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THE NOTION

IMF Clarifies Terms of Haiti's Loan

posted by **RICHARD KIM** on 01/20/2010 @ 4:43pm

Last Friday I wrote about **the IMF's new \$100 million loan** to Haiti. I cited debt relief activists who told me that the new loan would be an extension of the IMF's existing loan of \$165 million. This information was confirmed by **the IMF's press release**, which stated that "emergency financing would be provided as an augmentation to the existing IMF-supported arrangement with Haiti under the Extended Credit Facility [ECF]." The IMF's announcement provided no further information about conditions that may or may not be attached to the loan and made no mention of future debt relief for Haiti.

My post was based largely on an analysis by Soren Ambrose, the development finance coordinator of **ActionAid International**, who concluded that augmenting the existing ECF loan to Haiti would impose the same conditions as the original loan. Those conditions include raising prices for electricity, refusing pay raises for any public sector employees except those making minimum wage and keeping inflation as low as possible. Ambrose says that he doesn't know of any established procedure that would exempt an augmentation of an existing program from the program's conditions. (His analysis also noted that Haiti's existing program with the IMF was due to expire at the end of this month and that negotiations on the loan's terms were likely underway already.)

As the IMF announced its \$100 million loan under vague and presumably onerous terms, debt relief activists like the folks at **Jubilee USA** were already calling for a different kind of global response. They were demanding that aid to Haiti come in the form of grants, not loans. But given the magnitude of the crisis and the fact that the IMF does not issue grants, they welcomed the IMF loan in the hopes that its terms could be altered in the future and that Haiti's entire debt could be canceled. At the same time, **Naomi Klein** and others warned about the possibility that the earthquake would be used as a pretext to amp up Haiti's exposure to the shock doctrine. Activists started a Facebook group, **No Shock Doctrine for Haiti**, and in less than a week, it has attracted almost 18,000 members. Appeals for debt relief and for the recognition of Haiti's economic sovereignty were written to the Obama administration, the IMF, the World Bank and anyone else who might play a role in Haiti's reconstruction.

Today, **the IMF put out an announcement** clarifying the terms of its new loan to Haiti--it's "an interest-free loan of \$100 million in emergency funds." A spokesman for the IMF emailed me to confirm that "the US\$100 million loan does not carry any conditionality. It is an emergency loan aimed at getting the Haitian economy back to function again..." The IMF's managing

director Dominique Strauss-Kahn said in a statement that the IMF would immediately work to cancel the entirety of Haiti's debt (\$265 million) to the fund:

"The most important thing is that the IMF is now working with all donors to try to delete all the Haitian debt, including our new loan. If we succeed--and I'm sure we will succeed--even this loan will turn out to be finally a grant, because all the debt will have been deleted."



In other words, as the IMF is processing a loan, it is also making a public promise to try to cancel it.

Klein says that this is "unprecedented in my experience and shows that public pressure in moments of disaster can seriously subvert shock doctrine tactics." Neil Watkins, Executive Director of Jubilee USA, likewise hails the IMF's response. "Since the IMF's announcement last week of its intention to provide Haiti with a \$100 million loan, Jubilee USA and our partners have been calling for grants and debt cancellation--not new loans--for Haiti. We are pleased that Managing Director Strauss-Kahn has responded to that call."

Watkins and others will continue to follow the issue, holding the IMF to its commitment to debt relief and non-conditionality. They're also pressing the case on Haiti's other outstanding debt. The largest multilateral holders of Haiti's debt are the Inter-American Development Bank (\$447 million), the IMF (\$165 million, plus \$100 million in new lending), the World Bank's International Development Association (\$39 million) and the International Fund for Agricultural Development (\$13 million). The largest bilateral loans are held by Venezuela (\$295 million--hello, Chavez!?) and Taiwan (\$92 million).

The lesson: global activism can work, especially in a moment of such acutely visible human need. Keep up the mobilization, on Facebook and in real life.

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