UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

A world of debt

REPORT 2025

It is time for reform.

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Contents

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UNCTAD supports developing countries to access the benefits of a globalized economy more fairly and effectively by providing economic and trade analysis, facilitating consensus-building and offering technical assistance to help developing countries use trade, investment, finance and technology for inclusive and sustainable development.

A World of Debt

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Introduction

Public debt can be a powerful tool for development, enabling governments to finance critical expenditures and invest in a better future for their people. However, when public debt grows excessively or its costs outweigh its benefits, it becomes a heavy burden. This is particularly challenging for developing countries, which face an annual sustainable development financing gap of US$4.3 trillion, often while contending with high debt costs.

This report highlights the surge in global public debt, aggravated by a series of cascading crises in recent years. It also underscores how the growing debt burden disproportionately impacts developing countries, where public resources are increasingly diverted from essential development needs to service debt.

Recent events have further intensified this challenge. The impacts of the COVID-19 pandemic and the rise in global interest rates in 2022 and 2023 had already strained public budgets. These effects are now compounded by a global growth slowdown, heightened geopolitical tensions and acute uncertainty—all of which undermine public revenues and put pressure on foreign exchange earnings. Moreover, many developing countries, are faced with the adverse impacts of ongoing trade tensions, and the likely contractions in Official Development Assistance (ODA).

Against this backdrop, interest payments in many countries are rising faster than spending on essential public services such as health or education. At least one in three developing countries—home to 3.4 billion people—are spending more on interest payments than on these areas, which are critical for human development.

With the world severely off-track in its effort to meet the Sustainable Development Goals (SDGs), it is increasingly evident that the current global financial architecture is ill-equipped to address the challenges of the 21st century. Widening financing gaps pose a substantial challenge to sustainable development.

There is a pressing need to reform the international financial architecture to address the mounting challenges of global public debt and to fast-track progress toward sustainable development. Sixty countries are now explicitly calling for policy reforms in this area.

This reform should encompass:

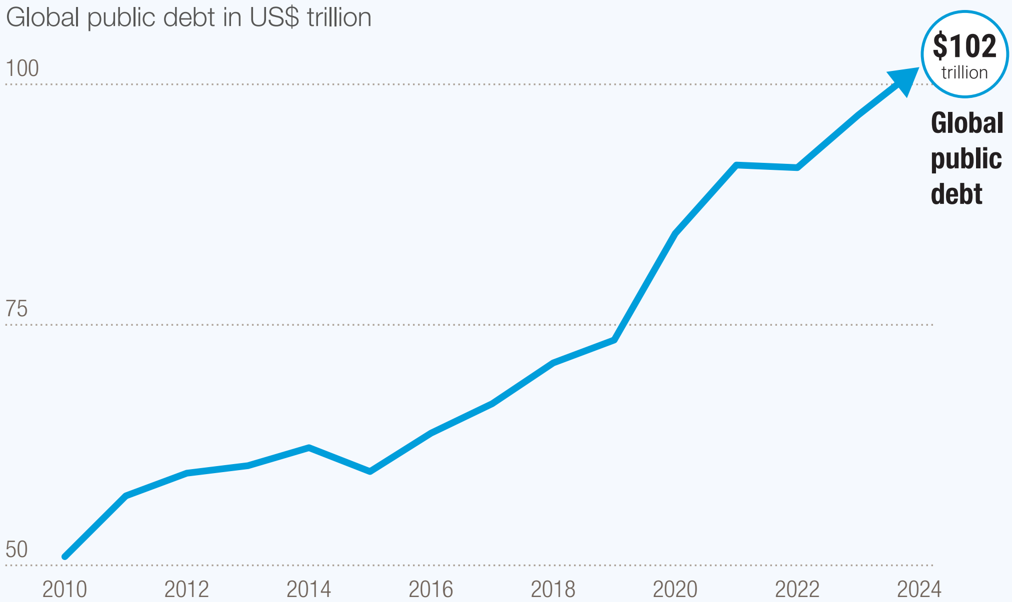
1. **Making the system more inclusive and development-oriented;**
2. **Enhancing the availability of liquidity in times of crisis;**
3. **Creating an effective debt workout mechanism that addresses current deficiencies**; and
4. **Providing more and better concessional finance.**

Developing countries must not be forced to choose between servicing their debt or serving their people. The world has long been talking about reform. The 4th International Conference on Financing for Development in Sevilla is a key milestone in this process. It is time to move from conversations to actions.

1.
Global public debt keeps rising.

Global public debt continues to increase rapidly, driven by cascading crises as well as the sluggish and uneven performance of the global economy. In 2024, public debt, comprising domestic and external general government debt, reached US$102 trillion, an increase of US$5 trillion from 2023 (figure 1).

Figure 1
Global public debt surpasses US$100 trillion in 2024.
Global public debt in US$ trillion

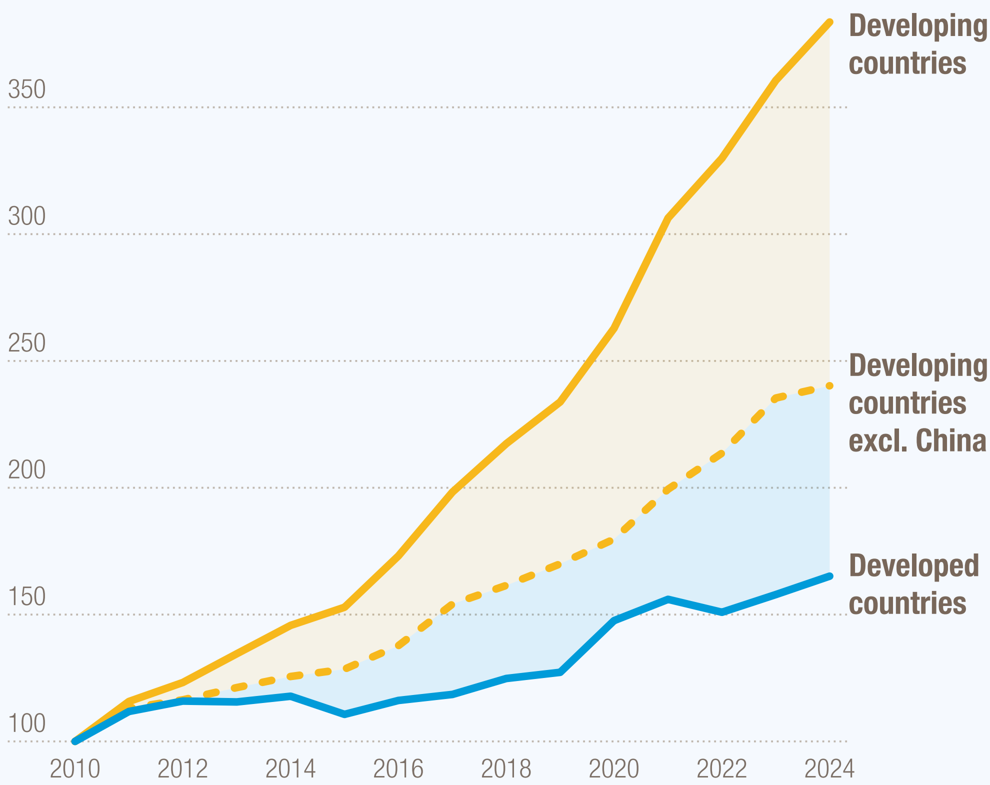


Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

Note: Figures represent nominal values in current US$. Public debt refers to general government domestic and external debt throughout the document. General government consists of central, state and local governments and the social security funds controlled by these units.

The public debt landscape and its dynamics are marked by significant regional disparities. The nominal value of public debt in developing countries is rising twice as fast as in developed countries (figure 2). Nevertheless, the latter continue to account for the lion's share of global public debt (69%).

Figure 2
Public debt grows twice as fast in developing than in developed countries.
Index: Outstanding public debt in 2010 = 100

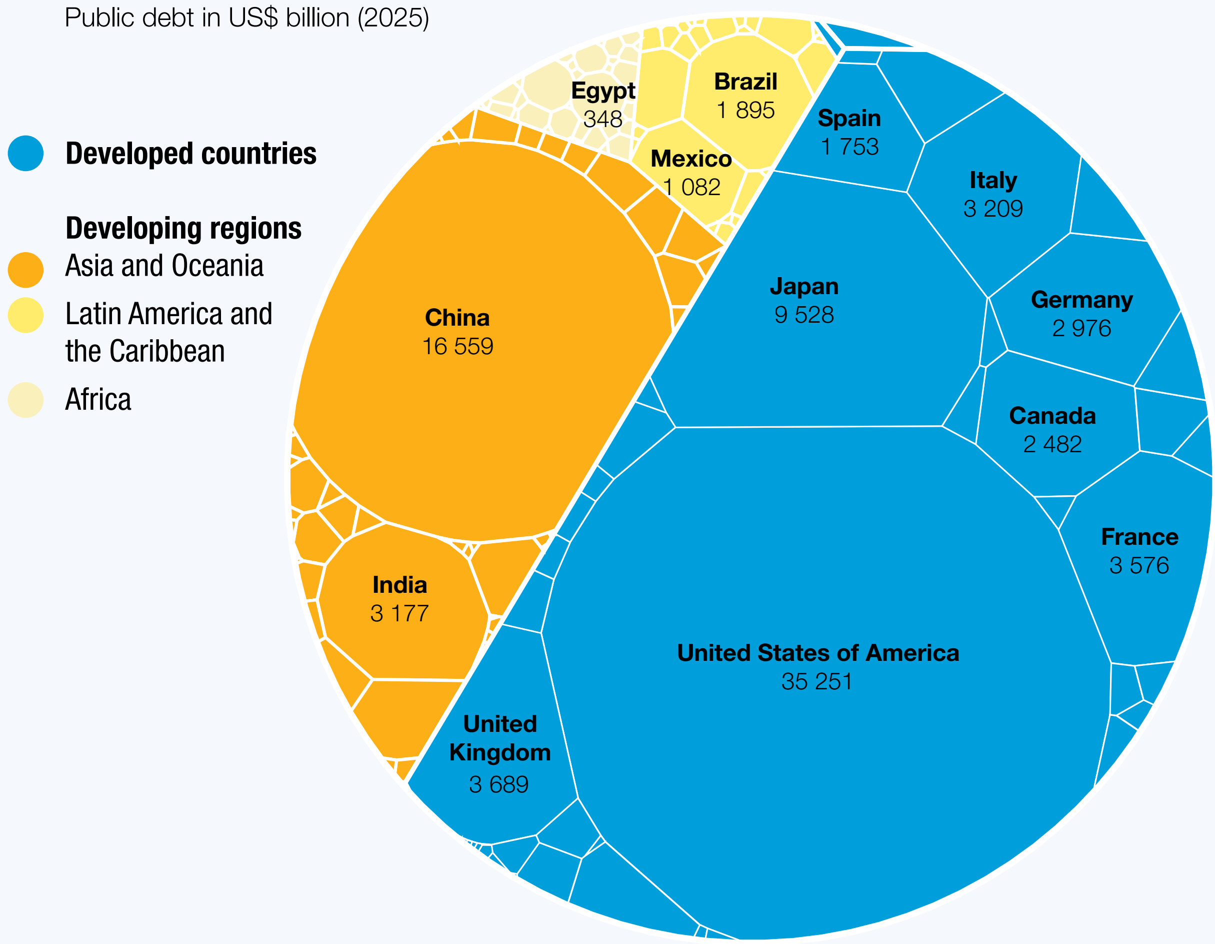


Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

In 2024, public debt in developing countries reached US$31 trillion, accounting for 31% of the global total (figure 3). This represents a substantial increase from their 16% share in 2010. At the same time, this figure reveals the persistent asymmetries in global financial markets: although developing countries account for 39% of global GDP[1], they are home to 83% of the world's population and face substantial SDG financing gaps.

There are stark disparities among developing regions, as well as across countries. Over 24% of global public debt—equivalent to three-quarters of the total debt of developing countries—is owed by countries in Asia and Oceania. In comparison, Latin America and the Caribbean accounts for 5% and Africa for less than 2%. Nonetheless, the burden of this debt varies significantly based on the price and maturity of the debt finance countries have access to, and is further exacerbated by the inequalities embedded in the international financial architecture. Those least able to afford it often pay the most.

Figure 3
Developing countries owe 31% of global public debt.
Public debt in US$ billion (2025)

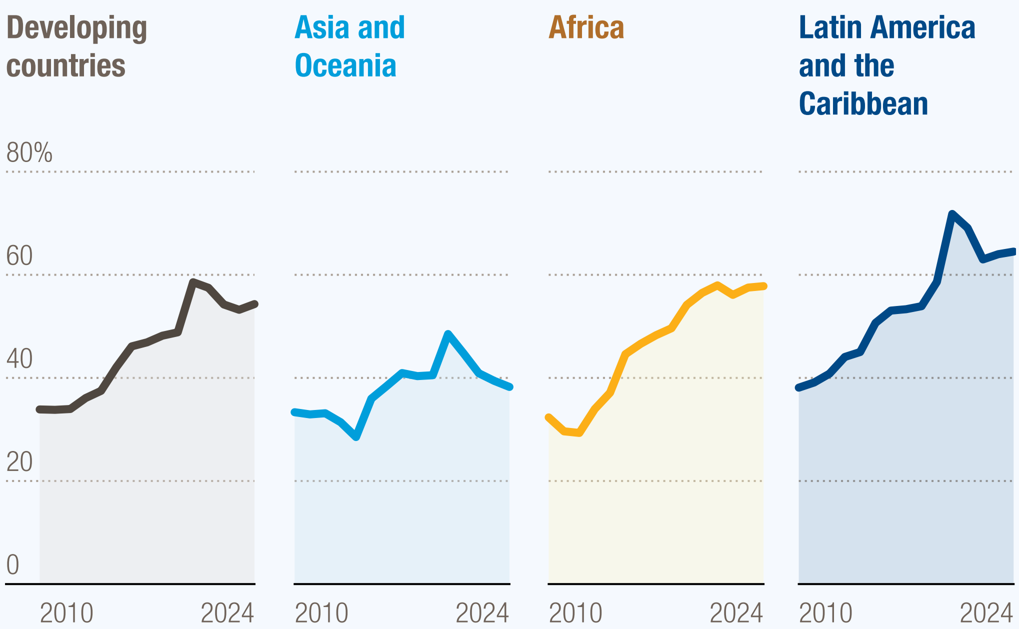


Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

[1] GDP can be regarded as a rough proxy for the capacity to repay debt. The share of global GDP is based on nominal values in current US$, in line with the corresponding comparison of outstanding public debt.

This becomes evident when examining the evolution of public debt relative to the size of developing economies. After falling from a peak of 59% in 2020 to 53% in 2023, the median value of the public debt-to-GDP ratio in developing countries increased to 54% in 2024 (figure 4), implying that debt grew faster than GDP in over half of these countries.[2] This trend reflects the combined effects of weak economic growth—further depressed by heightened uncertainty and geopolitical tensions—and persistently high costs of debt. Asia and Oceania stands out as the only region where the median debt-to-GDP ratio continued to decline, from 39% in 2023 to 38% a year later. Yet, in regions already burdened with much higher debt levels, the median debt-to-GDP ratio increased by up to half a percentage point, from 57.5% to 57.8% in Africa, and from 64% to 64.5% in Latin America and the Caribbean.

Figure 4
In 2024, debt-to-GDP ratios increased slightly, except in Asia and Oceania.
Public debt as a share of GDP - Median per country group in %

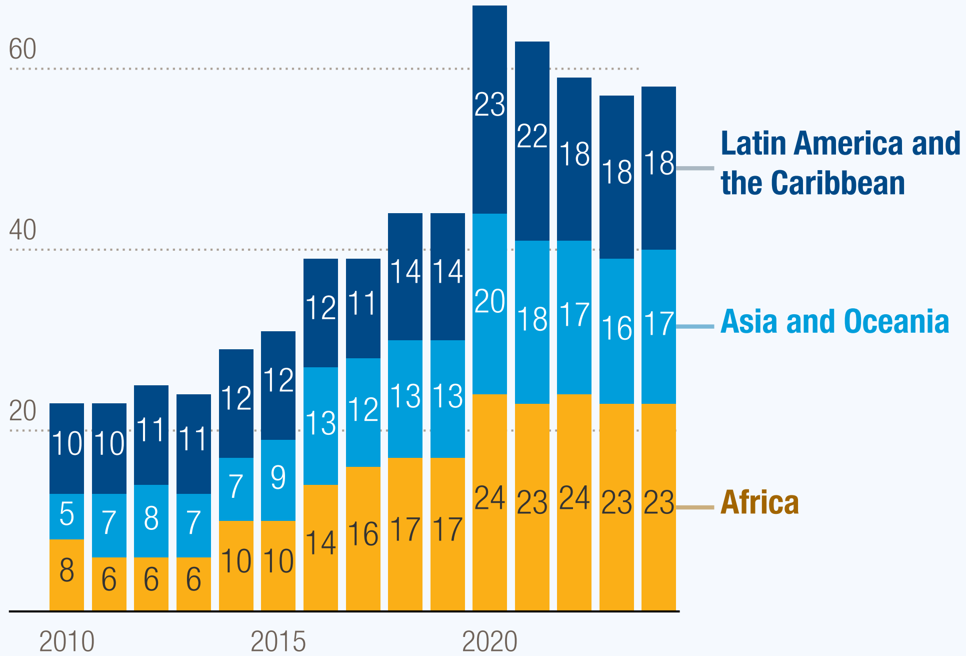


Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

[2] For comparison, in 2024 the median debt-to-GDP ratio among developed countries was slightly higher at 56%, and public debt exceeded 60% of GDP in as many as 19 developed countries. It is worth remembering, however, that the latter typically enjoy greater access to international financial markets and far more favorable conditions to roll-over their obligations than developing countries.

As a result, 58 developing countries (40% of those with available data) continue to struggle with high debt levels, exceeding the notional threshold of 60% of GDP (figure 5).[3] This includes 23 countries in Africa (43% of the region's total), 18 countries in Latin America and the Caribbean (55%), and 17 in Asia and Oceania (31%).

Figure 5
The number of countries with heavy debt burdens remains high.
Number of developing countries with public debt above 60% of GDP



Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

The widening disparities in debt burdens and the increasing vulnerability of African, Latin American and Caribbean countries are reflected in the evolution of their external public debt.

[3] The indicative threshold of a public debt-to-GDP ratio of 60% is used to indicate high debt levels. This benchmark is used by the IMF as one of its indicators to assess debt burdens in emerging markets.

2.

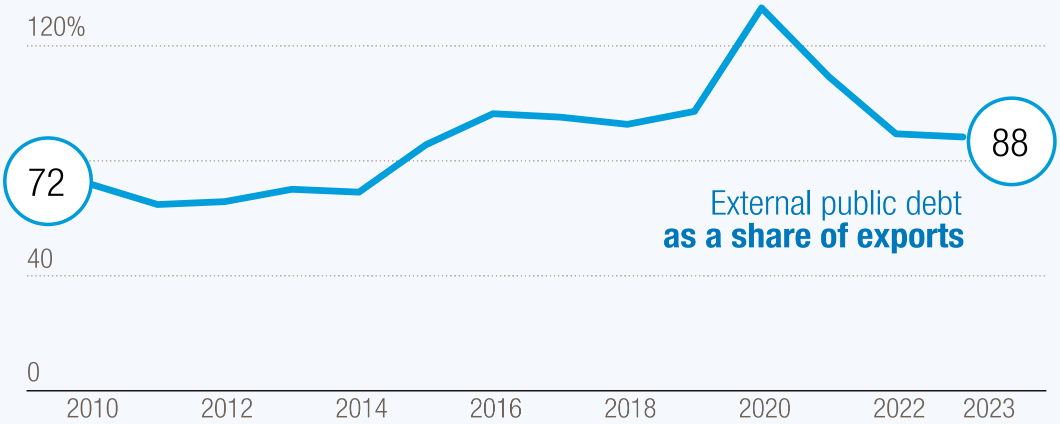
The weight of external public debt.

External debt can complement domestic savings and provide foreign exchange to facilitate investment in sustainable development, when its dynamics remain sustainable. Yet, developing countries face a challenging and unpredictable global environment, along with a financial architecture whose entrenched asymmetries exacerbate the impact of cascading crises on their debt sustainability. By limiting their access to affordable development finance, the current system intensifies the debt burdens of developing countries, pushing them to rely on more volatile and expensive external sources.

The limited size of domestic financial markets and relatively high levels of external public debt further increase vulnerability to external shocks and financial instability, especially during periods of heightened economic uncertainty. For example, when global financial conditions change or international investors become more risk-averse, borrowing costs can suddenly spike. Additionally, if a country's currency devalues, debt payments in foreign currency can soar, leaving less money for development spending.

In 2023, developing countries' external public debt reached US$3.3 trillion—an increase of roughly US$102 billion compared to the previous year. Although the debt burden relative to exports has broadly receded to pre-COVID levels, it remains elevated. For more than half of developing countries, external public debt equated to 88% or more of the value exports of goods and services, and primary income receipts (figure 6). This trend is driven primarily by export performance, which declined sharply during the pandemic, rebounded in 2021 and 2022, and grew slowly in 2023.

Figure 6
The weight of external public debt declined recently, but remains high.
Median for developing countries in %

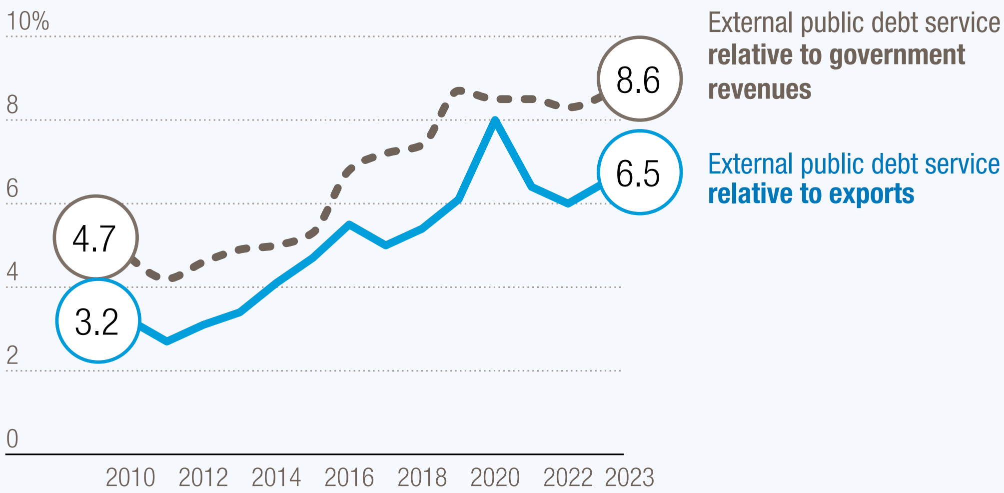


Source: UNCTAD Secretariat calculations based on World Bank International Debt Statistics (April 2025).

Note: External public debt refers to external Public and Publicly Guaranteed (PPG) debt. Exports include exports of goods, services and primary income receipts. The median represents the value that lies at the midpoint of the data distribution.

External public debt service burdens, however, show little sign of improvement, with related payments reaching as much as US$487 billion in 2023. Of particular concern is the evolution of the ratio of external debt service to government revenues.

Figure 7
External debt service burdens show little sign of improvement.
Median for developing countries in %



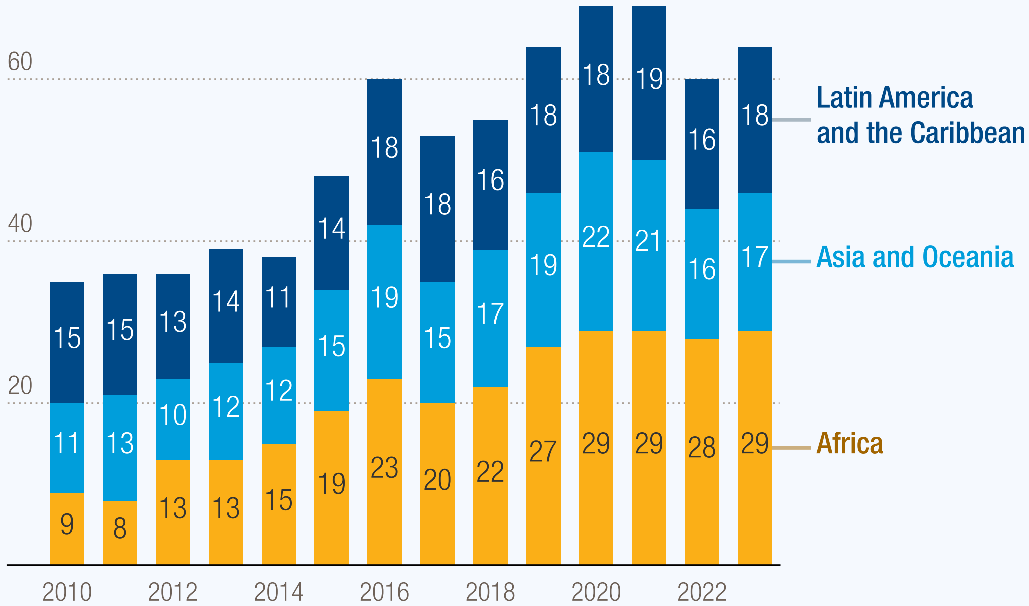
Source: UNCTAD Secretariat calculations based on World Bank International Debt Statistics and IMF World Economic Outlook (April 2025).

Note: External public debt refers to external Public and Publicly Guaranteed (PPG) debt. Exports include exports of goods, services and primary income receipts. The median represents the value that lies at the midpoint of the data distribution.

Half of developing countries are allocating at least 8.6% of their public revenues to servicing external debt—nearly twice the 4.7% recorded in 2010 (figure 7). This situation leaves fewer public resources available for investments in human capital and sustainable development, and is exacerbated by deteriorating global economic prospects that undermine revenue collection. The ratio of external public debt service relative to export revenues has also doubled, from a median value of 3.2% in 2010 to 6.5% in 2023. This implies that servicing external public debt now absorbs a much larger share of foreign exchange earnings in developing countries.

In the same vein, the number of developing countries spending more than 5% of their exports of goods and services, and primary income receipts on external public debt service has nearly doubled since 2010 (figure 8).[4] In 2023, two out of three developing countries for which data is available were in that situation, including the majority of countries in Africa and Latin America and the Caribbean.

Figure 8
Countries with significant external debt service burdens nearly doubled since 2010.
Number of developing countries spending more than 5% of exports on external public debt service

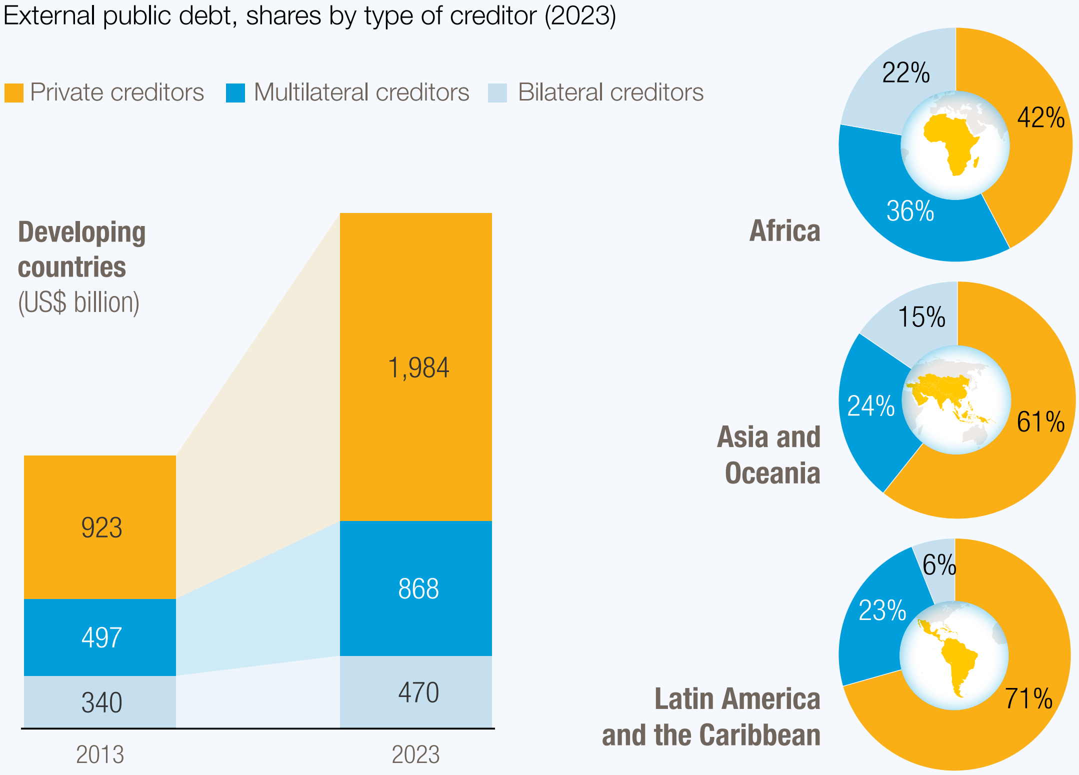


Source: UNCTAD Secretariat calculations based on World Bank International Debt Statistics (April 2025).
Notes: External debt service refers to Public and Publicly Guaranteed (PPG) debt. Exports refers to exports of goods, services and primary income receipts.

[4] To avoid undermining Germany's post-war recovery, the 1953 London Debt Agreement implied a debt service burden limit of 5% of exports; the same value is used here for illustrative purposes.

The growing burden of external public debt reflects both the evolution of debt financing over the last decade and changes in monetary policy in key financial centres. Governments in developing countries borrow from various sources, including bilateral donors (other governments), multilateral institutions (such as multilateral development banks) and private creditors (including bondholders, banks, and other lenders). Since 2010, the portion of external public debt owed to private creditors has risen across all regions, accounting for 60% of developing countries' total external public debt in 2023 (figure 9).[5]

Figure 9
Shifts in the creditor base drive up debt costs and complicate restructuring.
External public debt, shares by type of creditor (2023)



Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025) and World Bank International Debt Statistics.

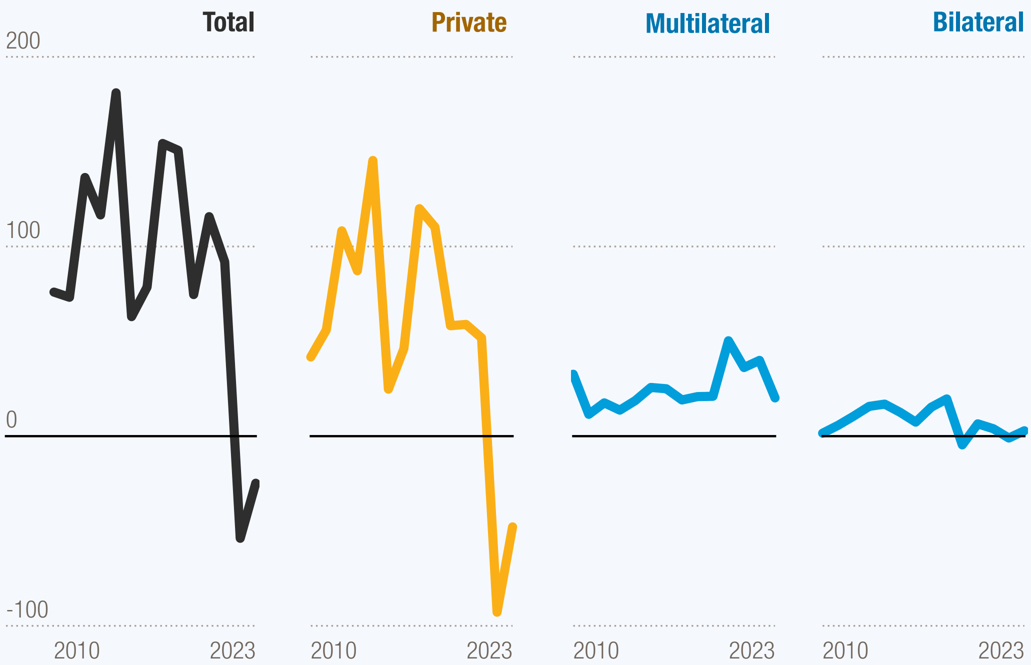
Note: External public debt refers to external Public and Publicly Guaranteed (PPG) debt.

While private creditors can expand the pool of available resources—as was the case between 2013 and 2023—a strong reliance on them presents three main challenges.

[5] Figures on external debt composition by types of creditors exclude use of IMF credit.

First, lending by private creditors tends to be more volatile and prone to rapid shifts, especially during crises, as investors pull back their assets in a flight to safety. This can lead to resource outflows when countries can least afford them. In 2023, developing countries paid US$48 billion more to their external private creditors in debt servicing than they received in fresh disbursements. This resulted in a negative net resource transfer, which offset the net inflows from multilateral and bilateral external creditors, leading to an overall net debt outflow of US$25 billion (figure 10).

Figure 10
Private creditor withdrawals cause a US$25 billion net outflow in 2023.
Developing countries' net transfers on external public debt by type of creditor in US$ billion



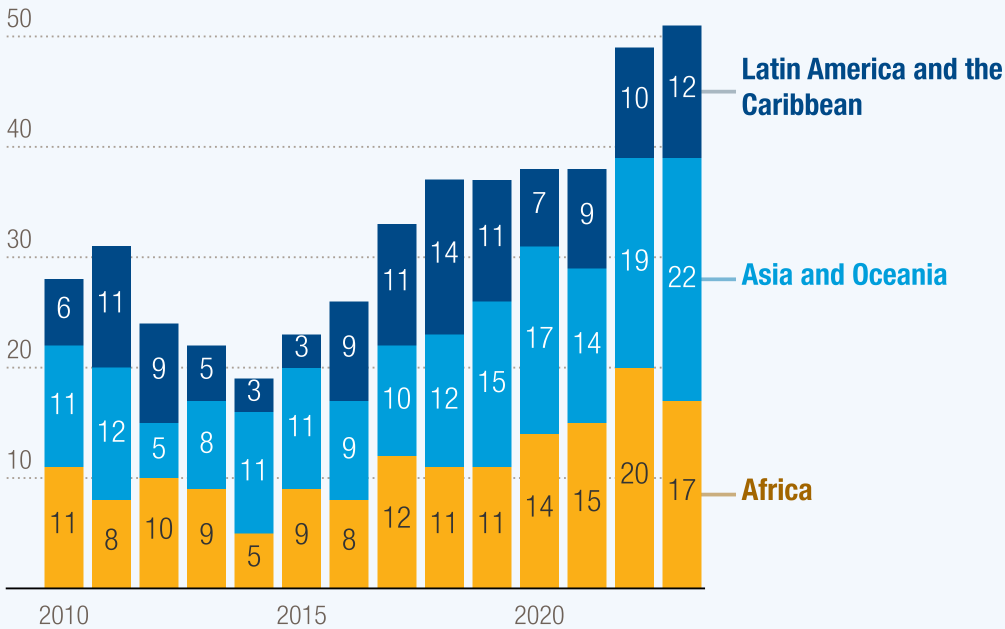
Source: UNCTAD Secretariat calculations based on World Bank International Debt Statistics.
Note: Net transfers are defined as disbursements minus debt service on external public and publicly guaranteed debt.

In 2023, a total of 51 developing countries experienced net outflows of debt finance–nearly twice as many as in 2010–with most of the affected countries located in Africa and Asia and Oceania (figure 11). The growth in the number of countries experiencing net debt outflows highlights the widespread nature of the problem, which is exacerbated by rising borrowing costs.

Figure 11

Number of developing countries with net debt outflows doubled over the last decade.

Number of developing countries with net negative transfers on external public debt



Source: UNCTAD Secretariat calculations based on World Bank International Debt Statistics.

Note: Net transfers on external public debt are defined as disbursements minus debt service on external Public and Publicly Guaranteed (PPG) debt.

Second, borrowing from private sources on commercial terms is more expensive than financing from multilateral and bilateral sources, which tends to be concessional. The inequalities embedded in the international financial architecture exacerbate these differences in the cost of financing.

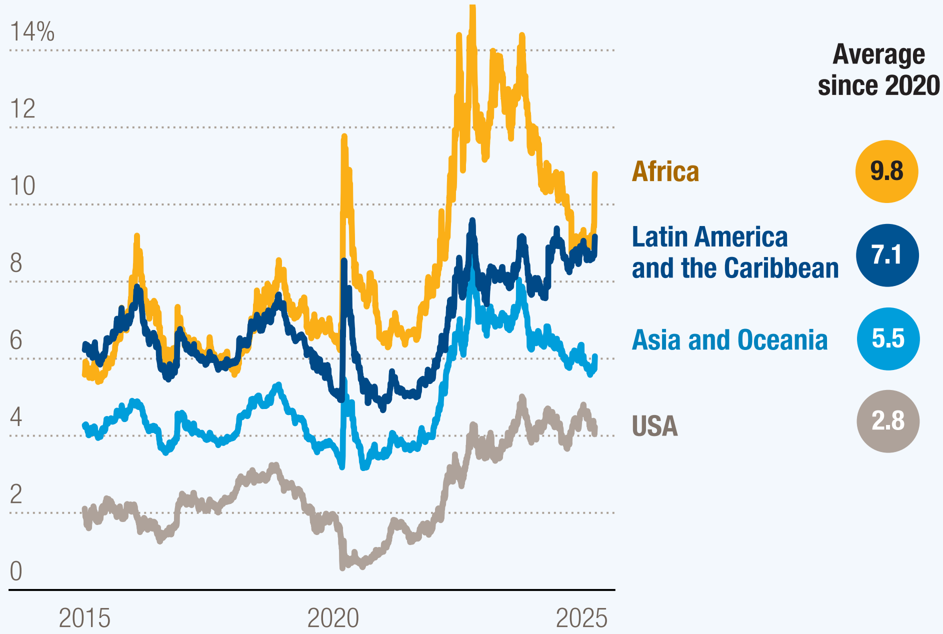
The borrowing costs of most developing countries far exceed those of developed countries. Developing regions borrow at rates that are two to four times higher than for the United States (figure 12, panel A). This increases the resources needed to pay creditors, making it more difficult for developing countries to finance investments while preserving their debt sustainability.

Moreover, developing countries' spreads (i.e. the difference between their bond yields and those of reference markets, such as the United States) can increase sharply in times of global economic uncertainty, as investors withdraw their funds to place them in assets with lower perceived risk (figure 12, panel B). Developing countries' spreads have widened since 2020, especially in Africa. These asymmetric dynamics raise the cost of borrowing for developing countries precisely when they need more resources for countercyclical policies.

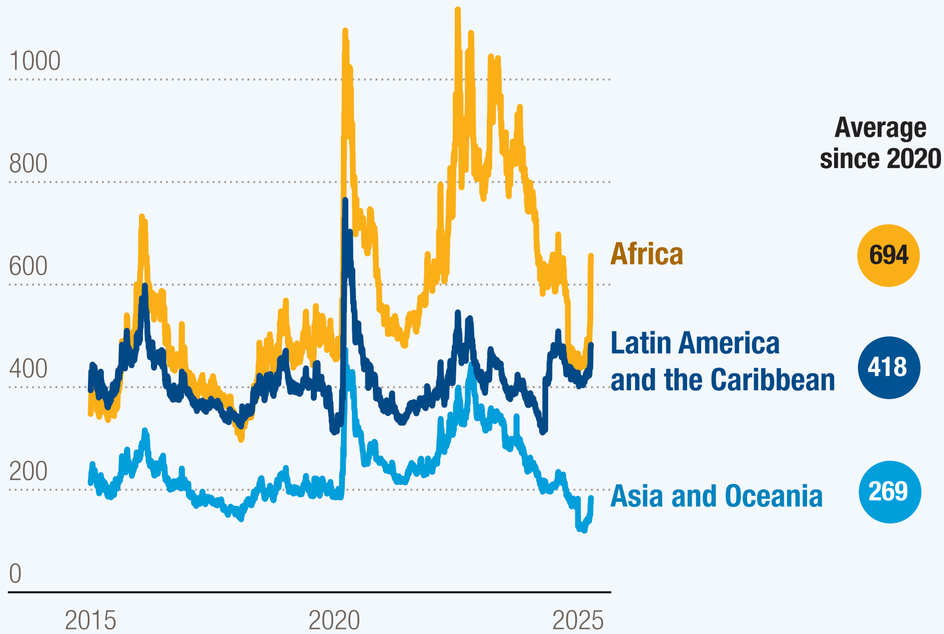
Figure 12

Developing countries face higher but divergent borrowing costs.

Panel A. Bond yields for developing regions and for the USA (2015-2025)



Panel B. Spread between JPM EMBI regional indices and USA Treasury (basis points; 2015 - 2025)



Source: UNCTAD Secretariat calculations based on LSEG.

Note: Illustrative comparison of the average JPM EMBI Global Diversified USD bond yields per region with the and the corresponding point in the US Treasury yield curve (2015 - 2025).

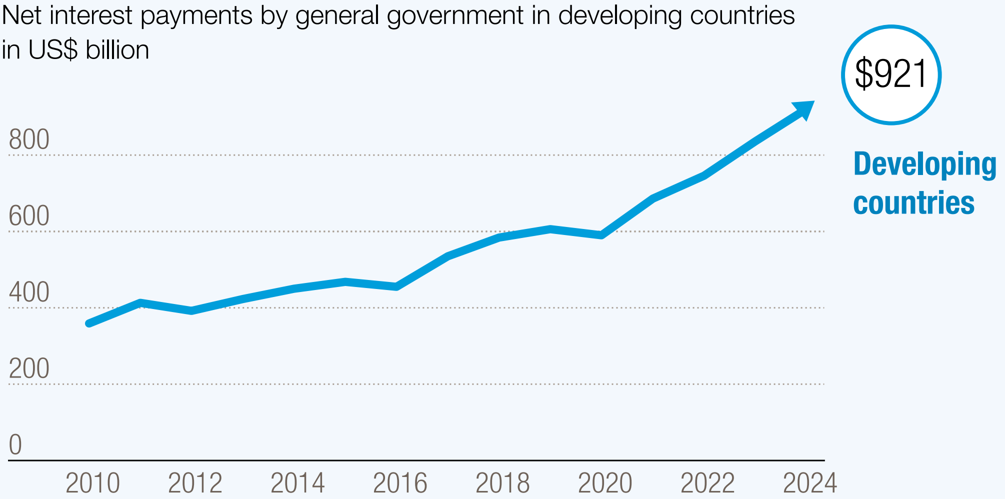
Third, the growing reliance on private creditors adds to the complexity of the creditor base. This makes debt restructuring more difficult, as it requires negotiating with a broader range of creditors with diverging interests and legal frameworks. Delays and uncertainties increase the cost of resolving debt crises. The relationship between restructuring costs and time required for completion is highly relevant in the current context. Debt restructurings since 2020 are taking longer to complete compared to episodes in previous decades, underscoring the need for improved debt crisis resolution mechanisms.

3.

People pay the price.

The interplay of a weaking global economy, heightened uncertainty, and relatively high costs of capital worldwide since 2022 is having a direct impact on public budgets across the world. Developing countries face particularly challenging conditions due to their widening development finance gaps, shocks stemming from recent trade policy changes, and declines in aid flows. Against this backdrop, developing countries' net interest payments on public debt reached US$921 billion in 2023—a 10% increase compared to 2023 (figure 13).[6]

Figure 13
Developing countries pay a record US$ 921 billion in interest.
Net interest payments by general government in developing countries in US$ billion



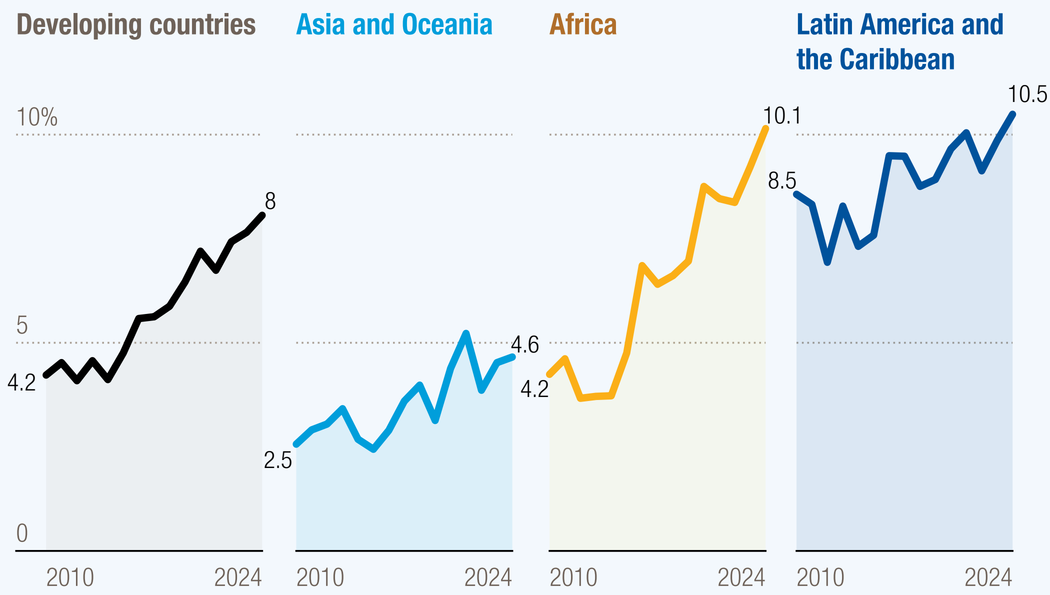
Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

Note: Net interest payments of the general government refer to the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing, minus any interest income received.

6 For comparison, in 2024 the USA paid $1.1 trillion in interest, equivalent to 12% of government revenues.

Currently, half of developing countries allocate at least 8% of government revenues to interest payments, a figure that has doubled over the past decade (figure 14). The rising pressure of interest payments is substantial across regions, particularly in Africa and Latin America and the Caribbean, where at least half of the countries allocate a double-digit share of their public revenues to interest payments.

Figure 14
Developing countries' interest payments doubled relative to government revenues.
Net general government interest payments of developing countries relative to government revenues - median per country group



Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

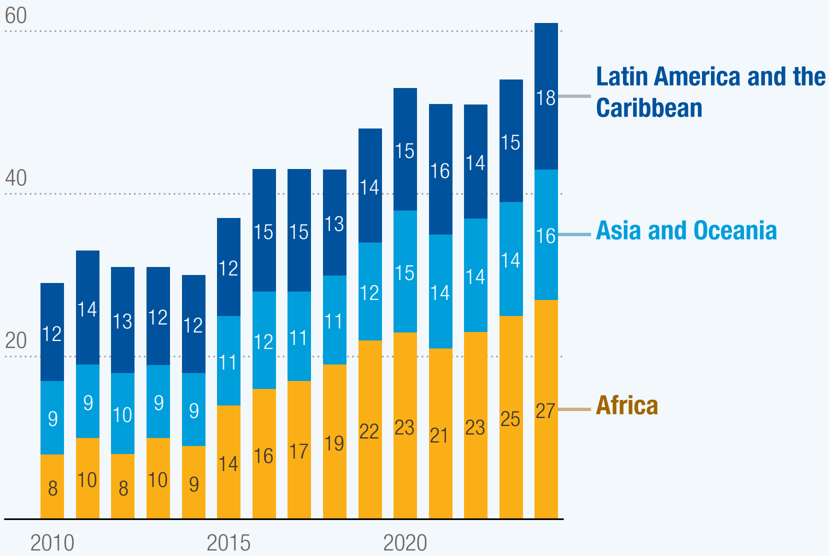
Note: Net interest payments of the general government refer to the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing, minus any interest income received. The median represents the value that lies at the midpoint of the data distribution.

Overall, in 2024, 61 developing countries allocated 10% or more of government revenues to interest payments–twice as many as in 2010 (figure 15).

Figure 15

In 61 countries, interest payments exceeded 10% of government revenues.

Number of developing countries with net interest payments exceeding 10% of revenues



Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025).

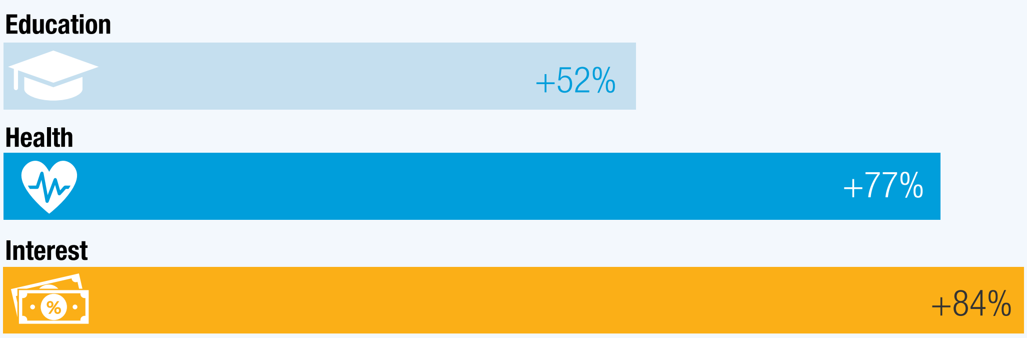
Note: Net interest payments of the general government refer to the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing, minus any interest income received.

Developing countries' interest payments are not only growing fast relative to public revenues; they are also outpacing critical public expenditures such as on health and education (figure 16).

Figure 16

Interest payments are growing faster than other public expenditures.

Nominal change (%) of public expenditure categories in developing countries between 2011-2013 and 2021-2023

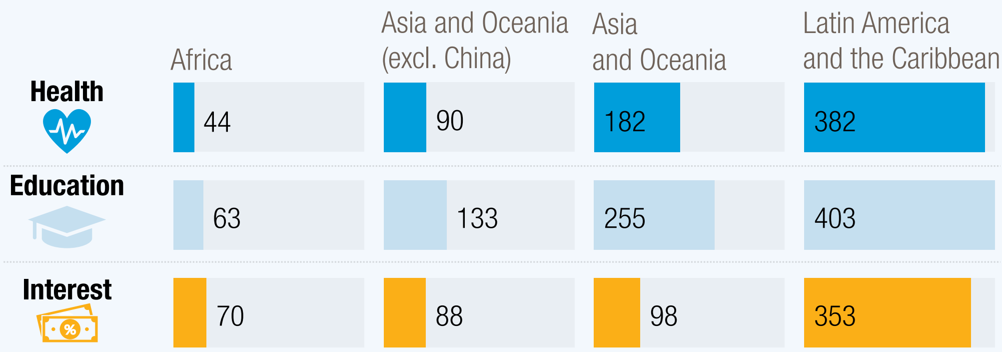


Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025) and World Bank World Development Indicators.

Note: Change in aggregate expenditures for developing countries. Interest refers to net interest payments.

The rapid increase in interest payments is constraining spending in other critical areas across developing countries. For example, between 2021 and 2023, Africa spent US$70 per capita on interest payments–significantly more than the US$63 per capita it spent on education, and the US$44 per capita on public health (figure 17). In Latin America and the Caribbean, per capita health expenditure was only slightly higher than interest payments.

Figure 17
Africa spends more on interest than on health or education.
Public expenditure per capita on net interest, education and health in US$ (2021-2023)

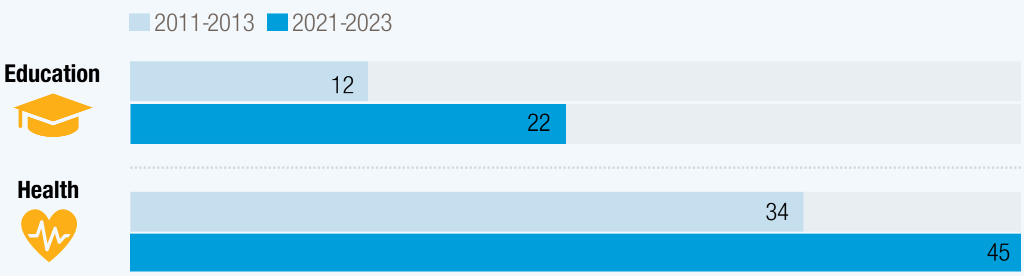


Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025) and World Bank World Development Indicators.

Note: Aggregate expenditures for developing countries. Interest refers to net interest payments.

The number of countries where interest payments surpassed spending on these essential services is rising (figure 18). From 2021 to 2023, 22 countries spent more on interest payments than on education, and 45 countries spent more on interest than on health.

Figure 18
A rising number of countries spend more on interest than on basic services.
Number of developing countries spending more public resources on interest than on education or health



Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025) and World Bank World Development Indicators.

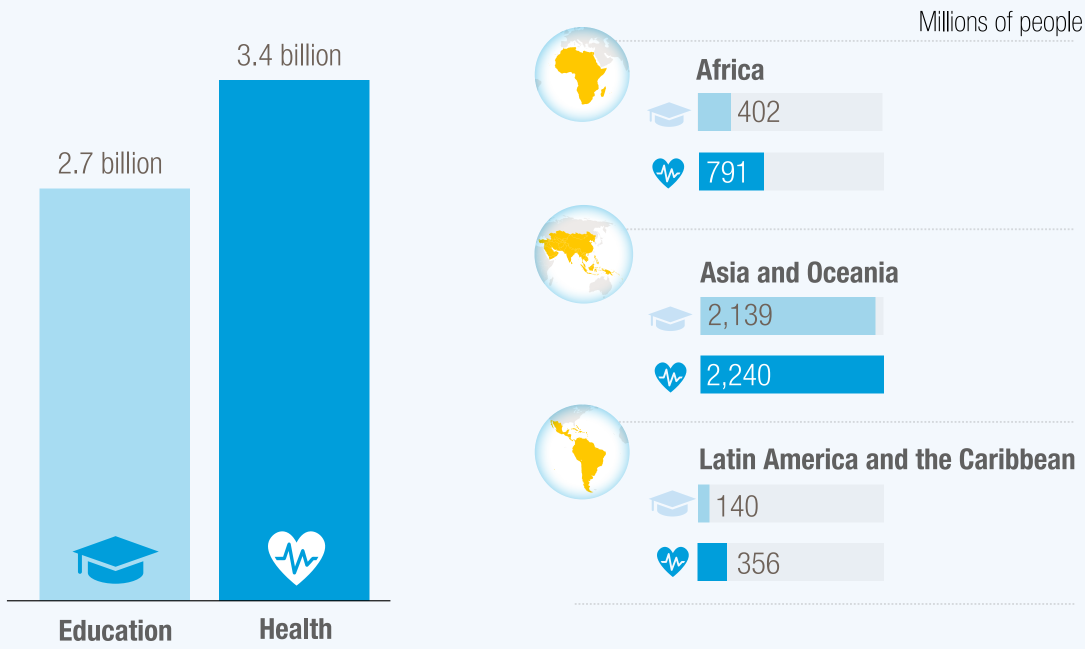
Note: Interest refers to net interest payments.

A total of 3.4 billion people live in countries that spend more on interest payments than on either health or education (figure 19). This situation is untenable and must change.

Figure 19

3.4 billion people live in countries that spend more on interest than on health or education.

Population in developing countries where spending on interest exceeds spending on health or education (2021-2023)



Source: UNCTAD Secretariat calculations based on IMF World Economic Outlook (April 2025) and World Bank World Development Indicators.

Note: Interest refers to interest payments.

Debt and aid.

The negative impact on developing countries from resource transfers to creditors has been exacerbated by the change in Official Development Assistance (ODA):

1. In 2023, aid to developing countries increased to US$167 billion at current prices, but this nominal increase actually reflected the third consecutive year-on-year decline in real terms (i.e., at constant 2022 prices). Moreover, with major donors announcing aid budget cuts, ODA flows are expected to contract even further.

2. A growing share of aid is now provided through concessional loans rather than grants. The share of loans in aid for developing countries increased from 28% in 2011-2013 to 33% in 2021-2023 (figure 20).

These trends, compounded by the growing demand for emergency responses to emerging crises, are increasing pressure on developing countries, especially those already burdened by debt.

Figure 20
Aid is increasingly shifting away from grants to loan instruments.
Share of concessional loans in total Official Development Assistance - ODA (%)

Source: UNCTAD (2025), "Aid at the crossroads: Trends in official development assistance".

Note: Shares are computed on the basis of nominal values.

IN FOCUS

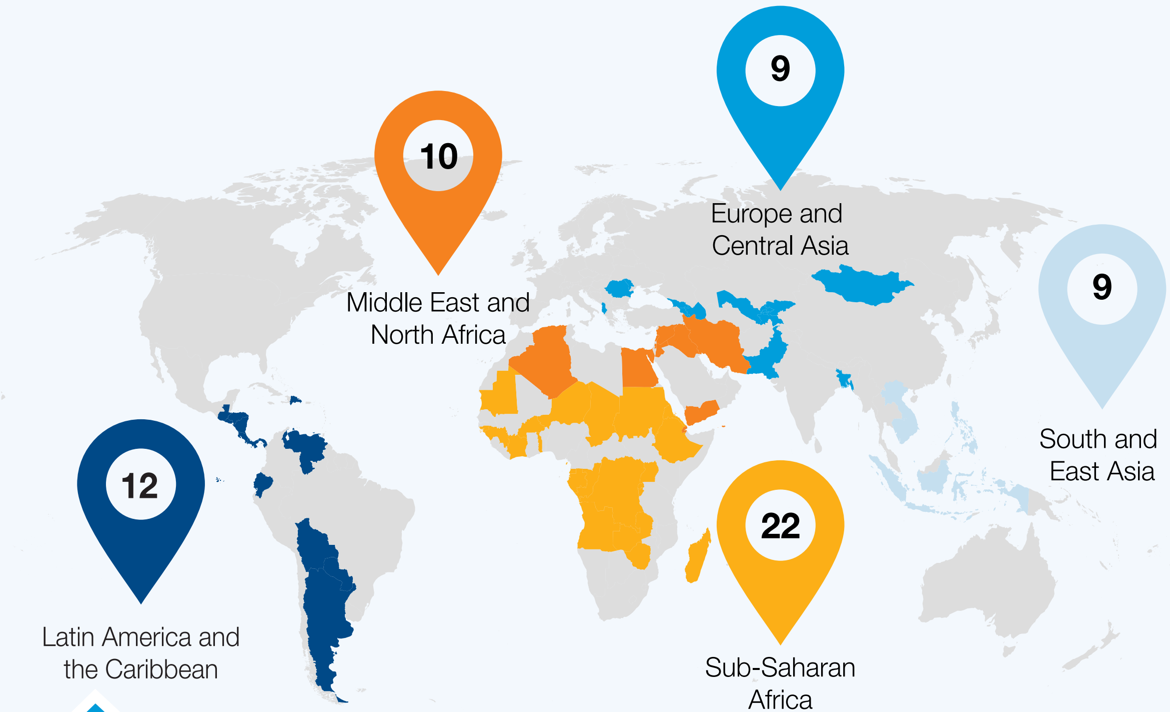
Strengthening public debt management and good governance.

The Debt Management and Financial Analysis System (DMFAS) Programme is a key initiative of UN Trade and Development (UNCTAD) and has been a leading provider of debt management solutions for over 45 years. It supports countries in building robust debt management systems at both the national and subnational levels, contributing to sustainable development and good governance. Countries assisted by the Programme are widely spread across the developing world (figure 21).

By supporting countries in recording and managing their day-to-day debt operations, and in producing reliable debt data and statistical and analytical reports for policy-making purposes, the Programme promotes sustainable and autonomous public debt management. This strengthens financial independence and resilience—key to long-term economic stability and effective crisis response.

To achieve these objectives, the Programme offers countries a specialized debt management software, training and capacity-building services, and advisory support. This includes interfacing with national integrated financial management systems and providing helpdesk assistance.

Figure 21
Geographical distribution of DMFAS user countries, 2024



4.

A roadmap to finance sustainable development.

The challenges posed by high debt service costs to sustainable development are at the forefront of ongoing multilateral development discussions. At the most recent United Nations General Assembly, 168 countries addressed issues related to financing for development (figure 22). Specifically, 60 countries highlighted the various ways in which debt is intertwined with sustainable development. The call to reform the international financial architecture is growing louder, with 59 world leaders advocating for efforts toward this common goal.

Figure 22
Nearly 60 countries call for international financial architecture reform.
Mentions of finance- and debt-related topics in the United Nations General Assembly speeches, total number of countries raising the topic and corresponding share by development status

Topic in the context of	Number of speeches	Share of developed (%)	Share of developing (%)
Financing issues	**168**	72%	93%
Debt	**60**	15%	37%
Reform of the international financial architecture	**59**	15%	36%

Source: UNCTAD Secretariat calculations based on the analysis of 193 speeches of the General Debate at the 79th Session of the UN General Assembly, 24-28 and 30 September 2024.

The United Nations outlines a way forward

Debt vulnerabilities remain heightened, although their consequences manifest in distinct ways across developing countries. These variations depend on factors such as the development of their domestic financial markets, the extent of their integration into global financial markets, their reliance on different types of creditors, and their resilience to external shocks. To address global debt challenges and achieve sustainable development, the United Nations outlines a clear way forward in the United Nations Secretary-General's SDG Stimulus to Deliver Agenda 2030 and the Summit for the Future's policy brief on Reforms to the International Financial Architecture.

Inequality is embedded in the international financial architecture. Changing this requires :

1. **Making the system more inclusive and development-oriented** by improving the real and effective participation of developing countries in the governance of the international financial architecture and reforming the Debt Sustainability Framework to avoid a "too little, too late" approach.

2. **Enhancing the availability of liquidity in times of crisis,** so that countries are not forced into debt as a last resort. This can be achieved through enhanced use of Special Drawing Rights, temporary suspension of IMF surcharges, greater access to IMF emergency financing windows linked to countries' quotas, and increased use of regional financial arrangements and South-South regional financial cooperation.

3. **Creating an effective debt workout mechanism** that addresses current deficiencies of the G20 Common Framework for Debt Treatment–caused by limited country eligibility, creditor coordination challenges, weak mechanisms to stimulate or enforce private creditors' participation, and the lack of automatic debt service suspension clauses.

4. **Providing more and better concessional finance and technical assistance** to support countries in tackling the high cost of debt. Ways to do so include fulfilling aid and climate finance commitments, transforming and expanding multilateral development banks, promoting local currency financing, reducing reliance on credit rating agencies, normalising the use of debt service pauses during shocks, and strengthening technical assistance in debt and risk management.

The world has long been talking about reform. The 4th International Conference on Financing for Development in Sevilla is a key milestone in this process.

It is time to move from conversation to action.

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