DEMOCRATIC LOCAL GOVERNANCE IN HONDURAS

Honduras has made significant progress transferring power and responsibility to the local level. The political culture, however, is just beginning to incorporate the principles of democratic local governance. Bureaucratic resistance remains strong, and some worry that local governments lack the administrative capacity to manage finances and services.

SUMMARY

Honduran municipalities have more autonomy, thanks to recent municipal legislation and changes in electoral law. And that has led to new development initiatives. The Municipal Reform Law of 1990 changed the legal framework for local governance, granting autonomy to the nation’s 297 municipalities and permitting locally elected officials to distribute national revenues. It also establishes municipal revenue sources not controlled by the central government. And electoral reform now provides for direct election of mayors on an independent ballot.

After assisting in the Municipal Reform Law’s passage, USAID/Honduras launched its Municipal Development project to help municipalities implement it. The purpose is to bring about “more responsive democratic processes with greater citizen participation” by promoting “more responsive and effective municipal government.” The project has built on...
USAID/Honduras’s longstanding experience working to advance public involvement in local government activities. And it has supported nongovernmental organizations that advocate for mayors at the national level and provide technical assistance to project-targeted municipalities.

However, major challenges remain to democratic local governance’s continued evolution in Honduras. Advances in democratic local governance, for example, have been most pronounced in the larger, more populous municipalities targeted by the USAID project. Outside these municipalities little progress is apparent, largely because key nongovernmental organizations do not have the capacity to deliver technical assistance to smaller, outlying jurisdictions. The future of these nongovernmental organizations, which have played a key role, is uncertain. In addition, bureaucratic and political resistance will continue to be formidable obstacles.

INTRODUCTION

In the north–south corridor of Honduras—from the Caribbean coast city of Puerto Cortés through San Pedro Sula, Siguatepeque, and Comayagua to the capital, Tegucigalpa, and south to the Fonseca Gulf towns of Nacaome and Choluteca—citizens and mayors are showing off public works and services that are now operated and maintained by local governments. Democratically elected mayors and councils are

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Box 1. Local Governance on the Move

The mayor of Choluteca, a city of 115,000 inhabitants in southern Honduras, is proud of the recent democratic advances in local governance in her country. In remarks to a roomful of men—engineers, accountants, and administrators—she boldly states that another woman will be a candidate for her post in the future. However, she is not as confident that the woman will be nominated or elected, acknowledging, “this still is a macho society.” Nevertheless, she insists, her experience exemplifies the fact that progress has been made in opening up democratic opportunities for everyone.

The mayor points to some of her administration’s accomplishments under Honduras’s new local governance regime. A new wastewater treatment facility has been constructed to reduce pollution of local water sources. The city plans to open a meat-processing plant, abandoned by a prior administration, in partnership with a private firm that will renovate and operate it for the benefit of local business. In each case, the mayor notes, responsibility has been assumed locally and the central government was not involved in design, negotiation, or final agreements.

The mayor of Puerto Cortés, a city of 71,000 inhabitants, displays similar pride. His municipality successfully took on responsibility for the water supply. Service has greatly improved, and almost all residents now receive water from the city. What’s more, local authorities have proven their ability to assume responsibility, while showing city residents higher fees can result in better service.
eager to discuss the democratic transformation that has transferred responsibility and resources from the central government to local governments.

After years of domination by the central government, local governments are finally exercising democratic rights provided for in the new Municipal Reform Law. Enacted in 1990, this law fundamentally changed the legal framework for local governance by granting autonomy to the nation’s 297 municipalities and providing for locally elected officials to administer distribution of national revenues. In conjunction with the work of citizens’ organizations and USAID/Honduras, the law has brought about important advances in the development of democracy at the local level.

However, while the law set the stage for the transformation now under way, it is really the initiatives of local governments, coupled with the assistance programs of USAID/Honduras and other donors, that have significantly altered the way local services are managed and delivered. Hondurans are now exercising full rights as citizens, voting in local and national elections. For the first time, there is strong local involvement in improving education and infrastructure—areas controlled entirely by planners in the capital just a few years ago.

To learn about the significance and extent of these developments, a four-person team from USAID’s Center for Development Information and Evaluation (CDIE) conducted a study in October 1996 of the Municipal Reform Law’s impact and the role of USAID and other donors in supporting democratic local governance in Honduras. This study is part of a series that also looked at democratic local governance efforts in Bolivia, India, Mali, the Philippines, and Ukraine. The team comprised a CDIE program analyst, a democracy officer from USAID’s Center for Democracy and Governance, and two senior consultants with extensive experience in Latin America.

The team looked at municipalities that have strongly promoted democratic local governance, including Choloma, Choluteca, Comayagua, El Progreso, Nacaome, Potrerillos, Puerto Cortés, Santa Cruz de Yojoa, Siguatepeque, and Villanueva. In these municipalities, the team interviewed mayors, council members, city government employees, and central government officials, as well as members of women’s groups, peasant organizations, and nongovernmental organizations (NGOs). In Tegucigalpa, the capital, the team interviewed government officials, members of Congress, representatives of prominent organizations, journalists, and others involved in or concerned about the Municipal Reform Law’s implementation.

**BACKGROUND**

Through the 1970s and 1980s, Central America was torn by civil wars and rebellions. Nicaragua and El Salvador suffered from internal conflicts that many outside observers viewed as an extension of the Cold War and possible widening of Cuban influence in the Americas. Guatemala and Honduras were ruled by military governments that had seized power from civilian leaders.

Because of the conflict, U.S. military and economic assistance to Central America was extensive. Honduras was a particular beneficiary
because it was a support base in the struggle against communist guerrillas in El Salvador and Nicaragua. U.S. military presence in Honduras was significant, and the country remained reasonably peaceful, albeit under military rule.

In 1982, as a result of U.S. efforts to promote democracy in neighboring Latin American countries and increasing domestic and international pressure, the Honduran military turned over state authority to civilian officials. Since then, Honduras has had peaceful elections of civilian governments in 1985, 1989, 1993, and 1997. This is the longest uninterrupted period of civilian rule in Honduran history, although the military continues to play a significant role in the country’s political and economic spheres.

The country’s recent move toward greater local autonomy and enhanced democratic participation was inaugurated in 1989 with the election of Rafael Leonardo Callejas as president. Callejas was in favor of “municipalization” of central government ministries before he assumed office. In campaign speeches he asserted it is the central government’s duty to return power to the municipalities.

Current president Carlos Roberto Reina and his government have sustained this commitment. Municipal officials and members of Congress told CDIE they think it would be impossible for any future government to reverse the process of increasing municipal autonomy. The minister of the Honduran Social Investment Fund (and possible presidential candidate for the election of 2001), Manuel Zelaya, stated, “Municipalization is like a speeding train—it is almost impossible to stop.”

This view, however, is by no means unanimous. Certain officials in other central ministries and some outside observers believe local governments lack the administrative capacity to manage public finances and services.

‘Partyarchy’ and the Two-Party System

In Honduras, political power has been controlled for 50 years—albeit on many occasions interrupted by military rule—by the National and Liberal parties. This control of power by parties, coupled with the virtual exclusion of nonparty members from political life—“partyarchy”—is also a feature of the Venezuelan and Salvadoran political systems. Like its counterparts, Honduran partyarchy allows only those nominated by recognized political parties to run for office. The nomination process itself is conducted in closed party sessions.

To open up the Honduran electoral process, legislation was passed to permit split-ticket voting beginning with the general election of 1993. The new law meant that for the first time citizens could vote for a presidential candidate from one party, while picking mayoral and municipal council candidates from another. Although this is a major improvement in the electoral system, the National and Liberal parties retain nationwide control of the nomination process and thus remain the final arbiters of who appears on the ballot.

Civil Society

Honduras has an active civil society both nationally and locally. Examples include unions, cooperatives, peasant groups, women’s associations, and *patronatos* (voluntary neighborhood civic groups). Some observers surmise that the extent of civil society organization in Honduras helped spare the country from the repression other Latin American nations experienced during the 1980s. For example, a prominent academic told CDIE that a plan to invite Argentinian military advisers to train Honduran

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security forces was apparently scrapped because civil society organizations opposed it.

The patronatos are perhaps the most significant organized groups at the grass-roots level. Patronatos first appeared in the 1950s and took on their present character as neighborhood empowerment associations in the 1960s. They were founded as housewives’ and women’s associations and still seem to be dominated by these groups. Initially they organized around such issues as health and day care, but over time their activities expanded to include such issues as land and property rights. Patronatos have no governance function, but they do have legal status. They help hold officials accountable for their actions and work to obtain basic municipal services, such as water, sewage, and garbage collection, for their neighborhoods. Some patronatos have become militant and influential locally, often affiliating with political parties or local and congressional candidates at election time.

The Media

Honduras has many radio stations, large and small, throughout the country. Mayors regularly use them to communicate with their constituents. Newspapers are centered in the larger cities, and although they cover local and national issues, they are less effective than radio in disseminating information in outlying areas. Radio talk and call-in shows have become very popular recently with both urban and rural listeners. While political issues and personalities are a favorite topic on these shows (and print media generally), the country’s political culture has yet to incorporate the principles of decentralization and democratic local governance.

STRUCTURE OF LOCAL GOVERNMENT

Honduras has a long tradition of municipal governance extending back to its Spanish colonial period. However, legal recognition of the municipality as a distinct level of government was not granted until the Municipal Law of 1927. According to that law, municipalities are incorporated entities with elected mayors. Elected, as discussed above, meant the president and party that won the national elections appointed the mayors (as well as representatives in Congress). Hondurans only began to elect mayors individually with the reforms implemented in the 1993 elections.

Municipalities are the smallest government units recognized in Honduran law. As of October 1996, there were 297. The country is divided into 18 departments, its largest administrative and geographic subdivisions. Departments are extensions of the central government, headed by presidentially appointed governors. Depending on the department and region, municipalities generally consist of an urban center, subdivided into barrios, or neighborhoods, and surrounding settlements, villages, or rural farmlands.2

Under the 1927 Municipal Law, municipal government and services were centralized. Municipalities had no autonomy and were not accountable to their residents. The central government developed and funded municipal budgets, and mayors had little fiscal authority. Expenditures above 100 lempiras (about $7), for example, had to be approved by the governor. A few dynamic mayors used their national political connections to bring about infrastructure

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2 Municipalities vary considerably in size, and their governments are constituted accordingly. Those with a population under 5,000 have four council members, those with 10,000 have six, those with more than 10,000 have eight and a mayor, and those with more than 80,000 have 10 and a mayor. Municipalities also differ in the ratio of urban to rural inhabitants. For example, in Santa Cruz de Yojoa, 42,000 of its 60,000 people live outside the urban center, while in El Progreso, 100,000 people live in its urban center and 55,000 in the surrounding rural area.
development (carried out, of course, by central government agencies). However, most municipalities were not considered capable of undertaking significant development efforts or managing services provided by the central government.

THE MUNICIPAL LAW OF 1990

Changes in the Honduran legal framework, and in particular, enactment of the Municipal Reform Law, did not result from a groundswell of public interest or demand for change. Instead, they arose from political and social factors specific to Honduras’s history and development. This included president Callejas’ high degree of commitment to “municipalization,” and a confluence of national and international interests favoring more democratic rule.

A draft of the Municipal Reform Law had been under discussion before 1985, and USAID staff and Honduran counterparts who had worked with the Mission on municipal infrastructure and finance were important partners in the dialog. According to those CDIE interviewed, then–presidential candidate Callejas strongly supported the thrust of the new law. He saw increased municipal autonomy as a means to bring about more dispersed development than was possible through the central government. Callejas also understood that by promoting municipal autonomy he might enhance Honduras’s access to international aid, because in the late 1980s foreign donors were showing increasing interest in this development approach.

Provisions of the Municipal Law

Callejas was elected president in 1989, and his party won a landslide in Congress. Most of the deputies were elected under his party banner and were selected by and loyal to him. He introduced the draft Municipal Reform Law, which embodied fundamental changes, and Congress passed it in 1990 with little apparent controversy or public discussion.

The new law contained several noteworthy changes:

- Municipalities (mayors and municipal councils) were given authority to set priorities and determine their own budgets without departmental governors’ or central government agencies’ approval.
- Municipalities could determine and levy fees for the services they provide and could assess several types of taxes (for example, property tax).
- Municipalities as a group were “guaranteed” an annual transfer of funds from the central government of 5 percent of national revenues, equivalent to about $32 million.
- Mayors and councils were required to hold at least five open town meetings a year, recognizing citizens’ right to participate in their municipal government’s planning, decision-making, and use of resources.

Related Electoral Reforms

Certain related changes in electoral law, also supported by USAID/Honduras, took effect in 1993. These changes provided for greater municipal autonomy, accountability to residents, and local democratic participation. For example, Honduran citizens can now vote separately and across party lines for mayoral, congressional, and presidential candidates in the general election.3

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3 Councils are still selected on a party-list system. The proportion of members of each party is determined by the proportion of votes cast for mayoral candidates.
Additionally, as of the December 1997 elections, each office had a separate ballot, further disassociating the voting for president from that for mayor. To separate presidential and mayoral elections even more, legislation is being considered to hold municipal and national elections on different dates. Finally, to reduce the chance that municipal resources will be misused in campaigns, the 1993 electoral law requires that mayors running for reelection vacate their seats six months before the election date.

Despite these advances in the electoral process, the intraparty primaries for selecting the official candidates of a party remain closed. Individuals cannot run separately or independently for mayor outside a recognized party. Electoral law does not regulate how parties select their candidates, further protecting party influence.

USAID’S ROLE

USAID/Honduras’s municipal development strategy can be described in three stages. Each had its own emphasis and each built on the accomplishments of preceding efforts.

Early Development Programs

During the first stage (1968–85), USAID/Honduras emphasized working with municipalities through the Autonomous Municipal Bank (BANMA), a domestic bank focused in part on providing services to municipalities. Assistance was aimed at strengthening BANMA and supporting the development of urban infrastructure, particularly in the two largest cities, Tegucigalpa and San Pedro Sula. This effort was led by the Regional Housing and Urban Development Office (RHUDO) in Guatemala and by housing officers in USAID/Honduras.

During the second stage—the mid-1980s until shortly after the Municipal Reform Law was enacted—USAID/Honduras extended its efforts to other secondary cities and large municipalities. At the same time, it worked to bring about a new legal framework for municipalities that would loosen central government control and establish municipalities as autonomous government units accountable to their citizens. These efforts ultimately contributed to passage of the Municipal Reform Law.

The Municipal Development Project

The third and current stage began with USAID’s Municipal Development project, launched in 1991. Designed to help municipalities implement the recently passed Municipal Reform Law, the goal is to bring about “more responsive democratic processes with greater citizen participation” by encouraging “more responsive and effective municipal government.” To this end, and in keeping with the principles of decentralization embodied in the new law, the project provides technical assistance and on-site training to municipalities through private sector intermediaries rather than central government agencies. The assistance seeks to help build municipalities’ administrative competence and establish or improve management of municipal services and utilities. It also aims to improve municipalities’ ability to communicate with residents and enhance citizen awareness of and participation in municipal government.

Funding for project-supported municipal development comes from the Housing Guarantee Loan Program and counterpart contributions from the Honduran government. Funding at the time of CDIE’s visit was $25 million ($12 million from USAID and $13 million in local currency from the Honduran government). The project also provides loans to municipalities to build infrastructure through the Honduran Social Investment Fund. The project completion date is June 30, 1999.

From the beginning, the Municipal Development project has provided assistance to larger, more populous municipalities, in the belief that
they have the greatest potential for development under the 1990 reform law. The project initially targeted 14 municipalities and gradually increased that to 33, which together include roughly half the country’s population. The project also includes mutually agreed upon standards of compliance. For example, assistance is withdrawn or immediately suspended if a municipality does not meet the requirements of the municipal law, is engaged in obvious financial mismanagement, or is not holding regular, meaningful town meetings. USAID/Honduras enforces minimum standards for assistance and has dropped 15 of the original 33 municipalities because of such failures to comply with project requirements.

The overall success of the project owes much to the human resources, experience, and credibility built up over the nearly 30 years of USAID involvement in Honduran development. This approach ensured that a cadre of talented and trained Hondurans were available to be incorporated into the municipalization program and assume responsibility for democratic management once the opportunity was legislated nationally. Building on this legacy of past assistance efforts, the municipal reforms of 1990 had momentum from the outset, producing early successes that became the basis for future democratic advances.

The Role of Nongovernmental Organizations

Central to the Municipal Development project’s approach to democratic local governance programming is the support it lends to domestic NGOs whose purpose is to represent municipal interests at the national level. The project also delivers training and technical assistance to municipal administrations.

**AMHON**

One of the most notable successes of the project has been its strengthening of the Honduran Association of Municipalities (AMHON). A private association of mayors, AMHON promotes collaboration among municipalities, analyzes issues affecting local governments, and lobbies in behalf of municipal autonomy at the national level. Founded in 1962, but inactive for three decades, AMHON emerged in the early 1990s as the single most effective organization to press for full implementation of the Municipal Reform Law. Key to AMHON’s new vitality as a national organization was the management training and funding the Municipal Development project provided. Now organized into a general assembly of mayors with a board of directors, AMHON has sought to become self-sufficient by collecting a percentage of the national revenues the central government transfers to member municipalities.

AMHON’s lobbying influence in the National Congress is growing. It has used civic education and media exposure to increase public support for the continued autonomy of municipalities. AMHON has a program on national radio, and mayors publicize their development projects on local stations. AMHON has become so well known that indigenous minorities have requested its assistance. The public support it receives has been important in defending local governance against rear-guard actions by central agencies attempting to retain or reassert control.

**FUNDEMIN**

USAID/Honduras has taken a similar approach with providers of technical assistance. Initially, the Mission contracted with an international
organization, the International City/County Management Association, to deliver technical assistance to municipalities and establish a domestic counterpart, the Foundation for Municipal Development (FUNDEMUN). Since its inception in 1993, FUNDEMUN has successfully provided technical assistance, training, and civic education materials to municipalities.

FUNDEMUN has worked effectively with municipalities to regularize their taxes and revenues, budgeting, planning, and internal auditing. In these areas the objective is capacity-building and municipal finance. In a more limited way, FUNDEMUN has also been involved in public works and establishing councils for community development as mechanisms for citizen participation. As it has matured, FUNDEMUN has moved away from relying completely on project funding to recovering costs from clients for assistance provided.

FUNDEMUN also has ably carried out its additional Municipal Development project responsibility of monitoring the performance of the municipalities it serves. FUNDEMUN requires transparency in municipalities’ resource management. If it detects mismanagement or corruption, it brings the issue to the attention of the city council and suggests measures to correct the problem. If the municipal government does not cooperate, FUNDEMUN withdraws its technical assistance.

UNITEC

The other private technical assistance provider working with the Municipal Development project is the Central American Technical University (UNITEC). UNITEC offers short courses in management and entrepreneurship to mayors, municipal employees, and NGO members. It is pioneering outreach and distance-learning methods to improve municipal governance throughout the country. According to its director, UNITEC has reached 178 (or 61 percent) of the country’s 297 municipalities. The organization has just signed a contract with AMHON to graduate 537 trainees in the next six years. UNITEC is a private institution and recovers costs through tuition and charges for services rendered.

Service Sector Transfer

The Municipal Reform Law of 1990 notes that the planning, organization, and administration of local public services is the right and responsibility of the municipality. However, the law does not transfer authority for all local government services. To date, municipalities have been able to assume responsibility principally for water and sanitation services, although the law leaves the door open for local governments to manage additional services. Some local governments, for example, are negotiating with the Transportation Ministry to manage their own roads, if the ministry will transfer the resources as allowed by law. Municipal Development project strategy is for municipalities to consolidate management of water, sanitation, and garbage before proceeding to other tasks.

USAID/Honduras has other service development programs aimed at smaller communities below the municipal level, which parallel the work of the Municipal Development project. One of these, the Rural Water Supply project, works with urban, suburban, and rural residential clusters not serviced by their municipalities’ urban center because of distance or terrain. These communities have no formal government of their own but can assume control of certain services.

In the Rural Water Supply project, residents are helping to legally establish a local water board responsible for constructing, operating, and maintaining local water systems. These systems are generally small, varying from springs and wells to small reservoirs. They sometimes include water chlorination and simple aqueducts. Local water boards receive no operating subsidies and must generate revenue to cover costs. The systems are under local control, but the
National Water Board, a central government agency, checks system functioning twice a year and provides technical assistance if needed.

USAID’S IMPACT

USAID/Honduras’s Municipal Development project has significantly advanced public involvement in local governance. The team witnessed town meetings where mayors, councils, and citizens were actively engaged in discussing common goals. In Puerto Cortes, for example, the mayor will consider development proposals only after public discussion in open meetings. Interestingly, because of this policy, there has been little negative response when improved public services resulting from development activities also boosted user fees.

Both AMHON and FUNDEMUN stress transparency in local governance. They emphasize such matters as holding regular open town meetings and posting municipal budgets and town meeting minutes publicly. CDIE found that of the municipalities that receive FUNDEMUN assistance, Santa Cruz de Yojoa had the most participatory local governance. Encompassing 280 square miles, its 60,000 residents are, for the most part, dispersed throughout 80 villages. Santa Cruz de Yojoa has tried to recruit representatives from all sectors, including churches, sports associations, and community groups. Each village elects its own community council and auxiliary mayor, who oversee local infrastructure projects.

A reflection of the project’s impact, municipalities and the services they provide are much more responsive to community needs than they were before the 1990 legislation. Choloma, for example, a municipality of 125,000 inhabitants, has significantly expanded its water supply system under local management in the last few years. The next priorities, according to the mayor, are to improve sewer lines and storm drainage and then to address road repair.

The taxing authority granted to the municipality by the new law has also improved its revenue base. Eighty percent of Choloma’s residents are paying taxes where, previously, none had. One benefit has been that the city recovered 9 million lempiras ($63,000) in back taxes. In other communities, such as Santa Cruz de Yojoa, citizens thought the central government was not allocating enough money for education, so the local government subsidized the education payroll.

CHALLENGES

While significant progress has been made advancing democratic local governance in Honduras, major challenges to its continued evolution remain. Among these challenges are the need for further electoral reform, broader implementation of the Municipal Reform Law, bureaucratic and political resistance, and the sustainability of key NGOs.
Limitations of Electoral Reform

The electoral system, although a major improvement over its predecessor, still leaves selection of mayoral candidates to the national political parties and their presidential nominees. As a result, unless mayors carry significant weight in the party—which did not seem to be the case for most mayors CDIE interviewed—they enjoy little or no advantage from incumbency in future elections. This holds true even if they are successful and popular with their constituents.

To get on the ballot in the general election, a mayoral candidate must be allied with whoever wins the nomination for president in party primaries held every four years (presidents cannot succeed themselves). Should a mayor choose an unsuccessful candidate, his name is dropped from the ballot. This not only reduces the significance of performance and popularity to near irrelevancy, it also introduces an unnecessary element of randomness in municipal leadership that makes long-term planning and policy implementation difficult.

Uneven Implementation Of the Municipal Reform Law

In the Municipal Development project, USAID/Honduras has consistently directed assistance toward enhancing democratic local governance. But there is considerable variation in how mayors function. In most cases, town meetings are open and participatory, serving a vital democratic function. However, interviewees told CDIE that in some cases town meetings are simply ceremonial events held to meet the legal requirement.

In addition, in the more than 250 smaller municipalities the Municipal Development project did not target, there has been little or no external support to make municipal governance more democratic or effective. Smaller municipalities are also more likely to be served by poorly educated mayors and councils unaware of the possibilities and requirements of the new reform law. Moreover, many mayors reportedly continue to operate autocratically, indicating there is little independent grass-roots pressure for democratic local governance as of yet. This suggests that without continued input from organizations such as AMHON and FUNDEMUN, it will be difficult to stimulate greater public understanding of or enthusiasm for democratic principles.

Resistance to Democratic Local Governance

Recent Honduran history indicates the 1990 Municipal Reform Law has stimulated significant political and bureaucratic opposition. Bureaucracies with a vested interest in the system have put up considerable resistance, fearful of the implications of the transfer of authority and resources to municipal governments. Politicians, such as governors or national legislators, have likewise resisted, believing they stand to lose power and influence when administrative authority is transferred to the local level.

Bureaucratic Resistance

When the Municipal Reform Law was first implemented, the Ministry of Government controlled the distribution of funds. According to various informants, some municipalities were favored on a political basis. This compelled municipalities to apply to the ministry for funds, thereby subjecting them to potential budget controls and making distribution uncertain.

The Ministry of Government has resisted change in other ways as well. The new munici-
pal law increased the power of mayors and municipal councils at the expense of departmental governors. In response, both governors and the Ministry of Government tried unsuccessfully to assert the right to approve certain types of municipal expenditures. Through the ministry’s Administrative Improvement Program, this resistance is apparently continuing.

Central government agencies have been equally unenthusiastic about decentralizing municipal services and transferring authority to municipalities. At least part of this resistance is rooted in the lack of clarity about the ramifications of the decentralization policy. Many of the issues raised by the National Water Board, for example, have made decentralizing the water supply difficult. Typical of the disagreements between the water board and local governments is the persistent question of who will provide severance and retirement pay for central government employees laid off or transferred to a municipality. In the technical domain, there is the issue of what control (or responsibility) the board retains over the operation of water systems once they come under the control of local governments.

Political Resistance

The Municipal Reform Law appears to have stimulated competition between levels of the elected government as well, including the national legislature and municipalities. The municipal reforms of 1990 require that Congress devolve much of its control of municipal finance, including budget setting and revenue generation. Before this, mayors had to follow all the directives of the legislature in managing municipal affairs, such as providing jobs for people recommended by their congressional representatives.

All this ended abruptly with the reform law. Many members of Congress began to view the newly empowered mayors as rivals, both individually, because they are a source of largesse for their constituents, and collectively, as upstarts capable of usurping their prerogatives and prestige. The potential for friction was accentuated by the recent electoral reforms, which put mayors and members of Congress on separate ballots, no longer requiring them to be members of the same party.

Congressional resistance is evident in its members’ continued unwillingness to transfer more than 1.5 percent (in 1996, $9.5 million) of the national budget to municipalities, although the law provides for 5 percent. Resistance is also evident in what some observers have characterized as an attempt to exploit public dissatisfaction with recent municipal tax increases—members of Congress have proposed waiving back taxes owed municipalities and prohibiting property taxes on the poor. This would seriously damage the revenue base of most local governments and

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8 The Ministry of Finance does not support credit for municipal infrastructure development because municipal governments are unwilling to repay outstanding loans made years ago by the central government or now-defunct Autonomous Municipal Bank. The mayors assert these loans were made when their municipalities were not representative governments and they were not responsible for obtaining them in the first place. USAID/Honduras officials said the ministry seems to have no procedures to identify and track more recent loans municipalities are repaying.

9 In response to this shortfall, and in an apparent compromise, AMHON bargained for added funding from the Ministry of Finance, with the proviso that the funds be set aside for members of Congress to use for special projects in the municipalities.
make them more dependent on central government funding.

But perhaps the most dramatic example of Congress’s resistance lies in what some see as a concerted effort to undermine the institution of mayor by charging mayors with criminal acts. In the last three years, members of Congress and local political opponents have charged 34 mayors with criminal acts, including alleged abuse of authority in land titling and tenure, misuse of per diem funds, and sexual harassment. However, the attorney general’s office has determined that most cases are baseless or inappropriate for criminal prosecution, and no mayor has been convicted.

Nevertheless, the central government did remove two mayors, even though no proof of guilt was presented in court. This action is almost certainly unconstitutional, and AMHON is considering bringing suit. In another widely publicized recent incident, a popular mayor with a reputation for honesty was detained by police after being criminally charged by political opponents in a land dispute. His constituents were reportedly outraged and mobilized immediately to demand his release. Although he was later cleared, this wave of politically motivated accusations prompted AMHON and others to support legislation that will afford sitting mayors some legal protection from such charges.

Sustainability of AMHON, FUNDEMUN, and UNITEC

AMHON has become influential and well known, but for a number of reasons its viability and the sustainability of its agenda are not entirely secure. AMHON’s leadership embraces a nonpartisan philosophy and strategy that are new to Honduras. This nonpartisan approach will not become part of the political tradition until more municipal elections are held and AMHON’s leadership has gone through several more changes. In addition, AMHON’s entire general assembly and executive board will likely turn over after the next election, given the electoral law’s strong bias toward new mayoral candidates.

These considerations raise a series of questions about AMHON’s future:

- Will it continue to be nonpartisan and act as a national voice for municipalities?
- Will a new national government under a new president accept AMHON as a legitimate actor or attempt to reduce or eliminate its financial support?
- Will municipalities continue to pay dues voluntarily as a percentage of the funds redistributed by the national government?
- Will funds that pass through AMHON to municipalities be a target for misuse or corruption?

Similarly, the future of FUNDEMUN and UNITEC as providers of technical assistance and training to municipalities is also uncertain. FUNDEMUN has a dynamic and dedicated leadership and delivers services for a fee that its clients value. However, with decreasing financial support from USAID and other international donors, it may not be able to sustain its program at current levels. Given that FUNDEMUN now provides services almost exclusively to the 18 municipalities in the Municipal Development project, it is unlikely that any of Honduras’s more than 250 smaller and poorer municipalities will be able to afford its assistance without considerable subsidization. To compound the problem, FUNDEMUN competes with other donor-sponsored technical assistance providers, many of which still deliver their services free.

UNITEC’s long-term role in building municipal capacity is even more problematic. Although it is a technical university, UNITEC chiefly provides administrative and financial training. In some respects this duplicates FUNDEMUN’s core services, even though UNITEC’s programs are aimed at
individuals rather than institutions. For UNITEC to continue to play an important role in decentralization-related municipal development efforts, it may have to concentrate on training in water, solid waste management, and other areas that contribute directly to building technical capacity.

OTHER DONOR PROGRAMS

Other international donors are pursuing goals in Honduras similar to those of USAID. The United Nations Development Program is promoting community problem-solving initiatives in San Pedro Sula. A Spanish aid agency, FUNDEMUCA, is providing administrative and technical training in support of local governance in Choluteca. The Inter-American Development Bank is trying to help decentralize the health and education sectors. Japan and the European Union are also actively supporting decentralized development initiatives.

SUMMING UP

In the last six years, Honduras has experienced significant advances in democratic local governance. While the central government used to control all aspects of local government, today many municipalities are successfully managing city services, setting their agendas, and increasing their resource bases. And, for the first time, citizens are able to elect their mayors directly and participate in local government by voicing their opinions and advancing proposals in open town meetings.

Enabling Environment

This transformation was initiated by the Municipal Reform Law of 1990, supported by related electoral reforms that took effect in 1993. Pushed through Congress by then-president Callejas and sustained by current president Reina and his administration, the reform law outlined the procedures for the transfer of authority, responsibility, and revenues for municipal operations and planning to local governments. Since its enactment, the law has served as the legal foundation for all subsequent democratic local governance efforts.

USAID Accomplishments

USAID/Honduras has been involved at every stage of Honduras’s move toward democratic local governance. Working with Honduran municipal development professionals it helped train, the Mission helped bring about the Municipal Reform Law. When the law passed, the Mission launched the Municipal Development project, which has helped to significantly advance public involvement in local governance. For example, in Santa Cruz de Yojoa, a municipality with a widely dispersed population, the city government authorized creation of elected village councils headed by auxiliary mayors to oversee development projects in outlying communities.

The project has also supported FUNDEMU and UNITEC, NGOs whose technical assistance has helped increase local officials’ capacity to perform essential administrative tasks and provide improved public services. Equally important, the project has been instrumental in reviving and recasting AMHON as the single most effective organization promoting the interests of municipalities at the national level. AMHON has successfully thwarted persistent attempts by government ministries, the national legislature, and departmental governors to reimpose control over municipal resources and service delivery. Without its activism, the Municipal Reform Law would likely never have been implemented meaningfully.
Challenges

Continued progress in advancing democratic local governance will depend on the degree to which a number of major challenges can be overcome. For example, bureaucratic and political resistance to decentralization activities promise to continue to be significant problems. In addition, despite the successes achieved in the Municipal Development project and related donor programs, the principles of democratic decentralization are not yet part of the political culture. And the country’s newspapers, radio stations, and civil society organizations have yet to participate in ways that will help bring this about. This vacuum has been partially filled by the strong support provided by presidents Callejas and Reina, but there is no guarantee this will continue under their successors.

There are also questions about the long-term roles of the key NGOs that have been involved in democratic local governance programming. AMHON, for example, may not be able to sustain its support, because its leaders and members are likely to change every four years. FUNDEMUN and UNITEC are far from being financially independent—a situation that is even more critical since the Municipal Development project is scheduled to expire in 1999.

Lastly, while advances in democratic local governance have taken place in the larger, more populous municipalities where technical assistance has been available, little progress is apparent elsewhere. For example, in many of the more than 250 smaller municipalities the Municipal Development project did not target, there has been little or no external support to make local governance more democratic or effective. When and how to involve these smaller, outlying jurisdictions are major unanswered questions.

LESSONS LEARNED

CDIE’s study of efforts to promote democratic local governance in Honduras leads to the following lessons learned.

1. Establish the necessary legal framework. The Municipal Reform Law of 1990 and related changes in electoral law that took effect in 1993 have served as the legal foundation for all subsequent democratic local governance activities in Honduras. Without them, little if any significant progress could have been realized in transferring authority to local governments and opening the door to increased citizen participation in municipal affairs. Such enabling laws lie at the heart of any successful democratic decentralization endeavor and, as was the case with USAID’s support of them in Honduras, should be an essential focal point for donors.

2. Build on prior development experience. Prior development experience can play a major role in democratic local governance efforts. In Honduras, as a result of USAID’s more than 20 years of involvement in municipal development, a cadre of trained professionals was available to be incorporated into the Municipal Development project when it was launched in 1991. The project’s success is due in part to the caliber of these people, many of whom are now working with AMHON, FUNDEMUN, and UNITEC. Over the long term, their ongoing involvement and cumulative expertise promise to be an important factor in the continued expansion of democratic local governance in Honduras.

3. Continuously emphasize popular understanding and involvement. The Municipal Development project has successfully emphasized the need for citizen understanding and involvement in promoting democratic local governance. But despite this success, the principles of democratic local governance are far from being incorporated fully into the political culture. A major reason is the two primary
forces that could help bring this about—civil society organizations and the media—have yet to participate meaningfully. For donors, this suggests the need to strive continuously to involve such entities in promoting citizen understanding of basic democratic tenets and participation in local government affairs.

4. Obtain and sustain support among key political leaders. President Callejas inaugurated decentralization and democratic local governance, pushing the Municipal Reform Law through the legislature in 1990. The current president, Carlos Roberto Reina, and his government support the law, providing the continuity critical for its implementation. However, future presidents might not be as supportive, underscoring the point that for democratic local governance to continue to evolve, sustained political will at the top is essential.

5. Strengthen the sustainability of project-affiliated NGOs. The NGOs supported by the Municipal Development project—AMHON, FUNDEMUN, and UNITEC—have proven critical to the success of democratic local governance in Honduras. However, the long-term viability and sustainability of these organizations remain uncertain. For example, while all three have made progress toward financial self-sufficiency, they are still dependent on outside financial support that is also uncertain (the Municipal Development project is scheduled to end in 1999). Since advances in democratic local governance will require these NGOs’ involvement well into the future, everything possible needs to be done to help ensure their continued participation.

6. Targeting assistance involves difficult choices. Determining how to target assistance to best utilize scarce resources and maximize results typically means making difficult choices. The Municipal Development project selected municipalities with the greatest potential for success, imposing rigorous compliance standards for continued assistance. This strategy has yielded some significant successes. But it has also raised the question of how to make democratic local governance a reality countrywide in smaller, poorer, more isolated municipalities.

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