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HONDURAS

Current Poverty Reduction Rate Questioned

A World Bank (WB) report by economist Ulrich Lachler, released on 4 Dec, argues that the Honduran government will be unable to reach its goal of reducing poverty by 24 points by the target date of 2015, based on an analysis of the current rate of poverty reduction between '01-'07.

This goal was established by Honduras in its Strategy for Poverty Reduction (SPR) to qualify for external debt forgiveness of \$5.2 billion in '00 from the international community, including the Paris Club, the G-8 (a group of eight industrialized nations) and the Inter-American Development Bank.

Nevertheless, the WB considers that Honduras' SPR continues to be a key instrument for planning purposes, which is capable of orienting public policy at the local, regional and national levels. According to the WB report, the SPR has been successful in mobilizing the support of political parties, government agencies, civil society and Honduras' external partners.

The money saved by the Honduran government from not having to make payments on its external debt was to be used to fund its SPR, thereby reducing the poverty level by 24 points over 15 years ('01-'15). An estimated 70% of the Honduras' 7-million population lives in poverty.

President Manuel Zelaya of the Liberal Party claims that his government has reduced the poverty level by six points during the past two years, whereas opposition political leaders dispute those claims.

Marchers Support Mayor of San Pedro Sula

On 4 Dec, hundreds of citizens—including many municipal employees, street vendors, labor union representatives and members of the Liberal Party—marched through the streets of the nation's second-largest city, San Pedro Sula, to show their support for their controversial Mayor, Rodolfo Padilla Sunseri, who was removed from his job by court order on 22 Nov in response to charges of misusing public funds and falsifying documents. Three other former municipal employees also were accused of the same crimes.

Mayor Padilla has appealed the lower court's decision as unjust, because he has not yet been convicted of any crime and has proclaimed his innocence of all charges. His lawyers have filed an appeal before the Supreme Court of Justice in Tegucigalpa, the nation's capital.

Padilla's problems began last Dec, when an audit carried out by the Superior Tribunal of Accounts (TSC) uncovered the misappropriation of \$53 million in government funds nationally during the last five years. Irregularities were found in the bookkeeping of four municipalities: San Pedro Sula, La Ceiba, Puerto Cortez and Tegucigalpa (Vol. 26, No. 1).

The alleged crimes ranged from civil offenses—such as using public funds to pay personal cell phone bills, gasoline expenses and trips outside the country—to more serious crimes, such as obtaining unauthorized bank loans, falsification of public documents, signing illegal contracts, abuse of power and complicity to commit fraud.

After concluding the TSC audit, several current and former municipal mayors and their associates were formally accused of civil and criminal offenses. The TSC formally notified each municipality as well as every person accused in the audit document. The municipality of San Pedro Sula was found to have the most irregularities and the largest amount of money misused, more than \$9 million. The five-year period audited includes the administration of former Mayor Oscar Kilgore as well as the first year of the current administration of Mayor Rodolfo Padilla Sunseri.

The latter was formally charged on 25 Jan by the government's Anti-Corruption Attorney, but the charges were dropped on 12 Mar after a preliminary hearing in which the judge determined that the alleged criminal actions took place before Mayor Padilla assumed office. Nevertheless, on 22 Nov, an Appeals Court in San Pedro Sula overturned the previous ruling and reinstated the criminal charges against Padilla, based on alleged evidence from the Anti-Corruption Attorney's continuing investigation.

NEE's On-going Financial Crisis

The former manager of the National Electrical Energy Company (ENEE), José Manuel Arriaga Yacamán, stated on 1 Dec that one of the most serious problems that ENEE faces are the current electricity tariffs paid by consumers, which were established in '99 when a barrel of bunker oil cost \$21. The price for a barrel of oil in early Dec was \$74, which means that ENEE cannot continue to subsidize the cost of producing electricity if it does not increase its tariffs, he stated.

Arriaga admonished the National Energy Commission to “make a serious, formal and exhaustive revision [of the electricity tariffs] in order to resolve the financial problems of ENEE.” He added that “a 10% increase in the tariffs will not solve the problem!”

In Feb, President Zelaya initiated a series of measures aimed at saving ENEE from financial ruin. These measures included having the Executive Branch take over the direct management of ENEE; the launching of Operation Scissors that targeted 20,000 delinquent major and mid-level consumers in 39 cities whose electricity was cut for not paying their past-due bills (an estimated 700 businesses and homes were affected in Tegucigalpa alone – other customers paid off more than \$1 million in past-due bills in time to avoid losing their electricity); the government itself agreed to pay off its debt to ENEE, which had grown to \$27 million over the past 15 years; the renegotiation of contracts with private companies that supply thermal energy to ENEE (25 private

companies provide about 60% of the nation's electrical power) in order to lower production costs; and the development of more State-run hydroelectric plants to increase production and provide more than the current 40% of the nation's energy needs (Vol. 26, No. 3).

However, these measures have not resolved ENEE's financial troubles. In a 23 May report, the World Bank warned that Honduras was on the verge of a severe energy crisis due to an increase in demand and a significant delay in investments for the development of new electrical generation facilities, and blamed much of the financial woes of ENEE on mismanagement and inefficient revenue due to low tariffs. The report estimated that ENEE's annual financial deficit between '02 and '06 was hovering around \$120 million, which represented about 2% of the nation's GDP.

Negotiations to Buy Venezuelan Oil

On 26 Nov, the Honduran Minister of the Presidency, Yani Rosenthal, began negotiations with representatives of PetroCaribe, with authorization from President Zelaya and his Ministerial Council, for the purchase of discounted oil from Venezuela.

PetroCaribe is an alliance between certain Caribbean Basin nations and the Government of Venezuela to purchase Venezuelan crude oil on conditions of preferential payment. The alliance was launched in June '05. The payment system allows for member nations to buy Venezuelan oil at market value, but only a certain amount of money is needed up front; the remainder can be paid through a 25-year financing agreement at 1% interest. The deal allows for the Caribbean nations to purchase up to 185,000 barrels of oil per day on these terms. In addition, it allows for member nations to pay part of the cost with other products provided to Venezuela, such as bananas, rice and sugar.

PetroCaribe will only deal with a state-controlled entity, meaning that the PetroCaribe agreement is based on eliminating all private intermediaries." Only state-run entities, not private businesses, can deal with PetroCaribe. The Venezuelan state oil company (PDVSA: *Petróleos de Venezuela, S.A.*) rejects business dealings with any private oil company in these countries, believing these private companies to be corrupt and criminal in their operations.

Currently, according to Rosenthal, the Honduran bill for imported crude oil from all suppliers through Sep '07 was about \$1 billion, which could climb to \$1.25 billion through Dec.

The Honduran Government wants to purchase between \$750-800 million worth of crude oil via PetroCaribe annually, with 50% of the cost deferred at the low interest rate offered by President Hugo Chávez as part of his Bolivarian Alternative for the Americas. The savings provided would be used to finance the construction of new hydroelectric dams and power plants in order to reduce the nation's dependence on petroleum-based power plants, which currently generate about 70% of the available electricity.

Some Honduran business sectors have expressed concern that this oil deal with the Venezuelan Government could have negative repercussions for Honduras with the US Government, because of current political tensions between Presidents Chávez and

Bush. However, Vice-Chancellor Eduardo Reina stated that, “in this type of situation, we [the Honduran Government] do not accept this kind of pressure, because [it contradicts] the principals of mutual respect and the self-determination of nations.”

Drug Busts in Roatan Net Two Policemen

On 30 Nov, ten persons on the Caribbean island of Roatan (department of the Bay Islands) were arrested by National Police officials and accused of possessing three 1-kilo packages of cocaine and a quantity of counterfeit money, including the current chief of the local Criminal Investigation Office and another police agent. When the suspects went before the judge, they were formally charged with drug trafficking and criminal association.

Several of the suspects were apprehended after the National Police received an anonymous tip that a gang of drug traffickers were traveling together in a blue microbus. When the police stopped and searched the vehicle and its passengers, they discovered three kilos of cocaine, several loaded pistols, phony currency, and several cell phones. After arresting those suspects, the police used the confiscated cell phones to identify calls made to and from other suspected gang members, who were detained later in several locations, including the two police officers mentioned previously.

National Police officials believe that the cocaine confiscated in this operation was part of a larger shipment of 3,000 kilos of cocaine that arrived aboard a small airplane that landed a few days earlier in the department of Colón, located directly south of Roatan on the mainland.

—*Clifton L. Holland*