



Debt and Education

There is an ongoing debt crisis in poor countries, which has had – and is still having – a severe impact on access to education. Education is recognised as a basic human right, and is crucial in giving individuals, communities and countries a route out of poverty, conflict and instability. But today, 80 million children, more than half of them girls, never go to school.

Hundreds of millions more children are crammed into huge classes, without enough teachers, books or facilities. Closing the appalling education gap will require an extra 1.9 million teachers, and cost up to \$17 billion each year. But it is made very hard for developing country governments to invest in public education when their countries are drained of resources by the need to service debts, and when conditions to qualify for debt relief undermine their efforts.

The debt crisis has its origins in the 1970s and 1980s, when rich governments and companies lent huge sums, often irresponsibly,

to serve their own political or commercial ends. Whilst there have been major steps forward in cancelling debt, taken in response to campaigner pressure, the rich world has still not taken full responsibility for these illegitimate debts and the ensuing debt crisis. The result is that debt still drains impoverished countries of resources that could otherwise be spent on vital public services – including education. This is particularly the case for countries hit by conflict and instability, where investment in education is often most needed, and where the process of delivering debt cancellation has been slowest.

DEBT AND... BRIEFING / 07

▲ Bweyale Primary School, Uganda. Uganda abolished school fees in 1997, after starting to get debt relief.

Jubilee Debt Campaign's *Debt and...* briefings, produced with different partners, explore the impact of debt on real lives. They argue that 'unpayable' debts, which a country cannot afford whilst meeting basic human needs, and 'illegitimate' debts, which arose from unfair or irresponsible lending, should be cancelled.

**JUBILEE DEBT
CAMPAIGN**

Draining resources

Over many years, resources have been drained away from education in poor countries, as their governments struggle to pay debts to the rich world. Many African countries, for instance, invested in free public education after independence in the 1960s. But in the 1970s and 1980s, rocketing interest rates made the debts pushed onto them by rich country lenders more and more expensive. Meanwhile, the collapse in prices of goods produced by poor countries made it harder to meet these ballooning debt payments. The money available for basic needs like education dried up. Despite some progress in debt cancellation since the 1990s, made thanks to campaigner pressure, the problem of debt draining resources from the

▼ Elisa, 9, writes numbers on the board at Mankhokwe primary school, Malawi. Malawi finally got significant debt cancellation in late 2006.

GEORGINA CRANSTON/ACTIONAID



“The question we need to ask the lenders is: do they really need this money for their own countries? Or can’t the lender countries survive without the money from debt servicing? If they can survive, why can’t they just cancel the debts? This would allow many children to escape premature deaths that are caused by lack of access to information on health and HIV and AIDS that they would otherwise get if they went to school.”
Chikondi Mpokosa, VSO International

poorest countries remains.

In 2005, debt payments cost the poorest 59 countries over \$40 billion, more than twice the extra resources needed to put every child through school. Many countries are still spending far more on debt than on education, often whilst being told by the rich world that their debts are affordable.

Imposing conditions

Being very indebted has political as well as financial implications for poor countries. A severe debt burden places countries under the control of creditors, who make new loans – and relief on old debts – conditional on poor countries adopting certain policies. These conditions undermine democracy, making governments more accountable to outside institutions than to their own citizens. And many of the preferred policies are based on what most development experts and independent economists regard as a narrow and short-term view of how to manage an economy. These policies limit spending, even at the expense of funding vital services, and prioritise countries being able to pay back debt rather than meet their own people’s needs. Often the conditions have made the problems of providing public education even worse.

In the 1970s and 1980s, the World Bank and International Monetary Fund (IMF) told many countries to reduce investment in education and introduce school fees, meaning that quality, and the numbers of children in school, fell. The rich world has finally stopped telling poor countries to charge fees, but many harmful conditions remain, such as enforced cuts in public spending, and limits on wages for teachers, doctors and other public servants. For instance, in 2004, the IMF told Zambia to freeze

Fact:

Globally, \$17 billion extra per year is needed to provide education for all girls and boys. In 2005, developing countries together spent 30 times this amount on servicing debt.

public sector wages, meaning Zambia could not afford to recruit 9,000 newly qualified teachers, despite a massive shortage. Intense lobbying by education campaigners won a slight relaxation of the condition. But the IMF still imposes a tight cap on Zambian public sector wages, making it extremely difficult to recruit or retain teachers. Meanwhile, one third of Zambian children do not attend primary school, and four out of ten women cannot read or write.

Many countries are keen to expand provision of education, something which donors and international financial institutions claim to support. But at the same time, these donors and institutions are imposing conditions, such as spending caps, which make such expansion very difficult to deliver.

How is education affected?

As debt drains countries of resources and conditions limit investment in education, the provision of education in many low-income countries is suffering. Governments may have to: continue charging or introduce school fees; spend less on school buildings, textbooks and equipment; and cut back on training and paying the teachers on whom education systems rely.

- Teacher shortages are particularly bad in some debt-burdened countries. For instance, in the Republic of Congo, which pays around \$600m a year on debts to the rich world, there is one teacher to every 140 children.
- School fees keep many children – especially girls – out of school. A recent survey of 103 countries found that 89 required some kind of charge for school. An example is Chad, which is still waiting for debt cancellation. In 2006, it paid \$66 million in debt service. Meanwhile, only one third of girls attend primary school.
- Poor infrastructure means that children are crammed into overcrowded buildings, often without desks, making learning almost impossible and contributing to very high drop-out rates. Around



Nepal – waiting for cancellation

These children in Tarai region in Nepal have a classroom and a teacher – but not all Nepalese children are so lucky. Nepal has only one teacher for every 180 children, and only 15% of primary school teachers are fully trained. Primary school fees were abolished in Nepal, but the lack of public funding for education has left a gap in resources. So, although 80% of boys and 67% of girls attend primary school, the quality of education they receive is often very poor.

Meanwhile, paying off debts to the rich world costs the Nepalese government far more than it spends on education: in 2004, its debt payments were more than seven times the entire education budget. But it was only in 2006, nearly ten years after the Jubilee 2000 campaign identified it as needing full and immediate debt cancellation, that Nepal was told it would be eligible to receive debt cancellation – eventually. First, Nepal will have to spend years meeting conditions set by creditors and servicing at least some of its debts. In the meantime, huge numbers of children are being denied the education to which they are entitled.

“Nepal spends more on debt servicing than primary sectors such as education, health, agriculture and drinking water. Debt repayment and servicing eats away a significant portion of government revenue. This will have a direct impact on the lives and livelihoods of poor and marginalized communities.”

Navin Subedi, ActionAid Nepal

“I encourage you in your advocacy for total debt cancellation for poor countries because, frankly, it is a scandal that we are forced to choose between basic health and education for our people, and repaying historical debt.”

Former President William Mkapa of Tanzania

“Declines in debt-service costs among low-income countries help to raise health and education expenditures significantly.”

IMF working paper, 2006

Fact:

After getting debt relief, Malawi, Tanzania and Uganda all abolished primary school fees. This helped get well over a million more children into school in each country.

600 million children worldwide suffer from serious overcrowding and desperately inadequate facilities in schools.

Debt is contributing to a failure to realise hundreds of millions of children’s right to a basic education, with wide-ranging effects. Countries with a well-educated population are better able to fight poverty, sustain their people, and recover from conflict or natural disaster. Children who complete primary school have far better chances of escaping poverty and crime, avoiding HIV and AIDS infection, and growing up to have healthy children of their own.

How does debt cancellation help?

Where debts have been reduced or cancelled, it has generally been great news for the education sector. Repeated studies have shown that social spending increases after debt cancellation, particularly spending on education: not least because of citizens’ pressure for the proceeds of debt relief to be invested in this way.

Cancelling debts gives governments predictable financial resources for many years, meaning that they can confidently direct funds towards recurrent costs like teachers’ salaries. Despite limits imposed by creditor conditions, many gains have been possible.

- Ghana recently used debt relief money to abolish primary school fees: enrolment increased by 16% in one year.
- Niger has improved school infrastructure, whilst Tanzania built more than 2,000 new schools and 30,000 new classrooms.
- Malawi has used debt relief to train nearly 4,000 new teachers each year. Benin has used it to recruit teachers for vacant posts in rural areas, and Mali to pay 5,000 community teachers.

Of course, the problems are far from over. Much greater investment is still needed even in those countries that have had debt relief, and damaging conditions must be ended. Problems are even greater in the countries

We don't need no cancellation?

The World Bank and IMF state that Kenya's debt is 'sustainable', meaning that it is not eligible for debt relief. But Kenya owes almost \$7 billion to the rich world. It has kept up payments on this debt in part by borrowing from private banks in the country, meaning that it also has a massive domestic debt. Overall, Kenya's debt is a huge drain on public spending. Its last two budgets allocated \$350 million more to paying debts than to education. Meanwhile, these children in Korogocho slum, on the edge of Nairobi, are among more than 1.2 million Kenyan children who do not go to primary school.

"This money should not be going out of Africa – not if you look at the number of people suffering from hunger and disease, and the number of children not in school." Rose Wanjiru, ActionAid Kenya



Fact:

A survey of ten African countries showed that spending on education went up 40% overall in just four years after getting debt relief.

Take action:

You can make a difference by urging the UK government to help end the debt crisis and support education. Visit these websites for the latest information and campaign actions:

www.jubileedebtcampaign.org.uk
www.oxfam.org.uk
www.savethechildren.org.uk
www.vso.org.uk
www.worldvision.org.uk

that are still struggling with debt burdens. The international debt relief mechanism (the 'Heavily Indebted Poor Countries' initiative, or HIPC) has cancelled debts for 22 countries so far, and is open to another 18. But many more severely indebted countries, such as Bangladesh, Kenya and Vietnam, which also have a desperate need for investment in education, are being told that they are either not poor enough or not indebted enough to qualify – and so are being left out.

What is needed?

Jubilee Debt Campaign, Oxfam, Save the Children, VSO and World Vision are calling for urgent action: by rich country governments to resolve the debt crisis; and by Southern governments to respond to their citizens' demands that debt cancellation should have a positive impact on education.

- Rich countries, institutions and commercial creditors must cancel

all illegitimate and unpayable debts being claimed from all poor countries, not just those countries eligible for HIPC.

- Creditors must recognise that governments have the mandate to meet their own countries' priorities and should be accountable to their citizens. Creditors must not impose policies on impoverished countries through conditions on debt relief or loans, including conditions limiting public spending or specifying how education should be delivered.
- Southern governments must abide by the demands of their citizens that funds from debt cancellation are used to improve essential public services, including education, and must be open and accountable to their people over the use and monitoring of these funds.

Sources: ActionAid, Global Campaign for Education, Government of Ghana, Jubilee Research, Government of Kenya, Oxfam, Save the Children UK, Government of Tanzania, UNICEF, VSO, World Bank, Government of Zambia.

About us:

Jubilee Debt Campaign works to alleviate extreme poverty through the cancellation of unjust and unpayable poor country debts. It is a UK coalition of 200 groups and organisations, supported by thousands of individuals.

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