



Honduras after the hurricanes

by Andrew Thompson

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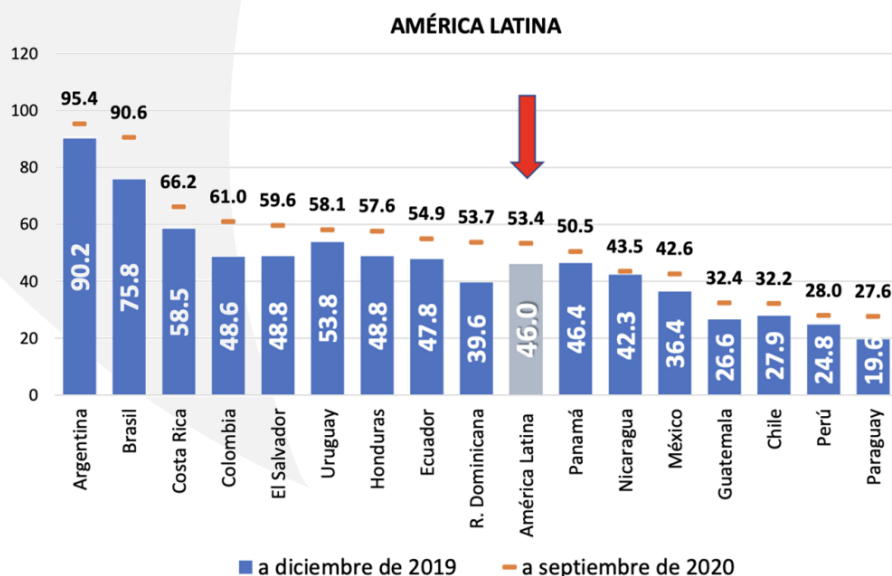
What happened?

The total cost of rebuilding the Honduran economy after the double blow delivered in early November by [hurricanes Eta and Iota](#) will be around US\$10bn, foreign minister Lisandro Rosales said on 14 December.

The details

For a small country like Honduras US\$10bn is a very large number – according to the World Bank nominal GDP last year was US\$25.1bn. The government’s estimate is higher than an earlier assessment by private sector association Cohep, which put hurricane losses at US\$4.57bn. Rosales said the country had been devastated by associated floods and mudslides. Almost half the population – 4.5mn people – had been affected, 89,000 homes were damaged and over 6,000 were completely destroyed. Devastation was acute in the central Sula valley where much of the country’s manufacturing is based. Key roads and bridges to carry agricultural exports like coffee, bananas, and melons also need to be repaired. The devastation comes on top the COVID-19 pandemic, which before the

Public debt as a proportion of GDP



Source: [ECLAC](#)

hurricanes led the IMF to predict economic contraction of 6.6% this year. After the hurricanes some analysts say activity could fall by 10% or more.

In short, it is hard to see Honduras recovering from its current troubles without some level of debt renegotiation, debt write-offs, or very sharply increased foreign aid. Before the hurricanes hit the country's debt-to-GDP ratio stood at an estimated 59%, so borrowing more money at commercial interest rates doesn't look like a viable solution. The government is already appealing for extra foreign assistance from the US, Europe, and multilateral financial institutions. The Inter American Development Bank (IDB) and the Central American Economic Integration Bank (BCIE) have between them pledged US\$1.64bn in loans.

Something else complicates the situation. Honduras and the incumbent right-wing government of president Juan Orlando Hernández is widely seen as corrupt. Hernández was re-elected in 2017 in elections that were credibly described as fraudulent. US court documents implicate him as a "co-conspirator" in drug trafficking organised by his brother, Antonio "Tony" Hernández, who is serving a prison sentence in the United States. The Hernández government has faced multiple allegations of corruption and last year closed down an anti-corruption office backed by the Organisation of American States (OAS). Political uncertainty remains high ahead of general elections due next November. Donor governments therefore face a dilemma: can they make sure any money they donate genuinely helps rebuild the country, and does not end up being diverted into the pockets of corrupt politicians?

What does it mean?

The troubles in Honduras may pose an early challenge to incoming US President Joe Biden, who has [already promised US foreign aid](#) to reduce migration flows out of Central America. Helping Honduras rebuild both its economy and weak institutions will not be an easy task.

About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC's Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



These stories are also available on Andrew's blog site, [La Rambla Research](#).