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Petrocaribe: a legacy that is both blessing and a curse

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Queueing for petrol in Port-au-Prince

Shortly after the 2010 earthquake, Hugo Chávez, the late Venezuelan leader, said he would write off Haiti's \$395m debt for oil exports from his country and would continue to supply it on generous credit terms.

"Haiti has no debt with Venezuela, on the contrary, it is Venezuela that has a historic debt with Haiti," he said. He cited Haiti's support for Venezuela's 19th-century revered independence hero, Simón Bolívar. Historical links between the two countries include Venezuela's flag being designed and first raised in Haiti.

Haiti at a glance



In 2010, oil prices were as high as Mr Chávez's revolutionary fervour. Caracas could afford to supply Haiti's energy needs by sending 14,000 barrels of fuel a day at favourable rates and lenient payment terms in return for political support. Now, oil prices have halved since the middle of last year and Venezuela's economy is in recession, wrestling with galloping inflation and food shortages.

Many fear Nicolás Maduro, who became president after Chávez died two years ago, will have to rethink his inheritance of a generous oil arrangement called Petrocaribe, that supports more than a dozen countries in Central America and the Caribbean. Government critics keep asking Mr Maduro to halt these subsidised shipments.

Eurasia, the risk-consultancy, said in a recent report: "The Petrocaribe initiative will probably be phased out gradually, with the government maintaining some aid to its most strategic partners. A reduction in Venezuelan aid will have important policy ramifications for member countries, prompting officials to look elsewhere for resources."

Oil shipments to Haiti from Venezuela have remained mostly steady in recent years. However, what Haiti pays upfront for oil depends on market prices. The remainder is reimbursed over a period of up to 25 years. When crude oil stands at \$100 or above per barrel, Haiti pays 40 per cent and finances the remaining 60 per cent. If oil halves to \$50 or above per barrel, those terms reverse. Below \$50, it can only finance 30 per cent, difficult for an impoverished country where the Petrocaribe financing represented 4 per cent of Haiti's gross domestic product last year. If Petrocaribe ends tomorrow, "we will be asphyxiated", says a senior Haitian government official.

For Wilson Laleau, Haiti's finance minister, Petrocaribe "is an extraordinary support, it has been very helpful". Adrienne Cheasty, a deputy director of the IMF, wrote a month ago that even if lower oil prices absorb part of the shock, Haiti, "lacking market access, ample reserves, or deep domestic financial markets", may need to adjust.

It is already doing so, recently slashing the budget by 11 per cent, "due to a reduction from the resources coming from the scheme".

The IMF estimates Haiti's debts to Venezuela at some 15 per cent of gross domestic product.

"It was clear we had a problem when Chávez fell ill," says René Jean-Jumeau, Haiti's former secretary of state for energy, given that 75 per cent of Haiti's energy generation comes from oil. "Less Petrocaribe will create a twofold problem, putting both budget funds and energy security at risk."

“Petrocaribe has been a blessing and curse for Haiti,” says a senior official at an international donor, who criticises poor oversight of the funds. It is a view shared with Mary Barton-Dock, the World Bank’s Special Envoy to Haiti, who has said “transparency in the use of Petrocaribe funds is minimal”.

But the government of a country that owes 86 per cent of its foreign debt to Venezuela (accrued since the 2010 debt forgiveness) counters that the Petrocaribe funds are accounted for and have been invested in social and infrastructure projects. Unlike mainstream foreign aid, Mr Jean-Jumeau says Petrocaribe money is “less stringent, gives you more leeway, and allows you to fund your own country strategy”.

If Petrocaribe ends tomorrow, “we will be asphyxiated”

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Even if credit terms are toughened, many believe Mr Maduro will safeguard Petrocaribe, which has bought Caracas political support in forums such as the UN and the Organisation of American States.

“Given that President Maduro appears to support the Petrocaribe arrangement, we believe the administration’s willingness to continue these agreements is strong,” Moody’s wrote in a report about the scheme last year. “However, its ability to continue supporting participating countries on the same terms indefinitely is weakening.”

To Port-au-Prince’s relief, analysts and energy industry insiders in Caracas believe Haiti would be one of the last countries to stop receiving aid from Venezuela. “Saying they cannot help the Haitian brothers any more is saying Chávez’s legacy has failed,” explains a Venezuela-based energy expert. “Chávez has not been dead long enough to admit that.”

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