



FACT SHEET

Haiti's Debt

July, 2008



Haiti is the most impoverished country in the Americas. 80% of Haiti's population lives in abject poverty and one out of twelve children dies before reaching their fifth birthday. Life expectancy is 59 years and nearly half the population cannot read. Haiti's government is forced to divert \$58 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 \$1.46 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 reinvade 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 fourteen 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 to their heavily indebted poor countries (HIPC) debt cancellation program, on the heels of the election of a constitutional president, Rene Préval in February.

Two years later, however, due to the current food crises Haiti is in dire straits. The prices of basic staples such as rice, beans, flour, and corn have doubled within the span of six months. Many Haitians have resorted to eating mud pies while the government pays over \$1 million a week in the form of debt payments. Not only are people starving, violence has broken out over food; in the second week of April, 2008 up to five people were killed in food related riots. Basic public services have been negatively impacted by increased oil prices. On May 12, 2008 eleven people (including five children) were found dead after an overcrowded ferry capsized off the Haitian coast. The closest rescue boat lacked the gas to respond.

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. Haiti is close to reaching completion point in the HIPC initiative, yet its expected completion date continues to be postponed. Given the current crisis, Haiti should not be made to wait any longer for 100% debt cancellation by the IMF, World Bank, and IDB.

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.

Just as Rene Préval's presidency marks a fresh start and hope for an end to the unrest that has plagued Haiti since the February 2004 coup d'état, 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.

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For more information, and to take action, see www.jubileeusa.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).