

### ***What is Debt?***

A debt is when you owe somebody money. Debts get bigger every week if you are also charged 'interest'. Interest is an extra charge on the original debt.

### **How it works**

Remember Yasmin borrowed Tom's bike in return for a CD? She planned to buy the CD from the wages of her paper round. But Yasmin has forgotten that if her bike has a flat tyre, she can't do her paper round!

Tom offers to rent Yasmin his bike for a week so she can keep doing her paper round. However, the rent he's charging for it is half of her wages. He also says that, for every week that goes by when Yasmin hasn't paid back the debt, she must buy him an extra CD as a fine or 'interest'.

So Yasmin is stuck. She only has half of her usual pay, and that's not enough to get her bike fixed or to buy the CD she owes Tom. And now she owes Tom another CD! Each week, the debt will grow bigger and bigger until there's no way she will ever be able to earn enough money to pay it off.

This is an example of debt.

### ***Why do some countries have debt?***

In the past, poorer countries borrowed money from richer countries. They haven't been able to pay the money back. One of the reasons why they can't pay it back is because the unfair trade rules mean they can never make as much money as they need. To make matters worse, they also have to pay interest (extra charges) on the money they borrowed. This means that the amount of money they owe is growing every day. They can't pay for things like schools and hospitals because their money is being spent on their debts.



In 2005, the G8 (a group of leaders from the eight richest countries in the world) agreed to cancel the debts owed by 35 of the world's poorest countries. This helped these countries to pay for thousands of doctors and teachers and to make life a bit better for everyone who lives in the poorest countries.

But after years of owing money, there is still a huge amount of work to do. There are also lots of countries that haven't had their debts dropped yet.

### ***What can I do to help?***

Cool Planet for Children has a section called [Take Action](#), which explains how you can make a difference – even by small actions like recycling your old mobile phone or donating things to Oxfam shops.