



## **FACT SHEET** **Haiti's Debt**

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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 die before reaching their fifth birthday. Average life expectancy in the country is 53 years and nearly half the population is illiterate. Under the 29-year rule of the Duvalier father and son dictatorship, the Haitian people suffered immeasurably, and the country's debt skyrocketed. In 2005, the country's total external public debt reached \$1.3 billion, nearly half of which was accrued under the Duvalier regime. Haiti requires immediate debt cancellation as a matter of justice and as an essential tool in the global fight to end poverty under the Millennium Development Goals (MDGs), the set of development targets committed to by world leaders in 2000.

### **From Enslaved Colony to Indebted Republic**

Haiti's legacy of debt began shortly after gaining independence from France in 1804. In 1825, France, with warships at the ready, demanded Haiti "compensate" France for its loss of a slave colony. In exchange for French recognition of Haiti as a sovereign republic, France demanded payment of 150 million francs (modern equivalent of \$21 billion). Haiti was forced to choose between paying this exorbitant sum, about five times Haiti's annual export revenue, or facing a bloody military clash with the French fleet.

This enormous debt exacted a considerable toll on the burgeoning country. During this formative period, instead of investing in infrastructure and developing a national economy and social services, the Haitian government was forced to send all available cash to France, and the world's first black republic descended into a debt from which it has not yet 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 diverted foreign assistance into their pockets and those of their allies. While exactly how much money the Duvaliers stole is unknown, after Jean-Claude Duvalier was forced to step down an audit established that at least \$500 million had been diverted in just his last six years.

Once stolen, the money was used for a variety of purposes. A certain amount went directly to the Duvalier family. For example, Michele Duvalier famously spent \$20,000 on a shopping trip to New York in the early 1980s. The money was also used to strengthen the Duvaliers' control over Haiti, with payoffs to the TonTon Macoutes (Papa Doc's brutal personal militia), Haitian soldiers, and local officials. This theft was widely reported, yet tolerated by donor countries and institutions 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, Haiti was added to the World Bank and IMF's list of heavily indebted poor countries (HIPC) eligible for debt cancellation, just after the election of new president Rene Prével in February. Yet, even now that Haiti has qualified for HIPC, it will have to undertake several more years of controversial neo-liberal economic reforms. 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 December 2009 at the earliest—by which time the country will have paid \$220 million in debt service, precious resources that should go towards building schools and providing clean water and health care.

The HIPC program also completely excludes debt to Haiti's largest lender, the Inter-American Development Bank (IDB). Debt to the IDB currently amounts to half a billion dollars and payments to service this debt are projected to increase in the coming years. Without the inclusion of the IDB, Haiti will be unable to truly break from its long history of debt and poverty.

### **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. Over the next four years, the IMF projects that more than one-tenth of the central government's revenue 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 inauguration marked a fresh start and an end to the unrest that has characterized Haiti since the coup d'état in 2004, 100% debt cancellation and an end to economic conditionality could likewise 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.

### **Take Action: Urge your Representative to Cosponsor H.Res. 888**

You can help Haiti achieve immediate debt cancellation without delays or strings attached by calling your representative today and asking them to co-sponsor the Haiti debt cancellation resolution introduced by a bi-partisan group in the House (H.Res. 888). To co-sponsor the resolution, the Member's staff should call Kathleen Sengstock in Representative Maxine Waters' office at (202) 225-2201. 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.jubileeusa.org](http://www.jubileeusa.org) or [www.ijdh.org](http://www.ijdh.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).