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Honduras Votes Its Conscience, Gets Millennium-account Money

by LADB Staff

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Allegations of arm-twisting and blackmail of the cruelest kind have surfaced in Honduras as the US seeks to garner support for its favored candidate in the election of a secretary-general of the Organization of American States (OAS). A Honduran newspaper has reported, and wire services have distributed widely, that the US told President Ricardo Maduro that unless he threw his country's support behind El Salvador's former President Francisco Flores (see NotiCen, 2005-02-03), Honduras could see itself shut out of the benefits of the Millennium Challenge Account (MCA), an aid program announced by US President George W. Bush in 2002. No funds have as yet been disbursed by the account, but potential recipient countries have been selected.

From Central America, only Honduras and Nicaragua made the final list. Only Bolivia made the cut from anywhere else in Latin America. Denials of pressure followed soon after the initial reports saw daylight. Maduro denied in Tegucigalpa any linkage between the OAS and the MCA. He said this on Feb. 3, just before departing for the US to participate in the National Prayer Breakfast in Washington.

The initial reports had linked this trip to an arm-twisting session regarding the election. "I would hope that the subject of the OAS has nothing to do with the Millennium Account," Maduro told reporters. "If the decision of Honduras does not coincide with that of the United States, that would not justify any kind of action, and I am sure that country would not act in that way."

Besides the praying, Maduro said he was scheduled to speak at a luncheon and would use the occasion to press some of Honduras' concerns, in particular late transfers of funds promised to underdeveloped nations such as his own. He excepted the Nordic countries and Spain from this critique. He did not mention MCA in this context. Maduro was even more explicit upon his return from Washington.

On Feb. 7, he said that nobody could obligate Honduras to vote for Flores. "I will not permit it," he said. "Nobody will twist Honduras' arm to vote for a particular OAS candidate, period." He reiterated that his trip to Washington had nothing to do with the subject of the OAS.

Honduras was not the lone holdout against Flores in the region. Belize had declared for Mexico's Luis Ernesto Derbez, and Panama had been reported looking southward to Chile's Jose Miguel Insulza. But it was Honduras that insisted on a regional consensus, opening the door to Mexico's naming a candidate. Maduro's protestations that his trip to Washington "had nothing to do" with MCA notwithstanding, coincident with the sojourn came the news that MCA funds, none of which have yet been dispensed, would indeed be coming Honduras' way, with an estimated time of arrival sometime in March.

Presidential Secretary Luis Cosenza Jimenez, who accompanied Maduro on the trip, put the amount at around US\$160 million, needing only the approval of the International Monetary Fund (IMF), whose evaluators, coincident with the trip, had just left Honduras. While Maduro's trip may have had nothing to do with the MCA, Cosenza's had everything to do with it; he had met with the director for Latin America of the MCA board of directors.

Cosenza said the money would be used primarily to make a final payment on the Honduran portion of the "logistical corridor," a 365 km highway designed to compete with the Panama Canal by linking the isthmus' Pacific and Caribbean coasts, connecting the ports of Cutuco in El Salvador, Cortes in Honduras, and Corinto in Nicaragua. Construction on the road began in 2004 with Inter-American Development Bank (IADB) funds at a projected total cost of over US\$2.5 billion. Cosenza put his country's share of the total cost at US\$400 million, and US\$40 million of the MCA money would go toward that project. The rest is to be spent on secondary and tertiary feeder roads and for agricultural needs, including irrigation and technical assistance.

MCA eligibility

The MCA is an initiative of President Bush, who, on March 14, 2002, announced that the US would increase its assistance to developing countries during the next three years by 50%, or US\$5 billion by 2006. The US Agency for International Development (USAID) says the underlying philosophy is to link aid to what the administration regards as "sound policies in developing countries," guided by the conviction that "in countries where poor public policy dominates, aid can harm the very citizens it is meant to help crowding out private investment and perpetuating failed policies."

To be eligible, countries must demonstrate what, in the judgment of US policymakers, constitutes a strong commitment toward:

Good governance. Rooting out corruption, upholding human rights, and adherence to the rule of law are essential conditions for successful development.

The health and education of their people. Investment in education, health care, and immunization provide for healthy and educated citizens who become agents of development.

Sound economic policies that foster enterprise and entrepreneurship. More open markets, sustainable budget policies, and strong support for individual entrepreneurship unleash the enterprise and creativity for lasting growth and prosperity.

From these three general headings a list of 16 indicators evolved, so that countries could then be scored, and the winning countries chosen, on the basis of their numerical scores. To enter the contest, a country had to have per capita income of less than US\$1,435. This limit is set to rise in 2006.

The US, through the State Department and USAID, had from the outset of the MCA touted the program as an increase in foreign-aid spending. But recent analyses of the budget the Bush administration sent to Congress last week reveal that the increase is at once short of the original commitment and partly offset by cuts in other foreign-aid programs dealing with childhood diseases, food aid, and long-term development assistance.

The shrinking MCA

Originally promised to be a US\$5 billion program, MCA was reduced to US\$3 billion by the administration last year, then halved to US\$1.5 billion in the Congress. The cuts have come as a shock to programs dealing with issues like hunger. Said Sean Callahan of Catholic Relief Services (CRS), "This cut in food aid puts the majority of our programs at risk." To other observers, the criteria on democracy and commitment on free markets have cut some of the world's most needy from US aid. It was also difficult for some to justify the pass on good government to Honduras, where a majority of its own citizens consider the country to be the most corrupt in the region, according to a recent survey. A Freedom House report on MCA countries rated Honduras as being on a downward trend, citing police abuses, draconian and probably unconstitutional laws against juvenile gangs, and a generally deteriorating human rights situation (see NotiCen, 2005-02-03). Other countries on the MCA list are: Armenia, Benin, Bolivia, Cape Verde, Georgia, Ghana, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Nicaragua, Senegal, Sri Lanka, and Vanuatu.

Given the philosophy of the Bush administration that guides the doling out of aid to developing nations, and the stated use of the funds in Honduras, the preponderance of evidence would seem to support Maduro's contention that he was not threatened with MCA banishment should he not fall into line on the OAS vote. The recent announcement would suggest that there was far more carrot than stick involved, even if the subject did come up during the recent Washington visit.

Honduras for Derbez

Proof positive of Maduro's resolve came on Feb. 8. Mooting questions of carrot or stick, threat or no threat, Maduro came out foursquare for Derbez and said Honduras will vote for the Mexican candidate. Calling the others, Flores and Insulza, "excellent candidates," Maduro said he went with the Mexican candidate in the end because "he is a great friend of Honduras" and "he knows the needs of Honduras." The designated use of the money, since it funds projects that greatly benefit El Salvador, would also have been part of the diplomatic thinking expressed by Salvadoran President Antonio Saca, when he said that, despite the disagreement on the Flores OAS candidacy, relations between the two countries "couldn't be better." He said he hoped for a change of mind, but if that didn't happen, "we would respect the decision and of course it is not going to hinder in any way the relationship between our countries."

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