HAITI'S DEBT: PROGRESS MADE BUT MORE MUST BE DONE
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Debt cancellation and Haiti solidarity activists should be pleased with the progress we've made. All three major multilateral institutions that claim a debt from Haiti's people – the World Bank, the Inter-American Development Bank (IDB) and the International Monetary Fund (IMF) – have approved Haiti's addition to the "enhanced HIPC" process. But Haiti's people are still and will continue to pay debt service, for some years to come, as international agencies continue to impose conditionalities. In the meantime, people will be without access to services such as education and health care. Thousands will die from preventable or easily curable diseases. The struggle is not over yet.

Fortunately there is something we can do: pass **House Resolution 241.**

BACKGROUND

The fates of Haiti and the United States are intertwined. Before he became a leader in the Haitian revolution, former slave Henry Christophe defended the colonists' cause in the American Revolutionary War. The two oldest republics in the "New World," the U.S. and Haiti's destinies remained connected. The U.S. finally formally recognized Haitian independence during the Civil War that ended slavery. In 1915, U.S. marines invaded and occupied Haiti for 19 years. During the U.S. Occupation, the U.S. installed an army to suppress dissent and imposed a constitution that a former U.S. president claimed to have written personally, granting foreigners the right to own property.

During the Cold War, the U.S. supported Haitian dictator François Duvalier for supporting the U.S. in excluding socialist Cuba from the Organization of American States. Following Duvalier's death in 1971, U.S. troops patrolled the waters, keeping exiled leaders *out* of Haiti to ensure a successful transition of power to Duvalier's 19-year old son, Jean-Claude. The latter accepted U.S. plans to build an export-processing zone, exploiting Haiti's "comparative advantage" of extremely low wages and proximity to the U.S., a precursor to Ronald Reagan's Caribbean Basin Initiative. Following an outbreak of swine fever, Duvalier supported the U.S. plan of killing hearty local pigs while replacing them with maladapted, needy foreign pigs. Haiti's "great stock market crash" (Smith 2001:29) starved peasants, who swelled the cities, especially crowded shantytowns. All the while, Duvalier was getting rich off of foreigners' money. According to their own record-keeping, the IMF noted that Duvalier stole US$20 of 22 million in a December 1980 loan (Ferguson 1987:70). The IMF noted that some of this money went to fund the infamous *tonton makout,* the death squads responsible for as many as 60,000 deaths during François's rule alone (ibid. 57).

Given all this, the U.S. and the international community should have considered Haiti's debt as "odious" and cancelled it on February 7, 1991, the inauguration of Haiti's first democratically-elected president, Jean-Bertrand Aristide. Odious debt – collected by illegitimate means and/or used for illegal purposes, repression or crimes against humanity – has international precedent. In the early 1900s, the U.S. government declared Cuba's debts to Spain "odious," as it declared in 2005 the debt accumulated by Iraq's Saddam Hussein.

Instead, the U.S. and other governments decided to make Haiti's citizens pay back this illegal and immoral dictator debt. By 1990, the year of the elections, the debt claimed by foreign governments and multinational institutions was $751 million, more than half of what Haiti is said to owe today. Since 1991, Haiti's people have paid for this debt in several ways.

- Annual debt service payments
- Health and education under-funded
- "Structural adjustment programs"

Since 1991, the Haitian government has been forced to pay a total of $631 million in scheduled debt service. These funds could have been used to pay for sectors such as health and education. In 2003, for example, Haiti's debt service was 57.4 million, whereas the entire grants promised for education, health care, environment and transportation combined was 39.21 million (table 1).

Table 1: comparison of debt service to social investments – promised grants, 2001-3

	Education	**Health**	**Environment**	**Transportation**	**Total**	**Debt Service**
2001	21.77	34.47	5.37	16.08	77.69	38.5
2002	17.18	27.77	5.61	7.33	57.89	48.2
2003	10.86	24.69	3.66	0	39.21	57.4
TOTAL	49.81	86.93	14.64	23.41	174.79	144.1

Source: (IMF 2005:88; World Bank 2002:vii)

In addition to indirect costs to education and health care, Haiti's external debt has opened the door for the imposition of what used to be called "structural adjustment programs" (SAPs). In general, multilateral institutions have two policies: "fiscal discipline" or austerity measures – limiting social spending – and a host of neoliberal policy measures such as privatization. For the past decades, Haiti has been almost completely SAP-ped dry. In 2000-2001, international financial institutions demanded that Haiti reduce its "social spending" – health care and education – from 3 percent of the Gross Internal Product to 2 percent.

This means that education and health care have become luxuries that few have access to. Marquise, a factory worker making Haiti's minimum wage of 70 goud[1] per day ($1.93 at today's value), has a son who is taking the government exams to pass grade school this June. Like many other schoolchildren, Mackinson studies under the streetlamp several blocks away because their one-room house does not have electricity. Marquise worries about his chances to make it into a public *lycée* – only the top performers get in. Otherwise she will not be able to come up with enough money to pay for his school, since public schools – and also "lekòl borlèt" (private schools of unknown quality, or "lottery schools") – are even potentially within her reach. Even so, monthly fees are 300 goud, or a full week's wages after taxes. With annual registration fees, to send Mackinson to even a public school costs Marquise a quarter of her annual salary, especially since mandatory fees imposed by multilateral organizations and the lack of funding for education. Haiti's 2005-6 budget for education was 2,973 million goud (Ministère de l'Economie et des Finances 2006), or around 74 million U.S. dollars, while Haiti's projected debt service was 57.4 million U.S. dollars, or 9 percent of all exports of goods and services (mostly export-processing textiles) (IMF 2005:18).

[1] This is the Kreyòl spelling, the first language of all Haitians and only language of the poor majority

The public health sector is even worse: Life expectancy is 53 years, 23% of children under 5 are chronically malnourished and one in eight die, 6% of the adult population is infected with HIV, and there are only 25 doctors, 11 nurses, and 1 dentist per 100,000 people (WHO 2006). In 2005-6, Haiti's public health budget was 1,003 million goud, around 25 million U.S. dollars, less than half of the scheduled debt service (Ministère de l'Economie et des Finances 2006). The General Hospital is in crisis, and the only primary care clinics in the city of Port-au-Prince are privately run, many of which charge for services. In early December 2005, Ronald, a shoe-shiner stationed at the public university a block from the National Palace, fell ill because of a gastrointestinal illness that he likely would not have gotten had he been able to have regular access to treated water (5 goud a gallon was the minimum price at the time). He likely would have cured it by promptly going to the doctor and taking antibiotics. He did not because he had no money to do so, and so his health deteriorated. By the time I returned at the end of the month, Ronald had died. The situation is worse for the majority of Haitian people who live in the provinces… often a day's walk to the nearest doctor.

Haiti has been made to adopt a range of neoliberal policies at the behest of bilateral and multilateral organizations. For instance, Haiti is among the most "open" economies in the hemisphere, with subsidized U.S. agricultural produce flooding the market without protective tariffs, a condition for receipt of U.S. food aid (Richardson 1997). This has all but destroyed national production; once an exporter of rice, Haitian production only accounts for 18 percent of rice consumed domestically, while Haiti imports $200 million per year (National Campaign to Defend Haitian Rice, December 2004).

In the mid-1990s, international agencies demanded privatization. At their behest the Haitian government privatized nationalized industries such as flour and cement. Sugar had also previously been privatized. Appeasing the international community, the interim government of Gerard Latortue (2004-2006) promised to bring Haiti's remaining utilities closer to privatization in a process called the CCI, or ICF in English, the Interim Cooperation Framework (2004:19,23,24,28). Remaining utilities – telecommunications, water, electricity, ports and airports – generated 8,311.4 million goud in revenue for the year 2000, or $476 million (IMF 2002:42-47).

Aside from the concern of public-sector employees losing their jobs and benefits, a profit motive can only mean higher prices for services, or scaling back of service, especially to low-income urban neighborhoods and rural areas where infrastructure is already minimal. Both exclude Haiti's poor majority from already faltering services.

It is equally clear that these policies have not jump-started Haiti's economy, as promised. By most measures, Haiti's economy, cost of living, access to goods and services, and quality of life, all indices of human development, have seen a steady decline throughout the past two decades. After adjusting for inflation, the economy has shrunk an average of 1.9%/year for the past 25 years (Maddison 2006). The only sign of improvement was literacy, from 39.7 percent in 1990 (UNDP Human Development Report 2006) to 52.7 percent in 2003 (CIA Factbook). It can be argued that Haiti's instability, bad governance, or corruption is to blame. But the World Bank's own research pointed out that privatization isn't the answer to corruption given *private* sector norms (1998:34). Governments *should* be held accountable, and are *more* transparent than privately-owned foreign companies, with citizens and citizen groups having more rights to oversee or have access to information (Pearce et al. 2005:18).

PROGRESS MADE:

On April 14 2006, the World Bank announced that Haiti – the poorest country in the Western Hemisphere – would be added to the list of countries that might become eligible for 100% cancellation of their debts to the World Bank and International Monetary Fund (IMF) under the terms of the G-8 debt deal adopted by world leaders in Gleneagles, Scotland in July 2005. In September of last year at their annual meetings, the World Bank and IMF initiated the "Decision Point," the second-to-last step in their HIPC debt cancellation program.

The Jubilee and Haiti solidarity movements – in Haiti, Latin America, the U.S. and Europe – joined forces to call for more: full, immediate, and unconditional cancellation. Last June, **H.Res. 888** was introduced. Thousands of calls and e-mails to elected officials were made, with the bill attracting 66 co-sponsors from both sides of the aisle.

As a result of the higher visibility and public pressure, the IDB joined the World Bank and IMF in initiating a process of debt cancellation. On November 17, 2006, the IDB promised to cancel Haiti's debt, along with four other poor countries. This was significant because the IDB is Haiti's largest creditor, claiming $470.9 million in 2004 (38% of the total), and an annual debt service from 2005 to 2009 of $159.2 million (57% of the total).

The two other conditions of the Jubilee movement, debt relief that is *immediate* and *without conditions*, are still not met.

MORE NEEDS TO HAPPEN:

Haiti's people, like Marquise and Ronald, have not yet seen the fruits of the collective movement. The HIPC program requires that countries go through a period of evaluations. The government must complete an IMF "Staff Monitored Program" and submit a "Poverty Reduction Strategy Paper" (PRSP) to the World Bank, which it must then approve.

First and foremost, the HIPC process is too slow. Optimistic projections suggest that Haiti will be able to receive debt cancellation in three years, by the end of fiscal year 2009 (September 30). And this assumes that the government of Haiti quickly puts forth a plan (PRSP) that ostensibly arises from meaningful consultation from Haiti's people that will also be acceptable to these international institutions. The process is already behind schedule, in part because genuine participation takes time – more time than the international institutions allotted. Further, the U.S. Treasury did not plan to account for canceling the U.S. portion of Haiti's debt as would be required for FY 2009. A more likely timeline to complete these internationally-mandated processes is that Haiti reaches the "completion point" at the end of fiscal year 2010. In the mean time, Haiti will be paying another **$211 million** to the World Bank, IMF, and the IDB, who have already approved Haiti's debt cancellation (see **Table 2**).[2] Assuming a best-case scenario whereby the international organizations approve Haiti's entering the completion point by the end of FY 2009, Haiti will still be paying $158 million.

[2] From the beginning of fiscal year 2007, October 1, 2006, between the IMF's and World Bank's approval of Haiti's HIPC plan and the formal adoption in November 2006.

Table 2: Scheduled debt service for parties to Haiti's HIPC (millions of U.S. dollars)

	2007	2008	2009	2010	TOTAL
Total	63,200,000	67,900,000	78,700,000	77,700,000	287,500,000
HIPC groups	49,400,000	52,600,000	56,100,000	52,800,000	210,900,000
IDB	27,004,849	36,477,366	40,851,029	40,717,993	145,051,237
World Bank	19,229,250[3]	19,209,320	19,590,070	20,491,870	78,520,510
IMF	2,800,000	4,300,000	8,100,000	3,800,000	19,000,000

(source: IMF 2006:33, IDB 2007, World Bank 2007)

With three decades of mandated policy reforms, there is little left for a three-year process to change, with one exception of privatizing public utilities, still run by autonomous state units. There are good security reasons to keep ports and airports under the government, and water, telephones, and electricity are already partnering with the private sector. While the word "privatization" does not appear in Enhanced HIPC or the draft PRSP, only "public/private partnerships" or "following the recommendations of the audits," this policy is clear.

If we do not act, the international community will force Haiti's people to wait for debt cancellation. In the mean time, between now and the end of fiscal year 2010, 90-100,000 children will die in Haiti before reaching the age of 11 months and another 30-40,000 will die before reaching the age of 5 years (World Health Organization 2006). Approximately 6,000 women will die during childbirth in Haiti between now and October 2010. True, $211 (or even $158) million will not change all of this overnight. But it could have a dramatic impact now in extending health services to thousands of people.

WHAT CAN WE DO?

U.S. residents can **call, write, and/or e-mail your representatives** in Washington and ask that Haiti's debt be cancelled by passing **House Resolution 241**. To contact a Senator visit http://www.senate.gov/general/contact_information/senators_cfm.cfm. To contact a representative, call (202) 224-3121, or visit http://www.house.gov/writerep/. You can write to your senator or representative at:

Senator _______
Senate Office Building
Washington, DC 20510

Representative ______
U.S. House of Representatives
Washington, DC 20515

People can ask House Committee on Financial Services Chair Barney Frank to schedule a hearing for H.R. 241, that 36 representatives have already co-sponsored: **(202) 225-5931**.

It is important not to lose sight of the thousands of children like Mackinson who will not have access to a decent education, and the tens of thousands who like Ronald will die a preventable death. It is also important not to lose sight that we in the U.S. have the power to right some of these wrongs that our government has been a party to. Finally, it is important to not lose sight of the ultimate goal of the movement and of House Resolution 241: Justice.

[3] Estimate

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