

# Break the Chains of Haiti's Debt

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This week, May 14, former president René Gracia Préval was inaugurated as Haiti's new elected leader, ending the over two years of transition that many people in Haiti remember as one of the worst periods in their lives. Over and over again, the international community has stated their desire to help Haiti begin anew, with a clean slate. A month before, the World Bank announced that Haiti would be entering into their debt cancellation process, what they call HIPC. This is a good first step. But Haiti's future development, not to mention justice, demands more: a full and immediate debt cancellation, without conditions.

With recent news of kidnapping, violence, and faltering elections, it seems almost trivial to work on a campaign about Haiti's debt. True, debt annulment by itself will not solve all of Haiti's problems. But canceling Haiti's debt addresses the fundamental issues of justice, the economic situation, development, and the structural roots of the current violence.

Haiti's debt should be canceled for many reasons. First and foremost, it is unjust. Haiti's first century-long debt was exacted by the former colonial power to repay slaveholders for their losses. And much of Haiti's current debt went to feed the brutality of the Duvalier dictatorships. Rather than use their influence to stop the abuse, international organizations kept the money flowing to Haiti's unelected leaders, knowing it was not reaching Haiti's people, and when Duvalier left, these organizations chose to hold Haiti's people responsible.

Next, to put it simply, debt kills. Rather than invest in education, the environment, or health care, Haiti's people are forced to repay a debt they did not ask for or benefit from. I have visited once-functioning clinics in poor urban neighborhoods and in small mountain towns abandoned because of a lack of funds.

And debt undermines democracy and national sovereignty, forcing democratically-elected leaders and citizens to follow debt repayment or specific economic policies imposed by international organizations. Debt structures the relationship with foreign powers, keeping Haiti under foreign control, even if there weren't a multinational force.

Finally, Haiti's people have more than paid for the debt, in terms of actual payments and in terms of Haiti's extreme underdevelopment. But despite promises made to annul billions of dollars of debt for 18 low income countries at the 2005 G8 summit in Gleneagles, canceling Haiti's debt was not even considered. Because debt is often an extremely technical conversation, in which only trained economists tend to participate, this paper is a primer for those of us who are motivated by humanistic concerns to be able to understand, and therefore to participate.

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## HISTORY OF HAITI'S DEBT

### The High Price for Independence

On January 1, 1804, for the first and only time in world history, a slave revolt ended slavery, severing colonial ties and creating the world's first independent black nation-state. 200 years after this heroic event, Haiti is still paying for it. On April 17, 1825, over 21 years after former slaves won their independence, a royal decree offered France's recognition of Haiti, but at a price. The accord, which Haitian President Jean-Pierre Boyer signed, demanded that Haiti pay 150 million francs. Having just recovered from a revolution and a generation of civil warfare, the Haitian government was bankrupt, so the Haitian government took out a loan from a French bank, thus starting Haiti's long-term debt. Earlier, in 1814, the President of the south of Haiti, Alexandre Pétion, had offered an indemnity to compensate French planters for their losses. Countering this argument, contemporary Hérard Dumesle estimated that the wages owed to slaves, but never paid, during the period of 1665 to 1790 was 25 billion francs (Duhaimé 2002). While this number cannot possibly be verified, it puts Pétion's offer in perspective. Although the total bill was eventually reduced to 90 million francs, Haiti is the only country that had to pay such an indemnity for its independence.

In addition to clearly being odious, this debt was repaid on the backs of Haitian laborers. In part to pay off this debt, almost immediately, in 1826, President Boyer published his Rural Code, which in effect reinstated the plantation system that the previous generation, former slaves, gave their lives to end. In addition, to make loan payments, Boyer increased the taxation on both imports and exports, especially coffee. The export tax was 50% of the state's budget (Dupuy 1989; Trouillot 1990: 61). Coffee could be grown on small plots, so this tax on exports implied an indirect tax on the peasantry.

The debt was a primary barrier to Haiti's development. For almost a century, successive Haitian governments dutifully paid its debt service, being all too willing to pass the bill onto Haiti's poorest citizens. As late as 1915, when U.S. marines came to occupy Haiti, 80% of custom house revenues were being used to pay off this debt (Bellegarde-Smith 1982: 15). In 1908, 51% of revenues of coffee went to service the exterior debt, while 47% went to service the internal debt, leaving 2 percent available for all other expenses (Gaillard 1990). During this formative period in Haiti's history, the state lacked resources to develop the educational system, infrastructure, agricultural technology, environmental protection, or invest in healthcare. Haiti is still paying the consequences of this lack of funds in terms of underdevelopment, high mortality rates, low life expectancy and high levels of illiteracy. U.S. financial interests edged out French interests in 1910, preparing the way for the 1915 U.S. Occupation. The U.S. took over, adding new debt while making Haiti pay off their French debt by 1922, taking out Haiti's gold reserves in the process of repayment (Plummer 1988).

### Duvalier's Debt

As shown, Haiti's external debt has been used to oppress poor Haitian laborers, and contributed to its underdevelopment. This was intensified during the 29-year father-and-son Duvalier dictatorship. On December 5, 1980, the International Monetary Fund (IMF) gave Jean Claude Duvalier, "Baby Doc," \$22 million in aid. James Ferguson notes that:

Within weeks \$20 million of this amount had been withdrawn from the Haitian government's account; of this, the IMF stated, \$4 million had gone directly to the VSN [the tontons macoutes, a paramilitary organization responsible for as many as

30,000 killings in the Duvalier period], while the remaining \$16 million had seemingly disappeared into Duvalier's various personal accounts. An IMF report concluded almost euphemistically that its analysts "attributed excessive unbudgeted spending as the most important cause of Haiti's financial crises" (1987:70).

Why was so much foreign money poured into the Duvalier dictatorship? Two basic reasons account for this. The first reason was geopolitical. Haiti is just across the Windward Channel from Cuba. After the 1959 Revolution that brought Fidel Castro to power, it was feared that Haiti might be next, given the prevailing theory of "the Domino effect." Exploiting these Cold War tensions, on June 25, 1960, François Duvalier gave a famous speech, called the "Cri de Jacmel," referring to a southern coastal city where it took place. Duvalier made it clear that his loyalty to the United States was for sale. Duvalier asked lame-duck President Eisenhower for several millions of dollars. He got it. Duvalier repeated this performance when the U.S. wanted to block Cuba's entry into the Organization of American States in 1962. Haiti cast a decisive vote that President Kennedy needed in order to keep Cuba out, and Duvalier got more aid. The Haitian dictator was not alone in receiving foreign capital. Official loans sustained other notorious dictators as well, including Zaire's Mobutu, Indonesia's Suharto, and Chile's Pinochet.

The other reason for the inflow of loans to Haiti was economic. During the 1970s, unstable oil prices caused a financial shock the world over. In addition, President Nixon removed the dollar from the gold standard, causing extreme fluctuations in its value and spurring intense buying and selling of currency itself.<sup>2</sup> Wealthy investors desperately needed another place to spend their liquid assets, so they poured money into international financial institutions such as the World Bank (Schaeffer 2003). Using their money as influence (the World Bank operates roughly on a one-dollar, one-vote rule. For example, the U.S. has 16.41% of the vote; the top five countries have 37.39%) they convinced the World Bank to increase its lending profiles to governments in the Global South, which they did (see Table 1). It was the height of the "modernization" era, in which large sums of money flowed through governments for large infrastructure projects. To entice often-reluctant leaders, many of whom had fought in recent independence struggles, international financial institutions offered these loans at low interest rates. This situation changed in 1982, when President Reagan – without consulting the public, to say the least about Southern debtors – responded to the inflation crisis by increasing interest rates. After adjusting for inflation, interest rates were -3.4% in 1970, but shot up to 27.5% in 1982 for the same loans (Saumon 2002). Worldwide, the debt increased 1500 percent between 1965 and 1980.

Table 1: debt worldwide (in millions of US dollars)

	1970	1980	1990	1998
Total Third World Debt	68	609	1473	2465
Sub-Saharan Africa	7	61	177	226
Asia and the Pacific	19	132	416	862
Europe and the ex-USSR	5	76	221	435
Latin America / Caribbean	33	257	475	736
Middle East / North Africa	5	84	183	206

Source: (World Bank 2000)

<sup>2</sup> Since most national economies in the world have international reserves in U.S. dollars, decisions made by the Federal Reserve Bank affect the whole world.

## THE CURRENT STATE OF HAITI'S DEBT

Haiti has a huge legacy of debt, in large part because of the Duvalier dictatorships. The Duvalier family took \$900 million in multinational and bilateral loans for their own individual purposes (Duhaime 2002). The people of Haiti have neither benefited from these funds nor gotten them back, despite advocacy efforts. Rather than impose the tight financial controls that they imposed on the elected Aristide, international organizations kept pouring money into Duvalier's brutality. The Duvalier regime ended on February 7, 1986. They left a legacy of debt that Haiti's people are still paying for. While in 1970, Haiti's debt was \$40 million, by 1987, the first full fiscal year after the Duvaliers left, it was \$844 million, 60% of the amount owed in 2004. The debt service alone Haiti owed from 1987 to 2005 was \$779.04 million. (see Appendix).

Currently, Haiti's total external public debt is more than 1.4 billion dollars, 400 million more than the amount of new international aid promised at the July 19-20 2004 donor's meeting in Washington, given as part of the Interim Cooperation Framework (ICF – in French, CCI). To be more precise, international development institutions claim a debt of \$1,418,720,000 in 2004 – see table two.<sup>3</sup> Between 2000 and 2004, no new loans were disbursed to the

Table Two: percent of Haiti's debt of Gross Domestic Product, or GDP

	2000	2001	2002	2003	2004	2005
External public debt	29.9	33.6	36.1	44.4	37.2	30.7
Total public debt	31.3	36.8	39.4	48.2	39.5	32.6

(International Monetary Fund 2005a:24)  
in millions of U.S. dollars

	2000	2001	2002	2003	2004	2005
External public debt	1144.6	1155.9	1129.2	1140.6	1264.5	1418.7
Total public debt	1146.1	1161.8	1236.8	1244.9	1372.7	1506.4

government of Haiti, yet the loans accrued interest and Haiti's government owed debt service. In August 2003, a single World Bank loan of \$20 million went to a private Dominican company, Grupo M, to open a factory in the newly-created Free Trade Zone on the border. Several agreed-upon loans from the Inter-American Development Bank (IDB), totaling \$565 million, were held up pending clearance of \$30 million in arrears. In May of 2003, Haiti's arrears had reached \$80 million (International Monetary Fund 2003:24-29). These arrears were eventually paid off the summer of 2003, using the remainder of Haiti's net international reserves. As a result, Haiti was left without any foreign exchange, which can be thought of as a savings account for national governments. Still, the funds did not begin to trickle in until after the Washington donors' conference, months after Aristide left office. For example, the World Bank began giving out loans in 2005 after the interim government paid \$52.6 million in arrears, again from the international reserves (with help from Canada). By March of 2005, the government only had 9 million dollars in reserves (International Monetary Fund 2005a:23).

Still, Haiti has to pay its debt service. As mentioned above, its debt service from 1987 to 2004 was \$779.04 million, an average of \$41 million per year (Appendix). In the past several

<sup>3</sup> Note that this figure is imprecise, and was derived from extrapolating from various data sources, which measured debt to GDP, with the GDP being in gourdes, and therefore converted into dollars.

years, Haiti's debt service has been more than \$50 million per year. To put this figure in perspective, in 1999, Haiti spent \$4 per person on health, \$5 per person on education, and equally \$5 per person to service its debt (UNDP 1999), effectively forcing the Haitian government to choose between investing in education, health, or paying foreign creditors. In the first three years of Aristide's 2001 term, foreign financing for education, health care, environment, and transportation was slightly over the amount Haiti was required to pay debt service (see Table 3). In fiscal year 2003, even if assuming that scheduled payments were all disbursed, Haiti's debt service dwarfed all four sectors combined.

Table 3: comparison of debt service to social investments, 2001-3

	Educ.	Health	Env.	Trans.	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 2005b:88; World Bank 2002:vii)

Of this debt service, much of it went directly to pay the interest. During the six years following the first democratic, peaceful transition of power in 1996, Haiti paid \$83.5 million in interest payments on its external debt (IMF 2002:40). To put this number in perspective, Haiti's FY 2001 budget for roads, water and urban infrastructure, health, environment, and education combined was \$100.72 million (World Bank 2002).



Haiti's lack of funds makes trash cleanup difficult. Trash cleanup is part of other budgets that are not specified, but the environmental budget is 12% of annual debt service.



Haiti's debt forces its leaders to choose between repaying or investing in education and repairing schools. Annual debt service is slightly higher than Haiti's annual education budget.

### Canceling the debt: the formal policy

In 1996, the World Bank and the IMF responded to the global debt crisis by creating a Heavily Indebted Poor Countries (HIPC) program. According to the World Bank (World Bank n.d.):

The program was designed to help the neediest countries, those whose debt levels are unsustainable, meaning so high that paying their debt obligations makes it impossible for them to invest adequately in social programs. The goal of the HIPC initiative is to bring the debt burden down to sustainable levels and free up a

country's resources for social spending, such as primary schools, basic health care and other programs aimed at reducing poverty.

In 2000, the World Bank explained that Haiti is not eligible for the HIPC program because bilateral creditors (the "Paris Club" or the wealthiest countries) pre-empted IMF or World Bank action, agreeing to alleviate part of Haiti's debt (2000). So with this adjustment, the debt service would no longer be at 150% of export revenue, the Bank's definition of "unsustainable." This is an inappropriate measure, because each year Haiti has an enormous trade deficit. Imports are about 4 times the value of exports (see Appendix). Currently the external debt is 240 percent, over twice as large, as exports.

In April, Haiti was added to the list of "HIPC eligible" countries for the World Bank and IMF. This is a good first step. But it is only the first of many steps in a process. To achieve full debt cancellation in the HIPC program, a country has to go through a process of being in "decision point" whereby the country has to follow an IMF staff monitored program, and submit a "Poverty Reduction Strategy Paper." Once these procedural steps have been taken, the country has to have demonstrated progress on these plans. The earliest Haiti's people could see debt cancellation is in 2009 – by which time Haiti's people will be deprived of over \$220 million that could have gone to education, health care, environmental, or HIV/AIDS prevention funding that will go instead to service Haiti's debt.

## PROBLEMS WITH THE DEBT RELIEF INITIATIVE

Regardless of technical definitions of "unsustainability" of debt, Haiti needs debt relief now to free up spending for other resources. While policies are often made with abstract numbers and ratios, there is a human face – and a human cost – to Haiti's debt. Schools and health clinics are underfunded, depriving people of needed services. The results are staggering: there are only 2 doctors per 10,000 people in Haiti. Life expectancy is 53 years. The maternal mortality rate is 523 per live 100,000 births. And 23% of children under five are chronically malnourished, and one in eight die before their fifth birthday (2004:38). In terms of education, an estimated 500,000 children (of a total population of 8.4 million) are without access to education, and only 35 percent are able finish primary school (2004:33).

Several government employees, public health workers, teachers and school directors told me about going six months or longer without a single paycheck. As Jubilee argues, instead of measuring debt sustainability in terms of the ratio of debt-to-exports, debt relief should be based on human need, with measures as to the unmet needs in education and health care funding, for example.

In addition, the IDB has never been a part of the debt deal reached in 2005. I was told that this was because the logic of the system is that international development banks – including the World Bank and the IDB – are able to give low-interest loans because of their AAA bond rating. And writing off debt would jeopardize that rating, which is deemed necessary as long as the IMF, IDB and the World Bank participate in the private bond market. The logic of private investment is fundamentally different from the logic of social welfare. While private investors assume the risks of investing overseas, their investments in these institutions are protected because of the organizations' status as "public" institutions. While

government has bailed out private corporations, such as Chrysler in the 1980s, the reverse is never true. Further, there are member-only perks to investing in these institutions such as securing contracts with loan money, which is why European and Asian countries are members of the “inter American” Development Bank, for example. While this is a “win-win” situation for investors, the Haitian people are losing out.

Now that Haiti has been added to the list of HIPC-eligible countries,<sup>4</sup> Haiti would be subjected to structural adjustment measures, now renamed “Development Policy Loans” or “Poverty Reduction Policies.” Essentially, structural adjustment measures are two basic actions. First, governments are required to sell off their services. In Haiti, that would mean the power company, the phone company, the water service, and the airport administration. Combined, these services generated 8,311.4 million gourdes in 2000, or \$476 million (IMF 2002:42-47). Such privatization would hurt Haiti in several ways. First, it deprives the government of revenue-generating activities. Especially since Haiti gave up its last \$30 million in reserves to pay the IDB arrears in 2003, and again in January of 2005, there is little else for Haiti to count on for its future. Second, foreign ownership of these utilities would mean an acceleration of capital flight from Haiti – exactly the reverse of what Haiti’s development requires. Finally, and possibly most importantly, these services are at a price that are affordable within the budget of Haitian families. For example, monthly local phone service is 225 gourdes, or \$6.25. Water for households is \$14.89 per month. Many Haitian civil society organizations are concerned that prices for these basic services will go up, and be out of reach for the vast majority (80% by official accounts) of Haiti’s population that lives in poverty.

While it can and has been argued that the government-run services are not efficient, especially given a history of corruption, there are two responses. First, as the Jubilee Debt Campaign and Haitian civil society organizations have argued, privatization is not the only answer to corruption (Pearce, et al. 2005:18). Governments should be held accountable, and are in fact more transparent, with citizens and citizen groups having more rights to oversee or have access to information than private, foreign companies. The World Bank even argued that privatization will not solve corruption in Haiti (World Bank 1998:34). Secondly, while critiques of the state-run utilities come from all sectors, business and hotel owners have been particularly vocal and prolific, arguing that they should receive more than residential clients and neighborhoods. Blackouts were a fact of life in Port-au-Prince during the 20 months I lived there. But they affected everyone, not just well-to-do people and businesses who owned gas-powered generators. And a public utility has responsibility to provide service to all of the “public.” This responsibility is eroding under a logic of privatization. I visited a poor neighborhood just outside of Petion-Ville, a wealthy suburb of Port-au-Prince, where after a long neighborhood organizing campaign finally got electricity. When the transformer blew last year, a representative from the interim government, which has publicly advocated privatization in meetings and public documents (2004), told a community of 10,000 people they will never have electricity because it was not a good “return on their investment.” Privatization will only further concentrate these public goods in the hands of the well-off.

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<sup>4</sup> These countries have reached the “completion point” in the HIPC program: Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Rwanda, Senegal, Tanzania, Uganda, and Zambia. Only a very scant amount of debt has actually been canceled to date.

In addition to privatization, structural adjustment measures often include reducing barriers to free trade – the World Trade Organization met in Hong Kong on December 14 to bring down remaining barriers. Haiti is the most open market in the Western Hemisphere, with imports overwhelming the market, dwarfing exports, including agricultural products that Haiti could produce for internal consumption (see Appendix for the balance of trade). Haiti has already privatized its businesses in sugar and cement, itself a result of trade policies made in the late 1980s under U.S.-backed military regimes, proposed by finance minister Delatour, opening up the domestic market to cheaper, subsidized foreign products. Cheaper foreign products discourage domestic production. Once an exporter of rice, Haiti is now unable to feed itself, producing only 18 percent of rice consumed, importing \$200 million per year (National Campaign to Defend Haitian Rice, December 2004). Haiti's weak agricultural production is a direct result of U.S. foreign policy, these same free trade measures imposed by the U.S. government (Richardson 1997). The U.S. government does not apply this same logic to U.S. agricultural interests, notably domestic sugar production.

The second, and more deadly, arm of structural adjustment measures are designed for “fiscal discipline.” These austerity measures require governments to cut spending, notably the very same social spending, such as primary schools and health care, that the HIPC was designed to free up spending for. In 2000/2001, the IMF demanded that Haiti reduce its social spending from 3 percent of the Gross Internal Product to 2 percent. The UNDP, as well as a former World Bank economist, argue that structural adjustment programs, specifically austerity measures, are barriers to social development (UNDP Stiglitz 2002; 1999). Haiti has already rock-bottom investments in education and health care; given the appalling state of public education and health indicators cited above, it is chilling to even consider any further cuts.

## MORE NEEDS TO BE DONE

Immediate cancellation of Haiti's debt

They first enslaved us with weapons and chains... but now they enslave us with the biggest weapon: debt.<sup>5</sup>

Haiti's current debt of 1.4 billion dollars is unjust. Almost half of it, 45%, was incurred by the father-and-son Duvalier dictatorships. Even by the international organizations' own accounts, the money went into their violent paramilitary organization, the tontons macoutes, or their own personal accounts. Rather than seize assets of Jean-Claude Duvalier, who lives in a mansion on the south coast of France, and redistribute funds to Haiti's people, international institutions are forcing Haiti's people to foot the bill. This debt is clearly illegitimate and “odious.” The people should not have to pay for his retirement, nor for the death squads that killed tens of thousands of people.

Haiti has more than paid for the debt. Haiti's path of underdevelopment began as it had to pay off its external debt to France. While the United States and Western Europe were building roads, railroads, telegraph and later telephone lines, schools, and hospitals, Haiti was

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<sup>5</sup> Yo te fè nou esklav avèk zanm nan men yo epi chenn yo. Kounye a, blan y'ap fè nou esklav avèk det la, ki se pi fò zanm ki genyen. Interview with Haitian woman, April 2005

paying its debt, owed to France for its official recognition of Haiti's independence. When this debt was paid off in 1922, the damage was already done.

In the 1970s, a new wave of debt occurred, propping up Haiti's dictatorship while providing foreign capitalists a new place to invest their surplus. The Duvaliers took a record \$900 million in loans, feeding the brutality of their dictatorship. Haiti has since paid \$772.04 million in debt service, more than its long-term debt at the beginning of this period of \$674 million. Without the pressure of the debt service to long-term loans, Haiti might not have had to agree to newer short-term loans. Its inability to repay these undemocratic and unjust loans has justified foreign intervention, including structural adjustment measures.

Instead of paying debt service, Haiti should be able to invest in education, health care, and environmental protection. Canceling the debt could increase the environmental budget tenfold. The recent two environmental disasters demonstrate the urgency of needed funds. On May 22-23, 2004, a rainstorm caused mudslides on rapidly-eroding mountains in the south-east part of Haiti. The mudslides in Fond Verrettes and Mapou claimed hundreds of Haitian lives. On September 19, 2004, Tropical Storm Jeanne claimed an estimated 3,000 lives in Gonaïves and the northwest, and left hundreds of thousands of people homeless. The damage has still not been repaired (see photo). Canceling the debt could double the resources spent on education, or triple the funds spent on AIDS prevention. These funds are desperately needed, as AIDS affects 6% of the population and only 10 percent of people have the ability to finish high school. And as Farmer and others point out, people are dying from preventable causes for lack of funds (Farmer 2003).



Damage to National Route #1, nine months after Tropical Storm Jeanne

The consequences of Haiti's debt – and policies justified by it – are dire. To put it bluntly, debt kills.

Justice, compassion, fairness, and concern for the future – investing in education, protecting the region against AIDS, and preventing further environmental disasters – demands that 100% of Haiti's current debt of 1.4 billion dollars be cancelled immediately, and without conditions. You can help.

#### WHAT CAN I DO TO HELP?

If there was ever a case where debt relief is justified, Haiti needs it. Badly. But our hands are tied by our policies. You'd have to change the policies.<sup>6</sup>

How can we change the policies, break the chains of debt?

The Jubilee coalition, organized in 1997, mobilized 250,000 people in Scotland before the 2005 G8 summit, to call for the eradication of debt as centerpiece of a plan to “make poverty history.” Multinational institutions took notice, and addressed this issue. While having a different count of the rally, World Bank President Paul Wolfowitz took notice. Still, this issue is far from over, as only a fraction of actual debt relief has taken place. International development staff report that this issue is still being hotly debated in the IMF and the World Bank, and a “white paper” has yet to be distributed internally (by mid-November) outlining implementation details. The resolution passed at the G8 summit and ratified at the IMF/ World Bank meetings, which calls for the partial annulment of \$45 billion in debt from 18 countries, is just now beginning to include Haiti.

Many people are surprised to find out that the poorest country in the hemisphere, consumed by a downward spiral of violence and a more general erosion of the economy in the past few years, was not originally part of the debt deal. Certainly, it should have been. As in other situations, the case of Haiti highlights the problems in the system. While reeling from the shock of the tsunamis that hit the Indian Ocean, international institutions quickly talked about debt forgiveness. Haiti, with two natural disasters, did not receive similar promises. In fact, that week, on January 4, Haiti had to pay another 52.6 million in arrears in order to receive \$73 million in World Bank aid, most of it for “economic restructuring.”

More needs to be done.

The Jubilee coalition is calling for a 100% debt relief for all the countries who need it to meet the Millennium Development Goals – 62 by their account. Canceling the debt this year – the principal and not just the interest – should free up \$45.7 billion in spending worldwide (Pearce, et al. 2005:19). As a hemispheric affairs watchdog points out, of the G8 plan, only 24% of the debt in the Latin American countries in the plan (Bolivia, Honduras and Nicaragua) is owed to the institutions in the plan (Asper 2005:2). The coalition calls for participation of all public institutions, including the IMF and the Inter-American Development Bank. Finally, the Coalition calls for an end to the HIPC formula and the use of debt as leverage to promote structural adjustment.

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<sup>6</sup> Personal communication with international development institution staff, October 2005

It has been argued that debt relief would bankrupt the system. But the IMF has gold reserves that can be sold, which they value at \$9 billion. The Jubilee Debt Campaign argues that this is a low estimate, that the market value is \$45 billion (Pearce, et al. 2005). And Jubilee South reminds us that the funds committed by the IMF and the World Bank at the annual meeting pale in comparison to world military spending: 400 billion for the US and a US\$ 191.4 billion for 6 other G8 countries combined (Jubilee South 2005). These facts remind us that it is a question of priorities.

Many international development staff who visit Southern countries know their organizations' policies have disastrous effects. But their hands are tied. Like other non-profits, at all the international lending institutions (World Bank, IDB, IMF, and the African Development Bank), policies are made and changed at the Board level. The Boards are made up of Directors appointed by their governments. And the Northern governments have the biggest share of votes. To change policy, it is up to us who live in the U.S., the E.U. and its member countries, Canada, and the rest of the G8 countries to contact our governments and make sure they keep hearing that debt kills. And we have the power to help by annulling it.

## BREAK THE CHAINS

Jubilee is calling for immediate cancellation of 100% of the debt, without condition:

- Immediate – There is a little momentum, as evidenced by the approval of the HIPC process. But for full debt relief, there are steps that the IMF and the World Bank require, such as their approval of a Poverty Reduction Strategy Paper, submitted by the elected government. If all goes well, the earliest that Haiti's people will see full debt cancellation would be the end of 2009. In the mean time, Haiti will be paying four more years of its rising debt service, projected at \$223.9 million.

Table 4: Debt-service projections for Haiti

	2005	2006	2007	2008	2009
Total	56.3	57.4	51.3	56.9	58.3
IDB	21.6	28.7	33.3	35.8	39.8
IMF	4.8	5.1	2.8	4.3	8.1

(IDB 2005; IMF 2005b:88; IMF2005c:26,27)

- 100% - The Inter-American Development Bank, Haiti's largest lender, was never a part of the highly visible 2005 debt deal. As can be seen, around half of Haiti's debt service is owed to the Inter-American Development Bank, and its share is growing. Even if the World Bank and the IMF approve debt relief immediately, that is only a portion of Haiti's debt.
- Without conditions – Even if all of Haiti's creditors released Haiti from debt, and right away, the HIPC plan – and the Multilateral Debt Cancellation initiative approved at the World Bank / IMF annual meetings September 2005 – come with strings attached. Debt is used to impose neoliberal economic policies, such as privatization, austerity measures in "structural adjustment." While extremely beneficial to private multinational utility corporations, Haiti's people need public utilities. And austerity measures undercut their stated reason for cancellation: they

cut needed spending, in health, AIDS prevention, education, or the environment. Another condition of the HIPC program is the World Bank's approval of the "Poverty Reduction Strategy Paper." This is where the other elements of neoliberal development are demanded; even if Haiti's resilient social movements were to succeed in proposing alternatives, the World Bank and IMF have final approval.

Take action!

Representative Maxine Waters (D-CA) will be introducing legislation directing the U.S. government to force Haiti's debt cancellation ahead of HIPC: 100%, immediate, and without conditions. Please contact your representative to ask that they co-sponsor Title for Bill, H.R. xxxx.

And beyond Haiti, a bill was introduced in the U.S. Congress that would cancel the Third World Debt. The Jubilee Act, H.R. 1130, was introduced in the House in June of 2004 by Maxine Waters and reintroduced in the current session. It calls for the cancellation of multinational debt, including the IMF, the World Bank, and the IDB. It also calls for transparency in terms of voting, decision-making, and financial information from these agencies.

U.S. citizens can call, write, e-mail your representative in Washington and ask that Haiti's debt be cancelled by passing the Jubilee Act (H.R. 1130). To contact a Senator visit [http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm](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/>

Senator \_\_\_\_\_  
Senate Office Building  
Washington, DC 20510

Representative \_\_\_\_\_  
U.S. House of Representatives  
Washington, DC 20515

What else can I do?

Everyone in the world, North and South, can contact international development organizations directly, asking them to bypass HIPC and release Haiti now from its unjust debt:

Mr. Luis Alberto Moreno, President  
Inter-American Development Bank  
1300 New York Avenue, NW  
Washington, DC 20577  
[luismo@iadb.org](mailto:luismo@iadb.org)  
U.S. Executive Director  
Héctor E. Morales  
(202) 623-1033  
[hmorales@iadb.org](mailto:hmorales@iadb.org)

\*\*Also ask that the IDB take part in debt cancellation, as they have been absent.

Mr. Paul Wolfowitz  
President of the World Bank  
1818 H Street, NW

Washington, DC 20433  
U.S. Executive Director  
Robert B. Holland  
(202) 458-0115  
[rholland1@worldbank.org](mailto:rholland1@worldbank.org)

Mr. Rodrigo Rato  
Managing Director of the IMF  
700 19<sup>th</sup> Street NW  
Washington, DC 20431

The IMF does not publish contact information for its board members. But you can click here to try (also a debt action): <http://www.50years.org/cms/updates/story/316>

If you are fortunate enough to have a retirement plan, you have another tool to use. You can either assign your “proxy” – the vote based on your share amount – to someone who represents your interests, or you can take your money out of these international institutions. Contact your fund manager to find out whether your retirement is banking on Haiti’s debt. For more information, you can visit the Center for Economic Justice website, who is sponsoring a boycott of World Bank bonds: [www.econjustice.net/wbbb](http://www.econjustice.net/wbbb)

Visit the Jubilee Coalition websites  
Jubilee USA - [www.jubileeusa.org](http://www.jubileeusa.org)  
PAPDA/ Jubilee Haiti - [www.papda.org](http://www.papda.org)

People can help by hosting rallies, public meetings, meetings with elected officials, collecting signatures on petitions, conducting letter-writing campaigns, writing letters to the editor, and direct solidarity actions targeting historically significant dates.

Debt relief, by itself, is not going to solve Haiti’s problems. But breaking the chains will help free up much-needed resources and restore Haiti’s sovereignty. We cannot afford not to do it. And this movement that is uniting people South and North is gaining momentum. With your help, with a united solidarity movement mobilized, Haiti’s people stand a chance at what they have worked for over 200 years to attain: justice.

**“Cancelling Haiti’s debt is the biggest aid you can give Haiti... it is a big, big victory for Haiti’s people, even if you do not give five cents over the next 20 years. This puts power in our hands for us to begin anew.” - Haitian woman activist**

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