Talking points:

Multilateral debt, the role of the international financial institutions, the overall rise in global debt, post-pandemic currency shifts, and the compounding shocks of the Russia–Ukraine and Israel–Iran wars.

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Introduction

The public debt crisis facing the Global South is not a temporary fiscal problem. It is historical, structural, and systemic — the product of an international financial order that was built, and is still governed, without the countries that borrow from it at the table. Public debt has become a mechanism through which wealth is extracted from the South, policy is disciplined by conditionality, and development is steered according to the interests of creditors, powerful states, and financial markets.

This paper lays out the scale of that crisis, the institutions and governance structures that sustain it, the specific costs it imposes — on jobs, on climate resilience, on gender equity, on the energy transition — and the compounding shocks of the pandemic and two ongoing wars that have made it sharply worse since 2022. It closes with the alternative architecture the debt justice movement, led by organisations such as the Asian Peoples' Movement on Debt and Development (APMDD), is calling for.

A World Awash in Debt — and It Keeps Rising

Before looking at how the burden is distributed, the baseline matters. Global debt reached US$102 trillion in 2024 — up US$5 trillion from 2023 — and now surpasses the size of the global economy itself. Total global public debt has doubled since 2010, from US$50.9 trillion to US$101.8 trillion, even as world GDP grew far more slowly over the same period.

That burden has not risen evenly. Global South public debt grew nearly fourfold between 2010 and 2024 (from US$8.6 trillion to US$32.2 trillion), compared with a 1.6-fold increase in the Global North. As a result, the Global South's share of global public debt rose from 16.8% to 31.6% of the world total, even though it accounts for only 45% of global GDP. Its average public debt-to-GDP ratio more than doubled over the same period, from 36.8% to 76.2%.

Debt is also heavily concentrated: China alone holds an estimated 51.4% of the Global South's total public debt. But concentration should not be confused with vulnerability. Smaller, poorer economies carry the heaviest burden relative to their size — public and publicly guaranteed (PPG) debt makes up 94% of Nepal's total external debt, 80% of Pakistan's, 77% of Bangladesh's, and 72% of Sri Lanka's.

The numbers at a glance

US$102 trillion global debt in 2024 • US$8.9 trillion external debt held by low- and middle-income countries • US$741 billion net outflow, 2022–2024 — more paid out in debt service than received in new financing, the largest such outflow in 50 years • 3.3 billion people live in countries that spend more on debt service than on health or education combined.

The Multilateral System: Mandates, Money, and the Governance Deficit

Public debt owed by Global South governments flows through a layered creditor system: multilateral lenders (the World Bank, IMF, Asian Development Bank, and Asian Infrastructure Investment Bank), bilateral lenders (official aid agencies and state-backed institutions, including China — now the world's largest official bilateral lender, with roughly US$2.2 trillion in overseas loans and credit extended between 2000 and 2023), and commercial or private creditors (banks, investment firms, and bondholders).

Institution	Role & Critique
World Bank (IBRD/IDA)	Founded 1944. Provides development loans and concessional IDA credits to low-income countries. Voting power is tied to capital shares — advanced economies hold over 60% of Bank voting shares, with the US alone holding over 15%.

Institution	Role & Critique
IMF	The “lender of last resort.” Quota-based voting (50% GDP, 30% openness, 15% variability, 5% reserves) ties influence to economic size. Lending comes bundled with conditionality — fiscal consolidation, VAT/GST hikes, privatization, and labor “reforms.”
Asian Development Bank (ADB)	Asia-Pacific’s largest regional infrastructure lender. Branded itself a “Climate Bank” after its 2021 coal-exit pledge, yet still finances fossil gas (Rupsha, US$500M) and collects repayments on old coal loans (Jamshoro, Rampal).
AIIB	China-led multilateral bank founded 2016, framed as an alternative to Bretton Woods dominance. Still operates largely within the same debt-financed infrastructure model — adding a new creditor layer rather than a new paradigm.

Multilateral debt is unevenly distributed across regions too. Of the US$987 billion in multilateral PPG debt held by low- and middle-income countries in 2024 (30% of their total external PPG debt), Sub-Saharan Africa (41%) and Europe & Central Asia (40%) lean most heavily on multilateral lenders — nearly three times the reliance seen in East Asia & Pacific (15%), where China's own borrowing, dominated by private bondholders, pulls the regional average down. South Asia (37%) and Latin America & the Caribbean (28%) fall in between.

A governance deficit at the core

Debt governance demands reform primarily because of the gross democratic deficits that give outsized decision-making power to IFIs and Global North governments, while leaving Global South countries — the institutions' exclusive borrowers — at the mercy of self-serving policies set by others. The United States holds approximately 16.5% of IMF voting shares, enough on its own to block any decision requiring the 85% supermajority the Fund uses for its most consequential votes. Advanced economies collectively hold more than 60% of World Bank voting power. By some estimates, the Global North's voting power at the IMF is roughly nine times that of the Global South on a per-capita basis. A 2020 IMF quota review that would have shifted voting power toward emerging economies was abandoned, and the 17th General Quota Review remains stalled on the same question of realignment.

The creditor landscape has also shifted structurally over the past decade. Bondholders now account for roughly 41.6% of total public and publicly guaranteed debt, and public debt owed to private lenders rose a further 2.8% in 2024 alone, to US$2.1 trillion. In East Asia and the Pacific, some 74% of external PPG debt is now owed to private creditors, versus just 15% to multilaterals. This matters because private creditors are both the least willing to offer relief and the most difficult to compel into coordinated restructuring.

Why Countries Are Struggling to Pay — and What It Costs

Rising debt alone does not break a budget. It is the combination of how that debt is priced, who holds it, and what governments must sacrifice to keep servicing it.

Why debt has become unpayable

- **Currency mismatch —** debt is priced in US dollars while government revenue is collected in local currency, so any depreciation inflates the real repayment burden overnight.
- **Interest rates spiked —** post-2020 monetary tightening in advanced economies raised global borrowing costs just as countries needed to refinance pandemic-era debt.
- **The creditor mix shifted to private lenders —** bondholders, some charging yields above 10–12%, replaced concessional finance and are the least willing creditors to restructure.
- **Revenue is narrow and volatile —** reliance on commodity exports, combined with shrinking concessional aid and foreign-exchange reserves (down from 88% of external debt in 2010 to 63% in 2023), leaves little room to absorb any shock.
- **A self-perpetuating cycle —** debt flows in a circuit: IFIs' business model depends on continuous lending, so every new crisis — economic or climate — becomes another opening to issue more loans. In practice, borrowing is often forced on crisis-hit countries, not freely chosen.

What it costs

The consequences extend well beyond the fiscal balance sheet. Interest payments now outpace combined health and education spending in countries home to 3.3 billion people, and governments are pushed into austerity conditionality — subsidy cuts, VAT and GST increases, privatization, and public-sector wage caps — simply to remain current with creditors. A missed payment or near-default can trigger a credit downgrade, pushing borrowing costs higher still and deepening the very distress that caused it: a debt-service “doom loop.”

Three further impacts deserve particular attention. First, unemployment: IMF conditionality — labor deregulation, state-owned enterprise privatization, and fiscal restraint — is empirically linked to higher unemployment, hitting hardest where the public sector is the largest employer. Forty-three of the fifty-five African Union member states face a combined US$183 billion in public expenditure cuts over five years, several with multi-year public-sector pay freezes attached. Second, the climate crisis: a vicious circle in which climate vulnerability raises the cost of capital, debt service crowds out resilience spending, and each new disaster forces further borrowing to rebuild. Developing Asia's energy sector alone drives 77.6% of the region's emissions, and without a faster transition the region remains on a path toward roughly 3°C of warming. Third, fossil fuel lock-in: to earn the foreign currency needed for debt service, many countries remain dependent on exporting fossil fuels and commodities, undermining their own energy transition — a dependency multilateral lenders often reinforce rather than break.

The climate-debt link

External debt in developing Asia-Pacific (excluding China) rose 145% between 2008 and 2023 — a fivefold increase in Central Asia and a sevenfold increase in the Pacific Islands — the same subregions facing the sharpest climate exposure. Climate shocks and debt distress are feeding each other.

Compounding Shocks: Currency Shifts, Climate Disasters, and Two Wars

These pressures have been sharply compounded since 2022 by forces largely outside any single country's control. Debt-related Official Development Assistance collapsed from 7.2% of total ODA in 2010 to just 0.2% in 2023, pushing countries toward costlier commercial borrowing precisely as concessional options disappeared.

The Climate Crisis (ongoing)

Climate disasters are now a debt shock in their own right, and fossil-fuel-financed development deepens the trap further. Pakistan's 2022 floods caused an estimated US$30 billion in damage and displaced 33 million people — yet external debt service continued almost unchanged, with only US$132 million in relief granted against US$8.3 billion due that same quarter. Climate finance compounds the problem: delivered mostly as loans rather than grants, it leaves the poorest countries paying twice as much in debt service as they receive in climate finance, even as Global North pledges under the UN's climate finance goals remain unmet — leaving low-emission countries to borrow their way through a crisis they did not cause.

The Russia–Ukraine War (2022–ongoing)

The IMF cut its 2022 global growth forecast to 3.6% as war effects spread through food, energy, and financing channels. Low-income countries needed roughly US$500 billion in external financing for 2022–2026 — about US$57 billion more than pre-war estimates — while grain, fertiliser, and energy price spikes fed into the same interest-rate tightening cycle that raised Global South borrowing costs generally. Central Asia (the Kyrgyz Republic, Tajikistan) saw heightened debt distress from remittance and trade spillovers.

The Israel–Iran War (2026–ongoing)

The World Bank's 2026 global growth forecast of 2.5% — the weakest since COVID-19 — follows the Strait of Hormuz closure and a projected Brent crude price of roughly US$94 per barrel, about 36% above 2025 levels. The resulting fertiliser and food-price shock, which typically arrives on a six-to-nine month lag, is landing on Pakistan, Egypt, and Kenya just as roughly US$5.1 billion in debt rollover needs come due. Under a prolonged scenario, Sri Lanka's debt-to-GDP ratio could approach 143% by 2028 — a level at which any IMF programme becomes unworkable without major creditor write-offs. Neither war originated in the Global South, but both have landed squarely on it.

Flawed Debt Relief and Illegitimate Debt

Successive relief mechanisms — the HIPC Initiative (1996–1999), the Multilateral Debt Relief Initiative (2005), the G20 Debt Service Suspension Initiative (2020–2021), the IMF's Catastrophic Containment and Relief Trust (2020–April 2022), and the G20 Common Framework (2020–ongoing) — have consistently fallen short of what borrowing countries need. The Common Framework has been used by just four countries — Chad, Ethiopia, Zambia, and Ghana — since 2020, and countries under Common Framework-type arrangements still face debt-service burdens averaging 76% of budget revenue in 2026. Sri Lanka and Pakistan, despite acute servicing pressure, remain excluded because they are classified as middle-income.

A further category of debt is not merely difficult to service but illegitimate at its origin: loans tainted by corruption, imposed without consultation, or resulting in lasting environmental and human-rights harm. Multilateral lenders are directly implicated. The Asian Development Bank continues to collect repayments on the Jamshoro coal plant in Pakistan (US$900 million) and the Rampal coal plant in Bangladesh (US$160.85 million of a US$1.6 billion project financed mainly by India's EXIM Bank), despite its own 2021 pledge to exit coal financing; it has separately committed US$500 million to the Rupsha gas plant in Bangladesh, illustrating a shift from coal to gas rather than away from fossil fuels altogether. The Tata

Mundra coal plant in India (US$450 million, IFC/ADB-backed) was found by ADB's own Compliance Review Panel to be non-compliant with its safeguard obligations after coastal communities reported declining fish catches from contaminated water. APMDD's position is direct: debts arising from fossil fuel projects are illegitimate and should be cancelled, with the freed resources redirected to renewable energy.

The Gender Dimension of Debt

Debt bondage is also a gender justice issue. The same 3.3 billion people living in countries that prioritise debt repayment over education, health, and social protection include women who disproportionately absorb the resulting gaps. Austerity conditionality cuts the social budgets — health, education, water, electricity — that reduce women's unpaid care burden; privatization shifts withdrawn services onto unpaid household labor; and regressive VAT and GST increases, a standard IMF prescription, fall hardest on low-income women in the informal sector rather than on corporate profits or concentrated wealth. IMF-prescribed labor "reforms" such as contractualization compound the effect: in the Philippines, up to one million public-sector workers are contractual, almost four in ten of them women.

Envisioning the Alternative: APMDD's Key Calls

Moving debt governance out of creditor-dominated spaces — the IMF, the World Bank, the Paris Club — and into a legally binding, UN-based mechanism where Global South countries sit as equals rather than petitioners is the central demand of the debt justice movement. APMDD's position rests on three pillars:

- **Unconditional and immediate debt cancellation —** for the Global South, starting with specific illegitimate debt projects requiring redress and reparations, with freed resources directed to long-neglected essential services.
- **A UN Framework Convention on Sovereign Debt —** a legally binding, multilateral restructuring mechanism under UN oversight, with equitable burden-sharing, transparency, and climate-linked relief.
- **Debt repudiation as a sovereign right —** governments should stop payment on loans that were undemocratically or fraudulently contracted, or that caused destructive impacts on people and the environment.

What a UN Framework Convention on Sovereign Debt should deliver

- A binding, multilateral debt restructuring mechanism, replacing today's ad hoc, creditor-led processes.
- An overhaul of IFI-created and promoted debt sustainability frameworks.
- Stronger responsible lending and borrowing standards, with real accountability for reckless creditors.
- Improved grievance and accountability mechanisms at the IMF, World Bank, and other multilateral development banks.
- Regulation of private creditors and credit rating agencies, currently outside any binding framework.
- Global North legislation compelling private-creditor participation in fair restructuring.
- Regulation of capital accounts and capital flows to curb speculative exposure.
- Rejection of false solutions — such as debt swaps that do not genuinely reduce debt burdens.

Also central to this vision: protecting human rights and essential social spending, ensuring transparency and public participation, mandating equitable burden-sharing among all creditors, and incorporating climate- and development-linked debt relief into any future framework.

The debt crisis facing the Global South is not an accident of bad luck or poor management — it is the predictable output of a financial architecture designed, and still governed, by the countries and institutions that benefit most from its current terms. "These figures confirm what debt justice movements have asserted all along," APMDD notes: "the current debt system does not serve the peoples of the Global South. It serves creditors." Changing that outcome will require sustained pressure on multiple fronts at once: cancelling illegitimate debt, democratizing the IFIs, and building the UN Framework Convention on Sovereign Debt that could finally put people's survival ahead of debt service.

Sources

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