

Taken as a whole, the Support Measures to be implemented during the 2021-2027 MIP represent a key instrument in promoting the EU's cooperation with Honduras, reinforcing the Institutions, the CSO's role and action in the democratic arena and reinforcing the perception of the EU as a credible, impartial, and solid partner of the country.

2.2. Problem Analysis

Short problem analysis:

- Honduras, categorized as a lower middle-income country, has an estimated population of approx. 9.96 M inhabitants, predominantly young (39.7% of the total population are up to 19). With declining population growth rates (current fertility rate is 2.4 per women), the country is in the early stages of a demographic transition. It has benefitted from a steady GDP growth of 3.1-4.8 % per year in 2014-2019, followed by a strong decline in 2020, at -9.0%.
- Honduras is facing multiple challenges at political, economic and social levels. These were identified during the programming process:
- At political level, transparency of political parties, and guaranteeing fundamental freedoms are issues still to be approached and solved.
- Honduras suffers a very high level of corruption with collusion between economic and political sectors. The level of confidence and trust between the State, civil society, the political, and economic powers is being degraded year after year since 2009. Mistrust skyrocketed as a consequence of the bad management of the pandemic by the authorities.
- At economic level, instability is pointed at as a factor for low growth and insufficient poverty reduction. Key challenges include the absence of medium-term financial planning, off-budget expenditures, reduced fiscal space added to a high level of tax exemptions and lack of priority setting for investments. Honduras hasn't taken yet sufficient advantage of the Association Agreement and Central America could gain from a deeper regional integration.
- At social level, Honduras records high levels of poverty and is the only country in Latin America (with Mexico) where poverty has not decreased in the last years. Also, high levels of inequality and underemployment, even by Latin American standards, are evidenced by the highest Gini coefficient at continental level.
- Fight against violence to women are key issues in Honduras. According to the Centre for Women's Rights (Centro de Derechos de la Mujer – CDM), 95% of femicides committed between 2017 and 2020 remain in impunity. Honduras has the second highest femicides rate in Latin America (5.1 per 100,000 inhabitants).
- According to the UNDP (2018) the Gender Development Index is 0.611, and the Gender Inequality Index is 0.479. The gender gap is 27.8%. According to a study presented by UN Women and the Care Organization International at beginning 2021, the covid-19 pandemic and the devastating effects of tropical storms Eta and Iota have exposed the conditions of violence and vulnerability suffered by women and girls in Honduras.

Regarding component 1:

- Insufficient capacity of the technical teams supposed to support decision making at political level, as well as insufficient availability of up-to-date and policy-oriented data in most sectors. A systemic capacity building policy and institutional strengthening (in particular in the field of planning, results-based planning and budgeting, transparency and accountability) should be reinforced and information tools developed to allow a rapidly and efficient analysis in key sectors.
- Through MADIGEP (support measures of former MIP), the EU accompanied successfully the implementation of solid reforms on planning and budgeting. However, this effort has to be pursued due to an incomplete result-based public value chains and budgets. Since 2015, the government of Honduras is implementing a systemic result-based planning through formulation of 45 Result-based Institutional Strategic Plans (41% of Central Government Institutions). In addition to the need to continue this effort, concrete actions must be developed for the deepening of results-oriented budgets and respective reporting, and for the integration of the gendered approach of state budgets.
- Except the Women Institute of Honduras, no sector has developed gender-sensitive policies, and only 5% of institutions of the Central Government produced a gender-sensitive Institutional Strategic Plan. As a consequence, Honduras' budgeting does not include gender-sensitive markers.
- Altogether, the success of the different public policies in Honduras in the coming years will depend on the capacity to reform the State for global strategic conduction and monitoring of the reconstruction post hurricanes and it faces huge challenges raised by COVID-19, not only as far as expenses (sector policies,