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In an implicit recognition that the current government has not been successful in softening the impact of Honduras's structural adjustment program begun in 1990, President Carlos Roberto Reina has announced a special plan to refocus government efforts on the alleviation of poverty. Many private-sector leaders are not convinced, however, that 1997 will see any major improvements in the economy, and other observers see the special plan as election-year posturing. Preliminary macroeconomic figures for 1996 show that the economy is still in trouble.

In November, Central Bank President Hugo Noe Pino said the economy in 1996 showed "mixed results." With economic growth near 4% and foreign indebtedness slowing, there were some advances, he said. Nevertheless, he acknowledged that the macroeconomic indicators most directly affecting the poor showed little improvement. According to government figures, 70% per cent of Hondurans live in poverty. While inflation dropped last year by 4.6 percentage points compared with 1995, it still reached 25%, well above the 16% the government had projected and the highest in Central America. Consumers were especially hard hit by hikes in basic-grain prices and by constant increases in the cost of fuel, with 70 mini increases so far during the Reina administration (see NotiCen, 09/05/96).

Some of Reina's critics blame the administration's failure to reduce poverty on its commitment to neoliberal economic policies. "If the neoliberal model is not revised, it will end up starving to death thousands of people, especially in poor countries like our own," said Manuel Zelaya, director of the Honduran Social Investment Fund (Fondo Hondureno de Inversion Social, FHIS). "The model has had catastrophic results for the poorer classes...concentrating wealth in a few hands."

Reina began his term in 1994 promising that the austerity measures imposed by the International Monetary Fund (IMF) and the World Bank would be given "a human face." But by the end of 1996, he acknowledged that the effort to develop effective social programs has been insufficient and he promised that the government will "make the greatest effort possible" to improve social programs in 1997. Notwithstanding such promises, a recent report by the IMF says that, despite some success in meeting goals set as a condition for continued credits from the international banks, other goals have not been met. This means that Honduras must continue with the austerity measures of its structural adjustment program.

Now approaching his final year as chief executive, Reina hopes to revive the troubled economy and place his governing Partido Liberal in a favorable position before this year's general elections in November. In December, he announced a new economic plan to revise some of the policies of his first three years in office. He told an interviewer that the main goal would be to cut the high cost of the basic market basket of consumer goods, especially fuel. He also promised to fight corruption, maintain fiscal discipline, and promote harmony and cooperation among government, private

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enterprise, and labor. Major elements of the plan, made public on Jan. 8, include a US$70 million budget allocation for stimulating the production and marketing of basic grains, measures to lower prices on 20 basic goods and services, and an increase in the minimum wage. The plan also projects construction of 15,000 low-income housing units, plus some form of state assistance for the poorest families.

The private sector has consistently opposed any wage increase, arguing that it would be inflationary. But this time the powerful private-enterprise group Consejo Hondureno de la Empresa Privada (COHEP) went along with the president's proposal. In early January, the government agreed with organized labor and the private sector on a 25% increase in the minimum wage, just matching the inflation accumulated last year. The new minimum wage will range from US$72 to US$96 per month, depending on the work category. The administration also plans to ask for voluntary price controls for three months starting in February. During that period, the government will refine its economic policies on taxes, currency devaluation, fuel prices, and other key factors affecting production costs. After the three-month period, there will be a review of price and wage levels.

Though supporting some parts of the president's plan, COHEP president Juan Bendeck does not share Reina's optimism about economic possibilities in 1997. He predicted that this year will be difficult, with private investors holding back because of election-year uncertainties. Bendeck criticized the plan for not paying enough attention to small businesses and agriculture. "If we want production and stability, we should return to the countryside and guarantee the well-being of the campesinos," he said. Local press reports indicate that the public is also skeptical about Reina's promises. Many Hondurans do not believe he can do much in one year to reverse economic trends and that, at worst, the special plan is nothing more than election-year propaganda. (Sources: El Tiempo de Honduras, 11/25/96, 12/10/96, 12/12/96, 12/27/96, 01/11/97; Spanish news service, EFE, 12/17/96, 01/11/97 12/27/96; Agencia Centroamericana de Noticias Spanish News Service, 12/27/96, 01/13/97)

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