

## Debt Solutions

### Objectives:

- To raise awareness of the possible solutions to the debt crisis in Africa.
- To assess which of the possible solutions will be the most effective.

### You will need:

- Copies of 'Who's Doing What to Reduce the Debt?' – one for each group of students
- Copies of 'Possible Solutions' – one for each group of students
- Copies of 'Best Solution?' – one for each student

### Time required:

- 45-60 minutes

### Instructions:

- Students could be asked before this lesson to use the internet to research what is being done to reduce Africa's debt. The following links will be useful:  
**BBC Q&A on African debt:**  
<http://news.bbc.co.uk/1/hi/business/4081220.stm>  
**CAFOD** [www.CAFOD.org.uk](http://www.CAFOD.org.uk)  
**Jubilee Debt Campaign** [www.jubileedebtcampaign.co.uk](http://www.jubileedebtcampaign.co.uk)  
**Tobin Tax** [www.tobintax.org.uk](http://www.tobintax.org.uk)  
**WDM debt campaign:** [www.wdm.org.uk/campaigns/debt/debt1.htm](http://www.wdm.org.uk/campaigns/debt/debt1.htm)  
**World Bank:** [www.worldbank.org/debt](http://www.worldbank.org/debt)
- The lesson could then begin with a discussion of their findings. A record of 'Who's Doing What to Reduce the Debt?' could be made before proceeding.
- Alternatively, you could use the information sheet 'Who's Doing What to Reduce the Debt?' at the beginning of the lesson, to explore what is being done to reduce Africa's debt.
- Distribute the 'Possible Solutions' sheets, one for each group of students, and ask them to read it and decide whether or not they agree with it. Ask them to then explain their decisions to the rest of the class.
- Distribute the 'Best Solution?' sheets and ask the students to complete the table to assess which possible solution they think is the best. The first one could be done with the class to help the students understand what is required.



Proposal	Pros	Cons	Modifications	Assessment	Score (1-10)
<b>Cancel the debt and give African countries another chance.</b>	Good idea, would help	Would it stop them getting into debt again?	Rules about what the money saved should be spent on	Could work, if monitored	6

- Ask the students to say which of the possible solutions they scored the highest and why.

## Who's Doing What to Reduce the Debt?

- **Development NGOs** have been campaigning for a number of years for the debt burden to be lifted and for debts owed by the world's poorest countries to the big financial organisations (like the World Bank and the IMF) and to individual rich countries to be cancelled.
- **Jubilee 2000** was a hugely effective campaign and resulted in millions of people signing a petition to cancel the debts owed by the world's poorest countries. Jubilee 2000 called on the international community to pledge 'new money' to finance debt cancellation rather than using existing aid contributions and to stop attaching conditions to debt relief such as the privatisation of public services that could harm the poor. Thanks largely to this campaign, some debt relief has been achieved with the result that some countries like Uganda and Malawi have been able to introduce universal free primary education.
- **Governments** in the richer countries have regularly looked at the issue of debt during the G7/G8 meetings, and this year's G8 meeting hosted by the UK government in Scotland will be no exception. At a meeting in London in June 2005 G8 Finance Ministers have already agreed a 'full write-off' deal for 18 countries with the prospect of another 9 countries qualifying soon. However, the Jubilee Debt Campaign suggests that around 60 countries need this full debt cancellation to meet the Millennium Development Goals. For the first time though, the agreement includes the cancellation of World Bank, African Development Bank and IMF debts.
- In February 2004 UK Prime Minister Tony Blair set up the **Commission for Africa**. The commissioners welcome and support calls for multinational debt cancellation and also stated that Africa needed to take responsibility in being able to say no to donors' conditions.
- The **Presidents of France, Brazil, Belgium** and the **Secretary General of the United Nations** have declared themselves in favour of the **Tobin Tax**. This idea was devised back in 1972 by Nobel Prize winning economist James Tobin. He realized that the money trade is worth fifty times the value of all other markets combined. Even a tiny tax on this enormous pile of money could lift millions of the world's poorest people out of poverty.
- **Trading Blocs** – groups of countries like the European Union and North American Nations – have been asked to look at their trading rules and practices which benefit rich countries at the expense of the poor. Many products from the South are taxed when exported e.g. unprocessed chocolate can be exported without incurring taxes. But processed chocolate would be taxed. Too often rich countries dump subsidised farm products in the developing world while forcing developing countries to open their economies to agricultural imports.
- Countries in the south like Kenya have turned large areas of their agricultural land over to cash crops producing things for countries in the north like flowers and vegetables that the north can now access all year round. This may help governments raise money but there is no guarantee that it is being spent on poverty reduction and it raises the question of where food is produced for the countries' own needs.

## Possible Solutions

1. The best thing to do is to cancel the debt. African countries should be left alone and given another chance.

Agree  Disagree

Reason:

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2. African countries should trade their way out of debt. They can do this by exporting things that rich countries want like food and flowers.

Agree  Disagree

Reason:

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3. Governments of rich countries should put a tax on the millions of financial transactions made in the world each day. This would bring in enough money to eradicate poverty in African countries.

Agree  Disagree

Reason:

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4. Rich countries should cancel all the poor countries debt. Poor African countries could spend the money they save on better healthcare and education.

Agree  Disagree

Reason:

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5. Rich countries tax manufactured goods that come from other countries. This makes them cost so much that it is difficult for poor African countries to sell their own manufactured goods to rich countries. Rich countries should abolish this tax.

Agree  Disagree

Reason:

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## Best Solution?

Proposal	Pros	Cons	Modifications?	Assessment	Score (1-10)
Cancel the debt and give African countries another chance.					
Countries in Africa should trade their way out of debt.					
All financial transactions should be taxed to reduce poverty in African countries.					
Cancel the debt and get African countries to spend what they save on Health and Education.					
Abolish the import tax on manufactured goods from African countries.					