

POVERTY IN AFRICA

WILL DEBT RELIEF ADDRESS THE NEEDS OF HIGHLY INDEBTED COUNTRIES?

BY ALYSSA PENNY



History of Debt Relief:

- IN 2000 a movement developed which called for debt relief for Heavily Indebted Poor Countries (HIPC).
- The World Bank and the International Monetary Fund (IMF) went against this trend and did not forgive any debt but some countries decided to forgive a portion of the bilateral debt.

Problems In Africa:

- *** “The fact is that these poor countries face far too many problems in addition to overwhelming debt, many of which are precisely what caused the debt accumulation in the first place.”
- Disease, lack of education, poverty, lack of institution, lack of transportation infrastructure, lack of food, lack of business, lack of security, CORRUPTION, lack of foreign investment, and a lack of prospects.
 - Without a change in these problems debt relief will be only a short term palliative.
 - Bad policies both inside the countries, and outside contribute to the problem of poverty.
 - African leaders squander development opportunities. Often they seize wealth and foreign aid and use it as they wish. The people suffer from the decisions of the leaders even though they are usually not in a democracy.
 - Corruption proves fatal to fledgling efforts at market development in small economies.
 - Fixing corruption is difficult because if you fix it on one level, the rest of the government might collapse.
 - Foreign aid is ineffective a lot of the time because of the lack of independent judiciary, an independent bank, free media, and neutral armed forces.
 - Developed countries are taxed by rich countries up to 45% on the products that they export like agriculture goods, textiles, and apparel.
 - If African countries that have had some debt relief do not make immediate changes, and become better off, wealthy countries like the United States might stop helping.

Solutions & Ideas:

- All the attendant causes of debt relief need to be addressed- In other words if countries do not address all of the problems causing poverty in Africa the situation of the citizens will not get better.
- Four things that are needed in order to create lasting development: an independent judiciary, an independent bank, free media, and neutral armed forces.
- Countries that have good fiscal, monetary, and trade policies are likely to experience positive economic growth whether they get assistance or not therefore African countries need to gain these things in order to grow positively.
- Poor countries need to have access to developed countries’ markets in order to make a profit and support growth. They need free trade or close to free trade.
 - Agriculture, textile and apparel industries are labor intensives and do not require machinery to make a profit. These industries use people not technology.
- The World Bank and IMF need to forgive the debt. This debt created a cycle of borrowing more money to pay off the debt.
- Both multilateral and bilateral debts need to be forgiven at once.
- Rich countries need to HICPs time to implement the Uruguay Round Obligations, which they need for the World Trade Organization. The cost of this is about \$150 million

per 3 measures.

- Wealthy countries should increase their commitment to educating other governments in order to help meet the UROs.
- Rich countries need to remove trade barriers.
- African countries need to establish a rule of law and sound institutions for people to rely on.
- Corruption needs to be removed so that the money from industries goes to the correct people.
- These countries need to gain economic freedom for their citizens.

Common Misconceptions:

- Debt relief will automatically make life better- All of the problems in Africa are long-term concerns. These countries will not be wealthy soon, and debt relief will not solve all of the problems.
- If debt is forgiven without addressing the causes of the debt then debt will accumulate again.
- A lack of natural resources does not always account for poverty because much of Africa has diamonds, gold, oil, and land for agriculture.
 - These resources can make a country rich if used properly.
- Addressing one problem will make a difference- each problem contributes without addressing every problem that causes poverty the situation will still worsen.
 - Every problem must be addressed, and when a new problem arises we must not give up on the first problem. “The construction of sound institutions, as one example, ought not to be abandoned because other problems exist.”
- Foreign aid always makes the situation better: “Meanwhile, regardless of how much assistance they have received, countries with poor economic policies have not experienced sustained economic growth.” Because of this, economic policies are the key to a better future for Africa.

Numbers to Think About:

- In Sub-Saharan Africa, more than 218 million people live in extreme poverty. The incidence of poverty in Sub-Saharan Africa is increasing faster than the population. About two thirds of the 34 million people in the world with HIV/AIDS live on the African continent.
- OVER 200,000 CHILD SLAVES ARE SOLD EVERY YEAR IN AFRICA.
- More than one billion people do not have access to clean water.
- Every year, six million children die from malnutrition before their fifth birthday.
- More than 800 million people go to bed hungry every day, 300 million are children.
- Of these 300 million children, only eight percent are victims of famine or other emergency situations. More than 90 percent are suffering long-term malnourishment and micronutrient deficiency.
- About 120,000 African children are participating in armed conflicts.
- One in six African children die before the age of five. Most of these deaths could be prevented.
- In sub-Saharan Africa, measles takes the life of a child nearly every minute of every day. An effective measles vaccine costs as little as \$1 per child.

- Only 57% of African children are enrolled in primary education, and one in three of those do not complete school.
- Africa spends four times as much on debt repayment as it spends on health care. Africa spends over 14.5 billion dollars yearly repaying debts. It receives only 12.7 billion in aid.
- Africa's over \$200 billion debt burden is the single biggest obstacle to the continent's development.
- While more than 80 million Nigerians live on less than \$1 per day, in 2005 Nigeria agreed to pay over \$12 billion to the Paris Club of creditors in exchange for partial debt cancellation.
- In 2003, Zambia spent twice as much on debt repayments as on health care.
- Africa spends \$40 million *each day* repaying old debts to rich countries.
- In half of the countries in sub-Saharan Africa, per capita economic growth is estimated to be falling by between 0.5 and 1.2 percent each year as a direct result of AIDS.
- Ten percent of the world's people live in Africa, but it is home to 90 percent of the world's HIV-infected children.

Discussion Questions:

1. Do you think that debt relief alone will change the poverty situation in Africa? Why?
2. What do you think is the biggest problem causing poverty in Africa?
3. Do you think that rich countries should remove trade barriers in order to increase profit for African countries?
4. How should corruption be dealt with in these countries? What could be done to minimize the effects of corruption?
5. Do you think that foreign aid actually benefits the people of African countries? Why or why not?
6. Do you think that Africa will ever be able to change and become a modernized continent?
7. Do you think that poverty will ever cease in Africa?
8. How do you think aids should be dealt with? Will minimizing AIDS change the number of people living in poverty in Africa.
9. The pace of poverty reduction is slowed since the 1970s. What are we doing wrong?
10. How large of a role do you think colonization played in creating poverty in Africa? Do you think that the countries, which colonized Africa, should play a larger role in poverty reduction?
11. Are you planning to help better this situation in your lifetime, if so how?
12. Are rich countries morally obligated to help the citizens of Africa? Why or Why not?

What You Can Do:

Make a donation to one of these many organizations: Action Against Hunger, Africa AIDS Watch, Artists Against AIDS Worldwide, Bread for the World, Bridging the Gap Foundation, Catholic Relief Services, Global Giving, Grassroots International, Human Rights Watch, Interaction, Kick Start-International, Net Aid, Opportunity International, Oxfam, Save the Children, United Nations Foundation, World Emergency Relief, or any other organizations that you know of.

Volunteer through CARE, Habitat for Humanity International, Idealist.org: Action Without Borders, Interaction, Jubilee Volunteer Africa Program, Peace Corps, Universal Giving, or go to VolunteerAbroad.com and find another organization that suits you.

Make your voice heard. Find out campaigns that you can get involved in through AIDSChannel.org, Global Treatment Access Campaign, The ONE Campaign, or Oxfam.

Support a child. There are many organizations that allow you to sponsor a single child some are Christian Children's Fund, World Vision, or other organizations.

Top 4 Millennium Goals that Pertain to This Issue:

Eradicate extreme hunger and poverty. Reduce by half the proportion of people living on less than a dollar a day. Achieve full and productive employment and decent work for all, including women and young people. Reduce by half the proportion of people who suffer from hunger.

Achieve universal primary education. Ensure that all boys and girls complete a full course of primary schooling.

Reduce Child Mortality. Reduce by two thirds the mortality rate among children under five.

Combat HIV/AIDS and other infectious diseases. Halt and begin to reverse the spread of HIV/AIDS. Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it. Halt and begin to reverse the incidence of malaria and other major diseases.

Glossary:

World Bank: an internationally supported bank that provides loans to developing countries for development programs

IMF: The International monetary fund is an international organization of 185 member countries. It provides temporary financial assistance to countries to help ease balance of payments adjustment.

HIPC: for Heavily Indebted Poor Countries.

Bilateral debt: debt owed by one government to another, usually resulting from aid loans or guaranteed export credits on which the guarantees have been called.

Multilateral debt: Multilateral debt is the debt owed by developing countries to the World Bank and International Monetary Fund (IMF).

Fiscal policy: refers to government policy that attempts to influence the direction of the economy through changes in government taxes, or through some spending.

Monetary Policies: is the process by which the government or monetary authority of a country controls (i) the supply of money, (ii) availability of money, and (iii) cost of money or rate of interest, in order to attain a set of objectives oriented towards the growth and stability of the economy.

Video: Fingerprints of Poverty: South Africa
<http://www.youtube.com/watch?v=IIPQJ3Iciyo>