



## **CANCEL THE DEBT FOR HUMAN DEVELOPMENT GLOBAL POVERTY, DEBT, AND THE MILLENNIUM DEVELOPMENT GOALS**

In the year 2000, world leaders at the United Nations committed to a set of development goals to alleviate global poverty — the Millennium Development Goals (MDGs). But at the current rate of progress, the world is still decades behind. All sources of finance for development must be mobilized to assure these modest, but critical goals, are met. Full debt cancellation for impoverished countries is an essential tool to reach the MDGs. G-8 leaders, under pressure from the global Jubilee movement, cancelled some debts for some countries in 1999 and again in 2005. But much more debt must be cancelled if we are to have any hope of stopping the rise of global poverty in this generation.

### **THE GOALS**

- 1. Eradicate extreme poverty and hunger.**
- 2. Achieve universal primary education.**
- 3. Promote gender equality and empower women.**
- 4. Reduce child mortality.**
- 5. Improve maternal health.**
- 6. Combat HIV/AIDS, malaria and other diseases.**
- 7. Ensure environmental sustainability.**
- 8. Develop a global partnership for development.**

### **WHAT ARE THE MDGs?**

In 2000, the leaders of 189 countries including the United States committed themselves to implement a set of development standards termed the Millennium Development Goals for which they pledged to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty...and to free the entire human race from want.”

The goals include: Halving the number of people who live in extreme poverty (defined as living on less than a dollar a day); providing equal and full access to primary and secondary schooling for all genders; reducing child and maternal mortality; halting and reversing the spread of HIV/AIDS, malaria and TB; ensuring environmental stability; providing access to safe drinking water; and addressing the particular problems of the poorest countries including unsustainable debt levels.

Although they are important targets, the MDGs are only a modest first step toward achieving the ultimate goals of poverty eradication, treatment of all those with HIV, TB and malaria, and global economic justice, including addressing unjust North-South trade patterns and removing harmful economic policy conditions on aid, debt cancellation and loans.

### **WHERE DO THE MDGs STAND 7 YEARS LATER? WHY DEBT CANCELLATION?**

Seven years after the Millennium Summit, the world is still decades behind in meeting the goals. Beyond current commitments on debt cancellation and aid, additional resources must be mobilized to achieve and indeed exceed the MDGs. In Sub-Saharan Africa, the absolute number of people living on less than a dollar a day has actually increased since 1990. If current trends are not reversed, Africa will be the only region in the world where there will be more poor people in 2015 than there were in 1990.

The World Bank and the United Nations have estimated that an additional \$45 billion to \$75 billion will be needed globally every year until 2015 to achieve the MDGs. Some of this money can be generated from aid, but current commitments are far below the required level, and much aid does not reach those who need it most. Moreover, new infusions of aid cannot be effective unless the drain of debt payments is stopped. Pouring more aid into impoverished countries without debt cancellation is like trying to fill a bathtub with the drain open. For every dollar received in grant aid, low income countries pay back \$2.30 in debt service.<sup>1</sup>

## **DEBT CANCELLATION: AN ESSENTIAL COMPONENT OF EFFORTS TO MEET THE MDGs**

It is clear that there is no magic bullet to achieve the MDGs. A combination of more and better aid, debt cancellation, trade justice, and an end to harmful economic conditions must all be employed alongside new and innovative sources of financing.

Debt cancellation is a critical tool because we know that debt cancellation works. Debt cancellation now has a ten year track record of freeing up resources to fight poverty. Thanks to the limited debt relief to date:

- Social spending across countries that have received debt relief has risen by about 75 percent.
- Zambia has hired 4,500 new teachers and abolished fees for rural healthcare.
- Ghana has made large investments in basic infrastructure, including rural feeder roads and has increased its spending on education and health care.

Debt cancellation is an excellent tool for supporting development because it provides direct and predictable budgetary support to impoverished countries, avoiding the costly processes that accompany the application for granting and monitoring of overseas aid. Likewise, money saved from debt cancellation can be used to plan for long-term projects as it is not subject to the whims of annual funding cycles and political will in donor countries.

“Dozens of heavily indebted poor and middle-income countries are forced by creditor governments to spend large proportions of their limited tax receipts on debt service, undermining their ability to finance vital investments in human capital and infrastructure. In a pointless and debilitating churning of resources, the creditors provide development assistance with one hand and then withdraw it in debt servicing with the other.” **UNITED NATIONS MILLENNIUM PROJECT, INVESTING IN DEVELOPMENT, P. 17**

### **HOW MUCH DEBT MUST BE CANCELLED TO MEET THE MDGs?**

It is becoming clear that it will be impossible to meet the MDGs without 100 percent multilateral debt cancellation for impoverished nations. UK Prime Minister Gordon Brown estimates

that 67 countries require 100 percent debt cancellation in order to meet the MDGs.<sup>2</sup> Moreover, in order to meet goals four through six, which relate to health, heavily indebted impoverished countries would have to spend at least \$20 billion annually.

Although debt cancellation is necessary to meet the MDGs, it is not sufficient. Beyond debt cancellation, heavily indebted impoverished countries would need \$30 billion in aid each year to have any hope of meeting Goal One and \$16.5 billion would be needed annually to meet the remaining goals. To meet Goal One, it is estimated that poor countries would need to achieve 7 percent to 8 percent annual growth rates. This will be impossible so long as debt payments crowd out investments and other government spending priorities.

The July 2005 agreement by the G-8 nations to cancel the debts of 18 of the poorest nations to the IMF, World Bank and African Development Bank is a precedent-setting step in the right direction, but wholly insufficient in terms of the level of debt cancellation required to meet the MDGs. While the July agreement will eventually mean \$40 billion in total debt cancellation, freeing up \$1 billion a year in the budgets of the countries involved, the total external debt of low-income countries is 523 billion.<sup>3</sup>

## **CONCLUSION**

The MDGs are an important, if modest, set of goals embraced by world leaders that serve as a benchmark on the path to broader goals of poverty eradication and global economic justice. Confronting the scourge of global poverty requires that we mobilize all sources of finance to assure these goals are met and exceeded. Full debt cancellation for the world's

<sup>2</sup>Brown, Gordon “Our final goal must be to offer a global new deal” The Guardian. January 11, 2006

<sup>3</sup>Jubilee Debt Campaign Facts and Figures 2006 <http://www.jubileedebtcampaign.org.uk/?lid=247>