

Honduras: The Fragility of Gains in Budget Transparency

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Honduras once stood out as example of how rapidly improvements in budget transparency could be made. In 2012 IBP praised the country for the exceptional gains it made on the Open Budget Index (OBI), when its score jumped from 11 in 2008 to 53 in 2012. Yet just a year later, amidst a period of troubled politics, the county suffered a series of setbacks that led to a tightening of the executive's grip on the budgetary process and to freedom of information being restricted. This was reflected in its OBI score falling to 42 in 2015.

In hindsight it seems likely that Honduras' initial gains on the OBI 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. This case study examines the background to the rise and fall of budget transparency in Honduras. It presents a cautionary tale about the dangers of "open washing," and about political manipulation disguised as a window of opportunity.¹

THE ISSUE: TRANSPARENCY GAINS DRIVEN BY CRISIS

In June 2009, the Honduran military ousted President Zelaya following his attempt to hold a referendum on convening a constituent assembly to rewrite the constitution. Congress then appointed a new president. Though unconstitutional transfers of power are not unusual in Honduran history, the political crisis that ensued from the failure to resolve the issue democratically seemingly led to the country's institutions suffering an authoritarian relapse.

A post-coup election in 2009 saw the National Party, led by Porfirio Lobo Sosa, win both the presidency and control of the Congress. The political crisis, coupled with an economic crisis, prompted the newly elected government to seek financial assistance from the international community. After first securing

¹ 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.

funding from the International Monetary Fund, the new government approached the Millennium Challenge Corporation (MCC) which requires recipient countries to establish a minimum standard of budget transparency, using the OBI to measure progress. President Lobo agreed to a set of improvements, a decision that was bolstered by a campaign by several national and international organizations to make budget transparency a national priority.

The government invited IBP to provide technical support to comply with the agreed standards. This agreement gave international and local civil society organizations (CSOs) greater influence over the budgetary process. CSOs were also invited to be involved in building budget transparency capacity at line ministries. New relationships were forged that would have previously been inconceivable.

With strong political will backing the necessary actions to increase the country's OBI score, there was a window of opportunity for CSOs (including IBP) to work closely with the government. These new relationships that were forged would have previously been inconceivable. This led to tangible outcomes between 2010 and 2012, both in the form of a dramatically higher OBI score, and in other areas, such as the approval of an access to information law.

THE SETBACK: DOMESTIC POLITICS TRUMP TRANSPARENCY COMMITMENTS

Progress turned out to be short lived. The drive for greater budget transparency was soon complicated by the political dynamics that took shape around the November 2013 federal elections. Concerned about a political backlash over the country's economic fortunes, President Lobo decided to wait until after the election to submit the Executive Budget Proposal (EBP) to the legislature. This directly contravened the Constitution of Honduras, which requires the document be submitted in September. Indeed this was only the second time in 34 years that the EBP had not been sent to the legislature.

President Lobo argued that presenting the budget in the midst of an electoral campaign would provoke too large a debate. Many of those interviewed for this case study, however, believe he was more concerned with his party's electoral chances. If the EBP had been made public, the government would have had to admit that the fiscal deficit had grown from 5.9 percent in 2012 to 7.9 percent in 2013.

Several key institutions and figures who had been working with the government to improve budget transparency and accountability criticized President Lobo's decision to withhold the EBP. Surprisingly, however, opposition members of Congress quietly acquiesced to the decision.

President Lobo's National Action party lost its legislative majority in the subsequent election and quickly moved to pass a series of laws (more than 120 legislative decrees) granting additional powers to the executive. These included the ability to create, modify, and suspend ministries and autonomous entities of the states, a power that formerly resided with the legislature. The Official Secrecy Act, which aimed to limit oversight of the executive by restricting access to public documents, was among the most controversial of these set of laws. Members of the bureaucracy privately fretted over the impact of the act, while only a few civil society activists spoke out publicly against it. In a not-so-subtle ruse, Congress halted passage of the law, only to publish it a few months later under the more euphemistic title "Law for the Classification of Public Documents Linked with National Security."

It was at about this same time that the government entered into an agreement with Transparency International (TI) and its local chapter, Asociación para la Justicia en Honduras (ASJ), for help in fulfilling 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, giving TI and ASJ unprecedented access to government information and an invitation to participate in decision making.

CRUCIAL EVENTS AFFECTING BUDGET TRANSPARENCY

- Honduras accepts transparency stipulations as part of its international finance agreement.
- Honduras invites IBP to provide technical assistance to comply with its finance agreement.
- Honduras joins the Open Budget Partnership.
- The President decides to postpone the submission of the Executive Budget Proposal until after the elections.
- The President attempts to pass the Official Secrecy Act and other last-minute legislative decrees to diminish transparency after the 2013 elections.
- The government enters an agreement with Transparency International for assistance in the areas transparency, integrity and corruption.

EXPLAINING THE RISE AND FALL OF HONDURAN BUDGET TRANSPARENCY

The vast majority of those interviewed for this case study agreed that the context of electoral politics of late 2013 was the main reason the government refused to publish the 2014 EBP. The EBP would reveal the scale of the increase in the fiscal deficit, a serious liability to the ruling party in the highly contested

and polarized elections. Thus, both the legal framework and basic principles of transparency were sacrificed for the sake of political expediency.

Many of the technical staff within the finance ministry and other public entities had exhibited a genuine desire to strengthen budget transparency. Many CSOs had also developed strong policy positions and competencies in favor of budget transparency and the international community had become increasingly vested in the openness of Honduran government. Even amidst moves by the executive and legislature to undermine budget transparency, partnerships and action plans were formulated that still bode well for openness.

These countervailing developments make it clear that Honduras is not monolithic, but that there are competing forces at play. The appearance of transparency gains between 2010 and 2012 should be understood not only in the context of the immediate national and international dynamics at play, but also in the deep-seated culture and institutionalization of opacity and impunity in Honduras, which extends to the management of public resources.

Analysis of the legal budgetary framework, published in 2012 by Foro Social de la Deuda Externa y Desarrollo de Honduras (FOSDEH), concluded the impunity of public officials was the key issue. FOSDAH's report says "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."²

This is not to say that past efforts by civil society have been fruitless. The early work by CSOs, along with IBP's continuous engagement, probably contributed to the government's decision to invite TI and its local chapter to help draw up transparency policies and participate in decision making — a degree of CSO participation unprecedented in Honduras. However, recent events are a testament to the fragility of these achievements. Advocates will certainly need to consider a more sustained and holistic campaign to ensure that the government cannot so easily backtrack on these commitments again.

Other actions by the government call an optimistic reading into question. There is a clear contradiction between the government's actions to tick the boxes of budget transparency while taking steps to concentrate power in ways that undermine the possibility of meaningful public accountability. Furthermore, a focus on releasing budget documents may obscure broader issues of institutionalized

² Foro Social de la Deuda Externa y Desarrollo de Honduras (2012). *Impunidad, el verdadero problema presupuestario en Honduras: Análisis del marco legal relativo a la ejecución presupuestaria*. Tegucigalpa: FOSDEH http://fosdeh.com/wp-content/uploads/2014/09/fosdeh_impunidad.pdf

opacity and impunity in the country. This begs the question of whether a well-intentioned instrument like the OBI risks facilitating open washing by the Honduran government.

CONCLUSION

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

Despite the weak response, reasons for optimism remain. Fiscal issues have become increasingly important in the public debate and a growing number of CSOs are interested in issues around access to information and budgets. Many of these groups lack technical and strategic sophistication, however, and so far have not been able to establish meaningful channels for engaging the government at either the national or local level. Indeed, most CSOs are a long way from developing the kinds of integrated strategies that can connect the dots between levels of government, pro-accountability actors, and constituencies.³

The struggle for budget transparency in countries with institutionalized opacity and impunity requires longer-term strategies that allow civil society to build broad coalitions, strengthen key capacities, and improve engagement with relevant state and non-state actors. Ensuring transparency and accountability gains are sustained requires the ability to generate a real movement for reform. Sustainable progress is unlikely to emerge from emergency responses to repeated crises.

In the end, pro-transparency actors will have to take calculated risks. Identifying and understanding political opportunities can be challenging in the moment. A number of local and international CSOs decided to engage with a Honduran administration that had clear short-term incentives to increase budget transparency, in the hope that they might plant seeds for longer-term reform. In doing so, they helped the government gain international legitimacy and stabilize a political and economic crisis. The government then demonstrated casual disregard for the transparency standards it had so recently promoted, highlighting the fragile nature of this commitment.

What should be clear from this case study is that there is no shortcut to combating impunity. Critical junctures do need to be leveraged, but there is no substitute for the patient work of organizing, coalition

³ For examples of campaigns that seek to connect these dots, see <http://www.transparency-initiative.org/reports/connecting-the-dots-for-accountability>

building, and strengthening capacities to understand and engage in the deeply political struggle for accountability.