coup of 2009, the separation of powers has been progressively eroded. This process has been accelerated by President Hernández, under whose leadership the judiciary has essentially ceased to be an independent pillar of the state.

After the outbreak of the COVID-19 pandemic, President Hernández declared a national emergency per decree on March 16. The Comité por la Libre Expresión in Honduras accused the government of enforcing the decree before it had been considered and approved by Congress, and before it had been published in the official government journal, La Gaceta. The government denied this accusation. Yet, in response to a tropical storm in November, which caused widespread devastation across the country, the government extended the national emergency indefinitely on November 12. The national state of emergency includes strict movement restrictions and night-time curfews.

Critically, the crises faced by the country in 2020 have deepened and formalized the collapse in the separation of powers. The country is run almost exclusively through the executive, which receives considerable help from the military through the

Freedom of  
expression

4



Separation of  
powers

3



National Security and Defense Council (CNSD). Recourse to the judiciary for breaches of civil and human rights, which has historically been weak and severely restricted for many, is essentially unavailable. In fact, in response to the pandemic, all activities of the judicial system were temporarily suspended under decree CSJ 1-2020.

With the long-term impact of COVID-19 on public health outcomes and economic activity, the devastation caused by the floods in November, the upcoming electoral process in 2021, and the president's long-standing disposition toward the centralization of power, it seems highly unlikely that progress will be made toward restoring the separation of powers in the foreseeable future.

The independence of the judiciary has ceased to exist in any real form. Ever since assuming the presidency, Hernández has consistently violated the separation of powers, and has actively and unconstitutionally intervened in the composition and functioning of the judiciary. In packing the Supreme Court and the electoral tribunal with loyalists, Hernández has succeeded in overturning the ban on presidential re-election and confirming his win in the 2017 presidential election.

Added to the continuation of widespread impunity for violent crimes, especially crimes committed by agents of the state against particular segments of the population, and corruption, which involve high-ranking officers of the state, the independence of the judiciary is being systematically undermined as a matter of deliberate government policy and with the enthusiastic support of the legislature.

There has been a concerted effort on the part of the political class to destroy what little authority is left to prosecute abuses of public office. In January 2020, the president announced the dissolution of the OAS-supported Mission to Support the Fight Against Corruption and Impunity in Honduras (Misión de Apoyo Contra la Corrupción y la Impunidad en Honduras, MACCIH). MACCIH had uncovered several large-scale corruption cases involving senior politicians and members of the economic elite. Its demise is the clearest sign of elite fightback, considering that it was the same government that had agreed to establish MACCIH after uncovering a huge kickback scheme in the health care and social security systems, which had benefited the National Party of Honduras (PNH) in the 2013 elections. Civil society, the media and the “indignant” movement of Honduran citizens were the main driving forces behind the formation of MACCIH, as Hernández saw his legitimacy deeply threatened. Civil society groups were also crucial in uncovering the corruption scandals that MACCIH investigated. Their work has now become considerably more difficult, especially due to intimidation by security forces.

In four of the 13 corruption cases investigated by MACCIH, at least half of the individuals involved were acquitted. One case involved a network of members of Congress who embezzled public funds to finance political campaigns, most of whom will run again in the next election. Many of the legal provisions that were modified

Independent  
judiciary

3

'06 '22 10



Prosecution of  
office abuse

3

'06 '22 10



in favor of public officials accused of corruption have remained in effect to this day, popularly known as the “corruption pact.” The end of MACCIH also led to the end of the Special Prosecutor’s Unit against Impunity and Corruption (UFECIC), which was replaced by the Special Prosecutor’s Unit against Corruption Networks (UFERCO). Understaffed and with scarce resources, UFERCO has faced endless political interference from the executive and legislative branches, which has significantly affected its ability to carry out its duties. Only one year into its existence, UFERCO operates in complete isolation, with no support from the Attorney General’s Office, and is at risk of disappearing.

In June 2020, Congress passed a new criminal code that lowers the sentence for corruption and drug-trafficking cases, among other controversial measures. Therefore, it should come as no surprise that, during the response to the COVID-19 pandemic, there have been allegations of widespread corruption and fraud by the state. While the president promised to punish those responsible, there is widespread skepticism about whether this promise will be followed through on.

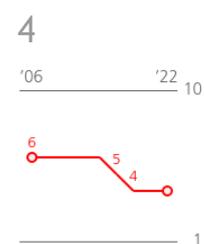
Currently, it is left to the United States to carry on the fight against graft in Honduras. Over recent years, prosecutors in the United States have been highly successful in prosecuting the criminal activities of key members of the Honduran elite (e.g., the Rosenthal family, the Valle family, the son of former President Lobo and the brother of the current president, Hernández) and securing long prison terms. In January 2021, prosecutors in New York once again accused President Hernández of directly brokering deals to protect drug-traffickers in exchange for drug money, arguing that Honduras was now a full-blown narco-state.

Honduras is party to all major regional and international conventions on civil and human rights, and has most (but by no means all) rights incorporated into the national constitution and national legislation. Equally, some conventions have not been ratified, such as relevant conventions of the International Labour Organization (ILO), including the Domestic Workers Convention, 2011 (No. 189) and the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

In any case, many of these rights are not guaranteed in practice. Critically, the state not only lacks the capacity to enforce these rights across the national territory but also lacks the political will to do so, especially regarding minority ethnic groups, the LGBTQ+ community and women, as detailed by the Human Rights Watch 2020 country report for Honduras. In the context of structural discrimination and inequality, access to justice remains restricted for these groups as well as for most Hondurans who cannot afford costly legal representation.

Violations of civil rights by both public and private security forces are commonplace. Public agents are often politically shielded from prosecution, while the private security sector (although large relative to the size of the economy) is weakly regulated

Civil rights



and its agents are poorly trained. Critically, there exists deep mistrust between significant parts of the population – particularly the poor – and security agents. This mistrust leads to a power vacuum and, therefore, the non-enforcement of rights. This vacuum is often filled by criminal gangs, which, while often brutal, do at least guarantee some form of order.

Violence in Honduras continues to run at extraordinarily high levels by regional and global standards, and is committed both by agents of the state and non-state criminal groups. This violence is committed primarily against poorer segments of the population as well as minority groups, such as the LGBTQ+ community, the Afro community and indigenous people. These groups are also systematically discriminated against when it comes to accessing social and other state services as well as the labor market. The 2019 report of the UNHCR Working Group also notes high rates of femicide and other forms of gender-based violence as well as the high levels of impunity associated with them.

With violence so widespread and disrespect for basic civil rights common, internal displacement continues to be a challenge in Honduras, as is the continuous flight of people to the United States.

#### 4 | Stability of Democratic Institutions

The performance of democratic institutions in Honduras has continued to deteriorate over the last two years. Neither the judiciary nor the legislature are able to exercise oversight over the executive. External actors (e.g., MACCIH) have been discontinued precisely because they served as an effective brake on executive power.

The three branches of state are now essentially one and the same with each branch serving to sustain the other and thus preventing effective checks and balances. This is evidenced by the initiatives passed in the last two years, which make democratic accountability virtually impossible. These initiatives include changing the criminal code, packing the judiciary with political allies and intimidation of independent media.

With this in mind, it is possible to explain the continued violent crackdown by the state on civil society, whether organized or unstructured protests. These civil society activities, in effect, represent the only check on government power and the only means of exercising some oversight over government actions, even if they do not lead to significant or lasting changes in government policies. The violent crackdowns on student-led anti-government protests in 2019 and early 2020 are the clearest example of this.

Performance of democratic institutions



The key actors within Honduras – be they political or economic elites, or the heads of the Catholic and evangelical churches – are formally committed to democratic institutions and their continued functioning. However, their actions betray a lack of such commitment. In simple terms, democratic institutions are fine as long as they serve the interests of the political and economic elites. When they do not – as in the case of MACCIH or the Police Reform Commission – these same actors quickly disable these mechanisms of control and accountability.

Democratic institutions, then, are largely seen in transactional terms, namely in pursuit of a clearly defined objective: how and to what extent do they preserve the political and economic status quo? Any challenge to this status quo – whether from inside or outside the system – is quickly put down, as illustrated by the state’s violent response to protests against the Hernández government over the last two years.

## 5 | Political and Social Integration

The party system in Honduras continues to be relatively stable. While the 2013 elections ended the long-standing two-party system between the National Party of Honduras (Partido Nacional, PNH) and the Liberal Party (Partido Liberal, PL) with the emergence of left-wing parties (e.g., the Partido Libertad y Refundación, Libre), the 2017 elections saw no further fragmentation and resulted in 3.07 effective parties in parliament. The conservative PNH obtained 61 seats in the National Congress, 13 more than it had previously and four seats short of an absolute majority. The socialist-leaning Libre won 30 seats (a loss of seven seats) and the liberal-conservative PL remained the third largest force with 26 seats (a loss of one seat). While fragmentation and voter volatility are moderate to low, polarization has increased over the last decade. Both traditional parties have long been deeply rooted in society through a system of clientelism and patronage, which includes vote buying and the diversion of state funds. On the other hand, Libre is solidly rooted in agrarian and urban social movements. Despite the Liberal Party’s crisis, this has not changed.

Within this context, however, one can detect some important changes with potentially long-lasting consequences. Since the 2009 coup, the PNH has grown noticeably more authoritarian, a development that has accelerated since the disputed 2017 elections. It has also become a much more ruthless political machine in its pursuit of power and efforts to maintain power. While the opposition Liberal Party is also rooted in the political and economic elites, it currently faces a number of internal splits, especially concerning its attitude toward Libre, which is led by the victim of the 2009 coup, former President Manuel Zelaya. Ongoing tensions concerning the Liberal Party’s support for the coup have made any cooperation between the two opposition parties very difficult.

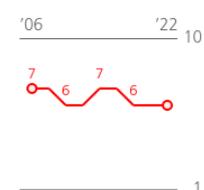
Commitment to democratic institutions

3



Party system

6



Honduras has a wide variety of very active interest groups. Yet, the degree to which they have access to and influence over the government and policymaking varies vastly. While some interest groups are highly influential, others are, in practice, little more than protest groups, albeit ones which often have significant public support and can command significant public attention.

Several interest groups representing the country's economic elites dominate, are very close to and have significant influence over the government. There is considerable crossover between politics and the business world. These groups include the Honduran Council of Private Enterprise, and the Chamber of Commerce and Industry of Tegucigalpa. Alongside the military, which is one of the biggest economic players in Honduras, these groups have gained (or re-gained) their place at the decision-making table since the 2009 coup, a trend which has accelerated under the Hernández presidency.

At the same time, and in line with the Hernández government's extremely business-friendly agenda, trade unions have lost an enormous amount of influence. Trade unions often join non-governmental organizations, such as the human rights pressure group the Committee of Relatives of the Disappeared in Honduras (COFADEH), and others in acting largely as protest groups, without any clout inside government. Accordingly, the degree of cooperation among these groups is sporadic, while virtually absent in relation to the dominant groups, which points to a risk of pooling conflicts and increased polarization.

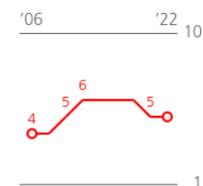
According to Latinobarómetro, all social indicators in Latin America have worsened in the last couple of years, including in Honduras. This has left democracy in the country in danger simply because there is a lack of trust between the population and the state – and this government in particular. Public trust that those elected act in the best interests of voters and society as a whole has collapsed. According to Latinobarómetro 2020, the share of Hondurans who agreed that democracy, for all its problems, was preferable to any other form of government, has been the lowest of all Latin American countries with only 43%, while 62% of respondents would not mind a non-democratic government coming to power if it solves their problems.

In this respect, one bright point has been the increased social activism seen since the elections of 2017, with popular protests defending democratic norms. However, this form of activism has been badly hit by the COVID-19 pandemic, both in a practical sense (the need for social distancing) and in a political sense (the imposition of a national state of emergency, and subsequent suspension of political and civil rights).

Together with public mistrust of the state as a whole, public mistrust of state institutions persists. The military continues to be the most trusted state institution, a fact which the president has used cleverly to secure his position. For example, in the face of multiple allegations of wrongdoing, the president has inserted several military officers into the highest echelons of his government. Yet, this has had a corrosive effect on the quality of democracy.

#### Interest groups

5



#### Approval of democracy

n/a

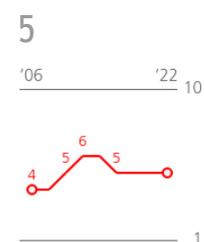


Honduran society is marked by extreme inequality, be it economic, social or political. This has, for many decades, had a corrosive impact on trust between people, and between people and the state. According to Latinobarómetro, interpersonal trust had declined substantially by 2018, with 14% of respondents agreeing that one could trust most other people, equal to the Latin American average.

This, in turn, has been a key factor in the lack of coherence within society even when groups of people agree about a particular aim or objective. For instance, while there are very active anti-government civil society groups, there is very little coherence between them, which has allowed the status quo to perpetuate. Action tends to focus on specific issues or projects but does not amount to a strategic attempt to “change the system.” The protests, which have been frequent in the country since the elections of 2017, attest to this problem.

The COVID-19 pandemic has seen many non-governmental groups assume and carry out key functions of the state, and solidarity within neighborhoods has been strong. However, state efforts to address the problems brought on by the pandemic have been hampered by inefficiency and corruption as well as tensions between rural and urban populations as a consequence of the pandemic. Dependence on non-governmental help, therefore, remains strong.

### Social capital



## II. Economic Transformation

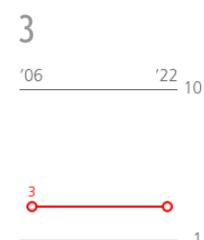
### 6 | Level of Socioeconomic Development

Honduras continues to be one of the poorest and most unequal countries in the Western hemisphere. According to the latest United Nations Development Programme, the country’s Human Development Index score in 2019 was 0.634 (0.633 in 2018), with a rank of 132 worldwide, which has remained almost unchanged throughout the last decade.

Inequality in the country is structural and impacts on every area of society. Honduras’s Gini index was 48.2 in 2019, the fourth worst in the region. The overall loss in HDI due to inequality was 25.6%, only ahead of Guatemala (27.5%) and Haiti (40.6%) among Latin American and the Caribbean countries. Reliable recent data is difficult to come by but, according to the World Bank, in 2018, 48.3% of the population lived below the nationally defined poverty line, and in 2019, 29.0% lived on less than \$3.20 a day (only ahead of Haiti among Latin American and the Caribbean countries). Yet, the impact of natural disasters and, in particular, COVID-19 is expected to push this number up significantly when the 2020 data is published. According to estimates by the Economic Commission for Latin America and the Caribbean (ECLAC), the Honduran economy is expected to contract 8% in 2020, after growing 2.7% in 2019. This contraction will hit poor and informal workers particularly hard, with poverty expected to increase.

### Question Score

### Socioeconomic barriers



However, what is more concerning longer term are several trends that indicate a worsening of structural inequality. For instance, World Bank data indicates a continuing decline in school enrollment, which is expected to worsen when the data for 2020 is released and the full impact of COVID-19 is accounted for. Within this context, rural and indigenous populations are particularly hard hit, with basic public services (e.g., health care) difficult to impossible to access. Women are also at a structural disadvantage in Honduras, the country ranks as one of the worst within the region when it comes to gender equality. The Gender Equality Index scored Honduras 0.423 in 2019, virtually unchanged since 2016, based on 2019 UNDP data.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	23136.2	24067.8	25090.0	<b>23827.8</b>
GDP growth	%	4.8	3.8	2.7	<b>-9.0</b>
Inflation (CPI)	%	3.9	4.3	4.4	<b>3.5</b>
Unemployment	%	5.5	5.7	5.6	<b>9.4</b>
Foreign direct investment	% of GDP	4.1	6.0	3.8	-
Export growth	%	4.9	1.4	2.4	<b>-20.4</b>
Import growth	%	7.2	4.5	-2.4	<b>-18.5</b>
Current account balance	\$ M	-288.3	-1350.2	-347.3	-
Public debt	% of GDP	38.9	39.7	43.3	<b>51.3</b>
External debt	\$ M	8741.6	9167.1	9744.8	<b>11016.6</b>
Total debt service	\$ M	955.4	1023.2	891.0	<b>1523.1</b>
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	13.5	13.5	13.5	<b>15.0</b>
Public education spending	% of GDP	4.9	6.1	4.9	-
Public health spending	% of GDP	2.8	2.8	-	-
R&D expenditure	% of GDP	0.0	-	-	-
Military expenditure	% of GDP	1.7	1.6	1.6	<b>1.7</b>

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Honduras has a functioning market economy, which (on paper) is relatively well organized, and provides a legal and institutional framework for fair competition and consumer protection, including price controls on some items (e.g., basic food stuffs).

Yet, the country continues to face huge obstacles in developing a market economy that works for the majority of its citizens. Inequality is stark – the worst in Latin America, according to the most recent data from Oxfam – and endemic corruption leads to market distortions and the development of deeply entrenched criminal structures, which straddle the economic and political spheres. While this problem has been recognized, recent moves by the political elite have made corruption harder to punish and mean that further market distortions are almost certain to follow.

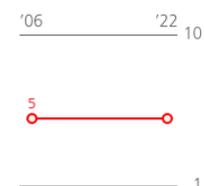
Part of the problem is the extremely complicated process for opening a business in Honduras. According to the latest report by the World Bank, the country ranks 170 out of 192 countries for starting a business, which requires 42 days, 11 procedures and 28.1% of GNI per capita. This process is further hindered by chronic logistical problems, such as the reliable supply of electricity (138th) and securing construction permits (158th). These scores are actually lower overall than in the previous year.

The expectation must be that, with the double impact of COVID-19 and the floods at the end of 2020, conditions will further deteriorate. In turn, this suggests that the informal economy will further increase. According to the most recent ILO data, informal employment remained high in 2017, accounting for 82.6% of all employment and 75.6% of employment in non-agricultural sectors. This trend will have worsened as a result of the COVID-19 pandemic. This fact, in turn, once more exposes the enforcement gap in Honduran regulatory policy. On the one hand, the country is party to all important International Labour Organization (ILO) conventions. On the other, it is unable and/or unwilling to enforce these conventions consistently. This lack of enforcement and the associated legal uncertainty, in turn, is a key deterrent for inward investment, as shown by the World Bank report cited above.

Competition policy in Honduras follows a familiar pattern, which is visible in virtually all areas of regulatory policy. On paper, the country has a relatively well-defined framework, which would allow for fair economic competition. However, in practice, the country suffers from poor enforcement due to a mixture of structural bureaucratic and administrative weaknesses, corruption, and a lack of political will.

The government has been very pro-active in liberalizing competition policy over recent years. The introduction of competition into public service delivery has been a key policy objective of the government, including in education and health care.

Market  
organization  
5



Competition policy  
6



However, this led to significant public protests in 2019 and 2020, which forced the government to scale back or abandon reforms in these sectors.

One of the reasons for these protests is widespread corruption. Recent legislative actions have hindered the work of regulatory bodies, such as the Commission for the Defense and Promotion of Competition (CDPC). Legislative initiatives approved by Congress in 2019 and 2020 have made it significantly harder to investigate allegations of corruption. This is an acute problem in a country where there is such a significant overlap between the political and economic elites.

A further long-standing problem is the lack of an effective state presence across significant parts of the country. In simple terms, competition policy – albeit well developed on paper – cannot be enforced because there is literally no agent of the state to enforce it. This has led to the concentration of power and resources in very few hands as well as the informalization of economic activity.

Honduras has been a member of the WTO since 1995. Its economy is considered to be relatively open, though there has been some decline in the degree of openness since the world economic crisis of 2008/09. According to the 2020 Index of Economic Freedom, the country ranks 93rd worldwide for economic freedom. The country has made some progress in terms of streamlining its customs procedures. As a result, Honduras has benefited from an inflow of foreign direct investment totaling \$1.2 billion, though these numbers have not yet been confirmed by the World Bank. The simple average MFN applied tariff was 5.7% in 2019 and 10.3% for agricultural products.

Its main export market continues to be the United States, which accounted for 54% of the country's exports and 38% of its imports in 2019, according to figures by Deloitte. At the same time, through its membership of the Central American Integration System (SICA), Honduras continues to pursue trade liberalization. For example, Honduras signed a trade liberalization agreement with the European Union in 2012 and a separate agreement with the United Kingdom in January 2021. Honduras's main exports are textiles, which represented 40% of total exports in 2019, and agricultural products, which represented a 21% share in 2019. Its imports are more evenly spread, with machinery and equipment representing 16%, closely followed by textiles (15%), and mineral (12%) and chemical products (11%).

The Honduran banking system continues to be relatively stable both by regional and by historic standards. So far, this stability has continued in spite of the economic crisis as a result of COVID-19. The bank capital to assets ratio held steady at 11.2% in 2019, while the percentage of non-performing loans held by banks in the country crept up only slightly to 2.3%. With regards to this measure, the results for 2020 are not yet known. However, once known, they will provide a much better indication about how the banking sector is holding up in the face of the twin challenges of COVID-19 and the November 2020 flooding, which will undoubtedly hit economic performance hard.

Liberalization of foreign trade

8



Banking system

7



Before the crisis, the banking system continued to provide liquidity, with a focus on real estate, consumption, services, trade and industry. The two development banks in the country – Banco Nacional para el Desarrollo Agrícola and Banco Hondureño para la Producción y la Vivienda – provide support for large-scale, politically and socially controversial infrastructure development initiatives.

## 8 | Monetary and fiscal stability

The economic crisis brought on by the COVID-19 pandemic has made the task of maintaining monetary stability harder for the government, which declared the maintenance of monetary and fiscal stability its overriding policy goal as a way of attracting external investment. As part of this exercise, the government entered into an agreement with the International Monetary Fund (IMF) in 2019 that required further structural reforms of the economy and the public sector. According to the IMF, the government is pursuing these reforms within the agreed timescales.

However, the COVID-19 pandemic, acquisition of COVID-19 vaccines and severe floods in November 2020 have, at least temporarily, changed the macro political and economic outlook. New loans were secured on international capital markets to finance an economic recovery program. While some of the provisions are meant to run out in 2021, it seems unlikely that the government will embark on a significant program of austerity in the run-up to national elections in 2021.

According to data from the World Bank, the consumer price index rose by 4.4% in 2019, which remains virtually unchanged from 2018. Inflation was expected to fall below 4% for 2020. While final World Bank figures have not yet been released, ECLAC estimates the inflation rate to be 3.4%. These figures continue to be within the bounds established by Honduras's central bank.

In order to maintain monetary stability, the IMF has argued that Honduras needs to undertake further reforms to its monetary policy regime, which include strengthening the political and operational independence of the central bank. Further public sector reforms have also been demanded but have run into significant public resistance. The latest privatization projects for the health care and education sectors have been temporarily abandoned, and are unlikely to be rolled out before the elections in 2021.

The central bank continues to use the Electronic Foreign Exchange Trading System mechanism to adjust exchange rates. The Honduran lempira continues to be allowed to float within a 7% band against the U.S. dollar. With the onset of an economic crisis due to the COVID-19 pandemic, fluctuations have become somewhat greater, although so far this has not endangered overall monetary stability. According to ECLAC, the real effective exchange rate index (2005 = 100) hovered around 83 throughout the last decade, reaching 82.8 in 2019 and a decade low of 80.6 in 2020.

### Monetary stability

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Since assuming the presidency, Hernández's overriding aim has been the maintenance of fiscal stability. This objective has been reaffirmed, and indeed strengthened, as part of the loan agreement with the IMF in 2019. The loan agreement committed Honduras to further fiscal consolidation, for instance, through the cutting of public expenditure and the privatization of public services. While this objective has largely been kept to, the onset of the COVID-19 pandemic put government finances under severe pressure. Government measures included covering, partially or fully, the salary of workers who lost their jobs as a result of the pandemic, tax cuts for companies who promise to retain all their employees and a range of economic stimulus measures (e.g., loan facilitation and debt repayment moratoriums). According to ECLAC, public debt rose slightly from 44.4% of GDP in 2015 to 48.8% in 2019 but jumped up to 57.6% in 2020. According to the central bank, the fiscal deficit was expected to rise from 2.1% of GDP in 2019 to 2.4% in 2020.

COVID-19-related measures were largely financed through borrowing, so that Honduras's external liabilities increased significantly, especially during the second half of 2020. For instance, the IMF approved a further loan to Honduras of \$223 million on June 1, 2020. Despite this, most risk consultancies do not see the country as especially vulnerable to a fiscal collapse in 2021, with the economy expected to rebound. A quick economic recovery will help to keep public debt and expenditure, especially on social programs, under control. This scenario, however, depends on getting the pandemic under control.

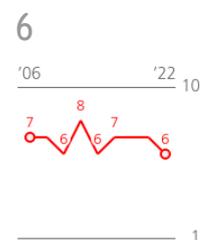
This, however, might be problematic due to structural problems. A report by the Institute for Central America Tax Studies (ICEFI) published last year states, the government budget "continues the bad practice of underestimating tax collection to define discretionally the destination of the additional collected revenues, since these will not be subject to budget allocations approved by the Congress."

## 9 | Private Property

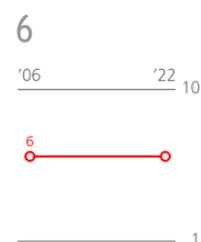
Honduras has a consolidated body of laws that deal with property rights. However, there is a discrepancy between the existence of these rights and their enforcement in practice, which continue to be unsatisfactory. This weakness is linked both to the administrative capacity of the state as well as inequalities pervasive in the country.

The national property register suffers from structural weaknesses, which mean that property rights cannot be guaranteed for the whole population. One factor in this is the inefficiency of the justice system, which is de facto not accessible to all, and is characterized by corruption and chronic delays. Disputes over property rights take, on average, a little over two and a half years to resolve. The necessary investment in time and money to get to this point is not an option for large proportions of the population. Consequently, many people do not have recourse to claim and guarantee their property rights. In fact, poverty leads to and sustains an enormous parallel property market, which is often controlled by criminal gangs and, evidently, leads to significant legal insecurity.

### Fiscal stability



### Property rights



The problem of accessing justice is worse in rural areas where the state's presence is particularly weak and mafia-like structures prevent any chance of state-sanctioned justice being attained. In these areas, local power structures are of critical importance. Since these structures, however, are often informal and well established, property rights often function extra-judicially for an “in-group” of people and organizations. As a result, violent disputes over land rights are not uncommon, especially since the weakness of the justice system virtually guarantees impunity for the “in-group,” allowing those who can to enforce their rights in a manner of their choosing.

Successive Honduran governments have promoted private enterprise as an engine of economic growth and more efficient delivery of public services. This has led to a wave of actual and attempted public service privatizations, which have often been met by fierce public resistance.

With this in mind, the legal protection of private enterprise and the rulebook according to which it has to operate are well established. Yet, the country continues to confront serious problems concerning the role of private enterprise. For one, economic growth has not led to a broadening of the economic base in the country. Concentration of wealth is extreme. The revolving door between politics and private business leads to a perpetuation of policies that favor a very small group of entrepreneurs at the expense of more evenly distributed wealth, which has grave social consequences.

The government has repeatedly tried to attract more foreign direct investment into the country, often with the help of specially designed rules. These rules effectively make existing national legislation redundant, be it in relation to environmental or labor protections, or health and safety laws. Foreign direct investment has led to the creation of so-called enterprise zones but has also been used to finance large infrastructure projects, such as hydroelectric dams.

Such mega-projects have often led to severe tensions between investors and government on the one hand, and the local population on the other. The main criticism being that these projects – and the rules that govern them – are devised and executed without any consultation with or benefit for the local population. These tensions frequently lead to violence and deaths. Human Rights Watch, in its 2020 Report on Honduras, points out that the country continues to be one of the most dangerous in the world for environmental activists who protest against mega-infrastructure projects. Human Rights Watch has accused the government of, at the very least, being complicit in the targeted assassinations of those protesting against economic development projects that benefit specific private enterprises.

Private enterprise

7

'06 '22 10

6 7

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Year	Score
2006	6
2010	7
2022	7

## 10 | Welfare Regime

People who work in formal employment are covered by a (very basic) welfare regime. In the main, this provides pensions – albeit very low pensions – as well as some sickness and incapacity benefits. There are different regimes for public and private sector workers. For the public sector, the administration of benefits such as pensions and sick pay are administered through institutions such as the Institute of Retirement and Pensions for Employees and Civil Servants of the Executive Branch (INJUPEM), and the Institute of Teachers' Welfare (INPREMA). Since employment in these sectors is formalized, this system works relatively well.

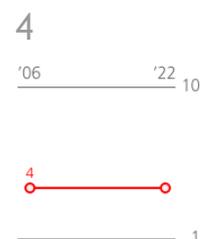
However, huge problems continue to exist in relation to private sector employees. Due to the nature of the problem, exact figures are hard to come by. However, the World Bank and other economic research institutes have estimated that roughly 70% of the male working population in the country – who are not employed in agriculture – work informally. Meanwhile, about 80% of women – who are often employed as domestic servants – are employed informally. These workers are not covered by any social security provisions, be it pensions, sick pay or other benefits (e.g., paternity pay), which the state is legally obliged to provide.

The Honduran state provides a national health care system. Yet, coverage is, at best, rudimentary and often not accessible to significant proportions of the population at times of need. The health care system is often unable to respond to people's needs due to widespread corruption.

The state has provided additional assistance to some workers as well as to companies in response to the COVID-19 pandemic. However, facing a double crisis following the floods of November 2020, the support offered so far by the state is unlikely to be sufficient. There have also been serious allegations of corruption in the distribution of these funds. While the government has promised to punish those found guilty of such crimes, doubts about whether this will happen are justified by historic experience.

Public accountability is virtually nonexistent. In fact, the only check on the executive in terms of the management of the welfare system has come from massive popular protests in 2019 against plans to privatize large parts of the education and health care systems. These protests were so large and sustained that the government has abandoned these plans, at least for the time being.

Social safety nets



Honduras has, by regional standards, a reasonably well-developed legal framework to guarantee the equal rights of women and of minority groups. This includes important pieces of legislation, including the Law on Equal Opportunities, and requirements for a minimum representation of 30% women in all popularly elected institutions.

However, there remain enormous problems with the enforcement of such rules, as a result of a lack of political will and limited enforcement capacity. Honduras has not yet achieved 30% female representation in elected institutions, with the percentage of women elected to the National Congress standing at 21.1%. Equally, while girls, on average, remain in school longer than boys – who are more likely to drop out from secondary education onward – the overall enrollment of girls in education remains very low, though reliable data is difficult to obtain. According to figures released by the World Bank in January 2021, 130,000 girls were enrolled in upper secondary education in 2019, 10,000 less than in 2017, with no data available for 2018. Previous World Bank data (2017) show gross enrollment ratios of 91.5% for primary, 66.2% for secondary and 26.2% for tertiary education, with slightly higher ratios for girls compared to boys (1.0, 1.1 and 1.3, respectively). The scarcity of data is a reflection of the persistent lack of political will to tackle this problem in a coherent and strategic manner. This, in turn, has to do with persistent social patterns about the role of women in society, which have been impossible to shift. The women comprise a rather low 38.3% of the labor force (2020), though this figure is somewhat misleading given the huge informal sector.

The same can be said about the rights of the indigenous population. Making up just under 9% of the total population, this group is grossly underrepresented in every facet of society. Human rights groups (e.g., Human Rights Watch) and other national governments (e.g., the United States) continue to report systematic abuses of indigenous rights as well as threats against indigenous people and their lands, particularly in the name of economic development. Honduras continues to be one of the most dangerous countries on Earth for defenders of indigenous rights and attacks against them almost always go unpunished. Concerning the LGBTQ+ community, the fact that the country does not allow people to choose their gender identity undermines their access to jobs, health care and political participation.

Equal opportunity

4

'06 '22 10

4

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## 11 | Economic Performance

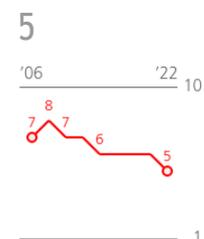
COVID-19 has had a particularly adverse impact on the Honduran economy, with sharp falls in trade, investment and consumption amid the global slowdown and prolonged containment measures adopted by the government. The economy was further hit by severe flooding at the end of 2020. As such, while official figures have not yet been released, the World Bank expects Honduras's GDP to have contracted 7.1% in 2020. Meanwhile, ECLAC reports that GDP contracted by 8.0%, which translates into a 9.3% decline in GDP per capita. Furthermore, with a sharp increase in unemployment in the United States, remittances to Honduras during 2020 are also expected to have declined sharply, severely curtailing the possibility of consumer spending lifting the country out of its current economic downturn. According to World Development Indicators (WDI), unemployment decreased from 5.4% in 2019 to 5.2% in 2020, but this does not include the huge informal sector (nor underemployment).

The government reacted to the COVID-19 pandemic by sharply increasing public spending, especially spending on health care and humanitarian services, and basic support for the poor and support to firms. This spending was financed through borrowing, with the government taking out a new \$2.5 billion loan. This included a further \$233 million loan from the International Monetary Fund, approved in June 2020, with the specific aim of confronting the consequences of the COVID-19 pandemic.

The slowdown in economic activity has resulted in a reversal in Honduras's fiscal position. According to ECLAC, public debt rose slightly from 44.4% of GDP in 2015 to 48.8% in 2019 but jumped up to 57.6% in 2020. According to the central bank, the fiscal deficit was expected to rise from 2.1% of GDP in 2019 to 2.4% in 2020. However, the current account balance instead turned slightly positive (\$300 million) due to current transfers.

Before the devastating floods at the end of 2020, the World Bank had expected the economy to rebound in 2021, forecasting a growth rate of 7.3%. Yet, this projection is now in serious doubt. ECLAC reports that, as a result of the crisis, state revenues will decline by about 0.8%, while investment will also contract sharply. Preliminary estimates of the economic loss from Hurricane Eta range between 10% and 20% of GDP, roughly \$2.5 billion to \$5 billion, and the impact of Hurricane Iota could double those numbers.

Output strength



## 12 | Sustainability

Honduras continues to pursue a policy of economic development that is the very opposite of sustainability. The government has expanded its concession of mining licenses, in the full knowledge of the environmental damage that this mining will cause. The government has also ruthlessly pursued those opposed to such plans, making Honduras one of the most dangerous countries in the world for environmental activists, according to Human Rights Watch.

The government would argue that economic development is absolutely critical to lifting people out of poverty, especially in rural areas. To this end, the Central American Bank for Economic Integration (CABEI) approved a \$250 million loan to Honduras as part of its Development Policy Operations Program (OPD), with the aim of supporting the country implement the General Law of the Electricity Industry (LGIE). According to the bank, this loan will primarily be used to finance development policies that contribute to improving the efficiency, sustainability and quality of the electricity sector in Honduras as well as expand coverage, increase energy efficiency and strengthen resilience to climate change.

The importance of the latter was underscored by two hurricanes that hit the country less than two weeks apart in November 2020, the first one of which (Eta) alone affected almost three million people according to Honduras's Emergency Response Center. These two hurricanes were just the latest in a long line of natural disasters to hit the country. Between 1966 and 2020, Honduras suffered dozens of hurricanes, storms and tropical depressions, which have caused serious damage to its infrastructure and economy.

These numbers demonstrate an inability to prepare for and effectively respond to the challenges posed by climate change, even as these challenges become ever more real. Despite the fact that the country is a signatory to most international climate agreements, the government has taken little concrete action to turn these commitments into specific, sustainable policies. International environmental organizations have repeatedly accused the government of prioritizing short-term economic aims over long-term environmental objectives and sustainability. With this in mind, further catastrophic environmental disasters should be expected, with devastating economic consequences.

Environmental  
policy

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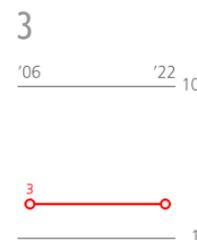
Education policy continues to be seriously compromised in Honduras. In the UN Education Index, Honduras ranked 95 out of 133 BTI countries considered and scored 0.499, the second lowest in the region, only ahead of Haiti. Conversely, for 2018, public expenditure on education was 6.1% of GDP, which is the second highest percentage recorded in the region, behind Costa Rica. While the country has a reasonably good record in enrolling children into primary education, it has not been able to address the problem of retaining students. Children – particularly boys – continue to drop out of school in increasing numbers the older they get. According to the UNDP report on Honduras, in 2020, the primary school enrollment rate reached 92%. In contrast, the enrollment in secondary schools dropped to 52%, while post-secondary education was attended by just 26% of the relevant age group in 2020. Only 31% of people in Honduras have some secondary education. The literacy rate of 87.2% (2018) is also comparatively low.

Part of this alarming dropout rate is explained by grinding poverty, which forces children into work in order to cover their most basic necessities. However, there are also other key problems within the education sector, ranging from poor pay – and, therefore, an inability to attract sufficient numbers of highly qualified teachers – to constant political disputes and the inevitable disruption these disputes cause. Most recently, disputes have focused on plans to privatize the education system.

Once again effective public policymaking is hampered by a lack of reliable data. For instance, international organizations, such as the World Bank or the UNDP, are unable to provide data on the percentage of classroom teachers that have completed higher education teaching. This lack of data makes it impossible to assess what investment is necessary to improve the quality of teaching and, therefore, the education system as a whole.

These structural problems in education also have an impact on R&D in the country. For one, the country does not produce enough qualified school-leavers to go on to university and subsequently fill skills gaps in the labor market. Second, investment in R&D in the country is extremely low, coming to only 0.04% of GDP in 2017, according to the latest available World Bank data. The lack of R&D investment is expected to be further hit by the COVID-19 pandemic and the flooding at the end of 2020.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

Potentially, Honduras is in a good position to be an active player in international trade flows, with coasts on both the Atlantic and Pacific oceans. However, in addition to poverty and the lack of a highly educated labor force, the country's ability to take advantage of its favorable geographic condition is severely hindered by a number of structural deficiencies.

The first of these difficulties is the inadequacy of national infrastructure, particularly in the area of transport. Despite some investment in recent years, the road network remains very poor. Journeys from Tegucigalpa to San Pedro Sula, the country's two main cities, can take four hours, despite only being 250km apart. The country's main airport is, by the government's own admission, inadequate.

Infrastructure is also extremely vulnerable to natural disasters, especially those brought on by climate change. The floods of November 2020 left the country's main business hub, San Pedro Sula, cut off from the rest of the country, which brought economic activity to a halt. According to the Notre Dame Adaptation Initiative, in 2020, Honduras was among the most vulnerable countries in the world to disasters, with the initiative citing the lack of long-term planning capacity as a particular problem.

However, natural disasters are not the only type of disasters that befall the country. Any sharp economic shock to the United States poses a significant risk to Honduras, as does fluctuations in commodity prices, such as coffee and banana prices. The country is, therefore, extremely vulnerable to factors beyond its direct and immediate control.

The second key difficulty is the general level of insecurity and extraordinarily high levels of violence. While the country's homicide rate has declined considerably from its peak in 2014, it still remains above 40 homicides per 100,000 people, according to InSight Crime. According to the World Bank and several risk consultancies, this deters outside investment. In addition, the endemic nature of corruption not only constrains possible reformers but is also supported by the current leadership.

The outbreak of the COVID-19 pandemic has exposed and further underlined these structural problems. According to the latest data, 174,508 COVID-19 cases have been confirmed, leading to 4,297 deaths, in Honduras. Yet, testing remains inadequate,

Structural  
constraints

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with the number of daily tests rarely surpassing 1,500, according to the government's own COVID-19 information portal. Confirmed COVID-19 deaths stand at 2.5% of all cases, down from a high of 10% in August 2020. The vaccination program is also very slow, with only 2,684 doses having been administered as of March 10, 2021, according to John Hopkins University data. Mismanagement of COVID-19 tests and vaccines is widespread. It must be stated, however, that this data should be treated with extreme caution due to incomplete data collection.

Extreme poverty and informal employment have left substantial proportions of the population not only without the means to support themselves but also outside of the government's aid programs, which primarily target people in formal employment.

Honduras has a very vibrant and active civil society, covering virtually all issue areas. Civil society in the country is also highly visible, a trend which has been reinforced and strengthened by the military coup of 2009. The coup brought together a wide array of civil society groups, which have contested the legitimacy of successive post-coup governments, opposed specific policies (e.g., privatization programs) and, more broadly, challenged the overarching systemic corruption that is pervasive in the country.

However, the degree of organization within this sector is generally weak for two reasons. First, there is often a split between different groups over the question of whether and to what extent civil society should work with or against government to effect change. This leads to divisions and a subsequent loss in political effectiveness. Second, the government has, traditionally, done everything in its power to exclude civil society from providing input into policymaking processes, and has, in fact, actively intimidated and threatened groups that it considers to be a threat to its interests (particularly its economic interests). This can be most clearly seen in its treatment of environmental activists and those defending the interests of the indigenous population. Here, in close cooperation with economic actors, the government has used violence, including murder, to defend its interests.

Non-governmental organizations that try to hold the government to account – such as the Association for a more Just Society or Save the Children – have often been intimidated and threatened. However, the government is quite happy to transfer certain social policy functions (e.g., childcare) to such organizations in areas and regions where the state has a limited or fragile presence, or where it is confronted by violent groups that act as an effective alternative power structure.

Civil society traditions

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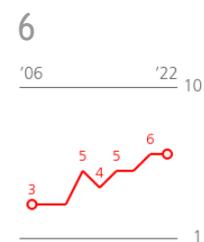
Honduras is in the curious position of being, at one and the same time, one of the most peaceful and one of the most violent countries on Earth. During the Cold War, unlike its neighbors Nicaragua, El Salvador and Guatemala, it did not suffer a civil war. Yet, it has still suffered from chronic political instability and levels of violence since the 1990s that are comparable to countries officially at war.

Three developments have sustained this trend, which, in fact, have reversed the post-2014 decline in the homicide rate. One is the “iron fist” policy adopted by the current government to confront gangs that control largely poor neighborhoods and have become the de facto state in these areas. Battles between rival gangs as well as between gangs and the police have often led to innocent civilians being killed, crimes which rarely get investigated, let alone solved. This suggests that the real rate of violent death in the country is higher than suggested by official figures. This violence has also led to both the irregular migration of people to the United States as well as internal displacement, with families forced to flee their homes on the order of gangs.

The second key development has been increasing and unrelenting political polarization since the coup of 2009, which has often led to violence. Demonstrations against the current government have been commonplace since the 2017 elections and have increased in intensity during 2019 and the early part of 2020 before the onset of the COVID-19 pandemic. The government has often responded to these demonstrations with extreme force, which has led to injuries and deaths. The rights of protesters are frequently disrespected and media coverage of such events is extremely biased, owing to the significant concentration of media interests. With national elections looming in 2021, further violence can be expected, including against candidates for political office, as frequently occurred during the 2013 and 2017 campaigns.

Thirdly, in 2020, there have been conflicts in rural and indigenous areas. This has included the disappearance and murder of Garifuna leaders on the north coast, and protests against police and military abuses during the siege. Conflicts in Honduras tend to escalate into violence between people and the state.

Conflict intensity



## II. Governance Performance

### 14 | Steering Capability

Critics of the current government have argued that its one consistent priority has been the consolidation of power, and the preservation of the political and economic status quo. To this end, the government has consistently undermined and, in the last two years, destroyed attempts to fight corruption. This has included closing down MACCIH and changing the criminal code to make it harder to pursue and convict politicians.

Politically, in so far as it is possible to detect a clear domestic policy priority, the current government has prioritized economic liberalization. This is demonstrated by the licenses granted to private companies for the exploration of natural resources in the country, the privatization programs and the setting up of economic development zones.

However, these programs have come at a high price environmentally, and in terms of social and political tensions, which have led to the persecution and assassination of opponents. This, in turn, has directly undermined the other government priority, security. Here, the decline in recent years in the number of homicides has come to a halt and gangs are as active as ever in the country. The last two years have shone an unflattering light on the links between organized crime, and Honduras's economic and political elites, including the citation of the president as a key player in an international drug-smuggling ring, according to prosecutors in New York.

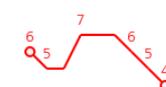
The COVID-19 pandemic has, in any case, undermined these priorities in several ways. With regards to economic liberalization, the state has had to take a massive and active role in preventing the economy from collapsing. A situation that was further exacerbated by the floods in November. With regards to public security, the weakness of the state across significant parts of the country has allowed criminal gangs to strengthen their grip over areas they control. In some areas, criminal gangs have effectively assumed the role of the state, for instance, by imposing curfews and social distancing as well as providing emergency assistance to the population.

Question  
Score

Prioritization

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Honduras continues to suffer from huge difficulties in implementing policies. The country lacks the administrative capacity to implement policies consistently across time and space. In fact, in many areas – in rural areas and in parts of the bigger cities – the state essentially has no physical presence, which makes the implementation of government policies impossible.

Politically, this lack of state capacity has been very skillfully used by the current president to justify his ongoing drive to centralize power around himself. He has argued that the centralization of powers in his office allows for the more efficient delivery of services and implementation of policies.

Critics, however, point out that service delivery has not improved. All centralization has done is give more power to the executive, disable mechanisms of accountability and, therefore, enable corruption. According to studies by Transparency International, this is exactly what has happened. The country has regressed significantly in its fight against corruption over the last two years, which, in turn, has effected implementation.

COVID-19 and the November floods have had a serious adverse impact on implementation capacity. Priorities have changed and government capacity has diminished, both politically and practically. Large-scale projects, already mired in delays and corruption (e.g., the construction of a new international airport) have been delayed further or abandoned.

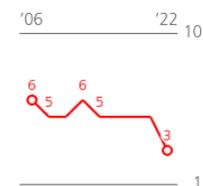
Policy learning in Honduras has always been weak. The social reason for this is that, with the majority of the population historically living in poverty and a long line of strongly authoritarian governments, long-term thinking and planning has not been helpful. The political reason is that the major objective of any given government – and the state as a whole – is the preservation of the status quo rather than long-term, strategic change. In a culture that focuses heavily on the short term, there is essentially no incentive to engage in policy learning.

These trends have accelerated under the current government, with the government focused on controlling the levers of the state at the price of accountability and oversight mechanisms. Recent criminal justice reforms have made convictions for corruption harder to achieve, while the constant hounding of civil society has further weakened the capacity for policy learning. However, it is important to underline that this is not the unintended by-product of certain decisions but a deliberate and calculated policy choice.

It seems highly unlikely that this pattern will change in response to COVID-19. In fact, bearing in mind the approaching elections, it is more probable that the government will seek to implement some short-term fixes that will sustain its popularity into the autumn of 2021.

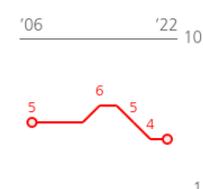
### Implementation

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### Policy learning

4



## 15 | Resource Efficiency

By the standards of fully mature democracies, the use of assets in Honduras is not efficient. The country, and its political and economic elite, are mired in corruption. Moreover, there has been a concerted attempt on the part of these groups to render any attempt to address this problem useless. The shutting down of MACCIH, the lack of practical action in response to proposals from the Police Reform Commission and recent reforms to the criminal code are all designed to keep the system as it is rather than make it more efficient. The Tribunal Superior de Cuentas (TSC) is tasked with auditing the national budget, but is understaffed, slow, inefficient and lacks independence. In addition, a 2020 report by the Central American Institute for Fiscal Studies (ICEFI) states that the continuing underestimation of tax collection would allow the government “to define discretionally the destination of the additional collected revenues, since these will not be subject to budget allocations approved by the Congress.”

Systemic corruption in Honduras is useful to those who control the system. One of the key aims of those in control, particularly in relation to the international community, is to give the impression of change while maintaining the status quo at all costs. As such, the efficient use of resources has not improved in Honduras for the simple reason that the government and state administration do not have a reason to use assets more efficiently, except in so far as the efficient use of these resources coincides with personal gain.

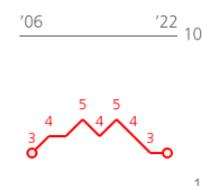
This explains the success that the armed forces and security services have had in capturing state resources and positions in the upper echelons of the state. As this situation is politically useful to and ensures the survival of those in power, since the armed forces continue to be the most trusted state institution, making use of the complex and entrenched system of clientelism prevalent in Honduras.

There is no effective system for creating a permanent, non-partisan public administration. Personnel selection is determined primarily by political and clientelistic affiliation rather than professional qualifications. The administration does not act professionally or rationally. Laws exist to enforce merit-based personnel management, but they are often circumvented through informal practices.

A significant proportion of the resources released to tackle COVID-19 have targeted companies rather than workers. This support has required the government to take out new loans, which – in combination with the costs of the floods in November – will introduce significant budgetary pressures in 2021 and beyond. While this will not lead to significant reforms in the short term for political reasons (i.e., the upcoming elections), it is likely that austerity policies will be introduced from 2022, which may include a renewed push to privatize public services.

Efficient use of assets

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To the extent that it can be said that the government pursues coherent policies (on the economy or public security), policy coordination has improved during the Hernández presidency. However, it has done so for the simple reason that the president has centralized all policy areas that he considers important in his office. Furthermore, he has given many key posts within these policy spheres to the military. As such, the lines of command have been shortened, which allows for closer and more efficient policy coordination.

This process, however, has come at the price of less accountability and more corruption. This, in turn, has meant not just a deterioration in the quality of democracy in the country but also a lack of independent evaluations into and feedback on the quality of policies. Therefore, improved policy coordination has not led to improved results, as can be seen in the sphere of public security. However, with the COVID-19 pandemic and the devastation brought on by the floods in November, centralization of policymaking has further accelerated (e.g., following the declaration of a national state of emergency) and is set to continue into the foreseeable future.

The termination of MACCIH may be considered an example of the *modus operandi* of policy implementation. Pushed to establish the MACCIH out of a need for legitimacy, its successes became a threat to the establishment and thus to Hernández himself. The solution was to eliminate MACCIH, which successfully “balanced” the establishment’s conflicting objectives.

The last two years have seen the collapse of what remained of Honduras’s anti-corruption initiatives. The internationally supported MACCIH was shut down by the president at the beginning of 2020 after strong pressure from and support of Congressional lawmakers. This has been followed by changes to the criminal code, which make it harder to prosecute politicians for corruption, and the further weakening and politicization of the Public Prosecutor’s Office.

Even though several integrity mechanisms exist *de jure*, they are currently not applied *de facto*, but are instead circumvented or hollowed out. The 2004 Law on Elections and Political Organizations (*Ley electoral y de las organizaciones políticas*, Decreto 44-2004) regulates political party financing. These regulations, however, are not only mostly ineffective due to corruption and clientelism, but have also been changed several times since then, and contain loopholes for illegal party and campaign financing. This is also true of the recent reform (December 2020) of the so-called *Ley de Política Limpia* (Clean Politics Law), which was intended to address the shortcomings of the 2004 decree but introduced changes that enable narco-money to be used as a source of campaign financing. The comptroller general (TSC) is hampered by understaffing and a lack of resources. On the other hand, the TSC serves as a barrier against corruption investigations, as the Public Prosecutor’s Office is not allowed to investigate until TSC proceedings have been completed, which can last up to 10 years.

With all branches of the state under the control of Hernández and national elections on the horizon, it is unlikely that the domestic fight against corruption will be revived.

#### Policy coordination

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#### Anti-corruption policy

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## 16 | Consensus-Building

Consensus in Honduras – always fragile at best – has been steadily eroded since the 2009 military coup, a process which has accelerated since the beginning of the Hernández presidency. The legalization of presidential re-election by an illegally constituted Supreme Court, the blatant disregard for political processes in the granting of mining licenses and other economic projects, and the sidelining of any institutional oversight over the executive has eroded trust between the population and the government as well as between the government and opposition. Since the elections of 2017 (at the latest), which produced a government regarded by many as illegitimate, there has been a clear break between the goals of the government and the opposition. Essentially, many opposition actors' only goal has been the removal of the current president. Meanwhile, the president's only goal has been political survival, a tendency that has been further strengthened by the criminal investigations in the United States. Coupled with sharp political polarization, this has led to and sustained a situation in which policy debates around basic questions (e.g., how to stimulate sustainable economic development and alleviate poverty) are no longer reasoned or reasonable. With elections looming, it is very probable that this pattern of mistrust will worsen considerably in the short term at least.

The traditional parties in Honduras (i.e., the National and the Liberal Party) are in agreement about the need for a market economy in the country. In fact, for many decades, differences between the two parties over economic policy were of degree and tone, not substance. The emergence of anti-system parties, such as LIBRE, has weakened this consensus somewhat, though not to the point that the existence of a market economy in Honduras is under threat in the short to medium term. Rather, there are now more intense debates about what a market economy should look like in Honduras. There has also been a sharp polarization in this respect, with LIBRE often characterized as “anti-capitalist” or “communist.”

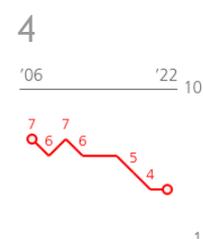
Arguably, the government itself is the key anti-democratic actor. The last 10 years have seen a steady and deliberate erosion of democratic accountability, and the destruction of the pillars of democratic society, particularly the separation of powers and the recognition of the legitimacy of the opposition. Furthermore, the government has made concerted attempts to silence opposition from outside the formal political process, be it in the form of attacks on journalist – Honduras is one of the most dangerous countries in the world for journalists, according to the Committee for the Protection of Journalists – or the systematic use of violence against anti-government demonstrators, as frequently occurred throughout 2019. The violent rhetoric used by pro-government media to describe the opposition fits into this pattern.

This being the case, reformers have little chance of influencing policymaking to any great extent. The centralization of power, the close connections between the government and the economic elite, and the strong influence of the military within government have meant that policymaking is essentially a closed shop, interested only in the preservation of the status quo.

Consensus on goals



Anti-democratic actors



It is also worth noting that the influence of street gangs and drug-trafficking groups remains strong in many parts of the country, and that these groups exercise significant control over the population. This includes influencing political behavior (e.g., who to vote during an election).

The government is actively involved in fomenting and sustaining social conflict. On the one hand, the state is absent from many areas in which extreme poverty is concentrated, which has led to the emergence of alternative power structures – mainly gangs. While viciously violent, these gang-led alternative power structures at least maintain some kind of order in the areas they control.

On the other hand, this government has increased community divisions and social conflict in rural areas, especially in indigenous communities where the state is protecting projects that have been implemented without consultation. Violence, not only in urban areas but also in rural areas, is mainly caused by polarization and a lack of government interest in creating legitimate dialogue between different segments of society.

Polarization, therefore, has become government policy.

The role of civil society groups in Honduras has changed significantly since 2013. On the whole, the Hernández administration has excluded all but the most government-friendly groups from providing any input into policymaking. Instead, civil society groups have primarily become movements of protest and resistance to the government and its policies.

With this change in role, life for these groups is dangerous. Civil society leaders are frequently threatened or killed. This applies particularly to those working on anti-corruption initiatives (e.g., the Association for a More Just Society and the Honduran chapter of Transparency International), and those involved in the fight against environmental destruction, mining and mega infrastructure projects (e.g., the Council of Popular and Indigenous Organizations of Honduras, which was founded by the assassinated environmental activist Berta Cáceres).

In essence these groups are seen by the government as a threat to its policy agenda. Consequently, they are defined as threats to national security and are treated as such. Similarly, groups that defend sexual minorities are intimidated and suppressed. As such, it is no longer possible to classify Honduras as a country where civil society can act freely and without fear, which undermines one of the foundations of a democratic society.

However, the COVID-19 pandemic and particularly the floods in November have given civil society groups a critical role in dealing with the immediate emergency, owing to the slow response of the state as well as its weak presence on the ground in many areas. Often this response has not even come through established civil society groups, but rather has been ad hoc at micro and neighborhood level or organized by neighborhood associations.

Cleavage /  
conflict  
management

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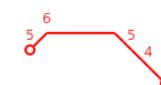


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Civil society  
participation

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The current government is not interested in pursuing reconciliation with those it considers to be a threat to its interests. While, for instance, there has been an official inquiry and report into the 2009 coup, no practical action has been taken to address the issues identified and no attempt at reconciliation has been made.

In fact, the opposite has occurred. The government has made the demonization of its opponents' official policy. In so doing, the government has followed a long tradition of the Honduran state. There have, for instance, been no serious consequences as a result of Honduras's role during the civil wars in El Salvador, Nicaragua and Guatemala.

## 17 | International Cooperation

The current Honduran government has no long-term development strategy that goes beyond economic liberalization. Honduras continues to be one of the largest recipients of international aid in Latin America, receiving a mix of loans (e.g., the IMF loans granted in 2019 and 2020) and grants. Among the main donor countries are the United States and most members of the European Union. Institutional donors include the United Nations Development Program and the European Union.

The Honduran government has created a whole institutional structure to handle and disburse international grants, the Non-Refundable External Cooperation Committee. This was an attempt to make more effective use of the resources received and minimize corruption, considered to be a consistent problem by international donors. However, there has been no practical improvement (and, in some instances, there has even been a regression) in the key issues that international support targets. Extreme poverty persists at extraordinarily high levels, perceptions of corruption have worsened and the decline in interpersonal violence in recent years has stalled. Instead, money is used to strengthen the status quo by, for example, investing in the armed forces and the public security sector, which until recently enjoyed the explicit and enthusiastic support of the U.S. government.

In a strategic sense, one also has to question the objectives of international donors. While many projects supported by the international community at the micro and meso level aim for broadly defined change (e.g., economic, social and educational change), at macro-level the overarching aim continues to be political stability. These contradictory objectives have led to enormous tensions – often involving the local population, NGOs active on the ground, international donors and the national government – which seriously impacts on the ability to achieve satisfactory outcomes.

In this respect, the impact of the COVID-19 pandemic is still unclear. While international support has continued to flow in, it remains to be seen whether and how this help will influence long-term developments in the country. Assessing the impact of this on Honduras is difficult due to three interdependent developments: the floods in November, which have already mobilized the international community; the incoming U.S. Biden administration's policy toward Latin America; and the 2021 election process in Honduras.

### Reconciliation

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### Effective use of support

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The government, which has been in office since 2013, has lost much of the credibility it had gained in its early years. A pattern has been established where Honduras, often under pressure from civil society groups, signs up to international agreements (e.g., on the environment, labor standards or human rights), but then does virtually nothing to implement or comply with these agreements. The most recent example involves the termination of MACCIH. Regional and global organizations (e.g., the European Union and the United Nations) have seen their work on compliance (e.g., on human rights) made more difficult by the government, under the banner of sovereignty and supposed international interference in domestic affairs. Nevertheless, the country needs to maintain a certain reputation in order to receive aid and maintain a satisfactory sovereign rating, and therefore keeps a minimal degree of credibility – at least toward the United States and economic actors.

Following former U.S. President Trump’s lead, this situation has worsened in recent years, with the country failing to sign several important agreements, particularly at the regional level. The most obvious example of this is the failure to sign the Escazú Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean as well as declarations on gender violence and indigenous rights.

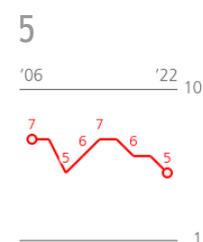
It remains to be seen whether this obstructionist posture will change with the arrival of the Biden administration in the United States, which has signaled a tougher approach toward the current government.

Honduras has maintained a relatively close level of cooperation with its immediate neighbors, particularly El Salvador and Guatemala, due to the very similar problems faced in each country. For instance, much of the funding received by Honduras from the United States in relation to security is tied to cooperation with its Northern Triangle neighbors, such as The Alliance for Prosperity in the Northern Triangle. These countries face very similar economic and climate-related challenges.

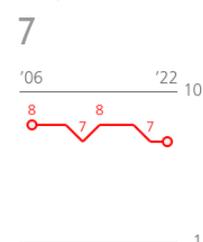
Honduras is a member of all regional organizations and is particularly active in the Central American Integration System (SICA) and the Organization of American States (OAS). In the latter, the country has very skillfully cultivated its diplomatic position in order to shield itself from governance challenges, especially in relation to its commitment to democracy, human rights and its treatment of minority groups and political opponents.

Regional cooperation, then, not only has practical objectives, mainly linked to the economy and security, but also political objectives, which aim to preserve the political status quo. In that respect, the current government has been remarkably successful, despite all the criticism it has faced from many internal and external actors.

### Credibility



### Regional cooperation



## Strategic Outlook

The strategic outlook for Honduras is, at best, difficult and, at worst, bleak. In order to overcome the twin challenges of COVID-19 and the floods of November 2020, significant international aid will once again be needed. However, in order to make this aid work strategically and sustainably, two things need to happen.

First, control over aid needs to be taken out of the hands of the central government and be localized, with the involvement of local residence associations, and national and international NGOs that can provide coordination strengthened. The upcoming national elections and the pressure President Hernández is under, as a result of the criminal investigations in the United States, mean that the government will most likely “hunker down” in order to survive. The government will give out money and contracts in return for political support, and will try to discredit, even more than usual, its political opponents. It is, therefore, in no condition to be entrusted as the guardian of desperately needed reconstruction funds.

Should such changes not occur, prospects for controlling the pandemic seem to be extremely bleak. Most likely, the roll-out of COVID-19 vaccines will be inefficient and will worsen existing social and economic inequalities. Middle- and upper-class people will receive vaccines, and may return to some kind of normality. Meanwhile, the roll-out of vaccines for the poor majority of the population will be slow and incomplete. Moreover, access to vaccines is complicated and has become an area of international influence and power games (e.g., China vs Taiwan and the United States). By mid-June 2021, Honduras had one of the lowest vaccination rates in the hemisphere (below 1%).

Second, in order for long-term and lasting change to have any chance of occurring, international efforts to ensure government accountability have to be stepped up. It is critical that efforts to hold politicians and members of the economic elite accountable for their involvement in international crime (e.g., drug-trafficking) continue so that the culture of impunity is challenged. The incoming Biden administration in the United States has a particular responsibility. It is also important that efforts to observe the upcoming national elections are stepped up, and that observer missions produce and widely disseminate honest reports about any irregularities, unlike in the aftermath of the 2017 elections. Furthermore, it is time for international organizations and other actors involved in Honduras (e.g., through the provision of humanitarian aid) to review their inherently contradictory policy aims. On the one hand, these aims include lifting people out of poverty, reducing social inequalities and tackling corruption. On the other hand, however, these aims continue to push for political stability and continuity at the macro level. Honduras’s corrupt political and economic systems are so entrenched at the macro level that the impact of much of the valuable work to bring about change at the micro level ultimately achieves nothing, with existing patterns and conditions (economic, social and political) left unchanged. There needs to be more coherence from third-party actors.

2021 could offer opportunities to instigate such changes. Since Honduras is currently being battered by economic and social crises brought on by COVID-19 and the November floods, and faces a potential change in the political guard after the upcoming elections, interventions to change the existing patterns and conditions that are prevalent in Honduras might have some chance of success. While the risks are great, possibilities for success are also significant. It is vitally important to open up and maintain open channels of communication with NGOs and opposition actors in order to prepare for different possible post-election scenarios. It is also important that international partners make aid strictly conditional, while also decentralizing the provision of aid and political efforts.