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Breaking the rules, breaking the game: external ideas, politics and inclusive development in Honduras

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Abstract

The rise of the new Left has had an important impact on the politics of poverty reduction in Central America, upsetting the status quo for elites in the case of Honduras. After Hurricane Mitch in 1998, international pressure on elites to focus on poverty reduction had only a limited effect. But from 2006, the availability of aid and other resources from Venezuela facilitated a break with donor-sponsored agendas and heralded a new phase in the politics of poverty reduction. Then, in 2009, a coup against Liberal President Manuel Zelaya was precipitated by his 'shift left' whilst in office. This crisis unfastened the apparent stability and long-standing norms of Honduran political life. Drawing on recent fieldwork, this paper uses a political settlements approach to analyse the commitment and capacity to address social policy issues in Honduras through this period. The paper considers the significance and impact of external ideas on the changing distribution of power in society, and the implications for inclusive development.

Keywords: Political settlement, Honduras, elites, democracy, poverty reduction, social policy

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1. Introduction

Honduras has been ranked among the poorest, most unequal and least developed countries in the Latin American region since the 1980s. In the turbulent history of Central America in the 20th century, Honduras stands out, having avoided either social democratic advances such as those achieved in Costa Rica or the revolutionary and civil conflicts in neighbouring El Salvador, Guatemala and Nicaragua. Instead, Honduras became a platform for counter-revolution in the region (Bulmer-Thomas, 1990). From 1990, democratisation did little to unseat the comfortable position of economic elites or to deal with persistently high levels of poverty and inequality (Lehoucq, 2013), while societal violence increased. After the devastating impact of Hurricane Mitch in 1998, international donors pledged massive sums to assist in reconstruction and transformation and promoted debt cancellation through the elaboration of a national Poverty Reduction Strategy (PRS). This opportunity for national transformation produced only limited results, and elite strategies dominated. Nonetheless, by 2006, debt cancellation and international aid offered favourable conditions for tackling poverty within the prevailing elite-dominated political settlement. Honduras was not an obvious candidate for participation in the broader shift to the left in politics in Latin America; the historical conservatism of society and the absence of significant left-wing forces in politics – or broad-based opposition movements under neoliberalism – precluded its consideration. Yet, less than four years later, an apparent shift left and the ouster of President José Manuel Zelaya in a coup precipitated economic, political and social crises that have yet to be resolved.

Within this drama, this paper explores a number of issues. The paper begins by considering what a political settlements approach can offer, and sets out key features of power relations after democratisation in 1982. The paper then moves on to consider the impact of international ideas and resources, in the aftermath of Hurricane Mitch in 1998, and as part of the Heavily Indebted Poor Countries Initiative (HIPC) from 1999, on elite attention to poverty and social policy and state-society relations. From this, the changes in politics, and in social policy from 2006, and the impact of external influences on these dynamics, including the regional 'shift left', are set out. In relation to the 2009 crisis, of key interest is whether the fundamentally exclusive system underpinning the political settlement, engendered its own crisis, or whether tangential changes in the regional political economy – especially the role of Venezuela – served as the primary catalyst for the crisis. Within this, the political effects of social policy, and the implications for inclusive development, are a focus. The crisis has undoubtedly made life worse for Hondurans, and has augmented the development challenges facing the country. In the final section, the paper examines the emerging political settlement in the post-coup context and considers whether the on-going realignment of elite interests provides favourable conditions for inclusive development.

1.1 Methodology and structure

The analysis draws on two sets of interviews carried out with key informants in Honduras. The first, smaller set of interviews was carried out in Tegucigalpa and San Pedro Sula in January 2009 and focused on the politics of the Poverty Reduction Strategy. The second, and much larger, set of 35 interviews, was carried out in Tegucigalpa and Washington DC in

November and December 2014, and June 2015, and focused on the lead-up to the 2009 political crisis and the aftermath. Desk-based literature reviews have been used to draw out the principal features of politics, complemented where necessary by official documents, aid agency reports, opinion pieces and newspaper reports.

The analysis begins with a discussion of the political settlements framework and its applicability to the Honduran case and sets out some of the principal features of Honduran politics and the political settlement after democratisation. Then, the paper moves on to examine the politics of the 'high period' of neoliberal reform and the corresponding progress in social provisioning. The following section deals with the shift in politics and social policy from 2006 and with the lead-up to the 2009 coup, to assess the influence of external ideas with reference to the underlying political settlement. The final section considers the impact of the coup on the political settlement, and concludes with some reflections on external influences, social policy and the implications for inclusive development in Honduras.

2. Political settlements in Honduras

The distinct trajectories of five small countries in Central America, and the varying outcomes in terms of economic and social development across the region, even after peace and democratisation, point to the power of political explanations. In the case of Honduras, the endurance of oligarchic elites, and the failure of these elites to effectively transform and modernise the state and the economy, have been key themes in explaining persistently weak state capacity and poor development outcomes (Mahoney, 2001; Martí i Puig and Sánchez-Ancochea, 2013; Meza et al., 2014; Torres-Rivas, 2007). Despite intermittent political conflicts, and poor development outcomes, oligarchic elites have easily defended their privileges and have consistently neglected social provisioning, even under democratic rule (Lehoucq, 2012; 2013). The 'extractive' institutional legacies of colonialism prevalent in Latin America (Acemoglu and Robinson, 2012: 37-38) are easily traced in the case of Honduras. Political dynamics correspond neatly with the category of a 'limited access order' established by North, Wallis and Weingast (2009: 36-40), dominated by factional rivalries within a relatively small elite, and patron-client relations. This approach offers insights into the durability of elite coalitions and how public institutions have survived evolutions in the composition of the dominant elites in Honduras. But understanding recent upheavals demands a more nuanced explanation that can identify the contingent interactions among elites and reveal the factors – and choices – that influenced the distinct trajectory of Honduras in the region, as well as those that led to the recent unravelling of a stable political order.

2.1 The political settlements approach

Moving beyond – and underneath – institutional configurations, the political settlements approach offers a relational analysis of the changing interests and ideas that affect elite cohesion and the stability of politics in Honduras. This approach builds on the notion that the character of intra-elite relations is decisive for determining the conditions for development, and how public institutions function and perform (Hickey, 2013: 6). In this way, it can provide insights into the way in which ostensibly similar formal institutions produce radically different outcomes in different countries (Khan, 2010: 4-5). Through a 'snapshot' overview of the

power dynamics underpinning elite consensus and political order, the implications of a given configuration for development can be drawn out. Yet Laws (2012) argues that political settlements should be defined as 'on-going and adaptable political processes'. As such, the ways that 'societal institutions are co-constituted with power relations' and change over time need to be captured (Bebbington, 2013).

The nature and prospects for stability of the political settlement can be found, firstly, by examining the roots and evolutions of institutional arrangements that determine who can access formal power, and the informal ways in which power is shared (Soifer and vom Hau, 2008). Central to this is the distribution and balance of power between different groups, namely economic elites and how they relate to political elites and power, through political parties and the state. The nature of this ruling coalition determines the role of the state in developmental terms. Examining the relations among elites – the horizontal relations – to assess the way in which different elite groups are included or excluded from power, also gives insights into the potential for state capacity (Vu, 2007).

Secondly, beyond the focus on elites, state-society relations matter. A relational approach focuses on how elites secure support, or accommodate pressures from broader society (Evans and Heller, 2012). In this respect, the state must be analysed in relation to the society to which it belongs (Jessop, 2001); as a result, the impact of civil society and social movements on the role and capacity of the state must be captured (Hunt, forthcoming 2015). These 'vertical relations' determine the reach of the state, namely its infrastructural power to implement policies and maintain support (Gill, 2003; Hay and Lister, 2006). In particular, the political framing of the design and delivery of social policies and programmes have traditionally been important tools in Latin America for elites to secure and maintain support. The agency of social forces, whether through political party representation, organised social movements, activism or protest, affects how elites respond to new ideas and resources. Therefore the potential for action, and the capacity of the state, comes primarily from both intra-elite and elite-mass interactions (Soifer and vom Hau, 2008: 30; Vu, 2007: 47).

External factors circumscribe and interact with these relational dynamics, setting the context for political change, and facilitating the influence of new ideas and the emergence of new social forces. Institutional analyses of the region have demonstrated how dramatic 'critical junctures' – such as the effects of the Great Depression in 1929 – can provide the opportunity for transformation and divergence from path dependency (Mahoney, 2001; Thelen, 1999). Notably, the decisiveness and cohesion of elites is pivotal for determining developmental prospects, and the nature of political order. The 'holding power' of elites, namely their ability to engage and win conflicts, determined by their capacity to impose costs on others, and to absorb costs of conflict (Khan, 2010), provides insights into how political settlements can collapse and re-form. Situating these elite dynamics within the broader societal context uncovers the changing composition of elites, and evolving state-society relations.

For the case of Honduras, this approach offers a fluid and comprehensive analysis of how power relations shape the capacity and the role of the state and, in this case, how settlements can unravel. The stability of the configuration of power is ascertained firstly by

examining the internal dynamics of horizontal and vertical relations. The solidity of institutional arrangements, the degree of cohesion and consensus among the ruling coalition, and the nature of state-society interactions are central elements. Then, the impact of external factors on these dynamics is examined to reveal the robustness of the settlement in coping with change, and to consider issues of political viability in the power relations after settlements unravel. Using this approach, the rest of this section highlights key features of the Honduran development and the nature of the political settlement from democratisation in 1982.

2.2 The political settlement in Honduras from 1982

The nature of Central American insertion into the international economic order heavily influenced economic and political development in the region (Torres-Rivas, 1990; 2007). Although the role of regional powers and transnational actors has sometimes been exaggerated (Bulmer-Thomas, 1987: 267), multiple international ideas and resources continue to shape and constrain elite behaviour. The absence of an entrenched oligarchy in Honduras facilitated penetration of the fruit companies and the influence of the United States (D'Ans, 1998: 144-148). Honduras remained relatively immune to the revolutionary and social democratic trends in neighbouring countries, yet also avoided extreme violence. The military mediated political conflicts among elites, assuming a central political role from 1963 until 1982, providing stability in horizontal relations (Lapper and Painter, 1985). Honduras had the strongest trade union and peasant associations in the region (Karl, 1995: 81; Robinson, 2003: 121), but elites dealt with vertical relations using a mix of accommodation and repression: a disastrous war with El Salvador in 1969 fomented national unity, while modest agrarian reform in the 1970s staved off unrest by co-opting the peasants' movements, truncating nascent revolutionary movements (Dunkerley, 1988: 553-554). A phased return to civilian rule and electoral democracy was negotiated between economic and political elites and military leaders between 1977 and 1981 (Sieder, 1996: 24-25). The path to democracy was defined by elite strategies to preclude upheaval and maintain privilege in the context of regional conflicts, while US involvement in Honduras effectively subordinated democratic government to the military until the 1990s (Rosenberg, 1988).

The continuity of old elite-based political parties under democracy sustained traditionalism and clientelism (Taylor-Robinson, 2013: 420) and did little to break with the history of poverty and inequality (Meza, 2014: 15). The Honduran two-party system, one of the longest-lasting in Latin America, prevailed until 2013. In seven democratic elections from 1981 to 2005, the existence of small political parties at the fringe of Congress did not threaten the preponderance of the two parties (Ajenjo Fresno, 2007: 167). The deep and often bitter rivalry between the National and Liberal parties was not matched by a marked ideological divide. The Liberal party, the 'natural' party of democracy, had links to trade unions and dominated this period, winning five of these elections. Historic links to the military damaged the National party's electoral fortunes, but it tended to be more internally coherent and aligned to neoliberal reforms, offering better efforts at state modernisation while in power (Salomón, 1997).

Electoral processes in Honduras were underpinned by the system of *chamba*, whereby the spoils of election – the power of appointment – are distributed as a reward for political support (Romero, 2010: 23). Re-election was prohibited in the 1981 Constitution, so each term in office is the only opportunity for each president to maximise their position. The entire public service tended to rotate with a change of government – even within the same party. Long in advance of elections, factions engaged in fierce and often bitter in-party rivalry to secure primacy over each party (Taylor, 1996: 331). This produced a near-permanent electoral cycle in Honduras that tended to diminish the power of incumbent presidents to introduce or implement policies, especially in the second half of their four-year terms. Circumscribing these dynamics is an implicit consensus of alternation of power and moderation while in power, that each party has a ‘turn’. Formally, this translated into arrangements governing the quotas of power within state institutions (Cuesta, 2007: 334-335), while facilitating massive corruption.

Studies of the concentration of economic power in Central America highlight the dynastic continuity and interconnectedness of a number of families in Honduran political and economic life. Although public information on elites is limited (Bull, 2014: 121-122), it is clear that change has happened: across the region and in Honduras economic elites, to varying degrees of success, effectively modernised in the context of a globalised economy (Meza et al., 2014). Business elites remained extremely important in influencing politics and electoral campaigns, through personal ambitions and extensive financing for different factions in the two parties. As a result, instead of mediating between state and society, the competition between the two main political parties was about mediating elite interests (Romero, 2010: 30). COHEP – the Honduran business association – has been a key forum for business groups since 1967, and is a major interlocutor with the government (Dunkerley, 1988: 58-59; Funes, 2010). From the 1980s, a USAID-financed think-tank, FIDE, has been important for fostering links with the United States, especially within the National party (Schneider, 2012: 18). The modernisation of economic elites from the 1990s did not threaten the stability of the political settlement: economic interests have consistently dominated the agenda and the implementation of reforms (Meza, 2014; Robinson, 2003: 124). A minimal set of agreements about how things are done – and how the spoils are shared – facilitated political stability over time, while actively inhibiting major reforms that would upset vested interests and/or foster the emergence of a viable opposition (Bull, 2014: 118; Torres-Rivas, 2010: 59).

The power of organised peasant and trade union movements to extract concessions from military and political elites in Honduras had diminished by the 1990s (Biekart, 2001). Nonetheless, powerful public sector trade unions, especially in the education sector, continued to be secure privileges. Wage demands and social security provisions were repeatedly met, by governments of both parties, tempering the unions’ potential to destabilise the political settlement. The consolidation of the traditional two-party system suited economic elites, perpetuating the instrumentalisation of civil society and precluding the growth of smaller parties (Sieder, 1996: 37). New civil society organisations proliferated under USAID support that promoted service delivery, while European NGOs and aid agencies offered support for activists around human rights (Biekart, 1999), but did little to threaten the consolidation of political power in the two-party system. The system of *chamba* sustained by the party machines effectively bought in clientelist support and reduced the role

of elections as a tool for censuring governments, even in the face of massive corruption. From the mid-1990s increasing migration to the US had other effects that sustained the political settlement. First, it acted as a valve against political unrest: those with the means to leave, left. As a result, the emergence of critical groups was curtailed as the most 'entrepreneurial' of the poor left. Second, the remittances sent back to Honduras were a source of significant foreign exchange earnings, stabilising the macroeconomy and acting as a cushion against poverty at the micro level (Sørensen, 2013: 52).

Migration and regional influences highlight how, in the Honduran case, the significance of the external context cannot be ignored. With the resolution of regional conflicts from 1990, the role of the US in mediating state and society was substituted by the international financial institutions (Vilas, 1996). The International Monetary Fund (IMF) and the World Bank became critical actors as gatekeepers of international finance, overseeing the introduction of 'Washington Consensus' reforms and influencing the nature of social provisioning (Hunt, 2013). Hurricane Mitch in 1998 caused an unprecedented national disaster, and intensified international attention and involvement in national policy-making (Martínez Franzioni, 2013: 98). The next section considers the impact of the disaster, and these international influences, on social policy and the political settlement.

3. International aid and social policy until 2006

Structural adjustment policies were introduced from 1990 and set the scene for international influences on social policy. President Callejas of the 'modernising right' faction of the National Party in Honduras negotiated a structural adjustment programme with the IMF and began an ambitious package of reforms for overhauling and modernising the institutions of the state (D'Ans, 1998: 289; PNUD, 2006: 82-83). Alongside economic reforms, the resources available for decentralisation and social policy increased throughout the 1990s, as a result of aid programmes. Through these channels, external actors were critical for pressuring for greater focus on social issues (Martínez Franzioni, 2013: 108), albeit within the constraints of the neoliberal orthodoxy. The Honduran Social Investment Fund (FHIS) and the first conditional cash transfer programme, PRAF, aimed at improving nutrition among the extremely poor, were created in 1990, in large part financed by the Inter-American Development Bank (IDB) (Cohen et al., 2006: 289).

Initially, reforms had limited impact on the political settlement. Some measures were opposed by more traditional factions within the ruling National party and by the Liberal party (Robinson, 2003: 128; Sieder, 1996: 30-31). Continued resistance from the politically powerful public sector unions to wage reductions, and the tendency for fiscal discipline to lapse with the electoral cycle, also undermined the programmes (IMF, 2008). Yet reforms continued to be implemented under Liberal Presidents Reina and Flores from 1994 and 1998, respectively; Flores also introduced statutes governing teachers' pay, temporarily settling on-going disputes (de Jong et al., 2008). While the effects of the economic crisis and austerity measures generated discontent, social mobilisation on these issues never challenged the control of the two-party system (Cuesta, 2007: 337; Robinson, 2003: 124). Broader reform of social sectors was not a priority, and was undermined by the clientelism prevalent in the health and education sectors. Social protection and rural development

programmes did little to enhance local governance, and instead were subsumed to centralised clientelist networks (Moore, 2008). Under austerity, macroeconomic stabilisation was achieved, but modest growth had limited impact on poverty or inequality (CEPAL, 2010).

Hurricane Mitch produced a dramatic shift in the scope and intensity of international influences, bringing a central focus on poverty and structural inequality. The storm hit in late October and beginning of November 1998, at the end of the first year in office for Liberal President Carlos Flores. The scale of the disaster, and the inability of the Honduran authorities to respond, or to manage the unprecedented international response, prompted coordination amongst donor agencies and organisations for reconstruction and transformation.¹ The focus was on supporting the Flores government to develop a national plan for reconstruction and development (PMRTN) in 1999 (Gobierno de Honduras). Although Honduras had high levels of external debt, it had not qualified for the second version of the Heavily Indebted Poor Countries Initiative (HIPC), due to high exports. In light of the disaster, an exception was made for Honduras and in 2000 a process began to develop a national Poverty Reduction Strategy (PRS) to channel debt relief towards poverty reduction (Seppänen, 2003: 37-38).

Aid levels increased dramatically, leading to a higher presence of donors in the country, with more resources and greater coordination (O'Neill, 2000). The Flores government came under significant pressure not only to focus on poverty, and to provide a space for civil society participation in these policy processes. The PRS process had a number of impacts on the state: it greatly enhanced its capacity in technical terms, and it re-introduced a planning function at the heart of government. The newly formed national planning unit, UNAT, linked to the Executive, led the process for developing statistics on poverty and devising strategies for combating poverty, within the constraints of the macroeconomic stabilisation programme. The focus on civil society participation also opened new channels of interaction between the government, state and civil society organisations on poverty issues (Hunt, 2012). UNAT made an honest attempt to facilitate genuine participation beyond party vehicles (Cuesta, 2003). Extensive and sustained civil society engagement with the processes reflected a broad public debate around poverty issues in the wake of Hurricane Mitch, and participation represented a high point in state-society engagement under democracy in Honduras.

International pressure on social issues, even of this scale, did not greatly penetrate elite attitudes to national development in Honduras. Although the PMRTN encompassed an ambitious societal project for transformation, in practice, the Flores government focused primarily on securing the resources for physical reconstruction.² Despite all the activity and resources attached to the subsequent PRS process, beyond technocrats there was little empathy with the emphasis on poverty reduction, or the association with aid (Booth et al., 2006). Many political leaders and business elites complained about being lumped in with

¹ The most prominent bilateral donors after Hurricane Mitch were the US, Sweden, Japan, Canada and Spain.

² Interviews with senior aid agency staff and government officials involved in the response to Mitch, January 2009, November 2014.

African countries and resented being labelled as poor, viewing this as detrimental to foreign investment.³ The PRS process was tolerated so long as it brought resources, but never captured the interest of the most powerful policy-makers in the state, and business elites were disinterested (Seppänen, 2003: 33).

The Honduran PRSP suffered from a number of weaknesses common across HIPC countries (Stewart and Wang, 2003). The strategy itself was conservative and tended to re-organise existing policies and programmes and aid programmes under a single matrix towards reaching the MDGs (Gobierno de Honduras, 2001). One commentator described it thus:

... [the PRSP] was a weak strategy and it covered too much. There was little new in terms of the content of projects, mostly it just brought together all the old things in a new container 'same monkey in a different dress'. Social policy and the means of managing it – even more than its content – remained the same.⁴

As a result, it did not overhaul the design of social policy, and new resources for poverty reduction only became available from 2005. Within government, the PRSP remained an enclave technocratic process, oriented around meeting the requirements of the international aid community, but it could not infiltrate relevant ministries to ensure implementation.

Ultimately, the ideas around the PRSP were not good for 'doing politics' within Honduras (Booth et al., 2006). Only under intense donor pressure did the candidates running for the presidential elections in 2001 pledge to continue with the strategy upon taking office (Cuesta, 2003: 31). The government of the new National Party, President Ricardo Maduro Joest, ignored the PRSP for the first year, and withdrawal from the HIPC process was even considered for a time. International pressures opposed this move: in 2002 a wage agreement with the teachers' union expired, leading to protracted strikes and problems for the government in managing the public wage bill and therefore in concluding an agreement with the IMF (Cuesta, 2005: 15, 20; Komives and Dijkstra, 2007: 32). From 2003, President Maduro attempted to improve relations with the IMF by continuing with the PRS agenda, and deepening efforts to reform the public service (de Jong et al., 2008: 5). New reforms precipitated protracted strikes by public sector unions (The Economist, 2003). In this context, Maduro's government felt that it was being castigated by the IMF for mistakes made by previous Liberal governments and that the National party was paying a political cost for imposing fiscal discipline and implementing reforms.⁵ Beyond this, this reformist, technocratic National party government did little to substantively change social policy design or implementation.

Alternative policy agendas connected with international influences had more purchase with elites in this period; and these tended to consolidate elite dominance (Cannon, 2013: 232). In parallel to the PRSP process, the negotiation of the Central American Free Trade Agreement (CAFTA) took place from 2002. CAFTA would establish the terms of trade with

³ Interview, economist, Tegucigalpa January 2009.

⁴ Interview political analyst; Tegucigalpa, January 2009.

⁵ Interviews with National Party members; Tegucigalpa, November 2014.

Honduras' major trading partner – and those of competing neighbours – over the following decades. Modest growth and the negotiation of trade agreements and investment in infrastructure consolidated the economic and political position of business interests in national public policy-making in Honduras (Cuesta, 2005: 10-11). Negotiations involved the national business leaders' council COHEP, Chambers of Commerce and an elite group of officials from the Ministries of Trade, Investment and Infrastructure. Stanford-educated Maduro was well placed to oversee this process, with support from key donors, including the World Bank, the Inter-American Development Bank as well as the United States. There was cross-party consensus around CAFTA, but other sectors of society were excluded and there was little information and no inclusion in the negotiating process (Condo et al., 2005).

Neoliberal ideas around poverty and social provisioning – as well as pressure to focus on the transformation of the state – remained subordinated to the business agenda of the Flores and Maduro governments, and the overarching influence of the US trade interests in the region. In a revised version of the PRSP produced in 2005, CAFTA and the associated funds from the US under the Millennium Challenge Account were included as the growth chapter (Hunt, 2004). This recipe of trade liberalisation and structural adjustment did not deliver transformation, which is evidence of the limited ability of elites to unify behind a project to transform state capacity, despite external pressure (Schneider, 2012). In terms of growth and diversification, Honduras continued to lag when compared to other countries in the region (World Bank, 2006). The export sector remained robust, but growth only began to rise by 2004 and poverty remained stubbornly high, demonstrating a minimal 'trickle-down' effect (Hunt, 2013). From the 2000s undocumented migration to the US became a striking feature of Honduran economy and society: by 2006 over 800,000 Hondurans were estimated to be working in the US. Remittances contributed 28 percent of GDP to the economy in 2006, worth USD332 per capita, equalling foreign investment flows and far exceeding aid (Sørensen, 2013: 52).

The focus on social provisioning did not threaten the political settlement. Increased social spending was financed almost wholly by debt cancellation, aid, and new debts: the tax system remained unreformed; and the ideas driving how to use these resources came from outside the country. In the months before he left office, President Maduro's government undid all of the technical and participatory efforts around the PRS process by launching a populist national consultation to 'ask the people' how to use the funds (Hunt, 2005), in an attempt to boost the National party's flagging electoral campaign. Meanwhile, participation in the PRS process, that had brought civil society actors and new spaces for engagement with the state beyond the party system, was effectively neutralised in the electoral process. In the 2005 elections, intra-elite competition followed routine patterns, and there was little threat from small parties, trade unions, new actors or other popular mobilisation (Ajenjo Fresno, 2007: 168).

In sum, the reform programmes promoted by the international financial institutions (IFIs) and international donors made little headway in procuring the deep institutional reforms – and the associated political negotiations – that would provide the base for more inclusive development in Honduras. Tax reform remained stubbornly off the agenda, while serious efforts to modernise the state apparatus were undermined by political dynamics. The political

settlement was fundamentally untouched by the production of the PRS or participation from civil society. Elites remained tolerant but suspicious of increased social spending and participation; in the end, both were consumed by clientelist dynamics in the 2005 elections. This demonstrates the ways in which national elites could 'cherry-pick' reforms and manipulate policy agendas and processes presented by external actors. Continued in-faction fighting within the traditional parties and the absence of cross-party dialogue on state modernisation or poverty issues produced an election in 2005 with relatively weak candidates who had little or no programmatic agenda beyond fighting crime. At this point, there was little obvious impetus for change, and the political settlement seemed robust.

4. The 'shift left' and the 2009 coup

After a year of unprecedented left-wing victories across Latin America, including the victory of Evo Morales in Bolivia (Cameron, 2009; Levitsky and Roberts, 2011) the election of the son of a wealthy landowner to the Presidency in Honduras in late 2005 only signalled that politics would continue more or less as normal. José Manuel 'Mel' Zelaya Rosales secured a narrow victory, running on a vague agenda of citizen participation. Zelaya was from old Liberal party stock, the son of a wealthy landowner in the province of Olancho, who had been imprisoned for his part in a peasant massacre in the 1970s. Within the Liberal party Zelaya had family connections, through marriage, to the party elite. Unusually for a Honduran president he had served as a minister, leading the social fund FHIS in the 1990s. As a result, he had travelled extensively throughout Honduras and was familiar with how social policy operated on the ground. He had generated a solid base of support at grassroots level and was popular with municipal mayors. Zelaya had also circulated among business elites, and served as president of COHEP in the late 1980s (Ortiz de Zárate, 2011). None of this indicated a subsequent leftwards turn in politics.

Zelaya's relatively weak base within the Liberal party meant that upon taking office he immediately struggled to control powerful factions within his own party in Congress, which were headed by rivals and thwarted presidential hopefuls, Roberto Micheletti Bain and Elvin Santos. In the ensuing *chamba* of allocation of posts in government, there was much confusion and little coherence months into the new government (Ruhl, 2010), which caused dismay among donors (Hunt, 2006). One of Zelaya's Ministers, Arístides Mejía, described how the Liberal party elites expected a "docile President, who would obey" (Comisión de la Verdad y la Reconciliación, 2011a: 29), but Zelaya was frustrated. In the face of opposition to his initial, often ad hoc, efforts to assert control over Congress, Zelaya was not disposed to respond to the dictates of the political system and the vested interests penetrating it. In power, Zelaya was characterised as outspoken, confrontational, charismatic, unpredictable and inconsistent in his ideas and personal relations.⁶ These traits combined with political dynamics meant that his term in office was disorganised and unpredictable from the outset. This rest of this section examines the role of international influences in political changes that

⁶ The profile written by outgoing US Ambassador Charles Ford to his successor, Hugo Llorens, in May 2008, revealed through Wikileaks, is particularly blunt on Zelaya's character. See: https://www.wikileaks.org/plusd/cables/08TEGUCIGALPA459_a.html Accessed 10 June 2011.

led to the coup in 2009 and considers the implications for social policy and the political settlement.

4.1 Alliance with Venezuela and social policy

Initially, the influence of the US remained robust: CAFTA was being implemented and compared to other donors the US retained a privileged position. Yet high international oil prices were a concern, and this made preferential terms from Venezuela through Petrocaribe⁷ extremely attractive. Historically, a national formula had been used in Honduras to set fuel prices, effectively securing a virtual monopoly over oil distribution in the country. Early in his term in office, Zelaya attempted to renegotiate the formula, bringing in international experts to advise a specially formed commission. The ensuing reaction from the Honduran subsidiaries that stored and distributed petrol sparked a major confrontation between the president and powerful economic elites. These dynamics set the scene for an initial encounter with Venezuelan President Hugo Chávez, which took place in July 2007 in neighbouring Nicaragua, where Zelaya attended events marking the anniversary of the Sandinista revolution with the recently elected President Daniel Ortega (Cunha Filho et al., 2013: 523). In defiance of the vested interests stacked against him – and to the chagrin of the US embassy – Zelaya brought Honduras into Petrocaribe by December of that year (Moreno, 2008).

Even though some of Zelaya's close circle of advisors came from the more progressive trends within the Liberal party, after a year in office there was little overhaul of public policies to indicate an underlying agenda or imminent change (Ajenjo Fresno, 2007: 177). Far from a shift to the left, joining Petrocaribe was an opportunistic alliance on the part of Zelaya, an attempt to expand his quota of power and gain the upper hand in his contest with elites. Policy switches of this sort are not unusual in Latin American politics, although this one is unusual in its increasingly right-to-left direction; significantly, the alliance with Chávez promised new resources (Cunha Filho et al., 2013: 532-533). The new alliance was initially pragmatic rather than ideological, and in part symptomatic of Zelaya's unpredictable style of leadership. But it was unprecedented in Honduras (Taylor-Robinson, 2009: 475) and so it fuelled conflicts with traditional elite interests.

Economic growth was rising in the context of a regional boom, and the recent conclusion of the HIPC process brought fiscal space for social spending. Just like his predecessor, Maduro, in 2002, Zelaya immediately proposed revising the PRSP, bringing in new experts and launching alternative participatory processes. As early as 2006 the technical revisions brought in some elements of innovative social policy that were influenced by experiences in Mexico and South America. In part these changes were influenced through the involvement of a consultant and former undersecretary at the Mexican social development ministry, Miguel Szelky, in the redrafting of the PRS.⁸

⁷ According to Ruhl (2010:99), 'under this arrangement, Venezuela allowed Honduras to finance 40 percent of its petroleum purchases at 1 percent interest for 25 years, which sharply reduced oil-import costs'.

⁸ Interview, political analyst, Tegucigalpa November 2014.

[Szelky and new left social policy ideas] were important for shaking things up and making people see that we could think differently and do things in a different way.⁹

Additional poverty funds were channelled into a new social assistance programme called Red Solidaria [the Solidarity Network] and had an impact on extreme rural poverty (Kay, 2011: 255). But most of the PRS funds were used to finance salary increases and current spending in social sectors, with a residual amount distributed to municipalities through the nascent decentralisation framework (de Jong et al., 2007: 22; Dijkstra and Komives, 2008: 56).

Beyond these technical changes, Zelaya dismantled the processes that donors had supported around the PRS. The prominent role for government technocrats, donors and civil society that had characterised the PRS in the Maduro era began to be overshadowed by a direct role for the president and the First Lady Xiomara Castro. Spending became centrally controlled and consultative fora were convened at the presidential palace, often with the participation of the president.¹⁰ Such direct participation also reduced the space and autonomy of new civil society actors that had been empowered in the aftermath of Hurricane Mitch and the PRSP, causing divisions. Deteriorating relations between President Zelaya and donors contributed to a decline in aid;¹¹ as a result, the PRS process was eclipsed and effectively dead by 2007 (de Jong et al., 2007: 50). In this respect, Zelaya contested the influence of the IFIs and traditional aid donors in social provisioning that had dominated over much of the previous decade.

Social policy changes had greater effects on vertical relations with society than directly on elite dynamics. Through social policy programmes, at best Zelaya was redistributing international resources received primarily from traditional aid and debt relief: the absence of tax changes meant that elites were almost wholly untouched:

Since the strategies did not propose a change in the way resources were captured, there was no change in tax policy, it remained the same: revenue through sales taxes, with many regressive elements – the elites were not touched. This was poverty reduction through redistribution of state resources coming from aid.¹²

So a focus on social spending in itself did not undermine the political settlement. However, increases in teachers' salaries bought Zelaya considerable support from the powerful trade unions in the education sector. Social spending increases caused political conflict in Congress from the outset (de Jong et al., 2007: 1-2), and it became increasingly important for Zelaya to cultivate support, vertically, circumventing the Liberal party channels. In so doing, Zelaya threatened the status quo by altering traditional forms of vertical relations. Stirring up social and economic expectations at local level further disturbed the channels of

⁹ Interview, member of Zelaya's Cabinet, Tegucigalpa, November 2014.

¹⁰ Interview, former member of Zelaya's cabinet, Tegucigalpa, November 2014.

¹¹ Many European aid donors, including the UK and Sweden, left Honduras in this period, due to greater focus on Africa and new war zones; as well as a degree of fatigue with the limited progress in the region.

¹² Interview with political analyst, Tegucigalpa, November 2014.

traditional clientelism (Martí i Puig, 2013: 246). At municipal level, interview respondents highlighted that there was an appetite for a president that arrived and spoke directly to the people, bypassing traditional clientelist channels and bringing resources. Viewing the progress that had been made in reducing poverty and meeting basic needs across many countries by left-wing governments in South America, made people think “why not here?”.¹³ In this sense, although the left-wing substance of Zelaya’s citizen participation agenda remained rather nebulous, it gained support over time.

4.2 Breaking the rules?

The political effects of the perceived shift to the left at national level were divisive among elites, as well as among progressive intellectuals and civil society organisations. Interview respondents described how the disorganised, chaotic approach to government provoked disquiet across the spectrum and Zelaya was constantly ridiculed in the hostile, elite-dominated media, viewed as an inept ‘clown’. But corruption and weak administration were not new to Honduran politics. Instead, Zelaya’s confrontational manner and flagrant abuse of institutional powers in confronting elites transgressed the bounds of acceptable behaviour. Rumours of a coup were circulating as early as 2007.

Elite opposition galvanised in 2008, when Zelaya moved to bring Honduras into the Venezuelan-led alternative regional trading bloc, ALBA,¹⁴ by manipulating his own Liberal party primary contest (Cunha Filho et al. 2013: 524). Elites were offended and outraged when Zelaya brought Chávez to Honduras, who then attacked them, and even the Cardinal Oscar Rodríguez, in a public address. Entering his final year in office, Zelaya had accumulated extraordinary levels of opposition from all powers of state: from both parties in Congress, including and especially his own; the Supreme Court; and the Electoral Tribunal (Taylor-Robinson, 2009: 482-486). Zelaya did not present a national budget to Congress at the end of 2008 and then cemented the opposition of media and business groups – especially COHEP – by unilaterally raising the minimum wage by 62 percent in January 2009.¹⁵ Unlike previous social policy measures, this economic policy measure directly attacked elite interests.

The conflict with elites broadened to encompass the institutional arrangements organising formal power in Honduras. Zelaya launched a belated – and disorganised – campaign to open discussions on reforming the political system to include citizen participation. In March 2009 Zelaya proposed to hold an initial consultation by popular vote in June on whether to have a referendum on establishing a constituent assembly. This referendum would take place alongside the elections for president, Congress and municipal mayors in November

¹³ Interviews with various analysts, Tegucigalpa, November 2014.

¹⁴ *Alianza Bolivariana para los Pueblos de Nuestra América* [Bolivarian Alliance for the Peoples of Our America]. According to members of Zelaya’s cabinet, resources pledged through ALBA amounted to around USD100m, primarily for housing and agricultural projects. At least USD50m had reached the Central Bank by the time of the political crisis in June 2009, but had not been spent. This highlights that new resources from Venezuela for social projects did not have a direct effect in creating political conflict. See, for example, <http://www.laprensa.hn/honduras/548101-97/honduras-aun-no-usa-prestamo-de-la-alba>

¹⁵ <http://archivo.laprensa.com.ni/archivo/2009/enero/21/noticias/ultimahora/307479.shtml>

(Cunha Filho et al., 2013). Interpreted in the media and among elites as a bid for re-election; political-institutional interests, including Supreme Court judges, the civil service, the state procurement agency and even the Human Rights Commissioner began to fall in line in opposition (Salomón, 2009). The Electoral Tribunal and the Supreme Court threw out the bid for the consultation, but Zelaya overrode the Court and ordered the military to carry out their Constitutional functions and to distribute the ballot boxes as planned by the end of June (Ruhl, 2010).

4.3 From breaking the rules to breaking the game

A direct conflict with the head of the armed forces, General Vasquez Velasquez, ensued, and the confrontation among elites transformed into a conflict between state powers (Salomón, 2009). Zelaya had cultivated support and close relations with military leaders through increased resources (Moreno 2011), but senior officers were concerned about violence and instability at the scheduled November 2009 elections (Comisión de la Verdad y la Reconciliación, 2011a: 79). Impeachment was seen as too messy, and Zelaya was viewed to be too unpredictable to negotiate with. In the early hours of Sunday 28 June 2009 Zelaya was arrested, taken from the presidential palace in his pyjamas, and bundled onto a flight to Costa Rica. In Congress, much of the Liberal party, National party militants and the two small parties in Congress voted in an extraordinary session to approve the ouster and instated the defeated Liberal primary candidate Micheletti as interim president.¹⁶

The ouster of Zelaya interrupted 28 years of democratic rule in Honduras and went against trends across the region. With only seven months left to run in his period in office, little support in politics, and ample grounds for impeachment under the constitution, explaining the coup is difficult, other than as an emotional, punitive reaction to the ways in which Zelaya 'broke the rules' of the game. Bringing Honduras into ALBA, and proposals for political reform were seen by elites as tantamount to installing communism, and powerful figures in the Liberal party believed that Zelaya would destroy the party. In a regional context marked by left-wing victories in neighbouring El Salvador and Guatemala that threatened right-wing interests, this was an extravagant expression of the holding power of elites:

They wanted to give an example of who rules in Honduras, and they involved the military and all sectors in a situation of coup d'état, and even they themselves did not fully measure the consequences [the coup] would produce. And, many of these... at this stage must really regret what happened, because this [coup] changed the panorama.¹⁷

Few of the arguments offered to defend the coup highlight issues around social provisioning, though Zelaya is painted as a dangerous populist, threatening law and order. Interview respondents highlighted how Zelaya squandered a golden opportunity for using abundant aid, debt cancellation and growth for transformation. Yet it is difficult in retrospect to apportion all of the blame to Zelaya: even had he wanted to carry out the big reforms that were needed – such as tackling the ailing state-owned energy and telecommunications industries and the deeply corrupt health system – Zelaya had even less support to navigate

¹⁶ <http://www.theguardian.com/world/2009/jun/29/honduras-coup-zelaya>

¹⁷ Interview, economist; Tegucigalpa, November 2014.

the prevailing clientelism and corruption than his predecessor Maduro. The lack of support among economic elites would seem to be an underlying cause of disorganised governance under Zelaya, in addition to his own personality. The manipulation of social policy and social protection programmes for political purposes is commonplace in Honduras, and it was easier for Zelaya to accomplish in a context of relatively plentiful external resources. Mediated by Zelaya, new external ideas and the prospect of resources contributed to disruption among the ruling coalition and the prevailing rules of the game. The weakness of formal institutions for resolving conflicts among elites magnified the effects, and escalated these dynamics into a coup. The actions of those who brought about the coup finally broke with all of the norms of civilised accommodation, dating from the 1950s, and undermined their credibility as either the defenders of democracy or of the people.

The unprecedented backlash from society, culminating in a march of over 100,000 people in September 2009, demonstrated that people were not satisfied with the actions of their elites in the ouster of the democratically elected leader (Spalding, 2013: 274). The coup galvanised popular support for Zelaya, boosting his popularity immeasurably, while polarising society. In this respect the coup revealed the extent of latent activism and organisation at local level (Cannon and Hume, 2012a: 1052) that had been subsumed and suppressed by the strength of the clientelist, bipartisan political settlement. Left-leaning activists and intellectuals saw this irruption as just one further element in a long, deep, slow moving process of social change in Honduras (Cálix Rodríguez, 2010: 36). Far from simple instrumentalisation of the poor, social mobilisation against the elite-sponsored coup demonstrates that the ideas of the new left – and of democracy – had effects beyond conditioning calculations of elite behaviour (Cunha Filho et al., 2013: 535; Pirker and Nuñez, 2010). It also highlights the centrality of state-society relations beyond elite negotiations, and their importance for the formation and consolidation of a new political settlement.

4.4 International reactions

International influences shaped the trajectory of the crisis, influencing calculations on both sides, reflecting political divides across Latin America and weaknesses in the Organisation of American States (OAS). The elites behind the coup were initially stunned to find their diplomatic efforts rebuffed, and Zelaya addressed the United Nations in New York. Honduras was expelled from the OAS on 4 July 2009 and all international aid support and lending was suspended (Ruhl, 2010). Buoyed up by international and domestic support, Zelaya did not fade away in exile; he turned up at the Brazilian embassy in Tegucigalpa in late September, giving a new impetus to political tensions.¹⁸ These actions and broader solidarity gave momentum to the nascent resistance movement, making it more difficult to broker a deal (The Economist, 2009). At the same time, the ambivalence of the US impeded concerted action by the OAS, and implicitly gave support to the elites behind the coup. The November 2009 elections proceeded, despite the lack of formal international recognition (Perla et al., 2013: 316-317). Revelations that the US Embassy did in fact consider the ouster to be a

¹⁸ <http://www.theguardian.com/world/2009/sep/21/manuel-zelaya-honduras>

coup demonstrated the politicisation of the crisis at regional level.¹⁹ After months of negotiations, the pro-coup elites weathered the storm and managed to avoid the ouster of Micheletti, the reinstatement of Zelaya, or negotiations with the resistance that would involve compromise (Comisión de la Verdad y la Reconciliación, 2011b: 259). At this juncture, it appeared that elites had prevailed by removing Zelaya as a force in politics, thanks to the coherence of right-wing forces in the region (Cannon, 2013: 226), and to their own holding power and ability to absorb the immediate political and economic costs of the coup.

In sum, new external ideas about social policy and poverty reduction did have an effect on elite ideas and policies, and the electoral success of left-wing parties in neighbouring countries affected elite calculations. Zelaya rose to power playing the game of Honduran politics, but once in the presidency, he was not content to be a puppet to elite interests. Zelaya instrumentalised a left-wing discourse in his ad hoc and evolving confrontations with economic and then political elites, 'breaking the rules' of Honduran politics. New ideas and a focus on social policy did not directly challenge the prevailing political settlement, and economic interests remained largely intact. Courting support beyond traditional channels, bringing Honduras into ALBA, and the late move to promote political change were critical in changing elite calculations. But it was the ouster of Zelaya that fundamentally changed the game, breaking the norms of elite politics and unravelling the political settlement. The informal structures for resolving horizontal disputes among elites disintegrated, and this provoked a crisis in formal democratic institutions. Throughout this period, international influences were critical in conditioning elite actions – even extreme ones – and the calculations were not always correct.

5. The 2013 elections and prospects for inclusive development

5.1 Political settlement after the coup

The holding power of right-wing forces and thinking in Honduras was revealed by the coup, and elite domination of politics has continued since 2009. The Cartagena Accord in 2011 brought retrospective international recognition of the 2009 elections and of the elite-brokered and -dominated return to existing political arrangements (Cannon and Hume, 2012b: 56). In interviews, elites tended to describe the coup and the subsequent mobilisation as an 'aberration', caused by the conjunction of Zelaya's personality and regional political economy factors, and argued that normal politics would soon resume. But a political settlements analysis belies a straightforward return to the status quo: there is not yet a clear consensus among elites on how to reset the informal rules of political competition and power-sharing. Moreover, democratic institutions remain seriously damaged, undermining legitimacy and the infrastructural power of the state.

Common to elite-centred analyses is the assumption that the two-party system will eventually re-form and provide stability. But the coup brought about the near demise of the two-party system. The Liberal claim to be the 'natural' party of democracy has been shattered: all but guaranteed to win the elections before the coup, the National Party won the

¹⁹ Wikileaks link: <http://www.nytimes.com/interactive/2010/11/28/world/20101128-cables-viewer.html?hp#report/cables-09TEGUCIGALPA645>

2009 elections.²⁰ The leader of the new National Party government, Porfirio ‘Pepe’ Lobo, was viewed as a ‘lame duck’ president, and faced on-going challenges to his authority from within his own party, economic elites and from the elite-dominated media, undermining efforts to deal with economic and security challenges (Irías, 2012: 22; Sosa Iglesias, 2014: 208). All of this reflects on-going uncertainty about the new cleavages in Honduran politics. From 2011, Zelaya’s new political party, Libre, which selected his wife, Xiomara Castro, as its presidential candidate, led in the polls right up to the 2013 elections. Though defeated by the National Party candidate, Juan Orlando Hernández, in the presidential race, Libre took 37 seats in Congress – more than the Liberal party. Another ‘outsider’ running on an anti-corruption platform, Salvador Nasralla, ate into the National party majority. In these respects, four years after the coup, the 2013 elections broke with all precedent and two-party dominance.

New elite strategies to reassert ‘holding power’ have taken shape amidst the uncertainty. Breaking with clientelist conventions, after a number of showdowns with teacher protests, by 2012 Lobo’s serious, if selective, efforts to tackle corruption in the sector had an impact and the teachers’ unions’ powers of appointment were revoked (Moreno, 2012). This undermined the most organised sector of the resistance, removing a strong instrument of direct contestation for the new opposition from Honduran politics (Irías, 2012: 29). The use of force to deal with local protests against land policies, mining operations and education reform has resulted in the criminalisation of dissent (Sosa Iglesias, 2014: 212-213). Alongside this, assassinations of activists and journalists have steadily increased since 2009, amidst a generalised increase in violence and the militarisation of security and society.

At municipal level, especially in rural areas, the traditional parties – both Liberal and National – dominated in the 2013 elections, suggesting that the new contestation in national politics has not decisively disrupted the grassroots of the clientelist political system (Meléndez, 2013; Sosa Iglesias, 2014: 218). Social policy has been relegated to a future goal: major social programmes such as FHIS and PRAF continue to operate, but funding has been cut. Financed primarily by multilateral aid, Zelaya’s CCT was refashioned in 2010 as the Bono 10,000, targeted at distributing cash to the 10,000 poorest families.²¹ In effect, the National party appropriated this clientelist channel to win back support from the poorest at local level, undermining the vertical support for the resistance movement (Moreno, 2014).

Recent moves by the National Party to facilitate re-election point to the consolidation of elite control of institutional arrangements. Yet the sustained ways in which vertical relations have been managed since 2009 – with repression, absence of negotiation and attacks on the opposition – highlight the precarious support base of the ruling elites and the increasingly frail institutional arrangements. The irruption of social mobilisation and the emergence of new political parties that challenge the bipartisan tradition are evidence of deeper changes.

²⁰ Amidst all the drama and uncertainty – perhaps holding out for a different outcome – the nascent resistance movement made the disastrous decision not to contest the 2009 elections, effectively handing the election to the National party.

²¹ See <http://bonodiezml.blogspot.co.uk/p/que-es-el-bono-10-mil.html> and <http://www.iadb.org/en/news/news-releases/2012-06-15/honduras-conditional-cash-transfers,10024.html>

There are few guarantees: new forces failed to capture political power at the 2013 elections. Still, an eventual acquiescence to traditional political norms and deference to elite privilege seems unlikely.²² What is missing from this analysis is greater consideration of the impact of regional changes, and changes in elite dynamics, on society, and in turn how societal pressures impact on elites. Specifically, a deeper analysis of the underlying nature and evolution of civil society and social movements in Honduras is needed (Hunt, forthcoming 2015).

5.2 Political settlement: concluding remarks

The case of Honduras before 2006 demonstrates that a narrow, elite-dominated settlement can be very stable when there is elite consensus around the way politics should be conducted. Tacit agreement not to disturb the economic power accruing to different elite groups produced slow, incremental changes in economic and social policy, and weak implementation of reforms. Since the early 1990s, the prevailing neoliberal orthodoxy had allowed elites to essentially 'cherry-pick' pro-business reforms that furthered elite interests, and even the PRS was subordinated to clientelist dynamics. This demonstrated the elites' scant regard for the demands of subordinate groups, and aid was used as another means of accommodating vertical relations. But a political settlements analysis also highlights that the narrow base of the ruling coalition and the virtual exclusion of subordinate groups, alongside the absence of a national project beyond preserving factional interests, resulted in fragility in institutional arrangements.

The emergence of an alternative 'offer' of international cooperation from the left-wing government of Venezuela altered the dynamics of intra-elite competition, and elite-mass interactions, and provided the context for Zelaya to break the informal rules governing power in Honduras. In this respect, the 'diffusion effect' of the new Left in the broader region (Arditi, 2008; Levitsky and Roberts, 2011) was significant in Honduras, even in the absence of a clear electoral shift. Informal institutions were unable to channel and resolve the escalating tensions, quickly destabilising formal democratic institutions – and state capacity. In this way, a political settlements analysis goes beyond a simplistic reading of a reversal of democracy towards authoritarianism, and instead reveals the contingent horizontal and vertical dynamics.

The unravelling of the political settlement reversed all of the tentative gains of the post-Mitch era towards inclusive development in terms of growth, poverty reduction and debt cancellation. Amidst pronounced economic crisis and growing and alarming levels of violence and insecurity, attention on and capacity for social policy issues has diminished, representing a cost imposed on society by the elite coup. Intense political polarisation has extended and compounded these effects, undermining the role and capacity of the state. What remains is a residual focus on accommodation of the poor. Almost six years after the coup in 2009, external influences continue to be important, but strong alternatives are absent. The relative decline of the radical Left in Latin American regional politics is matched

²² The non-partisan *antorchas* [torchlight] protests that began in May 2015 are evidence of changing perceptions. See <http://blogs.elpais.com/3500-millones/2015/07/honduras-marcha-contra-la-impunidad-del-gobierno.html>

by the reluctance of external actors, such as the United States and other donors, to directly intervene to tackle the multiple crises in Honduras or to promote a stronger focus on inclusive development. This leaves considerable room for manoeuvre for the current president to consolidate his chosen mix of militarised security policies, centralised political control and austerity policies to deal with the economic crisis. Given this, negotiations among elites – as well as the limits to holding power in the face of social mobilisation for change, and diminishing state capacity to deal with violence – will determine the political viability of the emerging elite consensus.

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