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President Maduro's New Policies

by LADB Staff

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In office less than three months, Honduran President Ricardo Maduro has received considerable popular and media support for attempting to make good on his campaign promises, especially in cost-cutting and crime reduction. Some of his initiatives have been largely symbolic, such as flying economy class on presidential trips. His first real test is developing in the economy where his social proposals may run counter to the wishes of the International Monetary Fund (IMF) and creditor nations.

Maduro was inaugurated Feb. 27, and, like most new presidents in the region, entered the office burdened with extravagant pledges to reduce or end corruption, impunity, and poverty (see NotiCen, 2002-01-31). Adding to his burden is a divided Congress, the first one since the restoration of constitutional government in 1981, in which the governing party does not have a majority. Maduro's Partido Nacional (PN) has 61 of the 128 votes in Congress not enough to pass bills opposed by the Partido Liberal (PL), which has 55. Three smaller parties hold the remaining 12 seats, led by the leftist Unificacion Democratica (UD), which has jumped from one to five seats since its first campaign in 1997.

UD leaders say they will not follow the lead of either the PN or the PL in voting. War on crime is first priority Honduras has in recent years faced the dual problem of corrupt and inept police and runaway crime rates, with homicide rates among the highest in the world.

Maduro's predecessor, President Carlos Flores, initiated an anti-crime program that was heavy on armaments for police and proposals for the death penalty. Following the lead of his predecessor, President Carlos Roberto Reina (1994-1998), Flores ordered soldiers into the streets to fight crime (see NotiCen, 2000-08-31). Maduro began working out his anti-crime program during his first month in office, announcing a joint military-police operation (Operacion Guerra contra la Delincuencia) to patrol the streets. Within a few weeks, the number of soldiers and police deployed in the streets rose from 6,000 to 9,000 and is still rising.

During a television address in March, Maduro said that, from December 2001 through February 2002, reported crimes had dropped from 1,453 to 13. He said the statistics showed what could be accomplished with "will and determination." At a PN convention in early March, Maduro claimed a great victory against crime. "Hondurans can now say with pride that we are winning the war against criminals," he said. During a television address March 12, Maduro unveiled his larger crime-reduction plan, the first part of which is a plea to Hondurans to participate in the movement and a proposal to establish a community police force (policia comunitaria) that would work with established community organizations. The number of police will be increased by 1,000 each year until the end of Maduro's term in 2006, which will bring the force to more than 12,000.

Maduro has also set up a special anti-kidnapping unit (Unidad Especial Antisecuestros) with a US \$500,000 grant and other support from the US Justice Department. The unit began operations with an initial complement of 53 officers. Maduro has dropped Flores' proposal to institute the death penalty, preferring zero-tolerance enforcement tactics instead, along with reforms to shore up the independence of the judiciary. Security Minister Oscar Alvarez has proposed stricter gun-control laws. In a country with 6.5 million people, it is estimated that 1 million military-style weapons left over from the conflicts of the 1980s are now in civilian hands. The ministry has asked Congress to outlaw civilian possession of such weapons and to reduce the number of pistols and other conventional weapons that civilians may have from five to one.

President imposes government austerity

Maduro has put the government in an austerity mode, with an unprecedented order to sell 500 luxury vehicles the government assigns to high officials. The government owns 20,000 vehicles of which 6,000 are luxury models. Maduro also sold all five cars assigned to his personal use. Officials, including the president, will now have to drive to work in their own cars. Proceeds from the sales will go to his anti-crime and anti-corruption programs. Other austerity measures include eliminating all first-class air travel by government officials and ending use of high-rent government offices that cost the state some US\$15 million per year. To demonstrate what government austerity means, Maduro refused an offer from an airline to fly him first class, free, during a trip in April. Dressed in jeans, moccasins and a sports shirt, the president paid for economy class and stood in airport lines with other passengers.

While Maduro was busy reducing government perks, Congress approved a line item in the next budget to provide salary increases for deputies of between US\$308 and US\$616 per month. Congress president Porfirio Lobo Sosa said, however, that the announced increase would not be carried out. He said talk of a salary increase was just "isolated opinion" about what a fair salary would be, and the budget allocation did not mean a salary increase would actually happen. The money could be reassigned elsewhere in the budget, he said.

Plans to curb immunity

By mid-February, Maduro had worked out a legislative schedule for 2002 that includes 23 programs to deal with immunity, corruption, government decentralization, and cost-cutting measures. In February, he sent a bill to Congress that would reduce the number of legislators and other public officials and restrict legislative immunity. Congress also pledged to consider a bill for a code of congressional ethics. While some of Maduro's reform measures received broad support, the opposition PL refused to back the bill reducing the number of congressional deputies.

PL leader Rafael Pineda Ponce said flatly that there would be no such reduction. "That is the position of the Partido Liberal and naturally the administration can't reduce [the numbers] without our support," said Pineda Ponce. The PL stance contradicted an agreement the two parties signed before UN representatives last year, which promised, in the interests of cost-cutting, to reduce the number of deputies from the current 256 regular and alternates.

President wants independent economic policy

Maduro noted that while the budget rose from US\$986 million to US\$1.7 billion in five years, Hondurans were poorer, "which indicates that we are doing something wrong." So far, he has tried to straddle the issue of economic coercion by the International Monetary Fund (IMF) and World Bank, saying his administration would set the guidelines, not the IMF. He plans to send Congress a deficit-reduction package before consulting with the IMF on loan assistance. But the IMF has already laid out its plan for the economy.

In February, the IMF said its proposed letter of intent would ask Honduras to increase revenue by taxing thousands of professionals, small merchants, and others who have traditionally not been subject to taxation and impose a 10% uniform tariff on imported cars, replacing the sliding scale that taxes luxury cars at up to 60%. To replace the lost revenue, the IMF wants higher vehicle-registration fees. Following the traditional structural-adjustment policies, the IMF wants Maduro to restructure government by drastically cutting the public payroll and privatizing the energy and telecommunications sectors. Macroeconomic goals the IMF wants include a fiscal deficit of no more than 6% of GDP, and inflation of 8% in 2002 and 6% in 2003. Maduro said the IMF review of the economy was important for negotiations on bilateral debt, but Hondurans would make decisions about monetary and fiscal policy.

In early March, he said he would soon announce an economic- reactivation plan. But the plan, which will feature inducements for the private sector to create the jobs the government cannot, is expected to clash with the IMF plan. Maduro's Finance Minister Arturo Alvarado told Notimex that to get approval for new multilateral loans, the government would have to drop spending plans for education that include salary increases for teachers. Teachers have been protesting against the IMF and demanding wage increases and the revocation of an agreement Flores signed to privatize hospital and educational services.

A team from the World Bank visited Honduras in March to recommend a program of state modernization through decentralization, reduction of corruption, and privatization of the Empresa Hondurena de Telecomunicaciones (HONDUTEL) and other properties. Ricardo Callejas, coordinator of the government's modernization commission, said that the bank had not demanded anything and that the meeting dealt with an analysis of the situation. But some sectors, especially labor, assume the sale of HONDUTEL is just a matter of time. Former President Flores tried and failed to sell HONDUTEL in 2000, but the lone bidder, Telefonos de Mexico (TELMEX), offered only US\$106 million for 51% of the company. This was far below the base price of US\$300 million (see NotiCen, 2000-11-16). Maduro has said he would be willing to sell HONDUTEL but only to improve service, which he said was a luxury in Honduras with "ridiculously high" rates. Whatever state properties may be privatized, Maduro wants Congress to earmark the proceeds for poverty reduction.

Congress held a first debate in mid-March on an administration bill to channel funds from privatization and other sources through the Fondo para Reduccion de la Pobreza. The fund is to have a life of 15 years to finance the government's poverty-reduction program (Estrategia para la Reduccion de la Pobreza, ERP) under guidelines set by the ministries belonging to the Social

Cabinet. Other funding sources include money freed up from debt service by the World Bank's Initiative for Heavily Indebted Poor Countries (HIPC). Opponents of privatization point out that HONDUTEL makes more money in one year than TELMEX offered for a 25-year concession. Whatever the company's profitability, however, the government does not have the capital to modernize the system, which provides service to only four out of every 100 Hondurans.

Leaders of the protest organization Bloque Popular (BP), made up of labor, campesino, and social organizations, said the IMF's goal was to bring the new government to its knees by means of "a new colonization through the Free Trade Area of the Americas (FTAA) and all of the free-trade treaties negotiated in secret." The BP announced in March that it was launching a movement against privatization and the FTAA and spelled out plans for workshops and other activities throughout the country to educate people about these issues and for plans to hold a national plebiscite on them. BP leaders called Maduro's poverty-reduction plans a pretext to justify the privatization of HONDUTEL.

The BP president, labor leader Carlos H. Reyes, told a news conference that the anti-poverty plans were short on detail and should spell out how the government planned to create jobs and attract investment. Instead of selling HONDUTEL and other state enterprises to fund social programs, the government should fund them with their profits, he said. Maduro promises no new taxes. Maduro has promised to hold the line on taxes and find funding elsewhere.

As President Flores was leaving office in January, PL Deputy Rolando Cardenas said Maduro would have to raise the sales tax (Impuesto Sobre Ventas, ISV) from 12% to 18%, to satisfy the multilateral lenders. The Flores administration had already raised it from 7% to 12% in 1998. But Maduro was quick to quash the suggestion, saying there was no need to raise taxes. "We reject any increase in the ISV because it would mean a major sacrifice; it would be a highly regressive measure affecting the poor the most." Instead of higher tax rates, Maduro wants to get taxpayers to pay what they owe and to require HONDUTEL to increase its contribution to the budget from the current US\$37 million per year to US\$98.6 million per year.

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