A briefer on public debt:
Persisting with false solutions offers no relief in sight
Asian Peoples’ Movement on Debt and Development
April 2024

The International Monetary Fund (IMF) and the World Bank (WB) are holding their annual Spring Meeting this April amidst the worsening debt crisis with 3.3 billion people living in countries that spend more on interest payments than education or health.

For eight decades, the IMF-WB has been instrumental in shaping an international financial architecture that systematically extracts the wealth of the Global South, perpetuating a cycle of indebtedness, poverty, and environmental degradation. And since the COVID pandemic, the failure of these institutions have become increasingly evident. More and more countries are sinking in debt, even their “model” countries, such as Sri Lanka and Pakistan, which have faithfully adhered to structural adjustments and loan conditionalities imposed on them through the years.

These institutions have rendered the Global South even more vulnerable, the South is now struggling to cope with the worsening cost-of-living crisis and the devastating impacts of the climate emergency.

PUBLIC DEBTS AT ALL-TIME HIGH

The UN noted the increasing debt as “a growing burden to global prosperity.” Total public debt, domestic and external combined, reached $92 trillion in 2022, increasing five times from $17 trillion in 2000. Governments in the Global South account for almost one-third of the total but accumulating debt much faster than their richer counterparts. The number of countries with public debt levels exceeding 60% of GDP continues to rise, from 22 in 2011 to 59 in 2022.

External long-term public debts of low- and middle-income countries (LMICs) increased steadily over the past decade and remains very high. In 2022, it reached $3.3 trillion. This include debts directly contracted by governments and debt by the private sector debts but were guaranteed by the government.

All types of creditors, private, multilateral and bilateral, had been increasing their lending to the South. Over the past decade, Southern governments have steadily increased their reliance on private creditors. Low-income countries however tend to have more external loans from multilateral and bilateral sources (collectively “official creditors” or other governments) while middle-income countries tend to have more loans from private creditors, primarily in the form of sovereign bonds.
It is more expensive to borrow from private creditors because they impose higher interest rates than official creditors because it is deemed more risky to lend to poorer countries as there is a higher chance that they cannot repay their debts. In 2022, LMICs’ debt service was over $400 billion and two-thirds of that went to private creditors.

The share of concessional loans offered by multilateral and bilateral creditors to LMICs have been declining. Concessional loans carry with it more favorable terms to borrowers such as lower interest rates and longer maturity period (or payment period). In 2012, concessional loans already make up less than 40% of public debts from official creditors, and this has steadily declines to only 27% as of 2022.

The Global South is trapped in a perpetual state of indebtedness. Total public debts keep rising despite ever increasing principal amortization (or “repayments”) on public debts. This is because new loans are acquired every year, the amount of which are more than the principal amortizations being paid. In 2022, $301 billion in principal amortization but at the same time borrowed over $337 new loans.

<table>
<thead>
<tr>
<th>PUBLIC DEBT: EXTERNAL LONG-TERM DEBT 2022</th>
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<tbody>
<tr>
<td><strong>Total public external debt (US$ million)</strong></td>
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<tr>
<td><strong>Total public debt as % share of total external debt</strong></td>
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<tr>
<td><strong>% share of Publicly guaranteed private debts to total public debt</strong></td>
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<tr>
<td><strong>How much is owed to private creditors?</strong></td>
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<tr>
<td><strong>Total public debt owed to private creditors as % share of public external debt</strong></td>
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<tr>
<td><strong>How much are in bonds? (US$ million)</strong></td>
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<tr>
<td><strong>% share of bonds to total public debts owed to private creditors</strong></td>
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<tr>
<td><strong>How much is concessional loans?</strong></td>
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<td><strong>Total concessional loans as % share of public external debt</strong></td>
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<td><strong>% share of concessional loans to official creditors</strong></td>
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<td><strong>How much is owed to China?</strong></td>
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<td><strong>Total public external debts owed to China as % share of total public external debt</strong></td>
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Table by the author based on data from WB’s IDS
The policies and lending practices of the IMF and the WB have consistently prioritized the interests of creditors and profit-driven institutions, while stripping adequate and sustainable alternative sources of financing for public investments in the rights and welfare of people and the planet.

**Debt Service Watch** has elucidated the gravity of the debt burden faced by the South today: on average, debt service eats up 35% of budget revenue across 139 WB-borrowing countries, rising significantly among low- and lower-middle-income countries (LIC and LMIC) to 57.5% and 44.5%, respectively. Countries in both income groups also spend more on debt service, by 65% and 14% more for LIC and LMIC respectively, than the combined budgetary spending for education, health, and social protection.

Debt service payments have siphoned public coffers of much-needed development financing. External public debt service of $443.5 billion paid by low- and middle-income countries in 2022 was already the highest level in history, with the World Bank expecting it to rise by 10% in 2023–2024 compared to the previous two years.

Debt service takes up a significant chunk of public finance. In six select Asian countries in South and Southeast Asia, debt service accounts for around one-fifth (20%) of government expenditure.

### Table 2. Debt service burden in selected Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Debt Service</th>
<th>Debt Service as a proportion of*</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>As a % of Revenue</td>
<td>As a % of Expenditure</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>48.75</td>
<td>28.16</td>
</tr>
<tr>
<td>Indonesia</td>
<td>36.16</td>
<td>29.97</td>
</tr>
<tr>
<td>Nepal</td>
<td>23.75</td>
<td>18.89</td>
</tr>
<tr>
<td>Pakistan</td>
<td>49.03</td>
<td>34.03</td>
</tr>
<tr>
<td>Philippines</td>
<td>32.33</td>
<td>27.82</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>119.86</td>
<td>53.49</td>
</tr>
</tbody>
</table>

*The number denotes how much is spent on debt service for every unit of money spent on the comparative social sector. Ex., based on the table, Bangladesh paid 1.89 times in debt service payment for every 1 education spending.

Source: Debt Service Watch

Debt Service Watch
Aside from prioritizing debt service, austerity measures, privatization of public assets, and deregulation of markets implemented under the guise of promoting economic growth and development, have resulted in widespread social upheaval, increased poverty, and environmental degradation. A chart from the *End Austerity* report shows that austerity measures are more prevalent in the Global South. This is certainly driven in part by loan conditionality imposed by creditors and/or the sheer lack of resources left to the government after debt service payment.

The failure of these institutions to provide effective pathways out of the perpetual debt crisis remains one of the major stumbling blocks to achieving the 2023 Agenda. Across Asia, *UN ESCAP* has already pointed out that on "its current trajectory, the region will not meet any of the 17 SDGs by the agreed deadline. Current estimates show these will not be reached before 2062, at least 32 years behind schedule." It has further pointed out that "climate action (Goal 13) as an immediate priority remains imperative, notably due to its ongoing regression."

**TOPLINE DEBT TRENDS 2022**

External public debt (including publicly-guaranteed private debts) in developing countries across Asia at highest level.

- East Asia and Pacific (EAP) – US$ 955.641 billion
- South Asia (SA) – US$ 459.313 billion
Private creditors claim the highest share of sovereign debts in EAP, 68% (US$ 655 billion). Multilateral creditors claim the highest share in SA, 43% (US$ 459.313 billion). Overwhelming claims by private creditors are in bonds, which carry higher interest rates, and more difficult to restructure:

- EAP – 85%
- SA – 64%

Concessional loans as share of official debts is less than 40%, and shrinking the past decade:

- EAP – 30% of official loans in 2022
- SA – 38% of official loans in 2022

Trapped in a debt cycle: debt service increasing and at all-time high in 2022:

- EAP – US$ 123.731 billion
- SA – US$ 37.815 billion

While new loans continue to come in which are more than principal being paid.
ILLEGITIMATE DEBTS: HARMFUL TO PEOPLE, COMMUNITIES, AND THE PLANT

Large-scale infrastructure projects financed by WB have led to forced displacement, loss of livelihoods, and destruction of ecosystems, exacerbating social inequalities and perpetuating cycles of poverty and vulnerability. Moreso, WB lending of projects that were harmful to people and planet have essentially signaled other lenders to do the same.

Climate-induced disasters, such as hurricanes, floods, and droughts, have disproportionately affected communities already struggling to survive in the face of economic hardship and environmental degradation.

WB-funded projects have facilitated the construction of coal-fired power plants, oil pipelines, and gas extraction facilities in countries across the Global South. These projects, purportedly aimed at promoting economic growth and poverty alleviation, have further entrenched dependence on fossil fuels and undermined efforts to transition to renewable energy sources.

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Karnaphuli Fertiliser Company (KAFCO)  
Bangladesh

Contracted in the early 90s under a military dictatorship, this US$ 500-million project involved extensive bribery of government officials and is considered among the most corrupt in Bangladesh’s history. At least US$ 350 million of public funds had been wasted as part of Bangladesh’s project commitments, which included public loan guarantees of US$ 250 million.


“Karnaphuli Fertilizer Company Limited”, MIGA, [https://www.miga.org/project/karnaphuli-fertilizer-company-limited](https://www.miga.org/project/karnaphuli-fertilizer-company-limited)

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Tata Mundra Power Project  
Mundra Ultra Mega Power Project (Mundra UMPP)  
India

Human rights and environmental standards have been flagrantly violated by this 4,000 MW coal-fired power plant. Coastal communities reported falling fish catch due to contaminated water dumped into the sea. The initial project was financed through loans by the Government of India from various multilateral and national banks, including a US$450 million loan from the World Bank’s International Finance Corporation.


“Tata Mundra Ultra Mega Power Plant (UMPP) India”, [https://www.backtrack.org/projects/tata_mundra Ultra_mega_power_plant UMPP India](https://www.backtrack.org/projects/tata_mundra Ultra_mega_power_plant UMPP India)

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Expansion of Geothermal Plants  
Indonesia

ADB granted Indonesian power developer PT Geo Dipa Energi a $300-million loan to expand two geothermal plants in Java, although this is not needed due to over-capacity. The expansion brings in higher risk of environmental damage due to greater groundwater extraction and deforestation.

The consequences of WB projects, coupled with IMF neoliberal policies have been devastating for vulnerable communities in the Global South. Indigenous peoples, rural communities, and marginalized populations have borne the brunt of environmental degradation and climate change impacts, despite contributing the least to the problem.

“APMDD asserts the illegitimacy of these loans, many of which have been paid fully and many times over throughout several decades.”

DEMANDING ACCOUNTABILITY AND REPARATIONS

We demand accountability and reparations from the IMF and the WB for their role in exacerbating systemic debt and climate crises. **Heed these demands:**

**Deep, Wide, and Urgent Debt Cancellation:** The IMF and the WB must work towards immediate and comprehensive debt cancellation in the Global South, not only for loans from themselves but also from other multilateral lending institutions. Moreover, they should leverage their resources to compel other public and private creditors to cancel illegitimate debts of the Global South.

**No to loans for Climate Action:** The IMF and the WB must mobilize its resources to channel non-debt-creating and non-conditional funds to support just energy transition, and climate adaptation in the Global South.

**Establishment of a UN-led Sovereign Debt Resolution Mechanism:** The IMF and the WB should accede to the establishment of a United Nations-led mechanism for sovereign debt resolution, ensuring fair and transparent processes.

**Reform of Debt Sustainability Framework:** The IMF and the WB must abandon their flawed debt sustainability framework, which prioritizes debt servicing over adequate development financing.

**It is time for the IMF and the WB to be held accountable for their historical role in exacerbating systemic debt and climate crises.** We call for drastic measures, including reparations and the rebalancing of power in economic governance away from the Bretton Woods institutions and towards more democratic spaces such as the United Nations. It is time for justice, accountability, and reparations.

**CANCEL THE DEBT!**

Cancel all illegitimate debts arising from fossil fuel projects!
Immediate and unconditional debt cancellation for the South!

**STOP FOSSIL FUEL LENDING!**

**NO TO LOANS FOR CLIMATE ACTION!**

Sources:
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World Bank (2023) *World Bank International Debt Report 2023*
UN Global Crisis Response Group (2023) *"A world of debt A growing burden to global prosperity" July 2023*
Debt Service Watch (2023) *"The Worst Ever Global Debt" Policy briefing*
Debt Service Watch (2023) *Putting Climate Adaptation Spending Out of Reach Policy briefing*
Ortiz, I. and Cummins, M. (2022) *End Austerity*