

Promise to Cancel Haiti's Debt Silent on Conditions

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The 400,000 people who signed petitions demanding full debt cancellation for Haiti in the wake of its devastating earthquake have won an important victory. During the February 6th Group of Seven finance minister's meeting in Iqaluit, Finance Minister Jim Flaherty issued the following statement on behalf of all the G7 countries:

“The [Haiti] earthquake caused unprecedented damage that requires exceptional measures. We agreed that the debt should not be a burden that will weigh on the recovery of the country. We are committed in the G7 to the forgiveness of debt. In fact all bilateral debt has been forgiven by G7 countries vis-à-vis Haiti.

The debt to multilateral institutions should be forgiven and we'll work with these institutions and other partners to make this happen as soon as possible. We discussed the long term reconstruction assistance that Haiti will need as it emerges from the current urgent situation as a result of the earthquake.”

This is welcome news as the Haitian people struggle to recover from the earthquake's devastation. However, questions remain concerning what conditions might still be attached to debt cancellation.

Most of Haiti's US\$1 billion debt is owed to International Financial Institutions, principally the Inter-American Development Bank (IDB) and the International Monetary Fund (IMF). The IDB is prepared to consider writing off the US\$511 million that Haiti still owes if it gets approval from its board of governors where Canada has a seat.

Soon after the earthquake the managing director of the IMF implied that the Fund might convert a new US\$102 million loan into a grant if the board of directors gave their approval. However, when the directors met on January 27th they did not pledge to cancel outstanding credits to Haiti worth a total of US\$114. Instead they said the new loan would be on “highly concessional terms”, that is interest free with payments due only after a five and a half year grace period.

More importantly the IMF said the new loan is “not subject to any **additional** policy conditions.” While this may sound generous it is actually highly worrisome. The conditions attached to Haiti's current IMF debts include an obligation to force Haiti to raise electricity tariffs and freeze public sector pay. Policy conditions imposed by the IMF in the past were particularly destructive. Haiti used to be self-sufficient in rice, its staple food. But in the mid-1990s the IMF forced Haiti to slash tariffs on rice imports, allowing tonnes of subsidized rice into the country. The result was that thousands of rice farmers lost their livelihoods and had to move into the overcrowded slums of Port-au-Prince.

Finance Minister Jim Flaherty's Iqaluit announcement did not specify whether the existing policy conditions attached to Haiti's IMF debt would also be waived if this debt is indeed eventually cancelled at a future meeting of the Fund's directors. KAIROS is seeking

clarification from the Ministry of Finance concerning whether there is any commitment to lift the conditions imposed by the IMF.

Haiti's Legacy of Unjust Debt

Haiti's foreign debt has deep historical roots. After the slave rebellion of 1804 that led to Haiti's independence, France insisted on a payment of 150 million francs - the equivalent of US\$21 billion dollars today. The French colonialists demanded compensation for "lost property", that is their former slaves. This enormous debt hobbled the country's independence from its very beginning.

After Haiti fell behind on payments to France, it refinanced its debt through US banks. When the US Marines invaded Haiti in 1915 and occupied the country until 1934, one of their prime missions was to ensure the collection of debts owed to US banks.

The Duvalier dictatorships increased Haiti's debts by seventeen and a half times over the period 1957 to 1986. Both Papa Doc and Baby Doc looted the country leaving it with debts that could only be termed as "odious", that is, credits that enriched the dictators without benefit to the people. A recent inquiry revealed that the Duvalier family's assets are estimated to be worth US\$900 million. A trial is currently underway in Switzerland concerning whether some of the Duvaliers' stolen treasure held in frozen accounts by the Swiss bank UBS will be returned to the Haitian people.

After the Duvalier dictatorship was overthrown Haiti took on new debts and paid a heavy price. Not only did the country pay foreign creditors US\$321 million in loan service over the years 1995 to 2001, but it also had to submit to harsh Structural Adjustment Programs imposed by the IMF in order to qualify for the Heavily Indebted Poor Country (HIPC) debt relief initiative. The devastation caused by IMF conditionality, especially in the agricultural sector, led to food riots in 2008.

We must not repeat this history. **All** of Haiti's debts must be cancelled **unconditionally**. Far from being an act of charity, debt cancellation and new assistance in the form of grants must be seen as reparations for the enormous historical debt owed to the people of Haiti for centuries of exploitation.