

Is *THIS* the cause of poverty? **Group 3:** Unpayable debt

An interesting question!

What is 'interest'? Interest is the extra money a borrower pays to a lender. Say, I lend you £100 and ask you to return the £100 next week, and to pay me £2 for every day that passes between now and then. That means the interest rate is £2, that's 2 per cent, a day.

1970s – Boom Time!

In the 1970s oil-producing countries made a lot of money, and money was loaned to developing countries at very low rates of interest.

1980s – Recession

In the 1980s rich country governments, led by the US and the UK, raised interest rates to discourage people and companies from borrowing. This meant they spent less on goods produced by developing countries. So developing countries were selling less, but having to pay much higher rates of interest on their debts. Result? They sank into even more debt.

The problem: Many countries now have debts so high that they have very little money to spend on health and education. They often have to use that money to pay the interest on their loans.

Country focus facts

- Zambia spends £106 million per year on repaying debts.
- If this were shared out every person in Zambia would owe around £437 per year.
- The average income is less than £1.87 per week.
- 3 in every 20 Zambians are living with HIV/AIDS and are denied adequate healthcare because the money is used for debt repayments.

Great news!

The Jubilee Debt Campaign, supported by CAFOD, has been campaigning for developing countries' debts to be cancelled. In September 2004, Gordon Brown announced that the UK is going to pay off all of its share of the money owed by the world's poorest countries to the World Bank. This is great news for millions of people but there is some way to go: the UK's share is 10 per cent and other countries still have to agree to pay off the remaining 90 per cent of these debts. Debts are also still owed by developing countries to the International Monetary Fund.

If debt reduction promised by the World Bank and IMF in March 2005 is received, then Zambia will receive £2.1 billion over 32 years. This is not enough, but is already starting to make a difference:

*"Our government is spending more on schools and hospitals.
For example, fees for primary education have been abolished".*

Mulima Akapelwa, Zambian debt campaigner

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The task:

Your group must prepare a two-minute presentation explaining the problem of debt to the rest of your class. You have 10 minutes to prepare.

What to do:

- In your group, read the information about the effects of unpayable debt.
- Jot down the three or four points that struck you most.
- Decide who will read out each point and whether they need to say anything else in order to explain it more clearly.
- Have a quick run-through to check that your presentation makes sense!