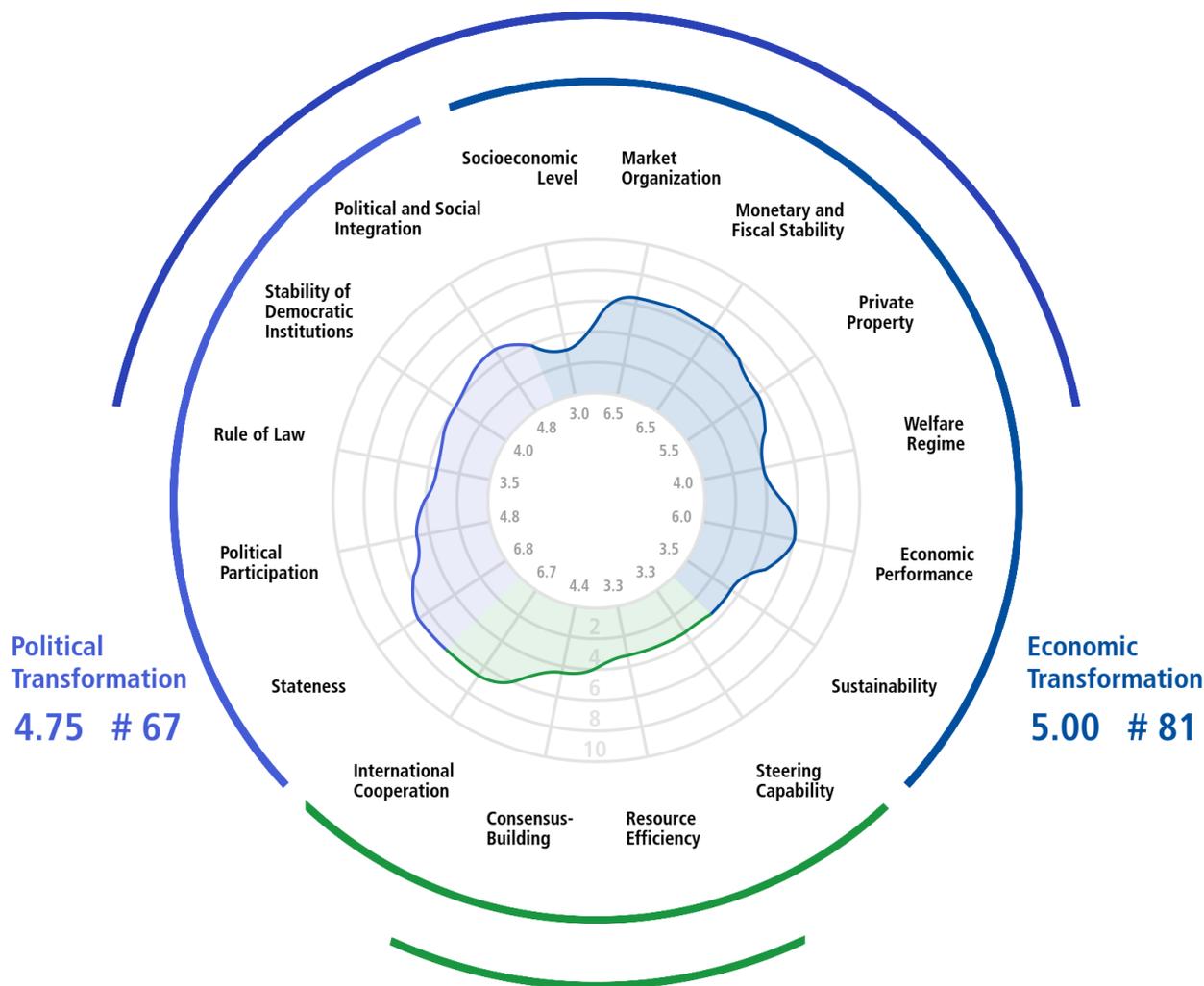


Honduras

Status Index

4.88 # 74

on 1-10 scale out of 137



Political Transformation
4.75 # 67

Economic Transformation
5.00 # 81

Governance Index

4.07 # 92

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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	10.8	HDI	0.645	GDP p.c., PPP \$	7486
Pop. growth ¹	% p.a.	1.7	HDI rank of 193	139	Gini Index	45.7
Life expectancy	years	72.9	UN Education Index	0.533	Poverty ³	% 26.4
Urban population	%	60.8	Gender inequality ²	0.437	Aid per capita \$	51.7

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The 2021 election resulted in a peaceful transfer of power and marked significant progress in restoring a functioning democracy. The new president, Xiomara Castro of the Liberty and Refoundation Party (LIBRE), who ran on an anti-corruption platform, began her term with a conciliatory tone, opening a process of dialogue between her leftist government, the congressional opposition and other key actors. Nonetheless, the coalition that brought Castro to power splintered in Congress, fragmenting its thin majority and forcing the government to seek the support of traditional parties. The government often faces legislative gridlock as political parties engage in a zero-sum game in Congress, or else settles on ad hoc deals to pass legislation at all. The adversarial relationship between the executive and legislative branches is exemplified by the increasingly confrontational tone of politics. The lack of a stable majority has also made clientelism a dominant feature. For instance, Congress recently approved subsidies for its members to shore up their local bases in return for political support.

Despite President Castro's promises to strengthen the separation of powers and the rule of law, both continue to be undermined. The judiciary has become more politicized, and judicial appointments at all levels have become a subject of political dispute. The judiciary has become an instrument for advancing or blocking political objectives rather than a neutral arbiter. There have also been allegations of political persecution targeting the opposition and the National Electoral Council (CNE) as well as accusations that the Castro administration is attempting to consolidate power within the executive.

The state also remains mired in corruption. The current administration has been implicated in several corruption scandals and credibly accused of links to international organized crime. Contrary to promises made by Castro, there has been no progress on reestablishing a UN-sponsored anti-corruption commission. The government also threatened the United States with suspension of the extradition treaty, but then agreed to continue it at least through 2025. Hondurans, as is the case across much of the region, are disillusioned with the state of their democracy, and most have little to no interest in politics.

Moreover, while violent crime rates have continued to decline somewhat, this has been achieved at the cost of curtailing civil rights. Honduras remains one of the most violent places on earth, particularly for groups such as environmental activists and sexual minorities. Overall, the state remains weak and is often unable to respond effectively to challenges, including in areas such as education and health services.

In some ways, at least, the ongoing political dysfunction contrasts with Honduras' current relative economic stability. While the country continues to face severe structural challenges, most notably high levels of economic inequality, the macroeconomic picture looks positive, with GDP growing and inflation declining and under control. By establishing diplomatic relations with China, Honduras has opened new economic possibilities, with negotiations over a possible free-trade agreement the most visible sign. However, the negotiations have taken far longer than expected and have yielded few concrete results so far, apart from Chinese investment in the education system.

History and Characteristics of Transformation

The economic and political aspects of Honduras' transformation have interacted in several often interdependent ways over time. Economically, Honduras remains one of the poorest and most unequal countries in the Western Hemisphere. Nevertheless, there have been important changes in macroeconomic policy under successive governments. Since the end of the Cold War, the economic base has broadened somewhat as the country has shifted from an economy based primarily on agriculture to one based on manufacturing and processing low-cost consumer goods in 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).

Natural disasters, such as Hurricane Mitch in 1998, partly drove these economic changes. The substantial international aid needed for reconstruction depended on regional and international cooperation. However, international assistance also came with demands for reform. Structural adjustment programs developed by the International Monetary Fund (IMF) did not lead to more equitable economic development. Socioeconomic inequalities deepened over time, often spurred by reforms to the provision of social services and cuts to benefits implemented by nearly every government from that of President Rafael Leonardo Callejas (1991 – 1994) to that of President Juan Orlando Hernández (2014 – 2022). President Castro's government has continued the process of economic openness but has not reversed the public service and benefit reforms of its predecessors. Yet the COVID-19 pandemic clearly showed that these reforms have not led to better health coverage for the population or to a more stable and resilient social safety net.

Politically, Honduras experienced a period of relative stability from 1982, when the first democratically elected president (Roberto Suazo Córdova) took office, until 2009, when President Manuel Zelaya was ousted in a military coup. The period 2009 – 2021 saw a drastic decline in the

quality of democracy, particularly due to the gutting of reforms initiated in 1994 by President Carlos Roberto Reina and in 1998 by President Carlos Flores to curb the power of the military. From 2009 onward, the military expanded as an economic and political actor, alongside its increasing involvement in domestic security. Critically, this process has taken place with relatively broad public support and has been cheered on by the media, mostly in the name of addressing the profound public security challenges the country has faced since the 1990s. Honduras continues to be one of the most violent countries in the world, despite not being officially at war. However, the military's assumption of domestic security responsibilities and the suspension of civil rights in the name of fighting organized crime have not had a substantial impact on the levels of violence experienced in the country.

Since 2009, opposition protests and civil society activities have increasingly been violently suppressed. Journalists 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. Deliberate government policies have led to significant democratic backsliding. This was most overtly demonstrated during President Hernández's rule through the fraudulent 2017 presidential elections and the de facto termination of the Organization of American States (OAS) anti-corruption mission, the Misión de Apoyo contra la Corrupción y la Impunidad en Honduras (MACCIH), in 2020. The latter action effectively undermined the independence of the judiciary.

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 state's monopoly on the use of force faces significant challenges in Honduras by street gangs – such as MS-13 and the 18th Street gang in more urban areas – and by international criminal groups. Particularly hard hit are rural areas and territories near the border with Guatemala, which are key international drug-trafficking and migration routes. International organized crime groups are linked to state institutions at both the local and national levels. These connections have been exposed by criminal investigations, most notably those conducted by the U.S. Department of Justice, which has indicted and convicted several high-profile Honduran political and economic actors on international drug-trafficking charges. This includes former President Juan Orlando Hernández, who was convicted of international drug-trafficking in 2024 and sentenced to more than 45 years in prison. Former President Manuel Zelaya, the husband of and political adviser to President Xiomara Castro, has also been the subject of credible allegations linking him to drug traffickers. Zelaya's son, Fabio Lobo, is already serving time in a U.S. jail for drug-trafficking.

After initially promising a more holistic approach to fighting crime upon taking office, President Castro has resorted to “iron-fist” tactics. She declared an ongoing state of emergency in most of the territory (226 of 298 municipalities) and is exploring the construction of a mega-prison in “La Moskitia,” close to the Nicaraguan border, echoing El Salvador's public security policies. While the homicide rate has continued to fall – to a still very high 31 homicides per 100,000 inhabitants in 2023 and 25.3 homicides per 100,000 inhabitants in 2024 – overall levels of insecurity remain extremely high. Extortion continues to be a significant security problem, with its incidence rising every year.

Question
Score

Monopoly on the
use of force

6

'06 '26 10



The nation-state continues to be recognized by most of the population as legitimate. However, deep mistrust persists between the state and significant parts of the population. The current administration has done very little to address challenges facing groups that are disadvantaged or which face discrimination. Despite promises made by the Castro government, Indigenous peoples and Afro-descendants in particular continue to be systematically disadvantaged and discriminated against in education and the labor market, as well as in access to basic social and state services. These groups also remain under-represented in all spheres of public life, including politics, which is heavily dominated by white men. Despite some progress – including the election of a female president – this also applies to women. Although access to citizenship and naturalization has become easier, and particular groups are not excluded from attaining citizenship, there are legal provisions that continue to place naturalized citizens in a subordinate position to native-born citizens. These provisions govern the transmission of citizenship to children by *ius sanguinis*, the extension of citizenship to foreign spouses, the right to dual citizenship, and the deprivation of citizenship on various grounds, while also setting restrictions on holding political posts, entering the civil service or becoming a director of a newspaper, radio station or TV station.

There is no state religion. According to the constitution (Article 77), the Honduran state is secular. Although the Catholic Church is the only legally recognized church, evangelical churches continue to grow. According to the State Department’s 2023 Report on International Religious Freedom, evangelicals now constitute 32% of those who identify with a religious denomination. With this growth is coming considerable and growing social influence, especially in so-called *barrios*, or poorer communities. Moreover, churches continue to serve as critical mediators between gangs and the government. Engagement in and through churches often provides the only viable means for gang members to reintegrate into civil society.

Both the evangelical and Catholic churches exercise considerable influence in several areas of social policymaking. This is evident with regard to women’s rights. Despite the legalization of emergency contraceptives, an absolute abortion ban remains in place, including in cases of rape and incest or when the pregnant woman’s life is at risk. This is due in part to pressure from religious groups, which are often consulted on policy areas involving so-called questions of morality. Many civil society activists accuse religious groups of being complacent when it comes to questions regarding women’s rights. Furthermore, in July 2023, President Castro vetoed the Comprehensive Adolescent Pregnancy Prevention Education Law after Catholic and evangelical protesters took to the streets in major cities, claiming that the bill encouraged “gender ideology.”

State identity

8



1

No interference of religious dogmas

8



1

Honduras' public administration suffers from serious inefficiencies, corruption and a lack of transparency. The state is strongly corporatist, and is based on a network of personal relationships that extend from the highest to the lowest echelons of the state. This sustains corruption and fails to improve efficiency. In Transparency International's Corruption Perceptions Index 2024, Honduras scored 22 out of 100, a one-point decline from 2022 that underscores the deep public mistrust – and dissatisfaction – vis-à-vis the state. Public perception holds that basic public services are either not available or their provision depends on committing corrupt acts such as bribery.

Regarding health, administrative inefficiency hinders the state's ability to respond quickly and effectively to emergencies. For instance, in 2024 the country faced a dengue pandemic that the state failed to address effectively, leading to many avoidable deaths. Systemic corruption deprives the administration of funding that could be used for health care and other basic needs such as clean water and education, and is also rife within the health care system itself. Access to quality health care, especially in rural areas, remains a challenge. The current administration has increased the state's investment in health services, improving access to medicines and equipment, and five new hospitals are under construction.

Access to justice in Honduras faces significant challenges. Honduras' security and judicial institutions are centralized, and access to these institutions in rural areas is compromised by criminal structures and the private security industry. Corruption within law enforcement agencies is a serious and persistent issue that creates barriers to fair legal processes and undermines public trust. Marginalized and vulnerable populations, including women, Indigenous peoples, Garifunas and poorer sectors of society, experience particular difficulties when attempting to access justice. There are limited mechanisms available to ensure that these communities can access legal aid and assistance. The lack of adequate physical and digital infrastructure, especially in rural areas, significantly limits the reach of justice institutions.

State infrastructure does not cover the entire country and remains inadequate. This reflects broader problems in public service delivery. Nationwide coverage of water, sanitation and electricity services has never been complete and continues to fall short. According to the World Development Indicators 2024, 65.2% of the population had access to a safely managed water source, representing a gradual improvement over the years since 2013, when only 59% of the population had access. In addition, 52.6% of Hondurans had access to safely managed sanitation, and 94.4% of the population had access to electricity. The government subsidizes energy for low-income families, expanding access to energy nationwide. However, primary education enrollment ratios have recently declined.

Basic
administration

5



2 | Political Participation

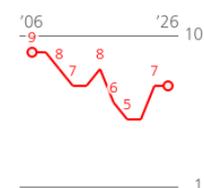
By recent historical standards, the 2021 presidential and congressional elections were free and fair, resulting in a peaceful transfer of power for the first time since the 2009 coup. However, the elections were marred by high levels of political violence in the months leading up to Election Day. Xiomara Castro of the Liberty and Refoundation Party (LIBRE) emerged victorious with about 51% of the vote, becoming Honduras' first female president. The voter turnout rate, at about 68%, was significantly higher than in 2017, according to the Honduran Election Authority. The losing candidate – a member of the Honduran National Party (PNH), former President Hernández's party – made no serious attempt to challenge the results, despite deep polarization in the country. By contrast with previous post-coup elections that suffered serious irregularities, international observers, including the European Union and the United States, confirmed the essentially fair nature of the 2021 elections. The election's credibility was due in part to the commitment of the National Electoral Council (CNE) – particularly members of the Honduran Liberal Party (PLH) and LIBRE – in opposition to the incumbent PNH. The voter register was also generally reliable, despite about 400,000 people failing to receive new ID cards by Election Day.

In terms of political transformation, the 2021 general election marked substantial progress and a shift toward a renewed democracy. Nevertheless, throughout the campaign, state media consistently showed bias against opposition parties and failed to provide them with equitable airtime. In the run-up to the election, as in every election since 2009, several candidates were assassinated, and the National Observatory of Violence recorded 30 cases of political violence in February – March 2021 alone. However, fears that the electoral commission – which was full of Hernández allies – would attempt to undermine the vote proved largely unfounded.

As the review period closed, the 2025 election season was underway, and there were some signs of further political polarization and a widening disconnect between the political class and the population at large. According to recent opinion polling, 78% of Hondurans have little to no interest in politics, indicating a high level of disengagement from the democratic process. Moreover, the relationship between the executive and the legislature – in which the government lacks a stable majority – has progressively deteriorated during Castro's mandate as polarizing political discourse has intensified, sometimes exploding into violent rhetoric. Another issue is the lack of transparency in campaign financing. As of the review period's close, only 900 out of 5,800 pre-candidates had officially opened accounts for their political campaigns. The Financing, Transparency and Supervision Unit (UFTF), known as the Clean Politics Unit, issued a warning about the low number of pre-candidates who had complied with the requirement to open bank accounts enabling oversight of their political campaigns.

Free and fair elections

7



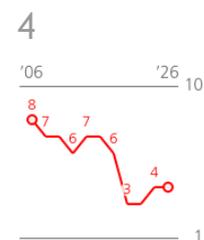
The Castro government has lacked a stable majority in Congress because its narrow coalition of progressive and more conservative forces splintered soon after the 2021 elections. As a result, the government has often had to seek ad hoc deals to get anything done, and it has not been particularly successful in achieving its aims. Consequently, its legislative program has effectively come to a halt as Congress has settled into a zero-sum game.

Two interdependent developments have accelerated as Castro's term has progressed. First, polarization of the political system has increased. After an initial move away from the hostile tone of the Hernández period toward a more moderate approach, debates in Congress and in the media have again grown increasingly strident, with personal attacks becoming normalized. Second, this has led to further politicization of the judiciary. The last several years have been marked by bitter disputes over the appointment of Supreme Court judges and the attorney general, as well as the makeup of the electoral commission. This process has become self-sustaining, with both the government and the opposition each accusing the other side of trying to dismantle the independence of the judiciary. Taken together, these developments have further weakened the government's effective power to govern, which historically was already weak.

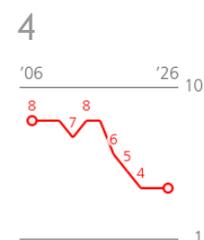
Other factors also limit the extent to which democratically elected representatives can exercise their governing authority. The state's administrative capacity remains limited and has not improved much over the last couple of years. Virtually all state institutions continue to suffer from the consequences of chronic corruption. The military continues to wield enormous influence in some policy areas, particularly economic and security policy. Although the government has abolished free economic zones, they continue to operate in some areas, leaving those zones effectively outside government control.

The constitution guarantees the rights of association and assembly. These rights have been actively and deliberately restricted by successive governments, previously under the guise of the COVID-19 pandemic and, before and since, under the guise of public security. The government of President Castro declared a state of emergency (SOE) in December 2022 in parts of the country, ostensibly to fight the extortion of businesses by organized criminal gangs. The SOE suspends these constitutional guarantees and allows state security forces to carry out arrests and searches without a warrant. Generally, "Mano Dura" ("iron-fist") declarations are extremely popular with the public at large, despite the fact that such approaches have been shown to provide only short-term solutions to crime and violence. The Honduran government does not dispute that the SOE represents a restriction of rights, but it is betting that political apathy and public concern about violent crime override concern about this loss of rights and lead to political benefits. SOE measures were extended yet again in October 2024.

Effective power to govern



Association / assembly rights



Several organizations, including Transparency International, Amnesty International and the U.S. State Department, documented a series of abuses of political and civic rights due to the SOE. These included violations of individual rights and the systematic intimidation of organizations campaigning for government transparency, such as the Association for a More Just Society (ASJ), through threats to life posted on social media and police harassment of staff. During the period under review, supporters of the ruling party also attacked protesters to disrupt their demonstrations, and the government reportedly enforced intercity bus travel rules arbitrarily to reduce attendance at an opposition-led protest in Tegucigalpa.

Honduras has a robust body of laws guaranteeing the freedom of expression, including constitutional guarantees. However, enforcement of these legal measures is often lacking, and authorities systematically violate freedom of expression. Journalists, particularly those who investigate environmental crimes and crimes against Indigenous people, are threatened and often assassinated. Under the Castro government, there have been some very high-profile cases in which environmental activists have been assassinated. According to Global Witness, 18 environmental activists were killed in Honduras during the reporting period. The Committee to Protect Journalists said Honduras remains one of the most dangerous countries in the world for journalists, citing the killing of high-profile journalists such as Luis Alonso Teruel in 2024 as evidence of this continuing trend. According to several NGOs, virtually none of these murders and threats have resulted in criminal prosecution or conviction. The government also continues to threaten critical journalists with charges of defamation, which remains part of the Honduran criminal code. Such threats are often amplified by highly coordinated social media campaigns with the explicit or implicit endorsement of government officials. This environment of impunity and prosecution prompts fear among journalists, who choose to self-censor.

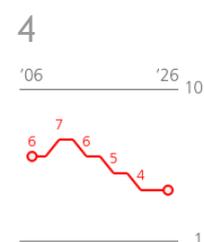
In terms of the number of outlets and ideological breadth, Honduras has a vibrant media landscape. However, politicians, businesspeople and religious groups dominate the media scene, leading to information bias. Independent journalism is underfunded and struggles to stay afloat.

3 | Rule of Law

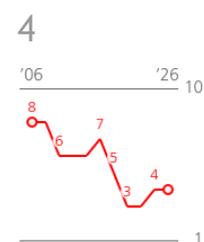
While formally established in the constitution, the separation of powers in Honduras has always been tenuous. The actions of the current government, despite promises to the contrary, have not significantly changed this. The Castro government has had almost constant disputes with the National Congress (CN). While this might be expected over particularly contentious policies, it has also extended to the appointment of judges and the attorney general.

The executive and legislative branches are constantly at odds, each accusing each other of exceeding their authority. Political confrontation between the ruling party and the opposition extends beyond the legislature to other branches of government, including the judiciary. The judiciary is politicized at every level. The Nominating

Freedom of expression



Separation of powers



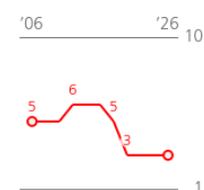
Board for the Supreme Court (JNCS) magistrates were selected in 2023 on partisan grounds, and the attorney general was initially elected by a LIBRE-packed ad hoc commission. The ruling party contends that the JNCS and the electoral commission favor the opposition due to the dominance of PNH and PLH magistrates within these institutions. Meanwhile, the opposition claims that the appointment of Johel Zelaya, who is associated with LIBRE, as attorney general illustrates the Castro administration's misuse of justice.

Since the 2009 coup, governments have tried to bring the judiciary under their control. They have also used legislation to effectively shield themselves from judicial investigation, never mind conviction. Judicial appointments are made with little transparency, and judges have been removed for political reasons. New guidelines aimed at limiting the discretionary power of nominating members to the Nominating Board for the Supreme Court (JNCS) were passed in 2022. In 2023, the JNCS nominated potential candidates based on merit. Nevertheless, Congress installed party figures in law officers' positions, including on the JNCS, meaning that its magistrates reflected each party's share of seats. This resulted in a majority of justices with ties to the opposition: five from the National Party of Honduras (PNH), four from the Liberal Party (PLH) and six from LIBRE. Several international organizations have highlighted irregularities in the selection process. The Honduran judiciary is also deeply corrupt, hindering its ability to dispense justice fairly and neutrally. According to organizations such as the Honduran Association for a More Just Society (ASJ) and international NGOs including Human Rights Watch, endemic corruption in the system makes the judiciary's independence and autonomy as an essential branch of the state virtually impossible.

The inability to prosecute and convict officeholders for abuses of their positions has long been a key weakness of the Honduran state. The Castro government continued – if not accelerated – a process begun by her predecessors, actively legislating to protect those who abuse their power and staffing prosecutorial authorities with political allies and family members. For instance, the National Anti-corruption Council recently published an investigation revealing widespread embezzlement of public funds for government propaganda between January 2023 and October 2024. Furthermore, in line with practices of previous governments, political amnesties were given to several high-level government officials who had corruption cases pending against them. In one case, the person who benefited from this amnesty was running for mayor of one of Honduras' most important cities as of the time of writing. Members of the president's family have also been implicated in corruption scandals; most glaringly, a video surfaced in 2024 showing negotiations between the president's brother-in-law and drug traffickers over financing of the 2013 election campaign. For several years now, the key line of defense against abuse of power by government officials has been the possibility of extradition to and prosecution in the United States. For instance, former President Hernández and his brother are serving long prison sentences in the United States for international drug-trafficking.

Independent judiciary

3



Prosecution of office abuse

3



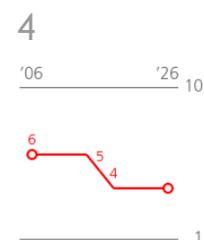
While Honduras is a party to all major civil and human rights treaties, the state is in practice ineffective at upholding them for the entire population and is often the main actor in violating their protections. When it assumed office in 2022, the Castro government promised to be more effective in protecting civil rights, but it has continued its predecessors' policy of violating them when its interests are at stake. The Office of the National Human Rights Commissioner in Honduras (CONADEH) received nearly 300 reports of human rights violations in the period December 2022 – September 2023 alone. Furthermore, the U.N. Office of the High Commissioner for Human Rights (OHCHR) in Honduras reported that 236 human rights defenders were harassed, threatened or attacked in the first eight months of 2024, and at least 13 were killed. The vast majority of targets were environmental activists or land defenders.

The country continues to tolerate widespread abuse of minority groups, such as the Indigenous population and the LGBTQ+ community. Often these crimes are not investigated, let alone prosecuted, because of unequal access to the justice system. The poor are also far more likely to be victims of violence, including violence by the state itself, than those in other social classes. Thus, violence does not affect all groups equally, as documented by organizations such as Human Rights Watch. Women also continue to suffer significant levels of gender-based and sexual violence. Perpetrators are often not prosecuted by the relevant authorities. One key criticism of President Castro centers on her administration's lack of action in this area, given that she is the country's first female president and made a campaign promise to fight gender violence and empower women.

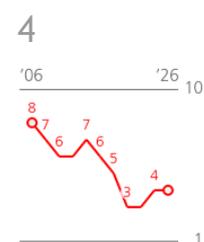
4 | Stability of Democratic Institutions

The performance of democratic institutions is a cause for serious concern. The Castro government has not reversed some of the key pieces of legislation from the Hernández administration that weakened democratic oversight and accountability. In addition, the administration has failed to implement campaign promises related to the fight against corruption. No new anti-corruption commission under U.N. oversight has been established. Castro also announced her intention to suspend the extradition treaty between Honduras and the United States after serious allegations of corruption and international criminal activity surfaced against her brother-in-law, who resigned as president of Congress. Moreover, the continued extension of the SOE has allowed several state institutions, including the police, to escape public accountability. The lack of judicial independence compounds the problem, as it significantly contributes to high levels of impunity in Honduras. One further notable feature of the last couple of years is the dysfunctional relationship between the executive and legislative branches. Hostilities in Congress have brought the legislative process to a virtual standstill at times and posed a serious obstacle to reforms in social care and the health sector.

Civil rights



Performance of democratic institutions



All the key players in Honduras remain publicly committed to democracy, and there is no suggestion of an imminent break in the democratic order. However, there is widespread dissatisfaction among the general public with all democratic institutions, along with a sense that the state as a whole is not working for the good of the population. More than two-thirds of the population is unhappy with the performance of the state and disillusioned with the political system, according to data from the U.S. Institute of Peace. The prolonged imposition of an SOE is the most obvious admission of the state's weakness in the face of organized criminal actors. Furthermore, the president's relations with Congress are often tense and confrontational. Democratic institutions are often seen as transactional or even expendable when they do not serve particular political objectives.

Commitment to democratic institutions

4

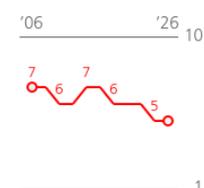


5 | Political and Social Integration

The party system in Honduras has undergone major changes, confirmed and accelerated by the 2021 elections. One notable shift is the ongoing decline of the two long-standing parties, the PNH and PLH, which have historically maintained their influence through clientelist practices and patronage. The PNH not only lost the presidency but also relinquished its position as the largest party in Congress, losing 17 seats to hold 44 of 128 seats. Simultaneously, the PLH's decline persisted as it finished third in the presidential election with just 10% of the vote and lost five congressional seats, leaving it with 22 seats. The 2021 elections also confirmed LIBRE's ascent as a major political force, with the party winning the presidential and gaining the largest number of congressional seats.

Party system

5

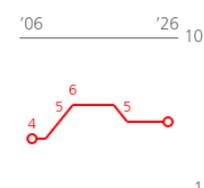


However, LIBRE is not a cohesive ideological bloc, and internal tensions have complicated Castro's relationship with Congress. The governing LIBRE party is beset by internal divisions and splits that have made it nearly impossible for the government to enact its program. LIBRE lost more deputies during the parliamentary term through switches of allegiance than any other party represented in Congress. The United Nations Development Programme has stated that Honduras has contributed significantly to the political polarization that has been particularly stark in Latin America.

Honduras has a wide variety of interest groups representing distinct interests. However, their influence in the policymaking process varies widely. The country has a very active civil society, particularly in the defense of the environment and Indigenous people. Despite this activism, these groups face enormous difficulties in making their voices heard during the policymaking process. They also face severe threats to their physical safety. By contrast, interest groups representing established economic elites continue to have almost unfettered access to government during the policymaking process. Media coverage of both groups is also notable. Concerns raised by industry receive more prominent coverage than concerns raised by environmental groups about the impact of infrastructure development in rural areas.

Interest groups

5



Furthermore, the government faces criticism for not following through on its promises to protect women's rights and the rights of sexual minorities, in part because of undue influence from religious groups.

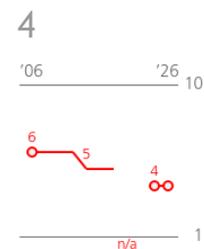
According to surveys conducted by the University of Chicago in 2023, over half of the adult population in Honduras fully supports democracy. While there is no discernible support for another military coup, there is widespread apathy toward politics and politicians. According to the United States Institute of Peace, 78% of voters say they have no interest in politics in the country. These findings reflect two aspects of public opinion. First, there is a general perception that the Honduran state is deeply corrupt and therefore not working in the interests of average Hondurans; second, elected politicians have failed to deliver on their commitments. This is illustrated by persistent problems in the health and social security systems, as well as in the education system, where enrollment in primary education declined in 2023, according to data published by El Heraldo and La Prensa. Public insecurity is also a primary concern among Hondurans despite the imposition of the SOE.

Levels of trust in political institutions remain generally low. In the 2024 Latinobarómetro survey, only 19% of respondents expressed “a lot” or “some” trust in the judiciary. Levels of trust in Congress (16%) and the government (15%) was even lower. The amount of public trust accorded to these institutions ranks among the lowest such figures in the region. In contrast, the Catholic Church (73%) and the armed forces (32%) remain the most trusted institutions in the country. Taken together, the data suggest deep disillusionment with democracy and established institutions.

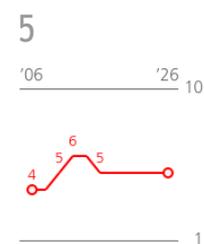
Honduras continues to be one of the poorest and most unequal societies in the Western Hemisphere. This undermines social capital and relations among groups in society. It also means there are often extensive and vital informal support networks, particularly in poorer communities, to provide essential services to parts of the population. This has been particularly true in cases of natural disasters or health emergencies. This was starkly demonstrated during a severe outbreak of dengue fever in 2024, which in many cases overwhelmed official state health care providers. During the COVID-19 pandemic, CSOs also stepped in to fill the void left by the state and provided essential food, clean drinking water and emergency assistance to individuals unable to work because of the pandemic. In these communities, there is a robust bond among citizens characterized by a sense of solidarity.

In interactions between different communities such as impoverished neighborhoods and middle- to upper-class districts, the dynamic often revolves around a provider-consumer relationship. A large portion of the less affluent population engages in informal employment, frequently serving the wealthier communities. This arrangement can create significant social tensions. Social interactions and organization are further restricted by the ongoing SOE. According to the 2024 Latinobarómetro survey, levels of interpersonal trust stood at only 14%, showing a one percentage point decrease from 2020, and highlighting the prevailing mistrust among citizens.

Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Honduras remains among the most economically unequal countries in the world, and is among the poorest in the Western Hemisphere. Its Human Development Index (HDI) score in 2022 was 0.624, an improvement of 0.004 points from 2021. This places the country in the medium human development category alongside its Central American neighbors Guatemala, El Salvador and Nicaragua. Honduras was ranked 138th out of 193 countries on the index. Levels of income inequality remain extremely high, with a Gini index score of 48.2 in 2023, representing no improvement from the previous year. Data from the National Institute of Statistics (INE) show that national per capita income in June 2024 was HNL 4,246 (\$165) per month. However, disparities were significant: per capita income in urban areas was nearly twice that in rural areas, at HNL 5,415 (\$211) and HNL 2,637 (\$107) per month, respectively.

Overall, the Honduran economy rebounded well from the COVID-19 pandemic, with GDP expected to have grown by 3.6% in 2024, according to IMF data. Yet this relatively healthy macroeconomic outlook has not translated into rising living standards across all sections of the population. Poverty rates remain high, with 52.1% of the population classified as “poor” by the World Bank in 2023, down only slightly from 52.4% in 2022. In addition, 14.1% of Hondurans live under conditions of extreme poverty. Inflation, which reached a rate of 9% in 2022 and 6.6% in 2023, has contributed to the persistence of these high poverty rates. However, the core roots of poverty in the country are structural.

Historically, Indigenous people and women have experienced systemic discrimination and higher rates of poverty and unemployment. Women in Honduras earn about 65 cents for every dollar earned by men, according to Oxfam. These populations are also under-represented in the formal economy. Likewise, the country continues to suffer from skills shortages because of the extremely high dropout rate by the time students reach secondary education.

Question
Score

Socioeconomic
barriers

3

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Economic indicators		2021	2022	2023	2024
GDP	\$ M	28144.3	31426.0	34355.8	37093.6
GDP growth	%	12.6	4.1	3.6	3.6
Inflation (CPI)	%	4.5	9.1	6.7	4.6
Unemployment	%	8.5	8.8	6.1	6.1
Foreign direct investment	% of GDP	2.8	2.4	3.2	3.5
Export growth	%	23.2	6.6	-7.0	-4.8
Import growth	%	32.6	8.5	-8.6	2.3
Current account balance	\$ M	-1537.9	-2156.6	-1367.8	-1710.1
Public debt	% of GDP	50.3	51.0	47.9	47.1
External debt	\$ M	12507.8	12638.6	12820.6	-
Total debt service	\$ M	1200.4	1671.7	1742.4	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	15.7	14.3	14.9	15.5
Public education spending	% of GDP	5.9	4.5	4.5	-
Public health spending	% of GDP	3.4	3.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.5	1.5	1.6	-

Sources (as of December 2025): 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 and, on paper, a well-developed framework for guaranteeing both fair market competition and consumer protection. However, the country continues to confront enormous challenges in making this framework work for both its companies and most of the population. Inequality is stark, and endemic corruption leads to market distortion and the development of deeply entrenched criminal structures. The complex and deep connections between organized crime and the state, as well as between organized crime and the formal and informal economy, deter foreign investment. Hence, while there is no formal impediment to foreign ownership, in practical terms the criminal structures that

Market organization

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infiltrate the market economy make foreign ownership very risky. The government, like past administrations, did make efforts to simplify administrative procedures for starting a new business. However, investors report that state bureaucratic hurdles remain significant, and that requests for bribes in order to obtain government approval for investment activities are common. The government's decision to withdraw from the International Center for Settlement of Investment Disputes (ICSID) also made for a less attractive business climate.

Another ongoing problem for market organization is the existence of a large informal economy, including informal employment. Data on this issue are inconsistent, but the International Labor Organization (ILO) estimates that more than half of all Hondurans work informally. The high level of informality deprives the state of badly needed tax revenue for investment in public services and diminishes the state's ability to regulate the market. It also leaves a large part of the population vulnerable to sudden and unpredictable shocks without any state security system to fall back on. Part of the problem is the extremely complicated procedure for opening a business in Honduras. Not only is the process highly bureaucratic and prone to corruption, but the country also continues to experience serious logistical challenges, for instance in the transportation and energy sectors. Private companies report difficulties connecting to the electricity grid and in obtaining permits to generate their own electricity. These structural challenges have worsened because of climate disasters in recent years.

In principle, Honduras has a robust competition policy and legal framework. Central to this framework is the Comisión para la Defensa y Promoción de la Competencia (CDPC), whose main responsibilities include applying the law regulating market competition and advocating for a competitive market environment. The CDPC also represents Honduras in the International Competition Network, an informal group of competition authorities devoted to improving competition law and its enforcement.

The smooth functioning of the regulatory framework is not guaranteed for two main reasons. First, the state has limited capacity for the enforcement of existing legislation. Inconsistency in the application of rules is chronic, spurred on and reinforced by often-endemic corruption within state institutions as well as by the presence of organized crime in many enterprises. There have been some attempts to overcome these problems. For instance, the Economic Development Ministry has launched a single portal for foreign firms to register and set up in a free-trade zone. Additionally, there has been an effort to provide clearer information for small and medium-sized enterprises planning to set up operations through various e-portals. However, these have not been sufficient to overcome the state capacity problem.

Second, political volatility impedes the passage of comprehensive reforms in areas such as the tax system and labor market. Policies in this sphere are often shaped by what is politically possible rather than what is necessary. For instance, the U.S. State Department's latest Investment Climate Report for Honduras states that recent

Competition policy

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changes to corporate taxation are ill-defined and, as a result, deter investment. However, it is noteworthy that foreign investment has recovered significantly from the shock of the pandemic. According to the Honduran central bank, total foreign direct investment (FDI) increased from \$920.3 million in 2022 to \$1.8 billion in 2023, an increase that, though still below the pre-pandemic peak, indicates some investor confidence in the stability of the Honduran market.

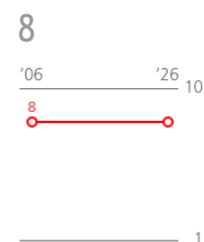
Honduras has been a member of the WTO since 1995. Its economy is relatively open, and further liberalization is a policy aim of successive governments. Within this context, the most crucial development has been the establishment of diplomatic relations between Honduras and China in 2023 and subsequent negotiations regarding a free-trade agreement between the two countries that would cover a range of sectors, including services. While negotiations continue and the outcome remains uncertain, this indicates the government's broad commitment to further liberalize Honduras' trade relations, particularly in light of the economic risks posed by the second Donald Trump presidency in the U.S., which remains Honduras' main trading partner.

At the same time, the overall strategy of trade liberalization is subject to potential shocks both internally and externally. Internally, political volatility carries the risk of sudden policy reversals for domestic reasons. Externally, the structure and makeup of the Honduran economy make it very vulnerable to market shocks, particularly in the agricultural sector. The average most-favored-nation (MFN) tariff applied in 2023 remained relatively stable at 5.7%, according to data from the WTO.

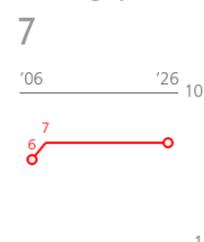
The Honduran banking system remains relatively stable, having recovered from the shock of the COVID-19 pandemic. The capital adequacy ratio exceeded 13.6% in September 2024, up from 10.4% in 2021, and the system remains liquid and profitable, according to the IMF. The ratio of non-performing loans in the banking sector was 2.38% in 2022, according to the World Bank.

One notable development was the World Bank's approval of a \$145 million project that aims to strengthen tax transparency, improve domestic resource mobilization and promote sustainable finance. The initiative includes reforms to adopt international tax reporting standards and help detect unreported income, thereby creating a more attractive investment environment. Additionally, approval of a regulatory framework for the issuance of sustainable bonds will enable the Honduran government to access funds in the international capital market to finance priority green and social investments aligned with the country's sustainable development goals. The project also seeks to promote climate sustainability in Honduras through measures that enhance energy efficiency and encourage exports that do not contribute to deforestation. Taken together, these measures help Honduras move closer to internationally recognized banking standards, an area in which the country has improved but where significant gaps remain, according to the World Bank.

Liberalization of
foreign trade



Banking system



The National Banking and Insurance Commission (CNBS) is the regulatory body that oversees banks, the insurance industry, pension funds and other financial institutions. The CNBS is regarded as promoting transparency and financial inclusion. Nonetheless, there are capacity issues, and the institution has faced corruption allegations.

8 | Monetary and fiscal stability

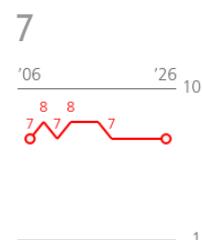
Monetary stability is a recognized objective of economic policy, but it has not been consistently pursued over time. Inflation peaked at a rate of 9.1% in 2022 but declined to 4.6% by the end of 2024. This is considered a good result, especially since the country has continued to suffer both from natural disasters and public health emergencies. Meanwhile, interest rates remained stable at 3% until July 2024, but afterward rose to 5.75% by the end of November 2024. The hike in interest rates was a response to tighter fiscal policies the government was pursuing in accordance with the latest loan agreements with the IMF. In a December 2024 report, the IMF stated that Honduras has a solid monetary policy and praised the country's overall monetary stability. However, some concerns have been raised about declining foreign currency reserves, which might leave the country vulnerable to unexpected external shocks. The IMF has pointed to adverse climatic conditions such as droughts as one of the main reasons for the reduction in foreign reserves, as Honduras has had to import more energy to meet domestic demand.

The maintenance of monetary stability is further challenged by the fact that the Honduran central bank, while it has operational independence, is frequently subject to political influence and interference. This in turn affects the reliability of the data it collects and publishes, among other things. According to the Economic Commission for Latin America and the Caribbean, the real effective exchange rate index for the lempira, the country's currency, stood at 91.8 in 2024, two points lower than in 2023. The lempira continues to float freely against the dollar even though the Castro government has unofficially pegged it at HNL 24 to the dollar.

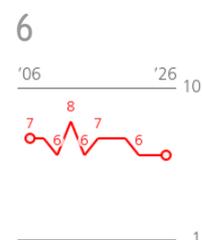
Honduras' overall fiscal position is solid, and maintaining fiscal stability is a cornerstone of Honduras' agreement with the International Monetary Fund. Gross government debt as a proportion of GDP stood at 43.6% in 2024, within the limits established by the IMF and considerably below the 52% seen at the height of the pandemic. This improvement reflects fiscal tightening since the end of the pandemic. With GDP growth close to 4% for 2024 and the projected uptick in tax revenue as a result, the outlook for fiscal stability remains broadly positive. However, there are some significant risk factors that may change or at least affect this broadly positive outlook in the coming year:

First, the current account deficit is projected to rise to 5.3% in 2024, driven by poor agricultural conditions due to natural disasters, as well as declining demand for garment products. While demand may pick up, there is no way to control the

Monetary stability



Fiscal stability



occurrence of natural disasters. Second, the second Trump presidency paired with his promise to deport millions of migrants could adversely affect one of the key drivers of the domestic economy. Remittances from abroad account for about a quarter of Honduran GDP, according to IMF and Federal Reserve data. The mass deportation of Hondurans from the United States could therefore have a significant destabilizing effect on the domestic Honduran economy.

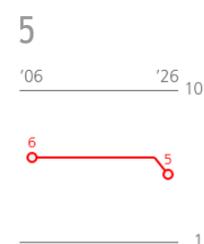
9 | Private Property

Property rights are guaranteed in the constitution and backed by a framework of laws. However, Honduras continues to struggle to turn this legal framework into enforceable guarantees, a problem essentially attributable to three interlocking factors. First, the administrative capacity of the state is limited. The state's lack of a persistent presence in significant parts of the country and its replacement by criminal organizations mean that property rights exist only on paper for large segments of the population. Second, those segments of the population in particular have no or only limited access to the justice system when and where property rights are violated because judicial resources are simply too expensive. Third, the state is too corrupt to enforce property rights. While there is a central property register, obtaining and retaining property deeds is vulnerable to large-scale corrupt practices. Registering property rights is also a slow and cumbersome process. Research by Transparency International found that it can take up to six years for a property to be legalized when, officially, it should take six months. Furthermore, parallel property markets exist in many areas of the country, particularly in poorer neighborhoods that are controlled by criminal non-state actors. In addition, the government is currently embroiled in a dispute with U.S. companies before the International Center for Settlement of Investment Disputes (ICSID) over its ending of special economic zones, with allegations that this policy violates company property rights.

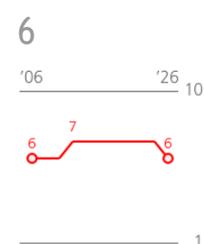
Successive Honduran governments have viewed private enterprise as the cornerstone of sustainable economic growth. The rights and responsibilities of private companies are well established in national law. Yet small and medium-size businesses, in particular, face significant difficulties operating successfully. Procedures to establish private businesses are slow and often subject to corrupt practices. Slow bureaucracy and nontransparent processes are key impediments to doing business in Honduras. While there has been some progress toward digitizing these processes in recent years, there is still a long way to go in this respect, as pointed out by the U.S. State Department, among others.

Private enterprises suffer greatly from administrative weakness and a lack of physical presence in significant parts of the country. Small businesses are often at the mercy of criminal gangs who demand “protection money” so these businesses can stay open. In fact, the endemic shakedown of the transport sector by criminal gangs was, at least

Property rights



Private enterprise



publicly, what persuaded President Castro to impose an SOE in parts of the country. Within this context, endemic corruption continues to be a problem, with every firm potentially subject to extortion to facilitate the bureaucratic process of opening and maintaining the business.

10 | Welfare Regime

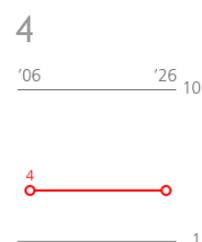
The social safety net in Honduras is rudimentary and suffers from structural defects that no government has been able to fix. Because 76.9% of the system is financed by external credit, it is subject to many uncertainties. According to the International Trade Administration of the U.S. Department of Commerce, an estimated 73% of the economically active population is engaged in the informal sector and is thereby almost entirely dependent on state systems such as the national health system. However, this system is both deeply enmeshed in corrupt practices and often overburdened by demand, especially in times of natural disasters or health emergencies, as occurred during the 2024 outbreak of dengue fever. According to the latest World Bank figures, public expenditure on health has remained static, reaching 3.4% of GDP in 2022, the same as in 2020 during the height of the pandemic. Life expectancy at birth in Honduras has not yet recovered to its pre-pandemic level, reaching 70.7 years in 2022 compared with 72.9 years in 2019.

Only two relatively small groups – representing roughly 17% of the working population – have access to comparatively robust social security systems, according to the Inter-American Development Bank. The first group consists of public sector workers who, 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), have access to a range of social security benefits such as pensions and sick pay. The second group is made up of employees of larger private sector companies that offer private pension schemes financed through employer and employee contributions.

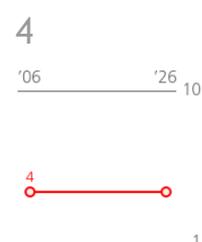
By regional standards, Honduras has a reasonably well-developed legal framework designed to guarantee the equal rights of women and minority groups. This includes important legislation such as the Law on Equal Opportunities and requirements that all popularly elected institutions have a representation of women of at least 30%. That target was nearly met in the 2021 congressional election. However, in the most recent elections for municipalities, 80% of candidates were men. Overall, significant problems remain with the enforcement of equal opportunity legislation because of a lack of political will and limited enforcement capacity.

In Honduran society at large, equal opportunity is a long way from being realized. For instance, even though girls on average stay in school longer than boys, their participation in the labor force later in life continues to lag far behind that of their male counterparts. About 39.6% of women participate in the labor market, a slight

Social safety nets



Equal opportunity



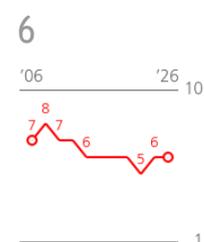
improvement from the 35.4% reported in 2021. These figures are somewhat misleading, however, given the large informal sector. Other minority groups, such as Indigenous people and sexual minorities, continue to face severe discrimination in the labor market and in access to other public services. This often occurs despite legislation barring such practices. The Inter-American Court of Human Rights mandated that Honduras adopt legal recognition for transgender people. The government has thus far failed to act. Transgender people are not able to change their gender identity in official documents, which undermines their access to jobs, health care and political participation.

11 | Economic Performance

During the review period, economic performance continued to rebound from the pandemic, yet some shortcomings remain. GDP per capita rose considerably, shifting from \$5,384 in 2020 to \$7,211 in 2023. Overall, the country's GDP grew by 3.6% in 2023. The unemployment rate fell from a high of almost 11% to 6.7% in 2023. The IMF expects a further decline in 2025, though the level of formal employment remains extremely low. More than 70% of the working-age population works in the informal sector, according to data from the U.S. Department of Commerce. In addition, foreign direct investment (FDI) bounced back somewhat, increasing from \$920.3 million in 2022 to \$1.8 billion in 2023, according to data from the Honduran central bank. However, this remains below the pre-pandemic level of 2019.

Significant challenges remain. The first is to incorporate more people into the formal labor market, which would significantly increase state revenues, boost domestic consumption and provide more people with far more material security. Second, while growth in GDP per capita is welcome, this growth has not overcome structural inequality. Returning to pre-pandemic levels means returning to a less-than-perfect place. Prior to the pandemic, GDP per capita growth had been anemic for several years. To address these challenges, the economic base needs to broaden both domestically and internationally. Inflation is also noteworthy in this respect. According to the World Bank, it remained relatively stable during the pandemic, closing 2020 at 3.5%. It rose to a rate of 9.1% in 2022, then fell to 6.7% in 2023 and 4.6% in 2024. These rates are still high and may dampen consumer spending. According to the IMF, Honduras' current account balance stands at -5.1% and is projected to increase slightly in the coming years. While this is seen as a “moderate” or “manageable” risk, increasing volatility as a result of U.S. trade policy could worsen the overall outlook.

Output strength



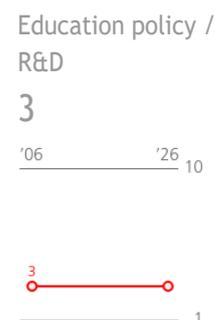
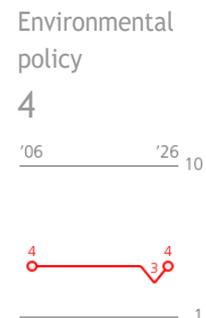
12 | Sustainability

President Castro came to power promising a far more inclusive approach to balancing economic interests and environmental protection. Some significant policies have been implemented, including the Zero Deforestation plan and the renationalization of 14 water sources. Some detailed policy documents have been drafted, such as the National Plan for Adaptation to Climate Change 2018 – 2030. However, when it comes to the promised consultation and involvement of local communities in infrastructure development, the overall policy approach has not changed. Critics have argued that the current government continues to favor economic development over environmental protection. They have accused the president of failing to consult local populations and of excluding them from the policymaking process. International observers report that Honduras continues to be one of the most dangerous places on Earth for environmental activists. As has been the case for many years, there were a number of murders of high-profile local environmental activists during the review period. Law enforcement has been accused of failing to investigate these cases thoroughly.

The macro data also suggest that successive Honduran governments have done little to change policy significantly in light of a growing number of climate-related disasters. The country continues to rely on oil for more than half its energy, according to 2022 data from the International Energy Agency. Consequently, its CO2 emissions have risen by 120% since 2000. Overall, Honduras’ record on environmental protection remains poor, as reflected in the way the country treats those who actively support this cause domestically.

Honduras’ record on education and R&D remains poor. The country’s score on the U.N. Education Index, which measures the mean years of schooling for adults and the expected years of schooling for children, has remained largely unchanged since 2019. This figure was last recorded at 0.521 in 2022, up from 0.514 in 2019. Public expenditure on education has declined since 2020 (6% of GDP), with Honduras spending only 4% of GDP on education in 2023. The overall literacy rate among adults was 89% in 2019. Since then, no reliable data have been published, making it almost impossible to assess progress, or lack thereof, in the relevant policies.

At the same time, Honduras struggles to enroll and retain children in the education system. According to World Bank data, only 53.1% of eligible children attended secondary school on a regular basis in 2023. While this represents a slight improvement from 2022, it is still significantly below the 64.1% level seen before the onset of the pandemic in 2019. In addition, according to data reported by El Heraldo and La Prensa, the enrollment rate at the primary education level showed a decline in 2023 for the first time in years. In further and higher education, the enrollment ratio was 22.17%, with only 9.63% of the population having completed at least a bachelor’s degree.



Structural problems in education also affect R&D. The country does not produce enough highly qualified people with higher education degrees, nor does it invest sufficiently in research and development. In 2019, the country spent 0.1% of its GDP on R&D, and data since then have been very patchy and therefore unreliable. The World Intellectual Property Organization (WIPO) ranked Honduras at 111th globally in the 2024 Global Innovation Index. In terms of R&D collaboration between universities and industry, the country was ranked at 121st place.

Governance

I. Level of Difficulty

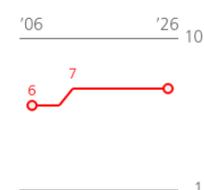
Governance is hampered by several deeply entrenched structural constraints. The first is the lack of adequate national infrastructure, which undercuts the provision of even the most basic services such as water and electricity. Millions of people lack access to the official water supply network and electricity grid as well as sewage systems. This in turn has a detrimental impact on economic activity and people's ability to participate in the formal labor market. Infrastructure is also extremely vulnerable to natural disasters, especially those brought on by climate change. Recent natural disasters, such as severe floods, have prompted frequent power outages, including in the country's most important cities, Tegucigalpa and San Pedro Sula. The same applies to health emergencies, such as the surge in dengue fever cases in 2024, as there is no preventive infrastructure or process in place to alleviate the worst impacts. The recurrence of such problems highlights the need for planning capacity within the state. NGOs and international organizations such as the United Nations have repeatedly pointed out that Honduras is highly vulnerable to the effects of climate change, including extreme weather events. The government has done little to prepare for such events. Global and regional health bodies have also warned that the country is susceptible to disease outbreaks, especially dengue fever and malaria. However, little investment has been made in the health sector. About 17% of the population has no health care.

The second key constraint in Honduras is the general level of insecurity paired with high levels of violence. The incidence of violent crime, while below its peaks of the early 2010s, remains extremely high. Honduras is among the most violent countries in the region. In 2023, it was the second-most-violent country in Central America, with almost double the homicide rate of neighboring Guatemala, according to data published by InSight Crime.

Furthermore, highly organized criminal groups, which often have deep ties to state agencies, challenge governance capacity. Sophisticated criminal structures, endemic corruption and highly effective extortion networks continue to hollow out the state and make long-term planning, strategic decision-making and investment decisions more difficult than they would otherwise be. In addition, 14.1% of Hondurans live in conditions of extreme poverty, and the country lacks a highly educated labor force.

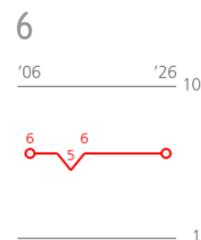
Structural
constraints

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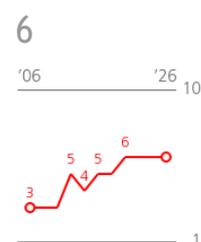
Honduras has a long tradition of an active civil society in many issue areas, with the environment and civil rights having received particular attention since the military coup of 2009. However, civil society actors lack coordination among themselves because of profound disagreements over objectives and tactics. Although the Castro government has in broad terms been more disposed than predecessors to working with civil society, at least with regard to certain issues such as the environment, there continues to be disagreement among these groups over whether and to what extent they should work with or against the government to effect change. This has led to internal divisions and subsequent losses in political effectiveness and influence. These tensions have in some respects worsened as the government has failed to meet the expectations of many civil society groups, whether in relation to the environment or women’s rights. The overall level of social trust is one percentage point below the regional average, according to the 2024 Latinobarómetro survey.

Civil society traditions



Honduras faces no risk of a direct confrontation with any of its neighbors. However, levels of violence experienced since the 1990s are comparable to those in countries officially at war. Honduras is a major hub for international drug-trafficking cartels, both with domestic roots and from countries such as Mexico and Colombia. The latter often established their presence in the country with the help of state agents, according to InSight Crime, benefiting from state weakness and endemic corruption. There is also a low-intensity conflict between landowners and landless peasants, as well as between native rural populations and the state, over economic development projects. Environmental groups are increasingly subject to intimidation and even the assassination of their members, often with the active participation of state security forces. While the Castro government came to power promising a more holistic approach to addressing violence and crime, in practice it has followed the traditional “iron-fist” approach, thereby undermining the rule of law.

Conflict intensity



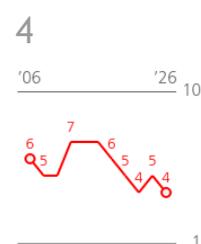
II. Governance Performance

14 | Steering Capability

President Castro set three clear priorities upon taking office: promoting a more inclusive economic policy, combating corruption and reducing insecurity. However, without a stable majority in Congress, the government has been unable to follow through consistently on any of these priorities. The lack of a majority in Congress has reinforced old habits in Honduran politics linked to the day-to-day survival of the government. Essentially, governing has become a massive exercise in clientelism in key congressional districts, focusing on projects favored by particular congressmen in order to ensure political support. Since 2023, the government has approved HNL

Question Score

Prioritization



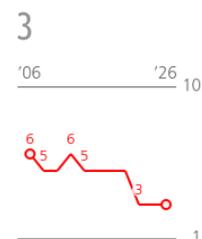
950 million annually for use by congressmen for clientelist projects, in addition to Congress' budget for subventions of about HNL 650 million in expenses every year. These funds are subject to virtually no consistent oversight or transparency regulations, and are directly counterproductive to long-term policy planning or prioritization.

Implementation of policy has been a long-standing problem in Honduras. Key factors include the fragility of state institutions, the lack of state presence in significant parts of the country, and corruption. The state lacks the administrative capacity to implement policies consistently across time and space. This inconsistency has been sustained and reinforced by the Castro government's susceptibility to being swayed by public opinion and the prevalence of clientelism. Changing policies according to public opinion, such as on public security, is used as leverage over Congress. The Castro administration imposed a partial SOE in 2022, which has been repeatedly extended. While this "iron-fist" approach has arguably had some short-term success, it does not address the deep-rooted causes that drive crime and violence. Moreover, as InSight Crime points out, although the homicide rate decreased by 26.5% overall in Honduras between 2023 and 2024, some departments experienced an increase in homicides, and both areas with and without emergency measures in place experienced reductions in homicides. The SOE has also had no impact on extortion, with data from the Association for a More Just Society (ASJ) showing that 8.4% of families were victims of extortion in 2023.

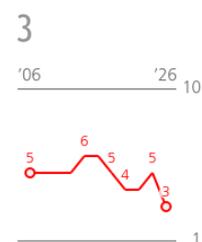
Policymaking and implementation are almost always reactive. This is particularly acute in the health care sector, where service delivery and infrastructure construction are guided not by need but by political expediency. Efforts in health care are slow and uncoordinated. For instance, the haphazard response to the 2024 dengue fever outbreak across the country led to many needless infections and deaths. Corruption also remains a serious issue across all levels of government, and even the president's 2013 election campaign has been linked to illicit financing from organized crime. Moreover, the government failed in negotiations with the United Nations on the issue of the establishment of an International Anti-Corruption Commission, because the state had not adopted key justice reforms and had approved an immunity law that protects corrupt officials.

Policy learning in Honduras has consistently been weak, shaped by social and political factors. Socially, a significant share of the population has long lived in poverty, and a succession of highly authoritarian governments has discouraged long-term thinking and planning. Politically, the primary objective of any government – as well as the state as a whole – has been the preservation of the existing power structure rather than the pursuit of long-term strategic change. As a result, policy learning has not been incentivized in a culture that prioritizes short-term gains. These trends intensified during the final years of the previous government, which grew increasingly authoritarian over its term. Decision-making became highly centralized around a president whose primary focus was on self-preservation and maintaining control.

Implementation



Policy learning



All of these factors continue to exist but have been exacerbated in recent years by the context in which Honduran policy has been made. Most critical in this respect has been the increasing polarization of the political system, a trend that has also been reflected in public discourse and the media. Increasingly adversarial policymaking has actively discouraged learning from the policies of previous governments, as governing is seen not as an activity in service of the state but as an exercise in “winning” over the “other side.” Furthermore, despite promises to the contrary, there have been no moves toward an enhancement of transparency during the legislative and policy implementation processes. In fact, the continuous politicization of the judiciary has been a deliberate move undermining transparency; this in turn not only makes policy learning more difficult, but also provides disincentives for such a process.

With this in mind, it has often fallen to external actors to highlight the weaknesses of the Honduran state, whether through criminal prosecution of political actors in the United States or through the sponsorship of commissions that investigate corruption or other criminal activities in the country. The government has been unable to reach an agreement with the United Nations on the terms of a new anti-corruption commission.

15 | Resource Efficiency

As a state, Honduras does not use its resources efficiently. First, the Honduran state is deeply corrupt. Senior politicians and even entire state institutions – from the police to presidents themselves – have been implicated in corruption and large-scale international crime. In 2024, former President Hernández was convicted in the United States of international drug-trafficking. Family members of the current president have been credibly accused of financial links to organized crime in Honduras. Second, there is a deliberate lack of effective oversight of the administration or, indeed, of any branch of government. If anything, this process has accelerated in the last couple of years given the further politicization of the judiciary and the increasing dysfunction of the legislature. Third, the state lacks capacity to fulfill its functions. It does not have control over the entirety of its territory. Parallel power structures exist, which nevertheless count on the participation of state actors to maintain that particular status quo. Parts of the state itself are therefore involved in criminal activities that allow many civil and public servants and politicians to benefit.

A fourth problem is clientelism. Most civil servants in Honduras do not hold permanent positions. With every change in government, a significant portion of the bureaucracy is filled with new staff. As a result, retaining power becomes a primary objective, and short-term thinking dominates. The fact that Honduras is a unitary state does not help. The president appoints the governors of the country’s provinces. Consequently, rather than counterbalancing the center, local government is in many

Efficient use of assets

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ways an extension of it, and patronage is particularly important. This also applies to the relationship between members of Congress and their local political base. A considerable share of the state's expenditure is aimed at sustaining political alliances at the local level.

Honduras is a highly centralized state, a process accelerated in particular by former President Hernández but not reversed by President Castro. President Hernández argued that centralization would increase control and efficiency in policy implementation. This trend has been especially pronounced in the public security sector, which has long been a key priority for voters. The lack of resources within the health care and social care system has also required interventions at the national level. This centralization of political control has strengthened corrupt networks.

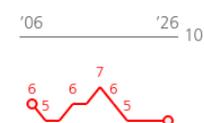
Congressional dysfunction has further weakened the prospects for effective policy coordination. In principle, Congress, whose members represent different parts of the country, could serve as a coordinating body. However, the opposition and the incumbent government have proved reluctant to forge the alliances necessary for governability.

President Castro came to power on an anti-corruption platform. One of her first key acts after taking office was to authorize the extradition of her predecessor to the United States to face international drug-trafficking charges. The president also promised to reconstitute an anti-corruption commission with international oversight and signed a memorandum of understanding with the United Nations on this topic in December 2022. She also promised to make the justice system more transparent and efficient so it could pursue servants of the state who have engaged in corrupt practices. Since then, the government has been caught up in many corruption scandals, and the president and her ministers have made a deliberate effort to weaken and undermine anti-corruption initiatives. For instance, they suspended funding for the National Anti-Corruption Council and reduced funding for the ministry responsible for government transparency. Equally important, no progress has been made on the reestablishment of an international commission under U.N. oversight tasked with addressing systemic corruption in the country, despite promises by Castro to do so during the election campaign.

Members of the president's family have been implicated in corruption scandals, most notably after a video surfaced showing negotiations between the president's brother-in-law and drug traffickers regarding financing the 2013 election campaign. These allegations led President Castro to (temporarily) suspend the century-old Extradition Treaty with the United States. In recent years, this treaty has become one of the key instruments for bringing corrupt politicians from Honduras to justice, including former President Hernández and his brother; the son of post-coup President Lobo; and several prominent businessmen and high-ranking officials from the national police.

Policy coordination

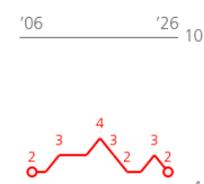
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Anti-corruption policy

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Furthermore, the government has actively hindered public access to information, despite extensive freedom of information legislation, by claiming executive privilege or national security concerns, or both. The same applies to public spending, which is often little more than “pork-barrel spending” allocated to individual members of Congress in key electoral districts, with no transparency. Bitter political fights in Congress over the appointment of an attorney general and Supreme Court justices have further weakened anti-corruption efforts. Judicial appointments have become a tool for political control and for deliberately undermining anti-corruption efforts.

16 | Consensus-Building

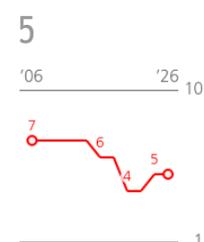
The last few years have seen significant setbacks in consensus-building in Honduran politics. At the national level, politics have become more confrontational in both rhetoric and objectives. Critically, in contrast to the previous election cycle, fragmentation is taking hold even within particular political blocs. On the government side, this process began very early in President Castro’s term and resulted in the loss of her slim majority in Congress. However, on the opposition side, there has been neither a unified message heading into the 2025 election cycle nor a unity candidate, as there was before the 2021 election. As such, one can expect a more bitter and acrimonious election campaign than in 2021. The polarization of politics has also been reflected in public discourse and the media. Always overtly political and far from neutral, Honduras’ major media outlets, from newspapers to websites to TV and radio, have become even more polarizing than before. Political polarization has made reaching consensus on national goals almost impossible, especially given that Honduras has historically been a country and society marked much more by its differences than by its common interests. It is a society deeply divided by prosperity and social class, and between city dwellers and the rural population. Today, there are virtually no political efforts to bridge these social and political cleavages.

The one notable exception to this lack of consensus concerns economic policy. There are no serious challenges to the consensus regarding the value of the market economy. All major parties broadly prefer a market-based economy, although the Castro government has been more open to state intervention than the opposition.

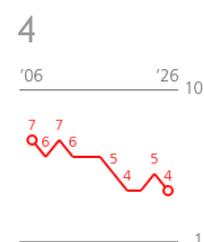
There are currently no signs of an immediate or serious threat to the democratic system in Honduras, for instance, in the form of (another) military coup. However, there are clear warning signs regarding the long-term sustainability of Honduran democracy, coming from two sources: First, relations between the branches of the state, in particular the executive and the legislature, have experienced a long-term decline. As a result, the political system has become less productive in legislative terms and, more broadly, in addressing the country’s problems.

Second, this has strengthened and accelerated public disillusionment with the political process and the political system as a whole, leading to overwhelming apathy. According to some public opinion surveys, more than 70% of Hondurans have little

Consensus on goals



Anti-democratic actors



or no interest in politics. The Honduran state is seen as corrupt and unable to solve people’s problems, according to data from the U.S. Institute of Peace and Transparency International. Third, this has reinforced a process in which significant parts of the population are open to or support policies and actions that undermine and weaken democratic processes and institutions. This is most clearly visible in public support for the state of emergency and the militarization of public security policies.

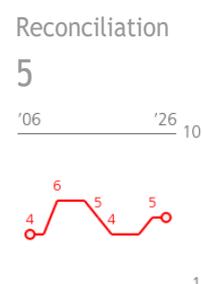
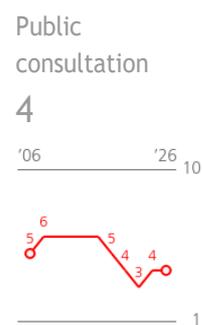
As such, there may not be overtly anti-democratic actors posing a threat to the survival of Honduran democracy. However, the country is clearly undergoing processes that are weakening the democratic system.

Honduras suffers from two basic types of conflict. The first is conflict between criminal gangs and organizations over territory in poor communities and the businesses they extort, and/or over lucrative drug-trafficking routes north into Mexico and the United States. Successive governments have been unable to make significant long-term changes to this pattern of conflict because the state lacks the capacity to address these issues nationwide. Equally, endemic corruption at all levels – involving gangs, other criminal organizations, the police and other state actors – has made it extraordinarily difficult to address this problem due to the significant vested interests in maintaining the status quo. Public support for short-term solutions like “iron-fist” security policies also serves as an impediment to change.

A second type of conflict – largely in rural areas – also continues unabated between landowners and peasant movements fighting for land and basic labor rights. Here, the government has been accused of lacking the political will to effect real change since it prioritizes economic development over environmental protection. This has mainly come at the expense of the Indigenous population.

Despite promises to the contrary, the basic dynamics of public consultation and policymaking have changed little under the Castro government. The administration has been accused of riding roughshod over the concerns of Indigenous populations regarding economic development. Similarly, on women’s rights, the government has been accused of consulting vested interests that favor maintaining the status quo – such as churches – rather than actively engaging with women’s groups. The administration has also been accused of not doing enough to protect political activists and journalists. Certainly, the country remains one of the most dangerous in the world for environmental campaigners and investigative journalists, according to organizations such as Human Rights Watch and the Committee to Protect Journalists.

Honduras has made some progress toward political reconciliation in recent years, for instance, through the February 2022 Amnesty for Political Prisoners Act, which granted general, broad and unconditional amnesty to people arrested and charged with protesting the 2009 military coup. However, recent developments raise doubts about the sustainability of such a process. The jailing of people closely associated with the military coup – such as the Hernández brothers and the son of post-coup President Lobo, albeit on unrelated charges – has led to accusations of revenge. In



this respect, the reentry into the political arena by some actors directly affected by the coup – such as deposed President Manuel Zelaya as an adviser to his wife, current President Castro, and the wife of jailed former President Hernández – suggests that old wounds may be reopened. Military leaders are being prosecuted for crimes committed during the coup, but the public’s lack of trust in institutions and the government’s vengeance narrative are not helping to effect reconciliation.

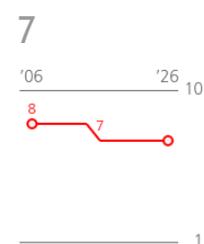
17 | International Cooperation

Honduras receives international funds from a variety of sources, including the IMF – which approved an \$822 million credit facility in 2023 – UNICEF, the European Union and USAID, among others. The country’s interaction with international donors is broadly based on the 2010 – 2038 Long-term Development Vision. Within the context of this strategy, all donors have their own program documents and review processes. For instance, the European Union is currently executing its 2021 – 2027 Multiannual Indicative Programme, which focuses extensively, albeit not exclusively, on mitigating the impact of climate change. The World Bank also has a regular monitoring process ongoing as part of its latest loan agreement with the country. While the overall assessment of Honduras’ progress is positive, all donors highlight the persistence of structural problems, particularly regarding institutional weaknesses, transparency and corruption. The withdrawal of USAID shortly after the close of the review period also has serious implications for important social initiatives and programs.

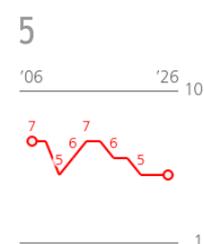
Honduras is active in the international community and within associated organizations, and is party to major international agreements on the issues of climate change, human rights and labor standards, among other areas. Historically, the country has faced serious difficulties in ensuring compliance with such agreements in practice, whether due to capacity issues or a lack of political will.

The intensity of the international community’s engagement with the Honduran government declined in the final years of the Hernández administration, as the president’s focus shifted toward his own domestic political survival. Today the country is once again integrated into the international community. Most significantly, the country broke diplomatic ties with Taiwan, opened an embassy in Beijing and is seeking to deepen economic relations with China through a free-trade agreement and Chinese investment in infrastructure such as ports and roads. The fact that these projects are ongoing suggests that Honduras enjoys international credibility with key countries and blocs. The European Union also continues to be a key partner both economically and politically. Honduras additionally cooperates with institutions within the U.N. system, including the IMF; the International Criminal Court, which investigated the 2009 coup; and the U.N. Human Rights Council, which has an established presence in Honduras. Honduras has failed to abide by a mandate from the Inter-American Court of Human Rights regarding the country’s need to adopt legal recognition of transgender people.

Effective use of support



Credibility



Serious challenges persist, particularly in relation to the United States, which has been Honduras' most important ally and has a large military base in the country. Tensions with the United States remain over the issue of migration and could become more strained under the second Trump presidency. A significant influx of return migrants from the United States would strain state services and potentially generate social tensions. A reduction in remittances from the United States would also have serious consequences for the Honduran economy.

Honduras continues to maintain close cooperation with its immediate neighbors, particularly El Salvador and Guatemala, because of the similar problems faced by all three states. In view of the second Trump presidency in the United States, this cooperation is likely to become closer, even though the new U.S. administration has ceased to treat the Northern Triangle countries as a single, homogeneous entity.

The three Northern Triangle countries often pursue very similar domestic policies, arguably copying one another. This is especially evident in the realm of public security, where Honduras has sought to imitate policies initiated by El Salvador President Nayib Bukele. However, differences have emerged, especially in relations with Nicaragua, where Honduras has been alone in endorsing the Daniel Ortega regime. Economically, Honduras has taken a decidedly more pro-China turn than its immediate neighbors. This has also affected other issues, such as the region's unity with regard to the Russian invasion of Ukraine.

Moreover, tensions between the United States and Honduras came to a boil in August 2024, when the U.S. ambassador to Honduras posed questions relating to a meeting between Honduran and Venezuelan defense officials. The latter were accused by the U.S. State Department of involvement in drug-trafficking. As a result, a long-established extradition treaty with the United States that allowed Honduran traffickers to be extradited to and tried in the United States was suspended. Shortly after the close of the review period, however, President Castro reached an agreement with the Trump administration to revive the extradition treaty.

Regional
cooperation

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Strategic Outlook

Honduras faces a challenging outlook. Political confrontation will enter a new stage as Honduras prepares for general elections in 2025. As in the previous election cycle, heightened political violence and voter intimidation are likely to come to the fore. Strong and effective electoral institutions are crucial to ensuring transparency and fairness in the elections. Weaknesses in electoral institutions, as seen in the 2017 elections, could undermine the credibility of the results and further disillusion the electorate. Post-election political instability is a real possibility. The incoming government must contend with an environment of political polarization and make efforts to build alliances in the country's National Congress if it ends up controlling only a minority bloc. However, this would require that the new administration renew a conciliatory tone and seek dialogue with the opposition and other key actors, including the private sector, in order to advance its agenda.

Other issues pose challenges for transformation. These include the second Donald Trump administration in the United States, which has serious implications for Honduras. Honduras will likely face social challenges generated by the return of thousands of migrants, whose remittances have been crucial to the Honduran economy. In addition, the new government will face the challenges posed by a chronically weak state, endemic corruption, shortcomings in the provision of basic services to the entire population, and widespread inequality. This is evident in continued high levels of income inequality and gender disparities.

To address these issues, Honduras urgently needs to diversify its trade relationships away from the United States. Its attempts to strike a free-trade agreement with China are part of this strategy, but more could be done. For instance, the government needs to make full use of the agreement between the Central American Integration System and the European Union, which is operating below its potential. Second, the international community at large should engage far more with government and non-government actors below the national level to address the weaknesses of the Honduran state, especially in relation to public service delivery.

There is currently deep mutual mistrust between the population and the state, a problem that is eroding the democratic system. This can be addressed only when or if there are clear, visible signs that the state is “working” for the benefit of much of the population, not just the elite. As such, it is critical that the government deliver on its promises and highlight success stories.

The international community should work closely with actors at all levels to strengthen the resilience of the Honduran state and the country's infrastructure. This would allow the Honduran state and its infrastructure to cope more effectively with future crises and natural disasters. As climate change intensifies, health emergencies and extreme weather events will become increasingly common. It is critical that preparations for such eventualities be made now so as to minimize human and material costs. In doing so, it is critical that the government consult local actors in decision-making processes. By strengthening its relations with local actors and responding to their concerns, the government would, in turn, improve its image among the population.

While the international community cannot change political developments in the United States or Honduras' geographic position, it can help change the patterns of conditions within which and from which Honduras confronts these key challenges. The key aim should be to increase the country's social, economic and political coherence so that it can address its problems from a position of relative strength and with clear objectives around which the country can unite.