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Honduras Announces Poverty-reduction Plan

by LADB Staff

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In compliance with World Bank and International Monetary Fund (IMF) requirements, Honduras has developed an ambitious plan aimed at vastly reducing poverty during the next 15 years. Critics of the plan complain that civil society had little input and that the government's intention is to do whatever the multilateral organizations want to keep new loans coming in and maintain its neoliberal economic policies.

In February, President Carlos Flores' administration submitted the required anti-poverty plan (Poverty Reduction Strategy Paper, PRSP) to the IMF. The plan's immediate goal is to reduce poverty in Honduras by 10% during the next five years. The plan is a requirement for continued funding for Honduras under the IMF's old Enhanced Structural Adjustment Facility (ESAF), which runs through March 2002.

In 1999, the IMF scrapped ESAF and set up a new program called the Poverty Reduction and Growth Facility (PRGF) to address poverty and growth simultaneously. Poverty in Honduras is estimated as high as 80% of the country's 6 million inhabitants. Government figures show that poverty affects 66% of households, and that 49% of those are in extreme poverty. The Catholic Church and other organizations say poverty has intensified during the 10 years of neoliberal economic policies.

In 1999, Honduras included a commitment to the 10% reduction in poverty in the reconstruction plan it submitted to the Consultative Group of donor nations that were preparing an aid package following Hurricane Mitch in 1998 (see NotiCen, 1999-06-24). The PRSP calls for reducing the 66% poverty rate to 42% within 15 years. To accomplish that, the government is to allocate half its yearly budget to social programs during the five-year plan. Among the goals are: access to basic education for 98% of Honduran children; 75% of youths to complete nine years of primary education; half the labor force to complete secondary school; access to potable water and basic sanitation for 95% of the population; improvement in school nutrition programs; reduction in infant mortality rates; and improved prenatal care.

World Bank finances plan

On Oct. 11, the World Bank approved the poverty-reduction plan and backed it with US\$1.89 billion in loans. The money will go to the various social programs outlined in the plan. As a consequence of its inclusion in the World Bank's Initiative for Heavily Indebted Poor Countries (HIPC) last year (see NotiCen, 2001-01-11), the funding arrangement allows Honduras to suspend payments on its US\$4.4 billion foreign debt until 2007 a savings of nearly US\$1 billion. The bank will also cancel US \$768 million of the debt balance.

The government says the plan is realistic and points to a nine-percentage-point reduction in poverty in recent years. The plan depends on average yearly growth rates of between 2.2% and 3.5% during

the next 15 years, which the administration says is also realistic given GDP growth in past years. The government has set projected annual growth for the next 15 years at between 4.5% and 5.5%. Besides the savings on debt payments, the plan presupposes tax reforms that would boost collection rates to 18% of GDP, which would place it well above average rates in Latin America.

The plan also foresees additional savings or income from the privatization of energy distribution and telecommunications, an average annual influx of US\$250 million in foreign investment, and continued donations from the international community. Investment is to be encouraged by trimming government regulations, streamlining bureaucratic procedures, and opening public-sector services such as water, roads, and ports to the private sector.

NGOs criticize plan

Critics of the plan say it is overly ambitious and underfunded. They say the ties to the IMF and World Bank would only perpetuate a failed neoliberal economic model followed for the past decade. A group of civic organizations under the umbrella title Interforos attacked the PRSP in February, claiming civil society was not adequately consulted on it, which was a violation of IMF's rules.

Interforos spokesman Matias Funes told Notimex that the plan was simply a declaration without enough concrete proposals. He said Interforos wanted a revised plan based on democratic consensus. In its alternative plan, Interforos would realize savings by reducing the number of legislators in the National Assembly, cutting salaries for those who remained, cutting back government allocations to the political parties, and ending the president's discretionary fund and secret salary. The plan would also eliminate the government's Fondo Hondureno de Inversion Social, which is considered corrupted.

The World Bank's announcement came a week before a meeting in San Pedro Sula of nongovernmental organizations from Africa, Latin America, and the Caribbean on the theme of poverty. Delegates to the Conferencia Internacional sobre Estrategias de Combate de la Pobreza y Politica Macroeconomica generally agreed that the benefits of neoliberalism and programs such as HIPC and PRSP did not reach the poor. Brian Muggeridge Andersen, United Nations Development Program (UNDP) representative in Nicaragua, said that, in 99% of the cases, debt relief and privatization have not significantly reduced poverty.

Carlos Murillo of the Costa Rican Fundacion Arias said that the PRSP models of poverty reduction promoted by the IMF and World Bank as a prerequisite for aid packages "are copies of earlier schemes, but dressed in a new suit." Ecuadoran representative Cesar Sacoto of Jubileo 2000-Red Guayaquil said that HIPC and privatization were a "pacifier" to convince people that such mechanisms can do away with poverty. "This whole process leads to even greater impoverishment," he said.

Church warns on role of corruption

The Catholic Church warned that the plan could fail because of corruption. The weekly church publication Fides commented in October that corruption was the biggest obstacle to success of the

program. Government in Honduras, said the publication, had become "a source of enrichment for the few by stealing public resources."

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