



FACT SHEET **Haiti's Debt** March 2007



Institute for Justice
& Democracy in Haiti

Haiti is the most impoverished country in the Americas. 80% of the population lives in abject poverty and one out of nine children dies before reaching her fifth birthday. Life expectancy is 53 years and nearly half the population cannot read. Haiti's government is forced to divert \$56 million per year from fighting this poverty to reimburse International Financial Institutions (IFIs) that were established to help countries like Haiti fight poverty. Over half of Haiti's \$1.3 billion debt is for loans granted to Haiti's dictatorships, especially the brutal and corrupt Francois "Papa Doc" and Jean-Claude "Baby Doc" Duvalier dictatorship. Haiti's onerous and odious debt should be cancelled immediately without conditions, as a matter of justice and as an essential tool in the global fight to end poverty under the Millennium Development Goals (MDGs).

From Enslaved Colony to Indebted Republic

Haiti's legacy of debt began shortly after the country won independence from France and abolished slavery in 1804. France threatened to invade and re-establish slavery, unless Haiti compensated it for the loss of the "property", including slaves. With French warships positioned off the coast, Haiti gave in to French demands in 1825, and agreed to pay 150 million francs (equivalent, with interest, to \$21 billion today), financed by a loan to a designated French bank in return for recognition of Haiti's sovereignty.

This enormous debt – equal to ten times Haiti's export revenues – placed a heavy burden on the new country. Haiti was forced to send any available cash to France, diverting revenues from investments in infrastructure, education and government services. The world's first black republic descended into a spiral of debt and underdevelopment from which it has never recovered.

From 1957 to 1986, Haiti was controlled by the father/son dictatorship of Francois "Papa Doc" and Jean-Claude "Baby Doc" Duvalier. For nearly thirty years they spent foreign "assistance" on fur coats and brutal death squads like the *Ton Ton Macoutes*. An audit revealed that Jean-Claude Duvalier diverted at least \$500 million in the last six years of his reign alone. Newspapers reported that his wife Michele Duvalier spent \$20,000 on a weekend shopping trip to Manhattan. This theft was widely reported, yet donor countries and IFI's continued to send money so long as the Duvaliers stayed in the anti-communist camp.

Haiti's Debt Today: A New Form of Slavery

The Haitian people are still paying for the crimes of their past leaders. 45% of the country's current external debt was incurred by the Duvaliers, while the country's lenders turned a blind eye to the corruption. Not only did these loans fail to benefit the Haitian people, the consequent debt service payments continue to cost the country millions of dollars that could be better spent on education and health. Meanwhile, harmful economic policies mandated by the International Monetary Fund (IMF) and World Bank continue to undermine the country's ability to chart its own development path.

In April 2006, the World Bank and the IMF added Haiti their heavily indebted poor countries (HIPC) debt cancellation program, on the heels of the election of a constitutional



president, Rene Prével in February. Yet, the HIPC program will not actually cancel Haiti's debt for several years, and will come with painful strings attached: the banks will require Haiti to undertake neo-liberal economic "reforms", that will certainly aggravate the country's poverty in the short term, and may do so in the long term. These economic policy strings will continue to drain Haiti's productive capabilities and reduce its already minimal social safety net, while causing deadly delays. Under the conditions of the World Bank and IMF's debt relief program, Haiti will not qualify for cancellation until 2009 at the earliest—by which time the country will have sent the IFIs \$138 million taken from programs to build schools and provide clean water and health care.

The Inter-American Development Bank (IDB), Haiti's largest creditor, also added Haiti to its debt relief program, in 2007 after protracted negotiations. But IDB debt relief will also take time, and impose painful economic "reforms." In the meantime, Haitian children will continue to die of preventable diseases, and grow older without learning how to read.

Debt Cancellation: An Opportunity for a Fresh Start

Immediate cancellation of Haiti's debt to the World Bank, IMF, and IDB would free much needed resources to fight poverty and help the country to achieve the Millennium Development Goals. The IMF projects that without debt relief, more than one-tenth of the central government's revenue over the next four years will go to foreign creditors to service the country's external debt. Imagine the impact if this money were instead used for poverty reduction.

Debt relief works. Social spending has risen by 75% in countries that have received debt relief, with funds used to abolish school fees, provide free immunizations, fight HIV/AIDS, and improve access to safe drinking water. Canceling Haiti's debt could increase the environmental budget tenfold to reverse the environmental degradation that leaves Haiti vulnerable to tropical storms and mudslides that have claimed thousands of lives in recent years. Alternatively, the amount could double the resources spent on education or triple the funds spent on AIDS prevention.

100% debt cancellation and an end to economic conditionality could allow the new president and the people of Haiti an opportunity to build a stable democracy and work toward a future free from poverty and want.

Just as Rene Prével's presidency marks a fresh start and hope for an end to the unrest that has plagued Haiti since the February 2004 coup d'etat, 100% debt cancellation and an end to economic conditionality could likewise give the new president and the people of Haiti an opportunity to build a stable democracy and work toward a future free from poverty and want.

Take Action: Urge your Representative to Cosponsor H.Res. 241

You can help Haiti achieve immediate debt cancellation without delays or strings attached by calling your Member of Congress today and asking them to co-sponsor the Haiti debt cancellation resolution introduced by a bi-partisan group in the House of Representatives (H.Res. 241). To co-sponsor the resolution, tell your Member's staff to call Kathleen Sengstock in Representative Maxine Waters' office at (202) 225-2201 (Waters is one of the initial co-sponsors). If your Representative has already co-sponsored the resolution, please call to thank them. To find contact information for your Representative, visit <http://www.house.gov/writerep>.

For more information, and to take action, see www.jubileeuusa.org or www.HaitiJustice.org.

Sources: World Bank, International Monetary Fund, Inter-American Development Bank, Central Bank of the Republic of Haiti, The United States Library of Congress – Federal Research Division Country Profile: Haiti (May 2006), *Wall Street Journal*, "Impoverished Haiti pins hopes for future on a very old debt" by José De Córdoba (January 2, 2004), and *Jubilee USA*, "Break the Chains of Haiti's Debt" by Mark Schuller (May 20, 2006).