

**8TH PSU INTERNATIONAL ACCOUNTING RESEARCH SEMINAR**

How We Responded to the Policy Studies' Review  
of Our Paper

**"Determinants of Municipal Financial  
Performance in Honduras"**



**Presenter:**

**PROFESSOR FRANCISCO BASTIDA**



**11 NOVEMBER 2020**



**12:15 PM – 1:00 PM**



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## ABSTRACT

This article fills a research gap in the determinants of municipal financial performance in Central America, using the 298 Honduran municipalities for 2002-2015. Partisanship theories are confirmed, for leftist governments show greater total municipal spending. Political alignment also has a weak, positive impact on investment spending. The electoral legislation is working properly in Honduran municipalities, since the data reject an opportunistic political budget cycle. Furthermore, Honduran municipalities show diseconomies of scale, for higher population density means greater per capita expenditures. The economic level impacts positively on expenditure per capita, which confirms Wagner's Law. Regarding transfers, we find a strong flypaper effect. As a point for practitioners, the granting government should monitor that this extra spending is the one intended with the transfers.