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THE HAITI RECOVERY ACT

FEBRUARY 25, 2010.—Ordered to be printed

Mr. KERRY, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 2961]

The Committee on Foreign Relations, having had under consideration the bill (S. 2961), to urge international financial institution debt relief for Haiti, to support the creation of a multilateral fund for Haiti, and to encourage the use of some of the excess profits at the IMF and the Inter-American Development Bank to help Haiti, and for other purposes, reports favorably thereon and recommends that the bill do pass.

CONTENTS

I. PURPOSE

The purpose of S. 2961 is to urge international financial institution debt relief for Haiti, to support the creation of a multilateral fund for Haiti, and to encourage the use of some of the excess profits at the IMF and the Inter-American Development Bank to help Haiti.

II. COMMITTEE ACTION

S. 2961 was introduced by Senators Dodd and Lugar on January 28, 2010. Senators Durbin and Kerry co-sponsor the bill. On February 24, 2010, the committee ordered S. 2961 reported by voice vote without objection.

89–010

III. DISCUSSION

The largest earthquake ever recorded in Haiti devastated parts of the country, including the capital, on January 12, 2010. The earthquake, centered about 15 miles southwest of Port-au-Prince, had a magnitude of 7.0 in the Richter scale. A series of strong aftershocks have followed. The damage is severe and catastrophic. It is estimated that more than 200,000 people lost their lives and 1 million people were displaced by the earthquake. Immediately following the earthquake, President Rene Prèval described conditions in his country as "unimaginable," and appealed for international assistance. Prior to the earthquake, the international community was providing extensive development and humanitarian assistance to Haiti. With that assistance, the Haitian government had made significant progress in recent years in many areas of its development strategy. The destruction of Haiti's nascent infrastructure and other extensive damage caused by the earthquake will set back Haiti's development significantly.[1] The measures included in S. 2961 are intended to support Haiti's recovery from the devastating earthquake.

S. 2961, The Haiti Recovery Act, urges the Secretary of the Treasury to direct the U.S. Executive Director to each international financial institution to advocate: (1) the cancellation of all remaining debt obligations of Haiti, including obligations incurred after the date of the enactment of this Act and before February 1, 2012; (2) the provision of debt service relief for all of Haiti's remaining payments; and (3) that new assistance to Haiti should be primarily grants rather than loans to end the debt-relief cycle.

According to the Treasury Department, Haiti currently owes $709 million in debts to the multilateral financial institutions ($447 million to the Inter-American Development Bank (IDB), $165 million to the International Monetary Fund (IMF), $39 million to the World Bank, and $58 million to the International Fund for Agricultural Development (IFAD)).

Scheduled payments from Haiti in 2010, some of which may have been paid prior to the earthquake, include: $11.5 million to the IDB; $44,000 to the IMF, $293,460 to the World Bank and $41,000 to IFAD. The United States Government, by prior agreement, is scheduled to cover most of Haiti's payment to the IDB.

Members of the Paris Club, an informal group of official creditors who collaborate to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries, agreed in 2009 to provide 100 percent bilateral debt reduction for Haiti. Other countries have either already done so or are in the process of doing so. Among non-Paris Club members, the Heavily Indebted Poor Countries (HIPC) Completion Point document (http://www.imf.org/external/pubs/ft/scr/2009/cr09288.pdf) states that Haiti owed Venezuela $167 million and Taiwan $92 million at end-September 2008. There is a press report that the Venezuela amount has risen to $295 million but Treasury is unable to verify the accuracy of that number.

[1] Congressional Research Service, "Haiti Earthquake: Crisis and Response" Rhoda Margesson, Specialist in International Humanitarian Policy, Maureen Taft-Morales, Specialist in Latin American Affairs, February 19, 2010 (R41023).

In September 2009, the U.S. concluded an agreement with Haiti that eliminated 100 percent of the Haitian Government's outstanding debt to the U.S., consistent with the Paris Club agreement. This action was taken following Haiti's successful completion of the HIPC Initiative process in June 2009.

The administration announced on February 5, 2010 that the United States will work with its partners around the world to relieve all debts owed by Haiti to international financial institutions and to ensure grant financing to support Haiti's reconstruction and recovery from the devastating earthquake in January.

The administration is currently seeking a commitment with other donors for the relief of Haiti's debt to the IDB, the International Fund for Agricultural Development (IFAD) and the International Development Association (IDA) to provide direct and immediate grant support to Haiti.

IMF Managing Director Dominique Strauss-Kahn has called to provide full relief for Haiti's outstanding IMF debt, including the $102 million emergency loan approved on January 27, 2010. Some have argued that it would be more efficient if the IMF were simply to provide grants rather than loaning to a country when it is clear that the loan will need to be forgiven. IMF staff asserts that the organization does not currently have a mechanism to offer grants. It instead can offer loans at zero percent interest with an extended payment period, as it has offered Haiti.

S. 2961 urges the Secretary of the Treasury to support the creation of a multilateral trust fund for Haiti that would leverage U.S. contributions and promote bilateral donations. Such action will promote investment in Haiti's future following the devastating earthquake, including efforts to combat soil degradation and promote reforestation and investments such as electric grids, roads, water and sanitation facilities, and other critical infrastructure projects.

In addition, S. 2961 provides that the Secretary of the Treasury should direct the U.S. Executive Director of the IDB to increase earnings transfer to the Fund for Special Operations, which finances programming in Haiti and other weak economies in the Western Hemisphere. Unlike some of the other multilateral development banks, the IDB does not currently have a clear formula on the provision of profits from the interest-earning part of the bank to its subsidized lending window, the Fund for Special Operations.

S. 2961 also urges the Secretary of the Treasury and the Secretary of State to use all appropriate diplomatic influence to secure cancellation of all remaining bilateral debt of Haiti.

IV. COST ESTIMATE

Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate requires that committee reports on bills or joint resolutions contain a cost estimate for such legislation. To date, the committee has not received the Congressional Budget Office cost estimate.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the committee notes that no changes to existing law are made by this bill.

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