

Honduras

Angélica Durán Martínez

Fulbright Scholar, MA in Latin American and Caribbean Studies, New York University

1. The influence of drug trafficking, the main manifestation of organised crime in the political system in Honduras, can be understood in three different periods. First, from 1977 to 1984 there was periodic, but low-level involvement. The second period, from 1984 to 1997, was marked by growing concerns that the military, weakened after the democratic transition, was involved in drug trafficking. From 1997 to date there are increasing fears that politicians and other state institutions are permeated by crime in a pervasive manner (Freedom House, 2006). The stability of political parties and their organisation may have prevented a deeper influence of organised crime in the political system such as that which has emerged in Guatemala. However, at the same time, political party stability has resulted in deeply politicised judiciary and oversight institutions – including the Controller General (*Contraloría General*), the Supreme Court of Audit (*Tribunal Superior de Cuentas*) and the National Electoral Court (*Tribunal Nacional de Elecciones*, TNE) - and systematic corruption networks. There are three main factors that increase the risk of criminal organisations penetrating the political system:

- I. The increase in the scope, dimension and type of organised crime activities;
- II. The elitist character of political parties; and
- III. The corrupt and politicised character of oversight institutions, especially the TNE.

These conditions are described below in sections I, II, III. Sections IV, V, and VI, respectively, describe the legal framework for campaign funding, the social response to existing laws and social advocacy for reform and the recent incidence of corruption and illegal funding.

I. The Increase in Scope, Dimension and Type of Organised Crime Activities

2. Honduras is the second most violent country in Latin America. The **murder rate** per 100,000 inhabitants increased from 30.3 in 1994 to 45.9 in 2004 (CRS, 2005). Part of this increase is attributed to the growth of **gangs**. In 2005, Honduran police calculated that there were 489 *maras* (gangs) including some 30,000 to 40,000 members (Honduran Police). Additionally, Honduras ranks second among Central American countries in the number of criminal deportees from the United States (DHS, 2004).

3. Like the other Central American countries, Honduras is a **transit point for drugs** to Guatemala and Mexico. Ground transportation is mainly made from Panama via the Pan American Highway, but traffickers also exploit maritime and aerial routes. Departing from San Andres Island (Colombia), maritime traffickers transit along the Mosquitia Coast in north-eastern Honduras, an area with weak state presence. In this area drug trafficking is also related to **smuggling of natural resources, poaching of animals, and arms trafficking**.

4. In April 2005 a seizure of 218 weapons uncovered an **arms-for-drugs** smuggling network moving arms from El Salvador and Nicaragua to Colombia through Honduras and San Andres. The seizure revealed the potential magnitude of arms' trafficking to armed groups such as the Colombian Revolutionary Armed Forces (*Fuerzas Armadas Revolucionarias de Colombia*, FARC) (Stratfor, 2005).

5. According to the United Nations Office on Drugs and Crime (UNODC), Honduras is reportedly in the medium range as a country of origin of **human trafficking** to El Salvador, Mexico, Guatemala and the United States. It is also a transit point for illegal migration originated outside the region (China) and facilitated by the illegal selling of Honduran passports to enter the US. This practice has also facilitated the movement of criminals through Honduras.

6. The US Department of State ranks Honduras as a 'Concern' location for **money laundering** despite counter-measures adopted in recent years. The diffusion of money laundering through banking systems is above the Latin American average (BID, 2005).

7. After the adoption of tough anti-gang measures in 2003, some indicators of violence improved but problems increased within prisons due to overcrowding¹ and corruption. Honduras suffers from a deep **prison crisis that involves widespread police corruption**. In the past seven years at least 200 prisoners have died inside prisons as a consequence of drug dealings or gang disputes (Envio, 2006). The crisis has facilitated the operation of crime organisations within prisons and the involvement of prisoners in outside criminal activities.

II. The Elitist Character of Political Parties

8. The Liberal Party (*Partido Liberal, PL*) and the National Party (*Partido Nacional, PN*) are the most stable parties in Central America² and the main players in Honduras. The polarisation between these two parties is low and they compete in the centre of the political spectrum. Power is concentrated in a very small elite which includes 'faction leaders [who] have a considerable amount of power' (Berkman, 2005).

9. The process of decentralisation started in 1990 with a new framework that granted autonomy to municipalities and continued with the introduction of direct election for local mayors in 1993. These changes have opened 'some spaces of political power and access' (ARD, 2003) both within parties and the political system. An electoral reform in 2004 introduced additional changes aimed at expanding the political system such as the introduction of ballots with the photos of candidates, the participation of small parties and the separation of lists for presidential, mayoral and congressional elections. However, the multiplication of competitors with limited political and economic resources may be an incentive for new and local contenders to accept illegal funds so as to compete in more equal conditions with traditional party leaders. Limited accountability and capacity in local governments may also hinder the big advantages of the decentralisation process.

10. Party stability has entailed the extension of patronage and clientelist networks in state institutions. Such networks have been the base of systematic corruption in tax, customs and migration services. Civil service recruitment depends on connections rather than merit and the separation between state powers is weak. The lack of independence and the politicised nature of the judiciary and oversight institutions make them more vulnerable

¹ As of 2004 it was estimated that Honduras' penitentiaries housed 13,000 prisoners; it is twice their recommended capacity (CBS News, May 2004).

² Smaller parties of some importance are the Innovation and Unity Party (*Partido Innovación y Unidad, PIU*), Democratic Unification (*Unificación Democrática, UD*) and Christian Democracy (*Democracia Cristiana, DC*).

to bribery and fraud. Consequently, the perception of corruption has been consistently one of the worst in Latin America, even though the position of the country in corruption rankings has recently improved (TI, 2005).

III. The Corrupt and Politicized Character of Oversight Institutions

11. The procedures used to select and nominate members of the National Electoral Court are controlled by political parties. Therefore, the TNE's decisions are not independent from party influence. The lack of selection by merits affects the Supreme Court, the Public Ministry and other oversight institutions, resulting in low capacity and entrenched corruption networks in the very institutions that are meant to sanction criminal activities. Nominations for posts in these institutions are perceived as a means of exercising political power (Berkman, 2005).

12. There have been some administrative and legislative efforts aimed at increasing the independence of the judiciary. In 2000 there was a change in the rules to select the Supreme Court of Justice in order to strengthen the independence of the judiciary. Following this, the United States Agency for International Development (USAID) has supported projects to depoliticise the selection of judges. However, along with elected officials, cabinet members and police officers, judges are still amongst the actors perceived as most corrupt (UNDP, 2005). No similar reforms have been initiated in the TNE.

13. Distrust in parties and the weakness of oversight institutions has hindered support for democracy. Among Latin Americans, Honduran citizens rank third from the bottom in their support for democracy as 'preferable to any other form of government' (Latinobarometro, 2005). Additionally, even though the military has notably withdrawn from political life - as reflected in constantly decreasing indexes of militarisation since 1994 (BICC, 2005), tougher anti-gang and security policies could bring an upward trend in militarisation. In 2005, Latinobarometro ranked Hondurans as second to last among Latin Americans rejecting a 'military option'.

IV. Legal Framework for Campaign Funding

14. The 1981 Constitution and the 1977 Electoral Law, which was most recently amended in 2005, provide the framework for campaign funding. All funding regulations apply to parties rather than candidates.

15. The government provides **direct public funding** under the concept of political debt in two instalments according to electoral performance. Each party gets US\$1.06 per vote obtained. The first 60 percent is distributed before elections and the second 40 percent is distributed after the election. No party can receive less than 15 percent of the money distributed to the party with the highest vote. There is a threshold of 25,000 votes to get public funds. The standards of public debt have been reduced with respect to what existed in 1982 (the threshold to obtain votes has been increased by 15,000 votes).

16. **Indirect public funding** is provided through reimbursement for transportation costs and provision of free mail and phone services, and tax exemptions during and beyond campaigns for computers, cars, and sound equipment bought by parties.

17. **Private contributions:** The Law prohibits contributions from foreign governments, public contractors, state enterprises and anonymous contributors except those obtained in fund raising events with militants and sympathisers. There is no limit to the amount of private contributions.

18. **Indirect limit to expenditures:** Campaigns are limited to 50 days for primaries and 90 days for general elections but political publicity is allowed beyond campaign periods.

19. **Transparency and disclosure:** Parties have to present their accounts each year and 90 days after each election. Parties must register all donations in accounting books and must report to the TNE any contribution exceeding 120 times the minimum wage.

20. **Sanctions:** Parties have to pay monetary fines for receiving illicit donations or violating campaign limits.

Shortcomings of the Legal Framework

21. The fact that the laws only cover political parties eliminates the possibility of controlling individual politicians and individual campaigns.

22. There is no clear provision regarding access to media. The limit on campaign length is at odds with provisions allowing political publicity at any time.

23. In reality there is no access to party registries and accounts, and parties do not register the expenditures of all their individual candidates. In general, parties and contributors are not willing to provide financial information, considering that opponents and competitors could use it against them (Casco, 2004). Even if provided, the information is not made public.

24. The TNE is highly politicised as its members are proposed by political parties and, therefore, its enforcement capacity is very weak.

25. Traditionally, parties have funded their permanent and campaign activities with sympathisers' and militants' contributions but there is no clarity about the number of party members and sympathisers. As such, it is very difficult to calculate how much money is contributed in fund raising events, and easy to hide illegal contributions.

26. Civil servants are allowed to contribute voluntarily a quota of their salary to their party. However, it has been suggested that incumbent governments use this practice to their own benefit, diverting employees' contributions only to their own party (Revistazo, 2005).

Recent Advances

In 2002, the government of President Flores (1998-2002) created the National Anti-Corruption Council (*Consejo Nacional Anticorrupción, CNA*) formed by 12 civil society organisations. Its objective is to support government and civil society in preventing, controlling and combating corruption. The CNA has been instrumental in the prosecution of the most notorious corruption cases related to illegal party funding. In 2005, the government ratified the UN Convention Against Corruption and, in 2006, signed the Guatemala Declaration for a Region free from Corruption.

V. Social Response To Existing Laws And Social Advocacy For Reform

27. There are many active and developed civil society organisations in Honduras (ARD, 2003). Even though the extent of citizen participation in voluntary organisations is smaller than the Latin American average, the percentage of politically active organisations is amongst the highest in the region (UNDP, 2002). Recently, these organisations have started to express concern over illegal campaign funding. An alliance of 60 different non-governmental organisations (NGOs) called Federation of Private Organisations (*Federación de Organizaciones Privadas*, FOPRIDEH) supported the Civic Movement for Democracy (*Movimiento Cívico para la Democracia*). Within its goal to promote democracy, the movement developed a proposal for campaign funding that attempts to address the shortcomings of the existing Law, and carried out extensive monitoring with 5,000 observers during the 2005 primary elections.

28. There are various projects underway to reform the TSE and electoral legislation. The Association for a More Just Society (*Asociación para una Ciudadanía Más Justa*, ASJ) promoted transparency in electoral campaigns while monitoring the expenses of the candidates running for president and mayors in 2005 and inviting them to publicise their donors. The impact of this effort was limited because it was not mandated by any law and depended on the willingness of politicians to provide data.

29. Civil society organisations defending human rights such as *C-Libre*, the Centre for Human Rights Research and Promotion in Honduras (*Centro de Investigación y Promoción de Derechos Humanos*, CIPRODEH) and FOPRIDEH participate in the Anti-Corruption Resource Network-Central American Anti-Corruption Resource Network (*Red de Centros de Recursos Anticorrupción – Red Centroamericana de Recursos Anticorrupción*, RECREA-CERAC) and advocated the approval of an Access to Information Law. The Law has recently been approved but in fact the provisions that that would **guarantee direct public access** to information have been reversed. (Case by case decisions regarding approval of this access are left to the discretion of government officials).

VI. Recent Incidence of Corruption and Illegal Funding

30. Scandals of illegal funding involving national political leaders have been less common in Honduras than in Guatemala; however, the most recent scandals have uncovered networks that permeate entire institutions. In 2003 it was suggested that a corruption network in tax services contributed to the political campaigns of a faction of the PN called *Corriente Trabajo y Seguridad*, specifically to the campaigns of Tegucigalpa's Mayor, Ricardo Alvarez, and former presidential candidate, Porfirio Lobo. The network involved many public officials that facilitated gasoline smuggling from El Salvador and Guatemala (*'el gasolinazo'*). Government losses through tax evasion in this case were about US\$3.7 million. Many officials linked to this scandal were also connected to another network at the National Agrarian Institute (*Instituto Nacional Agrario*, INA) that facilitated illegal entitlements of land by manipulating prices and transactions. The illegal profits of this case were also diverted into party coffers or personal accounts.

31. Scandals related to migration services have been pervasive in Honduras and have allegedly affected parties' finances. In 1996, former President Rafael Callejas and some of his high level officials were involved in a corruption case called the *'chinazo'*: The illegal sale of an estimated 12,500 Honduran passports to citizens coming from Hong Kong and wanting to enter the US. A similar case uncovered in 2004 involved the illegal issuing of passports to undocumented migrants from China, Colombia and Lebanon, with the support of officials and even the head of the immigration services. Many of the public officials

involved in this case were also involved in the '*gasolinazo*' and therefore it is suspected that proceeds from these networks were also used in party financing and campaigns.

32. The immunity attributed to the members of the Central American Parliament (*Parlacen*) has been used to avoid prosecution from corruption charges. For example, former President Callejas used this immunity to avoid prosecution on embezzlement charges. As a consequence of the many scandals involving *Parlacen* members, blanket immunity has been lifted but many cases still await resolution.

33. At the local level, the situation seems particularly worrying along the Mosquitia Coast and in the Gracias a Dios department which are isolated from the rest of the country by geographic and demographic particularities (UNDP, 2003). There are increasing concerns that local politicians are controlled by drug traffickers and that business groups are involved in the illegal exploitation and trafficking of natural resources such as timber (CIP, 2005). Two politicians, one from PL and a *Parlacen* member, and the other a PN parliamentarian were convicted in 2003 of carrying drugs for international trafficking networks. The latter was assassinated while imprisoned. Beyond the prosecution of individual politicians, there has been no further investigation into their connections to wider corruption networks.

VII. Conclusions

34. Beyond its many loopholes and contradictions Honduras's electoral Law is quite comprehensive. While it does require reform, the most important problem for effective control on political funding appears to be the lack of willingness within the judiciary to delve into the roots of certain scandals such as those of politicians caught carrying drugs. Despite the evidence that links corruption scandals with electoral illegalities, none of the cases mentioned above has been explicitly monitored by the TNE. Furthermore, the civil service is too weak to counter-balance a politicised judiciary and a TNE devoid of enforcement capacity. As there is no serious control of the contributions made by civil servants to their parties, what could be a healthy democratic practice becomes a smoke screen for dubious practices or illegal contributions.

35. As newcomers to local politics have to compete with the organised structures and higher resources of entrenched national political parties, they are more prone to accept illegal funding. This risk increases in areas where the state presence is limited, such as the Mosquitia Coast.

36. Tax and migration institutions are especially vulnerable to systematic corruption that is later funnelled into parties. The maintenance of high ethical standards among officials of these institutions is a critical aspect to focus on.

37. It seems clear that in Central America problems in one country, especially those related to crime, can be transferred easily to other countries. A case in point, the Honduran '*gasolinazo*' involved public officials from neighbouring countries.

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C/ Goya, 5-7, Pasaje 2ª, 28001 MADRID. Tel. +34 91 244 47 40 Fax +34 91 244 47 41 e-mail: fride@fride.org
www.fride.org