

## **THE IMPACT OF THE INTERNATIONAL BUDGET PARTNERSHIP'S OPEN BUDGET SURVEY AND ITS PARTNER INSTITUTIONS' ADVOCACY ON BUDGET TRANSPARENCY IN HONDURAS**

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### **A. Introduction**

With a 2010 per-capita income of US\$1,839 Honduras ranks as one of the poorest countries in the Western Hemisphere. Two-thirds of Hondurans live below the poverty line, and 42 percent live in extreme poverty. The concentration of income among the nation's wealthiest citizens is among Latin America's highest, with a Gini coefficient of 0.57 (2007). In order to close this gap and drive economic growth and development, public resources must be collected and allocated in a fair and accountable way.

Honduras is a young democracy with weak public institutions and very little citizen engagement. While the country has made recent strides, the government still has a long way to go to meet domestic and international demands for fiscal transparency and citizen participation. Honduras' lack of transparency contributes to the government's inefficient use of resources. Due to recent internal and external pressure, however, the government of Honduras has made more budget information available.

The International Budget Partnership's (IBP) Open Budget Survey (Survey), launched in 2006, is the only independent, comparative, and regular assessment of government budget transparency and accountability around the world (the 2012 round includes 100 countries). Produced every two years in collaboration with civil society researchers in the countries covered, the Survey assesses how much timely and useful budget information governments around the world make publicly available, and how accountable budget systems are in terms of the strength of official oversight institutions and levels of public participation. In order to measure the overall commitment of governments to transparency and to allow for comparisons among countries, the IBP calculates the Open Budget Index (OBI) from a subset of Survey questions specifically on budget transparency throughout the budget cycle. Each country included in the Survey receives an OBI score between zero (for the least transparent) and 100 (for the most transparent).

Based on the growing evidence that public engagement in budget processes improves policies, implementation, and oversight, the IBP and its civil society partners use the Open Budget Survey to promote open and accountable budgets in order to ensure that public funds are used efficiently and

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effectively to meet the public's needs, particularly those of the most vulnerable in society. The Survey, especially the OBI, has given citizens and civil society organizations (CSOs) in many countries, including Honduras, critical information to use in pressuring their governments to adopt internationally accepted budget transparency practices. Our analysis presented in this study shows that the OBI was also instrumental in moving the government of Honduras to publish key budgetary documents for the first time.

The primary objectives of this case study are to analyze recent developments in budget transparency in Honduras, show whether and how sectors of civil society and the IBP contributed to the reforms, and determine what variables influenced the government's decisions to open the budget.

The information in this case study came mainly from reports on recent developments in the field and from interviews with public officials, academics, members of civil society, and IBP staff.

## **B. The History of Budget Transparency in Honduras**

### Characteristics of Honduras' democracy

Since 1980 Honduras has slowly taken steps toward democratization, but the country has experienced setbacks — most recently a coup in 2009. While Honduras has held nine free elections since 1980, democracy is still quite limited and the institutions mandated to protect the democratic process are weak, with a lack of separation of power between the executive and legislative branches of the government.

Government stability, capacity, and political will strongly determine the degree to which its budget processes and systems are transparent, responsive, and accountable. As Straface and Page (2009) point out, "the design of public policy responds to different factors, like the existing power relations in democratic states and the weakness of the institutions that implement the policies. In this sense, how well power is exercised through the political, economic, and social institutions of a country determines its chances for sustainable and equal development."

Historically Honduras has been controlled by political and economic elites who have capitalized on the globalization process. While this dynamic has enabled economic diversification, the elites have kept a high concentration of income.<sup>2</sup> These elites wield control over public policies through political parties while excluding substantial portions of the population from the decision-making process.<sup>3</sup>

The globalization process, however, has also enabled new stakeholders like civil society organizations and organized sectors such as workers, farmers, teachers, and women's groups, to demand more democratic and transparent processes and policies. International stakeholders and initiatives are also beginning to stress the importance of transparency in the management of public

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<sup>2</sup> The recent period of democratization in Honduras coincides with its entry into the age of globalization.

<sup>3</sup> Manuel Torres (independent journalist and political analyst, member of C-Libre) and Victor Meza (Centro de Documentación de Honduras (Cedoh)), interview by author

finances, including the IBP, Transparency International, multilateral donors, and the recently launched Open Government Partnership, currently led by the United States and Brazil.<sup>4</sup>

### Recent developments in budget transparency in Honduras

Recent budget transparency reforms in Honduras can be divided into three periods. The first period was driven by the entry of Honduras into the joint World Bank/International Monetary Fund (IMF) Highly Indebted Poor Countries Initiative (HIPC).<sup>5</sup> The initiative facilitated substantial relief for participating countries from external debt, while at the same time encouraging “pro-poor” spending based on poverty reduction strategies (PRS). In order to ensure that the funds freed from debt repayment were indeed invested in the PRS, the government of Honduras formed a monitoring committee that included members of civil society.

In 2006 then-president Manuel Zelaya Rosales signed the Transparency and Access to Public Information Law, marking the next phase in Honduras’ budget transparency. The law aims to ensure “the development and enforcement of the national transparency policy, and the exercise of the right of all persons to access public information toward strengthening the rule of law and democratic consolidation by means of citizen engagement” (National Congress, 2006). In addition the law requires all public institutions to appoint a public information official to process public requests for information. It also requires that sanctions for public institutions in violation of the law be established. This law also provides for the creation of the Institute for Access to Public Information (IAIP).

The start of the third period in 2010 was marked by the implementation of financial management reforms under President Porfirio Lobo’s new government. Lobo came to power in the midst of the worst political and economic crisis in Honduras’ recent history, which stemmed from the international recession of 2008–2009 and the coup d’état in 2009. The fiscal deficit facing the central government climbed to 6.4 percent of GDP, while its international reserves fell to US\$350 million.<sup>6</sup> In addition the political crisis generated an international reaction that resulted in the suspension of a large sum of foreign aid, upon which Honduras was heavily dependent. The new government’s need for quick and easy access to external resources was a strong incentive to sign a debt agreement with the IMF in October 2010.<sup>7</sup>

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<sup>4</sup> Open Government Partnership, <http://www.opengovpartnership.org>.

<sup>5</sup> HIPC is aimed at providing multilateral debt relief for highly indebted poor countries worldwide. Bolivia, Guyana, Honduras, and Nicaragua were the Latin American and Caribbean countries that qualified to receive this relief.

<sup>6</sup> “Honduras: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding,” International Monetary Fund, 2010.

### C. Changes in Budget Transparency

#### The Open Budget Index and the case of Honduras

As described above, the IBP's Open Budget Index assesses the extent to which countries provide timely and comprehensive access to the eight key budget documents required by international good practices. In the first round of the Open Budget Survey in 2006, Honduras scored 38 percent on the OBI but its score dropped dramatically to 11 percent in 2008, where it held steady in the 2010 round. The OBI scores reflect the failure of the Honduran government to publish the key budget reports on time or with the sufficient level of detail.

As its performance on the OBI shows, Honduras has a long way to go before its budget transparency practices are in line with international standards. In addition the decline in its Index score between 2006 and 2008 indicates the inconsistency of attitude and approach of the different governments in Honduras towards budget transparency. During the tenure of President Zelaya Rosales (2006–2009), Honduras' OBI score dropped from 38 to 11, even though the Transparency and Access to Public Information Law was passed and the IAIP was formed during that time. This fact can be attributed to the conflicts that took place between the executive and legislative branches of government. The 2010 score also reflects of the political crisis of 2009–2010.

<b>Honduras provides limited information throughout the budget process</b>				
<b>Document</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>	<b>2012<sup>8</sup></b>
Pre-Budget Statement	No	No	No	Yes
Executive Budget Proposal	Yes	No	No	Yes
Enacted Budget	Yes	Yes	Yes	Yes
Citizens Budget	No	No	No	No <sup>9</sup>
In-Year Reports	Yes	Yes	Yes	Yes
Mid-Year Review	No	No	No	Yes
Year-End Report	Yes	Yes	Yes	Yes
Audit Report	Yes	Yes	No	Yes

#### Open Budget Survey 2010 Recommendations and Response

Based on the Open Budget Survey 2010 findings, the IBP made the following recommendations to improve budget transparency in Honduras. The government should:

- publish the Executive Budget Proposal and the Pre-Budget Statement;
- produce and publish a Citizens Budget, Mid-Year Review, and Audit Report;
- provide opportunities for the public to participate actively at legislative hearings on the budget;

<sup>8</sup> Our forecast for the likely for the 2012 index, based on information that is described below.

<sup>9</sup> The Citizens Budget was not published in a timely fashion.

- enable the legislature to provide more comprehensive oversight so that they can go beyond just enacting the budget and oversee its implementation; and
- enhance the supreme auditing institution's ability to perform its oversight role.

A product of the collaboration between the IBP and its civil society partner in Honduras, El Centro de Investigación y Promoción de los Derechos Humanos (CIPRODEH), the 2010 Survey results and recommendations were disseminated through press conferences, television presentations, and events with government and civil society representatives.<sup>10</sup> After the release of the Survey, one of Honduras' major newspapers ran the headline, "Honduras Has Lowest Budget Transparency in Central America."<sup>11</sup>

Subsequent meetings were held with government officials, including the Minister of Finance William Chong Wong, and the Deputy Minister Carlos Borjas. While there was no official government reaction to the Survey release, it is likely that the extensive coverage of the 2010 results facilitated much of the subsequent cooperation between the IBP and the government of Honduras. Other national and regional authorities and international agencies also took note of the results, including the National Anti-Corruption Council of Honduras, which integrated the OBI into its training program as an indicator of governance.<sup>12</sup> The Open Budget Survey 2010 was very successful in drawing the attention of the media and government to budget transparency problems and in providing guidance on how to improve. Not only were those inside Honduras aware of the weak state of budget transparency and accountability; external stakeholders, including donors, were also paying attention.

### The Millennium Challenge Corporation, Honduras, and the Open Budget Index

In 2005 the Millennium Challenge Corporation (MCC), established to promote and support achievement of the Millennium Development Goals, declared Honduras eligible to receive MCC funds. The initial MCC compact with the Honduran government was approved for US\$205 million.<sup>13</sup> The compact, which ended in September 2010, was intended to fund infrastructure projects and rural development.

When the MCC Board of Directors met in December 2010 to consider a new compact for Honduras, the Control of Corruption Index for Honduras was just below average.<sup>14</sup> The MCC's perspective on Honduras was nevertheless cautiously optimistic because its performance on the corruption index was almost satisfactory, there was a new government, and the evaluation of the first compact showed promising results. The MCC therefore decided to make an exception to its normal criteria. In March 2011 the MCC reached an agreement with the new government on a new

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<sup>10</sup> The Center for Research and Promotion of Human Rights. <http://www.ciprodeh.org.hn/>

<sup>11</sup> "Honduras con menor transparencia presupuestaria Centroamerica." *La Tribuna*, November 9, 2010. <http://www.latribuna.hn/2010/11/09/honduras-con-mas-baja-puntuacion-en-informacion-presupuestaria-de-centroamerica/>

<sup>12</sup> Frédéric Boehm "Indicadores Internacionales de Corrupción, <http://www.cna.hn/archivos/CNA%20Indicadores.pdf>

<sup>13</sup> The Millennium Challenge Corporation is an independent United States foreign aid agency.

<sup>14</sup> The Control of Corruption Index is a MCC indicator that consists of aggregation of various indicators that measure the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. For more information, see: "Control of Corruption Index," <http://www.countrycompass.com/data/postconflict/glossary.php?iid=22P1&s=t>

Policy Improvement Plan in order to improve the country's governance, public resource management, and fiscal transparency.<sup>15</sup> The MCC decided that improvements in fiscal transparency would be measured using indicators from the Open Budget Survey and Honduras' Public Expenditure Framework Assessment (PEFA).<sup>16</sup>

Initially Bruce Key of the MCC met with IBP director, Warren Krafchik, to discuss the Open Budget Survey results for Honduras. This meeting was followed by a January 2011 meeting between Mr. Key and Vivek Ramkumar, manager of the IBP's Open Budget Initiative, to learn about the methodology used to calculate the OBI and to arrange a conference call to discuss OBI indicators with Rodrigo Garcia from the Honduran Ministry of the Presidency.<sup>17</sup>

Since the OBI is only calculated every two years, the 2012 results would not be available to measure how well the Honduran government was implementing the Policy Improvement Plan and make a determination about further MCC funding. Therefore the MCC requested that the IBP and one of its local partner organizations in Honduras, the Fundación Democracia sin Fronteras (FDsF), independently assess the budgetary developments made during 2010 and 2011.<sup>18</sup> According to Key, "We reached out to IBP to ask for a special report outside the traditional timeframe. We couldn't wait for the new Open Budget Index to be ready; we just needed to find out if there had been any improvement on the low point totals we received last time. So we decided we would finance the partner organization in Honduras, but we didn't pay the IBP anything."<sup>19</sup> The IBP and the FDsF agreed to do an evaluation of Honduras' budget transparency developments between 15 September 2009 (the cutoff date of the Open Budget Survey 2010) and 31 August 2011.

The Honduran Ministry of the Presidency later requested technical assistance from the IBP to include the principal 2010 OBI recommendations in its plans for improving the government's financial management. One press report described the technical assistance as follows:

"Minister of Finance William Chong Wong wrapped up the workshop on 'Management, Transparency and Monitoring of Public Finance,' which for three days hosted officials from various public offices, in fulfilling an initiative of the Government of the Republic as an institutional policy to put a stop to corruption within the State administration.

The government initiative is coordinated by the Secretary of the Presidency, led by Ms. Maria Anonieta Guillen de Bogran, with support from the Millennium Challenge Corporation (MCC), to comply with the policies of partner countries and international agencies seeking to improve management, transparency in public finances and optimize administrative indicators.

Training for public servants was provided by international consultants Hernan Pflucker, from the PEFA program, and Juan Pablo Guerrero and Atzimba Baltazar of the International Budget Partnership.

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<sup>15</sup> Linnea Mills, "Foreign Assistance and Fiscal Transparency. The impact of the Open Budget Initiative on Donor Policies and Practices," International Budget Partnership (forthcoming) p. 11.

<sup>16</sup> See a more detailed description of PEFA below.

<sup>17</sup> Vivek Ramkumar, (IBP director of International Advocacy and Open Budget Initiative), interview by author, written notes.

<sup>18</sup> FDsF is a Honduran nonprofit civil society organization that strives to reinforce democracy in Central America by promoting greater transparency, accountability, environmental justice and protection, and respect for human rights.

<sup>19</sup> Mills, p. 11; and Bruce Key, (MCC official for Latin America), interview by author, written notes.

Officials came to participate from the Secretary of the Interior, the Revenue Service (DEI), the Public Accounting Authority (Tribunal Superior de Cuentas or TSC), Supreme Court of Justice (CSJ), Secretary of Planning (SEPLAN), Secretary of Finance, the Honduran Social Investment Fund (FHIS), Education, Health, the National Congress, and others.

The government initiative includes the enactment of a monitoring program to evaluate state fiscal and administrative compliance, improvement of the evaluation indices on Accountability and Spending Management and the Open Budget Index, which are tied to the policies of the international partner bodies.”<sup>20</sup>

In addition to the off-cycle OBI assessment, the MCC facilitated the Public Finance Management Performance Report (PEFA 2011), which was done by the National Opinion Research Center at the University of Chicago, to monitor the implementation of transparency and financial management reforms in Honduras. The PEFA evaluation measures the quality of six principal elements of public finance management compared to international good practices (PEFA, 2011). The results of both the OBI assessment and the PEFA were published in September 2011.

In order to assess Honduras’ budget transparency, the IBP and FDsF conducted interviews with public officials and reviewed government websites and media reports. In addition to evaluating the availability of budget documents, both groups assessed the performance of oversight functions by the National Congress and the Public Accounting Authority.

The IBP’s resultant assessment report states: “According to our assessment, since the last edition of the Open Budget Index in 2010, the Honduran government has taken substantial steps toward increasing public availability of the Survey’s eight key documents. . . . The International Budget Partnership and the FDsF Foundation have been highly impressed by the level of commitment demonstrated by the Honduran government toward improving budget transparency over the results of the 2010 Open Budget Index.”<sup>21</sup>

While recognizing the government’s progress, the report points out the need to further improve the following: accessibility of budget documents; timely publication of key budget documents; opportunities for citizen engagement, both in the preparation and execution stages of the budget; contents and publication of the Citizens Budget; and strengthening Honduras’ transparency laws, including adding specific provisions related to budget transparency.

The draft of the report was presented mid-September 2011 at a workshop in Tegucigalpa, which was attended by the Vice President of Honduras, the Minister of Finance, the three Commissioners of the Public Accounting Authority, the President of the Institute for Access to Public Information, and various officials from the Ministry of Finance. The discussions from the workshop were

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<sup>20</sup> Marino Ortari, “Gobierno capacitó funcionarios en ‘Gestión, transparencia y vigilancia de las Finanzas Públicas,’” *Hondudiaro*, July 6, 2011. <http://www.hondudiaro.com/content/gobierno-capacit%C3%B3-funcionarios-en-%E2%80%9Cgesti%C3%B3n-transparencia-y-vigilancia-de-las-finanzas>

<sup>21</sup> “Assessment of Budget Transparency in Honduras,” International Budget Partnership and FDsF Foundation, 2011, <http://internationalbudget.org/wp-content/uploads/Assessment-of-Budget-Transparency-in-Honduras-Sept-20111.pdf>

included in the final version of the IBP's report, which was presented to the MCC officials assigned to Central America in October 2011.<sup>22</sup>

### Plans for Improving Fiscal Transparency and Management

Subsequently the government of Honduras drew on the findings of the PEFA and OBI reports to formulate the Plan to Improve Fiscal Transparency and Management 2012.<sup>23</sup> Coordinated by the Minister of the Presidency, the plan was developed by an interagency commission made up of the Minister of Finance, the Revenue Service, the Minister of Planning, the Public Accounting Authority, and the Institute for Access to Public Information (IAIP).<sup>24</sup> Except for the National Congress, the commission included representatives from all the primary institutions that are involved with the budget, which demonstrates, according to one of the official interviewed, a "high level of political will" to improve budget transparency in Honduras.

The discussion over the draft plan began in December 2011 and, at the time of this case study's writing, its finalization was imminent. The draft states, "During 2011, the Government of the Republic of Honduras has formulated a Plan to Improve Fiscal Transparency and Management. The plan identifies the chief weaknesses that were identified by the assessments of Public Expenditure and Financial Accountability (PEFA) and the Open Budget Index (OBI) carried out from 2009-2011."<sup>25</sup>

The plan acknowledges the major issues and obstacles related to budget transparency and management reforms in Honduras. One is the publication of complete and timely information on key aspects of public finance. Another is the continued disconnect between policy priorities and the government's budget policies. The plan also acknowledges the need for the national auditor to conduct more thorough external audits.

The plan itself can be divided into eight components: credibility of the budget; scope and transparency; budgets based on policies; predictability and control of expenditure; accounting records and reports; external audits and scrutiny; donor practices; and the Open Budget Index.<sup>26</sup> Each component includes performance indicators, expected results, activities or measures to achieve results, methods of verification, completion date, and the person responsible for measuring these indicators. The OBI-related items are reproduced in the following table.

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<sup>22</sup> The final report is available in English and Spanish at <http://internationalbudget.org/publications/assessment-of-budget-transparency-in-honduras/>.

<sup>23</sup> The government of Honduras prepared a plan titled "Plan to Improve the Management, Transparency and Scrutiny of Public Finances," in June 2011 that was based on the 2009 PEFA (funded by the European Union) and the 2010 OBI. This short-term plan contains the same indicators that are detailed in the text for 2012, and undoubtedly contributed to the developments in 2011.

<sup>24</sup> The function of the DEI, which is a decentralized body, is to collect taxes in Honduras.

<sup>25</sup> Secretary of the Presidency (2011: 2).

<sup>26</sup> These topics strongly reflect the influence of the IBP and PEFA studies.



**PLAN FOR IMPROVING FISCAL TRANSPARENCY & MANAGEMENT, 2012<sup>a</sup>**  
**COMPONENT: OPEN BUDGET INDEX**

Performance Indicator	Expected Result	Activities / Measures	Method of Verification	Date of Completion	Person Responsible	
ID - 1	Pre-Budget Statement□	The public knows the general guidelines for the 2013 budget in a timely fashion.	Publish the Pre-Budget Statement for fiscal year 2013 in a timely fashion.	Document published	July – August 2012	SEFIN <sup>27</sup>
ID - 2	Executive Budget Proposal□	The 2012 Executive Budget Proposal is accessible to the public in a timely manner.	Publish the Executive Budget Proposal immediately after its presentation to the President of the Republic.	Document published	September 2012	SEFIN
ID - 3	Approved Budget	2012 Budget is approved by the National Congress within the legally established period.	Broad discussion and approval in the National Congress of the 2013 budget, between October and December 2012.	Document published	January – February 2012	SEFIN
ID - 4	Citizens Budget	The public has access to the 2012 Citizens Budget, at the start of same year.	Draft with public input and publish through different media the 2012 Citizens Budget.	Document published	January – February 2013	SEFIN
ID - 5	In-Year Reports□	Quarterly reports are published in a timely manner and with detailed information.	Produce detailed quarterly and publish them the month after the corresponding quarter.	Reports published	April, July and October 2012	SEFIN

<sup>27</sup> The Ministry of Finance.

ID - 6	Mid-Year Review	The Mid-Year Report is published in a timely manner with detailed information.	Elaborate and publish the Mid-Year Report at the start of the third quarter.	Report published	August 2012	SEFIN
ID - 7	Year-End Report	The Year-End Report is published in a timely manner with detailed information.	Produce a detailed annual report for 2011 and publish it in Q1 of 2012.	Report published	March 2012	SEFIN
ID - 8	Audit Report	Audit reports are published according to law and international best practices.	Publish in 2012 and 2013 the Audit Reports, corresponding to the 2010 and 2011 budgets.	Report published	August – September 2012	TSC <sup>28</sup>

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<sup>28</sup> The Supreme Audit Court of Honduras.

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Despite these efforts, the MCC rejected the second compact for Honduras in December 2011. The decision was based on a number of considerations, including the availability of funds, the first compact's implementation record, the opportunities to generate growth and reduce poverty, and Honduras' poor scores on a series of governance indicators.<sup>29</sup>

Despite this setback, the government of Honduras will still implement the Plan to Improve Fiscal Transparency and Management, looking ahead to its next opportunity at the end of 2012 to submit a new proposal for a second MCC compact. The government is also interested in being involved in the work of the Open Government Partnership, which met in Brazil in April 2012.<sup>30</sup> To qualify, the government has drafted an anti-corruption plan that includes elements from the Plan for the Improvement of Fiscal Transparency and Management.<sup>31</sup>

#### **D. How Honduran Society Uses Budget Information**

In many countries the government does not proactively provide the public with comprehensive and timely budget information. To get the information needed to hold government to account, civil society organizations and citizens must demand greater budget transparency. But budget information is only useful to citizens if it is provided in a form that is widely understandable and accessible to different segments of society, including those with limited Internet access, little technical expertise, or low literacy. These supply issues still plague Honduras and must be solved in order to create great transparency for all citizens.

In Honduras, the first challenge in this regard is the format of published information. The Honduran government provides budget information mainly through electronic media, which the majority of the population is unable to access. The Internet only reaches an estimated 11.8 percent of the population, of which only 44 percent can access the information from their homes.<sup>32</sup> The IBP and FDsF addressed this issue in their recommendations: "Because Internet access is so limited in the country, we recommend that the government make the reports available on compact discs, and distribute them on a broad-scale basis at national bookstores, through communication media and public information offices."<sup>33</sup> Publishing budget documents only online severely limits the reach of the government's efforts to disseminate budget information. In order to achieve real engagement with other segments of society, the government needs to publish budget documents in simple, accessible ways.

Second, the people using budget information mostly come from small pockets of civil society such as nongovernmental organizations, research centers or think-tanks, professional associations,

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<sup>29</sup> The IBP and PEFA reports influenced this decision and, while a new contract was not offered at this time, Honduras did receive a "Threshold Program," worth a sum of US\$15 million. "MCC Board Selects Countries Eligible for MCC Compacts and Threshold Programs; Approves Cape Verde Compact," Millennium Challenge Corporation, available at: <http://www.mcc.gov/pages/press/release/release-121511-boardmeeting>. See also "Honduras debe hacer diagnóstico para superar indicadores en rojo en Cuenta del Milenio," *El Heraldo.hn*, December 16, 2011, <http://www.elheraldo.hn/Secciones-Principales/Pais/Honduras-debe-hacer-diagnostico-para-superar-indicadores-en-rojo-en-Cuenta-del-Milenio>.

<sup>30</sup> The Open Government Partnership, promoted by Brazil and the United States, seeks to incentivize government transparency, combat corruption, strengthen accountability mechanisms, and empower citizens. The participant countries are devoted to development and implement national action plans that are developed with the citizens.

<sup>31</sup> Ministry of the Presidency (2011).

<sup>32</sup> "Acceso a Internet," Instituto Nacional de Estadística Honduras, <http://www.ine.gob.hn/drupal/node/220>.

<sup>33</sup> Op. Cit., page 5.

entrepreneur groups, communication media, and the international community. Civil society has only recently begun to emerge as an influential force in Honduras; and a very small number of organizations in Honduras are devoted to budget analysis, dissemination, and publication. According to interview subjects, Hondurans lack the skills needed to understand budget reports. Due to poor government transparency, citizens have never been given access to such complex and detailed government reports. Few have the skills and knowledge needed to analyze such information. Business groups that have the necessary resources and technical personnel to analyze budget documents have an advantage in advocating for their priorities because they are able to designate teams to monitor the budget preparation, approval, and execution. This advantage allows them to exercise more influence over decisions about public revenue and spending.

While understanding, analyzing, and disseminating budget information is a challenge for most CSOs, some organizations are working on initiatives to improve the accessibility of budget information. Foro Social de la Deuda Externa (FOSDEH), a civil society organization dedicated to promoting budget transparency, systematically publishes analyses of various aspects of the budget.<sup>34</sup> FOSDEH frequently circulates budget information to other civil society organizations but claims that others rarely respond. The Federation of Non-Governmental Organizations for the Development of Honduras (FOPRIDEH) recently started a project on transparency and social auditing called “Improving Trust in Public Institutions and Policies.” The project facilitates computer access for poor and vulnerable communities and works to strengthen the ability of members of the public to influence the budget process at the local, regional, and national levels.<sup>35</sup>

Other organizations are also showing an interest in using budget information, although their interest is geared more toward sector-specific topics such as education, health, or allocations to the municipalities. In addition, the news media is beginning to show a greater interest in broadcasting information about the budget. Until now this type of coverage has been limited.

### **E. How the Government Engages the Public in Budgeting**

The Honduran government does little to engage the public in the budget process. While formulating the 2011 budget, the government sought input from the nation’s 16 territorial zones. In these zones, the government presented regional budgets and documented the public’s responses to these presentations. For the 2012 budget, the National Congress called on various secretaries of state to participate in public hearings, where civil society organizations were invited only to attend and did not have full participation rights. While any inclusion of citizens in the budgeting process is a step in the right direction, to date these efforts to engage the public have been a mere formality.

The National Congress does not spend much time reviewing the proposed budget and debating changes and additions. On 18 December 2011 *El Heraldo* published an editorial titled “2012 General Budget.” In reference to the National Congress, the editorial stated, “As is the deeply rooted custom, the members hastily and hurriedly approved a document of vital importance with wide-reaching effects on the National Budget of Revenue and Expenditures. In fact, the members unanimously decided that two debates be held, but the level of analysis and discussion was minimal

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<sup>34</sup> In English: The Social Foreign Debt Forum (<http://www.fosdeh.net/>). All of the interviewees agreed that FOSDEH is the most well-known CSO involved in budget issues, but because it is a think-tank rather than a grassroots organization, its impact is limited.

<sup>35</sup> To learn more, visit:

[http://foprیده.org/index.php?option=com\\_content&view=article&id=64:foprیده-da-estructura-a-importante-proyecto-en-transparencia-y-auditoria-social-&catid=2:noticias](http://foprیده.org/index.php?option=com_content&view=article&id=64:foprیده-da-estructura-a-importante-proyecto-en-transparencia-y-auditoria-social-&catid=2:noticias).

to non-existent, and the original bill sent by the executive branch remained virtually intact.<sup>36</sup> At the time of approval most of the legislators had not even read the budget. It is also worth noting that Members of Congress do not have access to the kind of technical advice needed to analyze complex public finance issues and, therefore, may be unequipped to fully understand the budget.

#### **F. Factors that Influenced Budget Transparency in Honduras**

In recent years more and more developed countries including the United States and the United Kingdom have begun to include budget transparency conditions in bilateral aid programs for developing countries.<sup>37</sup> Budget transparency, accountability, respect for human rights, law enforcement, and free elections and other requirements have become the important factors in deciding whether or not to allocate aid.

So why are these policies by international collaborators effective in some countries but not in others? One factor is the extent to which external actors like donors have influence over governments. As Honduras' relationship with the MCC demonstrates, the country is subject to this international framework and deeply dependent on foreign assistance. The new government of Honduras, which took office in 2010, showed more willingness to support financial management and budget transparency reforms than the previous government because of the troubled financial situation in the country as a result of the political crisis of 2009. Honduras needed to steady the flow of foreign aid, which had been suspended because of the coup d'état and which is crucial in reducing the fiscal deficit.<sup>38</sup> After the coup the government also needed to prove its legitimacy to the international community. These factors played a significant role in the government's decisions to reform.

It would be inaccurate, however, to attribute the increased budget transparency in Honduras solely to external factors. Even though civil society in Honduras is relatively young, there are already several strong advocates for greater transparency, such as the Civil Society Group, FOPRIDEH, FOSDEH, and CEDOH.<sup>39, 40</sup> Other sectors, such as businesses and churches, are also beginning to join the fight for greater government transparency. All of these stakeholders would greatly increase their impact if they worked together to form a united national front to demand government transparency.

Another aspect to consider is the heterogeneity in the government and state bureaucracy. Certain sectors always tend to push for reforms that promote accountability, access to information, and transparency, while others will inevitably resist openness in order to continue their malfeasance. The Honduran government is no exception; while some officials pursue anti-corruption programs and push for the adoption of international transparency practices, others continue with the old practice of opacity. Which of these sectors will triumph in Honduras is still uncertain; proponents of transparency will undoubtedly have to maintain pressure to ensure that progress made thus far is

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<sup>36</sup> "Presupuesto general 2012," *El Heraldillo*, <http://www.elheraldo.hn/Secciones-Principales/Opinion/Editoriales/Presupuesto-general-2012>.

<sup>37</sup> In her paper, Mills (forthcoming) documents the cases of the United States and the United Kingdom.

<sup>38</sup> The fiscal deficit in 2009 climbed to over 6 percent of the Gross Domestic Product (GDP).

<sup>39</sup> The Centro de Documentación de Honduras at <http://www.cedoh.org/>.

<sup>40</sup> Mauricio Diaz (Foro Social de la Deuda Externa), Omar Rivera (civil society group), and Victor Meza (Centro de Documentación de Honduras (Cedoh)) interview by author

sustained and that the commitments of accountability made nationally and internationally are fulfilled.

## **G. Conclusion**

The preparation and publication of the Open Budget Survey in Honduras increased awareness of Honduras' budget transparency problems. Attention to these issues brought civil society, the IBP, the MCC, and the government of Honduras together to make progress on budget transparency.

While the IBP's technical assistance to the government of Honduras played an important role in the recent publication of budget documents, ultimately these documents would not have been published without strong government will. These newly released documents have provided the basis for public finance management reforms.

Though the main incentive for the government to improve its budget transparency was initially to increase foreign aid contributions, citizen-led efforts to demand reform are growing. Though the capabilities of citizens in Honduras to understand budgets and influence reforms remain weak at the moment, the budgetary skills and knowledge of civil society organizations are quickly improving, and the greatest pressure for transparency in Honduras may soon come from below.

## **Postscript**

The results of the 2012 Open Budget Survey were released shortly before the publication of this report. Honduras obtained an OBI score of 53 and published all eight key budget documents.

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## **Addendum 1: List of Persons Interviewed**

### Ministry of Finance

William Chong Wong, Minister of Finance

Roberto Zuniga, Budget Director

### Presidency

Manuel Ramirez, Coordinating consultant for Inter-Agency Commission for the Adoption of Transparent Practices in Public Administration.

### Institute for Access to Public Information

Guadalupe Jerezano, Presiding Commissioner

### International Budget Partnership

Michael Castro

Juan Pablo Guerrero

Atzimba Baltazar Macías

Vivek Ramkumar

### Civil Society Organizations

Omar Rivera, Civil Society Group

Mauricio Díaz, Foro Social de la Deuda Externa (FOSDEH)

Elda Dariela Diaz Vasquez, Fundación Democracia sin Fronteras (FDsF)

Víctor Meza, Centro de Documentación de Honduras (Cedoh)

Manuel Torres, Independent journalist and political analyst, member of C-Libre

Rafael Del Cid, Sociologist and Consultant.