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Hondurans Are Glad to Pay Taxes When Services Improve



Photo by: Management Systems International

A community income auditor reads agreements reached in a municipality meeting in Potrerillos, Cortes a department in northwest Honduras.

Tegucigalpa, Honduras—Cities and towns in Honduras have significantly boosted their ability to collect taxes from citizens following improvements to local services and increased transparency in the use of public funds.

“In Las Vegas, being a politician is no longer equivalent to being corrupt—people pay their taxes because they know what we do with their money,” said Carlos Fuentes, the mayor of Las Vegas, in the department of Santa Bárbara. He said his constituents’ views of politicians have dramatically changed.

In Tegucigalpa and other municipalities that initiated tax reforms, residents said they had refused to pay some or all of their taxes because they didn’t trust local officials to spend the money wisely.

Funds weren’t used in a transparent way and they saw few, if any, benefits in their communities. In some municipalities, there were no mechanisms in place for people to even pay taxes, much less to hold officials accountable for the use of public funds.

All that changed when the USAID-funded Greater Accountability and Transparency in Governments (GTAG) supported municipal efforts to increase tax collections.

GTAG has helped increase tax collection in a number of municipalities between 50 percent and 85 percent in a single year, and is currently working with 24 of Honduras’s 298 municipalities.

Program participants learn about holding public municipal council meetings, publicly awarding contracts and acquisitions, establishing transparency committees, participating in social audits (a review of how a municipality’s actions affects its people), and publishing all information related to budget and planning.

Melvin Paredes, mayor of San Agustin, Copan, said that his municipality “has changed, but so have our constituents. We have trained them to hold their public officials

accountable. People will no longer tolerate municipal decisions taken behind closed doors.”

With the increased taxes, residents and local officials in Naranjito, Santa Bárbara, for example, decided to hire their first municipal police officer to help improve security.

In San Agustín, the issue was water. Residents were not paying water fees, forcing the municipality to subsidize the system. After an open forum, residents agreed to pay higher water fees so long as the municipality improved water services and formed a community-based commission to look at water-related issues, such as repairing the system and collecting back payments from residents. Municipal leaders say the changes have created a marked increase in constituent participation and cooperation in city activities.

Though some of their constituents were slow to accept the tax hikes, many changed their minds when they realized it was a revenues committee—whose members include local residents and lawmakers—and not just the municipality that suggested the changes. The committees also make public quarterly expense reports so anyone can see where tax money is being spent. “In the past, we could not do certain projects because we lacked funding. Today, people from the private sector are willing to pitch in and help us get things done,” said Lisandro Ramírez, the mayor of Potrerillos, Cortes.