

Stop funding Honduras

IMF Gives \$164 million to Coup Government in Honduras, Following Familiar Pattern

By giving millions of dollars to Honduras, the IMF is supporting an illegitimate coup government the world doesn't recognise

Sunday 6 September 2009, by [WEISBROT Mark](#) (Date first published: 3 September 2009).

This column was published by *The Guardian Unlimited* on September 3, 2009. If anyone wants to reprint it, please include a link to the original [1].

UPDATE: As this column was posted, the U.S. State Department issued a release [2] announcing “the termination of a broad range of assistance to the government of Honduras as a result of the coup d’etat that took place on June 28.”

See below the CEPR press release for an explanation.

The IMF is undergoing an unprecedented expansion of its access to resources, possibly reaching a trillion dollars. This week the European Union committed \$175 billion, \$67 billion more than even the \$108 billion that Washington agreed to fork over after a tense standoff between the U.S. Congress and the Obama administration earlier this summer.

The Fund and its advocates argue that the IMF has changed. The IMF is “back in a new guise,” said the *Economist* [3]. This time, we are told, it's really going to act as a multilateral organization that looks out for the countries and people of the world, and not just for Washington, Wall Street, or European banks.

But it's looking more and more like the same old IMF on steroids. Last week the IMF disbursed \$150.1 million to the de facto government of Honduras, and it plans to disburse another \$13.8 million on September 9. The de facto government has no legitimacy in the world. It took power on June 28th in a military coup, in which the elected President, Manuel Zelaya, was taken from his home at gunpoint and flown out of the country. The Organization of American States suspended Honduras until democracy is restored, and the United Nations also called for the “immediate and unconditional return” of the elected president.

No country in the world recognizes the coup government of Honduras. From the Western Hemisphere and the European Union, only the United States retains an ambassador there. The World Bank paused lending [4] to Honduras two days after the coup, and the Inter-American Development Bank [5] did the same the next day. More recently the Central American Bank of Economic Integration [6] suspended credit to Honduras. The European Union [7] has suspended over \$90 million in aid as well, and is considering further sanctions.

But the IMF has gone ahead and dumped a large amount of money on Honduras - the equivalent would be more than \$160 billion in the United States - as though everything is ok there.

This is in keeping with U.S. policy, which is not surprising since the United States has been - since the IMF's creation in 1944 - the Fund's principal overseer. Washington has so far made only a symbolic gesture in cutting off about \$18.5 million to Honduras, while continuing to pour in tens of millions more.

In fact, more than two months after the Honduran military overthrew the elected president of Honduras, the United States government has yet to determine that a military coup has actually occurred. This is because such a determination would require, under the U.S. Foreign Appropriations Act, a cut off of aid.

One of the largest sources of U.S. aid is the Millennium Challenge Corporation (MCC), a government entity whose board is chaired by U.S. Secretary of State Hillary Clinton.

Interestingly, there were two military coups in the last year in countries that were receiving MCC money: Madagascar and Mauritania. In both of those cases MCC aid was suspended within three days of the coup [8].

The IMF's decision to give money to the Honduran government is reminiscent of its reaction to the 2002 coup that temporarily overthrew President Hugo Chavez of Venezuela. Just a few hours after that coup, the IMF's spokesperson [9] announced that "we stand ready to assist the new administration in whatever manner they find suitable." This immediate pledge of support by the IMF to a military-installed government was at the time unprecedented. Given the resources and power of the IMF, it was an important source of international legitimacy for the coup government. Members of the U.S. Congress later wrote to the IMF to inquire how this happened. How did the IMF decide so quickly to support this illegitimate government? The Fund responded that no decision was made, that this was just an off-the-cuff remark by its spokesperson. But this seems very unlikely, and in the video on the IMF's web site, the spokesperson appears to be reading from a prepared statement when talking about money for the coup government.

In the Honduran case, the IMF would likely say that the current funds are part of a \$250 billion package in which all member countries are receiving a share proportional to their IMF quota, regardless of governance. This is true, but it doesn't resolve the question as to whom the funds should be disbursed to, in the case of a non-recognized, illegitimate government that has seized power by force. The Fund could very easily postpone disbursing this money until some kind of determination could be made, rather than simply acting as though there were no question about the legitimacy of the coup government.

Interestingly, the IMF had no problem cutting off funds under its standby arrangement with the democratically elected government of President Zelaya in November of last year, when the Fund did not agree with his economic policies.

We're still a long way from a reformed IMF.

State Department Steps Against Honduran Coup Don't Go Far Enough

For Immediate Release: September 3, 2009
Contact: Alan Barber, (202) 293-5380 x 115

Washington, D.C.- The U.S. State Department issued a release today announcing "the termination of a broad range of assistance to the government of Honduras as a result of the coup d'état that took place on June 28."

"The State Department is responding to pressure, but it's still not clear if the Obama administration is serious about dislodging the coup regime that it continues to support with military and economic aid," said Mark Weisbrot, Co-Director of CEPR.

State Department spokesman Fred Lash told CEPR that total U.S. assistance to Honduras was \$100 million and today's decision affected \$30 million: this included \$8.96 million from the State Department, \$9.4 million from USAID, and \$11 million from the Millennium Challenge Corporation (MCC) (which will not be officially cancelled until its Board meets next week).

"There is still quite a bit of money that is not food assistance or anything that poor people need that continues to flow to the dictatorship," said Weisbrot.

"Also, the State Department still hasn't officially determined that a military coup took place in Honduras," he added.

Weisbrot also noted that the International Monetary Fund decided just a few days ago to give Honduras more than \$160 million. Since the United States has a veto over IMF decisions, this will be seen by the coup regime as a decision of the U.S. government.

"The IMF money, which is a huge amount of money for Honduras, will more than compensate for any cuts in U.S. official aid."

The World Bank paused lending to Honduras two days after the coup, and the Inter-American Development Bank did the same the next day. More recently the Central American Bank of Economic Integration suspended credit to Honduras. The European Union has suspended over \$90 million in aid as well, and is considering further sanctions.

According to the release, "The Department of State further announces that we have identified individual members and supporters of the de facto regime whose visas are in the process of being revoked."

The State Department would not release the names of those whose visas may be revoked.

The release also states: "we would not be able to support the outcome of the scheduled elections [in Honduras]. A positive conclusion of the Arias process would provide a sound basis for legitimate elections to proceed."

This decision on elections brings the United States closer to other countries in the hemisphere, who have stated that they will not recognize elections conducted under the coup government.

However, Weisbrot noted that the 3-month election campaign period has already started, and it is taking place under conditions of political repression and media censorship.

"Each day that goes by with the coup government in power makes it less likely that these elections

could be considered legitimate,” said Weisbrot. “Certainly the idea of moving the election up one month to October, which is part of the Arias accord, has to be abandoned.”

Footnotes

- [1] <http://www.guardian.co.uk/commentisfree/cifamerica/2009/sep/03/imf-honduras-aid-zelaya>
- [2] <http://www.state.gov/r/pa/prs/ps/2009/sept/128608.htm>
- [3] http://www.economist.com/businessfinance/displaystory.cfm?story_id=13576264
- [4] <http://www.reuters.com/article/latestCrisis/idUSWAT011580>
- [5] <http://www.reuters.com/article/bondsNews/idUSN0151377620090701>
- [6] http://www.google.com/hostednews/ap/article/ALeqM5gsIT2R-Ci3UL5yAitQ0dz3WYQ_GwD9AB09800
- [7] <http://www.miamiherald.com/honduras/story/1150687.html>
- [8] <http://www.cepr.net/index.php/publications/reports/millennium-challenge-corporation-and-economic-sanctions/>
- [9] <http://imf.org/external/np/tr/2002/tr020412.htm>