Development Finance International

# Report to the United Nations Secretary General
# FUNDING AGENDA 2030 AND AN SDG STIMULUS: HOW MUCH MONEY COULD DEBT RELIEF PROVIDE ?

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*5 May 2026*

***ABSTRACT:***
*In 2023, the UN Secretary General demanded urgent action from the international community to finance an SDG Stimulus, via new financing and debt relief. This report to the Secretary General by DFI shows that the global South is currently facing its worst ever debt-provoked development crisis, as measured by the burden of debt service, whether compared with budget revenue, government spending or GDP; or spending on key SDG sectors. In total, 5.1 billion global South citizens now live in countries where debt service exceeds total social and environmental spending.*

*It then assesses current measures and proposals to relieve this crisis by restructuring debt and reducing borrowing costs, and the savings which the more ambitious proposals could provide, in line with the suggestions in the UNSG's SDG Stimulus proposal. It finds that the total annual amount which could be saved by debt service relief during 2026-30 is USD 3.4 trillion. At country level, the more realistic likely amounts of debt relief arising from recent proposals could allow lower-income countries to more than double their spending on the social and environmental SDGs, and wealthier G77 members to increase such spending by nearly 3% of GDP. This would enable virtually all G77 countries to fill their SDG financing gaps, and to show their citizens that they are spending more on the social and environmental SDGs than on debt service. These measures should therefore be a priority for the forthcoming UK presidencies of the G20 and G7 in 2027.*

***Development Finance International*** (DFI) is a non-profit research and capacity-building organisation. It has worked for 32 years with more than 60 Global South governments, helping them to mobilise the best development finance and debt relief to end extreme poverty and inequality, and confront the climate crisis. It has also provided advice and analysis to intergovernmental organisations, development partners, civil society organisations (including Jubilee 2000), trade unions and parliamentarians. For more details, see www.development-finance.org. DFI works in partnership with many governments, multilateral organisations and CSOs across the world: however, the views expressed in this publication are entirely those of DFI.

## EXECUTIVE SUMMARY

*In 2023, the UN Secretary General demanded urgent action from the international community to finance an SDG Stimulus via new financing and debt relief. He made two proposals: to provide comprehensive debt relief to countries which need it; and to halve borrowing costs for countries which might not access debt relief because they borrow constantly from financial markets.*

*This report to the Secretary General by Development Finance International answers two questions. It uses a major new database,* ***Debt Watch,*** *which tracks debt service and SDG spending for 149 countries, compiled by DFI from IMF and country budget sources.*

***1) What is the Scale of the Current Debt Crisis Among G77 Countries ?***

*The global South is currently facing its worst ever debt-provoked development crisis, as measured by total public debt service compared to budget revenue, and spending on key SDGs. In 2026,*

- *G77 countries are paying US$8 trillion in debt service. This is on average 46% of budget revenue, 35% of government spending and 8.8% of GDP, higher than ever before.*
- *G77 countries are paying 10% more in debt service than on all their spending on key social and environmental SDGs: 3 times education spend, 5 times health and 12 times social protection.*
- *6.3 billion G77 citizens – 97% of total population - live in countries where debt service exceeds health spending, 5.9 billion in countries where it exceeds education or social protection spending, and 5.1 billion in countries where it exceeds total social and environmental spending.*

*These high debt payments affect 105 countries, and for 103 of them will continue through to 2035.*

*2)* **How Much Money Could Comprehensive Relief and Halved Borrowing Costs Provide ?**

*The report first analyses measures currently being applied (including enhanced efforts to mobilise domestic tax revenues, the G20 Common Framework on Debt, increased lending by MDBs, "credit enhancement" solutions to reduce borrowing costs, and austerity. It finds they will fall way short of providing the amounts to fill the SDG financing gap, currently estimated at US$3.5-4 trillion a year.*

*It then analyses the potential results of simulating the savings which more ambitious measures could provide, notably reducing debt service to 10% of budget revenue (the target used in the HIPC/ MDRI Initiatives) through restructuring for 45 countries; halving borrowing costs for 33 countries which borrow at well above MDBs borrowing rates; and special measures to cut debt service to 10% of revenue for 20 countries regularly hit by climate disasters.*

*It finds that the annual amount which could be saved by these measures in 2026-30, if they were applied to all G77 countries with high debt service, is USD 3.4 trillion - almost matching the SDG funding gap. However, it is not realistic to expect that all G77 countries would receive relief. So the report then excludes from the relief calculation high-income G77 countries (apart from SIDS), those which already have very low borrowing costs, and those with sustainable debt service. It finds that the resulting lower savings from relief could be US$ 917 billion a year on average during 2026-30.*

*At country level (see Annex 1), the report finds that the amounts of debt relief arising from these proposals could allow countries benefitting from debt restructuring to more than double their spending on the social and environmental SDGs, by providing extra fiscal space averaging 9% of GDP; and G77 members benefitting from cost reduction measures to increase SDG spending by 2.6% of GDP (or 25%). This would enable virtually all G77 countries to fill their SDG financing gaps.*

*This is the first report ever to show country-by-country how much SDG financing could be provided by comprehensive debt relief. This scale of relief would show the world's citizens clearly that the world is delivering on SDG-17, allowing G77 countries able to spend more on the SDGs than on debt, delivering an SDG Stimulus and ending the worst ever debt service-development crisis.*

# 1. BACKGROUND AND CONTEXT[1]

In February 2023, United Nations Secretary-General Gutierres in his *SDG Stimulus Plan* made two proposals to ensure debt relief maximises its funding contribution to the SDGs:

1) maximum possible debt service reduction via restructuring for countries which need it; and
2) other measures to halve the borrowing costs of countries which have to continue accessing financial markets to fund their budgets.

Both proposals reflected the overwhelming will of UN member states, and were made to close a large part of the post-COVID SDG financing gap which has been estimated at US$4 trillion a year.

However, since then, the G20 has made little progress towards these goals. Its Common Framework continues to provide inadequate and delayed debt relief (for details see Section 3.1), which is dissuading many other countries in debt crisis from applying for relief. Instead they have continued trying to borrow more from domestic or external markets, or cheaper multilateral or bilateral lenders, to cover the repayments falling due in the next few years; and simultaneously cut government spending and increased taxes on their citizens, in "austerity" to try to bring down their budget deficits and (over the longer-term) debt burdens. As the IMF and World Bank have stated clearly, for these reasons, debt is not provoking a "default crisis", but is provoking a widespread and unprecedented development crisis, reversing SDG progress across most G77 countries.

South Africa's G20 presidency made proposals to improve debt relief and cut borrowing costs, especially via its Africa Expert Group, but the G20 did not adopt them. Indeed, at the end of 2025 the "lowest common denominator" consensus in the G20 seemed to back only minor steps, such as defining "comparable relief" more clearly and extending the Common Framework to cover MICs.

On the other hand, the UN Financing for Sustainable Development Conference in 2025 made considerable progress on the global debt architecture. In particular, it created the Borrowers' Platform hosted by UNCTAD, which will help borrowing countries to express common positions and exchange best practices on debt relief and new borrowing; the Sevilla Forum on Debt, which will provide a more open space for discussions on debt issues with all stakeholders; the UN Task Force on Responsible Borrowing and Lending; and the Intergovernmental Process to Identify Gaps in the Debt Architecture. Of these, the Borrowers' Platform has the most potential to widen fiscal space.

These steps have not gone anywhere near far enough for the governments most affected by the current debt crisis. In February 2026, African Union Finance Ministers adopted a Common African Position on Debt advocating much more serious debt restructuring and cost reduction measures. They have been joined in such demands by small island developing states, climate vulnerable countries, and a growing global campaign stretching from the streets of Kenya to the Vatican.

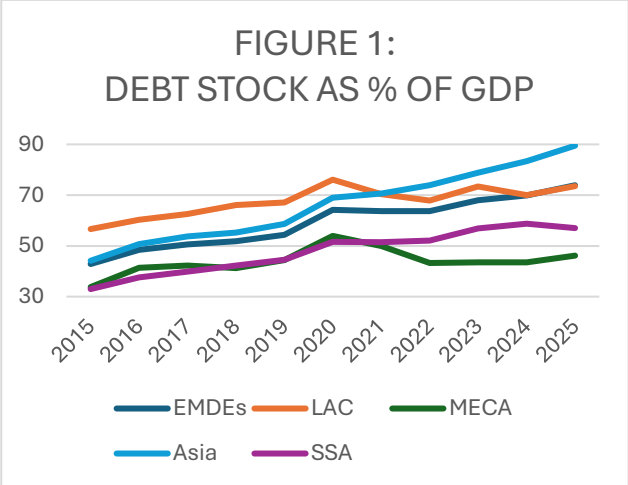
Since 2022, Development Finance International (DFI) has been producing the ***Debt Service Watch*** database, based on IMF data. It was the first to show that more than 100 G77 countries are facing their worst ever debt crisis. Debt service is increasingly crowding out SDG spending, producing a renewed development crisis across the global South, and preventing countries from building their resilience to resist economic, climate/nature and pandemic crises. In this context, the current report to the Secretary-General builds on recent suggestions which could provide much greater fiscal space for SDG investments, and shows exactly how much could be saved through more ambitious measures to restructure debts and reduce borrowing costs. It aims to build momentum behind the growing calls across the world for much stronger action to resolve the debt crisis.

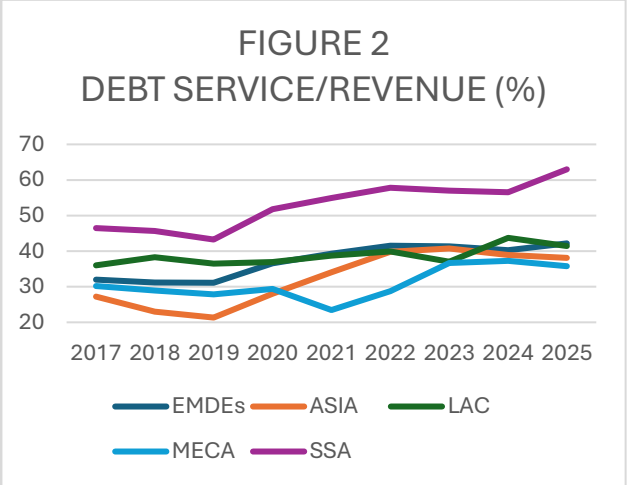
# 2. THE SCALE OF THE GLOBAL DEBT AND DEVELOPMENT CRISIS

## *2.1. The Scale of Global Debt and Debt Service*

Since 2015, the debt burdens of most countries around the world have been growing rapidly. This is apparent even from looking at debt/GDP data. Figure 1 shows the rise in average debt burdens across all "emerging and developing economies" (EMDEs as the IMF calls them) and all regions of the global South since the start of the SDG/Agenda 2030 period. Over the last decade, debt/GDP

has risen by 72% across all EMDEs. It has doubled in Asia and Sub-Saharan Africa, and risen by 30-35% in Latin America and the Caribbean, and the Middle East and Central Asia. It is also notable that debt stock/GDP increased sharply in 2020 in all regions, due to the COVID-19 shock.



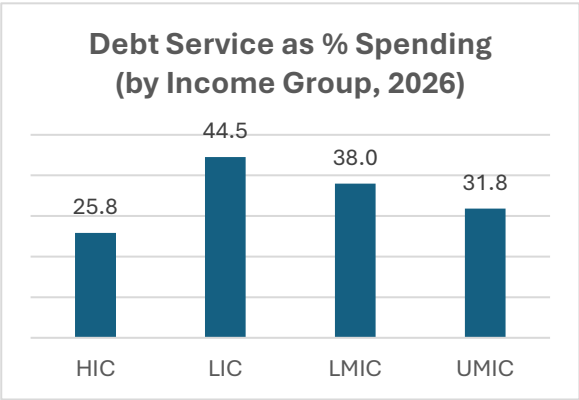



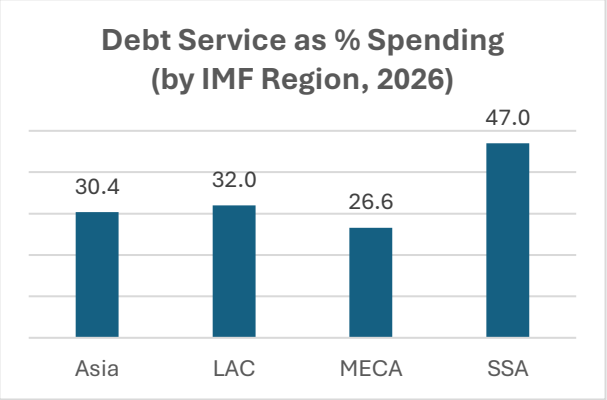

Source: IMF WEO Database, October 2025 for stock; DFI Debt Watch database for service

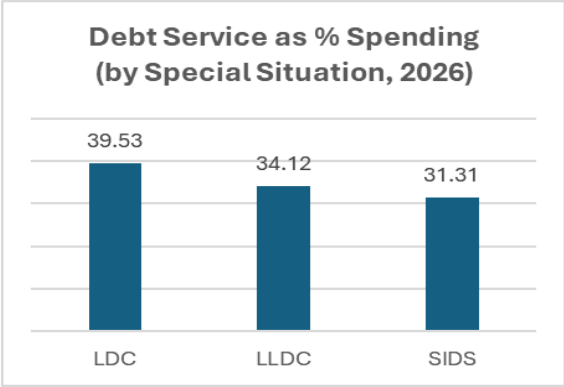
However, if focussing only on debt stock, it is possible to believe that the current crisis is less serious than earlier global debt crises – because debt stock/GDP levels are lower for the most indebted countries than they were in the 1980s in Latin America and the 1990s in HIPCs. In a related conclusion, the relatively small number of "market-significant" countries defaulting on their debts has led some private sector analysts to conclude that we don't even have a debt crisis.

These conclusions could not be further from the truth, as the IMF, UN, World Bank and analysts closer to financial markets (as well as many independent academics and CSOs) have shown. The true depth and breadth of the current crisis is shown by looking at **debt service burdens**. Since 2019, as shown in Figure 2, debt service/budget revenue ratios have risen very sharply. All groups (regions, income groups and special situations) have seen sharp rises, though the worst affected have been Africa and Asia; low- and lower-middle income countries; and all UN groups of countries in special-situations (LDCs, LLDCs and SIDS).

As a result, as of 2026, the current levels of debt service across the global South are, when compared to revenue and expenditure, on average ***much higher*** than those seen at the beginning of the Latin American and HIPC debt crises of the 1980s and 1990s. 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. In terms of its impact on development and fiscal space for government spending, this is the therefore the **deepest** debt service crisis ever faced by the global South. Figures 2, 3 and 4 show that it is particularly affecting South Asia, Sub-Saharan Africa and LAC in terms of regions, low and lower-middle income countries, and all countries in UN special situation groups.



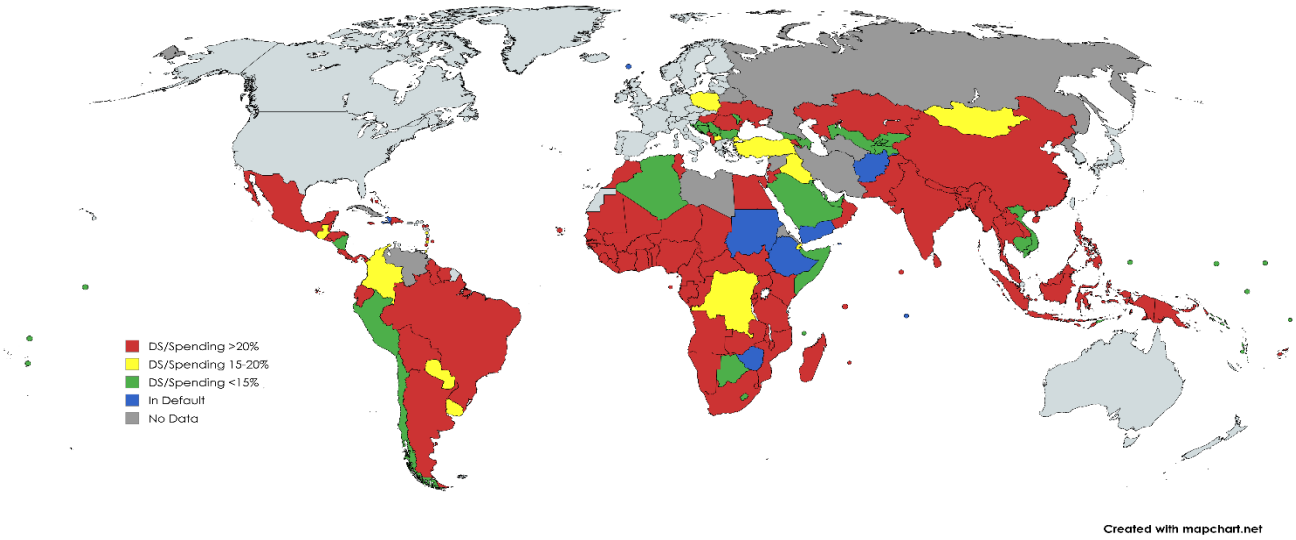






Source: Debt Watch Database, Development Finance International

The current debt crisis is also the broadest ever. Figure 5 shows that the high level of debt service compared to government spending is affecting 105 countries, even though only around 6 of them are formally currently in default.

**FIGURE 5: Debt Service Compared to Government Spending**



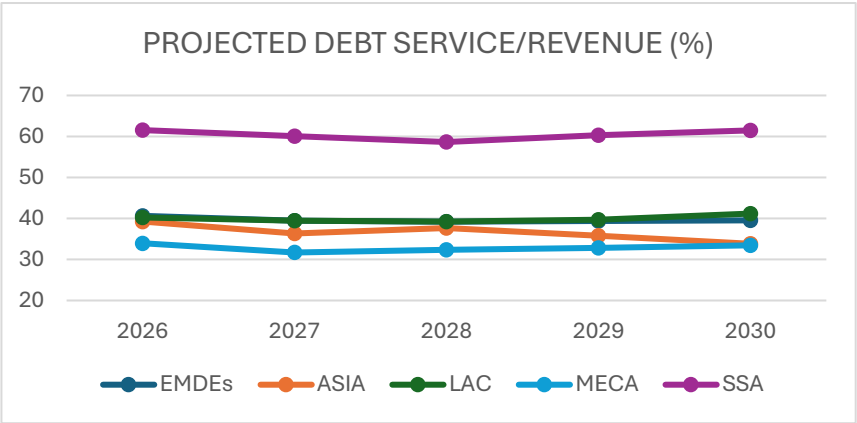

Source: Debt Watch Database, Development Finance International

It is vital to realise that this crisis is due to a combination of external and domestic debt service.[2] Across all global South countries, reflecting the dramatic development of financial markets across the global South during 2000-2025, around 60% of debt service is payable on domestic debt, and 40% on external debt. However, this picture varies markedly, with higher-income G77 members paying 70% of their service in domestic currency, and only 30% in external; while the balance for lower-income countries is closer to 50-50; and countries in special situations are still paying service predominantly in external currency, because they have not borrowed much in domestic financial markets (which in many cases are very small).

The resulting crisis has often been described as a "liquidity crisis". However, depending on the interpretation placed on the word liquidity, this can be thoroughly misleading. Some have used the phrase "a liquidity crisis" to mean a short-term crisis which can be resolved by borrowing a bit more to tide a country over – a "bridging" loan.

This is not at all the nature of the crisis being faced by the most indebted G77 countries. As shown in figure 6, country debt service/revenue burdens across all groups will continue to be high (above 30%) for the rest of the SDG period through to 2030, with only Asia seeing a slight fall. Of the 105 countries currently shown by the IMF to have debt service exceeding 15% of revenue, only two (Kazakhstan and Uzbekistan) will see service fall below 15% by 2035. These forecasts were of course made before the latest Gulf war seriously dampened economic prospects (and increased

borrowing needs and costs) across the world, and so the picture is expected to become even worse during 2026. We should therefore call the current crisis what it is: **a long-term debt service crisis**.




Source: DFI Debt Watch Database based on IMF forecasts

In turn, this conclusion raises another question: ***when does a long-term service (or "liquidity") crisis become a solvency crisis ?*** Most analysts in multilateral organisations, markets or research institutions would say that a long-term service/liquidity crisis is the same as a solvency crisis, those they might disagree as to whether "long-term" means 5- years or 10-years. The current debt service *levels* are not forecast by the IMF to fall substantially over the next 10 years[3] – even without taking into account the negative impact of the macro polycrisis caused by the Iran War, or allowing for future financial, climate, nature, inequality or pandemic shocks which will certainly happen in the course of a decade. It is clear that the worst affected countries also face a solvency crisis.

### 2.2. *The Causes of the Current Debt Crisis*

It is common to hear people within the creditor community blaming borrowing countries from the global South, for irresponsible borrowing or misuse of borrowed funds – "it's the same corrupt bunch of poor countries we gave debt relief to before". Corruption continues to be a vital issue in debt contracts, in both North and South, and the international community needs to take serious measures to resolve this problem, through stronger anti-corruption debt laws.[4]

However, more broadly this opinion is a product of prejudice, and not supported by the facts. It should be obvious that this is not the case, given that a debt service crisis is also hitting many countries in the global North.[5] Statistical and econometric work by DFI has shown that the strongest explanatory factors for the current debt service crisis are the degree to which countries have accessed external and domestic financial markets, and the volatility and high costs of those markets. The other major factors are exogenous shocks (the global financial crisis of 2008-10, COVID-19 in 2020, the invasion of Ukraine and its inflation effects in 2022, climate and pandemic shocks faced in regions or by individual countries (such as hurricanes, droughts and Ebola).

### *2.3. Judging the Sustainability and Severity of the Debt Service*

How should we judge the severity of the current debt service burdens and whether they imply that countries need urgent debt relief, through debt restructuring or cost reduction ?

- First, it is very important to distinguish between countries of the global North which have convertible currencies and the backing of strong national or regional (EU) central banks, which dramatically reduce the interest costs of their debt stock. For this reason, these countries are commonly agreed to be able to "carry" much higher levels of debt and debt service, and to be unlikely (except in very extreme circumstances such as Greece in 2015) to be unable to refinance their debts and require debt restructuring. For this reason, and though they could also benefit from structural reforms to global bond markets to reduce their borrowing costs, they are not the focus of the remaining analysis in this report.

- Second, we should consider the benchmarks set by the international community for assessing whether the debt burdens of global South countries are unsustainable. These vary depending on a country's income level and whether it regularly accesses markets:
  - For ***lower-income (PRGT-eligible) countries, the LIC-DSF*** sets the crucial liquidity benchmark of debt service compared with budget revenue (*including grants*) at levels varying between 14% and 23% depending on their debt "carrying capacity" (the basis for the capacity assessments is somewhat controversial, to the degree that it is partly based on World Bank CPIA scores). It does not set any liquidity benchmark for total public debt, even though its analysis shows the total public debt service/revenue levels very clearly.[6]
  - For countries eligible for the less concessional lending windows of the IMF (most of which are also accessing markets regularly), no thresholds are used in ***the SRDSF*** to assess the sustainability of their debt service burdens (or indeed their debt stock burdens). Debt service levels are assessed only as part of gross financing needs of the government, and even here thresholds are not used – all judgment is based on upward/downward trends and their size.[7]

- Third, the basis for assessing the sustainability of TOTAL (as opposed to external) public debt remains very unclear. As mentioned above, neither the LIC-DSF nor the SRDSF provide any clear benchmarks for total public debt service. Analysis conducted by DFI in 2005 covering 50 countries indicated that in all cases, debt default occurred first on domestic debt (with accrual of arrears to government employees, suppliers or pensioners/social protection grant recipients), because priority was always given by governments to paying external debt service. As a result, it found that these defaults occur at LOWER external (and public) debt service/revenue ratios than external debt defaults: this implies that any threshold used to judge sustainability of total public debt service should be set equal to or lower than external debt service. For that reason, in judging sustainability of total public debt service, we use LIC-DSF thresholds (and the highest LIC-DSF threshold for SRDSF countries, assuming they have higher debt carrying capacity).

  Looking at these BWI benchmarks, it is important to place primary emphasis on the ratio of total public debt service to budget revenue, rather than just that of external debt service. It is equally important in the current circumstances to exclude grants from that revenue, given the recent volatility and prospective decline in external grants for almost all global South countries.[8]

  Using these thresholds, the Debt Watch database shows that 45 countries of the 149 World Bank Borrowing countries have sustainable debt service levels or are non-SIDS HICS.[9] Of the remaining 101 countries, 51 have long-term unsustainable debt levels and do not access markets regularly, making debt restructuring a possible solution; 19 more are SIDS which are regularly hit by climate disasters; and 31 regularly access markets and need cost reduction.[10]

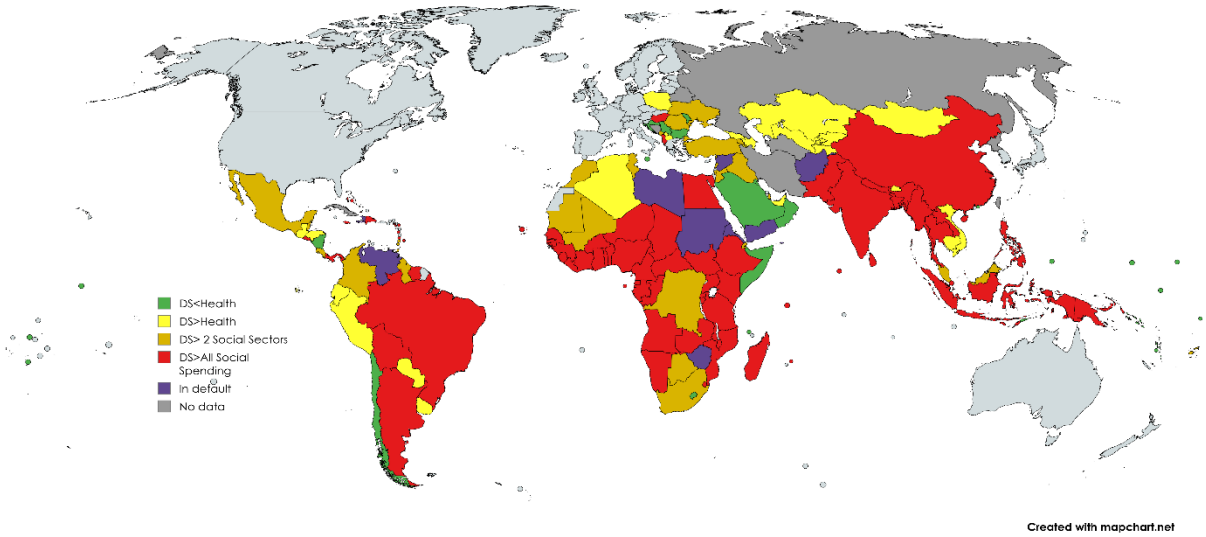
- Fourth, it is vital (especially from a UN and Agenda 2030 point of view) to compare debt service with other spending on the crucial social and environmental SDGs. There has long been a strong expert, UN and global South government consensus that the basis for the debt sustainability frameworks is too focussed on likelihood of default in the case of SRDSF, and macroeconomic indicators of sustainability in the LIC-DSF, entirely excluding the impact that high debt service can have on investments in the SDGs. Yet the only mention in either DSF of using priority non-debt government spending to judge whether debt is unsustainable is in the LIC-DSF, where the staff guidance note suggests that "DSF users need to assess whether circumstances in the country are such that payment of external debt service and priority spending [defined as only pensions, wages and safety net ie not linked at all to broader social or environmental priorities] can no longer be jointly achieved given domestic debt service needs".[11] As a result, including an indicator comparing debt service with social and environmental spending has been suggested as one of the key priorities for improving indicators in the IMF/WB Debt Sustainability Frameworks in current and forthcoming reviews. In the absence of any such indicator, we use the ratios of debt service to various SDG sectors to judge burdens.

Comparing debt service with spending on the social and environmental SDGs shows that the rise in debt service has brought an unprecedented development crisis across the global South. Overall

across G77 countries, on average debt service represents 3.1 times education spending, 4.8 times health spending and 12.3 times social protection spending. It exceeds total social (education, health and social protection) and environmental (including climate) spending across all countries by an average of 20%, and exceeds total social and environmental/climate spending by 10%.[12]

**Figure 6** shows the countries for which debt service exceeds various types of social spending. In 122 countries for which we have information, debt service is more than health spending; only in 25 countries is debt service less than health spending. Indeed, in 70 countries debt service exceeds TOTAL core social spending (health + education + social protection).

**FIGURE 6: Debt Service Compared to Social Spending**




Source: Debt Watch Database, Development Finance International

In terms of the numbers of global citizens affected by this crisis, because many of the countries with a lower debt service are microstates with low populations, 6.3 billion people of the total of 6.5 billion people living in G77 countries (97%) have governments which are spending more on debt service than health, 5.9 billion people face debt service exceeding education or social protection spending, and for 5.1 billion people it exceeds TOTAL social and environmental spending.

All the indicators examined lead to a conclusion that we face a widespread and serious debt service and development crisis in the global South. This begs one important question: how can countries have the highest ever average debt service burdens but not the highest ever average debt stock burdens ? The answers are that i) public (ie government) debt across the world has never cost more in interest and principal payments than it costs now, and ii) because of inadequate debt relief countries are continuing to pay the service. The contrast with the Latin American and HIPC debt crises of the 1980s and 1990s is instructive: they had much higher stock levels but (due to initial default, and later more substantial debt relief) lower debt service levels.

Finally, as already indicated above, it is also vital to underline that the extreme depth and breadth of the crisis across the world does NOT mean that all countries face the same crisis, or that “one size fits all” solutions would work. As discussed in the remaining sections of this report, more ambitious solutions must be tailored to the nature of the crises faced by different groups of countries and individual countries, to maximise their contribution to funding the SDGs.

## BOX 1
## THE *DEBT WATCH* DATABASE: SOURCES AND COVERAGE

***Debt Watch*** is a database compiled by Development Finance International, which has been financed by DFI itself, Norwegian Church Aid, LATINDADD, the Malala Fund, UNAIDS and UNESCO.

**Coverage:** Debt Watch covers 178 of the UN 195 member and observer states.[13] The countries excluded are those for which the IMF does not currently publish comprehensive debt service data. In this study the focus is on the 128 G77 and 130 "global South" countries it covers.[14]

**Contents:** Debt Watch covers the historical period 2017-2025, budgeted debt service numbers for 2026, and forecasts for 2027-35. It covers all public and publicly-guaranteed debt, disaggregated into external and domestic; and into principal and interest payments. It presents the data in local currency and US dollar equivalents. The data are updated "in real time" - as soon as a new IMF or national document is published, and are currently up to date as of March 2026. As such, Debt Watch is more timely and comprehensive than other global databases (eg UNCTAD, World Bank).

In addition to the debt numbers, Debt Watch calculates debt and debt service burdens by comparing debt service with total government revenue, spending and GDP. It also compares debt service with the main sectors of government spending on the social and environmental SDGs for which comparable COFOG-compliant breakdowns are available (agriculture and food, climate, education, environment, health, social protection, and water and sanitation).

**Sources:** DFI compiles all debt and macroeconomic data from the IMF *World Economic Outlook* (debt stock, revenue, expenditure and GDP) and IMF country (including loan programme and Article 4) documents (debt service). These data are comparable across countries and credible globally. We also cross-check them against national budget or debt management documents. For a limited number of countries (varying between 2 and 5) where recent IMF mission reports do not exist reflecting data uncertainty or conflict, we temporarily replace IMF with national data.

For sector spending data, DFI compiles them from government budget/budget implementation documents for 122 G77 member countries. For 98 of these countries, these primary-sourced data are taken from DFI's Government Spending Watch (GSW) database. Where COFOG-compatible breakdowns are not published in budget documents, data are taken from secondary sources including the AsDB, CEPAL, Eurostat, ILO, IMF, OECD, UNESCO and WHO.

**Usage and Availability:** Debt Watch data are already being used by multiple UN agencies, CSOs, academics, trade unions, parliamentarians and G20/G77 governments to help design policies. A summary of the data is available online at www.development-finance.org, and more detailed data can be provided upon request to mail@dfi.org.uk. DFI is currently seeking funding to turn this database into an open public online resource usable by all analysts and policymakers.

## SECTION 3: KEY PROPOSALS FOR DEBT SERVICE RELIEF

In his SDG Stimulus report, the Secretary General suggested two types of measures to resolve the debt crisis: debt restructuring to reduce debt service burdens for countries in extreme situations, and steps to cut borrowing costs to levels similar to those faced by the multilateral development banks (ie by approximately half) for countries with high burdens but which would not want debt restructuring. This section will examine the current key proposals for reducing the debt burden, and whether they provide debt service reduction and free fiscal space adequate for SDG Stimulus.

### *3.1. The Solutions Currently Being Applied*

There are currently five solutions which are being applied to increase fiscal space for the SDGs:

1. **the G20 Common Framework for Debt Restructuring, and similar debt restructuring measures for middle-income countries**. These have considerably improved coordination among creditor governments. However, in terms of the scale of debt relief they provide, they are falling way short of the amounts needed to allow countries to increase SDG spending sharply. Countries are still facing debt service which absorbs 40% of budget revenue and 35% of spending ***after relief***, providing woefully insufficient extra fiscal space for the SDGs. Worse still, several recent agreements (for Chad, Sri Lanka and Suriname) have included clauses which oblige borrowing countries to accelerate payments if their export earnings rise, resulting in some cases in them repaying debts as fast as (or faster than) they would have before relief !

2. **structural reforms and domestic revenue mobilisation.** These measures are the second element of a Multi-Pronged Approach (MPA) to address debt vulnerabilities currently being advocated as a solution by the Bretton Woods Institutions (IMF and World Bank). More G77 countries than at any time since the 1990s now have programmes with the BWIs, so their role in enhancing pro-growth structural reforms and domestic revenue mobilisation (DRM) is central. However, even in countries with BWI programmes, the average increase in revenue forecast over the next 5 years is only 1.2% of GDP in Africa, and under 1% in other Southern continents. This will provide much less fiscal space than could come from comprehensive debt relief. Stronger global minimum tax agreements could increase revenue collection beyond these forecasts, but their prospects are currently receding. Equally important, it is likely (especially given the upside contingency clauses in current debt relief agreements) that any additional revenue above current levels will go primarily to repaying debt service. Protesters on the streets of the most highly independent countries have been adopting the slogan – "don't tax us to pay the debt". This shows how much heavy debt burdens are undermining the "social contract between governments and their citizens by stopping governments investing in public services.

3. **new lending to refinance debt service.** The recent changes in the financial models of the multilateral development banks, together with substantial replenishments of the concessional arms of the World Bank (IDA) and the African Development Bank (AfDF), have raised the prospect of large additional disbursements to G77 countries. They will be very welcome in dramatically increasing lending by these institutions over the next decade. However, in the worst affected countries, such extra disbursements are likely to be spent on refinancing existing debt rather than the SDGs. More important, In the medium-to-long term, particularly for countries borrowing from the more expensive windows of the MDBs, the loans will add to and "multilateralise" the debt service burden, bringing even higher debt burdens.[15] To avoid a worse debt crisis developing, it is vital that countries have debt service burdens reduced now.

4. **"liability management operations" (LMOs).** During 2022-25, there has been a proliferation of operations designed to postpone or reduce debt service. These include debt conversions and buybacks, refinancings, currency and interest rate conversions. However, most of these operations are tackling only a small part of each country's debt, and many of them are spending a lot of money to receive very little debt service reduction.[16] More important, they are mostly ad hoc, and treating the debt service problem as short-term and less serious than it is, so that governments are often reabsorbing much of the additional fiscal space provided by the LMOs by borrowing more from other creditors: the overall problem is not being resolved.

5. **fiscal consolidation and austerity.** Given the shortcomings of the other current solutions, and especially given recent falls in ODA flows to the poorest G77 members, many G77 countries have deciding to implement austerity programmes (often with BWI advice). Since the peak spending of COVID in 2020, the average "fiscal adjustment" across all "emerging and developing economies" tracked by the IMF has been 2.5% of GDP, and by 2031 the total will have reached 3.1%.[17] While in 2020-25 the adjustment has come equally from tax rises and spending cuts, in 2026-31 two thirds (1.9% of GDP) is expected to come from spending cuts,

representing a ***reduction in fiscal space***. Based on past experience as analysed by the IMF Independent Evaluation Office, spending cuts and tax rises will almost certainly result in slower growth and even less fiscal space for investing in the SDGs.[18]

Overall, it is clear that even in their most ambitious combinations, existing measures will fall well short of adequate fiscal space for the SDG Stimulus or rapid progress on Agenda 2030. Indeed the risk is that they fall so far short, that we continue to see stagnation or reversal of SDG progress.

### *3.2. Recent More Ambitious Proposals*

During 2025, several major reports and official communiqués[19] have acknowledged that there is a serious debt problem in the global South, and made proposals for steps which could in principle deliver the fiscal space for SDG Stimulus. These cluster around three sets of potential solutions:

1. **Debt Service Holiday.** In 2023, DFI was the first organisation to remind the international community that under the HIPC and MDRI initiatives of the 1990s/2000s, the IMF and World Bank set a goal for debt relief to bring country debt service down to 10% of budget revenue.[20] This scale of debt reduction led to major savings for affected countries, allowing them to increase their social spending on the MDGs by an average 3% of GDP for over a decade. DFI therefore suggested that this target should be the objective of a revamped debt relief framework for the worst affected countries, and that it should be applied via a 10-year debt service holiday to give the countries a chance to accelerate and sustain SDG progress. Since 2023, the same objective has been adopted by the Jubilee Commission in its HOPE Initiative, by the ONE campaign, and by a wide range of CSO organisations. Various authors have suggested that this 10-year debt service holiday could be achieved via debt cancellation, or via debt refinancing with very long grace periods (at least 10 years) and virtually zero interest rates.

2. **Halving Borrowing Costs.** Various authors have also made more ambitious suggestions for bringing down borrowing costs across the world, and especially in the global South. These have involved a combination of reductions in global interest rates as inflation fells in 2024-25; reforms in the international credit rating[21] and bond issuance architecture, and proactive steps by G77 countries themselves to issue financial instruments with lower interest rates. Such measures are needed by almost all G77 countries, but could particularly apply to countries which regularly access international or domestic bond markets and do not want to lose this access by applying for comprehensive debt restructuring as offered under option 1 above.

3. **Special Measures for Climate Vulnerable Countries. R**ecent studies by ODI RESI and DFI[22] have identified a particular group of "climate vulnerable" countries (especially SIDS and LLDCs) for which very urgent action is needed to bring them out of a vicious cycle of climate disaster, more borrowing or inadequate relief to reconstruct their economies, and more climate disaster. This cycle has led in many SIDS to a continually growing debt service burden without the space to make new investments to promote growth, development or SDG progress. There have been recent steps to postpone debt service payments for such countries through "pause clauses" in bond agreements and to provide insurance to pay debts in the event of disasters, but more fundamental action is needed by **cancelling** debt service (as the IMF does) when disasters hit.

Taken together, these proposals offer much more prospect of large-scale fiscal space than the existing steps taken by the international community. The following section shows their potential.

Of course, financial relief on current debt burdens is not the whole solution to the current debt crisis, and will do little to avoid future crises repeating themselves. For this to happen, there will need to be a series of complementary measures to build capacity for G77 countries to negotiate better new financing and debt restructuring deals, to promote responsible lending and borrowing, to encourage accountability and transparency to parliaments and citizens, and to fight corruption in debt contracts. For much more on these measures, see Martin for Norwegian Church Aid (2024).

## SECTION 4: POTENTIAL SDG SAVINGS FROM DEBT SERVICE RELIEF

This section builds on the more ambitious proposals around which a widespread consensus is beginning to form. Using the Debt Watch database, we have simulated the following scenarios for reducing debt service during the remainder of the SDG period (2026-30):

- For the worst affected 70 countries which do not constantly access bond markets, we assume debt restructuring will reduce debt service to 10% of their budget revenue;[23]
- For 20 SIDS which are regularly hit by disasters, we assume that their debt service will be reduced to 10% of their budget revenue for at least 5 years after each disaster.[24]
- For 33 other countries with high debt service, but which constantly access markets and therefore will not opt for debt restructuring, we assume that measures are taken to halve their interest costs (reducing them to roughly the same levels as MDB borrowing).[25]

The results of the simulations depend very much on which countries are included:

- Total public debt service being paid by World Bank borrowing countries is US$7.9 trillion a year in 2026, forecast to rise to US$10.2 trillion by 2030 (a total in 2026-30 of US$45.32 trillion).
- If we assume that every World Bank borrowing country with high debt service either has its debt service reduced to 10% of budget revenue or has its interest costs halved (as per the groups described above), the total savings for all of these countries would be **US$3.4 trillion a year, pretty close to the often cited estimated SDG financing gap of US$3.4-4 trillion**.
- However, in addition to the 28 countries with sustainable debt levels, we have removed 20 countries from this calculation because they are high-income countries (and not SIDS) and/or have interest rate levels comparable to or lower than the MDBs.[26] Their removal (especially that of China, which is currently borrowing at around 2%) dramatically reduces (by US$2.5 trillion a year) the amount of relief potentially available to G77 and non-HIC World Bank borrowers.

The remaining amounts of relief potentially resulting from the scenarios simulated are shown in summary in Table 1 below, and in detail for each country in Annex Table 1. The average annual amounts are US$ 458 billion a year for the countries which would have their debt service reduced to 10% of budget revenue, and US$ 460 billion a year for countries which reduce borrowing costs.

| **TABLE 1: SIMULATED DEBT SERVICE SAVINGS** | Annual Average Savings | Total Savings in 2026-2030 |
|---|---|---|
| Group 1: Debt Service Reduction to 10% of Revenue | US$457.5 billion | US$2.28 trillion |
| Of which: SIDS (adjusted for frequency of disasters) | US$1.9 billion | US$9.5 billion |
| Group 2: Halving Borrowing Costs | US$459.9 billion | US$2.3 trillion |
| Combined Total | US$917.4 billion | US$ 4.58 trillion |
| Source: DFI calculations using Debt Watch Database forecasts from IMF documents | | |

These numbers are of course indicative maximum totals, and the **eventual global fiscal savings will be very much lower** for several reasons:

- Many (around 15-20) Group 1 countries which are only somewhat above debt sustainability thresholds (eg in the 15-25% of budget revenue range) will decide not to opt for debt relief, which could reduce total savings by US$150 billion a year;
- To reduce financing needs, the international community might decide to restrict relief to IDA-only and blend borrowers from the MDBs, and SIDS, reducing costs by US$100 billion a year.
- The savings from efforts to reduce borrowing costs could be much lower if they do not have the expected scale of effects on interest costs, or if global benchmark interest rates do not fall.

For these reasons, it is much more important to look at the **scale of fiscal space which relief could free up in individual countries**, with the most informative benchmark being how much it would allow them to increase their spending (especially on the social sectors). These data are shown in the final column of Annex 1. To summarise them, countries benefitting from group 1 debt relief would be able to increase their SDG spending by an average 39% in each year of relief, which would also represent around 9% of their GDP. **This would allow countries to more than double**

**their total social spending.**[27] Countries benefitting from Group 2 debt relief are generally much wealthier and devote a higher proportion of their budgets to social spending already: they would be able to increase social spending by about 25% of its current level, or 2.6% of GDP. For both country types, these savings could make a crucial difference to funding the SDGs. It would allow every G77 government to tell its citizens it is spending more on social sectors than debt service.

## SECTION 5: CONCLUSIONS AND RECOMMENDATIONS

This report to the UN Secretary General has shown that the global South (the G77 in UN terms) is currently facing its worst ever debt and development crisis. Though debt stock levels remain lower than they have been in the past, debt service/revenue and debt service/spending ratios are at their highest levels in history. G77 countries are paying a total of US$8 trillion in public debt service each year. On average this represents 46 of their budget revenue, 35% of their spending, 9% of their GDP and more than their total spending on social and environmental Sustainable Development Goals. Almost all the citizens of the global South are affected: 6.6 billion live in countries where debt service exceeds health spending, and 5.2 billion in countries where it exceeds total social and environmental spending. These high debt payments affect 105 countries, and for 103 of them will continue through to 2035, making this a very long-term debt service crisis.

Building on recent ambitious proposals from the UN Secretary General, the Jubilee Commission and movement, and South Africa's G20 presidency, this report also shows that comprehensive debt relief could free a huge amount of fiscal space for funding the SDGs (totalling US$917 billion a year), ranging from an average 9% of their GDP and a doubling of social spending in lower-income countries needing debt restructuring, to 2.6% of their GDP or 25% of current spending in wealthier middle-income countries needing reductions in their borrowing costs.

This is the first ever report to estimate country-by-country how much money comprehensive debt relief could provide to fund the SDGs, for each country for each year. However, to ensure that such relief is delivered, it will be vital to analyse three further sets of issues:

- how exactly the reductions in debt service will be achieved, especially the country groups to be targeted for debt restructuring, the costs for individual creditors or groups of debt restructuring, or the contributions each type of measure could make to reducing borrowing costs.
- how these savings compare with the spending needs of individual countries in particular sectors, and whether they will allow them to reach the social and environmental SDGs, or what other non-debt financing countries will need to mobilise from national sources (domestic resource mobilisation notably tax revenues) and globally (international development cooperation and global public goods levies) to attain their national development goals;[28] and
- how structures can be put in place to ensure that debt relief savings are well spent on supporting nationally-developed "just green transition" development programmes, thereby maximising progress towards all the Sustainable Development Goals.

These are issues DFI will be covering in a series of reports planed for the 2026-27, in the buildup to the UK presidency of the G20 and G7 in 2027 and to the fixing of the new post-2030 development goals by international negotiation during the next few years.

If the international community can deliver comprehensive debt relief to countries which need it, and reduce the debt service burdens of many more, it will provide the fiscal space needed to fund the current SDGs, and show the world's citizens clearly that it is delivering on the SDG "partnership goal 17 to make debt burdens sustainable from an SDG perspective. In particular, it will allow G77 countries to spend more on the SDGs than on debt, delivering an SDG Stimulus and ending the worst ever debt service and development crisis. If debt service is reduced for the next decade, it will also allow the post-2030 agenda to start with a much clearer idea of where sustainable and stable long-term funding for new goals can be found. The question is whether the world will find the political will to achieve these objectives, and relieve the suffering of billions of the world's citizens.

## Annex 1: Country Debt Service Burdens and Potential Savings from Relief

| Debt Service cut to 10% of Revenue | Borrowing Costs (Interest) halved | No Debt Relief | na-not available | e=estimated |
|---|---|---|---|---|

| | Total Public Debt Service (2025) | | | | | | Debt Relief Savings (2026-30) | |
|---|---|---|---|---|---|---|---|---|
| Country | % of Budget Revenue | % of Total Spending | % of Education Spending | % of Health Spending | % of Social Protection Spending | % of Total Social Spending | US$ million (annual average) | % of Total Spending (annual average) |
| Albania | 55.0 | 49.8 | 623% | 544% | 182% | 124% | 0 | 0.0 |
| Algeria | 13.8 | 8.9 | 58% | 151% | 43% | 32% | 0 | 0.0 |
| Angola | 68.8 | 61.3 | 940% | 1072% | 1510% | 453% | 17,454 | 62.6 |
| Antigua & Barbuda | 57.7 | 55.0 | 604% | 893% | 1011% | 261% | 322 | 55.9 |
| Argentina | 42.0 | 47.0 | 906% | 864% | 88% | 106% | 7,968 | 3.3 |
| Armenia | 35.0 | 29.6 | 303% | 507% | 108% | 74% | 2,315 | 22.4 |
| Azerbaijan | 12.6 | 9.2 | 78% | 240% | 40% | 35% | 0 | 0.0 |
| Bahamas, The | 111.4 | 109.1 | 1027% | 838% | 1388% | 428% | 348 | 8.7 |
| Bangladesh | 111.6 | 72.7 | 482% | 1161% | 911% | 289% | 57,270 | 63.9 |
| Barbados | 51.4 | 51.6 | 363% | 548% | 402% | 176% | 1,042 | 42.8 |
| Belize | 40.1 | 35.8 | 210% | 352% | 487% | 90% | 238 | 24.9 |
| Benin | 32.7 | 26.9 | 135% | 417% | 560% | 126% | 696 | 11.1 |
| Bhutan | 74.5 | 49.7 | 212% | 459% | 530% | 46% | 540 | 34.5 |
| Bolivia | 117.8 | 76.2 | 424% | 1035% | 641% | 135% | 25,262 | 66.0 |
| Bosnia and Herzegovina | 14.8 | 13.8 | na | 89% | na | <100%e | 0 | 0.0 |
| Botswana | 29.9 | 22.6 | 135% | 255% | 271% | 75% | 434 | 4.6 |
| Brazil | 42.7 | 35.9 | 1071% | 858% | 160% | 110% | 117,978 | 8.7 |
| Brunei Darussalam | 0.0 | 0.0 | na | na | na | 0% | 0 | 0.0 |
| Bulgaria | 5.5 | 5.0 | 48% | 35% | 14% | 9% | 0 | 0.0 |
| Burkina Faso | 64.2 | 51.8 | 254% | 500% | 1141% | 121% | 4,602 | 48.2 |
| Burundi | 59.1 | 31.0 | 202% | 722% | 1100% | 154% | 717 | 36.8 |
| Cabo Verde | 43.9 | 39.8 | 303% | 361% | 301% | 117% | 364 | 33.6 |
| Cambodia | 10.5 | 7.9 | 68% | 112% | 130% | 31% | 0 | 0.0 |
| Cameroon | 31.4 | 29.0 | 197% | 708% | 625% | 133% | 2,623 | 21.1 |
| Central African Republic | 63.4 | 27.4 | 256% | 365% | 1575% | 122% | 212 | 26.7 |
| Chad | 57.8 | 40.8 | 317% | 418% | 2342% | 137% | 1,303 | 24.7 |
| Chile | 15.7 | 14.7 | 81% | 54% | 55% | 15% | 0 | 0.0 |
| China | 89.9 | 66.8 | 452% | 644% | 258% | 131% | 0 | 0.0 |
| Colombia | 24.0 | 20.1 | 140% | 158% | 78% | 63% | 11,933 | 6.4 |
| Comoros | 17.6 | 10.2 | 89% | 101% | na | 41% | 22 | 5.8 |
| Congo, Dem. Rep. | 36.6 | 31.2 | 178% | 233% | 1508% | 47% | 5,104 | 21.0 |
| Congo, Rep. | 73.2 | 65.2 | 449% | 610% | 1284% | 273% | 3,193 | 77.9 |
| Costa Rica | 56.5 | 47.6 | 171% | 229% | 185% | 66% | 2,468 | 11.8 |
| Cote d'Ivoire | 55.5 | 46.5 | 286% | 722% | 3551% | 195% | 8,957 | 31.8 |
| Croatia | 10.9 | 9.6 | 85% | 57% | 34% | 11% | 0 | 0.0 |
| Cyprus | 16.4 | 17.4 | 140% | 120% | 48% | 24% | 0 | 0.0 |
| Djibouti | 17.4 | 15.7 | 109% | 265% | 188% | 54% | 80 | 7.9 |
| Dominica | 23.8 | 21.4 | 333% | 399% | 456% | 114% | 24 | 6.4 |
| Dominican Republic | 52.3 | 43.3 | 208% | 468% | 368% | 103% | 11,309 | 38.9 |
| Ecuador | 22.2 | 22.1 | 126% | 186% | 114% | 41% | 6,174 | 11.8 |
| Egypt | 304.2 | 181.6 | 1718% | 2455% | 1068% | 461% | 23,666 | 19.1 |
| El Salvador | 33.7 | 31.3 | 233% | 304% | 255% | 135% | 3,181 | 23.9 |
| Equatorial Guinea | 33.7 | 27.5 | na | 408% | na | >100%e | 126 | 4.8 |
| Eswatini | 44.5 | 38.6 | 214% | 382% | 829% | 118% | 629 | 27.4 |
| Ethiopia | 64.9 | 52.2 | 434% | 719% | 636% | 133% | 8,548 | 38.9 |
| Fiji | 25.6 | 21.2 | 118% | 173% | 381% | 69% | 284 | 12.6 |
| Gabon | 80.7 | 55.6 | 410% | 550% | na | >100%e | 640 | 8.3 |
| Georgia | 20.2 | 18.5 | 116% | 260% | 83% | 31% | 421 | 2.9 |
| Ghana | 93.8 | 82.5 | 735% | 1306% | 1752% | 296% | 15,998 | 66.9 |
| Grenada | 28.5 | 23.6 | 227% | 337% | 200% | 75% | 97 | 18.5 |
| Guatemala | 24.6 | 20.1 | 114% | 192% | 99% | 37% | 1,344 | 5.8 |
| Guinea | 37.5 | 31.4 | 238% | 576% | 3923% | 140% | 1,581 | 19.8 |
| Guinea-Bissau | 146.6 | 93.3 | 1133% | 2015% | 10139% | 620% | 499 | 80.6 |
| Guyana | 19.5 | 15.6 | 120% | 147% | 274% | 80% | 81 | 0.9 |
| Haiti | 7.7 | 6.6 | 37% | 114% | 160% | 21% | 0 | 0.0 |
| Honduras | 18.4 | 17.5 | 132% | 193% | 102% | 54% | 600 | 5.1 |
| Hong Kong SAR, China | 9.6 | 7.4 | 50% | 35% | 82% | 8% | 0 | 0.0 |
| Hungary | 39.3 | 34.4 | 323% | 418% | 138% | 100% | 0 | 0.0 |
| India | 68.3 | 50.5 | 549% | 1303% | 380% | 147% | 139,684 | 9.6 |
| Indonesia | 42.7 | 35.2 | 321% | 412% | 469% | 135% | 19,585 | 6.5 |
| Iraq | 29.6 | 23.4 | 239% | 389% | 115% | 56% | 26,348 | 20.3 |
| Jamaica | 36.5 | 32.6 | 227% | 235% | 570% | 114% | 2,015 | 26.0 |
| Jordan | 110.3 | 85.6 | 728% | 857% | 267% | 98% | 13,398 | 55.7 |
| Kazakhstan | 23.7 | 19.8 | 99% | 179% | 84% | 35% | 3,183 | 3.7 |
| Kenya | 62.4 | 50.7 | 295% | 930% | 857% | 176% | 13,206 | 35.6 |
| Kiribati | 1.1 | 0.6 | 2% | 3% | 5% | 1% | 0 | 0.0 |
| Kosovo | 9.3 | 8.7 | 74% | 85% | 37% | 23% | 0 | 0.0 |
| Kuwait | 2.9 | 4.5 | 33% | 47% | 21% | 6% | 0 | 0.0 |
| Kyrgyz Republic | 14.1 | 12.4 | 95% | 157% | 85% | 27% | 0 | 0.0 |
| Lao PDR | 124.0 | 112.2 | 1772% | 3214% | 3168% | 629% | 3,885 | 103.6 |

| Debt Service cut to 10% of Revenue | Borrowing Costs (Interest) halved | No Debt Relief | na-not available | e=estimated |
|---|---|---|---|---|

| | Total Public Debt Service (2025) | | | | | | Debt Relief Savings (2026-30) | |
|---|---|---|---|---|---|---|---|---|
| Country | % of Budget Revenue | % of Total Spending | % of Education Spending | % of Health Spending | % of Social Protection Spending | % of Total Social Spending | US$ million (annual average) | % of Total Spending (annual average) |
| Lesotho | 8.7 | 9.1 | 99% | 82% | 93% | 31% | 0 | 0.0 |
| Liberia | 34.6 | 33.2 | 244% | 320% | 2338% | 173% | 191 | 13.7 |
| Madagascar | 53.6 | 39.1 | 232% | 769% | 12604% | 139% | 1,162 | 27.8 |
| Malawi | 129.0 | 69.9 | 448% | 894% | 1226% | 309% | 5,680 | 76.7 |
| Malaysia | 62.5 | 51.2 | 271% | 559% | 301% | 82% | 7,931 | 6.1 |
| Maldives | 110.1 | 87.1 | 758% | 486% | 1084% | 160% | 2,501 | 67.3 |
| Mali | 47.1 | 40.5 | 236% | 707% | 1402% | 89% | 3,412 | 36.4 |
| Malta | 18.4 | 17.0 | 150% | 120% | 64% | 19% | 0 | 0.0 |
| Marshall Islands | 6.7 | 2.4 | 21% | 12% | 58% | 10% | 0 | 0.0 |
| Mauritania | 23.9 | 21.9 | 99% | 318% | 290% | 76% | 389 | 10.0 |
| Mauritius | 75.2 | 64.9 | 728% | 892% | 190% | 117% | 245 | 4.3 |
| Mexico | 68.2 | 58.3 | 525% | 616% | 244% | 123% | 63,357 | 9.5 |
| Micronesia | 3.7 | 3.7 | 20% | 18% | na | 5% | 0 | 0.0 |
| Moldova | 27.9 | 24.2 | 153% | 166% | 64% | 10% | 0 | 0.0 |
| Mongolia | 15.7 | 15.4 | 115% | 278% | 41% | 26% | 0 | 0.0 |
| Montenegro | 13.4 | 14.2 | 148% | 101% | 49% | 67% | 0 | 0.0 |
| Morocco | 37.8 | 38.9 | 167% | 338% | 174% | 60% | 2,480 | 3.5 |
| Mozambique | 98.6 | 73.1 | 407% | 762% | 1269% | 114% | 11,608 | 120.9 |
| Myanmar | 0.0 | 0.0 | 0% | 0% | 0% | 229% | 9,896 | 43.5 |
| Namibia | 74.8 | 63.3 | 265% | 534% | 517% | 150% | 471 | 6.7 |
| Nauru | 0.8 | 0.7 | na | na | na | <100%e | 0 | 0.0 |
| Nepal | 30.7 | 25.2 | 240% | 446% | 226% | 103% | 3,028 | 22.7 |
| Nicaragua | 8.4 | 8.6 | 44% | 48% | 276% | 25% | 0 | 0.0 |
| Niger | 129.1 | 86.3 | 546% | 1783% | 5872% | 444% | 3,365 | 76.8 |
| Nigeria | 55.8 | 41.0 | 713% | 410% | 1463% | 213% | 24,624 | 45.7 |
| North Macedonia | 39.4 | 33.8 | 299% | 235% | 93% | 29% | 275 | 3.1 |
| Oman | 22.4 | 22.4 | 158% | 181% | 302% | 16% | 0 | 0.0 |
| Pakistan | 135.4 | 108.4 | 1111% | 2626% | 1457% | 543% | 101,986 | 95.5 |
| Palau | 17.9 | 9.5 | na | na | na | <100%e | 0 | 0.0 |
| Panama | 48.9 | 40.9 | 260% | 385% | 318% | 102% | 0 | 0.0 |
| Papua New Guinea | 71.7 | 63.4 | 397% | 612% | 5200% | 266% | 2,470 | 36.2 |
| Paraguay | 23.3 | 20.4 | 175% | 173% | 120% | 57% | 608 | 4.6 |
| Peru | 16.9 | 16.3 | 86% | 127% | 157% | 28% | 2,534 | 3.0 |
| Philippines | 32.2 | 27.5 | 172% | 593% | 279% | 134% | 8,598 | 6.2 |
| Poland | 21.0 | 18.4 | 175% | 151% | 51% | 25% | 0 | 0.0 |
| Qatar | 7.7 | 9.2 | 98% | 119% | 203% | 59% | 0 | 0.0 |
| Romania | 26.2 | 21.0 | 250% | 181% | 67% | 39% | 0 | 0.0 |
| Rwanda | 51.1 | 38.1 | 329% | 601% | 1449% | 118% | 200 | 4.3 |
| Samoa | 10.1 | 8.4 | 78% | 61% | 251% | 32% | 0 | 0.0 |
| Sao Tome and Principe | 17.6 | 12.3 | 87% | 118% | 505% | 107% | 13 | 4.6 |
| Saudi Arabia | 11.5 | 9.9 | 67% | 67% | 59% | 23% | 0 | 0.0 |
| Senegal | 95.8 | 76.6 | 375% | 1721% | 1188% | 187% | 3,611 | 30.0 |
| Serbia | 18.6 | 17.2 | 205% | 131% | 52% | 23% | 1,232 | 2.2 |
| Seychelles | 43.7 | 40.3 | 377% | 421% | 229% | 116% | 259 | 30.5 |
| Sierra Leone | 152.6 | 111.5 | 833% | 1880% | 5113% | 660% | 1,343 | 105.0 |
| Singapore | 90.2 | 108.8 | 1011% | 977% | 1257% | 383% | 0 | 0.0 |
| Solomon Islands | 8.0 | 5.2 | 20% | 29% | 1266% | 10% | 0 | 0.0 |
| Somalia | 3.8 | 1.7 | 19% | 56% | 54% | 4% | 0 | 0.0 |
| South Africa | 48.9 | 42.2 | 217% | 372% | 252% | 93% | 13,837 | 8.2 |
| South Sudan | 24.1 | 27.6 | 511% | 1491% | 18385% | 440% | 112 | 6.1 |
| Sri Lanka | 145.9 | 110.4 | 1982% | 1635% | 1174% | 569% | 20,112 | 79.4 |
| St. Kitts and Nevis | 52.8 | 43.0 | na | na | na | >100%e | 175 | 35.3 |
| St. Lucia | 81.8 | 69.7 | 548% | 696% | 2446% | 201% | 404 | 54.0 |
| St. Vincent and the Grenadines | 20.9 | 19.4 | 143% | 182% | 188% | 57% | 31 | 5.9 |
| Sudan | 9.9 | 1.6 | na | na | na | <100%e | 0 | 0.0 |
| Suriname | 22.2 | 18.4 | 212% | 359% | 112% | 181% | 473 | 20.7 |
| Tajikistan | 13.8 | 11.4 | 54% | 136% | 84% | 26% | 0 | 0.0 |
| Tanzania | 38.4 | 31.9 | 243% | 579% | 320% | 176% | 4,860 | 20.3 |
| Thailand | 41.0 | 36.9 | 321% | 231% | 193% | 152% | 0 | 0.0 |
| The Gambia | 119.9 | 73.7 | 593% | 796% | 6095% | 287% | 502 | 64.4 |
| Timor Leste | 3.5 | 1.4 | 16% | 29% | 21% | 7% | 0 | 0.0 |
| Togo | 75.4 | 60.0 | 424% | 923% | 33344% | 278% | 1,193 | 36.3 |
| Tonga | 16.8 | 8.8 | 64% | 74% | 339% | 27% | 19 | 5.5 |
| Trinidad & Tobago | 34.2 | 32.6 | 361% | 348% | 232% | 60% | 413 | 4.2 |
| Turkiye | 30.1 | 28.8 | 334% | 294% | 89% | 54% | 26,263 | 4.5 |
| Tuvalu | 1.0 | 0.7 | 5% | 4% | 30% | 7% | 0 | 0.0 |
| Uganda | 68.5 | 45.5 | 641% | 704% | 15704% | 137% | 8,886 | 45.8 |
| Ukraine | 26.3 | 18.5 | 247% | 338% | 74% | 88% | 15,913 | 12.2 |
| United Arab Emirates | 21.2 | 20.4 | 127% | 243% | 144% | 35% | 0 | 0.0 |
| Uruguay | 17.8 | 16.9 | 97% | 202% | 73% | 38% | 0 | 0.0 |
| Uzbekistan | 16.0 | 14.4 | 68% | 125% | 67% | 21% | 1,095 | 1.6 |
| Vanuatu | 13.7 | 8.7 | 27% | 83% | 8714% | 30% | 0 | 0.0 |
| Vietnam | 13.6 | 11.9 | 77% | 113% | 50% | 23% | 0 | 0.0 |
| Zambia | 70.0 | 60.5 | 463% | 585% | 977% | 144% | 5,273 | 39.0 |
| Zimbabwe | 19.8 | 19.3 | 103% | 197% | 242% | 57% | 1,401 | 13.3 |
| **Average / Total** | **44.6** | **35.6** | **318%** | **493%** | **1398%** | **125%** | **934,377** | **19.1** |

## ENDNOTES

[1] This report would have been impossible without the extraordinary work of my DFI colleagues David Waddock, Maria Holloway, Myriam Sallah and Gail Hurley; and the financial support of UNAIDS, Norwegian Church Aid, UNESCO, the Malala Fund and LATINDADD for earlier work on these issues. Many thanks also to Winnie Byanyima, Jaime Atienza, Lucia Hanmer, Naomi Nyamweya, Patricia Miranda, Jo Walker, Jose Maurel and Kjetil Abildsnes for their inspiration, support and input on these issues since 2022.

[2] In this report, in line with global debt data standards and common IMF practice, external and domestic debt are defined based on their currency of denomination. A growing phenomenon since the liberalisation of capital accounts by most global South countries has been the purchase of domestic-currency denominated debt by holders who are resident externally, leading to a large amount of speculation and volatility in markets for such debt, but this issue is not dealt with here – it will be in a forthcoming *Debt Watch* briefing.

[3] Detailed baseline data beyond 2030 are not examined in this report, because it focusses on Agenda 2030. They (and potential negative scenarios) will be presented in work by DFI and its partners during 2026.

[4] For more details of proposals for how to fight corruption in debt, see Martin 2024 report to Norwegian Church Aid.

[5] This issue will be examined in by DFI in a forthcoming briefing on the global North debt crisis.

[6] For more details on these thresholds and how they are used to determine country debt distress risk ratings, see https://www.imf.org/-/media/files/publications/pp/2017/pp122617guidance-note-on-lic-dsf.pdf

[7] For more details of how debt sustainability is assessed in the SRDSF, see https://www.imf.org/-/media/files/publications/pp/2022/english/ppea2022039.pdf

[8] Including grants used to make a very large difference to assessments of debt sustainability but now, except in a very few countries, the impact is marginal: including them would make only 5 more countries' debts sustainable over the next ten years. With rapidly declining grant flows to almost all global South countries, grants will become even less relevant going forward, as IMF DSA documents are showing.

[9] This assessment should not be expected to be the same as the BWI assessments of debt sustainability. They place greater weight on "debt stock" ratios (of debt stock or present value compared to GDP, exports and revenue) than they do on "debt service" ratios (compared to revenue or exports.

[10] These groupings do not total to 149 because China, Singapore and Thailand have high debt service, but are not likely to want debt restructuring, and are excluded from countries to benefit from cost reduction, because they already have interest rates on their debt are lower than the rates at which MDBs borrow.

[11] https://www.imf.org/-/media/files/publications/pp/2017/pp122617guidance-note-on-lic-dsf.pdf, pp 39-40.

[12] These numbers exceed those of UNCTAD's World of Debt Database for two reasons: 1) Debt Watch numbers include all domestic and external debt service; and 2) Debt Watch numbers are more recent for both debt service (which has risen recently) and public spending (which has fallen). DFI will be adding environment/climate spending numbers into the Debt Watch database later in 2026.

[13] The countries excluded are: 7 G77 members (Eritrea, Iran, Libya, Syria, Turkmenistan, Venezuela, Yemen); 5 global North non-members of OECD (Andorra, Holy See, Liechtenstein, Monaco, San Marino); 2 Eastern European group members (Belarus, Russia); 2 G77 countries which are not IMF/World Bank members (Cuba, PDR Korea); and 1 G77 country which does not borrow from the World Bank (Bahrain). It also excludes data for 21 territories of UN member states, and for Taiwan which is not a UN member state; on the other hand, it includes data for two non-UN members: the state of Kosovo and administrative region of Hong Kong, China.

[14] In addition to the 135 G77 member countries and China, Mexico and Palau are counted here as global South countries.

[15] For details, see Debt Relief for a Green Recovery (2024), Defaulting on Development and Climate.

[16] For an excellent recent analysis of debt conversions, see Hurley, Gail (2025), *Debt Swaps: a Promising Tool to Leverage Additional Investments in Education* ?, report by DFI to UNESCO, May 2025.

[17] All data on spending and revenue/GDP in this paragraph are from the IMF WEO database for April 2026

[18] See for example IMF IEO (2025), IMF Advice on Fiscal Policy

[19] See the Jubilee Commission report to the Vatican (2025); Zucker-Marques, Gallagher and Uy (2025); the Expert Review on Debt Nature and Climate (2025), and the UN report by the International Commission of Experts on Financing for Development. In Africa further work has been done by the G20 Africa Expert Panel and reflected in the Common African Position on Debt agreed among AU governments in February 2026.

[20] For more details, see Development Finance International (2023), drawing on IMF HIPC Reviews during 1997-2019.

[21] On potential reforms in credit ratings, see UNDP 2023, Development Reimagined 2025, and UNCTAD 2025. For a broader range of borrowing cost reduction suggestions see Matthew Martin, *Presentation to UNCTAD Debt Management Forum*, November 2024; G20 Africa Expert Panel and Development Reimagined 2026.

[22] For more on SIDS need for debt relief see ODI RESI 2024 and 2025, and DFI 2023 and 2024.

[23] The actual simulation covers only 67 countries because we cannot find IMF debt service forecasts for Lebanon, Palestine or Tunisia. We hope to fill this gap in the final version of the report.

[24] All other climate countries among the most climate vulnerable are already included in Group 1.

[25] We apply these solutions to ALL public debt service (external and domestic). This does not mean that we think external and domestic debt should be treated in the same way, or that all domestic creditors should reduce debt service by the same proportion. We will explore these issues further in a September 2026 paper.

[26] The countries are Albania, Bulgaria, Chile, China (and Hong Kong SAR), Croatia, Cyprus, Hungary, Kuwait, Malta, Oman, Panama, Poland, Qatar, Romania, Saudi Arabia, Singapore, Thailand, UAE and, Uruguay.

[27] The average current total social spending for all countries in the group is 36%, and for LICs/LMICs is 31%.

[28] For reports which undertake this broader assessment for Sub-Saharan Africa, comparing money which could be mobilised from DRM, debt relief and development cooperation, see DFI reports to UNAIDS (2024 a & b).