

The Real Cost of Debt

The crisis behind the stories



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1. Executive summary

In 2026, Global South countries are due to pay nearly US\$400 billion to external creditors - double the amount they paid just a decade ago, according to World Bank projections. A third of this goes towards interest rather than paying off the original loans, further diverting public funds into the pockets of foreign creditors.

Behind these numbers lies another story: how mounting debt payments and lending conditionalities imposed by international organisations such as the International Monetary Fund (IMF) impact the daily lives of citizens in borrower countries. “The Real Cost of Debt” can be seen through the experiences of those living in some of the countries hardest hit by the debt crisis in the Global South.

These stories are interconnected, reflecting the systemic failures of the global debt architecture and damaging policies of international finance institutions, which are repeated across the Global South. The real cost of debt is borne by billions of people deprived of access to adequate public services and social protection, suffering from the impacts of climate change, and facing deepening inequalities and poverty. The real cost of debt is the lack of decent jobs and opportunities for younger generations, both today and in the future. Ultimately, the real cost of debt is a system that robs billions of people across the Global South of their present and their future.

In this briefing, we demonstrate how the share of government revenue devoted to servicing external debt in Global South countries has risen from 11 to 16 per cent. In the most impoverished countries, this burden has more than doubled from 8 per cent in 2015 to a record 19 per cent in 2025. As a result, the number of countries spending more on external debt repayments than on either education or public health has gone up from 48 in 2015 to 65 in 2023.

Behind these figures sit widespread cuts in public budgets, including health and education spending and increasing inequalities, including gender inequalities. In this context, countries face mounting obstacles to implementing development plans and advancing the Sustainable Development Goals (SDGs). Cuts to public investment extend beyond public services to necessary infrastructure such as roads, electricity, and digital communications, as well as environmental and biodiversity protection, climate adaptation and just transition. These cuts not only undermine future development prospects but threaten democracy and national sovereignty.

How can we break the cycle of debt?

The global debt architecture cannot deliver fair and effective debt crisis prevention and resolution if it continues to be defined and decided by creditors. Lasting solutions to the debt crisis require a profound reform of the international financial architecture, one that not only ensures fair debt resolution when countries are in crisis but also prevents new crises from happening.

Furthermore, borrowing countries need to be at the table when debt rules and systems are decided. The United Nations is the forum where, based on the international law principle of sovereignty, debt resolution rules can be fairly agreed between all countries.

These are our recommendations for reforms to address the systemic roots of the debt crisis:

- 1. Reform the international financial architecture:** this includes agreeing on a UN Framework Convention on Sovereign Debt that delivers specific rules and tools, including a multilateral debt resolution mechanism, automatic debt relief for external catastrophic shocks, domestic legislation in creditor countries to contribute to effective debt resolution and an intergovernmental process to reform the Credit Rating Agencies (CRAs), alongside other essential reforms.
- 2. Deliver sufficient financial resources for human rights, development, gender justice, just transition, and climate action** through unconditional debt cancellation of illegitimate and unsustainable debts, domestic resource mobilisation, re-imagining development cooperation by restoring its core purpose, and access to sufficient and non-debt-creating climate finance.
- 3. Transform economic, financial, and trade relations between the Global North and South:** Recognise climate and historic debts, advance reparations and transform the economic system through a just transition.

2. The real cost of debt: a development and environmental crisis

"The real cost of debt is not only financial. It is human. It is social. It is democratic. And the more we take on debt, the more we are becoming dependent on other people."

Okoth Opondo, Civic Educator (Kenya)

Aylén Tapia is a Mapuche-Tehuelche from Leufuche territory, in Argentina, resisting the expansion of the oil and extractive industries in indigenous territories. Flora Pasicolan, Emily Lalan, Fe Gabrieles, Janet Familial, and Rosel Siroma are all part of the Oriang Women's Movement, in Quezon City in the Philippines, resisting the impacts of climate change. Edna Pathmini has dedicated her life to Sri Lanka's women-led apparel industry, but following a workplace accident she has been left vulnerable, unable to pay for medical bills and facing increasing personal debt to pay for private healthcare. Okoth Opondo is a civic educator in Nairobi, Kenya, who got arrested during protests against the government's decision to raise taxes. Manar Abdelaziz is an activist in Egypt feeling how life is becoming more and more expensive, risking the lives of young girls. All of these,¹ and many more stories of the everyday life of peoples and communities in the Global South, have something in common: their struggles for justice, dignity, and survival are shaped by the debt crises faced by their countries.

Debt is squeezing budgets, leaving no fiscal space for governments to invest in climate adaptation or to rebuild people's houses or a town's infrastructure after a climate event hits.² Debt is the force behind public services privatisation, insufficient resources for public health, education, and care services, and inadequate social security schemes.³ Debt is a major obstacle for a just transition in the Global South.⁴ Debt is pushing governments to continue or expand oil and minerals extraction, so they can sell them abroad and get the necessary resources in foreign currency to pay their creditors back.⁵ Debt is the reason why governments request an IMF programme and are forced into withdrawing vital food, transport, or energy subsidies and implementing regressive tax reforms, leading to catastrophic increases in the cost of living.⁶ For Global South countries, debt – particularly record levels of debt payments – is one of the main obstacles to advancing the Sustainable Development Goals (SDGs), a threat to reducing inequalities and guaranteeing economic, social, and cultural rights, as well as being an obstacle to protecting biodiversity and addressing climate change challenges.⁷

2.1 Debt payments engulfing vital resources

"Not every economic challenge can be explained by debt alone. But when a country repeatedly relies on borrowing while implementing austerity measures linked to those loans, the cost of everyday life rises. Meanwhile, wages have not kept pace, and the gap is absorbed by households themselves. People work longer hours. They reduce what they eat. They remove items from the family table. Or they send their daughters to work at an early age."

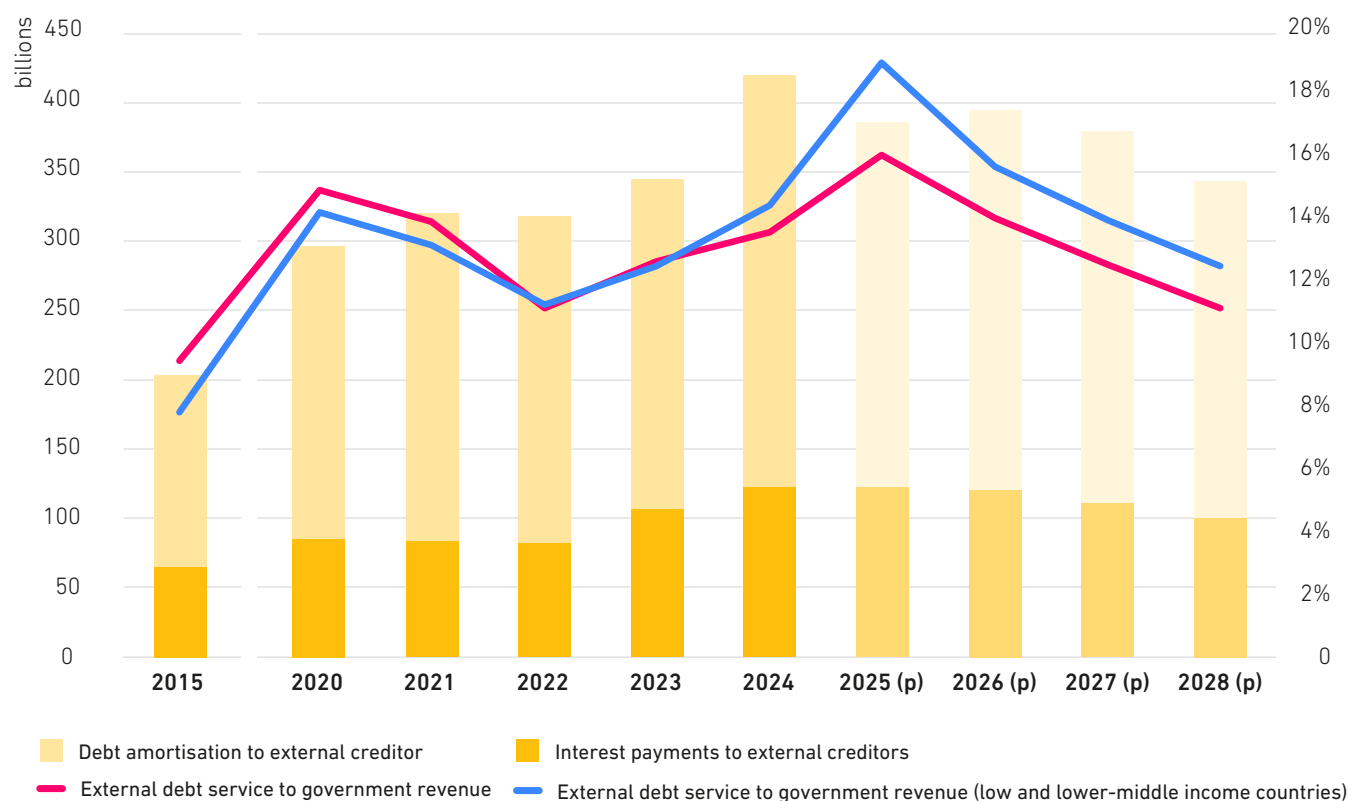
Manar Abdelaziz, feminist researcher and activist (Egypt)

In 2026, Global South borrowing countries⁸ are due to pay nearly US\$400 billion to external creditors – double the amount they paid just a decade ago, according to World Bank projections.⁹ One third of that money is interest payments – in other words, money that wasn't lent initially but is now being diverted from Global South government budgets into foreign creditors' pockets. According to Debt Justice UK research, bondholders' profit from countries in debt crisis could be up to US\$60 billion, 54 per cent more than they lent.¹⁰ This is particularly concerning in a context where other financial flows towards these countries, including new lending and Official Development Aid (ODA), are declining (see Box 1).

Debt and interest payments have gone up not only in absolute terms but also in relation to the resources that governments manage to raise. The debt-service-to-government-revenue ratio is the most useful indicator to measure how this increase in debt payments is squeezing governments' capacity to deliver their development, social, environmental, and climate policies. Between 2022 and 2025, the countries included in this report increased the proportion of government revenue devoted to external debt servicing from 11 per cent to 16 per cent. Moreover, 34 out of the 112 countries analysed for this report devoted, on average, more than 15 per cent of their revenue to pay their external creditors between 2022 and 2025.¹¹

When we zoom in on the most impoverished countries (low and lower-middle income countries), the percentage of government revenue devoted to paying external creditors has gone up from 8 per cent in 2015 to a record high of 19 per cent in 2025. African countries went from devoting less than 8 per cent of their government revenue to paying external creditors, to more than 30 per cent in 2025.

Graphic 1. External debt service (public and publicly guaranteed, including IMF, in US\$ billion) and ratio of external debt service to government revenue



Source: Eurodad analysis based on World Bank International Debt Statistics (2025) and IMF World Economic Outlook (2026). Data for 2025 to 2028 based on World Bank projections.

Table 1. Ten countries with a higher average ratio of external debt payments to government revenue

Country	2015	2022	2023	2024	2025 (p.)	Average 22-25
Average low- and middle-income countries	9%	11%	13%	14%	16%	13%
Average low- and lower-middle income countries	8%	11%	13%	14%	19%	14%
Angola	24%	24%	47%	49%	72%	48%
Laos	9%	21%	31%	29%	67%	37%
Egypt	5%	18%	29%	51%	33%	33%
Pakistan	10%	33%	36%	29%	26%	31%
Ethiopia	11%	20%	12%	13%	77%	30%
Senegal	8%	16%	22%	33%	42%	28%
Maldives	9%	32%	19%	19%	42%	28%
Benin	5%	19%	27%	33%	29%	27%
Congo	15%	30%	28%	28%	17%	26%
Sri Lanka	28%	35%	19%	23%	n.d.	26%

Source: Eurodad analysis based on World Bank International Debt Statistics (2025) and IMF World Economic Outlook (2026). Data for 2025 based on World Bank projections.

Box 1. Negative debt transfers and shrinking aid

Debt net transfers from external creditors to Global South borrowers (this is new loans minus debt principal and interest payments during a given year) have been decreasing since 2020, to the point where, in 2022, there were negative net transfers of more than US\$6.5 billion.¹² For the Finance Development Lab, this meant that “positive net transfers from MDBs and (non-China) bilateral donors leaked out completely to private sources and, to a lesser extent, to Chinese creditors”.¹³ The accumulated negative flow between 2022 and 2024 was, according to the World Bank, the largest net debt outflow in at least 50 years.¹⁴

Negative transfers were mainly due to negative transfers from private creditors. Between 2021 and 2024, private creditors received more in interest payments from Global South countries than they had lent to them. Bilateral net transfers were also negative in 2024, particularly as Chinese new lending shrunk.¹⁵ Bilateral net transfers from China had been negative since 2020. These went from positive transfers of US\$7.3 billion a decade ago (2015) to an average of –US\$2.8 billion negative net transfers between 2020 and 2023, and down to –US\$13.8 billion negative net transfers in 2024. However, according to analysis by the Global Policy Development Center (GDPC) at Boston University, “net transfers of external public and publicly guaranteed (PPG) debt to low- and middle-income countries (LMICs) except China have been declining since 2014”.¹⁶

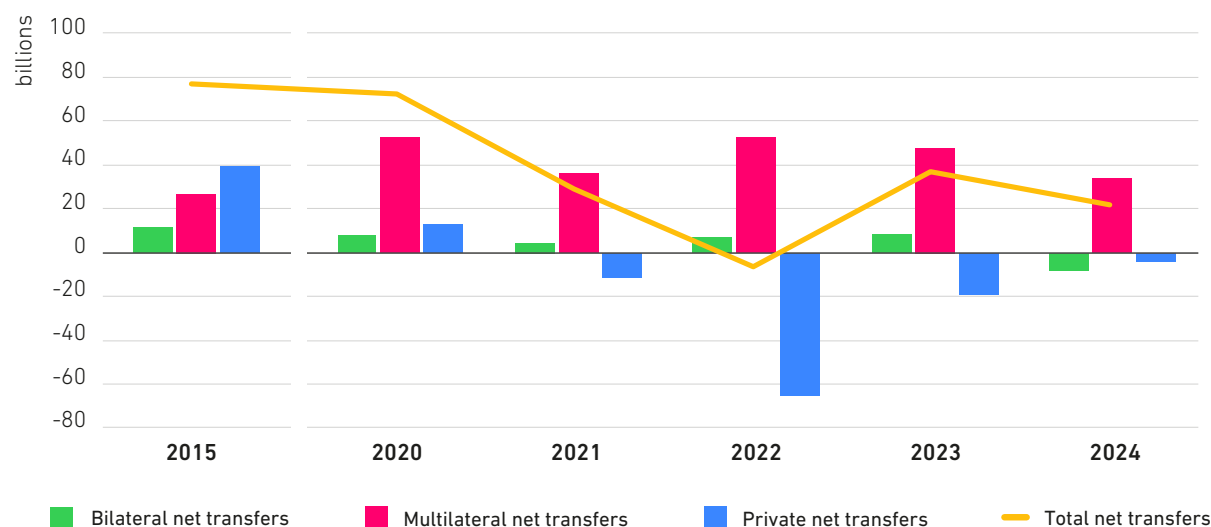
Total net transfers for the countries analysed in this report turned positive in 2023 and 2024, mainly due to upper-middle income countries regaining access to financial markets – at high interest rates – and maintaining high positive flows from multilateral institutions. This increase in financial transfers from multilateral institutions, including the IMF, becomes a de facto bailout of private creditors and, to a lesser extent, bilateral ones. The IMF, the World Bank, and other MDBs have been lending at record levels since 2020, enabling countries to pay back their private and, to a lesser extent, bilateral creditors. This means there is an increasing transfer from private and bilateral to multilateral debts, which will make it even more difficult to restructure debts and provide debt relief when the situation worsens. In total, private creditors held 52 per cent of Global South external debt in 2020 and the percentage has gone down to 49.7 per cent in 2024, while

multilateral lenders held 31.1 per cent of total external debts in 2020 and in 2024 they already held 35.4 per cent. While the changes are still not very substantial, this tendency is likely to continue, particularly as countries keep turning to the IMF, the World Bank, and other MDBs for financial support while financial markets and bilateral donors become a less and less affordable or feasible option. This situation also leads to countries turning to domestic markets for financing, which is usually more expensive (see Box 2).¹⁷

In this context, Official Development Assistance (ODA) flows are also shrinking. Years 2024 and 2025 saw a significant drop in ODA and this tendency is likely to worsen in subsequent years. Following an 8.4 per cent reduction of net ODA in 2024, the tendency was exacerbated in 2025 with a further fall of 23.1 per cent. According to the OECD forecasts, aid volumes are expected to drop by an additional 6.9 per cent in 2026. Eurodad calculations show that while the US’ cut to its aid budget by a staggering 56.9 per cent is responsible for much of this decline, “EU countries also made some of the most significant cuts to aid budgets, with reductions averaging almost 10% across the bloc. Some of the largest decreases were recorded by Belgium, France, Germany, Portugal, and Poland. Meanwhile, the UK cut its aid by 10.8%. The EU institutions also saw a massive decrease of nearly 14%, despite allocating an unprecedented US\$36.4 billion to Ukraine”.¹⁸ In general, the largest declines in net flows are those to least developed countries and particularly sub-Saharan countries, many of which are also facing major debt burdens.¹⁹

While Global South countries, and least developed countries (LDCs) in particular, have consistently called for greater access to grant-based finance, Eurodad analysis of OECD data shows how not only is the total aid decreasing but donors are increasingly using loans as part of their ODA. In this context, in 2025, LDCs paid creditors almost twice of what they received in aid, which is yet another striking indicator of the growing imbalance between flows going in and out of the country.²⁰ This trend further constrains access to external finance, particularly concessional finance and grants, worsening the debt crisis and posing additional challenges to health, education, and social protection, particularly in the most vulnerable countries.²¹

Graphic 2. Total net transfers (US\$ billion)



Source: Eurodad analysis based on World Bank International Debt Statistics (2025).

2.2 The key victim of the debt crisis: essential public services

"Even though the price of goods in the country are increasing, wages have not increased for factory workers and others. They haven't increased our salaries, and there is no relief assistance available to us. I spent all my money on medicine, and when I could no longer afford it I had to go into debt, borrowing from my neighbours."

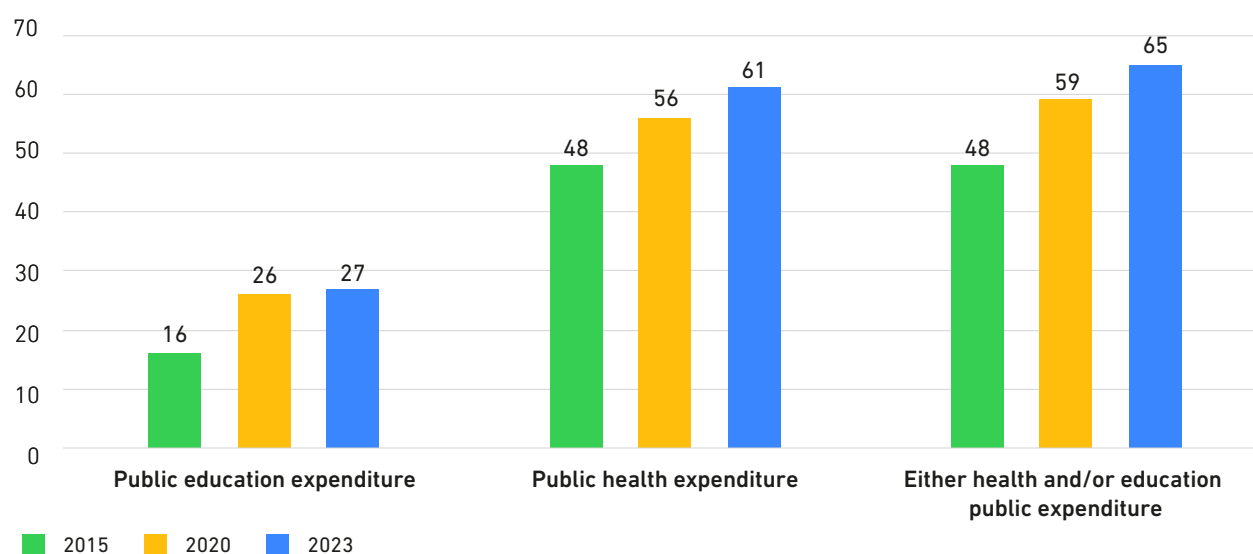
Edna Pathmini, Community leader (Sri Lanka)

Devoting so much of the public resources to repay external creditors has a direct impact on the lives of billions of people, mainly through cuts and privatisation of essential public services. This includes not only education, health care, and social protection but also other care services, water, sanitation, energy, transport, communications, and basic financial services.²² When debt payments are too high, often reinforced by conditionalities under an IMF programme or following World Bank policy conditions, governments tend to apply harsh austerity programmes: cutting social spending, reducing or eliminating subsidies to food, transport, and energy, freezing or cutting public servants' wages and jobs, privatising public services and selling public assets, deregulating labour market rules, and increasing consumption and other regressive taxes.²³ All this is done in order to avoid default and a painful unpredictable debt restructuring. Austerity is also implemented in order to give what are considered to be "positive signals" to financial markets: in order to retain market access, even at unaffordable rates, governments show that they are ready to do whatever it takes to keep on with the debt payments.²⁴

In this context of high debt payments and a new wave of austerity,²⁵ the number of countries that have committed more public resources to paying back external creditors than to either education or public health has gone up from 48 in 2015 to 65 in 2023 (last year with available data on health and education public expenditure) (see Graphic 3).

Research by Debt Justice UK finds that countries with external debt payments of over 15 per cent of government revenue end up cutting their public spending, while governments that spend less than 10 per cent of their revenue on external debt service manage to increase their public spending.²⁶

In 2023, 25 countries were committed to making external debt payments that totalled more than twice the amount invested in government health spending. While there is no updated data beyond 2023 on government spending on education and health, this situation is likely to have worsened, given that external debt service has increased 14 per cent between 2023 and 2026. If domestic debt service is added into the mix (see Box 2 below), the situation becomes even more bleak for education. For Development Finance International (DFI), in 18 of the most debt-burdened countries, total debt service payments, including both domestic and external, exceeded government expenditure on education by a factor of five and up to a factor of 16 times in the case of Sri Lanka. For UNESCO, this has a structural impact on education systems, and "education financing becomes a residual category in government budgets".²⁷

Graphic 3. Number of countries where external debt service is higher than education and/or health expenditure

Source: Eurodad analysis based on World Bank International Debt Statistics (2025) and IMF World Economic Outlook (2026).

Zooming in on Africa, more than half of the continent's population, around 751 million people, live in countries that spend more on external debt service than on education or healthcare.²⁸ According to ActionAid research, cuts in public budgets since 2020 in African countries have led to shortages in teaching infrastructure and material, in medical equipment and supplies, and in health workers.²⁹

African countries face an annual education financing gap of US\$77 billion to meet their education targets and the region has 98 million children out of school.³⁰ Yet, African countries spent an average of US\$85 billion annually on external debt service between 2023 and 2026. Around 400 million people in Africa still lack access to essential health services³¹ and the continent has less than half of the health workers that it needs;³² meanwhile, 32 African countries spend more on external debt than on healthcare. This crowding out of resources from the public health system has direct impacts not only on people's health, but also on their finances. With less than a third of lower income countries' population covered by any social protection benefit,³³ households rely on borrowing, reducing food intake, or selling essential household items to cover medical expenses.³⁴

The World Bank acknowledges that high debt burdens "constrain fiscal space and policy flexibility, crowding out critical investments in infrastructure, agriculture, health, social protection, and crisis response capacities".³⁵ In its annual debt report, the World Bank also signals how "countries experiencing significant debt distress also face acute challenges in ensuring nutrition security for their populations". For instance, In Mozambique, where the government devoted 15 per cent of their revenue to external debt payments in 2024, 90 per cent of the population cannot afford even the lowest-cost healthy diet, and nearly 60 per cent are priced out of a calorie-adequate diet. This is not an exception. The World Bank report concludes that one out of every two people living in the 22 most highly indebted countries cannot afford today the minimum daily diet necessary for lasting health.³⁶

Box 2. Domestic debt squeezing public budgets even further

Over the past decade, domestic debt has become an increasingly central – and often overlooked – part of the debt build-up in Global South countries. Governments in the Global South, often locked out of international financial markets or wary of currency risk, and guided by advice from International Financial Institutions (IFIs) to develop local financial markets, have turned more heavily to local bond markets to plug financing gaps, a trend that has accelerated sharply following the Covid-19 emergency in 2020.³⁷ Between 2014 and 2024, according to UNCTAD calculations, domestic debt financing in low and middle income countries increased by 86 per cent, while external debt financing rose by 71 per cent. The growth of domestic debt financing was particularly steep after the pandemic, rising by 37 per cent between 2020 and 2024, compared with just 10 per cent of financing from external creditors.³⁸

The composition of domestic versus external debt varies a lot from country to country. According to a 2025 IMF staff paper, “for some LICs, domestic debt is twice as high as their external debt, reaching 40 percent of GDP in some cases, with the cost of domestic debt 2 to 3.5 times higher than on external debt”.³⁹ In Emerging Markets (EMs – countries with access to financial markets, according to IFI terminology), domestic debt tends to be even higher than in low income countries (LICs).

As LATINDADD highlighted in a 2024 report on domestic public debt in Latin America, the line between “domestic” and “external” debt has become increasingly blurred, since local bond markets are now populated by both national and international private creditors, and debt instruments are increasingly diversified across currencies and holders. Even so, domestic debt implies very different risks, characteristics, and dynamics than external debt. Domestic debt tends to be more expensive and have shorter maturity periods.

Furthermore, the implications of domestic debt restructuring and its distributional impacts, as well as impacts on the domestic financial sector or the capacity of governments to roll over domestic debt, make these processes very different from external debt restructuring. In the case of Sri Lanka, where a domestic debt restructuring was seen as conditional for certain foreign creditors to participate in external debt restructuring (investment funds and Chinese creditors), the process negatively impacted pensions of working people.⁴⁰ In Ghana, however, the pensioners managed to get organised and gain an exemption from the domestic debt restructuring, which had been initially denied by the government.⁴¹ This shows how “choices made in domestic restructurings can have distributional implications in the country”.⁴²

According to the IMF, the median EM ratio of domestic debt service to government revenue is twice as high as in LICs. However, for some LICs, domestic debt service has become very high, reaching up to 100 per cent of revenues in some cases, which has “placed significant pressure on social spending, and in some cases resulted in notable domestic payments’ arrears accumulation”.⁴³ DFI tracks total debt service (including both domestic and external payments) and SDG spending for 149 countries and their latest report shows that “as of 2026, G77 countries are paying out an average of 46% of their budget revenue, 35% of their spending and 8.8% of their GDP on debt service”, including domestic and external payments. For DFI “this crisis is due to a combination of external and domestic debt service”.⁴⁴ Indeed, it is undeniable that increasing domestic debt service, and particularly high interest rates on domestic debt, further exacerbates the problem of squeezed public budgets. Addressing external and domestic debt problems needs different approaches, but citizens feel the burden of both.

2.3 A debt-led development and inequalities crisis

"Throughout the history of our lands, we have seen how these funds have never benefitted us. They have instead led to extreme poverty. Yet, they continue taking on debt to pay more debt."

Aylén Tapia, Mapuche-Tehuelche activist

As debt service payments are perceived as non-discretionary, governments facing fiscal stress prioritise repaying their debt and avoiding default, instead of keeping their commitments on social spending, climate action, and other public investment, which are often perceived as flexible in the short term.⁴⁵ This has an impact not only on people's wellbeing but also on the countries' economic prospects, as "reduced public investment in health and education today means a less healthy, less skilled workforce tomorrow", deepening inequalities, fostering political instability, and ultimately undermining future growth.⁴⁶

In this context, implementing development plans and advancing the SDGs becomes a chimera. Indeed, reducing public investment, not only in public services but also in necessary infrastructure such as roads, electricity, or digital communications, or in climate adaptation and just transition, undermines future development prospects.⁴⁷ Academic research and civil society analysis has consistently shown the recessive effects of austerity, especially when implemented during economic crises, as its negative fiscal multipliers tend to exacerbate economic contraction.⁴⁸ Moreover, this restriction on investing in development and resilience increases the countries' vulnerability to future shocks and therefore the likelihood of further borrowing to tackle the impacts of those shocks.

Indeed, debt and financial crises – particularly as a result of the policy measures commonly implemented to tackle them – deepen inequalities, increase discontent, and have devastating consequences on the most vulnerable communities.⁴⁹ Fiscal consolidation, implemented in order to avoid a debt default and too often as conditionalities under an IMF programme, has strong distributional consequences. For Juan Pablo Bohoslavsky, former United Nations (UN) Independent Expert on Foreign Debt and Human Rights, these distributional social effects "are often catastrophic, particularly for the most vulnerable in society. Widespread poverty, the emergence of health issues, and rising unemployment are only a few common problems."⁵⁰

This is not an abstract theory but what is happening under the ongoing debt crisis in the Global South. Oxfam International reported in 2024 how, out of the 164 governments included in their "Commitment to Reducing Inequality (CRI) Index 2024", "84 percent had cut investment in education, health and social protection, 81 percent weakened their tax systems' ability to

reduce inequality, and in 90 percent of them, labour rights and minimum wages have worsened".⁵¹ Academic research also found that IMF programmes indeed increase income inequality within countries, with the largest effect of this appearing three years after a programme and remaining observable for about five years. The research concluded that "IMF-mandated austerity measures and labor-market reforms are among the channels" that lead to increased inequality.⁵²

Furthermore, increasing inequalities have been found to contribute to worsening sovereign debt vulnerabilities, ultimately increasing the probability of default.⁵³

2.4 Debt burden falls heavily on women and girls

"When we say that women are the first to bear the cost of economic crises, we're not speaking metaphorically. Women are often the ones responsible for making sure there's food on the table. At the same time, many of them work in low-paid, insecure jobs. They carry the burden twice. Once at work and once at home."

Manar Abdelaziz, feminist researcher and activist (Egypt)

Gender inequalities are also heavily worsened by high levels of debt payments. A recent study by UNDP shows that high debt servicing "induces a 6.3% drop in women's employment rates, equivalent to 55 million lost jobs across 85 developing countries, pushing millions into more precarious employment".⁵⁴ The UNDP report, which substantiates the longstanding feminist understanding that debt crises are far from being gender neutral, also shows that:

- When debt servicing increases, women's per capita income plummets by 17 per cent, while men's does not significantly change, creating a substantial gender income gap.
- Higher debt servicing burdens imply a devastating 32.5 per cent increase in maternal mortality when accounting for the persistence of feedback effects in the long run, representing 67 additional maternal deaths per 100,000 births.

Indeed, women experience the heaviest burdens of high debt payments and the austerity measures that go with them. Women and girls are often more heavily deprived in terms of access to essential services, and particularly maternity care services and support for gender violence survivors are being stripped to the core. Also, women tend to be more impacted by job and wage cuts in the public sector (as 70 per cent of frontline public sector workers are women). Women are also the ones that bear most of the burden of unpaid care and domestic work, which increases when public services fail.⁵⁵

In fact, as public services are dismantled or commodified due to underinvestment and privatisation, women become “shock absorbers” of these cuts, increasing their unpaid domestic care work. Moreover, policymakers count on the availability of women’s unpaid and underpaid care work when implementing austerity measures. As debt-related austerity policies affect women’s rights, they also further entrench economic inequalities and gender injustices, as well as negatively impacting communities and families.⁵⁶

Furthermore, when food, energy, and transport subsidies are cut following IMF-led austerity measures, and the country devalues its currency to be able to export more, prices rise. This erodes people’s purchasing power, a situation that affects women in particular. As the main providers of food and energy for their families, the burden to boost household income falls on women and girls, often by taking underpaid, precarious, and informal work.

2.5 Debt as an environmental destruction tool

“Filipino women are not just victims, they are frontline responders, yet resource starved. Concentrated in the informal economy, they lose income first and recover last after climate and economic shocks. Shrinking budgets mean more unpaid care work.”

Oriang, Filipino Women’s Organisation

Increasing debt payments are also an obstacle for environmental and biodiversity protection and in tackling climate change. Prioritising debt payments to external creditors crowds out necessary investment in climate adaptation or biodiversity conservation. A recent ActionAid International report shows how climate-vulnerable countries “spend in total 25 times as much on debt repayments as on climate action”. Furthermore, the report concludes that those countries that are hit hardest by climate change devote on average 65 per cent of government revenue to debt payments.⁵⁷ Also, climate-vulnerable countries pay their debts at higher rates, increasing their debt burden due to their climate risks.⁵⁸

Insufficient investment today particularly in adaptation and just transition, due to reduced fiscal space because of high debt payments, can lead to increased debt levels in the mid and long term. The debt and climate change vicious cycle also means that the impacts of the climate emergency exacerbate the accumulation of sovereign debt.⁵⁹ This is because most countries have little or no option other than borrowing to deal with the emergency, recovery, and reconstruction costs after a climate extreme event or environmental hazard. In fact, an IMF working paper recently showed how suffering

a large climate shock or other catastrophe increased the odds of default.⁶⁰ The paper exposes how countries face an “impossible trilemma”: “scale up adaptation investment, keep debt sustainable amidst high borrowing costs and avoid the higher risk of default from delayed adaptation”. For the authors of the IMF paper, the way to break this trilemma is to increase concessional ODA and climate finance, an option that is not available for many middle income, climate-vulnerable countries.

On top of not being able to invest sufficient resources in biodiversity protection or in climate adaptation, countries are often pushed by IFIs and creditors to rely on extraction and export of natural resources, particularly fossil fuels and minerals, worsening both environmental destruction (through deforestation and soil and water contamination) and climate change (through increasing fossil fuel carbon emissions). For instance, an analysis by ActionAid and the Bretton Woods Project showed in 2021 that the IMF had “told over half of member countries to expand fossil fuel infrastructure since the Paris Agreement”.⁶¹ A more recent analysis, by Re-Course, looking at IMF programmes in Ecuador, Egypt, the Democratic Republic of the Congo (DRC), Tanzania, and Pakistan, concludes that while these “rarely instruct governments explicitly to expand extraction, including for fossil fuels”, the fossil and extractive dependence is “embedded in assumptions about exports, foreign investment, reserves, and fiscal revenues that allow for debt repayment”. The report shows how, under IMF programmes, “diversification often occurs within extractive sectors rather than away from extractive dependence, leaving countries exposed to commodity volatility, transition risks and ecological degradation”.⁶²

In the short term, high prices of fossil fuels might influence expansion of extraction in Global South countries, also incentivised by the possibility of gaining the necessary foreign currency to repay external creditors.⁶³ In the long term, continued investment in fossil fuel extraction can lead many countries to face situations of stranded assets, potentially even before they manage to repay the additional debt acquired to pay for fossil fuel extraction infrastructure.⁶⁴ Furthermore, resource-backed loans, guaranteed with future revenues from fossil fuel and other commodities extraction, add complexity and risks to the debt context. Opacity in this type of loan and the price volatility of commodities are among the concerns that not only civil society but also IFIs have raised in relation to resource-backed loans.⁶⁵

The fossil fuel debt trap can also be exacerbated by debt-restructuring deals. In the case of Suriname, the country was forced by private creditors, after a long debt-restructuring process, to accept a deal that compensated private external creditors for the reduction in benefits by “receiving potentially

millions from Suriname's oil revenues. Creditors will get the right to 30% of Suriname's oil revenue until 2050, up to a maximum of \$689 million after Suriname has received the first \$100 million in royalties".⁶⁶ These types of so-called value recovery instruments, linked to fossil fuel and other commodities extraction, keeps the borrowing country trapped in natural resources exploitation.

2.6 Debt undermining democracy

"The minimum pension in Argentina today is around US\$260. And it has to do with this packet of cuts and measures imposed by the International Monetary Fund to accumulate reserves to guarantee payment, because the only thing that the interests behind these international institutions want is to guarantee payment. It's never that that money goes to the wellbeing of its people."

Aylén Tapia, Mapuche-Tehuelche activist

A debt crisis is not only an economic event with devastating impacts for the most vulnerable communities; it can also become a threat to democracy and sovereignty. When countries face constraints in repaying their external debts, they have little option other than turning to the IMF for support, but this comes with conditions. IMF conditionalities, together with conditionalities from the World Bank, dictate fiscal and economic policies that indebted countries need to implement if they want to receive the financial resources, often constraining the governments' autonomy and sovereignty.

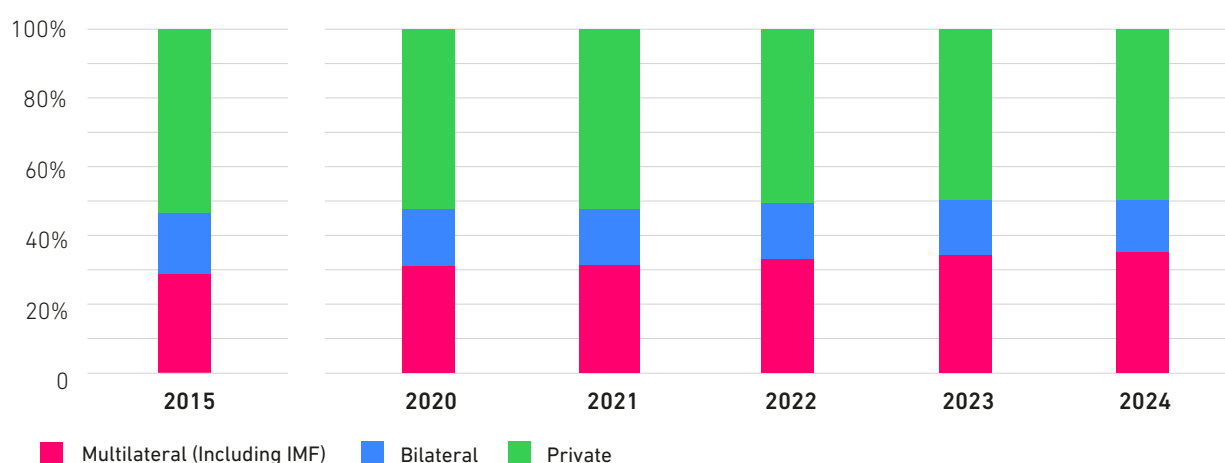
IMF programmes, including harmful conditionalities, are too often negotiated with and agreed by ministries of finance and central banks, without proper parliamentary oversight and lacking transparency on what is being agreed on behalf of the citizens. Moreover, through the threat to withhold loan disbursements, the IMF can de facto impose unpopular

reforms, even when there's no initial support from the legislators. Governments can also use the IMF conditionality as a "scapegoat", diluting their own responsibilities and accountability by blaming the IMF for unpopular reforms.⁶⁷

While policies included in IMF programmes are in theory defined by the recipient country's government, in what is known as the letter of intent, the reality is that there's often a lack of country ownership.⁶⁸ The programme will be approved by the IMF Board if it responds to the Fund's priorities and vision, rather than if it follows the priorities of the local government. Ultimately, IMF conditionalities undermine not only the fiscal space but also the policy space of national governments. Given the Global North's dominance of the Bretton Woods Institutions' governance structures, IMF programmes are more likely to respond to Global North and creditors' interests than to Global South needs. As Debt Justice UK states, "the global debt system and austerity do not just weaken democracy – they fundamentally strip governments of their ability to govern in the interests of people. Under austerity, governments lose control over economic decisions, as Global North-dominated institutions impose policies that prioritise creditors and corporations over people – a continuation of colonial power dynamics. This prevents governments from responding to democratic popular demands and silences public participation in decisions that shape their lives".⁶⁹

This is compounded with the rising weight of private creditors in the Global South debt stock mix, as well as their influence in fiscal and economic policies. Private creditors, particularly bondholders, hold 50 per cent of Global South public debt stocks, so their influence is substantial, particularly when it comes to refinancing debts. Governments tend to opt for policies that will "keep the markets happy" and grant market access, even if it comes at a high financial cost. Both IMF and private sector influence in highly indebted countries does indeed shrink the room for elected governments to set their own priorities.⁷⁰

Graphic 4. Distribution of external debt by creditors (public and publicly guaranteed, including IMF – 2024)



Source: Eurodad analysis based on World Bank International Debt Statistics (2025).

Box 3. Cost of borrowing and the pendulum-like capital flows

In the aftermath of the global financial crisis, interest rates were very low for Global North countries, and private investors turned to Global South borrowers, looking for higher returns. This meant a significant inflow of relatively cheap lending to many Global South countries. However, “following COVID and Russia’s invasion of Ukraine, interest rates surged to levels not seen in decades, as central banks in advanced economies raised rates to tackle rising inflation. For developing countries, that shift translated quickly into higher borrowing costs, rising debt service, and shrinking fiscal space”.⁷¹ As a consequence, according to UNCTAD, “[g]overnment interest payments in developing countries rose 102% between 2014 and 2024, while government revenues increased only 39%”.⁷² UNCTAD also highlights that bond yields for developing countries rose from 5 per cent before 2020 to 6.8 per cent between 2022 and 2024. Furthermore, maturities fell from around 17 years before 2021 to just 9.5 years in 2025, increasing refinancing risks.

The average interest rate between 2020 to 2025 for countries in Asia was 5.5 per cent, in Latin America 7.1 per cent, and in African countries 9.8 per cent – almost four times the interest rate set by the US, or an additional 7 per cent.⁷³ Risk premiums have risen in low and lower-middle income countries over the last decade, from 250 bps in

2015 to 700 bps by 2025.⁷⁴ It is not only debt with private creditors that comes in at a high cost. The World Bank has unveiled that the average interest rate that developing economies would pay to their official creditors on their newly contracted public debt in 2024 stood at a 24-year high.⁷⁵ Multilateral lending, traditionally seen as low-cost finance, has seen a rise in costs in recent years.⁷⁶

Since market rates remain above the rates at which a lot of the outstanding debt was originally issued, countries have limited opportunities to refinance their debts at lower rates.⁷⁷ In this context, countries end up borrowing, more expensively, to repay existing debts, fuelling the debt-repayment spiral.

According to UNCTAD calculations, if “94 developing country governments could borrow at the same rates as those in developed economies, they could collectively save around \$500 billion a year in interest payments. These savings could finance: Around 375,000 schools; More than 1.3 million primary health clinics; More than 920 gigawatts of installed solar power capacity each year”.⁷⁸ Furthermore, a study by UNDP showed in 2023 “that African countries could save up to US\$74.5 billion if credit ratings were based on less subjective assessments”.⁷⁹

Financial markets not only increased the cost of borrowing for Global South countries but also substantially reduced the financial flows, increasing the difficulty of countries refinancing their sovereign debts.

This is because capital flows are procyclical in Global South countries. As stated in the Jubilee Report commissioned by the late Pope Francis, “during global financing booms, money floods in; in busts, it flows out even more quickly”.⁸⁰ Indeed, several factors influence private investors at the time of refinancing existing debts, including monetary policy in Global North countries, shocks such as the Covid-19 pandemic, geopolitical tensions, or financial and debt crises. During debt crises countries tend to experience sharp capital outflows, currency depreciations, and increases in interest rates, in all cases worsening the chances of recovery.⁸¹

2.7 Mobilising domestic resources to repay debt?

“This debt, they see it when they go to the supermarkets, when the prices of the basic commodities like the maize flour, or sugar, or tea leaves increase. Why is this increasing? Because we do not see what this money is used for. It is increasing because the government wants to raise more money to keep on paying the debt.”

Okoth Opondo, Civic Educator (Kenya)

Domestic resource mobilisation, including tax revenue, is often seen as the response to reduced fiscal space in a context of high debt payments. Better efficiency and higher capacity to raise taxes could help increase resources both for development and public services. Yet, our analysis shows that, in 2024, up to 64 countries were devoting more than 15 per cent of their tax revenue to paying external creditors. Moreover, in some cases, that percentage was much higher: in Angola, Ethiopia, Gabon, Ghana, Guinea, Indonesia, Iraq, Kenya, and Somalia, debt payments surpassed tax revenue. This means that the equivalent of what these countries managed to raise in taxes in 2024, and more, was fully

devoted to paying external creditors. Borrowing governments hold part of the responsibility for such levels of either low tax revenue or high debt payments, or both. However, the international community has not yet managed to address in an effective way the high levels of tax dodging and illicit financial flows.⁸²

Furthermore, when pushing for fiscal consolidation to address fiscal deficits and high debts, the IMF and the World Bank narratives tend to focus on the need to increase and improve efficiency on domestic resource mobilisation. But when advising countries on tax, they tend to focus on regressive taxes such as valued added tax (VAT).⁸³ In their last report about prospects for LICs, the IMF recognised that most of the consolidation efforts made by LICs in 2024, in order to tackle fiscal and debt vulnerabilities, were centred on VAT and sales taxes, rather than more progressive taxation policies.⁸⁴ Furthermore, a recent Oxfam report shows that, although since the pandemic the IMF's leadership has urged countries to adopt more progressive tax policies, "the IMF's policy advice on tax in its Article IV reports since the pandemic has been skewed towards regressive taxation".⁸⁵

Moreover, international tax dodging remains a major concern in relation to being able to reduce excessive borrowing. In its report *State of Tax Justice 2024*, Tax Justice Network estimated that governments worldwide lose around US\$492 billion annually due to international tax abuse.⁸⁶ International tax dodging is particularly concerning because it directly undermines the revenue generation of some of the most important types of progressive taxes, including corporate income taxes and different types of tax on wealth, capital income, and inheritance.⁸⁷ This means that governments end up borrowing to cover for the gaps caused by tax dodging, increasing their countries' debt burden due to an unfair international tax architecture.

3. How to overcome a systemic debt crisis?

This debt crisis, as the debt crises before, is not about some rotten apples being involved in mis-management of public resources. As Fadhel Kaboub and Andrés Chiriboga maintain, “[s]overeign debt crises in the Global South are not isolated economic mishaps – they are structural features of a global economic system rooted in colonial legacies and sustained through dependency”.⁸⁸ While there may be cases of corruption and inadequate policies in borrowing countries (just as there is corruption among creditors and reckless lending practices), the roots of the debt crisis are systemic and it is populations across the Global South who are bearing the costs.

These root causes of excessive debt accumulation are linked to how Global North–Global South economic and political relations have been shaped since colonialism. Furthermore, structural deficiencies, inherited from colonial economic dynamics, exacerbate debt accumulation. For Fadhel Kaboub these deficiencies include food deficits, energy deficits, and manufacturing value added deficits: “[T]he structural transformation needed to achieve the SDGs requires strategic investments in food sovereignty and agroecology, renewable energy sovereignty, and regional (not national) South–South and South–North green joint industrial policies that prioritize manufacturing, clean public transportation, clean energy systems, clean cooking infrastructure, and all the building blocks of development and prosperity needed to achieve the SDGs.”⁸⁹

Through “The Real Cost of Debt” stories you can find particular cases of how people in different countries are being affected in their daily lives, wellbeing, and prospects by skyrocketing debt payments and the austerity measures that come along with them. All these stories are interconnected through the systemic failures of the global debt architecture and damaging policies of international finance institutions. It’s not just some stories in some countries. The situation repeats itself across the Global South. The real cost of debt is billions of people not having access to adequate public services and social protection, suffering from the impacts of climate change, and facing increasing inequalities and impoverishment. The real cost of debt is denying decent jobs and opportunities for the young generations of today and the future in the Global South. The real cost of debt is about creditors stealing the present and future of billions of people across the Global South.

The frameworks and policies that IFIs and creditors are designing to address the sovereign debt problems are not just insufficient; they are worsening the burden of this debt crisis

for the most vulnerable. As the African Union notes in their Common African Position on Debt, “The current international financial system has lacked adequate mechanisms for timely, coordinated, and equitable debt restructuring”.⁹⁰ The G20 Common Framework is a clearer example of how the global debt architecture is not fit for purpose. The African Union, in the Lomé declaration, acknowledged that this G20 initiative – designed by creditor countries with the IMF in the lead – had “not provided a pathway towards the quick restoration of debt sustainability, creating some considerable skepticism as to its potential to deliver effectively for highly indebted countries, particularly in Africa”.⁹¹ Indeed, countries that have applied to the Common Framework have faced an uncertain process with even more uncertain outcomes, through lengthy negotiations, and, in the end, they haven’t received the debt relief needed.⁹²

As is showing from the failure of the Common Framework,⁹³ the global debt architecture is not fit for purpose as a means of providing fair and lasting solutions to the debt problems that many countries in the Global South face. The international community, creditor governments, and particularly the IFIs are not showing real political will to provide the systemic solutions that the debt crisis requires. Moreover, creditor countries, including European governments, are actively blocking advances that could take place under UN auspices to discuss and negotiate comprehensive reforms to the existing debt architecture.⁹⁴ Creditor countries seem more interested in preserving their decision-making power in sovereign debt issues than building a debt architecture that responds to the challenges of the new debt crisis in an effective and fair manner.

The global debt architecture is never going to deliver on fair debt-crisis prevention and resolution if it continues to be defined and decided by creditors. Borrowing countries need to be at the table where debt rules and systems are decided, if there is ever going to be a debt architecture that works for them and their citizens. Unlike the G20, the Paris Club, or the Bretton Woods Institutions, the UN is the only forum where borrowing and creditor countries can work together, on an equal footing, for a rules-based debt architecture. The UN is the space where, based on the international law principle of sovereignty, debt resolution rules can be fairly agreed between all countries.

A system defined and ruled by creditors is a system that allows for debt payments to take priority over the vital spending needed to fulfil the most basic human rights and over providing essential public services, reducing inequality

and poverty, protecting the environment, or responding to the climate emergency. A system defined and ruled by creditors will always defend the creditors' interests above people's rights. In order to put people's rights back at the centre of governments' policies and obligations, countries facing unsustainable debts should have access to unconditional debt cancellation that is sufficient for them to be able to advance the SDGs, reduce inequalities, including gender inequalities, and invest in climate action.

But, as we learned with past debt relief initiatives, cancelling debt is not sufficient. To tackle a systemic crisis we need systemic solutions. To address this crisis with lasting solutions, we need a profound reform of the international financial architecture, one that not only offers fair solutions when countries are in crisis but also prevents new debt crises from happening.

These are our recommendations for debt architecture reform that helps overcome a systemic debt crisis:

1. Reform the international financial architecture

UN Framework Convention on Sovereign Debt:⁹⁵ Member states should agree on a process to establish a framework convention under UN auspices that embodies a global consensus on the necessary principles, rules, and structures throughout the different interdependent stages of the debt cycle. The Fourth Financing for Development Conference that took place in Sevilla (Spain) in 2025 agreed on setting an intergovernmental process to address the gaps in the debt architecture – such a process could be a first step towards a UN General Assembly agreement on starting the process for the Debt Convention.

Multilateral debt resolution mechanism: As the Africa Union states, there is a strong need to “institutionalize an effective sovereign debt workout mechanism” so Africa’s systemic vulnerabilities can be addressed.⁹⁶ As established in the UN 68/304 resolution for a legal framework on debt restructuring, a multilateral sovereign debt resolution mechanism would work to increase the efficiency, stability, and predictability of the international financial system.⁹⁷ Without such a mechanism, debt restructurings become a costly, lengthy, and unpredictable process. Both creditor and borrowing countries should agree, within the UN Debt Convention, to set up a permanent multilateral sovereign debt resolution mechanism that ensures (a) the primacy of human rights over debt service and (b) a rules-based approach to orderly, fair, transparent, and durable debt crisis resolution, in a process convening all creditors.⁹⁸

Automatic debt relief for external catastrophic shocks:

While the incorporation of debt pause clauses in sovereign debt contracts can provide some relief to some countries facing catastrophic external shocks, their benefits will be very limited. Member states should promote, within the Debt

Convention, an automatic debt payment standstill mechanism in the wake of catastrophic events that includes all sovereign debt from all creditors and that facilitates debt cancellation to support recovery and reconstruction.⁹⁹

New approach to independent debt sustainability

assessment: The IMF and the World Bank approach to debt sustainability focuses too narrowly on a country's capacity to repay their creditors, rather than considering if the level of payments is consistent with the state's obligations on human rights, in particular economic, social, and cultural rights, and climate action. A new approach to debt sustainability is needed, in order to evolve towards a more adequate debt sustainability model that includes human rights, development, and environmental considerations at its core and that is delivered independently from creditors.

Domestic legislation in creditor countries to contribute

to effective debt resolution: European and other creditor countries should pass laws to ensure private lenders take part in debt cancellation, to prevent holdout private creditors from blocking debt restructuring deals, and to enforce comparability of treatment between official and private creditors. This type of legislation is particularly important and urgent in the UK and the US, as most debt is governed by English and New York law.¹⁰⁰

Binding responsible lending and borrowing principles

and practices: Responsible lending and borrowing practices are key to debt crisis prevention, but the existing principles remain voluntary, which makes implementation unenforceable. In this sense, UN member states should agree to upgrade the UNCTAD 'Principles on Promoting Responsible Sovereign Lending and Borrowing'¹⁰¹ to a set of binding rules and principles, and define tools to track implementation and ensure compliance. The FfD4 conference agreement on setting up a working group on responsible lending and borrowing is an opportunity to advance towards this goal. Complementarily, UN member states should support a resolution at the next UN Convention Against Corruption Conference of the State Parties in December 2027 to curb corrupt borrowing and predatory lending, by making such contracts unenforceable. Furthermore, national parliaments, in both borrowing and lender countries, should promote the establishment of legislation to ensure democratic and transparent lending and contracting, governance, and management of sovereign debt, in compliance with the binding principles on responsible lending and borrowing.

Global debt registry to promote transparency:

Transparency on debt contracts, both from creditors and borrowers, is key to prevent unsustainable debt accumulation. While the FfD4 commitment to establishing a global central debt data registry, housed in the World Bank, is a first step in the right direction, this won't be sufficient unless incentives for transparency practices, both for borrowers and lenders,

become stronger. In this sense, UN member states should establish a public global debt registry that is independent from creditors and borrowers, includes all debt operations and current holders of outstanding debt, and applies to all types of lenders, including bondholders and other commercial lenders. Registering should be binding for all debt-creating operations, and debts not included in the registry should not be enforceable by national courts.

An intergovernmental process to reform the Credit Rating Agencies (CRAs) and establishment of an independent Multilateral CRA:

The reform of credit rating systems remains indispensable to ensure fair borrowing terms for developing countries through a democratic and accountable global financial system. A central question remains on how to address the methodological bias, flaws, and implications of CRAs.¹⁰² To respond, member states should convene an intergovernmental process to address and promote meaningful and accountable reform. Another way forward is the establishment of new rating agencies, such as a public and independent Multilateral Credit Rating Agency or the newly established African Credit Rating Agency, with “the potential to act as a counterweight to the collective power of private CRAs”.¹⁰³

2. Deliver sufficient financial resources for human rights, development, gender justice, just transition, and climate action

Unconditional debt cancellation of illegitimate and unsustainable debts:

As we have seen, in the absence of a fair, timely, and comprehensive debt resolution framework, governments in the Global South are prioritising debt servicing at the expense of human rights, essential public services, development prospects, gender equality, and climate action. Several UN resolutions reiterate state obligations to ensure that “debt service does not result in violations of human rights and human dignity and does not prevent the attainment of international development goals”.¹⁰⁴ In this context, countries with unsustainable and illegitimate debts should have access to immediate and unconditional debt cancellation, from all creditors, that is consistent with states’ human rights obligations.¹⁰⁵ Debt restructuring and debt cancellation should indeed be unconditional, and in this sense member states should agree on eliminating detrimental loan conditionalities that divert crucial resources from ensuring sustained fulfilment of fundamental human rights, and investment in development, just transition, and climate action.

Domestic resource mobilisation: Debt justice and tax justice are two sides of the same coin. Without tax justice and facing massive resource leak given persistent illicit financial flows, governments are left with little option than borrowing to finance their budgets. Without debt justice, the efforts to increase tax revenues in the Global South end up going down the drain to repay external and domestic creditors, with money moving from Global South taxpayers to financial elites. The UN Framework Convention on International Tax Cooperation, which is being negotiated at the UN,¹⁰⁶ constitutes a key opportunity to create a fairer and more inclusive global tax system that supports all countries, and in particular Global South countries, in mobilising domestic public resources.¹⁰⁷ As a part of the UN Tax Convention, governments should introduce measures to effectively combat tax havens, illicit financial flows, and harmful tax practices, ensure that multinational corporations are taxed equitably and effectively in the countries where business activity takes place (including in developing countries), and ensure effective taxation of the world’s richest. They should also introduce a polluter pays surtax applied to the global profits of fossil fuel companies.

Re-imagining development cooperation by restoring its core purpose:

With the large ODA cuts and use of what remains to serve domestic and geopolitical priorities,¹⁰⁸ there is a clear need to restore its core purpose. This goes beyond technical fixes, as it requires a shift in power, giving an equal voice to countries in the Global South and demanding transparency and accountability from those who have benefitted most from the inflation of what is counted as ODA. This needs to go hand in hand with acknowledging “the historical obligation of providers to support the development of countries in the Global South, from which immense wealth has been extracted”.¹⁰⁹ In order to be efficient in reducing poverty and inequalities, development finance, particularly ODA, needs to be concessional, with a priority for grants over loans, particularly where debt vulnerabilities are high.

Access to sufficient and non-debt-creating climate finance:

Most countries in the Global South lack the necessary fiscal and policy space to design and implement the necessary climate policies, including those to support climate resilience and a just transition. As we’ve seen, debt is a key element of this limitation. However, another major reason climate action is falling behind is that Global North countries are failing to meet their obligations under the UNFCCC and the Paris Agreement, to provide public climate finance to Global South countries, for climate action. The levels of public climate finance provision are nowhere near what is needed¹¹⁰ and are likely to decrease in the coming years, pushing Global South countries to rely more and more on private capital and other debt-inducing sources, which will only exacerbate their debt situation. The countries that have contributed the most to the climate crisis should secure and scale up grant-based public climate finance to meet the needs of developing countries.

3. Transform economic, financial, and trade North-South relations

Recognition of climate and historical debts and reparations:

A deep transformation of Global North and Global South economic relations should start by Global North countries recognising the climate debt, ecological debt, and other historical debts that they owe to the Global South for centuries of appropriation of lives, wealth, and resources, environmental destruction, and disproportionate contribution to the climate crisis, through excessive carbon emissions that continue to this day. As the Caribbean Community (CARICOM) states in their Ten Point Plan for Reparatory Justice, “the unpaid debt for over 400 years of native genocide, chattel enslavement and the extractive colonialism” is well known.¹¹¹ This recognition should lead to structural and financial reparations,¹¹² including ecological restoration and respect for principles enshrined in international conventions, like the Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC) principles. CARICOM proposes that debt cancellation should be a “complementary mechanism to the demand for monetary compensation for the victims of indigenous genocide and chattel enslavement”.¹¹³

Transform the economic system through a just transition:

Countries in the Global North and IFIs should adopt and promote policies that lead to the phasing out of fossil and fuel subsidies, ending extractivism and shifting to decarbonised modes of production, distribution, and consumption. This should be coupled with introducing reforms in international trade agreements to “dismantle neocolonial economic structures”.¹¹⁴ Furthermore, the green transition in the Global North cannot be based on a new green colonialism, avoiding extractivist practices of rare earth mineral resources, and not imposing clean energy mega-projects on the Global South. The just transition in the Global South needs to be supported in a way it does not increase existing debts. A three-pillar developmentalist approach should underpin the just transition. Pillar 1 is reasserting the role of the state to govern and regulate in people's interest – governments exercise their regulatory power to direct finance toward domestic development, climate goals, and green industrialisation. Pillar 2 is reasserting the role of public capital and public purpose-led institutions – elevating national and regional public finance institutions and designing specific institutional arrangements to serve public policy objectives. Pillar 3 is building a global financial architecture that promotes and supports the first two pillars.

Endnotes

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