



ASPEN NETWORK  
OF DEVELOPMENT  
ENTREPRENEURS

 aspen institute

Central America  
and Mexico Chapter

ENTREPRENEURIAL  
ECOSYSTEM SNAPSHOT

# Rural Honduras



May 2021

# About Ande

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs create jobs, stimulate long-term economic growth, and produce environmental and social benefits.

As the leading global voice of the SGB sector, ANDE believes that SGBs are a powerful, yet underleveraged tool in addressing social and environmental challenges. Since 2009, we have grown into a trusted network of nearly 300 collaborative members that operate in nearly every developing economy. ANDE grows the body of knowledge, mobilizes resources, and connects the institutions that support the small business entrepreneurs who build inclusive prosperity in the developing world. ANDE is part of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.

ANDE's Central America and Mexico chapter, with offices in Mexico City and Guatemala City, launched in 2010 with the aim of creating a platform that supports all stakeholders in the local SGB ecosystem through training, knowledge sharing, facilitating introductions, and fostering collaboration.

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### **About Philanthropy at Walmart**

Walmart Inc. provides affordable food and household products to hundreds of millions of people each week in over a dozen countries, employs more than 2.2 million associates and does business with thousands of suppliers who, in turn, employ millions of people. Walmart.org comprises the philanthropic efforts of Walmart Inc. and the Walmart Foundation. Our philanthropic strategies aim to accelerate progress on societal issues and contribute to lasting, systemic transformation in ways that complement and expand the societal impact of Walmart Inc. business initiatives. Our priorities include advancing racial and gender equity; increasing economic opportunity for workers in retail and product supply chains; enhancing social and environmental sustainability of product supply chains; and strengthening the resilience of communities (including through hunger relief and disaster response). Our philanthropic efforts are organized into discrete portfolios such as Market Access for Smallholders and Entrepreneurs, Racial Equity, Retail Opportunity, Nature and Healthier Food for All, to name a few. Each portfolio has a strategy grounded in a theory of change and core learning questions developed with others including the people we seek to empower and support (e.g., smallholder farmers); grantees, who have deep experience, capabilities and insights to contribute; and other experts. We activate our theories of change through strategic grants, convening, advocacy, development of communities of practice, in-kind donations, evaluation and learning from grantees and others. We encourage collaboration among grantees as well as other public and private sector stakeholders; we continuously refresh our portfolio strategies based on their experiences and insights. To learn more, visit [www.walmart.org](http://www.walmart.org) or connect on Twitter [@Walmartorg](https://twitter.com/Walmartorg).



# Table of Contents

ABOUT THIS REPORT	4
ABOUT RURAL HONDURAS	5
ECOSYSTEM DATA	6
INSIGHTS AND IMPLICATIONS	20

# About this Report

ANDE's Entrepreneurial Ecosystem Snapshots are designed to collect basic information about the support available for Micro, Small and Medium Enterprises (MSMEs) in a specific city or country. This information acts as a census of the local actors and represents a specific moment in time. ANDE's Entrepreneurial Ecosystem Snapshot methodology is practitioner-focused; research is primarily conducted by local teams who engage practitioners throughout the process.

For those who are interested in the rural Honduras entrepreneurial ecosystem, here are some ways you might use this snapshot:

- 1/ Understand what gaps exist in the support available to entrepreneurs in the ecosystem (noting that this is not an exhaustive list of actors in the ecosystem).**
- 2/ Create connections with other actors in the ecosystem that have similar goals/missions.**
- 3/ Use it as a tool to have conversations and collaborate with other players in the ecosystem.**

Although we have added context to the data, readers may be able to extract other insights using the data available on the snapshot website. We hope that this will act as both a marker of the ecosystem at this particular time as well as a starting point for ecosystem actors, facilitated by a common knowledge base.



# About Rural Honduras

Honduras is Central America's second-largest country, with a population of more than 9.2 million and one of the highest economic growth rates in the region. However, despite this strong economic positioning, it is one of the poorest Latin American countries,<sup>1</sup> with the third lowest per capita income in Latin America.<sup>2</sup> The country faces many challenges, including high inequality, high exposure to extreme climate change effects, and amplified levels of violence within its borders.<sup>3</sup> As a result, nearly half of its population (48%) lived below the poverty line in 2018.<sup>4</sup>

Notably, the majority of the impoverished population reside in rural areas.<sup>5</sup> Urban areas benefit from the employment generated from the construction and manufacturing industries, while the rural areas lag in development, widening the already significant income gap within the country.<sup>6</sup> Based on these trends, it is not surprising that the rural population is shrinking: according to World Bank data, the rural population has been steadily declining since 1960, from 77% of Hondurans living in rural areas to 42% in 2019.<sup>7</sup> These rural areas face even more challenges than the aforementioned country-wide challenges, including lack of access to credit and financing and limited infrastructure.<sup>8</sup> This report focuses on these areas considered rural, and therefore our sample and surveys include only people and organizations which reside or serve in:

- 1/ Villages, hamlets, or farms.
- 2/ Settlements/towns in which 50% or less of households have lighting, electricity, and piped water in their home.
- 3/ Settlements/towns that lack land communication routes (roads) or regular air or maritime service, primary level schools (6 grades), and mail service.

This scope was established by ANDE by taking into account definitions used by the governments of Guatemala, El Salvador, and Honduras, the Economic Commission of Latin America and the Caribbean (ECLAC in its acronym in English), and other international sources.

Entrepreneurship is often touted as a solution to many economic and social development challenges that developing countries face. While Honduras lags in some key areas, including entrepreneurial attitudes, abilities, and aspirations,<sup>9</sup> there is a dynamic entrepreneurial ecosystem developing to help existing MSMEs thrive and support the development of new ventures. This report aims to take stock of the current support mechanisms directed toward entrepreneurs in rural areas in Honduras. The following sections offer insights based on data collected from organizations that support entrepreneurs in rural areas of the country.

1 [Poverty & Equity Brief: Honduras](#). The World Bank. April 2020.

2 [Promoting Growth, Fostering Inclusion, and Building Local Capacities in Honduras](#). The World Bank. April 2020.

3 [The World Bank in Honduras: Overview](#). The World Bank. Accessed March 2021.

4 *Ibid.*

5 *Ibid.*

6 *Ibid.*

7 [Rural population \(% of total population\)– Honduras](#). The World Bank. Accessed March 2021.

8 [The Outlook of Poverty in Honduras](#). The Borgen Project. Accessed March 2021.

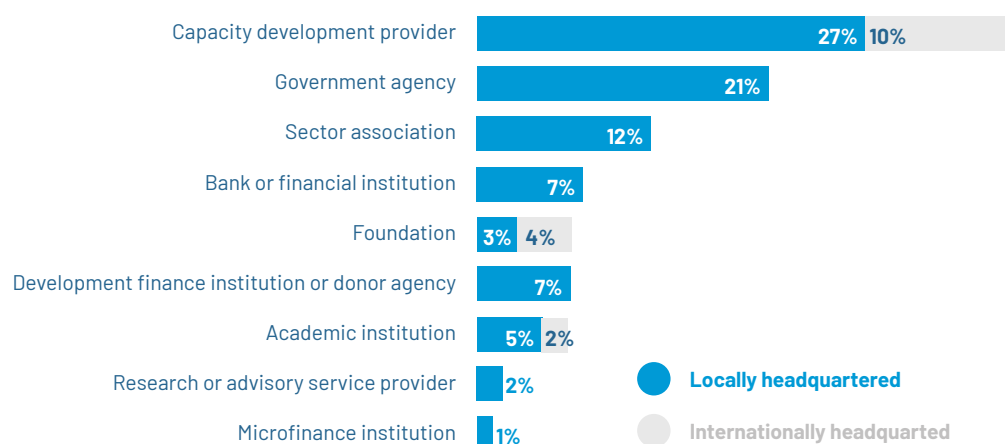
9 Data from the [Global Entrepreneurship and Development Institute](#) (GEDi).

# Ecosystem Data

## Characterization of Support Organizations

Between August and October 2020, ANDE collected data from 107 organizations currently supporting entrepreneurs in rural areas of Honduras. Of these support organizations, 84% are headquartered in Honduras, 6% are based in the United States, and the remaining 10% are based in other countries. Capacity development providers represent the largest portion of the sample (37%), followed by government agencies (21%) and sector associations (12%). We were unable to identify any investors, corporations or corporate foundations, or media organizations that provide specific support to rural Honduran entrepreneurs.

Figure 1: Organization type by headquarters location



N=107

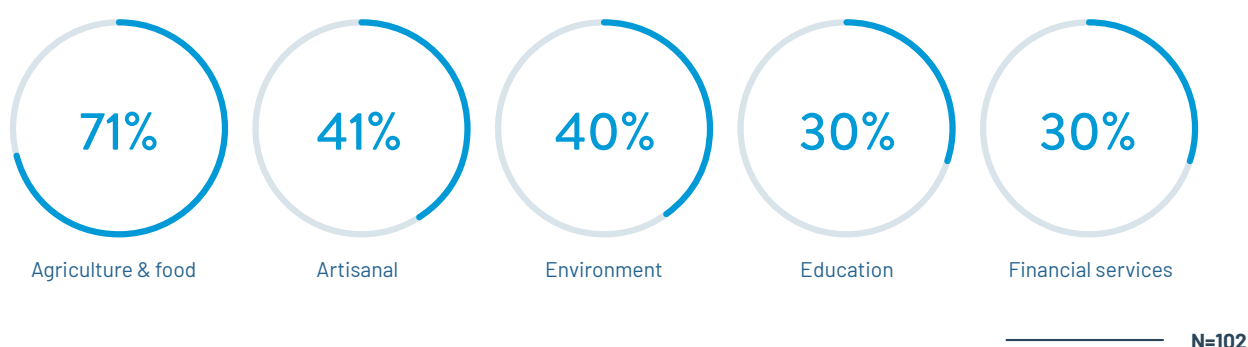
A notable aspect of the rural Honduran ecosystem is the significant number of government programs or government-supported initiatives, such as the Centers for Enterprise Development (*Centros de Desarrollo Empresarial*), engaged in rural areas. Municipalities and mayoralties (*alcaldías* and *mancomunidades*) also commonly partner either with each other (across domestic geographies) or with foreign entities in an effort to better deliver services.<sup>10</sup> It is important to note that several of these quasi-governmental or government-sponsored institutions do not self-identify as a government agency, but rather mostly as capacity development providers. Most of these organizations in our sample were established recently (after 2014).

<sup>10</sup> See Article 20 of the [National Decree Number 134-90](#), which allows municipalities to associate with national and foreign entities for the better fulfillment of their objectives.

# Ecosystem Data

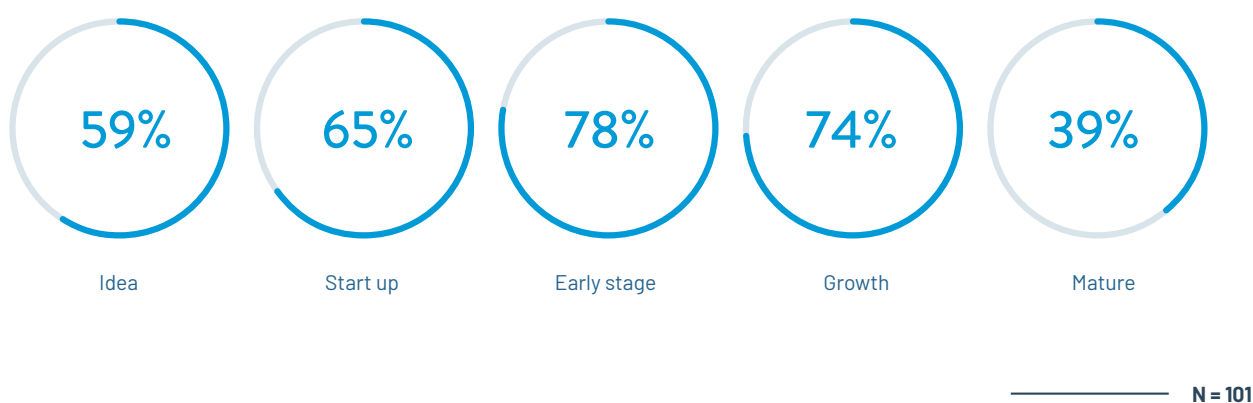
Most organizations supporting entrepreneurs in rural Honduras focus on the agriculture sector, reflective of the fact that in 2020 nearly a third of the labor force in Honduras was employed or active in the agriculture sector.<sup>11</sup> The artisanal, environment, education, and financial services sectors are also a common focus of support organizations, while the least common are energy, transportation, logistics, and infrastructure.

Figure 2: Percent of organizations by target sector



Organizations supporting rural entrepreneurs in Honduras tend to be stage agnostic. Most support businesses in the early (78%) or growth stage (74%), while only 39% support mature ventures. Over half of organizations (59%) also support businesses in the idea stage, and 65% support start-ups.

Figure 3: Percent of organizations by target stage



<sup>11</sup> [Employment by economic sector in Honduras](#). Statista. Accessed April 2021.

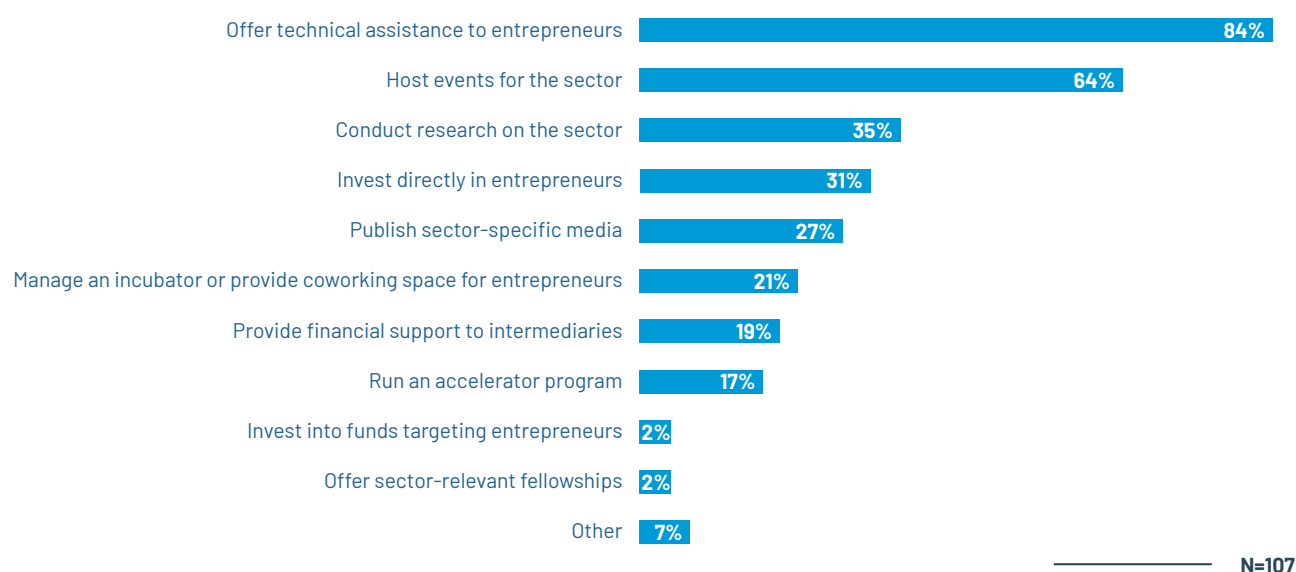


# Ecosystem Data

## Services Offered

Most support organizations working in rural Honduras provide technical assistance, capacity building, or other non-financial services directly to entrepreneurs (84%), and over half (64%) host events for entrepreneurs or intermediaries, including market events to sell products. Fewer organizations provide financing, with roughly 30% providing direct funding to businesses, around 20% providing funds to intermediaries, and 2% investing into funds targeted toward rural entrepreneurs. As we were unable to identify investors for this study, these funds are being provided by other actors, mostly capacity development providers and government agencies. Other organizations are also stepping in to publish sector-specific media in the absence of media organizations being represented in the sample.

Figure 4: Percent of organizations that offer service



Pre-pandemic, most organizations (68%) delivered their services through a hybrid model that included both in-person and online or remote services, with only 14% delivering their services solely through an online platform. Honduras is considered a laggard in terms of digital entrepreneurship according to the Global Entrepreneurship and Development Institute's (GEDI) 2020 Digital Platform Economy Index, which places the country's digital platform-based economy in the lowest tier.<sup>12</sup> Since the pandemic, over 75% of organizations that participated in this study have had to adjust their delivery methods, so it will be interesting to track how reliance on digital infrastructure may develop in the coming months and years as a result. This also presents an opportunity for support organizations to partner with some private corporations to improve the digital connectivity of rural Honduras, taking note from a 2012 project in Nicaragua. Through this project, the World Bank partnered with a local telecommunications provider to expand broadband capabilities to nearly all municipalities in the country, an expansion into rural areas.<sup>13</sup>

<sup>12</sup> Acs, Z. et al. [The Digital Platform Economy Index 2020](#). The Global Entrepreneurship and Development Institute. 2020.

<sup>13</sup> Muenste-Kunigami, A. [Extending Telecommunications Services in Rural Nicaragua](#). World Bank. 2012.

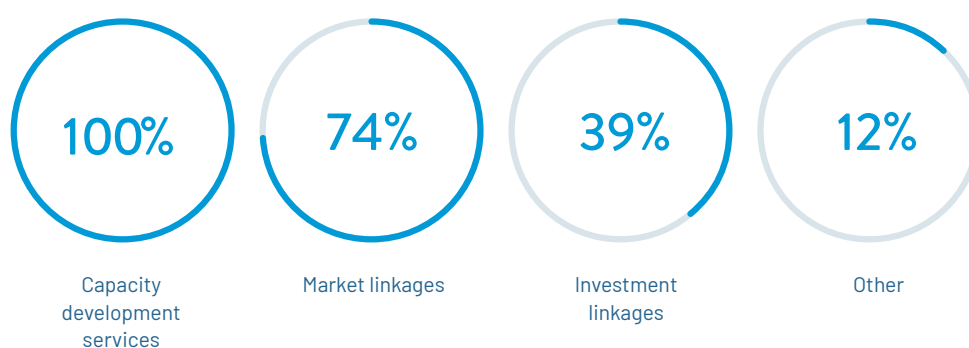


# Ecosystem Data

## Nonfinancial Support Services

Of the 85 organizations that provide non-financial services to rural entrepreneurs in Honduras, all offer capacity development support and around three-quarters provide market linkages. Less than 50% provide investment linkages, likely reflecting a lack of available financing options given the limited number of investors in this sample.

Figure 5: Percent of organizations by nonfinancial support service type



N = 85

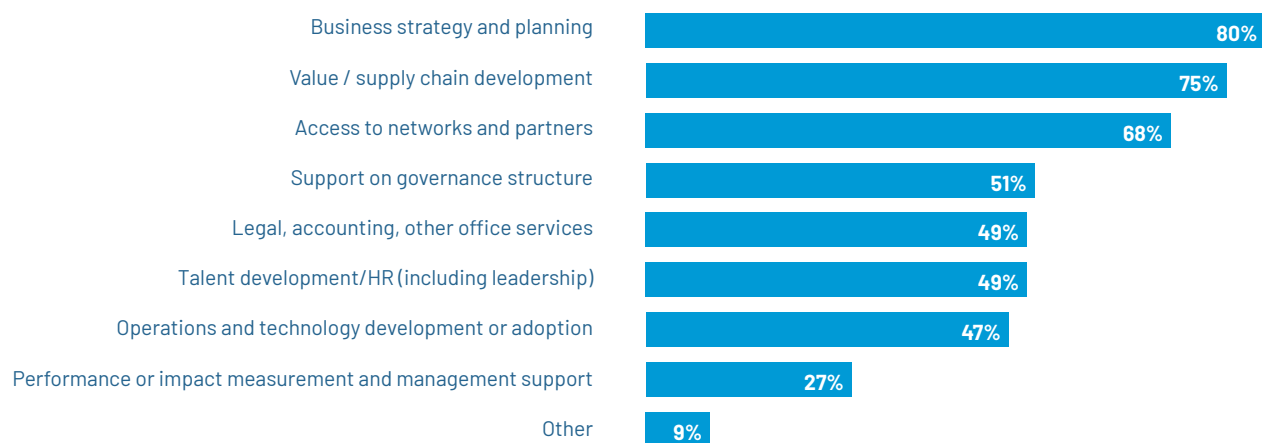
## Capacity Development Services

The most common capacity development services provided to entrepreneurs in rural Honduras are business strategy and planning, supply and value chain development, and access to networks and partners. Around half of organizations focus on supporting administrative processes such as internal governance, legal requirements, accounting, talent development, operations, and technological development. Given that many entrepreneurs are working in the agriculture/food sector, integrating into larger value chains is necessary to expand businesses and generate larger revenues. As part of the government's 2020 plan, certain agriculture-based value chains, including livestock, cocoa, avocado, soy, black and red beans, cashews, vegetables, pitahaya, tilapia, coconut and agroforestry initiatives, and coffee, were identified for their job and income generation potential in rural communities.<sup>14</sup> However, with the significant supply chain disruption caused by COVID-19, it is unclear how these expectations will be realized.

<sup>14</sup> Integrating Innovation for Rural Competitiveness in Honduras. The World Bank. 2020.

# Ecosystem Data

Figure 6: Percent of organizations by capacity development services offered



N = 81

## Market Linkage Services

Among the 62 organizations that provide market linkage services to rural entrepreneurs in Honduras, most focus on access to new markets/customers and meeting product standards. The latter is crucial for entrepreneurs seeking to enter new markets and integrate their goods or services into larger value chains, particularly those working in agricultural production. The partnership between *La Colonia* and *Consorcio Agrocomercial* is an example of the power of market linkages for small business growth, as their effort to incorporate rural farmers into larger food delivery systems has allowed around 800 farmers to join the domestic supermarket value chain since 2011.<sup>15</sup> However, this effort has not been without challenges, as the inability of farmers to meet strict requirements of formal markets continues to be a barrier.<sup>16</sup>

Access to infrastructure and transportation was identified by stakeholders as a significant challenge for the rural Honduras ecosystem, yet services helping entrepreneurs address these challenges are uncommon. There have been some recent efforts to fill this gap; for example, a World Bank project was completed in 2016 that expanded sanitation, water, and electrification infrastructure and improved over 400 miles (640 km) of roadways in rural Honduras.<sup>17</sup> However, there is still much to be done, as infrastructure improvements have been relatively incremental, based on available data.<sup>18</sup>

<sup>15</sup> [Inclusive trade between rural and urban areas in Honduras](#). Rikolto Worldwide. 2020.

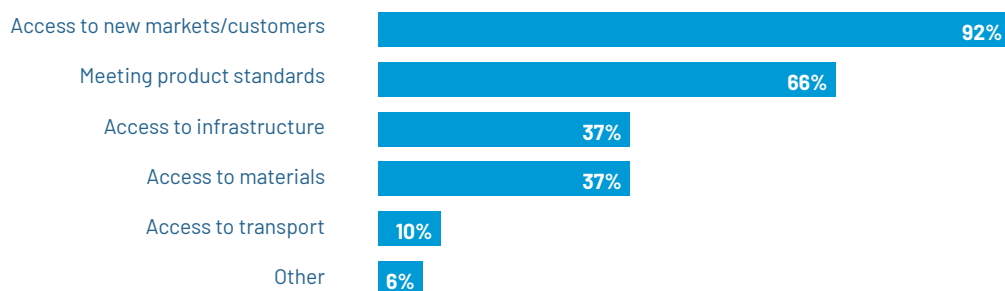
<sup>16</sup> *Ibid.*

<sup>17</sup> [Successful Development Projects in Honduras](#). *The Borgen Project*. Accessed March 2021.

<sup>18</sup> The percent of roads paved has increased from 20.4% in 2001 to approximately 23% in 2012. This data is slightly outdated, but limited sources exist offering more recent information. (sources: [2001 data](#); [2012 data](#))

# Ecosystem Data

Figure 7: Percent of organizations by market linkage services offered

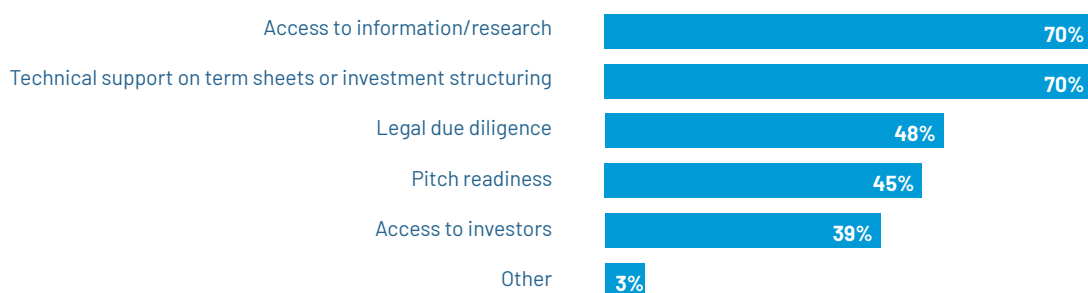


N = 62

## Investment Linkage Services

Roughly one-third of nonfinancial service providers offer investment linkage services, mostly focusing on providing access to relevant information and research and supporting entrepreneurs in preparing term sheets or structuring investments. Although investment services are scarce, according to key stakeholders it is not the ecosystem's largest pain-point, as many believe that most rural businesses are not prepared for investment anyway. Potential reasons for this include "low levels of producer competitiveness"<sup>19</sup> driven by lack of diversification in product offering, lack of innovation, and small individual actors.<sup>20</sup> As a result of this perception that businesses are not ready for investment, few organizations focus on making these connections.

Figure 8: Percent of organizations by investment linkage services offered



N = 33

<sup>19</sup> Comprehensive Rural Development and Productivity Project. Germany Trade & Investment. 2020.

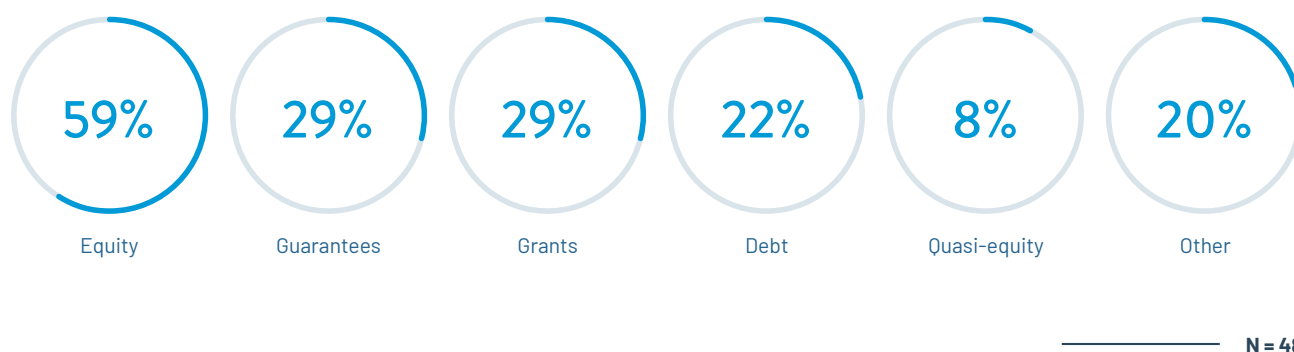
<sup>20</sup> Ibid.

# Ecosystem Data

## Financial Services

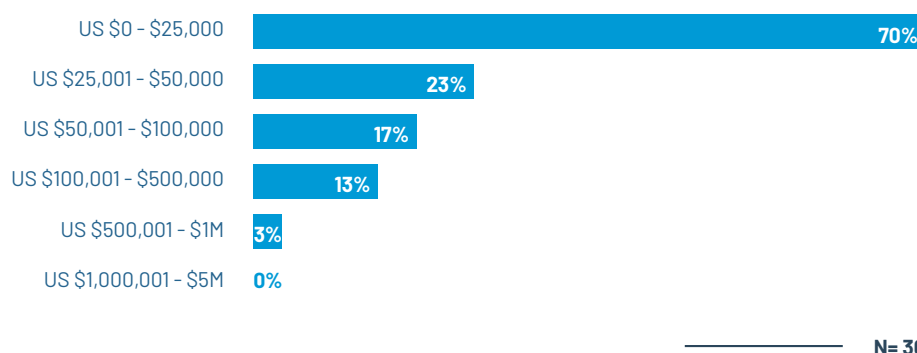
About 45% of respondents provide some sort of financing to entrepreneurs, most commonly in the form of equity. This finding was unexpected, as prior ANDE research on impact investing deals in Latin America found that over 98% of deals made in 2018-2019 in Central America were in the form of debt.<sup>21</sup> Sources of equity capital in this sample include capacity development organizations and government agencies (or government sponsored/ supported agencies). No traditional investors participated in this study, as previously noted.

Figure 9: Percent of organizations by financing instruments used



Fewer organizations provide financing in the form of guarantees, grants, debt, or quasi-equity. Instruments labeled "other" include community funds, in-kind donations, and asset investments. Ticket sizes tend toward the lower end, with 70% of financial support organizations offering investment below US \$25,000. No organizations provide funding above US \$1 million.

Figure 10: Percent of organizations by investment ticket size



21

Hume, et al. [Impact Investing in Latin America: Central America Spotlight](#). Aspen Network of Development Entrepreneurs. 2020.

# Ecosystem Data

## Impact

The majority (75%) of organizations in this sample align their support work with the United Nations' Sustainable Development Goals (SDGs). The specific goals that respondents most often cited as representative of their missions include SDG 1: No Poverty, SDG 5: Gender Equality, and SDG 8: Decent Work and Economic Growth. Organizations likely prioritize these social and economic goals as the country continues to struggle with high levels of inequality, poverty, and violence. Very few organizations identified environmental goals as being representative of their mission.

Figure 11: Percent of organizations that align with the UN Sustainable Goals<sup>22</sup>



N = 78

<sup>22</sup> Respondents were asked to select up to three goals that best represent their organization's work in rural areas.

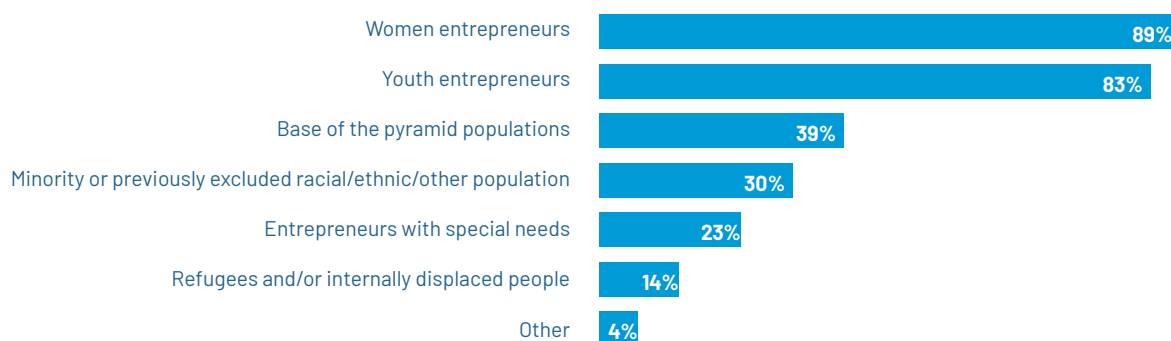
# Ecosystem Data

Despite not commonly offering impact measurement and management assistance to entrepreneurs, 75% of support organizations measure their own impact. Among those that measure their impact, only 59% align their measurement with the SDGs, meaning that while they may align their missions with the SDGs, many are not necessarily measuring their progress in these areas.

## Target Population

Among organizations supporting rural entrepreneurs in Honduras, the most common target population within these rural settings are women entrepreneurs (89%) and youth entrepreneurs (83%). The Honduran youth make up 30% of the total population<sup>23</sup> and account for more than half of the unemployed population.<sup>24</sup> Due to risk of violence preventing school attendance for many individuals and the lack of quality education for students who can attend, Honduran youth are especially disadvantaged. This in turn limits human capital both in terms of intellectual development and availability, as many youth see migration as a more promising option to better their future.<sup>25</sup> Violence in the country disrupts residents beyond the youth population as well. While only 14% of organizations focus on refugees or internally displaced persons, the number of displaced people, mainly due to violence or human rights violations, was over 240,000 at the end of 2019.<sup>26</sup> The majority of displaced people (69%) end up in already highly populated urban areas,<sup>27</sup> further reducing the rural population.

**Figure 12: Percent of organizations that support underrepresented or marginalized populations**



N = 96

<sup>23</sup> [World Population Prospects 2019](#). United Nations. Accessed March 2021.

<sup>24</sup> [Supporting rural youth entrepreneurship to reduce migration in Honduras](#). Food and Agriculture Organization of the United Nations. 2015.

<sup>25</sup> *Ibid.*

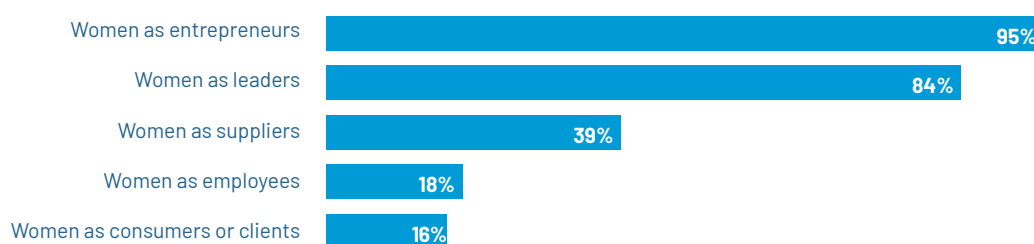
<sup>26</sup> [Honduras: Seeking Durable Solutions for People Displaced by Violence](#). International Committee of The Red Cross. 2021.

<sup>27</sup> *Ibid.*

# Ecosystem Data

The importance of women as potential changemakers for the Honduran ecosystem has been noted by key stakeholders.<sup>28,29</sup> They are significantly underrepresented in the labor market,<sup>30</sup> accounting for just over a third of the country's labor force in 2019.<sup>31</sup> According to a World Bank diagnostic, this is largely driven by a lack of safety in workforce participation and that “women are holding out for better jobs.”<sup>32</sup> This could be the reason why the ratio of women to men is higher in senior and middle management positions, where women account for 47% of the workforce.<sup>33</sup> Most of the organizations in this sample focus on supporting women who endeavor to be entrepreneurs or leaders in their field, while fewer focus on working with entrepreneurs that either employ women or serve women as customers. Focusing on women as leaders is logical since women are better represented in senior management positions, though there is opportunity for the ecosystem to focus on fostering a safer work environment for women with the ultimate goal of increasing women's participation in all levels of the labor force.

**Figure 13: Percent of organizations by target focus for women**



N = 38

## Challenges Faced by Rural Entrepreneurs in Honduras

The percentage of the Honduran population living in rural areas has been steadily declining over the past five decades, currently sitting at 42% of the total population.<sup>34</sup> As previously mentioned at the beginning of this report, poverty rates in rural Honduras are alarmingly high, with over half the population (66%) living in poverty, most of whom can be found in the country's rural areas.<sup>35</sup> Violence from organized crime (gangs) is largely to

28 [Harnessing the power of women and youth in Honduras rural development](#). Stockholm Environment Institute. 2019.

29 [Michel, V. and Walker, I. Why aren't more women in Honduras working?](#) World Bank Blogs. 2020.

30 *Ibid.*

31 [Labor force, female \(% of total labor force\) - Honduras](#). The World Bank. Accessed March 2021.

32 [Michel, V. and Walker, I. Why aren't more women in Honduras working?](#) World Bank Blogs. 2020.

33 [Female share of employment in senior and middle management \(%\) - Honduras](#). The World Bank. Accessed March 2021.

34 [Rural population \(% of total population\) - Honduras](#). The World Bank. Accessed March 2021.

35 [The Outlook of Poverty in Honduras](#). The Borgen Project. Accessed March 2021.



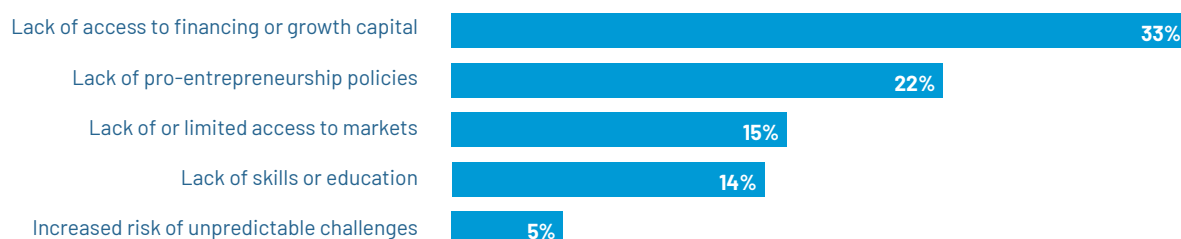
# Ecosystem Data

blame, as threats of violence continue to drive out rural residents and limit economic growth and development opportunities. Extortion is also a common occurrence in Honduras,<sup>36</sup> and ecosystem stakeholders believe that this has led to a subsistence or survivalist mentality among the rural population.

Although all the organizations surveyed in this study have at least one program or initiative targeting rural Honduran entrepreneurs, only 31% have a physical presence (i.e. an office) in rural areas. This lack of physical presence can be attributed to both safety concerns for staff as well as difficulties traveling and working in these areas due to poor infrastructure.

Among this study's respondents, it is widely agreed upon that rural entrepreneurs grow at a slower rate than their urban counterparts. The most cited causes of this discrepancy are the lack of access to financial resources and growth capital, the lack of public policies to bolster rural entrepreneurs' growth, limited access to markets, and underdeveloped skills and education.

**Figure 14: Top challenges faced by entrepreneurs in rural Honduras**



N = 79

While there are many factors limiting the growth of entrepreneurs in rural Honduras, the most salient challenge is accessing financing and growth capital. This is not unique to rural Honduras; access to finance is one of the most commonly cited challenges mentioned in ANDE's entrepreneurial ecosystem snapshots across Africa and Asia. Based on qualitative insights collected from key stakeholders in Honduras, the low levels of financing are reflective of a lack of formalized enterprises and a lack of entrepreneurs who meet the minimum requirements for financing. The informal nature of entrepreneurship in rural areas is likely exacerbated by a lack of entrepreneurship-friendly policies, which make the process of formalizing a business quite cumbersome. Approximately 60% of businesses are currently informal in Honduras.<sup>37</sup> Honduras ranks 133 out of 190 economies<sup>38</sup> on the World Bank's Ease of Doing Business Index in 2020, a ranking that has been steadily declining over the past five years.<sup>39</sup> Based on the latest procedures outlined for establishing a business with the government, it would take at least 45 days for an urban-based entrepreneur with easy access to the relevant government offices and resources to register their business.<sup>40</sup> For rural entrepreneurs, this is undoubtedly more challenging due to increased distances from city centers and greater challenges in finding necessary information.

36 Honduras: Events of 2020. Human Rights Watch. Accessed April 2021.

37 A New Strategic Approach for Honduras' Economic Development Challenges. The Dialogue. Accessed April 2021.

38 Doing Business: Honduras Economy Profile. World Bank Group. Accessed April 2021.

39 Ease of Doing Business in Honduras: 2008-2019 Data. Trading Economics. Accessed April 2021.

40 Doing Business: Honduras Economy Profile. World Bank Group. Accessed April 2021.

# Ecosystem Data

While limited access to markets was only listed by 15% of survey respondents as a top challenge, discussions with key stakeholders suggested that this is a major issue for rural entrepreneurs. According to stakeholders, this barrier is particularly difficult to address, as it is the culmination of various other issues in the ecosystem such as the lack of rural-urban connection, limited physical and digital infrastructure, the informality of most rural businesses, and the challenges related to meeting higher product standards in most markets.

Finally, a lack of skilled labor force in rural Honduras contributes to the challenges that businesses face in attempting to grow. As previously mentioned, education is a national challenge for Honduras due to the violence-related risks young people face in attending school and the low quality of education in schools. This has led to a limitedly skilled workforce that requires even more training to meet the needs of a growing business. The average years of schooling expected for Honduran youth is 9.6 years, with the World Bank ranking it in the second lowest category on the 2020 Human Capital Index.<sup>41</sup> Honduras's score on this index has not improved in the last two years, with a 0.48 on a scale of 0 to 1.<sup>42</sup> Without quality talent available in the local labor pool, businesses are either forced to stay small, move elsewhere to source qualified workers, or ultimately fail.

## The Impacts of COVID-19

Every economy was challenged by the COVID-19 pandemic in 2020, and the shocks are still being felt as many countries continue to struggle to contain and control the virus. The pandemic will further increase poverty and inequality, with the economy in Honduras expected to have contracted by 7% in 2020, though recover in 2021 by nearly 5%.<sup>43</sup> Among those hit hardest by the pandemic in Honduras are manufacturers and those in the tourism industry, who are less able to manage and adapt to the challenges of COVID-19.<sup>44,45</sup> Entrepreneurs that do not and/or cannot adapt their business models to incorporate digital delivery and remote work will also struggle with surviving the pandemic,<sup>46,47</sup> which in Honduras largely includes rural businesses with limited digital connectivity. While the Honduran government has enacted policy to mitigate the impact of the pandemic on the economy, it is likely that this will only benefit formal businesses.<sup>48</sup> This means that the vast majority of Honduran employees will not benefit from these policies, as 80% of the workforce is employed informally<sup>49</sup> and 34% of rural households are only doing informal work.<sup>50</sup>

41 [The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19](#). World Bank. Accessed April 2021.

42 Note from the Human Capital Index 2020 Report: The Human Capital Index ranges between 0 and 1. The index is measured in terms of the productivity of the next generation of workers relative to the benchmark of complete education and full health. An economy in which a child born today can expect to achieve complete education and full health will score a value of 1 on the index. Lower and upper bounds indicate the range of uncertainty around the value of the HCI for each economy. ([The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19](#))

43 [IMF and Honduras Reach a Staff-Level Agreement on the Third Review of the Economic Program under the SBA/SCF](#). International Monetary Fund. 2020.

44 [COVID-19 and a Rapid Analysis of Honduran Enterprises' Capacity to Cope](#). ACDI/VOCA. 2020.

45 [Honduran Business Resilience Analysis COVID-19](#). Aspen Network of Development Entrepreneurs. Accessed April 2021.

46 [COVID-19 and a Rapid Analysis of Honduran Enterprises' Capacity to Cope](#). ACDI/VOCA. 2020.

47 [Honduran Business Resilience Analysis COVID-19](#). Aspen Network of Development Entrepreneurs Accessed April 2021.

48 [Social and Economic Impact of the COVID-19 and Policy Options in Honduras](#). UNDP Latin America and the Caribbean. 2020.

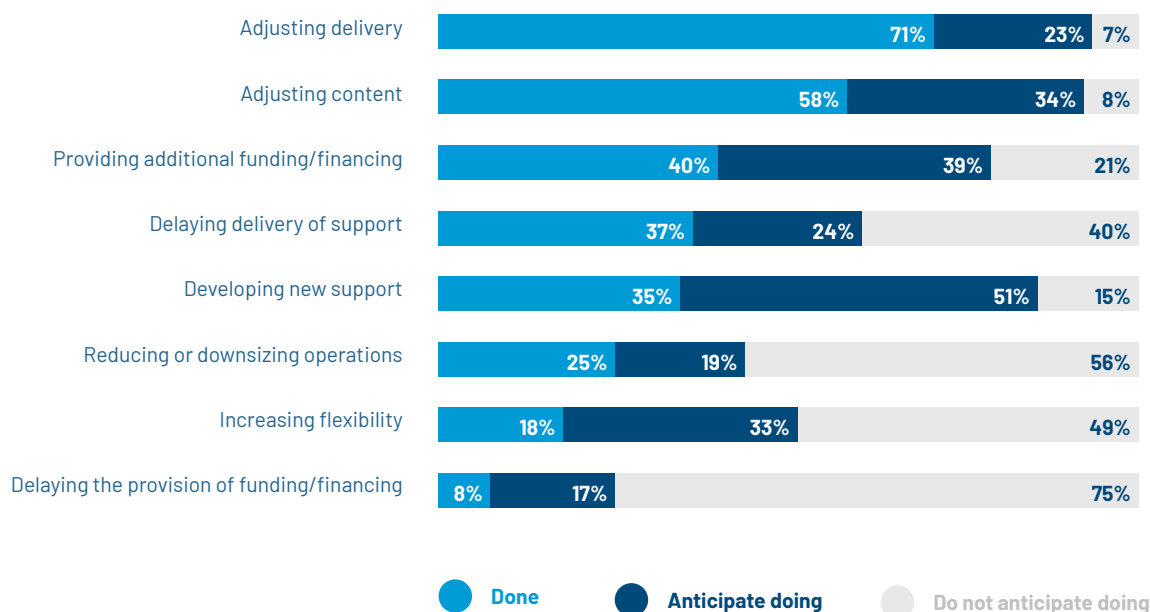
49 *Ibid.*

50 Michael, V., Walker, I. [Here's what could help lift rural Hondurans out of poverty](#). World Bank Blogs. 2020.

# Ecosystem Data

Support organizations that target rural entrepreneurs are working to provide adjusted and additional support to help businesses cope with challenges presented by the pandemic. For example, despite the digital infrastructure challenges in the country, 71% of organizations have already adjusted their delivery methods to reflect social distancing requirements, and 23% anticipate doing so. Similarly, a significant majority of organizations are finding ways to provide more support, either through increased financing support (40% done, 39% anticipate doing) or adjusted or new content that is relevant to the pandemic and its challenges (done by 58% and 35% of organizations, respectively).

**Figure 15: Actions taken by support organizations in response to COVID-19**

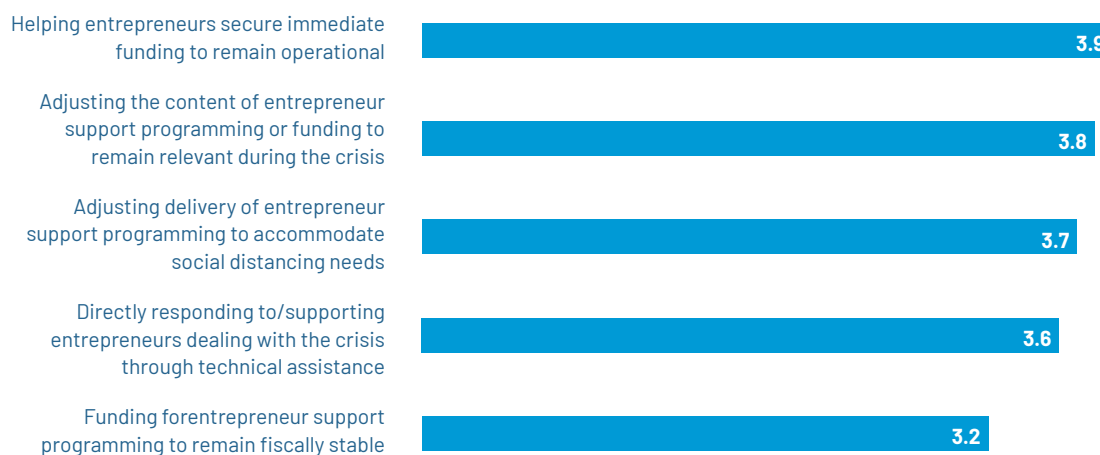


N = 75

Despite efforts taken to adapt to the pandemic economy, support organizations still face many challenges. A quarter of this study's respondents have had to reduce or downsize their operations, and more than a third have had to delay the delivery of their support. This indicates that while organizations are working to continue providing support to entrepreneurs, their own survival is likely at risk as well due to the pandemic.

# Ecosystem Data

**Figure 16: Urgent needs of support organizations in response to COVID-19**  
(Level of urgency out of 5, 5 being the most urgent)



N = 81

When asked to rate the urgency of various issues presented by COVID-19, support organizations allocated the highest levels of urgency to helping entrepreneurs secure immediate funding and adjusting their content to remain relevant in light of the crisis. However, all categories were listed at similar levels of urgency, which means organizations are likely still struggling to effectively support rural businesses dealing with the pandemic across the board.

# Insights and Implications

## Challenges

**Poor infrastructure:** Poor physical and digital infrastructure in rural Honduras significantly impede the growth of rural businesses. The lack of physical infrastructure, such as paved roads, limits the ability of support organizations to maintain a physical presence in rural areas, and limited digital infrastructure further challenges the ability of support organizations to properly deliver services. These challenges also significantly limit rural entrepreneurs' ability to access new markets and customers and can add burden to regular processes such as registering their businesses.

**Instability and violence:** Rural Honduras is plagued with high levels of violence that affect nearly every aspect of residents' lives, such as their ability to attend school and run a profitable business without being extorted. This creates an unstable environment for those who want to participate in the entrepreneurial ecosystem, including support organizations. Through qualitative interviews, stakeholders expressed trepidation in sending staff to rural areas out of fear for their staff's safety. This inevitably limits the level of support available in rural areas.

**Subsistence mindset:** The violence and extortion in Honduras, combined with low levels of education attained by Honduran youth, has led to a survivalist mentality for many rural Hondurans, according to ecosystem stakeholders. This is extremely limiting for the ecosystem, as shifting from subsistence-based entrepreneurship to opportunity-based entrepreneurship is an important aspect of development for any entrepreneurial ecosystem.

**Limited access to information:** Rural entrepreneurs need accurate information to know where and how they can contribute to regional and national value chains. A lack of information, as well as digital infrastructure to access this information, forces many entrepreneurs to work through middle men and sell at unnecessarily low prices. Unknown production costs and missed opportunities cause entrepreneurs to lose out in areas that could create a lot of value and growth opportunity for their businesses.

## Opportunities

**Engaging women:** Honduran women have been touted as potential changemakers for the economy. While women currently only account for around a third of the active labor force, they make up nearly half of the upper management positions.<sup>51</sup> This could indicate that women are working in the informal sector while waiting for better opportunities, such as upper management-level positions, to join the formal workforce. Offering women more opportunities to lead could open up greater opportunities for expansion and innovation of the entrepreneurial ecosystem in the country. Additionally, supporting businesses in creating good work environments for women at lower-level positions could encourage them to join the formal workforce earlier in their career.

**Product diversification:** The Honduran economy has historically relied heavily on a few agriculture specialties, namely coffee and cacao, to sustain itself.<sup>52</sup> Yet according to key stakeholders, there is little innovation or product diversification within the agriculture sector. While heavy reliance on a few markets can pose a risk to the sustainability of the economy, there is plenty of opportunity to diversify within the sector. Such opportunities have been realized by neighboring economies such as Guatemala,<sup>53</sup> which could be used as an example for rural Honduran entrepreneurs.

**Value chain integration:** Rural entrepreneurs have the potential to be major producers of certain goods for the country and broader region, particularly in the agricultural sector, with certain subsectors such as coffee and cocoa already growing in the country. Exploring the integration of rural businesses into larger value chains presents an important opportunity for businesses to expand and generate larger revenues, especially if they can remove the "middle man" and increase margins.

**Engaging stakeholders to close the information gap:** While the information gap is evident among rural entrepreneurs in Honduras, a number of actors identified in this snapshot, including academic institutions, NGOs, and sector associations, are well-positioned to address this gap. Leveraging the close relationship these organizations have with chambers of commerce in the country (both rural and urban) can close these information and subsequent market gaps.

51 Michel, V. and Walker, I. *Why aren't more women in Honduras working?* World Bank Blogs. 2020.

52 Coffee Exports. *Honduran Coffee Institute*. Accessed April 2021.

53 Hume, V. et al. *Entrepreneurial Ecosystem Snapshot: Rural Guatemala*. ANDE. 2021.



# Recommendations

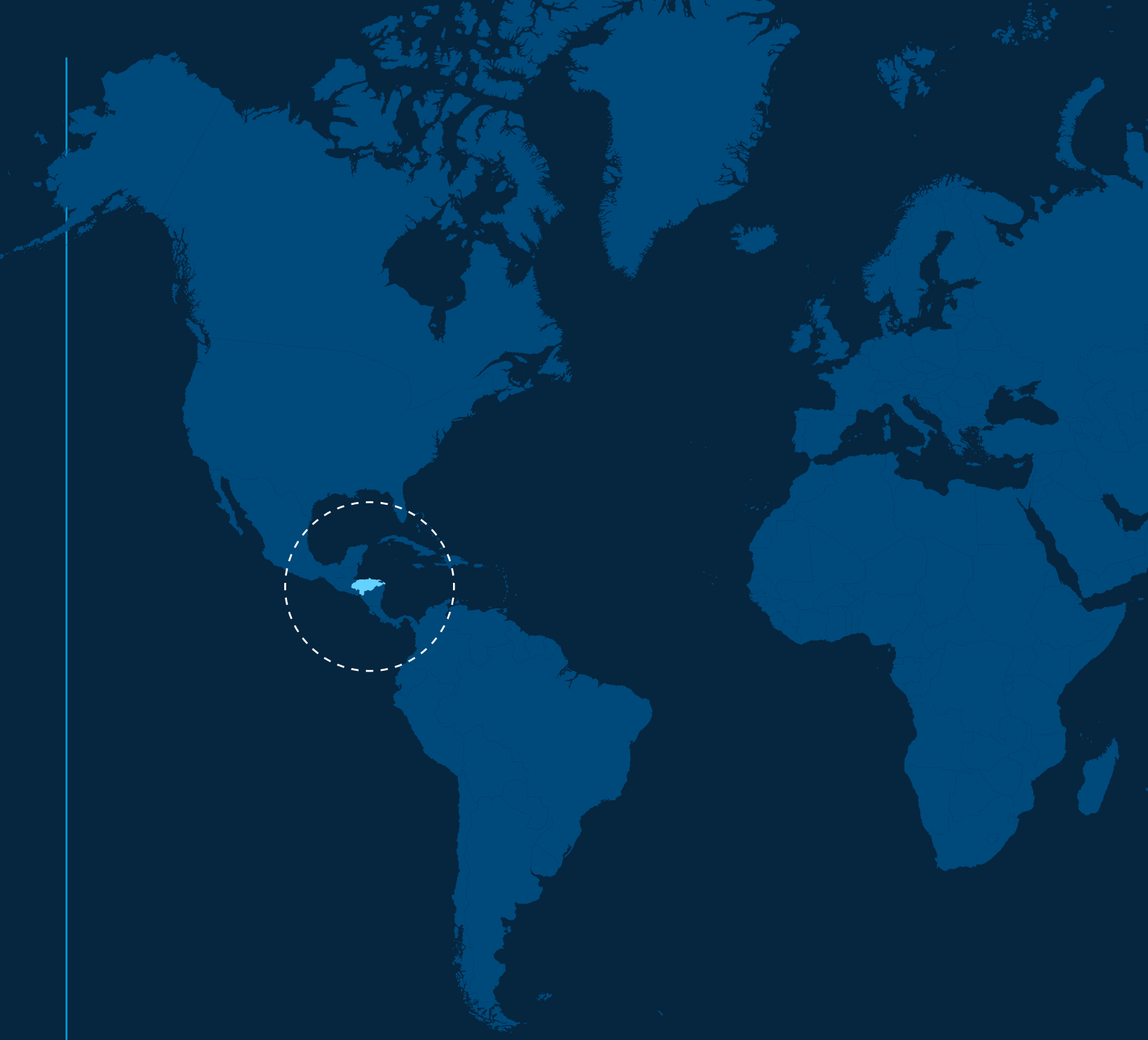
**Remove barriers to accessing information:** Access to information is a significant barrier for rural entrepreneurs to grow and develop their businesses that can be addressed by support organizations with a physical presence in rural areas. By offering services such as online access through coworking spaces or creating knowledge hubs that are easier for rural entrepreneurs to access, information access can expand without being constrained by local digital or physical infrastructure, a much larger endeavor.

**Engage the private sector:** While the government can partner with private corporations to improve the entrepreneurial environment through infrastructure-focused partnerships and more, this opportunity is not limited to public-private partnerships. Other organizations active in the ecosystem, such as capacity development providers and donor agencies, also have the opportunity to work with private corporations to build the ecosystem. Following other examples of this in the region,<sup>54</sup> partnerships with corporations can potentially address some of the many challenges rural entrepreneurs face without waiting for government policy to align with these priorities.

**Expand exposure to success stories:** An important part of building the entrepreneurial ecosystem is shifting the mindset from subsistence to opportunity. By exposing rural Hondurans to entrepreneurs that have experienced success through events or mentorship programs, they may begin to shift their perspective on the possibility of starting a business. This could be particularly important for the youth of the country, who currently see migration as a more viable option than staying in the rural regions. Developing communication and motivation campaigns to engage youth in rural ventures is an opportunity to create symbiotic growth, both in the local talent pool by retaining youth that would otherwise migrate elsewhere and by offering young Hondurans an alternative to leaving their homes.

**Prepare for value chain integration:** While there is opportunity for rural entrepreneurs to integrate into larger value chains, there is still a gap between the current state of rural businesses and the requirements that have to be met to be integrated into a large value chain system. To take advantage of the opportunity, entrepreneurs need to know what will be required of them and given the tools and resources to meet those requirements through support organizations and programming.

<sup>54</sup> Muenste-Kunigami, A. *Extending Telecommunications Services in Rural Nicaragua*. World Bank. 2012.



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