

# HONDURAS: Risk Assessment

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# Background

- \* Gang/ Drug Activity
- \* 2008 Financial Crisis
- \* Poverty / Income Inequality
- \* 2009 Coup d'Etat
- \* 2013 Upcoming Elections

# Governance and Political Instability

- \* **Governance and Political Instability: Condition Deteriorating**
  - \* (+) Elections remain competitive
  - \* (+) Constitutional restraints intact
  - \* (-) Extensive press censorship
  - \* (-) Institutional tensions high
  - \* (-) Police crackdown on civil liberties

# History of Armed Conflict

- \* **History of Armed Conflict: Condition Deteriorating**
  - \* (+/-) No war or minor armed conflict since 1975. Two rival drug gangs, MS-13 and Mara 18, have been in conflict with each other since 1989. Currently in a state of ceasefire.
  - \* (-) Refugees and asylum seekers originating from Honduras: 2,060 in 2008 to 3,402 in 2012.

# Demographic Stress

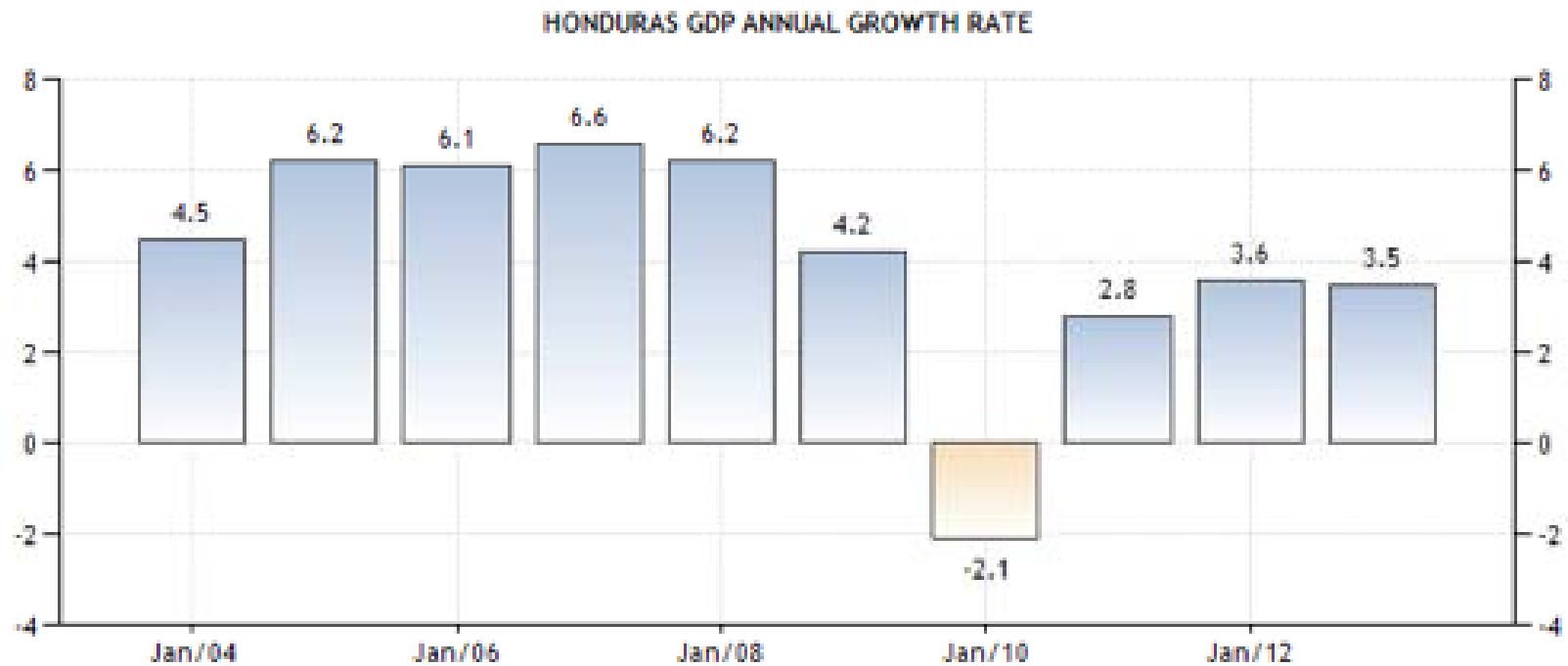
## \* **Demographic Stress**

- \* (+) Population growth low and decreasing: 2%
- \* (+) Youth bulge decreasing (from 29.3% in 2006 to 21.3%)
- \* (-) Highest murder rate in the world (2012: 86/100,000 people)
- \* (-) Urban population growing (from 46% in 2006 to 53%)
- \* (-) Low sense of safety among the population at only 45% responding “yes” to feeling safe

# International Linkages

- \* **International Linkages: Condition Stable**
  - \* (+) Member of CAFTA
  - \* (+) Member of the OAS
  - \* (+) Counter narcotics agreements with regional partners
  - \* (+) U.S. military and DEA assistance
  - \* (+/-) Foreign investors
  - \* (-) International drug trade

# Economic Performance



SOURCE: WWW.TRADINGECONOMICS.COM | CONSEJO MONETARIO CENTROAMERICA

# Economic Performance

- \* **Economic Performance: Condition Deteriorating**
  - \* (-)Moderate GDP growth
  - \* (-)High levels of inequality in the distribution of wealth
  - \* (+)Low per capita income around \$4100 in 2013
  - \* (-)Decreasing FDI and foreign trade
  - \* (+/-)Increasing debt servicing
  - \* (+/-)Unemployment declining, but underemployment on the rise



# Human Development

## \* **Human Development: Condition Improving**

- \* (+/-) Life expectancy at birth: remained at 73 since 2009.
- \* (+) Access to sanitation for urban and rural populations: 83 % (2008) to 85 percent (2012)
- \* (+) Access to water sources through improved piping: increased from 86 % (2008) to 89 % (2012).
- \* (+) Infant mortality rate: 23 per 1000 births (2008) to 19 (2012).
- \* (+) Maternal mortality rate: 130 per 100,000 live births (2005) to 100 per 100,000 (2010).
- \* (+) Prevalence of HIV/AIDS in the school population (aged 15-24) 0.7% (2006) to 0.3 % (2008).

# Environmental Stress

- \* **Environment: Condition Deteriorating**
  - \* (-)High rates of illegal logging and deforestation at 2% per year
  - \* (-)Vulnerable to natural disasters (7 during the 1990's)
  - \* (-)Soil contamination due to improper land use practices
  - \* (-)Water pollution due to mining activities

# Militarization

- \* **Militarization : Condition Stable**

- \* (-) Military expenditure in million USD (adjusted to 2011): \$156 Million (2008) to \$192 million (2012).
- \* (-) Military expenditure as a percentage of GDP: 1.0 % (2008) to 1.1 % (2012).
- \* (+) Military expenditure as a fraction of regional total: 0.025 % (2008) to 0.022 % (2012).
- \* (+/-) Total armed forces per 1000 people : 0.025.
- \* (-) Congress voted to allow troops to take on police duties in 2011.

# Population Heterogeneity

- \* **Population Heterogeneity**

- \* (+) Ethnic Diversity: Mestizo 90%, Amerindian 7%, Black 2%, and White 1%
- \* (+) Religious Diversity: Roman Catholic 97% and Protestant 3%
- \* (+) Satisfaction with community: 82.8% responding “yes”
- \* (+/-) Conflict over fertile land in Bajo Aguán region

# Stakeholders-Internal

- \* (+/-) Government (primary stakeholder)
- \* (+/-) MS-13 and M-18 criminal gangs (primary stakeholders)
- \* (+/-) Peasants/campesinos (primary stakeholder)

# Stakeholders-External

- \* (+) The United States (primary stakeholder)
- \* (+) Foreign investors/donors (secondary stakeholder)
- \* (-) Regional governments (secondary stakeholder)
- \* (+/-) Diaspora (secondary stakeholder)

# Best Case Scenario

- \* **Best Case Scenario:**

- \* November 2013 Presidential election is carried out under free and fair conditions.
- \* Constitutional issue is resolved peacefully.
- \* US counternarcotic efforts and regional anti-crime initiatives yield positive security gains.
- \* New transparency measures lead to a reduction in corruption.
- \* Increased investor confidence.
- \* increased and more stable foreign direct investment
- \* Increased GDP growth.

# Worst Case Scenario

- \* **Worst Case Scenario:**

- \* Results of 2013 election are called into question
- \* Police crackdown on civil liberties
- \* Withdrawal of U.S. support
- \* Failure of transparency and anti-corruption measures
- \* Levels of crime and corruption rise
- \* Stagnant economic growth and human development



# Most Likely Scenario

## \* **Most Likely Scenario**

- \* November 2013 elections relatively peaceful with small factions contesting the results
- \* Implementation of transparency measures impeded by capacity issues and corruption remains high
- \* Gang violence continues to escalate as police and military see little gains
- \* Modest economic growth. Government begins establishing foreign export zones
- \* Government upholds commitment to northern indigenous groups

Questions?