

# HONDURAS: THE FRAGILITY OF GAINS IN BUDGET TRANSPARENCY

## PROGRESS AND SETBACKS BETWEEN 2010 AND 2014

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## OVERVIEW

Between 2010 and 2012 Honduras made significant progress in budget transparency. This was reflected in its Open Budget Index (OBI) score jumping from 11 out of 100 points in 2010 to 53 in 2012. This dramatic improvement earned Honduras a special mention in the International Budget Partnership's (IBP) Open Budget Survey 2012 Global Report.<sup>1, 2</sup>

Yet the gains made in transparency were not sustained. Between 2013 and 2014 the Honduran government rolled back its commitment to more open budget processes. In hindsight, it seems likely that the initial gains were related to the need for the then government to shore up its international reputation and credibility following a military coup that ousted a democratically-elected president in order to access aid and other financial resources. Thus, the Honduran case presents a cautionary tale about the dangers of "open washing," and specifically of when perceived window of opportunity to improve transparent and accountable governance is undermined by countervailing factors.<sup>3</sup>

The central purpose of this case study is to document the changes in budget transparency over this period. Drawing on interviews conducted with key actors involved in the initial transparency gains, it presents the significant political, economic, and social factors that contributed to improvements and subsequent setbacks. The study examines the roles that international and national actors, both within and outside government, played in supporting or reversing budget transparency.

## BACKGROUND: BUDGET TRANSPARENCY BETWEEN 2010 AND 2014

Until recent times, budget transparency had not been widely discussed as a relevant issue in Honduras.<sup>4</sup> The budget process was traditionally considered to be the sole prerogative of the government and very little effort was made to disseminate budget information to the rest of the population. The Open Budget Survey (OBS), which is prepared and published by IBP every two years, is the world's most widely used measure of budget transparency. Honduras was first included in the OBS in 2006. Since then its score on the Open Budget Index, the part of the survey which measures budget transparency, has been volatile. Between 2006 and 2008 its OBI score fell from 38

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<sup>1</sup> IBP implements a global survey and analysis that evaluates whether governments give the public access to budgeting information, and opportunities to participate in the budget development process. From this survey, countries are ranked and scored in terms of their budget transparency so as to provide comparisons among countries and over time.

<sup>2</sup> In 2010 Honduras ranked 80<sup>th</sup> out of 92 countries surveyed. In 2012 the country ranked 36<sup>th</sup> out of 98 countries surveyed.

<sup>3</sup> Open washing refers to political actors undertaking superficial actions to promote transparency, with the primary motive of reaping reputational gains rather than ensuring more accountable governance, often alongside efforts to undermine civic and/or political rights.

<sup>4</sup> The term budget transparency refers to the standards agreed upon by IBP in terms of the public availability and completeness of eight key budget documents, plus the legal framework that relates to them.

out to 11. Its score remained more or less the same in 2010, but rose sharply to 53 in 2012 — well above the global average of 43.

As the Open Budget Survey 2012 report warned, countries that have shown advancements in budget transparency can still regress as a result of changes in the political environment. Events in Honduras support this finding. The budget transparency gains made between 2010 and 2012 were the result of the publication of the Executive's Budget Proposal (EBP) and other key budget documents. This led to the perception that Honduras was making important progress on budget transparency.

After the OBS was published, which documented significant improvements by Honduras, and after the government had leveraged this for tangible gains, budget transparency took a turn for the worse. The EBP was not made available to the national legislature in September 2013, as required by law. In addition, there was no continuity in the publication of the rest of the budget documents.

Nevertheless, the new Honduran administration, which took office in January 2014, made a number of commitments to budget transparency. This included forging agreements with international organizations, such as Transparency International (TI) and the Open Government Partnership (OGP), that have generated some optimism. Yet these initial commitments should not be conflated with meaningful actions. They need to be understood in the context of recent moves to concentrate power that may undermine public accountability and deepen a culture and institutionalization of opacity and impunity in the Honduran state.

## 2010 TO 2012: THE SHIFT TO MORE TRANSPARENT BUDGETS

To understand these shifts in budget transparency in Honduras, it is necessary to examine them in relation to political changes in the country. First, Honduras is a formally democratic republic with a separation of power and duties between the executive, legislative, and the judicial branches of government. Nevertheless, a history of military rule and the traditional power of the *caudillo*, or strongman, meant that the figure of the President continues to loom large.

The concentration of power in the presidency is particularly acute when a dominant political party controls both the executive and legislative branches of government. Moreover, the Supreme Court of Justice is elected by the Congress, allowing the president to exercise influence over all three branches of government. Control over the budget can also provide the executive with great leverage over all government institutions.

In June 2009, the Honduran military ousted President Zelaya on orders from the Honduran Supreme Court. This was prompted by the President's attempt to hold a referendum on convening a constituent assembly to rewrite the constitution. Congress then appointed a new president. While unconstitutional transfers of power were not unusual in Honduras, this coup was not born out of familiar power struggles. Instead, the Honduran business community united across party lines to stop Zelaya's efforts to change the constitution.

In the November elections that followed the coup, the principal opposition party during the Zelaya administration took over the presidency and won a majority in Congress, with 71 out of 128 members of parliament. This gave the newly-elected President Lobo Sosa (2010-2013) great influence over the legislature and other branches of the state.

It was during the first two years of President Lobo's administration (2010 and 2011) that budget transparency improved so dramatically. This improvement clearly responded to the broader political dynamics at play at the time, but was also the result of the work of several national and international stakeholders that had been strongly advocating for increased budget transparency.

President Lobo took office in the midst of a severe political and economic crisis. In 2009, the fiscal deficit reached 6.4 percent of GDP, while international reserves went down by USD\$350 million. This economic downturn was a product both of the international financial crisis and of the international community's condemnation of the coup. It led to widespread questioning of the legitimacy of the Lobo administration, which resulted in the cancellation of many international loans and aid that Honduras greatly depends upon.

Under President Lobo, the Honduran government was only able to secure new finance by making its budget process more transparent and accountable. And the government needed quick access to international resources to finance the budget. In October 2010 the government negotiated an agreement with the International Monetary Fund (IMF) for an 18 month period. Lobo also sought financing from the Millennium Challenge Corporation (MCC), which uses the OBI to determine a country's eligibility for assistance. At this time the Honduran government reached out to the IBP for technical assistance to improve its OBI score.

With strong political will to increase the country's OBI score, there was a window of opportunity for civil society organizations (CSOs), including IBP, to work closely with the government. This led to tangible outcomes between 2010 and 2012, both in the form of a dramatically higher OBI score and in other related areas.

## 2013 TO 2014: THE RETREAT FROM BUDGET TRANSPARENCY

The shift toward greater transparency was challenged by the political dynamics that took shape around the November 2013 general elections. For the first time in the country's recent political history, the two traditional political parties (the right wing National Party and the center-right Liberal Party) had to compete against the left-wing Liberty and Refoundation (LIBRE) Party. The LIBRE Party, as well as the Anti-Corruption Party, had emerged as strong alternative political parties in the period of political polarization following the 2009 coup.

A number of polls conducted in mid-2013 indicated that LIBRE stood a good chance of winning the elections. It was also clear that the political composition of the legislature would change significantly as a result of the election. The political environment, and the results of the election, had an important impact on budget transparency.

In the end President Lobo's National Party retained the presidency, but only obtained 36 percent of the votes. The legislature was divided into four groups, none holding a clear majority. Despite this setback for the ruling National Party, it maintained control over the legislature through an alliance with the Liberal Party. Taking advantage of its previous absolute majority, and before the new legislature could take power, the National Party passed a series of laws granting additional powers to the President. This included the power to create new ministries and to modify the public budget — powers that were previously the exclusive purview of the legislature.

The Honduran budget process begins with the publication of the Pre-Budget Statement (*Lineamientos de Política Presupuestaria*). This was published on the finance ministry's website in May 2013, giving enough time for the executive to send the 2014 EBP to the legislature, which legally has to be done by 15 September each year.

Five days before this deadline the president announced that the 2014 EBP would not be sent to the legislature. President Lobo told the Ministers Cabinet Meeting, whose sessions were broadcast on national television, that the budget for 2014 would only be discussed after the general elections of late November. He argued:

"We will not present a budget. The law says that it has to be presented on the September 15. We will present it in a sealed envelope that cannot be opened because the budget has to be discussed after the elections. This government will not decide what the new administration wants to prioritize as part of its decisions regarding the budget... We have one month left, we

are in transition, and thus we cannot approve a budget that will be the prerogative of the new administration.”<sup>5</sup>

The President argued that presenting the budget at the time would provoke a huge debate in the midst of an election. He was clearly concerned about the impact that the budget proposals might have on his prospects in the election. President Lobo also instructed that the May Pre-Budget Statement be immediately removed from the finance ministry’s website. Not a single voice opposed the president at the cabinet meeting. In the end, the budget proposal, sent to the legislature in a sealed envelope, was the same budget that was approved for 2013.

Only twice in the last 34 years has the EBP not been sent to the legislature, as required by the constitution. The government’s refusal to present the 2014 EBP to the legislature on the prescribed date signaled a retreat from budget transparency. This document is key to informing the public of the funds available for public spending, how these resources are to be distributed, and what foreign debt commitments exist for the fiscal year.

Most of the interviewees consulted for this case study agreed that the primary reason for the setback was political. Already uncertain of victory in the upcoming election, the ruling party did not want to risk a negative response to the EBP. Had the EBP been made public, the fiscal deficit would have been revealed, which went from 5.9 percent in 2012 to 7.9 percent in 2013. The ruling National Party felt threatened by the polarization of the electoral process between the right and the left; a risky context in which to expose the enormous fiscal imbalances.

The confidence of the government to defy the legal requirements for budget transparency was no doubt bolstered by the fact that the IMF program had ended and a second financing agreement with the MCC had not been established. There was no longer pressure from international finance for the government to maintain its OBI score.

## REACTIONS TO THE WITHHOLDING OF THE EXECUTIVE’S BUDGET PROPOSAL

### REACTIONS WITHIN THE GOVERNMENT

Although formal democracy exists in Honduras, the historical culture of authoritarianism runs deep. According to several interviewees, particularly those within the civil society sector, the President’s orders are not open to discussion and are followed without question.

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<sup>5</sup> See <http://www.latribuna.hn/2013/09/10/presupuesto-general-sera-aprobado-hasta-despues-de-elecciones-generales-presidente-pepe-lobo/>.

Even the finance ministry lacked the capacity to express dissatisfaction or to reverse the decision, despite public statements and written declarations that were made in an attempt to stop this decision. The Public Information Access Institute was the only government institution that openly opposed the action; however, it did not have the power to halt it.

Finance officials who were interviewed for this case study indicated how surprised they were with the refusal to publish key budget documents, and how worried they were about compromising the transparency project. These officials had participated in IBP's capacity-building workshops and were well aware of the repercussions that the President's decision could have. These repercussions could affect not only the Freedom of Information Bill, but also continuity in the nation's compliance with international standards, such as those established by IBP, the OGP, and the MCC.

During the interviews some finance officials offered assurances that, despite the setback, not all aspects of budget transparency had been negatively affected. They stated that, after the election, the budget documents were published and the EBP was approved only a few months after it was supposed to have been. They underlined that the good practices that had begun two years earlier were reestablished after the election. Equally important, they said, finance officials know which documents need to be published and have been complying with their commitment to produce and update them.

However, concern was expressed by other ministries. The Ministry of the Presidency had been coordinating transparency-related initiatives, particularly those linked with the budget. According to several officials the Minister of the Presidency, Antonieta Bográn de Guillén, and Vice-Minister Rocío Táborra were concerned about the potential negative impact of the President's decision. Other interviewees suggested that the resignation of the Minister of the Presidency from his role in coordinating the economic team in 2013 could have been linked with these developments.

These reactions from officials could have several explanations. First, the law requires the publication of public documents. Second, the adopted transparency practices had become routine for the ministries and they had an impact on public opinion. Third, several high-level officials had participated in international events where the country had committed itself to these good practices, and were the public face of those commitments.

The strongest reaction within government came from the Freedom of Information Institute. On 11 September (one day after the presidential announcement), Doris Imelda Madrid, the director of the institute, wrote to President Lobo to protest against his refusal to publish the EBP. She pointed out that "making the EBP public is neither a personal decision nor a gesture toward freedom; it is simply

and ultimately an obligation that cannot be avoided if we want to build a culture of transparency, and above all, a better future for all Hondurans.”<sup>6</sup>

Addressing the media, Madrid said:

“With all due respect to the first figure of the country, the President of the Republic (Porfirio Lobo), the General Budget has to be known by all the people because this information belongs to the people and is not the property of public officials...It is not a matter of whether the law is being violated or not; the point is that this information has to be made available to the public because when you pay taxes you have the right to know what these resources are being used for.”<sup>7</sup>

However, the legislature accepted the President’s decision. Francisco Rivera, President of the Budget Commission said: “The environment is such that we can wait until the elections are through and then discuss the budget. The president has spoken with the legislature to gain support for this idea, and I think it is healthy that the new government be the one to approve the budget once we know the results of the general elections.”

Congressman Rivera did not find the president’s action surprising, stating that “[when the budget] enters the door of the legislature, the document is public. We have nothing to hide; the budget is a legal instrument and one of the few laws where the president has no right to veto.”<sup>8</sup> Rivera belongs to the same political party as President Lobo, but it is fair to say that no other political party made this issue one of public debate.

## REACTIONS OF THE MEDIA

The Honduran journalists who we interviewed pointed out that there was not much discussion beyond the initial reactions described above. Indeed, the media saw the President’s action as relatively normal. As the country was embroiled in a confrontational electoral process, for the media to criticize the ruling party could be construed as support for the opposition. They also considered the lack of debate in the media to be partly the result of a lack of expertise and capacity to discuss fiscal issues.

The journalists argued that access to information was not seriously damaged. Although they recognized the setback, they considered it circumstantial, that the advances will be sustained and that the public would continue to have access to budget information. Once the ruling party had won, there

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<sup>6</sup> Letter to President Porfirio Lobo, September 11, 2013.

<sup>7</sup> See <http://www.proceso.hn/component/k2/item/15176.html>.

<sup>8</sup> See <http://www.proceso.hn/component/k2/item/15176.html>.

would be a return to the practice of publishing the budget documents. If the ruling party lost, then publishing the documents would be the responsibility of the new party in power.

## REACTIONS OF LOCAL BUSINESS AND CIVIL SOCIETY

Business, CSOs, and international organizations spoke out on budget transparency. Arturo Alvarado, former finance minister, former director of the Central Bank of Honduras, and a well-respected member of the country's private sector, said: "The president has to abide by the Constitution, which establishes that the budget has to be sent to the legislature by the executive in the first 15 days of September." Alvarado pointed out that the 2014 EBP has no effect on the 2013 fiscal year. "It is evident that the upcoming government will have to revise the budget, make adjustments, and in this way end up with a budget that reflects its priorities." He argued that the legislature still has the option of deciding when to begin reviewing the budget and can decide to wait until after the elections. But that is their choice, not the President's.

The Federación de Organizaciones Privadas de Desarrollo (Foprیده) is a CSO that advocates for transparency in public administration and partners with IBP to conduct the OBS in Honduras. Foprیده expressed concern in letters to the Ministry of Finance and the Ministry of the Presidency, yet did not issue a public statement. A staff member of Foprیده argued that, "in reality, there is no commitment to transparency because they have done this to satisfy the donors or have access to additional resources. There is no real political will to do things." This comment refers to the fact that the advances made between 2010 and 2012 were influenced by the need to increase international legitimacy and thus access financial resources through aid and emergency loans.

The failure of CSOs, including Foprیده, to publicly express their opinions on the setbacks can be interpreted in two ways. First, they may have thought that having a critical stance could affect their relationships with the government. Second, they were afraid that any position they took would be seen as favoring a particular political viewpoint in the general elections.

## REACTIONS OF INTERNATIONAL ORGANIZATIONS

International agencies that had previously backed improvements in budget transparency played only a small role in questioning the President's decision. The MCC kept a low profile, as did USAID, the European Union, the IMF, the Inter-American Development Bank, and the World Bank. Those who were interviewed for this case study presented two explanations: 1) communications were established directly with the government to express concern about what was occurring; and 2) on a broader level, their dialogue with the government on fiscal policy is general and does not focus on day-to-day details. For the latter reason, these kinds of issues could be discussed at scheduled meetings, not in the moment that they are taking place.

IBP was the only international stakeholder that showed any real concern regarding these setbacks. From the beginning, IBP representatives established contact with those responsible for the transparency commitments within the finance ministry to enquire about the reversals. In a letter sent to IBP on October 28, the ministry made assurances that the EBP would be published immediately after the elections. This promise was not kept. IBP kept in constant communication with Honduran CSOs, such as Foprیده and Democracia Sin Fronteras, to understand what these groups were doing in order to demand the President's decision to be reversed.

## 2013 TO 2015: STEPPING FORWARDS OR BACKWARDS?

### WERE THE BUDGET SETBACKS TEMPORARY?

The publication and approval of the 2014 Enacted Budget, although late in January 2014, along with the publication of other budget documents for the fiscal year (including the In-Year Reports, the Mid-Year Review, the Citizens Budget, the Year-End Report and the Audit Report), demonstrated that the original gains made in budget transparency were in fact sustained. For this reason the setbacks could be regarded as temporary.

The subsequent timely publication of the 2015 budget documents, the Pre-Budget Statement and the EBP, seems to confirm this view. However, other actions by the government call this optimistic reading into question. There is a clear contradiction between the government's actions to tick the boxes of budget transparency while also taking steps to concentrate power in a manner that undermines the possibility of meaningful public accountability. Furthermore, the simple actions of releasing budget documents may also obscure the failure to address the institutionalized nature of opacity and impunity in the country. This begs the question of whether a well-intentioned instrument like the OBI is continuing to facilitate open washing by the Honduran government.

### STRENGTHENING THE POWER OF THE EXECUTIVE

Between December 2013 and January 2014, once the general elections had taken place and the ruling party had been returned to power, President Lobo began a legislative campaign to further strengthen the power of the executive. As the ruling party did not have a majority in the incoming legislature, these changes were intended to make it difficult for the newly elected congress to block initiatives sent to it by the executive. These changes in law aimed to grant the executive powers that were previously the prerogative of the legislature.

The hasty process of legal reform aimed at concentrating more power within the executive had a detrimental effect on budget transparency. It is estimated that more than 120 legislative decrees were passed without debate within sector committees, without having been formally introduced as

proposals, and without citizens knowing about them. This was made possible by the alliance between the ruling party and the opposition parties, with only rare resistance, and because the balance of power within the legislature would only change as of 27 January 2014.

It is in this context that the legislature approved the “law to optimize the public administration, improve services to the citizens, and strengthen government transparency.” This modified the Public Administration and Budget Law, providing the president with the power to create, modify, and suspend ministries and autonomous and decentralized entities of the state. In the past, this power rested with the legislature and the executive could only offer an opinion. In addition, the Ministers Council acquired new powers, such as the power to carry out so called preventive auditing of the budget, along with the power to modify it.

## THE OFFICIAL SECRECY ACT PROVOKES STRONG REACTION

The Official Secrecy Act was approved after a single debate. Article 2 of the Act exempted state entities from the principle of transparency in cases where information was deemed to be classified. Such cases were to be declared through a resolution from the President, the Defense and Security Council, and the presidents, managers, and directors of the decentralized entities.

Article 3 also raised questions with regard to transparency. It says that all information, acts, materials, contracts, and documents that can damage or risk national security, national defense, and national objectives can be deemed classified.

CSOs and the Freedom of Information Institute came out strongly against the legislative changes, particularly with regard to the Official Secrecy Act. Omar Rivera, coordinator for the Civil Society Group (Grupo de Sociedad Civil), said: “The law favors a public administration without control. A context where there is no balance of power between the branches of government is damaging to the common interest of the country and all Hondurans.” Doris Imelda Madrid, President of the Freedom of Information Institute said: “[the law] violates national and international transparency, access to information, and accountability regulations and norms.”<sup>9</sup>

As a result of the public outcry, the legislature halted the process and suspended the law’s publication. A special committee was put in place to “eliminate the aspects of the law that compromise freedom of information.” However, a few months later, the Official Gazette listed a new law: “Law for the Classification of Public Documents Linked with National Security.”<sup>10</sup> This law stripped the Freedom of Information Institute of one of its main duties: to classify the security status of information.

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<sup>9</sup> Letter of Doris I. Madrid to the National Legislature, January 14, 2014.

<sup>10</sup> Decreto 418-2013 de fecha 20 de Enero de 2014 y publicado en el Diario Oficial La Gaceta no. 33,373 de 7 de Marzo de 2014.

The National Defense and Security Council assumed this power, and the law would not apply to cases where a civil servant possesses information linked with genocide, extra judiciary executions, torture, forced disappearance, massive sexual violence, and crimes against humanity.

## INTERNATIONAL COOPERATION: INCREASING TRANSPARENCY?

As these changes were taking place, the Honduran government signed an agreement with Transparency International (TI) and its Honduras-based chapter, the Asociación para la Justicia en Honduras (ASJ). The aim of this agreement was to assist the Honduran government to fulfill its commitments to transparency, integrity, and the fight against corruption. The guiding principle of the agreement was that the government should provide maximum access to public information and maximum disclosure.

TI was to monitor and evaluate government compliance; provide reports to the public, the government, and the international community; and build a channel of communication with other CSOs. They also agreed to a monitoring plan and the development of a National Transparency and Good Governance Index.<sup>11</sup>

An interesting aspect of this agreement was the fact that TI and ASJ were given total access to information and invited to engage directly with government decision makers.<sup>12</sup> The ASJ thus assumed the challenge of playing an advocacy role at the same time as sharing responsibility within the decision-making institutions of the state.<sup>13</sup>

With regard to the government's agreement with TI and ASJ, Arturo Alvarado, a former finance minister, expressed the following:

“Several people believe that this agreement can become just another document signed by government, without any will to comply. This reflects the lack of trust that exists among citizens toward the political class, and a group of business people who are taking advantage of corruption to do business with the state. If we speak about complying with transparency, we should expect the legislature to be held accountable for the resources that are assigned to it, through the presentation of official and comprehensible documents that are made available to the public.”<sup>14</sup>

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<sup>11</sup> “Working Toward a Better Future for All Hondurans,” available at [http://www.transparency.org/news/feature/working\\_towards\\_a\\_better\\_future\\_for\\_all\\_hondurans](http://www.transparency.org/news/feature/working_towards_a_better_future_for_all_hondurans).

<sup>12</sup> See [http://asjhonduras.com/cms/index.php?option=com\\_content&view=article&id=141:presidenta-de-transparencia-internacional-visitara-honduras&catid=61:transparencia&Itemid=78](http://asjhonduras.com/cms/index.php?option=com_content&view=article&id=141:presidenta-de-transparencia-internacional-visitara-honduras&catid=61:transparencia&Itemid=78)

<sup>13</sup> Interview with Carlos Hernández, October 11, 2014.

<sup>14</sup> See <http://www.elheraldo.hn/opinion/756405-368/transparencia-internacional>

In 2012 Honduras joined the OGP, an international initiative which provided a framework for fighting corruption and building transparency and accountability in governance. However, the government's participation and advances in the OGP process have been uneven. According to OGP data, only about a quarter of the commitments from the first two-year action plan were completed and the process included little citizen and civil society engagement.<sup>15</sup> While the process of the second action plan (begun in July 2014) has been more open, very few of the government's OGP commitments have had a transformative impact on transparency and accountability in the country.<sup>16</sup>

Thus the Honduran government has continued to engage with international instruments around transparency, demonstrating some interest in strengthening its reputation for openness. Ultimately, however, these moves could be seen as symbolic or superficial gestures designed to respond to the concerns about backsliding on transparency commitments. In all likelihood different actors in the Honduran government have different motivations with respect to transparency, as demonstrated by the inconsistent nature of government actions related to these issues.

## CAN TRUSTS BE TRUSTED?

The use of trusts, or legal entities outside the state, has proliferated. Public authorities argue that trusts contribute to transparency. The example they offer concerns medicine procurement, where they say they substantial resources have been saved.

However, there are two key critiques to this argument. First, many of these trusts are far from transparent — the public is not provided with information regarding their activity or their reach. Second, the government in effect creates parallel structures through these schemes and they lack any sort of public or private supervision. For example, Coalianza is a decentralized entity that was created in 2010. It is legally and financially independent and, unlike other similar configurations, is not regulated by the law on public procurement. This institution is in charge of promoting and managing investment projects through a public-private partnership scheme and, through trusts managed by the national bank, has granted 20 to 30 year license contracts for ports, airports, roads, and other public services.

Raf Flores of the CSO Foro Social de la Deuda Externa de Honduras y Desarrollo (FOSDEH) said that the controversy surrounding Coalianza stems from its level of transparency. Arguing that managing public money through trusts is the best way to avoid any sort of transparency, Flores said: "It is practically impossible to have access to the contracts, at least not before they have been

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<sup>15</sup> See <http://www.opengovpartnership.org/country/honduras>

<sup>16</sup> See [http://www.opengovpartnership.org/sites/default/files/Honduras14-15\\_Final.pdf](http://www.opengovpartnership.org/sites/default/files/Honduras14-15_Final.pdf)

approved by the legislature; it is also hard to access information regarding the trusts it negotiates and the feasibility studies that support these contracts, among other important information.”

The security tax is another example of how trusts can undermine transparency. The tax is on financial transactions whose resources are administered through a trust managed by a committee whose members are assigned by the government. There is no clear strategy governing how these resources are managed. The resources under the trust’s control amount to approximately USD\$70 million and some observers call it a presidential slush fund.

## INTERPRETING THE SHIFTS IN BUDGET TRANSPARENCY

The vast majority of interviewees agreed that the forthcoming election was the main reason the government failed to publish the 2014 EBP. The EBP would reveal the scale of the increase in the fiscal deficit, which would be a serious liability to the ruling party in the highly contested and polarized elections. Thus, both the legal framework and the basic principles of transparency were sacrificed for the sake of political expediency.

While the government backed the President’s decision, there were clearly different opinions. Politicians and technocrats also disagreed on the value of budget transparency. Some of the technical staff within the Ministry of Finance and other public entities seemed to have a genuine interest in pushing for budget transparency, as demonstrated by the work they put into preparing reports and participating in international events on the issue. However, they ultimately had little influence over decisions made by the executive.

The transparency gains made between 2010 and 2012 should be understood not only in the context of the national and international dynamics at play at the time, but also the deep-seated culture and institutionalization of opacity and impunity in Honduras. This extends to the management of public resources. A 2012 FOSDEH analysis of the country’s legal budgetary framework concluded that the impunity of public officials is the key issue: “there is no responsibility assigned to public officials when they act and approve laws based on political and electoral interests rather than on the financial viability.”<sup>17</sup> The report also states that “atrocities against the budget are committed without anyone, not even the institutions in charge of public auditing, saying a word against it. This is translated into the institutionalization of disorder, abuse, and waste of public resources.”<sup>18</sup>

Thus, we are left to consider the small moves toward transparency against this backdrop of impunity. In this instance, the specific gains in the country’s OBI score were driven by the pressures of

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<sup>17</sup> “Impunidad, el verdadero problema presupuestario en Honduras: Análisis del marco legal relativo a la ejecución presupuestaria,” Tegucigalpa, Fosdeh, 2012, p. 32, available at: [www.fosdeh.net](http://www.fosdeh.net).

<sup>18</sup> *Ibid.*

international actors such as the MCC and IMF. When these pressures subsided, internal political dynamics undermined transparency. Some actors within the government did appear to be genuinely committed to improving transparency, yet the questions remains as to whether their relatively modest moves toward this goal were meaningful first steps in a long road to more transparent and accountable governance, or merely window dressing designed to shift attention from deeper governance dysfunction. Similarly, did the involvement of national and international organizations such as TI and IBP contribute to sustained actions towards transparency, or were they utilized by political actors to strengthen the credibility of an illegitimate government? These challenging questions defy easy answer.

## LESSONS LEARNED FOR CIVIL SOCIETY

In general, civil society organizations were not able to meaningfully challenge the government's actions to reduce budget transparency. The political drivers of the decision, as well as the deeper structural impunity in the Honduran state, negated civil society influence. This was exacerbated by capacity weaknesses in CSOs and a failure to build a broad citizen alliance around transparency.

Despite the weak response, there are some signs that encourage optimism. Fiscal issues have become increasingly important in the public debate and a growing number of CSOs are interested in access to information and budget-related issues. However, many of these groups lack technical and strategic sophistication and have not been able to establish meaningful channels for engaging government actors at the national or local levels. Most CSOs are a long way from developing the kinds of integrated strategies that can connect the dots between levels of government and pro-accountability actors and constituencies.<sup>19</sup>

The struggle for greater budget transparency in countries with institutionalized opacity and impunity requires longer-term strategies that allow civil society to establish wider coalitions, build key capacities, and strengthen their engagement with relevant state and non-state actors. Ensuring sustained gains in transparency and accountability must involve effective campaigns that drive real movement for reform, and not simply emergency response to repeated crises.

Ultimately pro-transparency actors will need to take calculated risks. Identifying and understanding political opportunities can be challenging in the moment. A number of civil society organizations and international organizations decided to engage with a Honduran administration that had clear short-term incentives to increase transparency in the hope of planting the seeds for longer-term reform. In doing so they helped the government to gain international legitimacy and stabilize a political and

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<sup>19</sup> For examples of campaigns that seek to connect these dots, see <http://www.transparency-initiative.org/reports/connecting-the-dots-for-accountability>

economic crisis. The government then demonstrated casual disregard for the transparency standards it had so recently promoted, highlighting the fragile nature of this commitment.

There is clearly no shortcut to combating impunity. Critical junctures do need to be leveraged, but there is no substitute for the patient work of organizing, coalition building, and strengthening capacities to understand and engage in the deeply political struggle for accountability.

# INTERVIEWEES

## **Current or former government officials**

William Chong Wong. Former Minister of Finance.

Jorge Navarro. Transparency Official Finance Secretary.

Ivonne Ramirez. Transparency official. Finance Secretary.

Manuel Ramirez. Ministry of the Presidency official.

Doris Imelda Madrid. Head of Institute of Access to Public Information (IAIP).

Guadalupe Jerezano Ex Heada Commissioner IAIP

## **National Congress**

Marvin Ponce Former Deputy President of Congress

## **International Cooperation**

Martin Ochoa. Former director Millennium Challenge Account and and currently Head of World Bank operations in Honduras

Laurent Silliano- European Union (EU)

## **Civil Society Organizations**

Ralf Flores. Deputy Director Social Forum Domestic Debt, Fosdeh

Darelia Diaz. Officer. Federation of Private Development Organizations (FOPRIDEH)

Carlos Hernández. Executive Director, Association for Justice in Honduras (ASJ)

Jonathan Menkos. Executive Director. Central America Institute for Fiscal Studies (Icefi)

## **Journalists**

Robert Marín García Special Investigations. Diario El Heraldo

Luis Rodríguez. Senior Journalist. Economic Source. Diario El Heraldo

## **Academics**

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